

# Condominium Conversions Are Mixed Blessing

## Apartment Changover Aids Housing Market, but Also Forces Many Tenants Out

**BY JOHN GREGORY**

*Times Staff Writer*

She had reached the gratifying point where she could locate the important landmarks on the cement path between her front door and the sidewalk on Chapman Ave. 80 yards away.

Learning how to find her mailbox, the right and left turns of the walkway, every tree, bush and grape-stake fence had taken Mary nearly a year, because she is blind.

Then, a year after she moved into the apartment, Mary began to detect little — but to her, very important — changes in her physical surroundings.

No one told her when a tree near her apartment was cut down and she almost tripped over the logs stacked in the walkway. Another day, when she was feeling around for her mailbox among the 54 postal units on the wall, she discovered it had been moved.

Mary (not her real name) knows that she will have to move soon.

For she and her fellow tenants are being forced to make room for one of the hottest current trends in an otherwise flat real estate market — the conversion of apartment units to condominiums.

As the cost of new housing soars, developers and home buyers alike have discovered it is much cheaper to take over an existing apartment that can be spruced up and sold as single-family housing.

Newly constructed condominium projects two and three years ago were seen as the salvation for middle-income people priced out of the detached-housing market. But new "condo" units now cost an average of \$36,000.

It has dawned on private enterprise that converting leased units to "own-your-owns" is one of the last resorts for appealing to households needing shelter for \$30,000 or less.

As of last May, more than 2,300 apartment units had been converted, most of them since October of 1973. Applications for another 1,100 have been submitted to local governments.

Although this total of 3,400 comprises only 2% of all the apartment units in Orange County, the conversion process is, in its own small way, breaking new ground in the housing market.

Private industry is finding itself wrapped up in the rehabilitation of deteriorated buildings — "urban renewal," it could be said, since most of the projects are close to downtown districts.

Home ownership and its benefit of building equity in real estate are becoming available to an economic group that would otherwise have to rent to find shelter.

Condo conversions, however, are straining the diversity of Orange County's housing stock.

According to County Planning Department figures, the 3,400 completed or pending conversion units eliminate 5% of the rental units for persons who cannot afford to pay more than \$200 a month. Apartment vacancy rates in the county are low, and the county already falls 26,000 units short of meeting the needs of lower income groups, the Planning Department adds.

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# 'CONDOS'

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Construction, marketing and other fees tied into a conversion usually raise the price of a dwelling unit beyond the range of those who were leasing.

Local laws are becoming less friendly to the apartment conversion phenomenon. This, in turn, is driving the price of such units even higher.

Four cities and the county government are tightening their rules on physical improvements for the converted properties.

Under the old ordinances, still on the books in most communities, developers do not have to specify what changes, if any, they plan to make to an apartment building — some of which are structurally questionable.

In most jurisdictions, standards on buildings and living conditions are less stringent for apartments than on ownership units. Consequently, some developers have obtained permits to build apartments with the intention of converting them to condos rightaway.

Tenants in apartment complexes destined for condominiums feel their plight has been ignored in the bureaucratic shuffle over the physical, not social, consequences of conversions. But once in awhile, they hear a sympathetic voice at city hall:

"Cities are approaching the problem from the back door if all they want to do is strengthen the building code," says Phil Paxton Yorba Linda planning director. "All that does is make the unit more expensive to live in."

Paxton's staff is examining ways to ease the burden on tenants who must relocate. The County Planning Department is giving some thought to the same issue.

So far, no concrete proposals have been made by either government staff.

And all the while, time is running out on tenants like Mary.

It will not be the first time that Mary, 31, mother of a 4-year-old daughter, has had to vacate an apartment.

She said she had to leave her apartment in Panorama City 18 months ago when the owners decided that occupants should be adults only.

"After that, I was turned down at two places because I am blind. They felt they didn't want the responsibility in case something happened to me," Mary said.

(She became totally sightless through illness two years ago, eight months after her husband was killed in a traffic accident.)

She considered the apartment a "lucky find." She walks with her dog to nearby stores and to the bus stop to get her daughter off to school. Her sister lives a couple of miles away. She was able to get rides with other tenants in the complex.

Mary was not particularly aware of the signs of decay that were creeping into the single-story apartment project — the landscaping, the peeling paint, the run-down playground, potholes in the driveway, the broken lights caused by vandals.

But a Santa Ana firm which specializes in condominium conversions, Econ Group Inc., saw the deterioration.

In Econ Group's thinking, the apartments were ripe for conversion.

The complex is 11 years old. The buildings, while showing their age on the surface, were still judged to be structurally sound.

Econ Group bought the 54-unit complex last March for \$17,000 per unit, according to Earl Huddleston, company general manager. Econ Group will

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# CONDOMINIUM CONVERSION TREND

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sell the condominiums for \$26,900 to \$29,900, once the county approves the project.

Huddleston explains the rationale for the selling prices this way:

Each unit costs \$4,000 to \$5,000 to fix up — new appliances, carpeting, etc. On top of that are marketing and other overhead costs. Then, there is a delay factor as Econ Group awaits the governmental green light. A 10% profit is expedited.

"Everybody should be happy with what we and other condominium converters are trying to do," says Ernest Thompson, president of Econ Group.

"We're rehabilitating housing, which is what cities are trying to do but are failing. . . . We're providing some close-in living, which releases pressure on energy, smog and traffic problems. . . . We're making home ownership available to the moderate income level.

"But no, not everybody is happy.

"Government is piling on the red tape. That doesn't make this business as attractive anymore. They don't understand what impact all their rules and regulations have on housing prices.

"The tenants — I read about them up in arms here and there across the country.

"Over what? They don't seem to understand that their rents would have to go up anyway. Their apartments are decaying. Someone — the landlord, Econ Group or the individual owner — must spend a lot of money making repairs, big repairs."

Many of Mary's neighbors have left and their units have been remodeled for future owners.

Mary stays behind.

"I hate to think about leaving all of my conveniences and having to learn where everything is again," she says.

"I went out to my mail-

box the other day. No one told me it had been moved. You feel foolish feeling around for it. I just cried."

Econ Group gave each tenant first crack at purchasing a condominium unit. None said he or she could afford one.

"Psychologically, a renter is not a buyer," said Thompson. "We waste our time trying to sell to them."

The company paid \$150 toward the moving costs of a few of the occupants considered to be hardship cases.

A mother of three children, who was not in that category, said it cost her \$600 to move — two-thirds going for the deposit and final month's rent in advance at her new residence. Her new monthly rent is \$75 higher than she paid before.

"I did a terrible thing," she said. "I didn't pay my last three months' rent. I've never done anything like that before, but I needed the money."

She said she finds a "greater injustice" in what the condominium developers are doing.

"I lived there since 1963. More than half have been there for six or seven years. We assumed we would be there until we wanted to change our lifestyle. It was our home. It was our community.

"Then they (Econ Group) came along, in the name of progress. Out we go, without just compensation, so they can make a profit."

She said she doubts whether Econ Group has made adequate repairs of the units.

"I know the plumbing problems my place had. I went back recently to see what Econ Group had done. They had finished their so-called renovation on my place. It's only a face-lift. Believe me, the plumbing has not been repaired."

Thompson and Huddleston contend their company has made all the necessary repairs.

As laws now stand in county government and in most cities, developers applying for a conversion project can obtain a permit by filing a tract map. The map does not have to show changes proposed in each living unit or on the common grounds, owned jointly by the condominium unit owners.

The County Planning Commission recommended to the Board of Supervisors last June that such applicants spell out their proposed structural changes by also filing a conditional use permit.

Supervisors withheld action, based mainly on a concern that the new regulations might increase time for processing the applications and thereby increase project costs. The Planning Department replied that tentative tract map and use permit applications would be processed concurrently and not stretch out the time.

On Oct. 29, the Planning Commission confirmed its earlier action. A public hearing before county supervisors is expected late this month or in January.

The commission has postponed decisions on all conversion applications, including Econ Group's, until the board makes its final determination on the use permit recommendation.

County planners are disturbed that apartments can be built to lower standards than individually owned units, and then converted to condominiums without raising the standards.

Lower standards for apartments include fewer parking spaces, less open space, less insulation within walls for noise and fire protection and utility meters that cover an entire building, rather than each unit.

Requiring a use permit will not ensure that converted apartments include these higher standards.

"But it will allow the Planning Commission to set up guidelines for building standards and exercise some flexibility when it is determined that a project is needed," said David Culbertson of the Planning Department.

Anaheim and Tustin have gone a step further by writing tougher building standards into ordinances covering condominium conversions.

Anaheim city planners felt that recreational facilities and dwelling units in converted projects would become "overloaded."

"In rental units, household densities are normally stipulated and regulated," said a City Development Services report. "Occupant density of units under individual ownership is much more difficult to control."

Builders involved in conversions contend that just the opposite is happening. Most condominium projects are geared to elderly occupants, whereas apartment complexes ripe for conversion have tended to attract adults with children.

Developers believe that requirements for more parking spaces in converted projects are an unnecessary expense, since apartment dwellers tend to own more cars than do condominium owners.

Builders and city officials agree that tougher laws will decrease the number of apartment conversions.

"When you have to tear down a unit or two to make way for more greenbelts or parking, or install meters in each unit, you're talking about elimination of about 70 to 80% of the apartments a guy first thought would be worth converting," said Milton Krieger, Garden Grove city councilman. "But we want a darn tough law."

Garden Grove city staff

members are drafting an ordinance that will increase building code requirements and also stipulate that tenants be given a long warning period of a pending conversion of their apartment units.

Yorba Linda is expected to go several steps further. Its city planning staff is working on an ordinance that, if adopted, would also provide protection to condominium buyers.

Abuses have been uncovered across the nation in numerous condominium developments — new and converted — whereby unit owners are saddled with much higher maintenance fees or unworkable property management agreements than were promised by real estate sales personnel or were written into the purchase contract.

The Orange County Consumer Affairs Office reports that it has not received many such complaints from condominium buyers.

The proposed Yorba Linda ordinance, however, is expected to require that purchasers receive a thorough list of structural changes and of property management arrangements.

Yorba Linda has an eight-month moratorium

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# CONDOS'

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on conversion applications. The freeze was precipitated by City Council concern that continuing conversions would erode the supply of moderate-priced housing in the city.

"We have an unusual situation out here," said Planning Director Paxton. "We don't have a lot of apartments. We're kind of out on the edge of civilization, with higher-priced housing. If someone is forced out of an apartment, there's not much to turn to around here."

Paxton's staff is surveying the city's housing needs. It also plans to rewrite the housing element of the city's general plan to include a statement that housing shall be provided to "all elements of the community."

City officials could then determine whether it felt that an apartment conversion would diminish the housing supply to moderate- or lower-income groups.

Mildred Miller, executive director of the Orange County Fair Housing Coalition, believes displaced persons should be automatically reimbursed for relocation costs.

Last Oct. 21, Palo Alto adopted what is considered to be the most stringent laws in California on condominium conversions. Although the City Council rejected a proposal that developers pay displaced tenants up to \$200 for relocation assistance, the adopted ordinance has other features aimed at protecting tenants. Two-thirds of the adult tenants in a complex must indicate a desire to convert their units to condominiums. And conversions may not occur when the city's apartment vacancy rate is 3% or less.

Pamela Sheldon, an Orange County Planning Department member who has studied condominium conversions throughout the nation, believes that the vacancy rate may be the best criteria for approving or denying applications.

Vacancy rates, she says, are one of the best yardsticks for determining whether a housing shortage exists.

Reed Flory, county housing planner, said he hopes to obtain Planning Commission approval to study the effect of condominium conversions on the housing supply and, if necessary, propose that the vacancy factor be applied.

Any action taken along this line would be several months away — too late to affect those who stay behind at Mary's apartment complex.

The street signs identifying the apartments have been taken down.

Mary knows her time is running out at the apartments.

She has asked the Welfare Department to find her an apartment in the area so that her daughter will not have to change schools.

"They said there are five possibilities for apartments, but I don't know if they will accept a blind woman or people with children. The people who used to give me rides have moved out of here."

"Right now, I do not know what I am going to do."