

Margate condo terminated after foreclosures

BY PAUL BRINKMANN

The sun has set on a failed condominium conversion project called Sunset Lake Villas in Margate, another sign of the times in the wreckage of the real estate bust.

The latest owner of a loan on the conversion project voted to terminate the condominium association, one of the region's first such terminations under a Florida statute revised in 2007.

In the past, condo terminations mostly occurred after severe hurricane damage or insurance loss. The new statute envisioned more terminations occurring because of economic loss.

At Sunset Lake Villas, values had plummeted since 44 units were put on the market several years ago. Only 11 of them had sold, for about \$195,000 each, and all of those slipped into foreclosure. Now, the only comparable sales place value at about \$20,000.

"Basically, this condo termination forces a short sale," said attorney Sree Reddy of Miami Beach-based Roth Reddy, P.A., which represented the note holder, Bethpage, N.Y.-based AJG Realty LLC.

Lenders that are in the process of foreclosing on the few remaining units not owned by the developer will be paid off at whatever fair market value for those units are.

"And, yes, they would be taking almost a 90 percent haircut on that," Reddy said.

Sunset Lake Villas is majority owned by Anthony Galeotafiore, managing member of AJG. It will now go back to being an apartment complex. Galeotafiore was able to vote 80 percent of the association's votes, meeting the threshold set by law for termination.

In a news release about the termination, Galeotafiore said it was "the only way out" of the morass the project has landed in.

"After all of the units we sold fell into foreclosure, all of the unit owners moved away or rented units without paying HOA dues. Nobody is financing condos, but apartment buildings are bankable," he said.

The state Division of Florida Condominiums, Timeshares and Mobile Homes must still approve the termination.

'It's very challenging'

Michael A. Furshman, a partner with the Association Law Group in Miami, said termination is often difficult to pull off, but has been used sporadically.

"One of the big hiccups is the mortgage holders must also vote to terminate. That is a moving target," he said. "It's not only getting all the owners and lenders, it's getting them at the same time. You've got to get everybody at one moment in time to agree. It's very challenging."

Grant Stern, president of Bay Harbor Islands-based-Morningside Mortgage, handled some of the termination process at Sunset Lakes Villas as a consultant for AJG. He believes the current economics of the condo market will force more condo terminations soon. Morningside has a division called Condo Terminators and a website, CondoTerminators.com, in anticipation.

"Condo termination is the only way to resolve Florida's real-estate slump and protect the rights of homeowners, banks and the value of our tax base," Stern said. "The condo termination law is meant to cut through the tangle of lawsuits and



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provide fair resolution to the parties of interest, outside of court."

The vote to terminate the condominium was held June 9. Notices had been sent to all parties involved and posted on doors of the units.

Reddy said there's a 90-day period during which the termination can be contested.

"What happens now is there are a few units in some stage of foreclosure. Those will be paid off by a trust," he said. "The end result should be a property with clean title. The property is basically in a trust, which functions for the benefit of the primary shareholders."

Reddy said AJG originally intended to sell condo units, but found it was easier to get Federal Housing Administration financing for the entire project as an apartment building.