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A. Arbor partnership nears reorganization

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CRAIN'S DETROIT BUSINESS

A partnership that owns a prime parcel on Main Street in Ann Arbor is about to be reorganized after a 2-year journey through two bankruptcy filings. The troubled partnership's only property is on the west side of Main, between William Street and Packard Road.

Ann Arbor developer Herbert Schneider was the original general partner of the partnership, called the Downtown Ann Arbor Associates Limited Partnership.

He formed the partnership and, in the late 1980s, acquired the property to build a 13-story tower, called the Seasons, with 42 condominiums and 31,000 square feet of office space.

But Schneider ran into financial problems, and work was suspended on the project in 1989, after only a hole had been excavated for the building's foundation.

Schneider's holdings, including his general partnership interest in Downtown Ann Arbor Associates Limited Partnership, landed in U.S. Bankruptcy Court in 1990 for liquidation under Chapter 7 of the federal bankruptcy code.

Enter Adrian Balinski, a Warren-based real-estate developer and owner of a company called Mortgage & Financial Strategies Ltd. In March 1991, Balinski acquired from the court Schneider's general partnership interest, which put him in charge of the partnership's future.

The partnership's major problem was the empty hole. Amoco Oil Co., which owned a gasoline station adjacent to the site, had filed suit in Washtenaw County Circuit Court, claiming the hole had undermined the station's soil.

"The general contractor excavated to the property line," said Amoco's attorney, David Moffitt, of Birmingham. "The restraints utilized to support the soil were inadequately designed and installed."

The court agreed and awarded Amoco $5.1 million in December 1990 from the partnership.

Shortly after Balinski acquired the general partnership interest in March 1991, the partnership filed for Chapter 11 protection from creditors in bankruptcy court, citing the Amoco judgment, about $300,000 worth of unsecured debts and $130,000 worth of mechanics' liens.

Under the reorganization plan, Balinski plans to recapitalize the partnership by raising $132,000 from its limited partners.

The money would pay holders of mechanics' liens about 56 cents for each $1 of debt. The unsecured creditors would have their choice of 12.5 percent of the partnership's equity interest or 10 cents for each $1 of debt. Amoco would receive 25 percent of the partnership's equity interest.

The Main Street property was notable for the big hole in the ground.

Moffitt said all parties to the bankruptcy approved the plan except Amoco. The oil company objected to a portion of the plan enabling the partnership to require limited partners to contribute more capital. He said, however, the overall plan is acceptable to Amoco, and that he expects the differences will be ironed out.

Meanwhile, Balinski plans to bide his time. "When the . . . market revives in two to five years, the parcel may be suitable for a project." CDB