

# Condo association says half its owners are behind on a total of \$675,000 in fees

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With 50 percent of its owners owing a total of more than half-a-million dollars in overdue maintenance fees, a suburban West Palm Beach condo association wants to seize control of delinquent units, bypass owners when it comes to rent collection and possibly even rent units through a third party.

The move by the Palm Beach Grande Condominium Association is a desperation measure as coffers dwindle to amounts unable to support the association through the end of the year, according to a petition filed in Palm Beach County Circuit Court.

In some cases, the owner of a condo in foreclosure is renting it out, receiving a monthly rent payment, but refusing to pay association fees for water, landscaping, security, insurance and upkeep of the fitness facilities.

Since 2007, nearly 160 of Palm Beach Grande's 304 units have faced a foreclosure filing, according to Condo Vultures, a Miami-based consulting company.

About \$675,000 is owed Palm Beach Grande's association.

The request for a receiver says it is "unfair that unit owners should be allowed the benefit of rental income in their pockets when they are not meeting their monthly obligations to the condominium association."

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 maintenance fees.

While laws differ when it comes to owner-occupied, vacant and rented condo units, some boards are even asking for the power to rent out delinquent units, effectively bypassing the owner to become landlord.

The new legal tool appears to be moving north with one Palm Beach County property management company saying it expects about five condo boards it represents to file receivership requests within the next 30 days.

"If 50 percent of the people don't pay, the other 50 percent pay more, and it just becomes a burden," said Mark Quinn, president of Banyan Property Management, which represents Palm Beach Grande Condominium Association. "You end up with dues going up, people can't pay, they go up again. Everything spirals down."

Palm Beach Grande, near Okeechobee Boulevard and Benoist Farms Road, was an apartment complex until 2006 when it converted into a condo.

Units were going for about \$165,000 and to \$180,000. Their current market value, as listed by the Palm Beach County Property Appraiser, is around \$50,000.

Monthly condo association fees are around \$235. The lawsuit claims about 100 of the delinquent units are not owner-occupied.

"We're collecting for the association to keep the community in working order," said Steve Terrinoni, a broker with Rent Florida Realty, Inc., which is requesting to be the receiver for Palm Beach Grande. "This is what it's going to take to get the associations out of debt."

But Peter Zalewski, a principal with Condo Vultures, said while a receivership looks good on paper, it doesn't mean it will work in practice.

It can be difficult, he said, to persuade a renter to pay the receiver instead of the owner. The landlord may offer a discount to keep the rent coming in, or play on the tenant's sympathies with a tale of economic woe.

"The tenant gets confused as to who to pay," Zalewski said. "They don't want that grief or headache and at the end of the day, they don't know who to believe."

Still, John Lapolla, who recently bought five Palm Beach Grande units at deflated prices and is renting them out, said he's in favor of a legal order to force assessment payments when a person is earning money from a unit.

"Every person who buys a unit should live up to the commitments they made when they bought it," he said.

Staff Writer Jane Musgrave contributed to this story.