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Lender Acquires Bankrupt Fla. Beach Resort For \$43M

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Nathan Hale

Law360 (August 28, 2020, 8:21 PM EDT) — A Florida bankruptcy judge has approved the sale of a recently built Hollywood, Florida, beach resort's assets to a secured lender for \$43 million after no other bidders emerged for the property.

Miami-based U.S. Bankruptcy Judge A. Jay Cristol approved the sale from developer Costa Hollywood Property Owner LLC to 777 North Ocean Drive LLC during a hearing Wednesday, a day after he confirmed the debtor's Chapter 11 liquidation plan, according to court records and the debtor's counsel.

"We are very pleased to have achieved a successful Chapter 11 exit so quickly for the benefit of all stakeholders including the secured lender. This shows what parties can accomplish in Chapter 11 through negotiation and consensus," Costa Hollywood's counsel James C. Moon of Meland Budwick PA said Friday.

The lender, which is an affiliate of [Madison Realty Capital](#), had provided a \$70 million construction loan for the project. It was set to serve as the stalking horse bidder for a planned Aug. 17 auction, with a \$43 million credit bid. But the auction was canceled when no other bidders emerged despite 189 potential purchasers signing confidentiality agreements with the debtor's broker to gain access to its data, according to the debtor's counsel.

According to case filings, Costa Hollywood, which was led by developer Moses Bensusan, owned 43 unsold residential units, nine commercial units and the common areas in the mixed-use complex. It also still controlled the condominium association and operated a rental management program through which it served as rental agent for occasional rentals of owner-controlled units as hotel rooms.

Overall, the property features 307 residential units, 15 commercial units, plus the



common areas, according to case documents.

Costa Hollywood secured a \$70 million construction loan from 777 N. Ocean Drive LLC in July 2016, but defaulted on the loan when it stopped making payments in April 2017, according to case records.

The lender filed a foreclosure action in state court in Broward County, Florida, in April 2019, which was followed by Costa Hollywood filing its bankruptcy case that September.

In its bankruptcy case filings, Costa Hollywood said it filed for Chapter 11 to facilitate a sale of substantially all of its assets “in order to maximize the return to creditors.”

The debtor had said its assets — including the unsold units, various personal property and accounts receivable — were valued at about \$50.5 million, almost identical to the value of the lender’s secured claims, made of up a lien of about \$47 million plus interest.

During Wednesday’s sale hearing, Judge Cristol also heard a motion from Moon to approve a settlement between the debtor, the secured lender, [Stewart Title Guaranty Co.](#) and [Greenberg Traurig LLP](#) regarding an adversary case the debtor brought seeking the turnover of \$1.4 million in funds held in escrow by Greenberg Traurig, according to the debtor’s counsel.

Counsel for the secured lender did not immediately respond to a request for comment Friday.

Costa Hollywood is represented by James C. Moon and Meagan E. Murphy of Meland Budwick PA.

777 N. Ocean Drive LLC is represented by Jerold C. Feuerstein of [Kriss & Feuerstein LLP](#) and Paul J. Battista of [Genovese Joblove & Battista PA.](#)

The U.S. Trustee is represented by Zana Michelle Scarlett of the Office of the U.S. Trustee.

The case is In re Costa Hollywood Property Owner LLC, case number 19-22483, in the U.S. Bankruptcy Court for the Southern District of Florida.



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–Editing by Stephen Berg.

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