

Recap for October 1, 2024, City Council Meeting

On Tuesday night, City Attorney Bill Ihrke and City Manager Jon McMillen provided an update on Talus and the bankruptcy proceedings underway with SilverRock Development Company and affiliates (collectively, SDC).

During a court hearing Friday, September 27, the judge in the case granted an interim order authorizing SDC to obtain debtor in possession (DIP) financing.

The judge's ruling was the first step in a City-led negotiated DIP financing package that would provide the chief restructuring officer (CRO) with the ability to have money to clean up the Talus site and begin remediation of the project area, Ihrke said.

The CRO is an independent supervisor not associated with the parties in the case, including SDC, who is overseeing SDC's estate and eventually a reorganization plan to come out of bankruptcy, Ihrke said.

The DIP financing package was led by the City after the court previously denied a DIP proposed by SDC that involved a financing company that was not a party to the case and had outlined "very expensive and severe" terms that the judge found unacceptable, Ihrke said.

The judge's ruling authorizes an initial payment of up to \$250,000 of a proposed \$2 million that the City would commit, pending a final order expected from the court later this week, Ihrke said.

The funds must be used for specific items relating to the property and getting the property secured and up and running again, he said, and include remedial construction work, site cleanup, dust and erosion control, he said.

The City's debt financing is in the form of a loan at 4.55% interest which is the current Local Agency Investment Fund (LAIF) rate as set by the state. It will be paid back to the City by March 15, 2025, or "perhaps earlier or a little later, depending on the status and approval by the bankruptcy court and reorganization plan," Ihrke said.

SDC filed for Chapter 11 protection on August 5 in U.S. Bankruptcy Court in Delaware, the state where SDC was formed. The petition for bankruptcy automatically froze the foreclosure sale of the Talus land scheduled for August 6 and any plans to move forward with a new developer for the project, formerly known as the SilverRock Resort.

The city manager has been working with the CRO, SDC and other major creditors and their respective attorneys in connection with the DIP package to ensure that the Talus site doesn't fall into further disrepair and construction can resume as soon as possible, Ihrke said. Most important is that the City's rights are preserved and exercised in appointing a new developer to take over and finish the project, Ihrke said.

McMillen recently walked and inspected the Talus site with the CRO, a representative of RD Olson Construction, the original contractor on the commercial components that want to stay with the project, and others to identify what must happen soon to secure and protect the site and existing structures.

There are portions that have been damaged by exposure to the elements since construction stopped that must be removed, McMillen said.

“There are other items that can be preserved and saved so they have value going forward,” he said.

There is a lot of collaborative work among all of the parties to make sure this process moves along smoothly and as quickly as possible, McMillen said.

Talus La Quinta will include two Montage International branded luxury hotels, spa resort amenities and residential units.

McMillen said he is in constant contact with company President and COO Jason Herthel who continues to stress how important this project is to Montage.

“They want to be in this City. They want to be here to deliver this project at the end of the day,” McMillen said.

McMillen and Ihrke will continue to provide regular updates at Council meetings to keep everyone informed.