

## Beach club comes to a halt

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Plans for the construction of the Skaha Beach Club and Spa have come to an end.

The official announcement was made by Mel Reeves chief executive officer for My Second Home Developments Tuesday. Reeves explained the reasons for the project's termination in a news release: "With deep regret, My Second Home Developments Ltd. announces today that our plans to construct Skaha Beach Club and Spa have been terminated. This, in effect, is the end of the project. Unfortunately we have succumbed to the long tentacles of the worldwide sub-prime mortgage crisis."

He went on to state the project was presented to financial institutions, hedge funds, private investors and financing groups but the company was unable to put a deal together. "We have exhausted all of our sources for financing," he continued. "After having worked on this project for seven years, achieving unprecedented presales in the South Okanagan, and having spent about \$21 million in the process, it is with a heavy heart that we make this announcement."

Reeves said when the time came for the project to go to tender, bids were coming in at about \$96 million -- which was \$16 million more than it had accounted for in its budget.

The construction crane for the Skaha Beach Club and Spa was moved into place at the former Wonderful Waterworld property at Skaha Lake Road and Yorkton Avenue last August. Groundbreaking was to begin on the project by the end of September 2007 but it was delayed by an engineering evaluation which took about three months.

When the company returned to its lenders in January both had suffered significant losses in the sub-prime mortgage crisis in the U.S. and were unable to finance the project.



Mel Reeves, chief executive officer for My Second Home Developments stands in front of the crane which was going to be used for the construction of the Skaha Beach Club and Spa. Reeves announced Tuesday plans for the five-star resort that was to be built at corner of Skaha Lake Road and Yorkton Avenue have come to an end.

Reeves said he travelled to Europe and Asia as well as through parts of Canada and the United States seeking financing for the beach club.

"Everybody loved the project," he said. "We had in our first phase, which is four buildings, 88 per cent presales -- an unprecedented number with about a \$110-million sell out. No one questioned the five-star nature of the resort, the size of the resort."

People purchased 180 of the 211 units which made up the first phase of the beach club. Upon completion the project would have had 465 condominium style strata units.

The resort was to showcase such amenities as a full-service kitchen, a health and fitness club, a wine bistro, a cafe, convention and meeting rooms and a yoga theatre which doubles as a multimedia room in the evenings, and an 8,094-square-metre man-made lake.

Once completed Reeves said the beach club would have employed about 300 people.

The company started sending letters to owners regarding the fate of the project Friday and began issuing the first of its refunds, plus accrued interest to investors as of Monday. Reeves noted the money is being held in term deposits insured by the provincial government.

The demise of the project came as a disappointment to David Perry, Penticton's mayor when the project was in its early development stages.

In July 2005 Penticton city council voted unanimously in favour of a zoning text amendment which allowed My Second Home Developments Ltd. to open the Discovery Centre sales office on a former gas station property to market condominiums for the first phase of the approximately \$150-million resort.

The Discovery Centre, which opened on the site in the spring of 2005, features a complete one-bedroom display suite and sales offices.

"It's disappointing at this point in time not to see the project going ahead," said Perry. "That's a pivotal piece of land in the south end of Penticton. Mr. Reeves was probably first off the mark in terms of any of the major projects that are currently being completed and so not to see that going ahead certainly is a disappointment.

"My concern for the existing council is if there are any regulations in place that he clean up the site rather than just walk away from the project."

This marks the second time in a span of six months that plans for a major development in the city have failed to move ahead.

In December a Vancouver developer who planned to build a three-tower resort hotel on South Main Street backed away from plans to purchase the property.

Barry Kaplan let his option to acquire the 1.8-hectare Skaha Tent and Trailer Park property expire.

The development was to be called the Penticton Waterside Resort and Spa, and had called for more than 340 individually owned units.

Meanwhile plans for another Penticton development are also on hold.

Randy Kowalchuk of Locations West Investments said its 12-storey complex proposed on the site of the old Jade Garden restaurant at the corner of Alberni Street and Westminster Avenue will not be moving ahead until market conditions

improve.

"We're in a holding pattern," said Kowalchuk. "We want to do the project but we need to find a financial partner and that has gotten more difficult in the last year. There's no doubt about that."

The building was to be a mixture of resort, commercial and residential uses.

"To date we haven't found the market is right for many reasons," said Kowalchuk. "We do believe that in the long term the city of Penticton will be in good shape but today the hotel occupancy in the city is around 42 per cent which is well below the need to add additional supply."

Kowalchuk said rising development cost charges and construction costs have created an environment that does not contribute to creating an economic strategy or plan that can be fulfilled.

Kowalchuk said in researching the market it appears "the markets have become a lot less liquid than they were in past years.

"Everybody was roaring at a pretty good pace and everybody got kind of silly," he said. "The cost to do things didn't justify the income at the other end. We're probably going to go back more into traditional growth, and I think that's healthy for everybody."

According to Reeves there are no plans for the nearly four hectares of prime land where the beach club was to be built but he did indicate it will be working with the City of Penticton to determine what the highest and best use of the property is on a long term basis.

"We have met with the city and they've been very supportive," he said. "There's a community plan underway for this area of the Penticton so we'll be instructing our architects to work closely with the city and its architects and consultants."

Reeves did not offer any comment on the \$15-million lawsuit he filed against the City of Penticton because the case is currently before the courts.

In 2004, the city expropriated a residential property at 201 South Beach Drive owned by Reeves. He later launched an appeal of the city's \$527,000 appraisal of his property.

In March 2005, Reeves filed notice with the B.C. Supreme Court of intentions to sue the city for \$15 million.

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