

## Foreclosures and Florida: Disasters still loom

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Like local governments, many condominium and homeowner associations have been holding off on repairs, cutting services and depleting their reserves.

The forces that brought on this predicament remain undeterred. Too many residents are unable to pay bills. The market for condos remains bleak, with units selling well below bubble-period highs. Banks resist foreclosures that would hurt their balance sheets and add to their costs. The Legislature does little to help.

Within this bleak picture, a bright spot has emerged. Last month, Palm Beach County Circuit Judge Thomas Barkdull gave the Palm Beach Grande Condominium Association the power to collect rents on units where the association fee is delinquent. The so-called "blanket receivership" allows delinquent owners to continue renting units, which helps stabilize troubled properties, but lets the association collect the rent to cover overdue assessments. If tenants refuse to pay, they or the unit owner can be ordered to jail.

The change has been dramatic, said David Arnold, a partner with the Association Law Group in Miami, which claims to have pioneered the approach. A complex in northern Miami-Dade County went from collecting \$3,000 a month in assessments, about 70 percent less than needed, to \$11,000 in two months.

At the Palm Beach Grande, on Benoist Farms Road south of Okeechobee Boulevard, 170 of 300 units are not paying association fees that typically cover water, maintenance, cable TV and property insurance. Only 65 of the 170 are rented, though, and few tenants have complied with the order, said property manager Mark Quinn of Banyan Property Management. The problem hits condo conversions hardest, Mr. Quinn said. Speculators scooped up units, expecting cash flow from existing tenants. Tenants lost jobs, payments stopped, investors didn't pay mortgages, banks didn't foreclose and associations were left in the lurch.

Eventually, a high-profile complex will stop paying its bills, the water will be cut off or the insurance will be canceled, and a disaster will ensue. Bank officials hoping to get 50 cents on the dollar will be left with nothing. Politicians wishing the whole thing would go away before they have to force lenders to take action will be humiliated. And the condominium and homeowners who keep their payments current will be left with nowhere to live.