

PROPERTY MANAGEMENT

Receivership Case Study

MB Financial Bank, N.A. (the Bank) applied to have Corridor Property Management (CPM) appointed receiver for a property in Macomb, Illinois in October 2010 (the Property) when the existing property owner defaulted on its mortgages. The Property consisted of 68 tracts of land, with 86 separate addresses, scattered throughout the town. There were 213 housing units (rental homes and apartment buildings) with 445 bedrooms, as well as five commercial spaces.

The Property faced many difficulties at the time, including: utility shutoffs, overdue expenses, undocumented work orders, cash rent payments not applied to tenant ledgers, and no operating budget. The Bank brought in CPM to hire new staff, lease up the building, build a budget and implement much needed capital improvements. City inspectors also had their safety requirements for CPM to satisfy.

CPM began immediately by changing locks and passwords, updating the computer system (with a new property management solution), data integrity and accounting practices, taking an inventory of the office, conducting a full lease audit, verifying insurance (both property and auto), developing a budget and marketing plan, holding meetings with each individual tenant, and performing a property condition audit. The major three components of the work were stabilizing operations, cashflow and reporting. Next, CPM began to oversee the extensive capital improvements required, including deferred maintenance (both life safety and cosmetic upgrades). Heavy capital expenditures were required in the beginning to bring the Property up to city code.

In 2011, Garrison Investment Group (Garrison), a New York based private equity firm that buys distressed properties, acquired the Property from the Bank as part of a pool of debt. The court in Macomb approved the removal of the receivership. Garrison knew that CPM had stabilized the Property and was improving it, so Garrison retained CPM, under a property management agreement, to manage, lease and operate the Property for Garrison. From 2011 to 2014, Corridor increased the net operating income by an average of \$95,000 per year, or 19% over the four years, and brought occupancy to 97%.



One of the Property's numerous buildings

In December 2014, a local investment group, which included members of Corridor's onsite property management team, bought the Property from Garrison for \$5.2 million and decided to manage the Property itself. According to Trisha Belville, the former Assistant Property Manager at Macomb Rentals, "Corridor's professionalism, knowledge, customized planning and staffing were vital to the success at Macomb Rentals. Their insight on everything from construction to leasing was strategic at all levels." She added,

"The management style of CPM brought thorough accountability and reliable assurance to both sides of the workforce. With an impeccable level of financial monitoring, sophisticated marketing, and a keen attention to details, CPM set both long and short-term goals, retained hard-working and skilled staff and budgeted for improvements, while continually increasing overall value. CPM was constantly monitoring what was best for our business. They truly cared."