

Chicago Tribune



Archives

- [Archives Search](#)
- [Saved Search](#)
- [Logout](#)
- [Search Tips](#)
- [FAQ](#)
- [Pricing](#)
- [My Account](#)
- [Help](#)
- [About the Archive](#)
- [Terms](#)

Document

[Search](#) [Saved](#) [Help](#)

[Start a New Search](#) | [Previous Results](#)

Other Formats: [Abstract](#) [Full Text](#) [Printer Friendly](#)

Turnover time

What are condo owners to do when developer goes away?
[Chicagoland Final Edition]

Chicago Tribune - Chicago, Ill.

Author: Janice Rosenberg, Special to the Tribune
Date: Dec 17, 2006
Start Page: 1
Section: Real Estate
Text Word Count: 1267

Document Text

(Copyright 2006 by the Chicago Tribune)

Condominiums pop up like dandelions in and around Chicago. Developers -- experienced or nave, honest or devious -- offer units in new and newly converted properties to apartment dwellers tired of paying rent and suburban homeowners longing for ease of living.

But these purchases involve a lot more than showing up at the closing. There will come a time when the unit owners -- with or without the backing of a management company -- will be required to take control of the building.

"We stress to people that they aren't only buying a unit, they're buying a piece of the entire building and are responsible for it," said Gen Scanlan, real estate attorney at Jill M. Metz & Associates in Chicago.

Knowing what steps to take when the developer turns the building over to the unit owners can mean the difference between a smooth transition into condo living and a rocky road paved with broken promises, lost opportunities and disgruntled neighbors. "When you buy into a brand new condominium with all these new neighbors, you simply don't know what you don't know," said Mona Ewing, president of Beacon Terrace Condominium Association in Chicago's Uptown neighborhood. "We [board members] are all productive adults with careers and responsibilities, but

we couldn't figure out how to run our building."

Step 1, electing a board

Established condo buildings are run by condo association boards composed of unit owners. But in new or newly developed properties, the developer serves as the association's board until 75 percent of the units are sold, or until three years after the developer recorded the condominium declaration with the recorder of deeds for the county, whichever comes first.

Within 60 days following one of those events, the developer is required to hold a meeting to turn the property management over to the owners. Responsible developers send notices to unit owners advising them that a meeting will be held on a certain date. At that time a board made up of owners should be elected.

Robert J. Donati moved into his South Loop unit at Loftworks on Michigan Avenue in February 2006. At the turnover meeting in May 2006, Donati was elected to the board.

"I was pleased," Donati said. "I wanted to be on the first board to be sure we had a good, solid foundation for future boards."

Donati and the four other board members were enthusiastic about doing things correctly, but none of them knew exactly what they should be doing.

"A new board is a bunch of people thrown together to run what is, in essence, a multimillion-dollar not-for-profit corporation," said Shirley Feldmann, president of the Chicago consulting firm Association Advocates Inc. "A bad board can negatively affect resale value, and it all starts at the turnover."

Feldmann and property consultant Angela Falzone, provide new or existing associations with a variety of assistance including one-time training, ongoing consultation and project management in areas such as developer turnover, association procedures and board training.

"A first-time buyer needs to find out just what a condominium is," Falzone said. "Especially in a small property, you may have to vacuum your own hallways. So the most basic advice is, do your homework and understand what you're buying."

Ralph Hoadley bought a unit at the Regency-Balmoral in Chicago's Edgewater neighborhood in July 2003. When the developer showed no signs of arranging a turnover meeting, Hoadley e-mailed and met with a group of interested owners. Their action pushed the developer to call a meeting at which Hoadley was elected to the board.

"We were concerned about things getting finished up by the developer around the building," Hoadley said. "We felt we needed an attorney, and we wanted to hire a management company, but we didn't understand how the management company, the attorney and other things fit together. So we hired Shirley [Feldmann] to help us figure it out."

Step 2, turnover tactics

In accordance with the Illinois Condominium Property Act, developers must hand specific documents and information to the association board within 60 days after the board is elected.

Items to be presented are listed in section 18.2 of the Property Act (available online) and include annual reports, contracts and tax bills. At this time the board can hire experts to help determine the state of the property. Completed by engineers, architects, accountants and attorneys, the studies are of two types:

- Transition studies. Has the developer completed the construction work he proposed in the drawings issued when he received his building permit from the city?

When Daniel Baigelman, principal at Full Circle Architects in Highland Park, is hired by an association to do a transition study, he develops a custom questionnaire and passes it out to all unit owners. This lets them report issues such as window leaks. Baigelman goes over the questionnaires to find commonalities and to separate unit owner complaints from those concerning the entire association.

Next Baigelman inspects common areas and several units. He breaks down any defects into three categories: life safety issues such as a lack of exit signs; construction quality issues such as missing exterior lighting; and design issues such as slippery tile in an entrance. He completes a draft report and takes photos.

"I tell the board what's important and what's not. They decide what they want to present to the developer," Baigelman said. "I usually advise them to put in all the issues. Then they can remove some of the little ones during negotiations."

- Reserve studies. Has the developer fulfilled his financial obligations to the association?

These include paying assessments into an association bank account on all the units he owned from the date the first unit was sold; placing assessments paid upfront by unit buyers into that account; and creating a reserve fund for use by the board.

"Although some developers do go to great lengths to accurately set assessments as they market units for sale by conducting reserve studies, it's not uncommon for associations who conduct reserve studies after turnover to find the monthly fee structure that was put in place by a developer, who did not have a study conducted, is not adequate to cover realistic reserve contributions," said Nik Clark, director of client services at Reserve Advisors in Milwaukee.

In most cases negotiating construction and accounting claims is done in a businesslike fashion that results in an agreement, said Mark Pearlstein, a partner at Levenfeld Pearlstein in Chicago and weekly contributor to the Real Estate section. These days, he said, developer-board problems lead to fewer lawsuits than in the past.

Help along the way

With so much to learn, new condo association board members can turn to two organizations for information and training:

- The Illinois chapter of the Community Associations Institute (www.cai-illinois.org) provides monthly educational programs on organizing and running communities efficiently, an annual program on turnover, plus an hour-long radio show Fridays at noon on WBIG-AM 1230.

- The Association of Condominium, Townhouse and Homeowners Associations (www.actha.org) holds two annual conferences that allow board members to meet one-on-one with representatives of various service industries focused on association work.

"It's important that an association join us because board members have the ultimate legal and fiduciary responsibility for their association," said executive director Gael Mennecke. "The better informed and educated they are, the better board members they'll be."

[Illustration]

PHOTO GRAPHIC: Caption: PHOTO (color): Ralph Hoadley bought a unit at the Regency- Balmoral in Chicago's Edgewater neighborhood in 2003. A board organizer, Hoadley points to an area where there was unfinished masonry work. Photo for the Tribune by Carlos J. Ortiz GRAPHIC (color): Tribune photo illustration

Reproduced with permission of the copyright owner. Further reproduction or distribution is prohibited without permission.

Abstract (Document Summary)

Ralph Hoadley bought a unit at the Regency-Balmoral in Chicago's Edgewater neighborhood in July 2003. When the developer showed no signs of arranging a turnover meeting, Hoadley e-mailed and met with a group of

interested owners. Their action pushed the developer to call a meeting at which Hoadley was elected to the board.

Reproduced with permission of the copyright owner. Further reproduction or distribution is prohibited without permission.

Other Formats:  [Abstract](#)  Full Text  [Printer Friendly](#)

[Home](#) | [Copyright and terms of service](#) | [Privacy policy](#) | [Subscribe](#) | [Contact us](#) | [Archives](#) | [Advertise](#) | [Site tour](#)