Receiver appointed for Redding Hilltop Center where Trader Joe’s sits

A court-appointed receiver has been placed in charge of the distressed Redding Hilltop Center, which is home to Trader Joe’s.

On the brink of foreclosure, the shopping center at Hilltop Drive and Browning Street — which sits largely undeveloped — has been in default since January.

But a Shasta County Superior Court judge ordered Stephen Donell to take over and manage the property in late May to protect the value of the marooned development.

Donell has offices in Los Angeles, Las Vegas and San Francisco and has been a federal and state court receiver in more than 300 cases in three states, according to his resume.

Donell was unavailable for comment Thursday.

Redding Hilltop Center LLC developed the shopping center and received the default notice. Debt owed on the property is $13.6 million.

Essentially the entire west portion of the

shopping center — including the 12,700-square-foot Trader Joe’s building — is in default and headed for foreclosure.

The Kohl’s department store, which opened in November 2007, is the only other retailer besides Trader Joe’s to occupy the center. The Kohl’s building is not in default.

Commercial real estate experts have said that it is unlikely Trader Joe’s would lose its space should the shopping center sell at auction.

Since Donell was named receiver, the note (or debt) on the shopping center was sold to MGP IX REIT LLC, an investment trust firm with offices in California. MGP purchased the debt from Wells Fargo.

Wells Fargo filed a judicial foreclosure against Redding Hilltop Center LLC on April 1.

It is not known how much MGP paid for the note, but speculation is the firm got it for a deep discount. The transaction was recorded July 8. A phone message left Thursday at MGP's office in San Francisco was not returned.

"(Wells Fargo) don't want the nightmare of foreclosing on (Redding Hilltop Center LLC)," said John Troughton, a commercial broker with Cushman & Wakefield. "They wanted it off their books."

In June, MGP paid $19.8 million for the 103,500-square-foot Shops at San Miguel Ranch in Chula Vista, one of the largest retail property deals in San Diego County this year, the San Diego Business Journal reported.

Troughton, who heads up the city of Redding's marketing efforts for Stillwater Business Park, said holding debt is a simpler way of controlling real estate than owning and operating the property.

"In many cases the new debt holder who bought the debt at a discount does not need to foreclose on the property to make superior returns," Troughton said. "Remember, a 10 percent per annum (year) on principal that has been cut in half is a 20 percent per annum return."

As receiver, Donell has the ability to finish building out the shopping center with court approval. He can also negotiate new leases and modify existing leases if the court deems it's in the asset's best interest.

At one time, the Redding Hilltop Center had a lease schedule that included such tenants as T-Mobile, Dress Barn, Johnson's Shoes, Subway Sandwiches and Peet's Coffee. None of those retailers ever opened in the center.

A construction loan agreement that Redding Hilltop Center LLC had with Wachovia Bank — Wells Fargo later bought out Wachovia — reported that those and seven other tenants would bring in $1.6 million of annual rent, including $273,105 a year from Trader Joe's.

Meanwhile, Donell can charge no more than $385 per hour for his services. His employees can charge between $75 and $275 an hour, according to court papers.

Redding Hilltop is the third major shopping center on Hilltop Drive to fall into financial distress in the past year.

The Hilltop Center, also on Hilltop Drive, once anchored by Gottschalks, is scheduled to be sold at auction Aug. 20. Every space in the strip mall, except Petco, is headed for foreclosure.

The Chuck E. Cheese's shopping center, which is just north of the Redding Hilltop Center, received a notice of default in August 2009. But a private party deed of trust was recorded in January on the property, signaling foreclosure had been avoided.

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