

Centerpoint saga: Patience scores Tempe project for developer

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The West Sixth project in Tempe (formally Centerpoint).

Cleveland-based [Zaremba Group](#) tested the waters of downtown Tempe's Centerpoint project before it became embroiled in bankruptcies, foreclosure and a deeply discounted sale.

Kent Chantung, director of residential development for Zaremba's Western region, admired the iconic towers that loom large above Mill Avenue. He approached Avenue Communities when he heard the developer might be willing to enter a joint venture to complete its massive 375-unit residential condo project.

That was spring 2008, when Avenue was trying unsuccessfully to obtain additional funding from its lender, [Mortgages Ltd.](#)

"It would have been too complicated of a partnership, so we stepped back," Chantung said.

Still, he kept his eye on what looked like a prize project. Maybe, he thought, he could oversee a similar development elsewhere in the Valley or the West. He never stopped thinking about it.

But then Centerpoint became mired in legal difficulties. The developer's disagreement with Mortgages Ltd. escalated throughout the spring, until the unthinkable happened:

Mortgages Ltd.'s CEO and sole shareholder, **Scott Coles**, committed suicide in early June 2008. After that, several borrowers forced the lender into Chapter 11 bankruptcy.

Months later, Avenue found itself in bankruptcy, and the unfinished Centerpoint development began collecting dust. The spigot for funding had dried up as the nation drifted into its most serious economic downturn since the Great Depression. During the year that followed, much of the Valley and the country were in a development standstill.

Then, in summer 2009, Mortgages Ltd. emerged from bankruptcy as ML Manager LLC, an entity created to administer loans in the portfolio, initiate foreclosure proceedings where necessary and sell marketable assets. Finally, in 2010, ML Manager repossessed Centerpoint and put it up for sale.

“The amount of interest was huge,” said **Mark Winkleman**, a former Arizona land commissioner who was hired as chief operating officer for ML Manager. “We had 500 signed confidentiality agreements.”

With great effort, that number was whittled down to a dozen or so serious investors or developers, and Zaremba surfaced as the forerunner.

“Their offer was the highest, and they presented the greatest likelihood of being able to close,” Winkleman said.

The sale was scheduled for early October 2010, but the deal fell apart the day before closing when Fidelity National Title Co. backed out of the agreement, citing title and mechanic's lien issues.

“I was very shocked,” Chantung said. “We had funded the deal. We were just waiting to pull the trigger, and without any warning the deal was off.”

Chantung doesn't fault Fidelity, saying the title company had reasons to be cautious. Still, it was a blow.

“Everybody except myself thought there would be no way this would ever be sold, at least not in the short term,” he said.

Over the next few days, Chantung decided he still wanted to do everything he could to get the deal done.

“I convinced my team locally and (CEO) Wally (Zaremba) to move ahead with it,” he said.

He advised Winkleman to bring in First American Title Insurance Co. and Thomas Title & Escrow LLC to see if they could resolve the issues.

“I said, ‘We might as well turn over every rock,’” Chantung said.

There were challenges — plenty of complicated issues with the lienholders, and with [DMB & Associates](#). DMB owns the separate Centerpoint on Mill property adjacent to the two-tower Centerpoint condo project. But all of the parties kept talking, and a new closing was set for Feb. 18.

“Up until 2 p.m., it was one of the most nerve-racking days of my life,” Chantung said.

At 2 that Friday, the title companies began the signing and recording of documents. The process took until 4:45 p.m. The impossible was completed just in time for the weekend.

“I felt relief,” Winkleman said. “That was the most complicated and contentious and prolonged sale I’ve ever been a part of.”

In the end, Zaremba paid \$30 million to take over the project, which now will be luxury apartments rather than upscale condos. It will be called West Sixth, in reference to the project’s formal address: 111 W. Sixth St.

The selling price was but a drop in the bucket, given that more than \$135 million already had been sunk into design and construction. ML Manager used the \$30 million to pay off the lienholders and other fees and costs. Little, if any, is left to pay the investors that funded construction from the beginning, but Winkleman is confident that problems with Fidelity will be resolved and money for the liens will be reimbursed, so the investors won’t be shut out entirely.

In the meantime, Zaremba has selected Phoenix-based [Summit Builders](#) as the general contractor.

“Our plan is that we’re going to be using as many of those original subcontractors as possible to complete this project,” said Summit President and CEO **Jeff Stone**.

The project is on a very fast track. The first tower must be completed by Aug. 1 to take advantage of [Arizona State University](#) students who are interested in renting the apartments during the school year. The second tower is expected to be completed in December, and the retail at the base will be completed in the same time frame. Negotiations are under way with several retailers, Chantung said.

Winkleman and Chantung praised each other for hanging in there when it would have been easier to walk away. Chantung also complimented DMB for being supportive. DMB, which has been holding back on fully redeveloping Centerpoint on Mill, is optimistic that West Sixth will spur business and activity in the immediate area.

“We are very pleased that the condo towers are no longer in limbo and are in the hands of a qualified developer. The completion of this residential development, which is in our backyard, will benefit Centerpoint on Mill and all of downtown Tempe,” said **Charley Freericks**, general manager DMB. “We look forward to having West Sixth residents enjoy all of our retailers and services.”

West Sixth (formerly Centerpoint)

- Owner: Zaremba Group, Cleveland
- Broker: Marcus & Millichap, Phoenix
- Seller: ML Manager LLC
- Broker: CB Richard Ellis, Phoenix
- Title Cos.: First American Title Insurance Co. and Thomas Title & Escrow LLC
- Price: \$30 million
- Completion: Tower 1: Aug 1, 2011. Tower II: December 2011

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