



Business

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Court-appointed receivers find business booming

Louis Aguilar / The Detroit News

Delivering economic shock treatment is a good business in which to be in Michigan.

You can control an iconic hotel in downtown Detroit, swanky suburban homes or the city of Pontiac. And plenty more opportunities will likely arise.

Much like repo men, certain businesses boom during hard times and now is the season to be a court-appointed receiver. Or someone trying to renegotiate commercial real estate loans, or a state-appointed emergency manager who can run a deficit-riddled city.

"Business is always good in Michigan and it keeps getting better every year," said David Findling, a Royal Oak attorney and court-appointed receiver. "This year has been one of the most active."

Court-appointed receivers typically are lawyers, accountants or banking experts. They try to find some relief for creditors and sell distressed properties. Receivers take possession of -- but not title to -- the assets and affairs of a business or estate that is in bankruptcy or enmeshed in a legal dispute.

"Think of triage. That's similar to my role," said Findling, as he stood last week in the empty Riverside Hotel -- the once prestigious Pontchartrain -- that he now controls.

"If I get involved, it means you are dealing with a property that is distressed. I need to stop the losses and allow the chance for a better day."

Last week, a Wayne County Circuit Court judge approved Findling's recommendation to sell the hotel and auction its furniture, fixtures and equipment. Findling says he is still mulling over the auction.

It was Findling who decided, with court approval, to shut the hotel last month because employees had not been paid in weeks and basic utilities such as air conditioning were not operating. Findling paid the employees from his own funds.

The hotel's owner, Shubh Hotels Detroit LLC, defaulted on a \$30 million mortgage. Findling was appointed the receiver by the court in late June. His fee so far: \$53,000, though he has not yet been paid. Receivers are usually paid through creditor funds.

Findling also is receiver of an office building in Southfield, million-dollar plus homes in Birmingham and Bloomfield Hills, a tool-and-die shop in Orion, and plenty of gas stations. He controls more than 50 properties, an all-time high for him.

Andy Farbman, president and CEO of the real estate service firm The Farbman Group, is another member of the receivership fraternity.

His firm is court-appointed receiver of 40 properties, including a shopping mall in Kansas and office properties in Metro Detroit. That's more than double the number of properties than usual, Farbman said.

"You need to know how to make big-picture decisions and yet not lose sight on small ways to preserve asset value," he said.

The boom is happening now because the number of distressed commercial real estate properties is rising significantly, said Dennis Bernard of the Bernard Financial Group, the state's largest commercial mortgage banking firm. It represents 20 different lenders. A fast-growing part of Bernard's business is modifying commercial real estate loans headed for foreclosure and receivership

"Modifications were a nominal part of our business, not even a blip on the radar," he said. "But it began to pick up about a year and half ago and four months ago it really grew," he said. "It's the credit crises, of course. And commercial real estate is just starting to feel the effects."

Bernard cited national data that \$50 billion of commercial mortgages were in a so-called workout situation, which means remedial measures are being taken to restructure the loans.

"That's 17 times higher than two years ago," he said. "We (in Michigan) lead the nation in commercial foreclosure."

Michigan Department of Treasury spokesman Terry Stanton said the department has a stable of 15 emergency financial manager candidates who, if appointed, would exercise direct control over a municipality's finances. Gov. Jennifer Granholm is expected to decide soon whether a manager is needed for Ecorse, which is grappling with a \$9 million deficit.

Fred Leeb is Pontiac's emergency financial manager. He has the power of the mayor and City Council combined. At the moment, he's trying to convince seven unions to renegotiate contracts with the city, attempting to coax city retirees to pay more for their health care and looking into selling the Silverdome, the former home of the Detroit Lions.

"It's tremendously challenging and very long hours" Leeb said. "But the payoff is that deep-seated issues that have not been addressed for years are now being addressed. No more pretending. No more excuses. They are not issues discussions, but they are necessary.

"That's how you build the foundation for the future."

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