

# **RAISING MONEY IN CONDOS**

By Patrick Niland

Today's condominiums have several ways to raise money for capital improvements. They can increase common charges, levy assessments, or borrow...or some combination of these measures.

Increasing common charges is easy, free...and unpopular. In addition, lumping project costs with normal operating expenses can present a distorted financial picture to prospective buyers.

Alternatively, a board can levy assessments, which are almost as easy to implement, usually free...and just as unpopular. However, assessments segregate the cost of special projects from the regular operating expenses, and they usually disappear after all of the money has been raised.

Both of these measures, though, have three serious drawbacks.

First, it takes a very long time to raise a lot of money through increased common charges or assessments, which means that important work can get postponed or delayed, increasing total project costs and perhaps endangering other building systems.

Second, increased common charges and assessments may place a significant burden on unit owners living on fixed incomes.

And, third, both measures usually (and unfairly) saddle today's owners with the full cost of long-term improvements that also benefit future owners.

Since 1997, when the law changed, condos also have been allowed to borrow from banks. These loans are relatively inexpensive to close, and they spread the financial burden of capital improvements over a much longer period. This is a better way for condos to raise money, but it has been slow to catch on.

Today, most condos still levy assessments, while some use a combination of common charge increases, assessments, or borrowing to match the cash requirements of their particular projects.

And, not too long ago, one very creative condo board took out a large loan to fund major façade repairs and gave owners the option of paying higher common charges to cover their pro rata share of the loan's debt service or keeping their existing common charges as they were and paying their pro rata share of the loan up-front in a lump-sum payment.

Now, that's a way to make everyone happy!