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Developers of Mosaic condo towers file for bankruptcy

Mosaic's developer files Chapter 11 protection

By **Nancy Sarnoff** Published 6:30 am, Friday, January 9, 2009

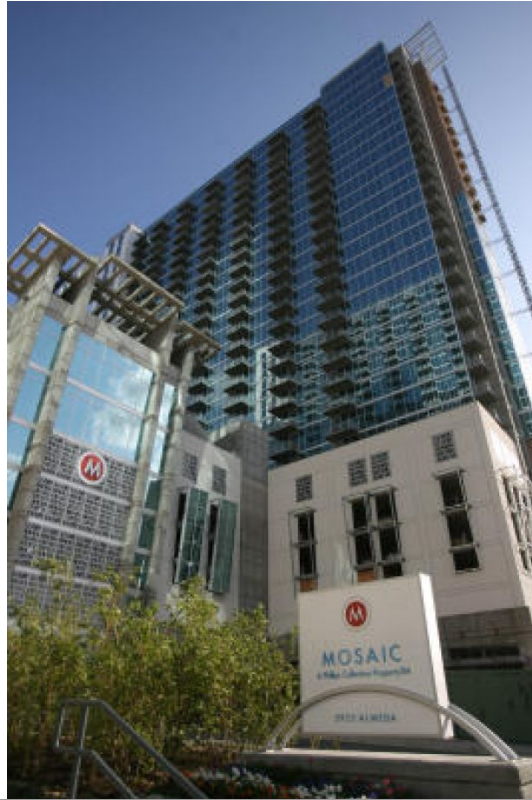


IMAGE 1 OF 2

Developers of the Mosaic condo high-rise on Almeda near Hermann Park have filed for Chapter 11 protection.

The developer of the Mosaic condominium tower on the edge of Hermann Park has filed for bankruptcy protection, averting foreclosure of the 29-story building.

The partnership that developed the project — 5925 Almeda North Tower LP — made the Chapter 11 filing in U.S. Bankruptcy Court for the Southern District of Texas on Monday. Assets were listed at \$85 million and debts at almost \$52 million.

The developer went into default on a \$76 million construction loan with Corus Bankshares, and the property was scheduled to go into foreclosure Tuesday.

The bankruptcy allows the parties to renegotiate the terms of the loan, which has been paid down to \$51 million, said **Katherine Christy**, with Orlando-based **Florida Capital Real Estate Partners**, which developed the property with Raleigh, N.C.-based Phillips Development & Realty through 5925 Alameda North Tower LP.

"There's a tremendous amount of value and equity here," she said.

The Mosaic was announced in 2005 and twin towers were built at the 5925 Alameda site.

The second tower is not associated with the bankruptcy, though it is also being developed by Florida Capital and Phillips, but under a different entity. It is still under construction and should be completed this spring. The building was recently renamed Montage and the developer said the units would be rented as apartments instead of sold as condos.

Each building has 394 units. The developer expected to have about 200 sales by the beginning of 2008, but only 110 condos have been sold.

"In early 2008, the mortgage market was in complete disarray," Christy said. "A lot of banks changed their criteria and were not making loans."

Expenses pile up

As the market slowed, the developer asked Corus to modify the loan for the Mosaic tower, but the parties could not come to an agreement, Christy said.

The expenses of operating the upscale building started piling up, and the developer got one month behind on the loan, she explained.

Corus could not be reached.

With other big developments around the city being shelved or called off entirely, the Mosaic bankruptcy is just another sign that the national recession and credit crunch is affecting the Houston real estate market.

R. Kent Dussair, president of **CDS Market Research** in Houston, said the Mosaic was designed to fit a market niche that wasn't being addressed — affordable high-rise living.

The average price per square foot at Mosaic is \$325, meaning a 900-square-foot unit would cost around \$292,500.

But the high number of units combined with the economic slowdown was bound to take its toll on the project.

"Eight hundred units of anything is a major project and makes it even more difficult during these kinds of times when there's less of a demand for housing in general," said Dussair, whose company did a market study for the developer in its early planning stages when Mosaic was being considered as an apartment project.

Management changes

Florida Capital, which provided the equity for the development, has taken over as general partner.

Several management changes have been made.

Houston-based **Camelot Realty Group** will continue to market the Mosaic, but **Gables Residential** will now manage Mosaic's condo association and lease and manage the units in Montage.

Also, retail developer and brokerage firm NewQuest Properties will take over leasing of the project's retail space.

"We're very positive about this," Christy said of the bankruptcy filing. "We believe we can reorganize all of the debt for the benefit of not only Corus bank

but also the unsecured creditors, the condo owners and our investors," she said.

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