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# Related's CityPlace South Tower in 'friendly foreclosure'

South Florida Business Journal - by [Brian Bandell and Darcie Lunsford](#)

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In what is being termed as a "friendly foreclosure," **The Related Group** is handing over control of its new 420-unit CityPlace South Tower in West Palm Beach to a consortium of partners led by Toronto-based **Scotia Capital**.



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The lenders and the project's developers, CityPlace South Tower, LLC, an affiliate of The Related Group, reached an agreement in which the new partnership will acquire title

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to all unsold units in the project.

Scotia Capital, a subsidiary of **Bank of Nova Scotia**, filed a foreclosure lawsuit against CityPlace South Tower Wednesday in Palm Beach County Circuit Court. The complaint was based on the \$134.7 million mortgage the bank and its partners gave the developer in 2006.

The project is 100 percent complete and all construction debts and obligations have been satisfied, Jorge Perez, chairman and CEO of the Miami-based Related said in a press release.

CityPlace South Tower contracted to sell 367 units while the building was under construction. But when the building opened in summer of 2008, many buyers walked away from sales contracts. So far, 39 units have closed.

Due to these unit buyer defaults, Related said in a news release that it was necessary for the developer to renegotiate the terms of its construction loan with the lenders, which was scheduled to be repaid in July through proceeds from unit closings.

Alicia Cervera, president of Related Cervera Realty Services (RCRS), the exclusive sales agent for CityPlace South Tower, said in the news release that the successful transition between the developer and the new partnership provides significant benefits to current and future buyers.

“The lenders are not interested in generating sales in the building through large-scale ‘bulk’ sales and are working with RCRS to ensure that CityPlace South Tower’s integrity is fully protected and that it continues to offer a first-class owner experience,” she said.

Brad Scherer, president of Wellington-based real estate brokerage firm Atlantic Western, is working with the lenders as a consultant.

He said CityPlace South Tower couldn’t repay the mortgage on time because most buyers didn’t close on the units.

Scherer said the lenders will adjust the prices downward in response to the market and lease some units, but they won’t do a massive discount or convert the building into rentals. They will financially support the condo association and maintain CityPlace South Tower’s amenities, he added.

The Related Group will be compensated for continuing to manage the building, Scherer said.

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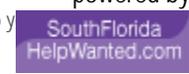


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That's a far cry from most foreclosures, where the developer and its principals are often held liable for the lenders' losses.

"I don't think the recognition of loss has occurred, or maybe it will never occur," Scherer said. "If the property market comes back and the property is managed in a first-class manner, there may not be a loss."

According to court documents, the partners in the \$134.7 million loan that will take control of CityPlace South Tower are:

- [Bank Leumi USA](#): \$15M
- [PNC Bank](#): \$15M
- TD Bank: \$15M
- People's Bank: \$20M
- [Comerica Bank](#): \$23M
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- Bank of Nova Scotia: \$23.7M

Cherish Thompson, the Miami-based attorney who represents Bank of Nova Scotia in the complaint, didn't immediately return a call seeking comment.

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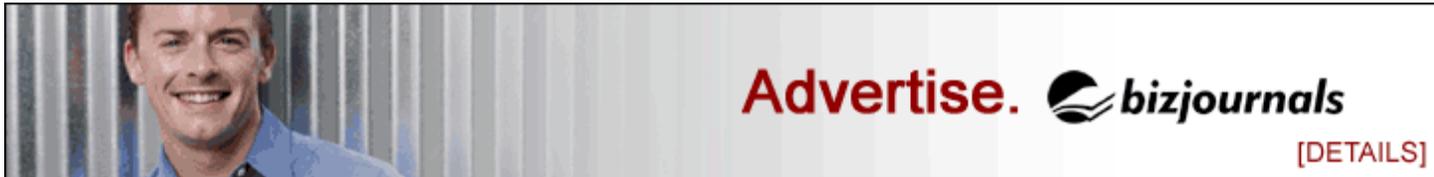
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