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Hecla resort finally gets offer

Purchase proposal far less than expected for property

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An artist's rendition of the Hecla resort, which has been closed and in receivership since November 2010.

There's finally some good news regarding Grindstone Provincial Park's shuttered Hecla Resort, which

has been closed and in receivership since November 2010: An offer to purchase the property is on the table.

But according to the most recent report from the receiver, the offer is far less than expected.

For many years, the troubled hotel property was owned and run by the province, which lost a reported \$9 million on the operation. A deal was struck in the middle of the last decade to sell the property to Paletta & Co. Hotels Ltd., a Winnipeg company that had built and run successful hotels in the city. Details of the sale agreement have never been released.

After Paletta sank \$2.5 million of its own money, \$8.5 million in loans from the Business Development Bank of Canada (BDC) and a \$5.5-million loan from the province into the property, BDC appointed a receiver and forced the property to close about a year and a half ago, leaving Paletta high and dry.

Shortly thereafter, Paletta & Co. Hotels Ltd. sued the province and BDC for damages. The lawsuit is still before the courts.

Since then, the real estate brokerage firm CBRE has been working on behalf of Winnipeg receiver Lazer Grant to find a buyer.

Successive reports from CBRE indicate the firm was not able to drum up any interest in the property. Those reports cite industry concerns about its distance from Winnipeg -- about a two-and-a-quarter-hour drive -- the fact it has been closed so long and demand does not support year-round operations.

Late last summer, in its efforts to market the property, CBRE started quoting a list price of \$6.5 million -- even though about \$16.5 million had been spent on the property in the last couple of years. As recently as mid-February, CBRE recommended it drop the list price to \$3.5 million.

Joel Lazer, a principal of Lazer Grant, would not disclose the offered price, but said it is being considered and includes conditions beyond the receiver's control.

Local hotel industry officials have said despite the excellence of the resort -- the Paletta renovations included a spa and five-star restaurant -- the shortness of the summer season and availability of other financially distressed properties in better locations across Canada have kept investors away.

Unconfirmed reports from sources said the purchase offer is to transform the property into an addictions treatment centre.

Jim Baker, executive director of the Manitoba Hotel Association, said in addition to its isolation and lack of year-long demand, the property experienced operational hurdles owing to its site in a provincial park. (The deal Paletta & Co. made with the province was that it lease the land.)

Paletta & Co.'s claim against the province and BDC is that those lenders reneged on alleged agreements to allow Paletta to build condominiums on the site. They then refused Paletta's attempt, with a third-party operator, to operate a health and wellness centre.

Since it has been closed, the property has been beset by problems. Water damage from frozen sprinkler pipes, vandalism and more than \$6,000 in damages from diesel exhaust from a backup generator have further hampered marketing efforts.

The resort's celebrated golf course is set to open today. But even it has not been immune to calamity. During the winter, the pro shop burned to the ground in an electrical fire.

Although the 18-hole championship course is well-regarded, that does not necessarily mean it will be

profitable.

Last year, the course hosted more than 8,300 rounds of golf but still lost \$187,000, according to the latest receiver's report.

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