The Alpha and Omega of Condo Financing

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Current Condominium Marketplace

Key drivers:

Urban Lifestyle	Purpose	Low Maintenance
Urban environment enables owners to have an active lifestyle, smaller units with bigger amenities, green space, mixed use projects, close to transportation and work.	Depending on its location, a condominium can serve as an urban living alternative, a vacation getaway, a second home, investment or college dorm alternative	A condominium may be a great option for empty nesters looking to downsize, or seniors looking to minimize upkeep responsibilities and remain independent

The Alpha and Omega of Condo Financing

Condo approval requirements:

- Presale
- Owner Occupancy
- Single Entity Ownership
- Commercial Space
- Incidental Business Income
- Reserves
- Insurance
- Environmental concerns
- Legal, Construction or Marketing Phases

Basic condo Review types:

- Site and 2 – 4 unit Condo
- Agency – conforming
- FHA/VA
- Non-Conforming Portfolio
- Non-warrantable

Getting Started: Setting up warrantability from Day 1

Legal Documents

- Compliance with State and Local Laws
- Material Amendments to Documents must be agreed to by Mortgagees
- Contain rights of condo mortgagees and guarantors and first mortgagee lien rights confirmed
- Not a time for creative legal structures (e.g. developer retaining ownership of parking or amenities, mandatory memberships, recreation leases, platform condos).
- Main legal exhibits (CC&R's/ OP/Declaration and By-laws) should clearly state what the project will consist of -phases, multiple neighborhoods, amenities.
- Shared amenities between HOAs, not developer-owned apartments or hotel

Commercial Space up to 35%

- Mixed-use considerations; retail, apartment units, hotel or office buildings
- Condo HOA and MHOA/REA (financial and voting rights)
- Mixed-use vs. Live-work

Environmental Concerns

- Mitigation vs. Remediation
- Clear Letters (by phase) and No Further Action Letters

Completion

- Substantially complete vs. 100% complete

Phasing

- Legal phases vs. Construction phase vs. Marketing phases

Budget

- 10% reserve allocation that will continue to be funded when developer relinquishes control
- Reserve study
- Capital Contributions

Closing Out: Setting up the HOA for future success

Established projects are:

- 100% complete
- No remaining annexation
- HOA control has been turned over to the unit owners
- 80% of the units have been conveyed to new owners

Relinquishing developer control

- Amenities

Transitioning from developer to investor-owned units

- Single Entity Concentration caps at 20% for projects with 21 or more units

Reserves for future maintenance

- Avoid Special Assessments

Create a great customer experience:

- Capture first generation customers for life - satisfied unit owners may purchase from you in the future based on a good experience

Thank you

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