April 30, 2020

Armada Hoffler Properties, Inc. (AHH)

Q1 2020 Earnings Call

Operator

Welcome to Armada Hoffler's first quarter 2020 earnings conference call. At this time, all participants are in a listen-only mode. After management's prepared remarks, you'll be invited to participate in a question and answer session. At that time if you have a question, please press "star 1" on your telephone. As a reminder, this conference call is being recorded today, Thursday, April 30, 2020. I will now turn the conference call over to Mike O'Hara, Chief Financial Officer at Armada Hoffler. Please go ahead.

Mike O'Hara

Good morning and thank you for joining Armada Hoffler's first quarter 2020 earnings conference call and webcast. On the call this morning, in addition to myself, is Lou Haddad, CEO. The press release announcing our first quarter earnings along with our quarterly supplemental package and our 2020 Covid-19 presentation were distributed this morning. A replay of this call will be available shortly after the conclusion of the call through May 30th, 2020. The numbers to access the replay are provided in the earnings press release. For those who listen to the rebroadcast of this presentation, we remind you that the remarks made herein are as of today, April 30th, 2020, and will not be updated subsequent to this initial earnings call. During this call, we will make forward-looking statements, including statements related to the future performance of our portfolio, our development pipeline, impact of acquisitions and dispositions, our mezzanine program, our construction business, liquidity position, our portfolio performance and financing activities as well as comments on our outlook. Listeners are cautioned that these statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond our control, particularly in light of the adverse impacts of the COVID-19 pandemic on the U.S. and global economies. These risks and uncertainties can cause actual results to differ materially from our current expectations and we advise listeners to review the forward-looking statement disclosure in our press release this morning and the risk factors disclosed in documents we have filed with, or furnished to, the SEC.We will also discuss certain non-GAAP financial measures, including but not limited to FFO and Normalized FFO. Definitions of these non-GAAP measures, as well as reconciliations to the most comparable GAAP measures, are included in the quarterly supplemental package, which is available on our website at www.armadahoffler.com. Lou will start the call today by discussing our Covid-19 update. At this time, I'd like to draw your attention to our Covid-19 presentation that we published this morning. I'll now turn the call over to Lou.

Lou Haddad

Thanks Mike.

Good morning everyone and thank you for joining us today. As we all continue to fight the pandemic in our own ways, we express our gratitude to all those who are battling for us on the front lines and pray for those who have been affected by covid-19. As you saw from our earnings release this morning, the first quarter was another strong period of performance of the company. Normally, this call would feature much attention on such impressive results; but as we all know the situation at hand is far from normal. My primary focus today will be on the current status of our business and the steps we are taking to mitigate the near-term effects of this disruption on our company.

As the company's largest equity holder, the decision to suspend the common dividend was not taken lightly and affects the board and management, as a group, more than any other shareholder. Our board made that decision as well as the adoption of substantial cuts in board compensation and acceptance of my voluntary reduction in salary, despite the fact that the company remains cashflow positive for the foreseeable future even at the current reduced level of rent collection. We view these conservative moves as first; a reaction to the uncertainty over the actual level of rent collection over the next few months, but, much more importantly, as an investment in the long-term value of our company. We want to be in the strongest position possible to take advantage of the many opportunities that are almost certain to arise once conditions improve. This is consistent with the formula that we have successfully employed over the last 4 recessions. Simply put, pay your bills, work with your tenants, conserve your cash, and be ready to outpace your peers in the subsequent recovery. What a difference a quarter makes. Three months ago, on our last earnings call, we were on the cusp of achieving one of our long-term goals, financial metrics consistent with supporting a share price in excess of $20, and we were well on our way to a second billion dollars of equity market cap. Although we couldn't have foreseen the subsequent disruption caused by the pandemic, I can tell you that we have not changed either of those goals and we look forward to their attainment in the not-to-distant future. Management firmly believes the current share price does not come close to representing the value of our diversified high-quality portfolio and our construction and development businesses. This is why you have seen me, our chairman, and our lead independent director adding to our already substantial positions in late March. Over the next several quarters, we believe that investors will recognize the demonstrable strength of our diversified model, the quality of our portfolio, the value of our construction and development platforms and the determination of our management team. We expect they will reward the company in much the same way as they have in previous years. As most of you know, through 2019, we more than tripled the returns of the REIT index over the preceding 5 years. We intend to rival that performance over the next 5. To recount a little bit of our corporate history, after the recession caused by 9/11, we emerged as one of the strongest commercial real estate concerns in Virginia. Following the great recession of 2008, we emerged as one of the strongest commercial real estate firms in the southeast. We feel strongly that, once the current downturn is behind us, and we once again demonstrate our abilities, we will be recognized as one of the country's strongest small cap REITs. In all, this will be the 5th severe economic disruption that our leadership team will navigate, and I expect the same long-term positive results that we produced in the first four. Here at the company, the team has continued to function well over the last two months despite working remotely and under unprecedented conditions. We've made significant investments in our IT systems over the last few years, which is paying off handsomely in this extreme environment, and our tech staff has seamlessly integrated the new technology into all operating groups. All divisions are running smoothly, and the professionalism of our team is on full display. Each and every employee of the Armada Hoffler team is fully engaged and many have worked tirelessly to produce this interim update. My sincere thanks to all of our staff and I look forward to seeing you all as soon as possible. Turning to the April update deck that we published this morning, I'll walk you through the various components of our business and their current status. Let's begin with slide 3, which illustrates the strategy we've employed across all our divisions to help ensure the health and safety of our team members, clients, tenants and subcontractors as well as our posture with respect to rent collection and deferments. What we've learned through the last four recessions is that how you conduct yourselves during a crisis has a lot to do with how quickly and robustly you come out of it. We intend to make the best long-term decisions for our staff and the company while maintaining the integrity and compassion we are known for. Page 4 offers a snapshot of our construction business. This substantial income generator is uniquely ours across the REIT universe. You'll recall that we entered the year with one of our largest third-party contract backlogs ever. As you can see, we ended the quarter with 236 million dollars in remaining contract value, a total that will take us well into 2021. In addition to adhering to all local guidelines, we have initiated protocols for temperature testing, protective procedures and safety gear as construction proceeds uninterrupted. Our construction group has maintained this high rate of production and profitability despite the difficult conditions. This performance is no different than what we have come to expect from these professionals and we greatly appreciate their dedication to the company. Assuming no change in government guidelines, we expect this division to contribute 7-8 million dollars of gross profit which is in line our previously disclosed estimates. Turning to page 5, we've outlined the status of our rental income collectively and across all asset types. As you can see, we're ending April with nearly 80% of our expected portfolio-wide rents collected. This level of cashflow, while obviously not ideal, is more than adequate to sustain the company over the medium term. We offer these facts as further testament to the strength of our diversified platform. Mike will give you more specifics on our financial status a little later in the call. Let's look at the sectors individually, starting with multi-family on page 6. As you can see, these assets are performing at a very high level despite the economic circumstances. April rent collections topped 97% and the remaining tenants who have asked for rent relief due to loss of employment are being placed on reasonable payment plans. Turning to page 7, you'll see that the office sector also had strong rent collections through April with only a few tenants requesting rent deferments while all of our top ten office tenants remain operating and current on their obligations to us. We expect this component of our NOI to remain fairly consistent with our previous expectations, assuming offices reopen in the reasonably near future. Several of you have inquired about our exposure to WeWork. We believe that there are some misconceptions in the marketplace about this topic, and we wish to clarify the facts. To be clear, we have one active lease with WeWork, they occupy 60,000 square feet at our city center asset in Durham North Carolina. We expect them to stay current on their lease commitment or we will use the remedies available to us under the lease, including invoking their corporate guarantee. This lease constitutes 1.6% of our annual base rent. That said, there are two additional pre-commencement leases with WeWork: one at Wills Wharf at the Inner Harbor and another with our partners S J Collins at the Interlock for which we are a mezzanine lender. As neither we nor Collins have expended any tenant improvement funds in either space and occupancy is several months to a year away, we opened discussions with WeWork early this year to reduce or eliminate their leases in these 2 locations in order to limit our exposure to this tenant. WeWork is also interested in reducing their exposure to us, as all three of these locations carry a multi-year guarantee from the corporate entity. We expect to announce the results of these discussions within the current quarter. We are very confident in the leaseability of any additional space that we may retain as a result of these negotiations and hope to provide an update on that aspect at that time. Moving on to the retail portfolio detailed on page 8. As most of you know, we feature a high number of neighborhood centers anchored by high credit grocers. These stores along with convenience stores, pharmacies, fast food outlets and other essential businesses are performing well during the crisis and are largely responsible for the 57% of retail rents that were collected in April. We collected [78]% of rents due from our top 10 tenants. This is not surprising, given our nearly forty year history as an owner of grocery anchored, neighborhood centers and their performance in recessionary periods. The deferred rent is largely attributed to full service restaurants, personal service outlets, entertainment venues and junior anchor stores. Virtually all of these establishments are closed or operating at reduced capacity and have requested April rent deferments aggregating some 2.8 million dollars. We are working with these tenants commensurate with their financial status and their potential access to government assistance. At this time we believe that the vast majority of these deferments are collectable, in most cases, by year end. Until we know the timing and conditions of re-opening, we intend to stay flexible in these agreements in order to avoid further negotiations. Page 9 gives some further detail on the make-up of our retail sector and a breakdown of the collected April rents. Notable here is the somewhat counter-intuitive fact that our regional and local tenants paid rents on par with the national tenants. We believe that this is indicative of the fact that our southeast markets are a bit stronger than those other regions represented in the Nation as a whole. Lastly, a few of you have inquired about two tenants specifically: Regal Cinemas and Bed, Bath and Beyond. As a reminder, portfolio-wide, we only have 2 leases with Regal Cinemas and 4 with Bed, Bath and Beyond. Those of you who have followed the company for years know that both of these tenants occupy prime real estate in the older center we purchased a few years ago, adjacent to and now incorporated into the Town Center of Virginia Beach. You'll recall that the purchase was made for the expressed purpose of redevelopment. These are the only tenants on this 10-acre site, which we envision as prime for multi-family development. The current crisis may well give us the opportunity to unlock the full potential of this site sooner than we had anticipated. With regards to the other locations for these two tenants, we are working through agreements to pay deferred rent. The next slide gives an update on our development pipeline. While I'll ask Mike to walk you through the particulars of this graphic, it's important to note that there aren't any further cash requirements in both our current projects under development or the mezzanine loan program. Similarly, the previously announced development projects that have been placed on hold do not require any additional funds as we own the land parcels and we are not under any pressure to start construction prior to conditions substantially improving. Remember, two of the three projects are predominantly multi-family assets. The third, Ten Tryon in Charlotte, North Carolina will be anchored by Publix and a fortune-100 firm. We don't expect any changes to the lease terms beyond added flexibility on the delivery date. One silver lining that we hope to take advantage of when we do start, is the reduced construction pricing that, in our experience over the last four downturns, has been the norm. Now I'll turn the call over to Mike for the rest of the update.

Mike O'Hara

Thanks Lou. Good morning, these are certainly unprecedented times and I hope you and your families are healthy. With Normalized FFO of 32 cents per share and positive same store NOI, the first quarter results were a good start to the year prior to the effects of the pandemic. Our core operating portfolio occupancy for the first quarter was strong at 96 percent, with office at 97, retail at 96, and multifamily at 94. Same store NOI was positive for the first quarter, GAAP was positive 1.7% and cash was positive 3.6%. As you are probably aware, on April 2nd we withdrew our 2020 guidance because of the uncertainty surrounding the impacts of the pandemic. For further details on the first quarter, please see our supplemental package that was published this morning. As the coronavirus started to spread through our country, we made the changes to our operations that Lou just discussed. At the same time, we started to position the company for the anticipated recession. These steps included suspending development projects, non-essential cap ex, acquisitions , lowering expenses where appropriate and, lastly, suspended the common dividend. Now turning back to the deck. Page 10 illustrates the future cash requirements of the development and redevelopment projects. Currently, two projects are under development, Wills Wharf and Summit Place, both of which are nearing completion. The remaining costs to complete these projects will be funded by the construction loans, therefore no future cash requirements. The Town Center redevelopment projects are well under way. Columbus Village is now 95% leased and close to completion. The renovations of the Cosmopolitan Apartments continue, but now at a slower pace. We decided to take fewer units offline going forward with an anticipated slowdown in leasing activity. The expected cash requirement for these projects is 9 million dollars in 2020. Due to the current environment, three development projects were suspended prior to commencing construction. The total cost to date of these projects is 22 million including 14 million for the cost of the land. Other than minimal land carry costs, there are no other future cash requirements until construction is commenced. In summary, the total cash requirements for the development and redevelopment projects are 9 million dollars. Please turn to page 11 relating to the mezzanine loan program. Currently, two projects are under construction, the Interlock and the Solis at Interlock, both of which are located in Atlanta and are scheduled to be completed in the second quarter of 2021. We believe both projects are trophy assets that will sell for low cap rates, resulting in significant profits for our partners. As with our development projects, we have no future cash requirements, with the project construction loans funding all remaining costs to complete. With the sale and the loan payoffs of the Delray Whole Foods center and Annapolis Junction being delayed due to the pandemic, we decided to stop recognizing GAAP interest income on these loans effective April 1st. We believe this is prudent to allow for an extended hold period. The interest on the loans will continue to accrue with the expectation that the loans will be paid in full upon the sale of these properties. As you can see on slide 11, including these changes, expected net mezzanine income in 2020 is 16.6 million dollars vs 17.7 million dollars from the February guidance. This will reduce earnings in the current year by a little over one cent. As discussed in the past, all mezzanine projects were underwritten to the same standard as our own development projects. We believe all of these are top quality assets with long term value, and we are still planning on exercising our discounted purchase option on Nexton Square once it's complete and stabilized. And if for some reason we had to take over any of the other projects, we are happy to do so. Please turn to page 12 for debt maturities. As a reminder, during the fourth quarter of 2019, we completed the refinancing of the remaining 2020 loan maturities and closed on the recast of the unsecured credit facility, which extends the maturity of the revolver portion to January 2024 and the term loan to January 2025. In 2021, four loans mature, which are listed on the bottom of the page. With plenty of time before these mature, we will start discussions with lenders soon on refinancing or loan extensions. With the decrease in April retail rent collections, we started the process of requesting temporary loan covenant modifications on three secured loans. To date, we have executed modifications on the Premier retail and apartments loan and the 249 Central Park Ave, Fountain Plaza and South Retail loan. Turning to page 13. As discussed in the past, our debt strategy has been a targeted mix of 50 percent fixed and 50 percent variable rate debt, along with an interest rate hedging strategy. At December 31st, 51% of our debt was fixed and 77 percent was either fixed or hedged. Last quarter, we discussed being patient with interest rate hedging due to falling interest rates. During the first quarter, we took advantage of the interest rate environment. We bought 200 million of LIBOR caps and swap locked 145 million dollars of debt that fixed LIBOR at a blended rate of 51 basis points for four years. With these transactions, our total debt is now 57% fixed and 97 percent is fixed or hedged. The weighted average interest rate as of March 31st was 3.2 percent. With these moves and with the current LIBOR forward yield curve, interest expense is expected to be low for the next couple years which lowers our fixed charge coverage. In times such as these, this metric becomes much more relevant than overall leverage. Using April's estimated cash flow from operations our fixed charge coverage ratio was 1.6 times including cap ex and the preferred dividend. Should this level of lower cash flow continue for the foreseeable future, we can operate our business and pay all obligations. In March, we drew the remaining balance available under our credit facility, resulting in a current outstanding balance of 355 million dollars. At March 31st, the credit facility ratios were well within the loan covenant requirements. If April's level of rent collection continues through the second quarter, we believe the loan will be within the required covenant ratios, with the possible exception of leverage. Discussions have begun with the lenders requesting temporary covenant modifications with expected approval before the end of the second quarter. Based on our conversations to date, we are confident that our lenders, with whom we have relationships spanning years, in some cases decades, will accommodate us on this request. With April's level of rent collection and construction gross profit, the company's cashflow is positive after paying current levels of G&A, staffing, paying all debt service, and the preferred dividend. This week the board approved the July 15th preferred dividend payment. In these uncertain times, we will continue to be transparent and keep you informed as it affects our company.

Now I'll turn the call back to Lou.

Lou Haddad

Thanks Mike. Before we start the question and answer period, I'd like to thank our board for the significant governance enhancements that were approved at our February meeting. Although it might have gotten lost in the midst of the pandemic, the decision to opt out of MUTA as well as the adoption of several other best practices, serve to enhance what we believe was an already stellar ESG stance. I hope you can find time to take a look at our 2019 Sustainability report and related enhancements on our website. The current state of affairs will end and when it does, good corporate citizenship will be back in focus, as it always should be. Operator, we would now like to begin the question and answer session.

Q&A Session

Operator

[Operator Instructions]

Our first question today comes from Dave Rogers of Baird.

Dave Rodgers

Yes. Lou, Mike, thanks for all the added details on collections and the color that you gave on the call. Maybe I wanted to start with Mike and just kind of go back to the liquidity picture overall and just kind of shore that up. You did a good job of explaining uses, I think, in terms of development, redevelopment and Nexton Square. But can you talk about kind of the remaining sources that you would have to tap if this continues and kind of where you get that additional capital from?

Mike O'Hara

So at this point in time, we don't think we need to go tap anything. Certainly, if we see an opportunity to do that through selling assets. Certainly, we had the purchase and sale agreement to sell those 7 shopping centers that unfortunately fell through, but there are still people who going to buy assets. So one thing we look at is that the other thing is we do have some money being paid later in the year as well.

Dave Rodgers

And then in terms of credit line capacity and cash on hand kind of post quarter end, where are you sitting today?

Mike O'Hara

Like I said, we fully drove our credit facility. We've got about $25 million in cash today.

Dave Rodgers

Okay. Maybe going to your comments, Lou, on the mezz projects and Mike here's as well. You kind of talked about maybe the exit plan or how you would think about each of those. But maybe give us a little bit of color as if you had to step into those, what's your kind of last dollar LTV exposure on those? More of a -- what would that do to the balance sheet overall or kind of cash flow from your perspective? If you had to step into those? And I realize maybe not a specific answer on each one, but just some broad comments about kind of where LTV would be net of everything.

Lou Haddad

Well, broadly, Dave, as Mike said, on the phone, we believe in the long-term value of these assets, as we've said every quarter for the last several, we'd be happy to own them. We don't wish ill of our partners. But I mean, I think it's important to note, you don't build real estate for what you think is going to happen over the next few months. That's a fool's errand we underwrite projects for the long haul, long-term value in good locations, which is why we decided to undertake those as well as our development projects. We've been right for 40 years. We expect to be right this time. I don't know what's going to happen over the next few months. But I do know good real estate holds value over the long haul. So I don't expect there being any impact to the balance sheet other than positive. If we're able to own these over the long term.

Mike O'Hara

So the loan-to-value on each of those is in the 60% to 65% range. That's about where construction lending was when those were done.

Dave Rodgers

And that's the debt below your portion of the stack? Or that's including your commitment?

Mike O'Hara

No. That is the underlying senior, and then you have our mezz and then our partners' equity that they've put in. The underlying senior loans are in that 65% range.

Dave Rodgers

Okay. And then real quick question, Mike, for you on bad debt expense and any straight-line rent write-offs. I mean, how much of that have you seen so far? What do you expect to kind of record throughout the year? It seems like most of that's gone into deferrals so far.

Mike O'Hara

So far, on the retail, everything has been a deferment, no abatements at this point in time. Certainly, at the end of the quarter. Right now, we haven't seen anything large bad debt write-offs. But certainly, that may change going forward. And the other is we had the uncollectible -- I'm sorry, we had the uncollectible. We're estimating on the multifamily of around $30,000.

Dave Rodgers

Right. Okay. Lou, last question for me. Just on the dividend, obviously, prudent in this time. I guess, when do you think about -- or when does the Board think about kind of reinstating that in terms of timing? And then from an amount perspective, do you guys -- have you talked about changing the level of the dividend over time just to support the ability to go out and be more aggressive with development and acquisitions post this crisis?

Lou Haddad

Sure. Dave, good question. Let me first say this. I personally own well over 2 million shares and OP units of the company. Our Chairman owns over 5 million shares in OP units in the company. The entire management team collectively is somewhere in the neighborhood has 10 million shares in OP units. So suspending the dividend obviously hurts us the worst in the short term. But what we're much more concerned with is getting the value of our equity back to where it's supposed to be. And so while we want to bring that dividend back prudently as quickly as possible, I'm much more focused in getting us back to where we're supposed to be and beyond. And we're going to use all available means to do that. The great thing about the real estate business is that you get to prove what you say. And there are several doubts just like there were when we came public with our IPO. And as we tick off those doubts and put them in the bed, all we ask is that people recognize exactly what's transpired. And I feel the performance will be where it needs to be. I'd love to think that the dividend is going to return with next quarter. The reason for the suspension is that we want to see what happens in May and June. We want to see the direction of the stay at home orders being lifted and what the ramp-up looks like beyond that. So as the saying goes, prepare for the worst and hope for the best and take advantage of everything you can on the other side.

Our intent is to recover much quicker than our peers. And like I said, the good news is you don't have to prognosticate, you actually just have to do it, and we're fully prepared to do that.

Operator

The next question is from Barry Oxford of D.A. Davidson.

Barry Oxford

Lou, just to build on that dividend question. When you look at reinstating it, and we don't get, let's say, the worst-case scenario doesn't happen. It seems like you would have to reinstate probably fairly close to the old rate to maintain weak status or not necessarily?

Lou Haddad

No. We wouldn't need that to retain status. Go ahead, Mike.

Mike O'Hara

Yes. Barry, we made the first quarter dividend so it's based upon taxable income. So we'll certainly take a look at that during the year. But I think that what we've made in the first quarter, hopefully get going later in the year, we'll be -- we'll have plenty of room there.

Barry Oxford

Great. Okay. And then next question, I appreciate the retention of cash and the conservatism but are there some pockets of opportunity? Or have they not kind of presented themselves right now? And maybe my question also is looking at the mezzanine market as far as opportunity.

Lou Haddad

Good. Yes, Barry. I mean, the answer is…

Barry Oxford

I'm not saying go out and spend a bunch of cash, but more money -- yes.

Lou Haddad

There are huge pockets of opportunity. And like I said, this is this is our fifth recession. Each one has presented its share of opportunities. And when you have a platform that includes construction, where you take advantage of decreased prices, I mean we haven't seen yet what happens to labor when you have double-digit unemployment to oil when you have $10 a barrel cost. That's all coming forward. Between us and our joint venture partners, we're going to be all over that. And so we're really looking forward to what happens next.

It will take a little while to play out. We've got to get past the next couple of months and keep the formula the same. But each -- and I don't want to waste everybody's time on this call. But after '87, after '92, after 2001, after 2008, we had exactly the same formula, and I have no reason to believe that it won't work exactly the same this time around.

Operator

The next question is from Rob Stevenson of Janney.

Rob Stevenson

Good morning guys. What percentage of your commercial tenants are electronic pay versus old school mailing in the check? And how does that also compare in the apartment space?

Lou Haddad

Gosh, Rob. I'm sorry. We don't have that at our fingertips. So I'm sure we can get it and zip that to you I know the trend has been more and more electronic, but I wouldn't want to quote a percentage as we sit here today, I'm sorry.

Rob Stevenson

I guess the other question would be, like when in the month you basically know what your collections are going to be? I mean, is it pretty well settled by the 15th of the month, by May 15, so you're going to know what you may collections are. Like when -- because the stuff comes rolling in, sometimes it's the first of the month, sometimes it's other points in the month. Do you have any visibility in that sort of thing?

Lou Haddad

Sure. That's a better question. We can answer that one. As a rule, particularly with these national tenants, they make use of their grace period. So it's usually between the first and the tenth that they come more back weighted to the tenth. But we have a number of tenants that also have mid-month dates. We published our update book as of April 24. And I can tell you the 7 days preceding that were some fairly substantial rent collections. So it's certainly weighted towards the first 2 weeks, but the third week, and even – I mean, we were collecting April rent as late as yesterday. The third and fourth week still have some viability. We've got a Board meeting the last week in May, and we may well put something out coming out of that Board meeting. It's -- the unknown here is -- well, obviously, everybody knows what the unknowns are. How long is the state at home going to be in place. What's the ramp-up look beyond that. And the wildcard is how many of these tenants are accessing the government assistance. We have a number of tenants that have applied for it. Only a few have gotten it so far. So as that comes through, we may be pleasantly surprised with the May collections. But as Mike has said, we're assuming it's not going to be better than it was in April. That's going to be our base case. And as I hope we made clear; we are happy to sit here in tread water at that level. We don't have a need for capital at this stage of the game. And again, that formula is the same. It's just pay your bills, work with your tenants, conserve your cash and be ready to pounce on opportunities

Rob Stevenson

You said there was some coming in in the last week. You said your numbers were cut off as of April 24. We look at 78% today. Is that meaningfully changed? Are we talking about 1% or something like that?

Lou Haddad

Yes. It's a couple of percent. I think we might have gotten to 80%. But nothing that material.

Rob Stevenson

Okay. And then you said that after the Board meeting, you might wind up publishing some more stuff on May? I mean, is that it?

Lou Haddad

Nothing that material.

Rob Stevenson

Okay. And then you said that after the Board meeting, you might wind up publishing some more stuff on May. I mean, is that -- are you guys anticipating that, that will be while we're in this sort of environment that, that will be a sort of regular sort of monthly type of publication at some point at the end of the month or so publishing what you collected?

Lou Haddad

Yes. We want to make sure we are completely transparent in this period. And there's no reason for us to hold that information, good, bad or indifferent. We want to get our facts out as fast as humanly possible. I think that, that will be a good date. I'm hoping that we have some idea on the direction of some of these states that are opening up. But you can count on us to put forth everything that we know because we think it's important that investors know.

Rob Stevenson

Okay. And then back to Dave's question about the special of the dividend. What measures is the Board going to need to see to reinstitute? Is it basically whatever month we get to that 80% collections or so is up to 85% or 87% or something like that? We're starting to trend in the right direction? Do you guys hold off into the fall with Falchi saying that we're going to have a rebound of this plus the flu season, where you don't want to be reinstituting the dividend and then having to suspend at a second time? How is the -- what sort of road map is the Board sort of looking at sort of as they reevaluate this thing over time? Not specifically, but sort of what are those sort of road marks -- markers that we should be looking at here?

Lou Haddad

It's -- unfortunately, Rob, our crystal ball is not better than anybody else's. We we really want to look at directionality. It's not so much whether we get 85% or 90% of our rents or 75% or whatever it would be. It really is, are we on the back side of this thing, fortunately, we're in the southeast markets where the governors are already making plans to open up. We really need to see how that plays out. We're not going to be overly conservative to where you can't do anything until there's a vaccine. I don't think that's realistic. And of course, it's not realistic for our tenants. There's the one thing about a crisis like this is that you get better information every day. And so I'm counting on the fact that 25, 26 days from now, we'll have better information than we did.

Like I said, we're -- we want to bring the dividend back as soon as humanly possible. At the same time, we want a $20 stock price even worse than that. And so we've got to weigh both those things. The thing that we all have to keep in mind, just like for the last 4 recessions, they do end things typically go back to the center line. There are short term changes, and there may be some long-term trends, but they typically go back to the center line.
And just like commercial real estate has been for the last 100 years, it's going to be extremely valuable, again as long as it's properly underwritten and in the right locations. That's what we've done since 1979, and we're not going to vary from that formula.

Rob Stevenson
Okay. And then you're saving, I guess, somewhere around $17 million a quarter, I guess, with the suspension of the dividend. Any plans to use any of that save liquidity to buy back the stock at under $10?

Lou Haddad
Not at this time. You always have to weigh the best use of your capital. There are some really good projects that are on hold out there right now, that long-term value wise are going to be better for us than buying back our stock. Never say never. But all I can tell you is our Investor hat is firmly on our heads. And secondarily, our management hat is on the desk. So it's going to be something that trying to stay in the middle of the channel.
We know how important the dividend is, particularly to our OP unitholders. About 1/3 of the company is in OP units. Those people are depending on dividends. And so we understand that uniquely. But at the same time, institutional investors are looking for overall return and I can tell you, we're completely focused on that. So I'm sorry I can't give more clarity. We'll be as clear as we can as fast as we can. But we really need to see the directionality of the recovery in order to make a good decision.

Rob Stevenson
Okay. Did you guys get the deposit on the retail sale that was forfeited. Is that money in the bank for you guys? And how much was that?

Lou Haddad
It's $1 million. It's still an escrow. We fully intend to get it out of escrow. I'm sure that there will be some controversy about that from the buyer. But as these things typically go, you know how this works, we're saying they're in default they're going to come up with some reason, some lawyers are going to make some fees, and then we're going to get the money.

Rob Stevenson

Okay. And then last one for me. On the 3 developments that were suspended, how long of a delay do you have before the tenants can back out? Or have you renegotiated already with them for more time? I would think that somebody like Publix would want the space as soon as possible.

Lou Haddad

Yes, they sure do. And we want to give it to them as soon as possible. They're working with us. We're in constant contact there as well as with the Fortune 100 tenant. That's a timing question. We want to take full advantage of lower prices. At the same time, we don't want to wait for so long because you don't want to take advantage of tenants that are counting on you to produce facilities. So we're looking forward to -- is that going to be before the end of the year? I hope so. But again, we need to see that directionality. In terms of the 2 multifamily projects, and plus 2 more multifamily projects that we have in predevelopment. That timing is completely within our Bailiwick, and we're just going to we're going to try and figure out the exact right time.

Operator

The next question is from Jamie Feldman of Bank of America Merrill Lynch.

Jamie Feldman

I was just hoping you could talk about capital sources. I know you had talked about seeing opportunistic -- investment opportunities coming out of this. But then I think you also said you had $25 million of cash, and you had drawn your credit lines. So just how should we think about -- do you have external sources you would tap to get into a position to be buying? How do you fund that?

Lou Haddad

Sure. Jamie, remember, our model is a bit different than other folks. I'm not talking about buying facilities that are distressed or that someone's having the fire sale. We're talking about development and adding value. And the way you do that, there's a million of ways to do that when you have a diversified model. As you know, we have a number of joint venture partners. We may bring in some external equity. We may fund it ourselves, or we may have our partners take a bigger piece. We made presale. There's many number of ways, and it's going to be a mix and match. I mean, we'd love to own everything. At the same time, that's probably not realistic because the opportunities are going to be a lot more than we can swallow on our own. This is where -- this is why we get paid. We need to be flexible. We need to be smart, and we need to act quickly where it makes sense to act quickly. And we can't have our eyes be bigger than our stomachs. So you may see us sell a couple of opportunities. You either pre sell or sell dirt. But I don't know that, that's going to be the case. Our first posture is the quickest road back to $20 share price. Is valuable real estate in-house. So we'll see how that all develops over the next 6 months or so.

Jamie Feldman

Okay. And then as you think about the retail tenants that have paid rents or those that haven't? I mean, how do you think about the timeline? I guess the first question is really, can you maybe just give an update on reopenings across your markets or maybe your largest markets just what the latest is and how that goes -- comes into your thinking? And then I guess the second part of the question was, how do you think about the ability of your tenants to survive if this goes on for several more months? As you think about the credit quality and their liquidity?

Lou Haddad

Sure. Well, first of all, it's -- I mean, everybody is still -- again, we're mainly talking about Georgia, North Carolina, South Carolina, Virginia and Maryland. And as you -- as I think everybody knows, Georgia is at the forefront right now. We have not seen the -- we have not seen the results of them opening on this very limited basis yet. I think it's too early to tell. It seems like those 4 or 5 states are going to be amongst the first on the eastern seaboard that get going. We don't know what that ramp up looks like. This reminds me a lot, Jamie, of the 2008 recession. You've probably heard Mike and I say before our portfolio went all the way down to 92% occupied. And which astonished an awful lot of people. I'm expecting the same sort of performance here. And the reason for that is we take care of our tenants. We're not interested in forcing them out of business. There's going to be a number of these people that are going to open and have limited hours or limited ability to put people in seats. We're going to work with them. At the same time, we want to make sure we don't get taken advantage of. And like I said, the wild card in all this is how much the government help is going to accelerate their ability to pay back deferred rent. As always, unfortunately, there's going to be casualties. We have a lot of small shop tenants and some of them just can't handle being out of the commission for 3 months or 6 months. And so there will be some of that. But largely, if we are -- if our country is back on its feet, albeit a little bit shakily come fall, then I think the vast majority of these guys are going to make it. I think you'll also find that some of the national retailers that were struggling might use us as the opportunity to do a Chapter 11 reorganization and shed some of their underperforming stores.

Jamie Feldman

You're saying some of the ones in your portfolio?

Lou Haddad

I'm saying -- I mean, I think everybody knows the names, the big soft good guys. I mean, again, we don't have department stores. We've got some of these junior anchors. We'll just have to see how they come through it.

Jamie Feldman

Okay. And then just to confirm on the accounting side, you -- it sounds like there's a decent number of small shop, mom-and-pop retailers. I mean, did you -- have you reserved against those in terms of accounting, switching to cash payments or something like that and you're moving straight line? Or I'm just trying to figure out how it showed up in your numbers so far.

Mike O'Hara

It has no effect in the first quarter because everybody was paying their rent in the first quarter. It started with us in April. The GAAP guidelines are today that as long as you don't do abatement and its deferrals, there's no change in the straight-line rent. And obviously, like we, at any time, have to evaluate each tenant to see whether or not they're viable going forward and whether or not we have to write-off, do a bad debt reserve, write them off or not.

Jamie Feldman

So at this point, you're assuming all deferrals and no abatements, is that right?

Mike O'Hara

Correct. All the negotiations right now are all deferrals.

Lou Haddad

We haven't had anybody say that they've decided not to open. So that they're all looking forward to getting back to work, just like all of our office tenants are chomping at the bit as well.

Jamie Feldman

Okay. And then I guess just last question on the office side. I mean, what are tenants telling you about what might need to be different about the buildings? Or are there a space build-outs when they do reopen? And are you involved in that managing some of those changes?

Lou Haddad

Yes. We're working with a couple of tenants that want to come into facilities. I think the despite the headlines, what we're seeing at the ground level is people don't want to overreact to a short-term set of circumstances. Like I was saying earlier, you don't build real estate for what's going to happen in the next 12 months. Now there's some procedures that are going to be different once we open these offices, obviously, for at least some limited time, and you've seen all that on the news cast with the additional cleaning and potential masks and S and social distancing, even within the office, maybe even staggered ships. We're going to be accommodative in every piece of that. I don't know that anybody should be redesigning real estate based on that. I've seen overreactions over the last 40 years, and I very rarely see them work out.

Operator

The next question is from John Guinee of Stifel.

John Guinee

Great. Smart decision on the dividend. A question for you, Mike. You mentioned you had $25 billion of cash today. And your balance sheet as of [3 31] was $48 million. Where did the $23 million go? What were the major expenditures there that caused the cash to go from $48 million to $25 million in the last 30 days?

Mike O'Hara

Well, most of that was the payment of the dividend, John, as well as funding the -- some of the ongoing redevelopment here at Town Center.

John Guinee

Okay. And then you also -- I noticed year-end book value of the mezzanine program was $159 million. And at the end of 3/31, it's $179 million. What caused the mezz debt book to go from $159 million to $179 million.

Mike O'Hara

Some of that would be some draws on Interlock project and as well as the crude interest.

Lou Haddad

That's what we had forecasted at the first of the year, John, that those are now fully funded.

John Guinee

Okay. Looking at your slide deck, the mezz -- the Interlock is a $67 million number, but you expect to collect $12 million this year. My recollection is some of that is an incentive payment, and the rest is just ordinary income. Do you still think that you're going to get paid off by the end of the year on that one and be able to collect all $12 million?

Mike O'Hara

No. We wouldn't get -- well, on the Interlock, we don't get paid off until it closes, there are interim payments on the interlock loan on some transactions that are happening along -- amongst alone site during the year.

Lou Haddad

Which we expect to collect.

John Guinee

The $12 million to be a number on the $67 million?

Lou Haddad

We believe, yes.

John Guinee

And then if you look at your -- you said a little that you're cash flow positive. Is that when you treat the mezz collections as cash coming in the book? Or are you still cash flow positive if you look at those as more accrual accounting?

Lou Haddad

No. Cash flow is cash flow, John. That's all -- that's just strictly on a cash basis. And that's -- I'm glad you brought up that point. I was trying to make it clear, Mike said it in his comments, the fixed charge coverage is extremely strong, and that is based on cash, not accrual. And we believe at this level, it's going to stay extremely strong. And I wish people would pay more attention to that sort of thing. That all debt is not created equal. I mean we all talk about the base level of benchmarking check a box for debt to EBITDA. But if you have long-term fixed rate debt at an extremely low rate, then that is an asset, not a liability. And while obviously, we would prefer to have a bit more in cash reserves. But I can tell you, anybody that has excess cash reserves beyond a reasonable place is doing a disservice to as investors, making 0.1% on cash that's not going to get used. We think that will become important again we're all we're all completely wrapped up in what's happening over these next few months, and obviously, we have to be. But everybody has to remember in the not-too-distant future, earnings are going to matter. And when you take into account 3% debt out there and what our cash flows look like, then earnings are going to be extremely strong.

John Guinee

Okay. And then, Mike, if you look at 2019, do you know or do you recall what your taxable income was per share so we can get a sense for what the minimum dividend, what should -- could have been minimum dividend was for 2019 to get a sense for what 2020 might look like?

Mike O’Hara

John, I don't remember. As I said earlier, we paid the $17 million in dividends in the first quarter. And obviously, the taxable income for this year is going to be dependent on how much rent gets paid this year. So obviously, if the rent collection stayed at a lower level, our taxable income will be lower. And if we see tax selections start coming back up and our income goes up, we can then take a look at the dividend as time goes on.

Operator

There are no additional questions at this time. I would like to turn the call back over to Lou Haddad for closing remarks.

Lou Haddad

We really appreciate everybody listening to the call. We hope everybody stays safe. Hopefully, at the next earnings call, we won't be just talking about pandemic. We look forward to keeping you guys updated and stay safe, and we'll talk to you soon. Thank you.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.