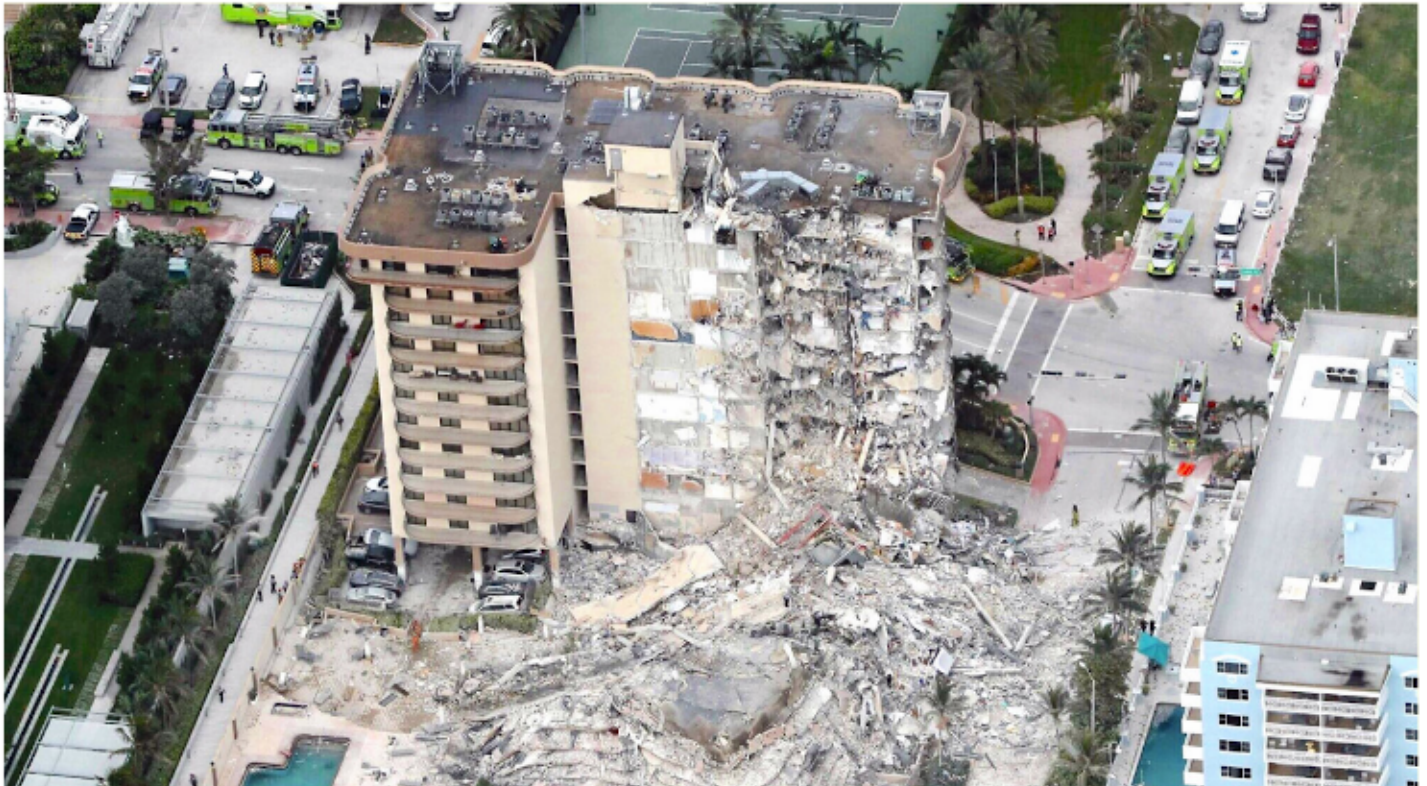




## Who is to Blame: For Collapse of Champlain Towers, Surfside from a Real Estate Perspective?



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## On Thursday, June 24th, the Champlain Condo Tower South, in the small beach community of Surfside Florida, had collapsed

This severe structural failure causing a building to pancake to the ground, similar to a professionally executed controlled blast, has never happened before in this country. The Champlain towers are also not decrepit forty-year-old buildings; these are staple, luxury properties, very well maintained that marked a new era in luxury condo construction in South Florida. The City of Surfside is an unlikely candidate when it comes to lack of vigilance or enforcement by the city, county or state authorities, primarily because of Surfside's size, density and relative wealth.

Surfside is a tiny beach community that sits between Miami Beach and Bal Harbour on the Atlantic Ocean, consisting of just 361 acres of land and under 6,000 residents. The community is made up primarily of single-family homes, with commercial and retail standing just west of the beaches and a strip of hotels and condos along A1A and the beach. The city was chartered in 1935, with the signatures of 35 founding residents, and it remains one of the few coastal communities that has successfully preserved the overall appeal and lifestyle residents have grown to love. Due to the area's exceptional location and access to deep waterways and Biscayne Bay to the west, and the white sand beaches off the Atlantic Ocean to the east, Surfside naturally evolved into an area favored by lifelong Floridians and affluent domestic and international buyers. The city has always preserved its intrinsic appeal, finding a balance between the financial obligations of the city, the needs of a small business community and the uncompromising expectations of residents.

That said, life-long residents in South Florida can attest to occasionally walking under rusted underground pipes, rusted metal columns, exposed and corroded rebar, support columns with chunks missing due to car accidents, roofing problems, poor plumbing, electrical concerns and occasional flooding. These older beachfront structures did not have the benefits of modern-day materials, superior engineering, state-of-the-art technology and building codes that have continued to evolve beyond the construction date of the Champlain condo development. But do these shortcomings imply that the hundreds of buildings constructed forty-years ago or more have a real potential of being unsafe? If so, the implications for all condo development activities would be severe and cast serious doubt about the long-term viability of condo ownership. But, buildings, especially those designed to withstand hurricanes and the elements of salt, severe heat and tropical rains, do not crumble to the ground, antiquated codes or not, without a very powerful trigger.



So why are we witnessing this knee jerk reaction to start taking an uncompromising look at residential buildings, all while city and county agencies scramble to play catch up inspecting older structures that have for years gone overlooked? A liability nightmare that could hurt the city, county and State, while creating financial calamity for industry and property owners. These cities will be asked to explain why structures are being vacated for issues that had been previously ignored and deemed inconsequential to safety. Could These extreme cases have been mitigated through proper inspections and enforcement of an already strict building, zoning, and public safety codes? Who is responsible for making sure these buildings remain safe and for the circumstances condo owners find themselves in today?

One should not blame unit owners, board members, handymen or even condo management companies, since none are qualified to make these kinds of structural assessments. This is why we have governmental agencies and local building, zoning and planning departments, required to direct builders and residents on matters that fall beyond their expected scope of knowledge and expertise. However, many buildings employ general repair personnel, frequently asked to perform minor structural repair work, so it is common to see damages being patched up and painted, using pumps to resolve flooding issues, without the knowledge or direction of the city. From the unit owner's point of view, they are maintaining the property and addressing issues as quickly as their finances will permit. However, one can't detect issues they no longer can see, so a well-intentioned repair could result in allowing a small issue to fester and evolve into a cancer that will, over time, compromise the structural integrity of a building. In Surfside's case, one can only assume that there must be something else that caused this building to fall.

Implying that condo board members, residents, contractors or building staff should bear the responsibility is absurd. Condo board members are owner/managers that work without compensation on the behalf of the residents of a condominium community. While they may hold flashy titles, they are frequently under qualified and disinterested. Condo Associations are notorious for putting off costly special assessments, especially when applied to expenses that can't be seen or enjoyed and have not created an inconvenience or danger to the property and residents. Without diligent inspections and enforcement, it is extremely difficult for a board to insist they raise the funds to get repairs addressed.



It is the local and state government's role to investigate, identify and enforce building and zoning code violations while prioritizing public safety. But, when you're busy successfully recreating a small city into a modern playground for the rich, there is a tendency to experience a lack of organization and leadership, complacency and lack of oversight. Add inflated egos and an enormous amount of money being generated into the mix and you could have a serious problem.

What happened in Surfside will have enormous implications for older condo developments and generate millions in lawsuits and special assessments. It will also give birth to the usual price gouging, unscrupulous contractors and unwarranted pressure on condo boards and homeowners to make costly repairs immediately, or suffer dire consequences. Local agencies' must anticipate what will come next and we are ready to serve and protect those most affected, particularly those in middle to lower income areas, the elderly and retirees living in older, under serviced buildings. It will not take much to create a financial crisis for homeowners, while crippling and displacing others. The price tag to get many of these neglected buildings back to a satisfactory condition may prove to be financially unfeasible for many. In many cases, the amount of work required and the costs to do the work will exceed the value of the unit owner's property. This will inevitably force property owners to either assume a staggering, unmanageable and usually unwise financial obligation, or risk losing their homes.

When condo owners are in a situation where many cannot afford to assume these liabilities, they must look at another option, and fortunately for some, there may be one to consider. Due to an overwhelming demand for land in South Florida, many of these problematic properties are well positioned, with large and valuable parcels of land. That land does not represent a monetary value to the owners individually, only a liability, unless a majority of unit owners collectively decide to sell the entire complex for future redevelopment. One must consider that structural repairs require obtaining a bank loan, establishing long-term assessment to all unit owners, committing to months of evaluations and preparations, and then initiating a long and highly intrusive reconstruction process. While this option may ease the minds of condo unit owners, it will also create huge financial debts, while diminishing unit owner equity, destroying property values and their properties' marketability.



Getting a large number of unit owners to approve the sale of an entire condo development is complicated and difficult, especially on properties located on intrinsically valuable land sites. However, under these circumstances, buyers and sellers have a very strong motivation to get a purchase and sale completed. Developers will pay a huge number for the land of any problematic property, as long as it is in a desirable location. Redevelopment activities are also highly desirable for a city and county, since replacing older structures with newer, safer, modern structures is always an improvement. Developers are also frequently required to make substantial investments in city owned infrastructure, public spaces and pedestrian walkways and other beautification, safety and functionality requirements as part of their construction approval process. This is all accomplished while generating a great number of jobs and a virtual windfall of re-valuated property taxes for the government agencies.

Unfortunately, unscrupulous individuals will look at this dilemma as an opportunity to hijack troubled properties, while portraying themselves as modern-day Robin Hoods. If this becomes a new reality for condo owners, it will be essential for elected officials to have a short and long-term plan on how to guide condo-associations and property owners through the process, while protecting them from being taken advantage of. In order to ensure owners are permitted to properly evaluating their options, bid out repair work, determine their properties' land fair market value and to initiate their best course of action, they will need guidance and protection. Our cities, counties and the State must take a proactive approach to ensure there is a process in place to handle these unprecedented situations without further disrupting or destroying lives.

Protecting residents is the primary role of our government agencies, and while we still haven't determined who is to blame for this catastrophic situation, we must not unjustly penalize homeowners. We are still far from understanding how a quality building like the Champlain Tower South can crumble to the ground in the manner which it did. All this ominous conversation about possible future collapses and



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changes to building codes, board member neglect or complacency by inspectors may be an important conversation to have, but could prove to be irrelevant in ascertaining the root cause for the collapse in Surfside. All we can do is wait and see what the investigations turn up, focus on supporting those affected and praying that everyone involved approaches this critical moment in South Florida's history with a desire to protect the most vulnerable and to ensure this kind of event is never repeated.

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