

Tahiti in Tulsa: California developer sharpens focus on city

By: Kirby Lee Davis The Journal Record December 29, 2010 0

TULSA – With its first Tulsa apartment complex turned around and its second under redevelopment, California’s acquisition-minded Tahiti Partners Properties Corp. may soon establish a regional office in Tulsa to handle its growing portfolio.

“Our long-term goal is, we’d like to acquire 1,000 to 2,000 units in Tulsa,” said Geoffrey S. Payne, who operates the Long Beach property development firm with partner David Schieber of Portland, Ore. “We are holding for the long term. We’re not going in, fixing them up and flipping them.”

Tahiti has already enjoyed strong results with its first acquisition: Compass Pointe Apartments, an 86-unit north Tulsa property bought in July for \$830,000. After an estimated \$400,000 spent in an extensive rebuilding effort from the roof and siding to the interior, Payne said the once-distressed property is generating cash.

“When we bought it, it was 10 percent occupied and it was a drug haven,” he said, noting the facility improvements continue. “We’re up to 90-percent occupied now.”

Payne intends similar results for Bradford Creek Apartments, the 136-unit complex acquired earlier this month for \$3.1 million. With a budgeted \$700,000 to fix everything from the roofs to the sidewalks, furnaces and other needs, Payne expects to elevate its 60-percent paying residents.

“We obviously want to improve that,” he said. “We’d like to be stabilized within a year. To me, that means we’ve redone all the major tasks we have slated to be redone and leased at least a third of the units where we brought them to a new standard, that we are at true 90-percent economic occupancy, and that we have stabilized cash flow.”

Through that process Tahiti expects to further its acquisitions, looking for properties in Missouri, Kansas and Oklahoma, with emphasis on Tulsa.

“If we can raise enough capital and find the right deals, we’d like to do it in a year or two,” Payne said of their investment timetable. “I think it will take a few years to acquire that many units. And then we’ll hold them for the long term.”

Tahiti is in negotiations toward buying three complexes in Tulsa and two in Kansas.

“We typically do middle-income properties, but we do them nicer than our competitors,” said Payne. “We don’t typically buy investment-grade properties, mostly because, in my opinion, investment grade properties take 20 years to return. What appeals to our investors is that we manage well, in that we return their investment quickly.

“Our model is based on returning our investor’s investment as rapidly as possible,” said Payne. “Most of our income on our properties goes to our investors. We don’t really make money on these deals until we get them incentivized.”

That has led Tahiti to walk away from some potential pennies-on-the-dollar buys.

“They required so much work, so much stabilizing, that it was a negative factor that way,” Payne said. “At Compass Pointe, we have substantially changed the face of it, but it is still what I would say is a blue-collar property. Our tenants tend to be at the lower end, but they’re respectful tenants, and we work with them. Some are paying rent twice a month rather than once a month, for example.”

Because of its multistate focus and initial management deal with Emerson Property Management of Kansas City, Kan., Payne originally thought Tahiti would establish a regional office in that metropolitan area. But with Tulsa emerging as the company’s primary focus, he suspects that may change.

“Since we’re doing most of our acquisitions in Tulsa, we will probably eventually have our office in Tulsa,” he said, projecting employment from five to 20 people.

That attention draws not just from the potential acquisitions available in Oklahoma’s second-largest metropolitan area, but from Tulsa’s good economy, multiple universities and good golf courses. Payne also praised the efforts of

SpiritBank, its lender on the Bradford Creek deal.

In fact, Payne said the only problem encountered doing business in the largest Arkansas River populous came in finding the right general contractor.

"We've had a great time finding reliable miscellaneous contractors, but we've had a difficult time finding reliable primary contractors," he said. "We're using probably 20 different services in Tulsa right now."

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