



## William Hoffman: Receiver braces for a much bigger book of business

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William Hoffman's singular focus on non-performing commercial real estate loans makes him a highly popular figure on the speaking circuit these days. Hoffman is president and CEO of Trigild Inc., a San Diego-based receivership and loan recovery specialist. He founded the company in 1976.

An attorney and licensed real estate broker in California, Hoffman has served as a court-appointed receiver for more than 1,500 assets, including hotels, office buildings, shopping centers, residential projects and restaurants. Trigild currently is a receiver for about 150 properties valued at close to \$2 billion. NREI recently spoke with Hoffman about the role of a receiver in today's rapidly deteriorating commercial real estate market.

**NREI:** There is some confusion in the marketplace about what it means to be a court-appointed receiver. Is there a universally accepted definition?

**Hoffman:** Unlike a bankruptcy, which aims to protect a borrower from his lenders and creditors, a receivership is almost the opposite in terms of how it's used. There has to be a lawsuit pending, typically a foreclosure. While that's pending, a lender appears before the judge in court to say, "Look, we're owed X dollars. The borrower is still in possession of the property. We would like the court to assign an agent to take legal possession. This agent would be an independent third party who only reports to the court."

**NREI:** OK, but what responsibilities do you have as a receiver, if appointed?

**Hoffman:** In the case of a distressed hotel, the receiver takes possession of the property and all the records. He not only has an interest in the real estate and the personal property, but also in the franchise agreement. Every dime that comes across the desk is of interest. The owner isn't even allowed onto the property. It sounds extreme and horrible, but the reality is all this stuff belongs to the bank at that stage.

**NREI:** How do bankruptcy proceedings and receivership differ?

**Hoffman:** As far as how the law works, bankruptcy is fairly complex and very structured. Receivership is very generic. The law in federal court and most state courts is that a judge who

appoints a receiver can give the receiver power to do whatever he thinks is necessary. The judge has wide latitude.

**NREI:** How severe is the level of distress in the hospitality sector?

**Hoffman:** A common scenario today is for a hotel to be worth half the amount of the mortgage. A borrower with a non-recourse loan, or a big hotel company with a strong relationship with its lender, is going to hand it back and say, "Look, this makes no sense for us. We will never have any equity in this deal. We'll never see a dollar from operations for the next 10 years, at best." If there are not a couple thousand hotels in that scenario right now, I'd be shocked. There are probably at least 500 hotels in California alone in default.

**NREI:** How busy is your shop these days?

**Hoffman:** The calls that we get on non-performing commercial loans are continuing to increase. I think we're getting ready to see somewhat of an explosion of defaults in hotels and condo hotels. As a receiver, I just got a small shopping center in Southern California. That was an \$11 million site with a \$9 million loan. I doubt that it's worth more than \$4 million or \$5 million.