REALISTIC | RELIABLE | RESULTS

Case Study
Condominium Development

In the case of a distressed condominium project that was less than 20% developed, Amicus Management was able to use its status as court-appointed receiver to successfully repackage the 35-acre asset so that it was salable in the ever-changing real estate market.

The result: Amicus Management was able to sell the entire former Koinonia Woods project in Plainfield Township in three components, to two different developers in less than five months, essentially liquidating a troubled real estate asset at fair market value in a difficult economy.

The 17th Circuit Court for Kent County appointed Amicus Management as the receiver for the Koinonia Woods condominium development to try to optimize the salvage value of the project. As originally conceived, the plan called for 80 attached two and three-unit buildings on a 22-acre site together with a 13-acre nature preserve with walking trails and pond landscaping. It was anticipated that each unit could be sold for between $325,000 and $500,000.

But after one model unit was finished and five others half completed, financing for projects of this nature dried up when federal agencies changed banking regulations for the secondary mortgage market in response to the credit meltdown in America. New federal regulations stated mortgages on condominium developments could not be sold in the secondary market unless they were either at least 71% completed or owner-occupied as primary residences. That meant that the only loans available for Koinonia Woods would be those originated by the lender, serviced by the lender and kept by the lender as part of their portfolios -- a type of lending not frequently used.

In effect, the new regulations made Koinonia Woods an obsolete product in the West Michigan real estate market, and its value plummeted by nearly 50%.

Amicus Management used its status as a court-appointed receiver to repackage Koinonia Woods. Amicus Management amended the project's master deed thus creating new development concepts that proved attractive to local investors and developers. Amicus Management first sold the finished unit followed by the five partially completed units to one developer who was able to complete the work and market the residences.

With infrastructure already in place on nine acres of the site, Amicus Management then submitted and successfully won revisions to the site plan that reduced the originally planned number of 27 attached units to 18 single-family detached units -- a change that proved crucial for the purchase by another developer. The remaining 13 acres were sold to the same investor as a parcel separate from the development.

Throughout the process, Amicus Management was able to ask for and obtain changes from different governmental authorities to create new real estate products. Acting in its capacity as court-appointed receiver, Amicus Management thus insulated the lender from successor developer liability while maximizing the value of the property.

- Repackaged Asset
- Adjusting Master Deed
- Amicus Became Developer
- Stabilized Asset Highest Value