

Condo associations are turning to receiverships to collect rent on foreclosed units

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Nearly 70 percent of the owners at the Kensington of Royal Palm Beach Condominium are delinquent on their association fees.

At the Paradise Cove at Palm Beach Lakes condo, 48 percent of owners owe back dues.

And at Cypress Estates of Palm Springs, 56 percent of units are in arrears.

The three communities share the same story. Investors bought heavily during the boom, but now sit on units worth half what they paid.

In some cases, owners are renting their units, waiting for a foreclosure or short sale, and although collecting monthly tenant checks, refuse to pay the association fees that fund insurance, water, cable, maintenance and landscaping.

There's been little recourse for those paying their fees and trying to maintain a livable community.

But a recent court decision may change that.

This month, a Palm Beach County Circuit Court judge preliminarily awarded a blanket receivership to the Palm Beach Grande Condominium Association, which has about 50 percent of its owners delinquent on fees.

The decision will allow an independent company to collect rents directly from tenants living in Palm Beach Grande condos, bypassing the unit owners.

While a judge must still rule on a final order detailing how the rent will be collected, the preliminary decision is a boon for Palm Beach Grande and myriad other associations straining to provide services.

Kensington, Paradise Cove, and Cypress Estates have all since followed Palm Beach Grande's lead, filing petitions for blanket receiverships.

"There's anger. The owners who live here are disheartened because they work hard and care about the community," said Karen Ciccari, Kensington of Royal Palm Beach association president. "It's a nightmare."

Until recently, requesting a blanket receivership to collect delinquent association fees was an unusual move.

Past practice has been for an association to ask for a receiver for each individual unit in default. But that was when defaults were relatively few.

Now, faced with hundreds of delinquent units, blanket receiverships are becoming more common.

Recent court decisions in Miami-Dade and Broward counties have granted blanket receiverships, allowing a court-appointed representative to directly collect rents to pay off fees.

"In Dade, this was touted that it would save everybody," said Mark Quinn, president of Banyan Property Management, which oversees Palm Beach Grande. "It's not going to save these people, it's just another tool that will allow us to get more revenue."

Palm Beach Grande units were going for \$165,000 to \$180,000 during the real estate boom. Their current market value, as listed by the Palm Beach County Property Appraiser's Office, is about \$50,000.

The two-bedroom, two-bathroom units at the Kensington of Royal Palm Beach sold for upwards of \$340,000 between 2006 and 2008.

Now, many of them are worth half of what owners paid.

Cicciari said her condo fees are about \$320-a-month. The association chose to drain its reserve this year to pay for services instead of raising monthly dues. Cicciari said the association feared losing more paying owners if fees went up.

"We're providing cable to the whole community but there are only a handful of us paying," Cicciari said. "It's becoming out of control."

The real problem, Quinn said, is when major repairs are needed, but there's no rainy day fund.

"If we had a hurricane, communities like this, with no cash cushion, I don't know how they would ever pay their insurance policy deductible, or clean up," he said. "If the receivership doesn't work, what happens to these communities, no one can really answer that."

Condominium associations that have filed court petitions for blanket receiverships to collect delinquent fees.

- Paradise Cove at Palm Beach Lakes; 152 units of 317 are delinquent. Association owed \$893,000.
- Cypress Estates of Palm Springs; 46 units of 82 are delinquent. Association owed \$110,000.
- Kensington of Royal Palm Beach; 113 of 167 units are delinquent. Association owed \$379,000.
- Palm Beach Grande; 147 of 304 units are delinquent. Association owed \$675,000.