

Money & Real Estate

Chicago Tribune SUNDAY, JUNE 5, 2011 | SECTION 7



Gregory Karp
Spending Smart

We try new websites, apps

With so many consumer-focused websites and apps out today, we look at some that show promise. PAGE 7



Mary Ellen Podmolik
The Home Front

'Pricing integrity' paying off for developers

It's only 32 units spread over four buildings, but a phased project in Chicago's Woodlawn neighborhood has received "good neighbor" kudos from the Chicago Association of Realtors for three consecutive years.

Most recently, the fourth phase of Renaissance on Kimbark was awarded the group's highest honor, the Bruce Abrams award, named for the deceased founder and president of the

former LR Development.

Hanna Architects, Stonemason Group and Hasani Steele, an @Properties realty agent and development consultant, teamed up to deliver the first three buildings. Those phases were previously honored for helping to stabilize the neighborhood and filling in several vacant lots.

The fourth phase, constructed by Premium Builders, got the nod not

only for the extra design touches put into the building but also for doing what seems undoable in the current environment: succeeding, and that's not just because only three of the 32 units remain for sale.

What also worked for the project, according to Steele, was what he labeled "pricing integrity." Priced at \$249,900 to \$349,900, the development offered financial assistance with

closing costs but the units themselves were not discounted. That's a different strategy from most developers in the current environment, who either have slashed prices, thrown in free cars at closing or rented units to recoup some of their investment.

Owners already in those type of developments have had to trade the

Please turn to Page 3



Renaissance on Kimbark's latest phase has received the Chicago Association of Realtors' highest honor.

'Pricing integrity' paying off for project's developers

Continued from Page 1

comfort of knowing there's someone in the neighboring units for the sobering reality that their home equity, and possibly their ability to refinance, has been compromised.

Steele, who for a time worked at CarMax, which boasts a no-haggle price on each vehicle, didn't want to go that route. Instead, he wanted to educate buyers on what they were purchasing and why they were paying the prices they were.

"It appeals to a certain type of buyer," Steele said. "I'd sit down with people and I'd say 'this is the price,' I'd say what you're buying is not just an individual condo. What you're buying here is partially like a partnership with the other people in the building. You're buying into the ward's vision."

During the headier days of the housing market, when investors and homebuyers who thought of themselves as investors controlled the market, that sales approach might not have worked, he acknowledges.

"People didn't care

about the finishes because they thought they'd rent it out or they'd flip it," Steele said. "We wanted to get people emotionally tied to the product, and they'd love it and they'd buy. People will go into debt for things if they genuinely love it."

It's a strategy that may get battle tested yet again. Another piece of land, this one 67 feet wide, may become a fifth phase of the development.

Porch primer. Since last year, the Chicago Department of Buildings has been looking at its porch design and construction guidelines, and the result is 101 pages of information that's now available online.

Included in the much-expanded document is a copy of the checklist used by inspectors and a glossary of terms for consumers who may not know the difference between a hex bolt and a lag bolt (see Page 6 to learn the difference). And while there were drawings before, there are now more of them with more details.

The goal is to lessen any potential breakdown in communications and

understanding of city code between consumers, contractors and architects when it comes to the maintenance and repair of existing porches as well as the design and construction of new ones.

"They now will have a better understanding of what our expectations are," department spokesman Bill McCaffrey said. "It's to help bridge the gap so everyone is speaking the same language."

In June 2003, 13 people were killed when a third-floor porch collapsed in the city's Lincoln Park neighborhood. That incident prompted the city to crack down on dangerous porches.

Last year, the department said it handled 1,406 complaints related to porches and issued 2,431 permits for porch repair or replacement. So far in 2011, the city has received more than 446 complaints and issued 938 permits.

A copy of the guidelines is available at cityofchicago.org/buildings.

mepodmolik@tribune.com
Twitter @mepodmolik

Lender owes assessments in transfer of property

Our condominium association has a number of foreclosed units and short sales. We are a relatively new develop-



Mark Pearlstein
Condo Adviser

ment, so many of our owners have underwater mortgages. In foreclosures, we have usually been able to collect only six months of assessments. If the owner negotiated with a lender for a short sale, the association has been able to collect all delinquent amounts.

I have been hearing recently about another way of settling threatened foreclosures through a deed in lieu of foreclosure. How does this work, and what are the ramifications for associations? What past due assessments can the association collect and from whom?

A A deed in lieu of foreclosure is a voluntary transfer of the property by a delinquent borrower to the lending institution in exchange for a release of the borrower from any further personal liability under the mortgage. Since the lender can obtain a deficiency judgment when a foreclosure sale does not generate sufficient proceeds to pay off the mortgage, the borrower avoids a judgment, and the lender saves additional legal expenses to take back the property.

As explained in Section 15-1401 of the Code of Civil Procedure, a deed in lieu of foreclosure does not nullify other claims or liens affecting the real estate, including delinquent condominium assessments. The lender who takes back title of the property will be liable for the delinquent assessments at the time of the transfer. Some lenders and their borrowers will negotiate a reduced payoff of assessments from the association to facilitate the transaction, but the association is not bound to accept a reduction.

Q I would like to refinance my unit under an FHA program. To obtain this financing, it will be necessary for my association to increase the amount of their fidelity bond. Because of the extra charge for the bond, the board will not approve the increase.

I am concerned about my refinancing. Will the board's decision result in limited access to financing for both sellers and owners? Does the board have a legal or fiduciary obligation to obtain FHA approval for the property?

A The board of directors does not have a legal obligation to obtain FHA approval for the condominium building. Depending on the sales prices of units and

their values, it may be in the best interests of the association for a board to seek and retain FHA financing. The reduced downpayment requirements and higher mortgage limits than in the past do make FHA financing an attractive alternative.

The board should keep in mind that the fidelity insurance requirement for associations of six or more units under the Condominium Act is the maximum amount of coverage to protect association funds handled by the board or agent, including reserves. The FHA fidelity insurance requirement for 20 units or more is coverage that equals three times the monthly assessments, plus reserves.

FHA requirements

An approved condominium project must meet these and other requirements. A detailed list can be found at hud.gov:

- 1. Insurance coverage:** Must be covered by hazard and liability insurance and, when applicable, flood and fidelity insurance.
- 2. Right of first refusal:** Allowed, provided it does not violate the Fair Housing Act.
- 3. Commercial space:** No more than 25 percent of the property's total floor area can be for commercial purposes.
- 4. Ownership:** No more than 10 percent of the units may be owned by one investor. This applies to developers that rent vacant units. At least 50 percent of the units must be owner occupied.

SOURCE: HUD

TRIBUNE NEWSPAPERS

Q After this year's annual meeting, our former treasurer decided that she did not want to be on the board but still wanted to handle the financial records of the association. The board decided that the association did not need someone in the treasurer position but eventually appointed one director as both vice president and treasurer. The old treasurer is still keeping association records, but it appears that we do not have a fidelity bond for this person. While the treasurer refuses to pay for a bond, the board is trying to get a bond under its name.

I am very suspicious of all of these arrangements. What do you think?

A I think the board should review Section 18(e) of the Condominium Property Act, which requires the election of a treasurer from among the board members and, thus, is a mandatory position in your association. An individual cannot serve in this mandatory position unless he or she is a board member.

The board is responsible for obtaining his or her fidelity insurance.

ctc-realestate@tribune.com

CN