

## Receiverships Help Associations Collect Debts



### Fallan Patterson

Earlier this year, an innovative interpretation of a Florida law created an easier way for condo associations to collect unpaid dues from delinquent owners. It allowed associations to simply collect rent directly from tenants who are renting from the owners.

The concept, known as blanket receivership, allows financially struggling associations to file one court order for all delinquent units that collect rent from tenants. The court order then appoints a receiver to collect the rent and give it to the association, which pays down the investor's debt. The association can only collect rent as long as a debt is outstanding.

It's been nearly a year since the first landmark court decision, and the number of blanket receiverships that have been granted has jumped considerably. Ben Solomon, an attorney from Association Law Group in Miami-Dade County, said the law firm has more than 40 blanket receiverships currently ordered, and more than a dozen in the works.

"In better markets, it was easier for attorneys to collect on delinquencies

because of equity, Solomon said. "The problem with this market is that owners don't have equity or investors find themselves so upside down they are not swayed because they have no intention of keeping the unit."

Solomon said the average rent equals three to four maintenance payments. Therefore, it may only take a few rent payments for a delinquent owner's debt to be paid.

Blanket receivership has worked well for Villas de Tuscany in Sunrise. Association secretary Kristen Torrado said that with 20 units under the program, the associations expect as \$20,000 increase in additional income for January.

"It's very positive," Torrado said. "We have a lot of investors that stopped paying."

Receiver Seth Heller handles more than 20 blanket receiverships statewide and said he was the first receiver appointed to collect on a blanket receivership.

"This has blown up. It's something amazing for these associations," Heller said. "Once you set it up, it's like a system."

Previously association attorneys filed a separate order for each delinquent unit, costing attorneys time and associations money. Attorney David Arnold of the Association Law Group said he scoured Florida law until he realized the law never stated that the orders had to be filed separately.

The law group used the freshly interpreted statute in May for The Oaks at Miami Gardens, where more than half of the 61 units were in delinquency. The delinquencies caused the monthly income to fall from \$11,000 to \$3,000.

Javier "Jay" Lopez, The Oaks' property manager, said \$25,000 has been collected since June, with 12 units under the blanket receivership program. Twenty other units cannot be collected on because they do not have tenants.

"If you take out that \$25,000, we would've been closed by now," Lopez said. "The water would've been turned off."

For Solomon, saving The Oaks has helped save other Florida communities.

"It resuscitated them," he said. "It got them to the point where that could pay bills again. By all accounts, it saved that condo."

