



San Jose Integral Communities

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Voit

REAL ESTATE SERVICES

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San Jose Integral Communities

Voit Coordinates Negotiations Between Client, Borrower, and Lender in Complex 14-Acre Land Deal

Challenge:

Voit was tasked with navigating a complex deal involving a distressed mixed-use development in San Jose which, when finished, would comprise approximately 900 residential units, as well as commercial space.

The property was owned by a development company which had established multiple agreements with the city and was acting as a “master developer” for the planned community.

When the market stalled out, the remaining parcels of land still owned by the master developer were secured by a nearly \$30 million loan, and all parties were in a predicament: if the bank foreclosed or the master developer walked away from the property, the existing development agreements would likely be lost and the property’s value would deteriorate.

The lender was contemplating selling its loan when reaching out to Voit.

Solution:

The Voit team realized that a foreclosure would result in litigation, and that the project would be devalued based on multiple development agreements becoming void. With this in mind, the team resolved the issue by bringing a new developer, Integral Communities, to the project.

Integral was willing to acquire a majority of the remaining parcels, totaling approximately 14 acres of land, to finish off the majority of the remaining development while allowing the master developer to retain a small portion of the land for its own future development.

By bringing a significant amount of equity to the project, Integral allowed the lender to take a small write down on their loan yet stay involved in the transaction. Not only did the lender provide financing for Integral’s acquisition, it also refinanced the master developer’s original loan and secured it with the portion of the project that the master developer held on to.

Results:

The Voit team negotiated a put option enforceable by the lender for its client to purchase the property directly from the borrower. In a separate contract, the borrower agreed to cooperate with Voit’s client in providing due diligence material and conveying its fee simple interest in the property. The borrower also reaffirmed its development agreements in order to reduce the development risk to Voit’s client.