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Condo associations lose revenue due to housing crisis fallout

By Paul Brinkmann

Condo associations already banged up by hurricanes are struggling to meet the added burdens of foreclosures and bad debt from the mortgage meltdown.

"Complaint calls have gone up exponentially, mostly about special assessments," said Bill Rabhan, assistant state condominium ombudsman. "This is going to hit hard. More and more people could lose their condos, and they won't have places to live. "

Many condo and homeowner associations in South Florida already hit residents with big assessments to pay for damages from hurricanes of 2004 and 2005.

Now the funding for some associations is taking a hit as foreclosures leave units empty, or financing causes some residents to skip paying their monthly maintenance fees.

Hardest hit are new buildings where investor owners are predominant, according to attorney **Donna Berger of Katzman & Korr**.

"If you find yourself having 70 percent non-resident investors, you're feeling the pain a lot more than a stable retirement community where it's all residents," said Berger, executive director of Katzman's Community Advocacy Network.

"The newer buildings will see special assessments by that post-transition board trying to pay for insurance and maintenance."

Some associations are struggling mightily to avoid special assessments. Lou Caravella, president of Sunrise Lakes Phase I in Fort Lauderdale said, "We let some employees go, outsourced some work, and renegotiated some contracts.

Even so, Caravella said the association took over two units of 1,152 total through foreclosures.

Unfortunately, the additional pressure means associations have little patience with people who fall behind, said attorney Ellen Hirsch de Haan of Becker & Poliakoff in Tampa Bay.

"All of them are scrambling and figuring out how to pay," de Haan said. "Some of the associations are now starting out by assessing a year in advance to get ahead of the game."

A bank's liability for past assessments is limited by state law once a foreclosure happens, she said.

"The law says the bank is not responsible for unpaid assessments over six months or 1 percent of total mortgage, whichever is lower," de Haan said.