

Trouble spot

CONFRONTATION | Condo board dukes it out with developers over work it claims is substandard

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Anthony Bass had just gotten married seven years ago when he bought what he thought was his dream condo in the up-and-coming South Loop.

The dream turned into a nightmare after he moved into the newly built condo tower at 1717 S. Prairie Ave. in June 2004.

"We were watching TV and heard water, like puddles," Bass said, making a "thucht" noise to illustrate the sound of the incoming water.

Water was coming in through every window on the east and south sides of the condo, which consists of two combined units, said Bass, who is an attorney with Grasso, Bass & Williams in Chicago.

The water seeped into the living room, the dining room, the home office and the bedrooms.

"We started to put towels down, trying to protect the floor," Bass said.

Bass said he and his wife had to resort to buying \$5 paper window coverings because the rain would ruin nice curtains and shades.

Bass, who serves as vice president of the condo board, paid his third special assessment last January.

The assessments have paid for a loan that the condo developer took out for \$29,780 on March 29, 2004, and for attorney's fees to fight the developer for redress in court.

Estimates of repairing the leaks range from \$4 million to \$8 million, meaning that condo owners face a new special assessment of as much as \$45,000 apiece for the larger units.

The high-rise has 177 condos ranging from 900 square feet starting at \$285,000, to 2,500 square feet priced at \$1.5 million.

The condo board is suing the developer, called 18th & Prairie II LLC, and its principal, William E. Warman, alleging the developer failed to properly manage the condo association's finances and is responsible for severe water-leak problems.

Warman denies the allegations, and said the condo board sued him before it gave him a chance to correct the problems. Warman has asked that the lawsuit's allegations of developer fraud be dismissed.

Board members say they had no choice but to sue because Warman wouldn't give them the required scope of work that contractors were scheduled to do.

The finger-pointing shows the complications of dealing with developers who operate as limited liability companies, or LLCs, which insulate members from liability from future claims.

"There certainly are legitimate reasons to have an LLC. Unfortunately, the LLC can be used by people unfairly or improperly to stick homeowners with major problems and financial obligations," said Michael Kim, the Chicago attorney representing the 1717 S. Prairie condo board.

"Development of housing may be a good thing, but sticking homeowners with defective construction clearly is not," Kim said.

Kim is trying to find the names of all of the people involved in the 18th & Prairie II LLC. They will be added to the lawsuit.

Warren Barr, another member of the 18th & Prairie II LLC developer group, said he is trying to resolve the water-leakage problems before the lawsuit proceeds.

A third member of the LLC, David Cuomo, had his law license suspended for three years last September for misappropriating clients' money, according to Illinois Supreme Court records. The LLC appeared to have at least three other members, according to court documents.

Residents of 1717 S. Prairie spent the fourth weekend in March picketing the sales office of Chess Lofts, a 119-unit loft building at 320 E. 21st St., to warn potential buyers of Warman's involvement in the project.

Chess Records owned the former recording studio and warehouse in the 1950s and 1960s.

Warman is a member of the Prairie Station LLC, a consortium of developers who plan to build more than 2,000 condominiums and town houses, new retail development, health clubs, movie theaters, restaurants and entertainment at 21st Street and Prairie Avenue. Warman has developed at least seven other residential projects in the fast-growing South Loop.

It's raining inside

Clare and John Ardizzone, who live at 1717 S. Prairie, said they have endured water leaking into their 11th floor condo during hard rains with northwesterly winds.

Inspections have shown that the window system is not working properly, and that mortar was allowed to slop in between the interior structure and the brick facade, according to an engineering report.

The picketers also are enraged at how finances were handled at the 1717 S. Prairie high-rise.

The condo board's lawsuit alleges that the developer failed to turn over documents and money required by state law, failed to set up proper budgets, failed to pay assessments for the units the developer owned, and borrowed money to cover routine operating expenses.

The lawsuit also alleges that the developer owes the condo association charges for natural gas, electrical service and scavenger service and for real estate taxes from 2003 and 2004.

The developer lowered the owners' monthly assessments by 17 percent from May 2004 to December 2004, according to condo board records. With the lowering of the monthly fees, the unit owners' condo board was left with a deficit when it was established in August 2004, condo board members allege.

The owners' condo board realized the extent of the problems and was forced to start issuing special assessments.

The monthly assessments have increased by more than 50 percent since July 2004 because of the initial under-funding and the filing of the lawsuit. The smallest unit had an assessment of \$242.55 in July 2004, and is now \$376.25 per month; the largest unit started at \$497.12 in July 2004, and now is \$743.89 a month.

Kim, the attorney representing the 1717 S. Prairie condo board, said an investigation showed that Warman and other members of the development allegedly took millions of dollars out of the LLC.

Barr said he is talking with the construction manager, Leopardo Construction Co., and subcontractors to try to fix the problem.

"We are very close to coming up with a solution that's going to be good for the building," Barr said in an interview March 28.

"I believe in doing the right thing and working with the condo board to come up with the right solution," said Barr, who conceded he is concerned about his reputation because of the problems.

Barr is a principal in other South Loop developments, including Vision on State, a 19-story building under construction at 1255 S. State St.; a 40-story building planned at 1000 S. Michigan Ave., and an 80-story building, 850 feet tall, at 830 S. Michigan at the site of the old YMCA building.

Kim said the board's consulting engineers "did not seem particularly impressed" with the contractors' idea of putting expanding foam into the building to try to seal the leaks.

"We're not looking to rebuild the Taj Mahal here," Kim said. "We just want comfort that this [foam] is an appropriate solution.

"The aggravating part is we have a developer entity [of the 1717 S. Prairie high-rise] in which one of the principals, Mr. Warman, is saying, 'We have no money,'" Kim said.