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"Are there any special issues to look out for if I'm going to convert my existing apartment building into a condominium?"

With redevelopment becoming ever popular, the number of condominium conversions have been on the rise. These projects can be seen as inexpensive, quick in, quick out, starter projects for up and coming condominium developers. But, don't be overly naïve. Many of the issues typical with condominium developments can be compounded by condominium conversions. For example, with an existing building, preparation of the condominium plat can be a very intensive process because digital versions of the drawings are likely not available and will need to be created.

In addition, issues unique to conversions can create timing issues for conversion developers. Recent revisions to the Condominium Act have made the notice requirements to existing tenants less cumbersome and more efficient, however, actually dealing with existing tenants through the conversion process can be a hassle—especially if improvements need to be made to the project. Further, there is an inspection report requirement mentioned in Wis. Stats. Section 703.33(2)(cm) which is not clear in terms of degree of detail of the inspection and qualifications required of the inspector. In addition to the inspection disclosures required by Wis. Stats. Section 703.33(2)(cm), conversion developers will want to give great consideration to other disclosures which may be important in a conversion, such as sound isolation ratings, building history, and expected future repair costs. Such disclosures may not be enough to protect the conversion developer from exposure to the common problems associated with conversion developments.

Conversion developers should also consider incorporating covenants that go directly to the heart of the potential limitations of conversion developments such as a required use of area rugs on hard floor finishes or a restriction on alterations to the Unit which could compromise existing sound isolation efforts. Further, conversion developers may want to consider funding a reserve account for future expenses which might be expected in the near future such as roof replacement—a strategy that can be very beneficial from a marketing perspective. Finally, conversion developers and new construction developers alike may want to consider incorporating a buy-back right into their sales agreements to limit the effect of an unhappy unit owner interfering or causing problems with the sales of the remaining inventory of units.



[Melanie S. Lee](#)

Reinhart Boerner Van Deuren s.c.
22 East Mifflin Street
Madison, WI 53703
608-229-2227
mlee@reinhartlaw.com

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**CURRENT RATES**

		<u>Associated Bank</u>	<u>Grandbridge Real Estate Capital LLC</u>	<u>US Bank</u>	<u>Bank of America</u>
Apartment/Multi Family Loans	Rate	L*+ 175-200	5.75% - 6.25%	L*+175-200	L*+175-225
	Term	Up to 10 Years	10 Years	Up to 5 Years	5 Years
	LTV	80%	80%	Up to 80%	80%
	Amortization	Up to 30 Years	Up to 30 Years	Up to 30 Years	Up to 30 Years
Retail/ Office Loans	Rate	L*+ 185-210	6.00% - 6.50%	L*+175-225	L*+175-225
	Term	Up to 10 Years	10 Years	Up to 5 Years	5 Years
	LTV	80%	75%	Up to 80%	80%
	Amortization	Up to 25 Years	Up to 30 Years	Up to 30 Years	Up to 30 Years
Commercial Loans	Rate	L*+ 185-210	6.00% - 6.50%	L*+175-205	L*+175-225
	Term	Up to 10 Years	10 Years	Up to 5 Years	5 Years
	LTV	80%	75%	Up to 80%	80%
	Amortization	Up to 25 Years	Up to 30 Years	Up to 30 Years	Up to 30 Years

*L equals the Libor swap rate for the applicable period

Maturity	Today	Last week	Last month
5 year Treasury	3.42%	3.13%	3.17%
10 year Treasury	4.06%	3.84%	3.86%

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