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Condos sic judges on owners for back fees

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Editor's note: An earlier version of this story mis-stated the scale to which condo owners are liable for overdue association fees. The six-month time-limit only applies to bank-owned condos.

Condominiums in Central Florida are cutting back on things like tennis-court lights and are seeking help from the courts because so many condo owners are abandoning their fast-depreciating units and refusing to pay required maintenance fees.

"It's a major crisis right now," said Bill Raphan, a supervisor with the state Division of Condominiums.

Desperate condo associations are starting to seek court-appointed receivers — a trend that started in South Florida but has spread to this part of the state. It's a sign of how dire the situation is, said Donna Berger, executive director of the Community Advocacy Network, a nonprofit group representing more than 1,500 condo and homeowner associations. "The current economic downturn and foreclosure crisis have placed many associations on the brink of disaster," she said.

Raphan said so many condos have been abandoned that a complex with 100 units may have just five people left who can afford to stay there. "We get people who are calling and saying, 'Why should I be paying my maintenance fees when there are so many foreclosures? I'm not going to pay. What can they do to me?'"

Delinquent owners in the Villas at Lakeside, an Oviedo condominium, may soon learn what can be done to them when they stiff their condo board.

Last week, state Circuit Judge Alan A. Dickey appointed Seth R. Heller and Co. to collect fees at the Villas. More than 60 percent of the 294 unit owners are delinquent, with individual tabs of as much as \$11,000 for some owners of multiple units. Total unpaid fees: \$720,000.

If those condo owners or their tenants don't pay up soon, they will be held in contempt of court and at some point could face arrest.

"Without this order, the association was really facing financial collapse," said Fort Lauderdale lawyer



Stuart Zoberg, who represented the Villas board. "And all along you have these landlords laughing, because they are collecting rents, and they still siphon off as much money as they can from their renters without paying association fees."

A big challenge facing the associations: Florida law requires those delinquent on bank-owned condos to pay only six months' worth of back fees, Raphan said.

"They can be two years behind, and they only have to pay six months of maintenance fees, or 1 percent of the mortgage value, and that doesn't come anywhere near what they owe," Raphan said.

Proposed legislation would have made owners responsible for 12 months' worth of fees, but the measure failed earlier this year in the state Legislature.

At the heart of the controversy over condo-association fees are plummeting condo prices. The hardest-hit complexes are those built or converted from apartments during the real-estate boom earlier this decade.

The median price of a condo unit in the Orlando area has dropped nearly 70 percent in the past two years, from \$156,500 in August 2007 to \$49,800, according to the Orlando Regional Realtor Association. Single-family homes, by comparison, posted about a 40 percent drop in median price in the same period.

With many condo owners unwilling to pay the loans on their fast-depreciating units, they are defaulting on the mortgages and not paying the association fees. And those fees often remain unpaid, because banks have been slow to repossess such units, which have become real estate's most unloved type of property.

Prices have fallen so far that a one-bedroom condo in Regency Gardens, a complex in Orlando's Conway section, was listed recently for just \$11,000. The listing agent said the unit had been on the market about six months, having started at \$40,000. She described it as "beautiful" inside. But though a mortgage on the unit would run only \$50 a month with a conventional loan, the association fee would set you back \$272 a month.

According to a Regency property manager, fees range from \$200 to \$390 a month, and only about half of owners are paying them.

When the Villas at Lakeside converted from apartments to condos about three years ago, Carl Cohen paid \$140,000 for a unit now worth about half that. Stung by the sharp drop in property values, many owners stopped paying their association fee, at which point the association opted to cut expenses rather than increase the fee for the few owners still paying, said Cohen, now the group's president. The Villas turned off the community fountain and tennis-court lights. And damaged pool cabanas and furniture can't be replaced, said Douglas L. Rankin, the board's vice president.

But the future looks even bleaker than the present, Cohen said. "We wanted to keep those who were paying, ... but this year we may not be able to hold back."

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