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CRAIN'S LIVE SEARCH

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South Loop condo project files Chapter 11

By: Bob Craig **December 29, 2011**

(Crain's) — The great condo bust has claimed another casualty: a slow-selling South Loop project led by former First Ward Alderman Ted Mazola.

A venture controlled by Mr. Mazola that built a 176-unit condominium tower at 1555 S. Wabash Ave. filed for Chapter 11 bankruptcy protection Tuesday. Buyers have closed on just 35 condos in the building, or 20% of the total, with the rest converted to rentals, according to a third-quarter report from Appraisal Research Counselors, a Chicago-based consulting firm.

The Mazola venture lists both assets and liabilities of \$10 million to \$50 million, according to its Chapter 11 petition.

The document doesn't break out the project's secured debt, but its biggest liability likely is the construction loan it took out to finance the 14-story development. The venture borrowed \$46.2 million from Amtrust Bank in 2007, county records show. No foreclosure suit has been filed.

Mr. Mazola, president of Chicago-based New West Realty Group LLC, says the filing is "just a partnership filing and it is what it is." He declines to comment further. His lawyers also decline to comment.

The South Loop is the epicenter of the downtown condo crash, a neighborhood where overexuberant developers are still stuck with hundreds of unsold units. Several failed South Loop projects already have been sold off to new investors and five have been converted to rental buildings.

"With the ongoing potential for lenders to initiate foreclosure proceedings on problem loans, we expect to see more properties ultimately changing ownership, particularly in the South Loop where some of these properties are located," the Appraisal Research report says.

Of the 2,066 unsold new condos in the downtown market at the end of the third quarter, 844, or 41%, were in the South Loop, the most out of any submarket, according to the report.

Mr. Mazola has encountered trouble on other local real estate projects. A venture led by Mr. Mazola and Gerald Fogelson relinquished Eastgate Village, a residential development near McCormick Place and Interstate 55, through a deed-in-lieu of foreclosure, and the project's lender, MB Financial Bank N.A., sold the 26 unsold units in August.

Related story: [26 units sold in bulk deal at distressed Near South Side project](#)

A venture including Mr. Mazola was also hit with a \$3.4-million foreclosure suit on an industrial site at 1120-50 E. 89th St. on the South Side. That suit was dismissed this summer, according to court records. Documents show the loan was modified in June, with a new loan amount of just over 44 million and a new maturity date of May 2013.

The \$46.2-million construction loan for the South Loop project originally came due in July 2009, but Mr. Mazola worked out a modification with Amtrust extending the maturity date to July 2012, according to a document filed with the Cook County Recorder. Debt on the property also included an \$8.5-million junior loan from venture affiliated with Weyerhaeuser Co., the document shows.

The Federal Deposit Insurance Corp. closed Amtrust Bank in 2009 and sold off about \$1.7

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billion in Amtrust real estate-related loans in August 2010 to a joint venture including Horsham, Pa.-based Toll Brothers Inc. and Los Angeles-based Oaktree Capital Management L.P. Efforts to reach a person with information about the South Loop loan were unsuccessful.

What do you think?

Crains N. wrote:

Makes me sad that I live here. Terrible terrible terrible management! New West Realty is a joke and the management within the building isn't much better. They are very disrespectful and completely inappropriate. They have zero communication with buyers and renters. Constantly let reported problems go in one ear and out the other. We should all go to their homes create issues then ignore them and see how they like it. To say I strongly recommend that you stay away from them is an understatement.

12/29/2011 11:57 PM CST

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STEVE N. wrote:

(Obvious statement warning) Mr. Mazola lives up to his name with comments like the filing is "just a partnership filing and it is what it is."

Tell that to the people chasing the American Dream with their own place to live. All 35 of them. Some/all of those people bought what they felt was their future dream place to live, surrounded by other people with the same vision. Nothing wrong with renters but that also depends on the landlord. Ugh.

Mr. Mazola, I hope you have Cubs seasons tickets.

12/29/2011 3:30 PM CST

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johnson C. wrote:

This is the problem with real estate development: amateurs, gunslingers, gamblers, fools, the imprudent, etc. will ALWAYS crowd-out the sane, competent, rational, methodical etc. from the business at the margin. So, we are left with massive boom/busts. If someone is just out of college, prudent, and wanting to get into RE development, just remember this. Sometimes not doing the deal is the much smarter move.

12/29/2011 3:25 PM CST

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Mark E. wrote:

There is an entire criminal nest down there. Separating them from their money is the easiest way to get rid of them. I'm sure their criminal investor friends aren't happy with the situation.

12/29/2011 3:09 PM CST

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Clifford R. wrote:

Another Chicago Crook in the News

12/29/2011 2:30 PM CST

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