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Clough: Developer Catalfumo free from \$86M mortgage, pockets \$25M

Call him Teflon Dan.

Builder Dan Catalfumo has managed to get out from under his 2700 North Ocean condominium on Singer Island in Riviera Beach by selling the project's unsold units in bulk. And he did it in a way that releases him from a whopping \$86 million mortgage - and gives him more than \$25 million in cash to boot.

"He did really well," said Kevin Dickenson of Prudential Florida Realty in Palm Beach Gardens.

At a time when many condo developers are losing their properties to foreclosure, Catalfumo's exit from the clutches of the housing crisis is pretty amazing. It's also reminiscent of Catalfumo's amazing victory in a stickier matter some years ago. Some might recall when the millionaire builder was on trial in 2005, accused of beating his then-fiancée, Heather Hill, at his house in 2003. The high-profile case, with its parade of lawyers and sordid allegations of violence, ended with a not guilty verdict by a panel of six jurors.

Back then, Catalfumo's freedom was at risk. With the 2700 North Ocean deal, the only thing at stake was money. But it was a lot of money, reportedly millions of dollars from Catalfumo's own wallet.

Now Catalfumo is free to focus on other projects, including the ongoing Ocean Mall mixed-use project, under construction on Singer Island.

For those into schadenfreude (glee at another's misfortune), Catalfumo still faces problems with his commercial portfolio. Several of his buildings are in foreclosure, including the prominent PGA Design Center in Palm Beach Gardens.

But the 2700 North Ocean sale certainly gives Catalfumo breathing room. It's also an opportunity for the property's new owners, who are eager to take hold of this luxury condo.

On June 4, Lionheart Capital LLC of Miami closed on the purchase of 146 units in the 242-unit twin-tower beachfront condo. The \$120 million price tag included the assumption of an \$86 million mortgage from Fifth Third Bank, more than \$25 million in cash paid to Catalfumo, plus various closing costs and commissions.

Lionheart consists of Flagler Group of Miami, a real estate firm with expertise in condo-hotels, plus two investment firms. One is Elliott Management, a prominent New York private investment firm with \$16.9 billion in assets under management. The other, OZ Holdings, is a Miami-based private investment firm.

The broker on the deal was Mark Pordes of Pordes Associates in Aventura. Earlier this year, he was selling units at the nearby Marina Grande condominium in Riviera Beach when he said he approached Catalfumo about a possible bulk sale. Pordes said his sister, Mindy, knew of the Flagler Group in Miami, a real estate group with experience in condo-hotels.

At the time, Flagler and OZ were looking for a high-quality condo deal. "It's a great location, quality construction and the best beachfront property we could find that was available," said Ophir Sternberg, OZ founder and managing partner of Lionheart.

Indeed, Sternberg said he paid Catalfumo millions of dollars above the loan's value because "we felt Catalfumo had significant equity." Catalfumo was out of town last week and could not be reached for comment.

As for the future, Sternberg said the company still is studying the property, as well as the reasons for the slow sales. Of course, the building's launch during the midst of the recession in 2008 didn't help. The property's condo units also are expensive, ranging from \$900,000 to more than \$3 million, with some penthouse units in the \$7 million range. Lionheart plans to launch a new condo sales campaign in the fall. Sternberg said Lionheart also is looking for other deals in South Florida.

The play for the Palm Beach Mall is garnering national interest.

Real estate sources say buyers from coast to coast are ogling the property, now that word has leaked that ORIX doesn't control all the land at the Palm Beach Lakes Boulevard site.

An affiliate of Turbo Investments of Luxembourg recently signed a deal to buy the Dillard's building, land and parking rights for an undisclosed sum. ORIX, a Japanese financial services group, took control of the rest of the mall through its recent foreclosure of the West Palm Beach property.

Turbo's presence could delay efforts to redevelop the 90-acre property along Interstate 95 into a "lifestyle center" containing shops and restaurants. This is because Turbo's investment would have to be bought out before the Dillard's pad could be redeveloped.

In the alternative, Turbo's presence could make the mall property more vulnerable to a sale if the company can use its leverage to bring in another party and buy the entire complex out. This strategy is not lost on potential buyers, which reportedly range from standard real estate developers to more exotic investors who envision a horsetrack or even a water park on the property, real estate sources said.

Randall Greene, a representative for Turbo, confirmed he's been approached by potential buyers. He said he's also been contacted by tenants who want to lease the Dillard's property because of its visibility from I-95. Greene said the tenants include high-profile retailers, as well as one corporation seeking the property for office use. Part of the property could be a call center, Greene said.

Madison Marquette's Chuck Taylor, who is overseeing the property for ORIX, declined to comment.

All is not sour on the retail front. In fact, things are turning pretty sweet at shopping centers throughout Palm Beach County, as stores peddling desserts throw open their doors. There's nothing like a little sugar to soothe the stress of a recession.

At CityPlace in West Palm Beach, two new retailers that cater to the sweet tooth have signed on, and one is directly tied in to the cupcake fervor sweeping the nation. Sugar Chef opened its first retail cupcake and cake shop in a spot at the base of the Harriet Himmel Theater. Owner Jennifer Ladisky has operated a cake studio in Delray Beach for three years and will use the CityPlace location as a specialty carry-out cupcake and custom design site. The other new tenant is a franchise location of Rita's, the Italian ice and creamy frozen custard vendor. Rita's will open on the north end of the property by the end of the month.

Farther south, in Delray Beach, Cream, a gelato and coffee shop, continues to draw a steady stream of patrons. The shop is a creation of New Century Cos., a home builder in Delray Beach.

Co-owner J.P. DeMisa said the idea for the shop came when his company was seeking a final tenant for a small space in a shopping center it was building, the New Century Commons on Linton Boulevard. DeMisa said he fielded inquiries from the likes of Jamba Juice and Rita's for the space, but then he and his partners decided to see if they could create a concept that could pay the rent and give them a little profit.

The store opened last September and DeMisa is looking forward to this first summer. "It's exceeded our expectations. We're paying the rent, and then some," DeMisa said. He thinks the store is popular because people see gelato as an inexpensive way to treat themselves.

Meanwhile, earlier this year, Cupcake Couture opened on Delray Beach's trendy East Atlantic Avenue. The store is an explosion of colorful sugary treats, with cupcakes and candy filling the shelves and aisles. Cupcake flavors go by clever fashion labels, with such names as Dolce & Banana, Cocoa Chanel and Donatella Vanilla.