

DAILY BUSINESS REVIEW

Developers file Chapter 11 to complete condo project

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Seven entities connected to a long-stalled South Beach condominium project have filed for Chapter 11 bankruptcy protection in order to head off foreclosure.

The developers of the 202-unit Artecity complex said Tuesday that the filings will also permit it to use \$2.7 million in construction financing to complete its 113-unit North and South Towers.

Artecity was targeted in a March foreclosure suit filed by Corus Construction Venture, a descendant of the failed Corus Bank formed from a partnership of Starwood Capital Group and the Federal Deposit Insurance Corp. The partnership owns the loans of the Chicago bank, which failed in September after financing Artecity and several other South Florida condominium projects.

Construction of Artecity was halted when Corus Bank failed.

Forty-two of the 61 completed units at Artecity have been sold.

Prior to filing Chapter 11 on Monday, Artecity sought Corus Construction Venture's approval for Artecity's proposal to finance completion of the project with \$2.7 million raised from Artecity's principals.

"The investor group's response was not encouraging so Chapter 11

became the best way for Artecity to complete the project," said Thomas Lehman of Levine Kellogg Lehman Schneider & Grossman, the attorney for Artecity.

"When Congress decided to fund the bailout of the banking industry, I don't think that it intended for government financing to be used to block small developers like Artecity from risking its own money to restart a project stalled after a bank failure," he said.

Lehman said Chapter 11 "gives us the level playing field we need" to complete Artecity's development.

In a statement, Artecity's principals said they remain committed to completing the project and closing the 93 condominium units still under contract with purchasers. The more than \$2.7 million raised for debtor-in-possession construction financing came from many of Artecity's original investors.

"Artecity's North and South Towers are more than 95 percent complete. They will be finished in four months and closings will resume immediately after," said Claudio Benedetti, the project's manager.

Benedetti said the new construction loan together with completion of construction "will achieve the best result for all creditors of Artecity, the current owners of completed units" and purchasers seeking to close their contracts to

buy a unit.

Artecity has requested the bankruptcy court approve the new construction loan and expects a court hearing on its request in two weeks.

Each of the seven entities lists between \$10 million and \$50 million in liabilities and most listed assets in the \$50 million to \$100 million range.

The filings in U.S. Bankruptcy Court in Miami list \$45 million in debt to Corus Construction Venture, described as "disputed" in court documents, which also list \$38.2 million of that amount as secured based on the project's "as-is" value. The value of the completed project was estimated at \$67 million.

The entities filing on Monday were Artecity Management, Artecity Holding, Artecity Governor, Artecity Park, Artecity Plaza, Artepark South Development and Park Villas Development.

The largest unsecured creditors are Acquire USA of Miami Beach, owed \$4.5 million; Giorgio Bassi and Donatella Marzagalli, Miami residents owed \$3.15 million; project co-developer Alessandro Ferretti, owed \$2.66 million; Museum Park LLC of Miami Beach, owed \$2.27 million and Marooned SRL of Miami Beach, owed \$1.62 million.

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