
Key Points in Buying Condo Conversion; [Home Edition]

DAVID M. GREY. *Los Angeles Times* (pre-1997 Fulltext). Los Angeles, Calif.: Jul 24, 1994. pg. 9

Full Text (1376 words)

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The purchase of a condominium that has been converted from an apartment can be a serious headache if the right questions are not asked. First and foremost the condominium is not new construction, but a used building. With that use comes costly wear and tear that may not be obvious. Unforeseen repair expenses will always be a nasty surprise.

Buying a condominium is unique. The only thing you will own is what's inside the four walls of your unit. All of the other building's structures such as the swimming pool, roof and entrance hallways are owned jointly with the other unit owners. These jointly owned portions are called the common areas. Each unit owner has a shared responsibility to pay money to maintain and repair the common areas.

Do not let the excitement of the sale overcome the need for information about the condominium. Make no assumptions when buying a converted condominium, except that like a shiny apple it may be rotten inside. Ask questions to be sure your investment will be a happy home free from problems. You can avoid most problems by getting answers to these questions:

1-What work has been done on the building?

The developer may not have to do any work to sell the building as condominiums. Often the owner of an apartment building defers the more expensive maintenance, then turns around and converts to condos, hoping to pass the cost of maintenance onto the new purchaser. It is easy to do cosmetic work. A fresh coat of paint and new floor is cheap and makes the building look nice, but does nothing to fix any real problems.

Get details on what work was done on the building before units were sold as condos. Do not be satisfied with hearing that everything has been refurbished or brought up to legal standards. These explanations mean nothing without the details.

2-Is the budget adequate?

By law you must be given a copy of the homeowner association's budget before buying. The budget will show the cost to operate the building. Operating costs will range from electricity for the common areas to monthly service on an elevator and will depend upon the particulars of the individual building you are buying. You will pay for these operating expenses through your monthly dues.

In addition, part of your dues should go into the reserves each month. Reserves are a fund set aside for long-term maintenance and replacement of the building's components. For example, a roof will not last forever and will need to be replaced. The money eventually needed to pay for the new roof should come out of the reserves, so that in 10 years when \$80,000 is needed for the new roof the money will be there.

Reserves are calculated by various formulas put out by the Department of Real Estate. Typically, the remaining useful life of the building's components will be calculated. The projected cost of replacement is then factored over the number of years of remaining useful life.

Find out how remaining useful life was determined. Was the building inspected by someone with the right expertise? Does the reserve budget include everything it should, or are there blank lines and missing information? Get an explanation for any information that is missing. Do not be trapped by hidden costs that are not in the budget. As an owner you will be responsible to pay whatever costs are reasonably necessary to maintain the common areas, whether or not originally budgeted.

3-Do I need it in writing?

A legitimate developer will not shy away from answering your questions with detailed written information. Moreover, the law requires that contracts, plans and other similar information about the condominium be given to the homeowner association. Getting it in writing is your best assurance that the project is not riddled with problems. Even if you do not understand construction, the developer's willingness to answer questions in writing is a sign that there is nothing to hide.

4-Was there an inspection?

The law in California requires the developer to give each purchaser a form that says the condominium has been inspected. The inspection must include both the unit offered for sale and the common area. Any defect found during the inspection must be disclosed. If no defects were found by the inspection, the form should say so.

5-Who did the inspection?

Find out who did the inspection. Do not assume that an inspection was performed by a neutral professional like a qualified engineer or architect. No law says who must do the inspection. Ask to see the inspection report. Find out how thorough a job was done. Get your own inspection if you have any doubts. Beware of inspections done only by the seller, even if they are technically qualified.

6-Is the building up to code?

Building codes set a minimum standard for construction to protect the public. Code requirements mean little in the conversion of an apartment to condominium. The developer may not have to bring the building up to current code standards, and in many cases, the cost to do so would prohibit converting from apartments to condominiums.

Statements by the developer that the building is up to code should be a warning that something is being glossed over. Again, get details of what was done. Get them in writing from the person who did the actual work. Ask to look at contracts for the work claimed to have been done if you have a concern.

7-Have there been any plumbing leaks?

Pipes are usually made of copper. Copper pipes should last for the life of the building. Older buildings may contain galvanized pipes that typically last only 20 to 30 years; meaning that galvanized pipe may start to leak with age and become an additional expense.

Pipes leak for a reason. Find out why to rule out any serious problems. Get details about what caused the leaks, how were they fixed, by whom and how often have leaks occurred. It may be wise to have an experienced plumber see if there are any problems. Remember you cannot see into the walls where most of the plumbing and the problems are likely to be hidden.

8-Has there been a termite inspection?

A termite inspection does not guarantee that there are no problems. Termites and dry rot can lead to costly repairs. Dry rot is caused when wood gets wet. As dry rot eats into the wood openings are formed that let termites in to cause even more deterioration.

Look at the termite report to see exactly what was inspected. Make sure it covers the entire condominium, not just the unit you are buying. If necessary get one done yourself. It's cheap to patch cracks, but they may cover termite and dry rot problems.

9-What kind of soils inspection has been done?

The soils upon which the condominium sits provide support for the building. Any problems with the soils will affect the whole building. For example, as the soils move so does the building. Too much movement can cause cracks in the walls, floors, ceilings, prevent windows from opening properly or cause pipe leaks.

Find out what type of soil is under the condominium. Expansive soils expand like a sponge when exposed to water and contract as they dry causing the building to move. Landslides or fill that is not properly compacted are other common problems found in southern California.

Find out what has been done to make sure there will be no problems with the soils. Ask to look at the soils report. If no report was done, find out why.

10-Who can I consult with for my own protection?

There are several inspection services that will walk through the building and report on its condition. Be aware that they are generalists and may not be expert enough in particular areas to spot hidden problems. For the most part they will put you in the right direction. Make sure to give your inspector any information obtained from the developer for a more thorough analysis.

Most problems can be avoided by asking detailed questions. Do not fall into the trap of relying on the seller or real estate broker to protect you. Find out for yourself!

[[Illustration]

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Column Name: *Speaking Out*

Section: *Real Estate; PART-K; Real Estate Desk*

ISSN/ISBN: 04583035

Text Word Count 1376