

Rapid Recovery Center, Partially Completed, Sells for \$14.04 Million in Tucson



TUCSON, Arizona – Mainstreet, one of the largest developers of post-acute properties in the United States, is having a rocky launch for its Rapid Recovery Center offering in Arizona and recently sold off the partially

completed transitional care property at 5151 East Pima Street in Tucson for \$14.04 million to an affiliate of the Aspen Group of Scottsdale.

The property sold in an REO transaction and a loan assumption.

A year ago, Mainstreet's plan was to open 11 Rapid Recovery Centers over 18 months, in Arizona and Texas. Now, the Carmel, Indiana-based company has decided to pull out of the Arizona market entirely, laying off 70 workers. All of these jobs are in Arizona; Mainstreet has not made workforce changes to its other operations or offices in response to the situation in the Grand Canyon State, CEO Zeke Turner told Senior Housing News.

One of its Arizona Rapid Recovery Centers, in the Phoenix suburb of Surprise, is open but has only a few patients, the Indianapolis Business Journal first reported Thursday. The other three locations—in Phoenix, Tucson and Chandler—will not open. Mainstreet plans to close the Surprise facility and either sell all four properties or lease them to a different operator. Originally, they were to be managed by Mainstreet's operating arm, Mainstreet Health, which was formed in 2014.

Start-up costs for the Arizona facilities ran higher than

projections, and this was a major factor in the decision to pull out of the state, Mainstreet CEO Zeke Turner told Senior Housing News. A “challenging local reimbursement environment” and slower than expected real estate sales also caused unexpected difficulties, he said.

Turner declined to share specific cost figures for the developments. The Phoenix Business Journal previously reported that Mainstreet would invest more than \$100 million to develop and staff the four properties.

The Rapid Recovery Center concept is to create buildings with a luxurious feel and to staff them with high-level clinicians, including having physicians on site daily. The goal is to be a post-acute provider of choice for managed care systems, by achieving better outcomes in a shorter time period for rehabilitation patients. Specifically, the centers are meant to help prevent readmissions while shortening length of stay—two major objectives for health systems that are eager to control costs and that face Medicare penalties tied to re-hospitalization rates.

Mainstreet is moving ahead with Rapid Recovery Centers in Texas, Turner said.

“We are committed to Rapid Recovery Center and believe in it,” he said. “We have three centers open in Texas right now and are scheduled to open five more over the next 12 months. This is already a huge undertaking and commitment, which did contribute to the Arizona decision.”

This is just the latest news highlighting challenges in the skilled nursing and post-acute sector.

We reported the Mainstreet land purchase in September 2016, see Real Estate Daily News, [Transitional Care Center Coming to 5151 E Pima Street, Tucson](#).

For prior transaction, see RED 4169.

New Owner Occupant of Saguaro Ranch to Reset Luxury Northwest Community



TUCSON, ARIZONA – Saguaro Lot Development, Inc. (Scott Lundberg, President) and partners from the Seattle area purchased 825 acres in the Saguaro Ranch luxury community in the higher Tortolita

Mountains for \$7.2 million, bringing new life to this community in northwest Tucson.

“We are excited to bring energy and purpose into Saguaro Ranch with a vision for healthy living and fitness in a one of a kind Sonoran Desert setting,” said Lundberg who also lives in the community. “We captured our longtime friend and past business partner, renowned southwest architect Ron Robinette, to help spearhead the establishment of a private homeowners clubhouse with special amenities and planned future home designs to make Saguaro Ranch an exclusive private community high up in the Tortolita Mountains of Tucson Arizona.”

“The journey began over a decade ago when Ron helped my wife Charleen and I design and build our own home in Saguaro Ranch. It continued when Ron Robinette helped my business partner Brian Peschel and I design and build the award-winning Legacy Apartments at Dove Mountain. The journey culminated when we volunteered to spearhead over a years-worth of due diligence, resolving countless technical purchase issues along the way, prior to closing on the remaining 825 acres of pristine

Sonoran land.”

“We are beyond enthusiastic to begin building a community that will help the City of Tucson and Town of Marana shine bright,” Lundberg concluded.

Mike Conlin with Tierra Antigua Realty of Tucson handled the sale and will also be representing the developer in the marketing the future lots.

Currently, there are nine ready-to-build lots remaining of the original platted fifty 4+ acre lots in phase I, as well as a preliminary plat in what is being called Moonlight Canyon at Saguaro Ranch for (43) 1-2 acre lots platted by the buyer while still in escrow.

The original developer of Saguaro Ranch filed Chapter 11 in February 2009 and the property was returned to the largest secured creditor, Kennedy Funding of Englewood Cliffs, NJ, holding claim to \$23.9 million in 2011. Kennedy’s intent was to find a buyer for the assets for resale.

Before being caught in the maelstrom that hit Arizona especially hard, Saguaro Ranch luxury community suffered setbacks in its plan to develop 180 single family homes tucked away on 1,035-acres in the Tortolita Mountains. Before filing bankruptcy some of the vacant lots there were selling for over \$1 million each.

The principals involved in this new beginning for Saguaro Ranch recognize the existing market demands and have chosen an almost perfect time to successfully relaunch of this project, according to Conlin.

For additional information Conlin can be reached at 520.429.4773.

To learn more, see RED Comp #6694.

Blue Sky Equity Partners Acquires Red Lion Inn & Suites Tucson North Foothills



TUCSON, ARIZONA – Blue Sky Equity Partners has added to its hotel portfolio by acquiring the Red Lion Inn & Suites Tucson North Foothills for \$7 million (\$44,872 per room) and plans to rename and reposition the hotel

as a boutique hotel called 3 Palms Tucson North Foothills at 7411 N Oracle Road, Tucson.

Located near the foothills of the Santa Catalina Mountains in North Tucson, the 156-room hotel is the Tucson North hotel of choice for both business and leisure travelers, outdoor adventurers, family vacationers, and visitors to the University of Arizona. Financial terms of the transaction were not disclosed.

“We are excited to acquire this one-of-a-kind hotel in Tucson, and we’re looking forward to continuing to be the North Tucson hotel destination of choice under the 3 Palms brand,” said Logan Abbott, President of Blue Sky Equity Partners. “Our hotel division is focused on continued growth in the Pacific Southwest and this exciting acquisition allows us to expand our flagship 3 Palms brand to another great desert destination in the Tucson North Foothills,” added Ariel Abbott, the company’s Director of Revenue and Growth.

While this acquisition represents Blue Sky Equity’s first

Tucson-based hotel, the company and the 3 Palms brand has long enjoyed a presence in the Arizona market with the 3 Palms Hotel Scottsdale.

Blue Sky Equity Partners is a family owned private equity investment firm with investments in real-estate, media and technology. The firm's hotel division owns and operates multiple hotels in California and Arizona under various brands including the 3 Palms. The company manages every facet of redeveloping, remodeling, and repositioning portfolio hotels as well as building a world class team to operate them.

To learn more see **RED Comp #6678**.