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Parkmerced's newly appointed receiver has a $70 million plan to stabilize the complex

Receiver Douglas Wilson Cos. said it plans to invest $70 million to stabilize Parkmerced, San Francisco's largest residential rental complex.

Douglas Wilson Cos. will invest more than $70 million to stabilize the Parkmerced apartments, describing San Francisco's largest multifamily housing complex as "neglected."

The San Diego-based firm, which was appointed receiver for Parkmerced by a San Francisco court in March, described the 3,200-unit complex in an April report as dealing with "severe deferred maintenance," including mold, dry rot, water intrusion in units and inoperable elevators. DWC said in a release Tuesday the $70 million investment, which will come from Parkmerced's lenders, will go toward addressing those issues and others, including security, lighting, landscaping, and upgrades to units and tower lobbies.

"From the exterior, there are notable damaged structures, visible dry rot, peeling paint, and unmaintained parks," DWC wrote in the April report, which was filed in San Francisco Superior Court. "From the interior, many of the units consist of the same flooring, electrical and cabinetry from the 1940s and '50s." Because of financial constraints, issues that arose at the property were addressed with temporary solutions, DWC said, which "solve the problem only superficially and temporarily before additional work is required."

The report paints a picture of Parkmerced as generally inadequately maintained by Maximus Real Estate Partners, which through affiliates has owned a stake in the complex for roughly two decades. The Manhattan-based investor defaulted on a $1.8 billion package of loans, including a $1.5 billion senior loan originated by Citibank and Barclays and backed by Parkmerced, at the end of last year. Lenders sued to place the property into receivership shortly thereafter.

That Parkmerced is in receivership does not preclude Maximus from reaching a deal with its lenders to retain ownership of the complex, but it is also not a great sign for the direction of the property, according to Sarah Helwig, a vice president at Morningstar Credit. Lenders often seek the appointment of receivers out of concern for the condition of a given property.

The $1.8 billion in debt was supposed to help tee up a massive redevelopment of Parkmerced that would add 5,600 units, creating a total of 8,900 homes at the complex. Maximus received approval for its plans more than a decade ago, but has yet to break ground on the redevelopment. DWC said in its release Tuesday it plans to preserve the entitlements "for future developers."

DWC hired Brick & Timber, the property management arm of San Francisco-based Ballast Investments, to handle leasing and tenant relations at Parkmerced, per the release. Brick & Timber manages, among other properties, a 2,149-unit portfolio of San Francisco apartments it acquired alongside Brookfield at a foreclosure auction in early 2024.

Maximus, which declined to comment for this article, was in discussions with its lenders for months leading up to the end-of-year default, going so far as to negotiate an agreement for the loan's modification. But the investor failed to execute that negotiated agreement at the last moment, lenders reported, throwing Parkmerced's future back into question.

Founder Rob Rosania told the Business Times in December his firm had "never been more committed to Parkmerced than now," and said Maximus was planning close a deal with lenders in coming weeks. The status of discussions between Maximus and its lenders could not be learned on Tuesday.

In April, appraisers put Parkmerced's value at $1.4 billion, up slightly from $1.39 billion in July of last year but down roughly a third from an appraised value of $2.1 billion in 2019. The complex is today roughly 80% building, DWC said on Tuesday.

In March, Maximus defaulted on a $210 million loan backed by a 283-unit apartment complex in the Marin County town of Tiburon.