UNITED STATES BANKRUPTCY COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA

In re Hillcrest Ventures, LLC

Case No. 1:25-bk-11472-MB · No. 1:25-bk-11472-MB · Decided March 18, 2026

SUMMARY

The United States Bankruptcy Court for the Central District of California ruled on Royal Business Bank's motion for relief from the automatic stay in Hillcrest Ventures, LLC's Chapter 11 case. The court found that the bank lacked adequate protection, that the debtor had no equity in the collateral, and that the debtor failed to show a reasonable prospect of successful reorganization. The court granted relief under 11 U.S.C. § 362(d)(1) and (d)(2) but declined to waive the 14-day stay under Federal Rule of Bankruptcy Procedure 4001(a)(3).

CASE DETAILS

COURT	United States Bankruptcy Court for the Central District of California
WRITING FOR THE COURT	Martin R. Barash
JURISDICTION	United States Bankruptcy Court for the Central District of California, San Fernando Valley Division
DECIDED	March 18, 2026
DOCKET	1:25-bk-11472-MB
DISPOSITION	other
PROCEDURAL POSTURE	Royal Business Bank moved for relief from the automatic stay under 11 U.S.C. § 362(d)(1) and (d)(2) to foreclose on, and seek appointment of a receiver for, the debtor's Main Property. After an evidentiary hearing, the bankruptcy court granted the motion but declined to waive the 14-day stay under Federal Rule of Bankruptcy Procedure 4001(a)(3).
STANDARD OF REVIEW	The court applied the burdens of proof in 11 U.S.C. § 362(g): the movant bears the burden on the debtor's equity in the property, and the opposing party bears the burden on all other issues, including adequate protection and whether the property is necessary to an effective reorganization.
PRECEDENTIAL VALUE	Unknown; memorandum decision from a bankruptcy court, with no published reporter citation or stated precedential designation.

TOPICS

automatic stay · chapter 11 · reorganization · foreclosure · mortgages

PRACTICE AREAS

Bankruptcy · Real estate finance · Foreclosure · Automatic stay litigation

QUESTIONS PRESENTED

1. Whether cause existed under 11 U.S.C. § 362(d)(1) to grant relief from the automatic stay because the bank's interest was not adequately protected.
2. Whether relief was required under 11 U.S.C. § 362(d)(2) because the debtor lacked equity in the Main Property and failed to show that the property was necessary to an effective reorganization within a reasonable time.
3. Whether the court should waive the 14-day stay applicable to an order granting relief from the automatic stay under Federal Rule of Bankruptcy Procedure 4001(a)(3).

HOLDINGS

1. Cause existed to grant relief from the automatic stay because no equity cushion protected the bank's interest in the Main Property and the debtor was unable to make adequate protection payments.
2. The debtor had no equity in the Main Property because the property's value was less than the aggregate amount of liens encumbering it.
3. The debtor failed to prove that the Main Property was necessary to an effective reorganization because it failed to demonstrate a reasonable possibility of successful reorganization within a reasonable time.
4. The court declined to waive the 14-day stay applicable to the order granting relief from the automatic stay.

KEY QUOTATIONS

> *"What this requires is not merely a showing that if there is conceivably to be an effective reorganization, this property will be needed for it; but that the property is essential for an effective reorganization that is in prospect. This means … that there must be a reasonable possibility of a successful reorganization within a reasonable time."* (at 375–76)

> *"The Court is firmly convinced that the as-is fair market value of the Main Property is squarely between the two."* (Section IV.A)

FACTUAL BACKGROUND

Hillcrest Ventures, LLC was redeveloping an incomplete office building in Inglewood, California, into a mixed-use project with apartments, entertainment space, and retail. Royal Business Bank held a first-priority deed of trust securing a construction loan, and the debtor defaulted after the loan matured while the project remained unfinished. The court valued the Main Property at $31,890,000, found the bank's claim had increased to $32,631,226.60 through postpetition interest, and found that the debtor had only $3,634.61 in monthly rental income. The debtor had marketed the property and received nonbinding proposals but had not obtained the capital necessary to complete the project or a feasible reorganization.

PROCEDURAL HISTORY

The debtor filed a chapter 11 petition on August 13, 2025, after defaulting on a construction loan and while the bank's state-court receivership motion was pending. The bank filed its motion for stay relief on November 10, 2025. Following preliminary proceedings, motions in limine, and a three-day evidentiary hearing on February 17–19, 2026, the court issued this memorandum of decision granting relief under both § 362(d)(1) and § 362(d)(2).

DISPOSITION

other

CASES CITED

- O'Rourke v. Seaboard Sur. Co. (In re E.R. Fegert, Inc.), 887 F.2d 955, 957–58 (9th Cir. 1989)
- Gerritsen v. Warner Bros. Ent., Inc., 112 F. Supp. 3d 1011, 1033–34 (C.D. Cal. 2015)
- Wellness Int'l Network, Ltd. v. Sharif, 575 U.S. 665, 670–71 (2015)
- United Sav. Ass'n of Tex. v. Timbers of Inwood Forest Assocs., Ltd., 484 U.S. 365, 371, 375–76 (1988)
- Pistole v. Mellor (In re Mellor), 734 F.2d 1396, 1400 & n.2 (9th Cir. 1984)
- Pa. State Emp. Ret. Fund v. Roane (In re Roane), 8 B.R. 997 (Bankr. E.D. Pa.), aff'd, 14 B.R. 542 (E.D. Pa. 1981)
- Stewart v. Gurley, 745 F.2d 1194, 1195 (9th Cir. 1984)
- Sun Valley Newspapers, Inc. v. Sun World Corp. (In re Sun Valley Newspapers, Inc.), 171 B.R. 71, 75 (B.A.P. 9th Cir. 1994)
- Sumitomo Tr. & Banking Co. v. Holly's, Inc. (In re Holly's, Inc.), 140 B.R. 643, 700–02 (Bankr. W.D. Mich. 1992)