

Close-up: Michael Pattinson

Homebuilding veteran starts anew after one business folds

By THOR KAMBAN BIBERMAN, The Daily Transcript
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Michael Pattinson, the man who led the Carlsbad-based Barratt American homebuilding firm for most of the past two decades -- only to see it crumble into dust -- plans to begin rebuilding his business by buying, renovating and selling foreclosed homes, and completing broken projects.

For those who have known Pattinson the homebuilder for many years, the concept of repositioning older properties may seem foreign, but he says the practice can help get the industry moving again. It also can help what Pattinson now calls **Barratt Group**, along the way.

Pattinson, who joined the original company in 1983 -- three years after Barratt American was established -- would build homes throughout the Southwest with a special emphasis in San Diego and the Inland Empire.

In July 2003, a Barratt-affiliated partnership and other investors purchased the 2,500-acre Fanita Ranch property in Santee. Within a year of that acquisition, principals of the firm led by Pattinson felt confident enough in the homebuilding business that they paid a reported \$165 million to purchase Barratt American from its then-British parent, **Barratt Developments PLC**.

At its peak just three or so years ago, Barratt American was building several hundred homes a year, had 150 employees, \$110 million in equity, \$200 million to nearly \$400 million in annual revenues, and a \$125 million revolving line of credit with **Bank of America**.

In 2008, Barratt had managed to pay down the amount owed on the credit facility to \$70 million when Bank of America yanked the rest of the expected funding in the wake of the recession. This not only left Pattinson with projects he wasn't able to complete, but he would eventually end up with plus or minus \$100 million owed to creditors. While some of these creditors were paid out of what was left of Barratt's reserves, many others were left out in the cold.

"But at \$110 million, no one lost more than we did," Pattinson said.

By Christmas 2008, Pattinson had little to celebrate. His equity was gone, BofA had seized Barratt's properties and his business was dead. Even after the demise and continuing now, lenders are still fighting in Superior Court for the right to foreclose on the Fanita Ranch property.

"(BofA) received a \$45 billion bailout ... but they wouldn't honor a 27-year commitment and it killed us," Pattinson said.

Barratt wasn't alone in having to file Chapter 7. Locally-based **Innovative Resort Communities** also went under in December 2008 after **City National Bank** refused to renegotiate a \$15 million loan.

Today, the Barratt Group has six employees, and Pattinson is confident in his ability to rebuild, but retains some bitterness over the loss of that BofA credit line.

While still retaining anger toward his former lender, Pattinson said he is eager to look ahead. He said rather than deal with a mega-bank, he is being capitalized by private investors and may add a community bank if and when the need arises.

Pattinson, who said he is hopeful the homebuilding market is bottoming out, is, for now, content to go down to the courthouse steps and bid on properties that may cost half of what they would have three years ago.

"We will fix these up, sell them and it will enable us to start again," Pattinson said.

Pattinson said he has improved and sold between 15 and 20 houses thus far.

The process isn't always straightforward. Not only do some of the properties need a lot of work, with prices only now bottoming out and foreclosures skewing the market, Pattinson said it is difficult to get meaningful appraisals.

Pattinson, who also expressed his desire to get into the senior housing market, will start small with projects that were never completed.

"Nothing restores confidence like new sticks in the air," Pattinson added.

"We have 14 finished lots in Vista and a townhome project in the San Luis Obispo area. We're making other offers as well and we hope to be building on some of these before the end of the year when the Barratt Group should be rockin' and rollin'."

As for his industry, Pattinson continues to believe that once the economy does pick up, homebuilders will be scrambling to build enough houses.

"This state needs to build 200,000 homes a year and I don't think we built 35,000 homes in 2009," Pattinson said.



Michael Pattinson, the man who led the Carlsbad-based Barratt American homebuilding firm for most of the past two decades, has rebuilt his business into Barratt Group. - Photo: J. Kat Woronowicz