Restructure and Completion of Capital Partner Integration of TIC Investment Property

$25 Million Property Restructure of a Tenant In Common Property

*J.C. Irving, 122 West John Carpenter Office Building*, Dallas, Texas

Highlights:

- Saved Property from Going into Foreclosure
- Created New Investment Vehicle with New Capital Partner
- Allowed New Capital for Improvement of Property and to Retain Tenants
- Created Optional Exit Event that Allowed Owners to Cash Out
- Restructured Ownership to Allow TIC Owners to Stay in Investment
- Completed Roll Up for Investors that Elected to Stay in the Investment

122 West John Carpenter Office Building, Dallas, Texas

The $25 million, Tenant In Common owned office building in Dallas, Texas was losing money, cash was running out and the lender, Wells Fargo, had appointed a Special Servicer, C-III Asset Management, to manage the loan. The property manager had unsuccessfully tried to raise money internally through the use of capital calls and the owners were facing certain foreclosure in the non-judicial foreclosure state of Texas.

The owners initially hired a “so called” Loan Workout Specialist, Breakwater, to review and analyze the status of the property and coordinate an exit strategy. They were grossly disappointed after paying $25,000 for a one hundred page “form” report with a few fill-in blanks. The “Specialist” suggested a strategy would have earned them hundreds of thousands of dollars in fees and left little or nothing for the owners.

One of the 19 owners had been previously represented by Rubin & Rubin and suggested a consultation to review the options.

Eventually the firm was retained and immediately came in from the perspective of an interim Chief Executive Officer. They reviewed the operations, management, loan, leasing and all other aspects of the property to realistically assess the condition of the investment for the owners.

They found that the 281,000 SF Office Building was in a declining state of repair, over 50% of the leases would be expiring in the short term and that the prospects of leasing, with the condition of the building and dwindling reserves, did not hold many good options for a return of anything for the owners.

The law firm deployed a strategy to renegotiate the lease with the largest tenant, subject to a coordinated investment from a capital partner that would stabilize the property and allow for the owners to elect to "cash out" or to continue on in the property as minority investors.

As a result, the owners that were looking to get out, were paid in cash at the closing to recoup some of their original investment. Those that wanted to continue on in the investment, converted their TIC ownership interests into an LLC as a "roll up" so that they could keep their tax deferred status in the new ownership entity and hopefully earn back, over time, some or all of the equity that was lost from the original investment.

For more information:
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