



March 26, 2009

Lochmoor paradise lost

Real estate reality sinks ambitious plan

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The expensive tile on the walkways outside the abandoned Paradise Preserve sales center is littered with leaves and balled-up newspapers.

So, too, is Lee County littered with the victims of yesterday's ambitious construction projects that now sit silently.

The big foreclosures that are coming fast and furious these days are leaving in their wake a host of people who lost money or quality of life as the developers' visions were scuttled by an unforgiving market after the housing boom collapsed three years ago.

Among those who lost out is Barbara Foster, who's lived for seven years on Orange Grove Boulevard next to Paradise Preserve — a residential development that will be auctioned off on the Lee County Courthouse steps on April 14 for more than \$91 million in debt. That's the county's biggest foreclosure in memory.

"You can see for yourself, it's not pretty," said Foster, 68, whose home now fronts not on the lush Lochmoor Country Club golf course but the overgrown scrub wasteland that replaced it when Paradise Cove's developers bought the property but failed to develop it as planned in 2005.

"This was one of the beautiful courses in North Fort Myers," she said. "It was a shame what they did."

She and her neighbors have to be careful now to clear the brush near their homes, Foster said. "The reason we're doing it is during the dry season you don't want fire and anything can start one."

Others lost more than a golf course view.

Two architects who worked on Paradise Preserve, for example, have filed liens saying they lost a total of more than a million dollars on work they did but weren't paid for.

That puts them in line to be paid from the proceeds of the U.S. marshal's auction on April 14 but Fort Myers-based real estate attorney Kevin Jursinski said it's rare that architects and other contractors get paid for their liens.

Lenders almost never allow a notice of commencement for work on the project to be recorded before the mortgage, he said — that means "the mortgage is always superior to the construction liens. The lender is always secure."

Contractors could be paid if the auction yields substantially more than the debt, but these days typically "there's very little equity behind the mortgages" so the liens pay nothing.

Mark Stevens, owner of Stevens Construction in Fort Myers and also president of the Lee Building Industry Association, said the big failures have been coming recently as a result of the slide in residential prices that started in January 2006. "It takes a little longer for the larger projects to

happen.”

To some extent, he said, contractors who get caught having done work they won't be paid for are responsible for their own problems. “I think they'd be kind of shortsighted. Everybody knows what their receivables (amounts due from customers) are.”

Others who get burned are investors or developers.

Dr. Ronald Heromin of Osprey, for example, tried to develop the Zoomers amusement park on Summerlin Road near Fort Myers Beach. He got it almost finished but ran out of money and Immokalee-based Florida Community Bank took it back in foreclosure with a judgment of \$11.5 million.

Heromin also put up his home and two waterfront lots in Sarasota County as collateral, and the bank is still trying to get the house as well.

A group of investors who bought Fort Myers Beach land with hotels and retail on it for \$37 million in 2004 are being foreclosed on by Fifth Third Bank and experts say they're unlikely to get anything back — the property is worth a fraction of what it was then.

Besides the people directly involved in a foreclosure, people in the community at large also feel the effects, said John McIlwain, senior resident fellow for housing at the Washington-based nonprofit Urban Land Institute.

“There are clearly ripples,” he said: for example, a half-built community tends to lower the value of the existing homes there when the project grinds to a halt.

The larger projects that go bust are concentrated nationally in states like Florida, California, Arizona and Nevada, which saw extreme housing booms and now are feeling the after-effects, McIlwain said.

Wayne Daltry, Smart Growth coordinator for Lee County, said it's important to concentrate not just on the spectacular dollar figures of the most recent collapses. “Typically we get mesmerized by the number of the foreclosure amount but what's really happened is there's a cutoff of the servicing of the project and it affects humans on the ground.”

Job losses are one effect as work stops on a development, he said, and municipalities lose tax revenue, which limits services such as road paving.

That in turn can cause further property value losses, Daltry said. “Then you get that downward spiral if it goes on too long. The true indicator of a blighted community is that the infrastructure isn't maintained.”

The big unknown, Stevens said, is whether there will be more foreclosures on the scale of Paradise Preserve and the Beach hotel properties.

“How many more are out there? That would be my question,” he said. “I think we're going to continue to see things like this happen.”
