

May 9, 2008

Real-Estate Drop Has a Green Lining

As Home and Resort Development Cools, Conservationists Snap Up More Land

By **JIM CARLTON**

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There's a green lining to the real-estate cloud: Developers are dropping plans to build on some choice pieces of land and instead are selling it for such uses as public parks and nature preserves.

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Sean Davey

A unit of Oaktree Capital Management LP was negotiating with a hotel chain to build a mega-resort development along this stretch of Oahu's fabled North Shore.

One of the big beneficiaries is Trust for Public Land, a San Francisco nonprofit group that specializes in buying land for conservation. The Trust often struggled during property-boom years to find sellers among land owners near urban centers. Now, U.S. property owners from Massachusetts to Hawaii are flocking to it.

One of the latest examples involves a five-mile stretch of Hawaiian beach. Last summer, a unit of Los Angeles-based Oaktree Capital Management LP was negotiating with a hotel chain to build a mega-resort development along Oahu's fabled North Shore. Its plan for as many as five new hotels with up to 3,500 rooms and condominium units had been one of the most intensely opposed in Hawaii in years.

But a deal to develop the 858-acre property, which includes the well-known Turtle Bay Resort, languished. Last June, the company missed a \$687,500 payment on a \$283 million loan it obtained in 2005 from a group of lenders headed by a unit of **Credit Suisse** Group, according to court records. Credit Suisse in December filed suit in Hawaii Circuit Court, seeking foreclosure on the property for that and other alleged breaches.

Earlier this year, Hawaii Gov. Linda Lingle asked groups including the Trust and local conservation group North Shore Community Land Trust to help protect the undeveloped land and to find a buyer for the adjacent Turtle Bay Resort. Oaktree representatives contacted her office within days after her

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announcement saying they wanted to talk. "They need to get out of that property," she said. "We would like to see it preserved."

Credit Suisse and Oaktree officials declined to comment.

So far, the land sales are small and barely dent development -- or hurt local governments' property-tax collections. But they are helping conservation groups raise new funds and increase their buying power. Big creditors and financially stressed developers also are viewing these groups as a lifesaver.

In Portland, Ore., a developer that had approval to build 65 homes on a 27-acre parcel agreed in February to sell it for \$4 million, a 20% discount to the land's appraised value before the housing market softened. In Groton, Mass., the Trust last July paid \$19.4 million to preserve a 360-acre farm that was owned by a developer who abandoned plans to build 130 homes as housing there also slumped. The Portland land will be added to an existing park; Groton will receive the land for open space.

The Trust's financial muscle to make acquisitions is growing. Its planned budget for this year is \$102 million, up from \$90 million last year. With the real-estate slump, "We're trying to make lemonade out of lemons," says Will Rogers, president of the Trust.

In addition to the Trust, the Nature Conservancy, Arlington, Va., is among the national groups working on similar deals. Their purchases tend to be larger -- involving thousands of acres. "Two to three years ago, local farmers and ranchers were eager to sell off their land and cash out," says the Nature Conservancy's Cristina Mestre. "Now, we're being approached en masse" to buy development rights.

In rural Minnesota, thousands of former Camp Fire girls rallied to stop a 71-acre camp from being turned over for development. The property had operated as a Camp Fire camp for 77 years until being closed two years ago. But last August the developer failed to secure \$5 million in financing, say officials of Camp Fire USA's Minnesota Council. They have since begun negotiations to sell the property for \$3.8 million to the Trust, which proposes to convert it into a regional park, says Andrea Platt Dwyer, chief executive officer of the Minnesota Council. She expects a deal to close by December.

Another property -- a 540-acre farm in Resaca, Ga. -- lies in the middle of a Civil War battlefield and is the site of a major battle re-enactment every summer. It was in foreclosure and facing a bank auction. But after the housing slowdown, the family offered to sell the property to the Trust for conservation. An asking price hasn't been made public, but the property is appraised at \$3.8 million.

Not everyone is a fan of these conservation deals. Private-property advocates, for example, complain that taking prime land out of circulation near cities pushes development even farther away, as well as driving up land prices.

But many developers are no longer complaining. North Beach Developers Ltd. this month expects to sell to the Trust for \$4.4 million an oceanfront parcel in New Smyrna, Fla. In 2005, the land was valued at \$6.2 million. The Orlando developer was planning to build 23 condominiums, says Stephan Neveleff, its managing general partner. The land is being transferred to the city for a park at a loss of between \$300,000 and \$400,000. "It's just time to move on to something else," Mr. Neveleff says.

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