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# Taking control: Nashville lawyer works to turn troubled condo projects into cash

Nashville Business Journal - by [Turner Hutchens](#) Staff Writer

When condo development dreams are shattered, Nashville's courts have turned to one man to pick up and sell off the pieces.

So far this year, John Cheadle Jr. has been appointed receiver of three major luxury condominium projects: 5th & Main in East Nashville, The Braxton in Ashland City and, most recently, Rolling Mill Hill in downtown Nashville.

Combined, those projects have more than 300 units and are valued at more than \$135 million. Turning that value into actual cash is what Cheadle's job is all about.

It's important to get the right person in charge of a project gone bad, says attorney James Kelley of [Neal and Harwell PLC](#).

"They need to be trustworthy, because they're obviously looking after a rather substantial asset," says Kelley, who is representing [Bank of America](#), the lender for the Braxton and Rolling Mill Hill projects, in the receivership claims.

Beyond that, a receiver has to have the flexibility and amicable personality to deal with all parties involved in a project, including tenants, creditors and contractors, Kelley says. Cheadle's track record of success stretching back more than two decades is what often makes him the receiver of choice for bankers, he says.

"He's a person that everybody has confidence will do the right thing," he says.

Nashville — like many U.S. markets — saw a boom of new condo developments in the mid-2000s, with thousands of high-end units hitting the market, particularly in the downtown and Midtown areas. Earlier projects sold out, but those that have come on line in the past year have had trouble closing sales — even those that were under contract because buyers got cold feet and banks restricted mortgage lending for condos.

"There's clearly a lot of that business out there," says Cheadle, a lawyer who represents creditors in his "day job."

Cheadle now is in control of more Nashville condos than anyone except [12th Avenue Ventures](#), the partnership between Franklin-based [Bristol Development Group](#) and Jay Turner's [MarketStreet Enterprises](#), which developed the Icon and Velocity condos in the Gulch neighborhood. The developers still have about 280 Icon units for sale, and Velocity has delayed opening its 265 units.

The 55-year-old Cheadle is modest about his role in charge of the prominent and troubled developments.

"My job is as an administrator," he says. "We hire people to do the heavy lifting."

A receiver is a court-appointed manager of an asset, who generally steps in after a borrower has defaulted on a loan secured by the asset.

For instance, the Rolling Mill Hill developers had more than \$20 million in outstanding development loans, and when they failed to pay the property's mortgage note (or even its water bill) for several months this year, the lenders sued to install Cheadle as receiver.

In the case of real estate assets, the goals are usually "get through it as quickly as possible and look for a way to liquidate the asset as successfully as possible," Cheadle says.

Cheadle graduated from the [Vanderbilt University](#) Law School in 1978, going to work for his family's law firm. John Cheadle Sr. was a Nashville attorney, along with the younger Cheadle's brother and sister, who all practice together at [Cheadle and Cheadle](#). The elder Cheadle had been a receiver as well and occasionally took his son to work with him.

A receiver has to anticipate future problems in an often unfamiliar field, says John McLemore, a Nashville lawyer often named as receiver by the courts.

"Even if you don't know what's going on in the business, you've got to learn it, and you've got to get capable people, and you've got to have the authority to hire those people," McLemore says.

Unlike bankruptcies, receiverships aren't well defined by law, so individual filings lay out what receivers can and can't do, McLemore says.



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 John Cheadle Jr. has been named receiver of three condo projects, including Rolling Mill Hill.

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A receiver has to make sure the court gives him enough power to take care of everything needed in the first order, to avoid conflicts and more litigation later, McLemore says. That ranges from the power to use rent money to pay the electric bill to the authority to sell off parts of an asset and hire or fire employees.

A receiver takes center stage in an existing situation that generally has a long and troubled history, Cheadle says.

"You're stepping in as a receiver to an enterprise that has usually been the subject of a whole lot of investment — emotional capital, time, not to mention monetary capital — by your predecessors, the prior owners," he says.

It's vital to delegate — whether that's finding somebody new to oversee leasing or tapping an existing employee to keep answering the phone at a business, Cheadle says. One of the most difficult parts is determining which staff should stay and which should go, he says.

"I've had receiverships where we've kept on the entire management staff at the same salary as before," he says. "I've also had the more common situation, where we have to go in and fire everyone and start from scratch."

With a wry sense of humor, Cheadle has an eye for numbers as he works through the details of making an asset produce. Administering the projects gives him the opportunity to step into the shoes of an entrepreneur, he says.

"It's a vicarious thrill," he says. "Most business lawyers are risk-adverse, relatively dull, not adventurous like the venture business people."

The condo projects that he's taken over all have high-end living units, but the owners couldn't make the numbers work with the slow pace of sales in today's credit-crunched economy, Cheadle says.

"All of these have been dropped on the market at probably one of the worst economic times that I've seen," he says.

That said, Cheadle sees a lot of value in the buildings, which were all complete before he was appointed receiver though few if any units have sold.

At 5th & Main, the plan is to sell the units individually and lease those that can't be sold immediately. At Rolling Mill Hill and the Braxton, it's possible Cheadle will find a single buyer to take over the projects.

"They're pretty impressive results that are sitting there on the landscape that before were pieces of dirt," he says.

#### **Seized Condos**

As the rocky real estate market has landed three prominent condo projects in court, receiver John Cheadle Jr. has control of more than 300 units valued at more than \$135 million.

##### **5th & Main**

Location: East Nashville

Condo units: 129

Estimated cost of development: \$50 million

Completed: September 2008

Receiver appointed: January 2009

##### **The Braxton**

Location: Ashland City

Condo Units: 136

Estimated cost of development: \$60 million

Completed: Late 2008

Receiver appointed: May 2009

##### **Rolling Mill Hill**

Location: Downtown Nashville

Condo Units: 72

Estimated cost of development: \$24 million to \$55 million

Completed: April 2009

Receiver appointed: June 2009

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