

Sign up today STAR NEWS ALERTS

Troubled Waters: Inactivity plaques Waterfront East

Friday, 29 January 2010

by **Bob Grawey**
Staff writer

LandCor, once the big player in Otsego development, has fallen into lowly foreclosure status. In fact, its Maple Grove headquarters no longer has the company name on it, and offices are empty.

But what does this mean for Waterfront East and Waterfront West properties in Otsego that LandCor planned to develop? And how could such lofty plans come to such a decided fate as foreclosure?

City officials and other developers say a lot of the plans for Waterfront East in particular, and even Holiday Inn in Waterfront West, were simply planned years before Otsego's growth could support it.

The hotel and waterpark has operated far below its potential since it opened in 2006, struggling to turn a profit. At one time, previous owners owed \$814,498 in back taxes.

The present owners are current in their taxes, but did not respond to questions as to how the hotel is doing now.

Other properties, including Rockwoods and various strip malls were sold by LandCor to different parties and are doing well.

When BoB's Produce closed, however, LandCor could not keep up with payments and the building went into foreclosure.

Another LandCor property in Waterfront West, located catty-corner to Holiday gas station, was set to break ground for a auto-care strip mall. That fell through and the property went into foreclosure. LandCor has six months to reclaim the property, but it cleared the redemption period last week and is now up for sale by the lender.

Waterfront East has had even more problems.

The one solid business that moved into one of the two buildings LandCor built in Waterfront East is Cold Stone Creamery.

It remains open and is doing reasonably well considering the lack of traffic Waterfront East receives.

Safe Harbor Financial Solutions anchors a suite in the back of the same building, but a lot of space remains vacant from when the building was completed in 2006.

The other building in Waterfront East had a title company and a real estate agency but both have either gone out of business or moved on. Only Otsego Chiropractic remains in the two-story building.

Both buildings went into foreclosure last fall and the court appointed Ron Touchette, of Rock Solid Commercial, to act as receiver of the properties.

A receiver, Touchette explains, is someone a judge appoints to act as a manager and a type of guardian for the property. So Touchette, who specializes in troubled asset management, takes care of the properties while the lender and the borrower work out their differences.

"I don't have responsibility toward the lender or the borrower, only to the court," Touchette says. "My one job is to be an advocate for the property, and I have to act in the best interest of the property."

That means taking care of current tenants and to address any issues with the building, such as heat or air conditioning problems.

The receiver can also market the two buildings, lease space and enter into contracts beyond the term of receivership upon approval of the courts, according to Touchette.

All parties are copied as to what he sends the judge and if no one objects within 10 days, the transaction is approved.

If any party objects to a transaction Touchette makes, the judge has the final ruling.

LandCor will have until spring 2010 to redeem the two buildings, but Touchette says he does not expect the developer to do that. "They are done," he adds.

The land the buildings are platted on is valued at \$1.9 million for the site where Otsego Chiropractic is located and \$1.53 for the other property, according to a Wright County assessor Web site.

But those values may be falling in 2010. Touchette says he expects commercial values to fall around 30 percent this year.

His concern, he stresses, is for the tenants he now has, and to try to lease vacant space.

Cold Stone Creamery's lease was due to spike drastically, and though Touchette would not say its lease was renegotiated, he did say he is making sure the owners are taken care of so their business will be successful.

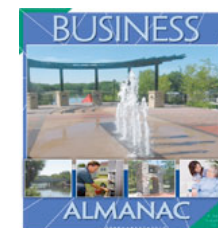


THE CHUBA COMPANY
763-441-4488

custom design build
remodeling & renovation
roofing, siding, windows
green friendly



19276 Vernon St. NW
Suite 100
Elk River, MN 55330
License MN #20628158



Will you go to the MN State Fair?

- Of course
- Never
- Haven't decided

