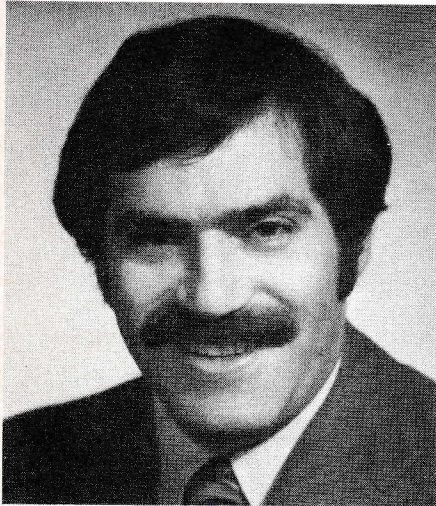


What Are Your Rights In Condo Conversion?

Although tenants tend to become anxious when they hear their building will be converted to condos, they should rest assured that many safeguards exist to protect them.



by William B. Kaplan
senior vice president
Romanek-Golub and Company

ONE of the major life-style revolutions in this country is the emergence of the condominium. As recently as a decade ago few people had heard of or considered this avenue to home ownership. But within the past few years "the condo craze" has taken the real estate industry by storm, especially in Chicago, the national trendsetter in conversions.

The rush to convert many former rental properties has affected the lives of thousands of families. The Utopian promise of home ownership at a reasonable cost has, in many cases, brought with it undesirable side effects which have left the tenants confused, bothered and more than a little bewildered.

Many Safeguards

Those of us who have been in the forefront of the condominium conversion market are acutely aware of the anxieties and confusion many tenants experience when they first hear the word "conversion." Rest assured, however, that there are numerous guidelines and sound answers to all the questions renters and potential owners want and need to know.

Both converters and the govern-

ment are actively involved in answering questions and protecting consumers. Furthermore, the public is protected by condominium laws which vary from state to state. In Illinois, the Illinois Condominium Property Act sets down strict regulations to which a developer or converter must adhere.

Moreover, individual municipalities within each state have ordinances which also define and expand these tenant rights. And today, professional converters are providing both information and assistance to prospective tenants in an effort to ease the transition from renter to condominium home owner.

Legal Rights:

As a tenant and/or potential buyer in a conversion situation, the State of Illinois mandates the following:

- Tenants must first receive a letter of intent to convert the building to condominium. They must be given at least 120 days notice.
- Present tenants whose leases expire within the minimum 120-day notice period can request extensions on their lease at least through that 120-day period at the same fixed rental rate by notifying the developer within 30 days.
- All leases must be honored to termination. The conversion notice must indicate whether the tenant will be able to continue renting after the current lease expires, and if so, at what rate.
- Tenants have the right of first refusal for a 120-day period from the date of the notice of conversion. This means if a developer finds a buyer for the renter's unit during that 120-day period, the existing tenant must be given the opportunity to purchase the unit on the same terms as the outside buyer.

• Sales agents can only show a tenant's apartment a reasonable number of times and only at reasonable hours which do not inconvenience existing tenants. According to the Illinois Condominium Property Act, the unit can only be shown during the last 90 days of tenancy.

Purchasers' Rights

In addition, full disclosure must be made to prospective condominium purchasers before they buy. The developer must make available the following:

- A copy of the declaration and by-laws as well as a floor plan of the particular unit. The declaration is a legal document of record filed with the county recorder of deeds. It must set forth the legal description of the entire parcel and each individual unit as well as a description of common elements and percentage of common-element ownership. The bylaws, which must be recorded with the declaration, govern the administration of the property and document the rules and regulations which must be adhered to by the unit owners.
- A buyer's financial analysis for the particular unit, including estimates on the monthly payments for the unit and its maintenance plus monthly charges for use of any recreational facilities.
- A projected operating budget on an annual basis and a review of actual operating expenses for the previous two years as a basis for comparison.
- Description of any budget reserves for capital expenditures or if no reserves are provided, a statement to that effect.
- An engineer's report on the present condition of all structural compo-

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nents and major utility installations, to include their expected useful lives and estimated replacement costs.

- A special statement of the amount of any initial or specific condominium fees due on or before closing.

In addition to the state requirements, the city of Chicago requires a property report which gives all pertinent information the buyer and attorney should need to make an evaluation of the property and decision to buy. Property reports in the city of Chicago must include a full disclosure and breakout of all parties involved with the development and marketing of the property and are usually on record in the sales office along with a list of physical improvements.

The seller's failure to give you all this information means you have the right to rescind the contract up until closing or to receive a refund, with interest, on any deposit or earnest money you have paid prior to termination of the contract.

The state law also requires that any deposit, payments or advance on the purchase price of a unit you give to the developer or his agent must be held in an interest-bearing escrow account until title is conveyed.

Purchaser's Incentives

- Generally, the developer will make special concessions to existing tenants, usually in the form of a tenant's right to purchase at a 5%-10% tenant discount on the purchase price of the condominium for a set period of time (often within 30-60 days after the announcement to convert). The developer is obligated to give you a comprehensive Engineering Report and tell you what improvements are under way or will be made.

- Usually, one of the first things a converter will do is establish a marketing office staffed with professional sales consultants to answer questions and explain the conversion and how it will affect you specifically. It is wise to make an appointment to meet with a sales consultant as early as possible to review all aspects of the conversion and your alternatives. It can be beneficial to bring along an attorney to sit in on this meeting. The sales consultant will explain all condominium terminology and provide you with a property report, engineering report, sales brochures, floor plans and, most

importantly, prices, terms and financing information. He will also work out the rates and figures for your specific unit. Sales consultants will also provide you with an estimated operating budget and assessments for the first year.

- Attractive financing is available from most developers and is arranged as part of a strong marketing plan. There's also usually a mortgage protection contingency. If a buyer doesn't qualify to secure a mortgage, he's entitled to a return of his earnest money.

Reputations at Stake

The developer and sales agent are both in business to realize a profit. However, they have a reputation to maintain. They're not going to run the risk of shortchanging prospective tenants. In fact, they must meet stringent requirements and deliver a good product or they'll never get the financing necessary to undertake a conversion. Our company has been working with the Federal Housing Authority (FHA) to convert three developments that were in foreclosure. The federal government looks closely at all aspects of these condominium conversions to make sure they're viable because the government's financial interest and investment is much larger than any individual's. They make sure a developer can deliver on all promises or else they won't back the project.

The availability of FHA financed end-loan programs makes excellent financing available and home ownership possible. The consumer will be able to purchase a condominium with very little money down. In real-world terms, this down payment amounts to no more than the equivalent of the average renter's traditional security deposit and first month's rent outlay.

We feel it is up to the industry to take the initiative and move to ease any personal anxieties which might occur as the result of a conversion and to orient the public concerning condominium ownership. The most effective consumer interest programs have not been the result of government regulation but individual actions by the real estate industry to self-regulate.

Bill of Rights

In an effort to live up to our tenant responsibilities, Romanek-Golub has prepared a Tenant's Bill of Rights, a written set of guidelines to assist

renters who live in buildings converting to condominium. We also provide each tenant at our conversions with excerpts of the Illinois Condominium Property Act. In this way, all tenants have a written document to refer to.

Our tenant's bill of rights contains five articles: Statutory Rights, Rights to Purchase, Rights to Lease, Tenant's Right to Quiet Enjoyment and Rights of "Special Tenants," including the elderly, handicapped, disabled and lower-income families. The latter is particularly important. "Special Tenants" will be provided with alternative rental housing within the particular development for a minimum period of two years. In addition, they will receive personal assistance from our staff in locating alternative housing and may terminate their existing lease at any time without penalty if such acceptable housing is secured. As additional compensation for relocation, "Special Tenants" will be relieved from the last month of rent in their present unit.

Taking our program one step further, we have also made it a policy to hold seminar programs at the sites once a conversion is announced. We provide existing tenants with a panel of speakers to explain the financial aspects and terminology and evaluate market conditions. We then open the conversation up to questions and answers. Also provided is a booklet entitled *Condominiums . . . An Overview for the Potential Owner*, which has been an extremely helpful primer for many tenants.

Condominium home ownership is here to stay. In view of the housing shortage and the high cost of single-family dwellings and new construction, I think I speak for the industry when I say condominium conversions are going to become more and more popular as an affordable means of home ownership. Condominium ownership has spread from Chicago's Lake Shore. We are experiencing tremendous growth in the northwest suburbs, and condo ownership is also becoming a realistic alternative to single-family home ownership in the south and southwest suburbs.

The old axiom "When in doubt, ask" is clearly valid when it comes to questions involving condominium ownership. The industry is here to answer your questions and hopefully introduce you to what I personally believe is the brightest star in residential real estate's future. □