Three Loans in Trouble as Debt Woes Continue at Columbia Sussex Corporation

Foreclosure Pursued at Marriott Phoenix Airport and Renaissance Philadelphia Airport; Three Other Loans in Trouble

The Columbia Sussex-owned Marriott Phoenix Airport loan was reportedly “transferred to Special Servicing (CW Capital) effective 3/23/16 due to imminent maturity default. A maturity default occurred 6/1/2016. Demand Letter sent on 6/22/16. Noteholder counsel is pursuing the appointment of a receiver. Rights and remedies are being pursued through a non-judicial foreclosure.” A prior report stated that “the property ha[d] not been renovated since it was built in 1999.”

Columbia Sussex’s Renaissance Philadelphia Airport’s loan (securitization WBCMT 2006-C23) was reported to have defaulted after not being paid off by its January 11th, 2016 maturity date. The securitization’s latest distribution date statement indicates that “modification discussions [are] occurring while foreclosure is pursued.”

Columbia Sussex Loan in Delinquent Status

• The loan for the East Lansing Marriott located at 300 Mac Avenue, East Lansing, MI (BACM 2006-2) matured on June 1st, 2016. The loan is reportedly in delinquent status.

Columbia Sussex Loans Facing Potential Foreclosure

• The loan for the Marriott Knoxville located at 501 South East Hill Avenue, Knoxville, TN (JPMCC 2006-CIBC15) matured on June 1st, 2016. The lender has reportedly engaged counsel and will proceed with foreclosure.
• The loan for the Marriott – Jackson, located at 200 East Amite St, Jackson, MS (JPMCC 2006-CIBC15) matured on June 1st, 2016. The lender has reportedly engaged counsel and will proceed with foreclosure.

Columbia Sussex Corporation: Past Debt Problems

Columbia Sussex was hit hard during the last recession. In 2009 the company owned 72 hotels with 24,000 rooms, but by 2012 its portfolio had shrunk to 41 hotels with 13,000 rooms, according to press reports. Much of the portfolio was lost as a result of debt issues. Today, Columbia Sussex has 38 hotels in its portfolio, a number that could shrink in light of the pending delinquencies described above.
Past noteworthy events:

- Columbia Sussex sold what had previously been the Marriott Hotel and Convention Center in Oklahoma City, OK to its lender Wells Fargo at a sheriff’s sale in December 2015 after Wells Fargo initiated a foreclosure action in Oklahoma state court in 2012.\(^9\)
- In 2012 Columbia Sussex lost the Richmond Marriott West in Richmond, VA. Columbia Sussex had purchased the property in 2005, but by November 2012 it had stopped making its loan payments. The property had reportedly not been refurbished since it opened in 2001.\(^10\)
- In April 2011, Columbia Sussex lost the Hilton Sacramento Arden West in California and Hilton Crystal City in Washington, D.C. to debt.\(^11\)
- In October 2010 a loan securing a portfolio of 14 Columbia Sussex hotels hit “maturity default” and by December 2010, Blackstone seized the entire portfolio via a “deed in lieu of foreclosure” process.\(^12\)
- Columbia Sussex lost several of its gaming assets to bankruptcy following the New Jersey Casino Control Commission (NJCCC)’s denial of a subsidiary’s license renewal in Atlantic City in 2007. The NJCCC concurrently imposed $750,000.00 penalties for various alleged regulatory violations.\(^13\)

Columbia Sussex agreed to pay the landlord of one of its casinos $165 million in 2008 to settle a dispute around the company’s alleged failure to maintain the asset in competitive condition.\(^14\)

Endnotes: