

# Embattled developer Kevin Azzouz battles to rescue grand plan for Veranda Park

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Of Kevin Azzouz's grand ambitions for MetroWest, none is bigger than his \$700 million development called Veranda Park.

It's intended to be Orlando's second downtown, a 30-acre agglomeration of condos, restaurants and a luxury hotel, all inspired by the villas of Tuscany, in west Orange County. With ornate fountains, Italian marble palazzos and trendy retailers, the idea is to bring urban glitz to the burbs.

But the developer's big plans have run into big problems.

He's battling more than a dozen lawsuits, foreclosures, liens and judgments against him or his companies totaling more than \$70 million. A wave of red ink threatens to drown the half-built project.

Azzouz blames his troubles on the gone-bust housing market and Wachovia Bank's refusal to renegotiate a \$52 million construction loan for a nearly completed 144-unit condo building. The bank says the loan came due in February. The developer says he had an understanding that the bank would renew the loan rather than call it in.

"This is not a money problem; it's a finance problem," Azzouz said. "I expect that we'll have a resolution with Wachovia soon, and this [trouble] will all go away."

But court, city and county records paint a picture of deeper financial troubles.

\*A lawsuit by investor and philanthropist Anthony J. Nicholson alleges that Azzouz swindled him and other investors out of \$17 million.

\*Baldwin Park developer Lee Maher has sued for the return of \$1 million he invested in two companies that he said Azzouz never created.

\*PCL Construction Services Inc. has a \$10 million construction lien against the condo building for unpaid work. Another contractor, Skanska USA Building Inc., has filed a \$2.8 million lien.

\*HKS Architects Inc. has filed a \$385,000 lien on a Veranda Park office building.

\*Azzouz owes more than \$151,000 in 2007 city of Orlando property taxes on the five buildings built in Veranda Park, including his office on Westpointe Boulevard.

\*Optima LLC is suing for \$86,000 in unpaid rent for his former sales office on Park Center Drive.

\*Teer Engineering, which installed the audio system at the Tavern on the Lake restaurant in Veranda Park, is suing for \$49,000 and wants to take back the equipment, down to copper wires in the walls.

\*Some members of the MetroWest homeowners association allege that Azzouz misspent more than \$2.3 million in association dues and are threatening legal action.

Azzouz denies that he has cheated anyone and said he expects all the lawsuits will be dropped eventually.

"Welcome to the ABCs of real-estate development," Azzouz said. "One problem can have a domino effect. But if I have a problem, I fix it. There's no way this doesn't survive."

Still, his troubles have real-estate experts wondering whether Azzouz will follow Cameron Kuhn, whose plans to revitalize Orlando's Church Street foundered.

William C. Weaver, a forensic economist who teaches at the University of Central Florida, likens Azzouz's situation to the classic developer's "house of cards."

"If they get in over their heads financially, they may take money meant for one part of the project and use it for another," he said. "It's like robbing Peter to pay Paul, and then robbing Paul to pay Mary, and on down the chain until they run out of money."

"They get into trouble if there's not enough money, and then it's not just one problem; it's crash-and-burn time."

#### Investors' accusations

The lawsuits make clear the developer is financially overextended. But in addition to a cash-flow crunch, Azzouz faces accusations from investors that he swindled them.

Anthony J. Nicholson said Azzouz's associates approached him in 2006 with an exclusive "friends and family" deal. He and about six other investors pooled \$17 million that would give them a 20 percent stake in an Azzouz-controlled company that owned the Veranda Park condos. Azzouz would own 80 percent and collect a 3 percent management fee. The suit says he was also told in September 2006 that most of the building's units were sold and the retail space leased.

But in May, Nicholson was told that his investment was worthless.

Financial documents on the building project, the suit says, show Azzouz and his associates paid themselves \$16 million of the \$17 million using such vague labels as "development fee" and "developer's overhead." In addition, the suit says, almost none of the condos is sold, and almost

none of the retail space is leased.

"One of the reasons my client is so upset is that those fees were never disclosed," Nicholson's attorney, Philip J. Snyderburn, said. "If they were, I highly doubt he would have anything to do with that investment."

The suit, filed in August, states that the debts owed on the \$66 million condo building exceed the market value of the property. Azzouz said that about 30 of the 144 units are sold and called the rest of the lawsuits allegations "grossly inaccurate."

Maher, a friend of Azzouz's, said he was shocked to find out that he had "invested" \$1 million in entities Azzouz never set up: a nightclub called the Page Six City Club and a high-end car-rental business.

Recently, an Orange County circuit judge ordered Azzouz to produce the cars he said he had bought for the company. Azzouz brought two of his personal cars that are tied up in his ongoing divorce, court records show, and two others with dealer tags and no documentation to show that they were owned by the business.

"There really is nothing that my forensic CPA can use to determine where the money went," said Maher's attorney, Griff Winthrop III. "There's no tax returns, no balance sheets, no asset ledger."

Azzouz, who has called Maher's suit "a joke," brushes off allegations that he cheated anyone.

"I find these claims to be troublesome and very inaccurate," he said.

#### Lavish construction

Since 2003, Azzouz has built five buildings in Veranda Park, with artwork and chiseled marble in almost every corner. His swing-for-the-fences style is seen at the Veranda Park entrance. Atop an imported marble fountain is a replica of the Four Horses -- a gilded bronze Greek sculpture once coveted by the Emperor Nero.

Still to come -- in the plans, at least -- are Italian-style, hand-carved gondolas for rides on Lake Debra, and six more buildings, including a four-star hotel, a 14-to-20-screen movie theater, offices, shops and an outdoor amphitheater.

Azzouz's troubles cast doubt on his plans to redevelop a 4-acre swath of downtown Windermere, a 50,000-square-foot project he has been planning for six years.

He said recently that he is just a few months from starting construction, but Windermere Mayor Gary Bruhn said, "I don't see how that's remotely possible."

The developer said he spends every day working on Veranda Park. He dismissed talk that his project could fail.

"It's not possible for Veranda Park to be compromised," he said. "This is just one building out of 11. There's no way this doesn't survive."

Azzouz said Monday that he is bringing in a new management team to lead the project forward. He and his longtime business partner Ken Simback, who had led the project, have parted ways. Azzouz also said he is in the process of creating a new management company, Veranda Park Properties, to be led by developer Vincent Schreiber.

The worst-case scenario, Azzouz said, is that the bank will foreclose on the condo building, and he and his investors will buy it back at auction, using a different corporate entity.

When he does that, the debts owed to the construction company and the subcontractors go away, meaning they don't get paid.

"We're in a pretty tough business," he said. "I'm not worried about looking good."

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