

TWIN CITY CONVERSIONS

THE CASE STUDIES: HOW THE FINANCES WORK

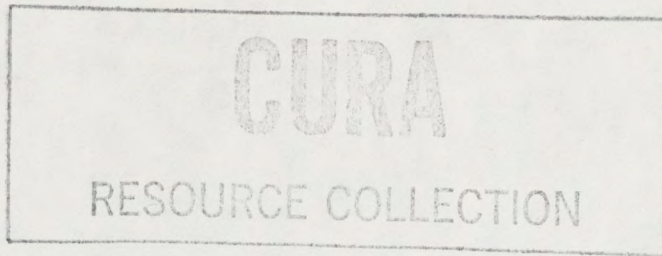
Milo Pinkerton



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**THE CASE STUDIES:
HOW THE FINANCES WORK**

by
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PUBLISHER'S NOTE

This work is part of a series of publications that developed from a study of housing conversions in the Twin Cities metropolitan area. The conversion studies were directed by Barbara Lukermann. Milo Pinkerton worked with her as project assistant. Graduate students in the Humphrey Institute of Public Affairs conducted most of the survey work in conjunction with a workshop in the Institute's Planning Program during the spring of 1980. Titles of the complete series of conversion publications are:

- Twin City Conversions of the Real Estate Kind. Barbara Lukermann and others. CURA 81-5.
- Twin City Conversions. The Condominium Market: Surveys of Activity, Developers, and Buyers. Barbara Lukermann and Milo Pinkerton. CURA 81-6.
- Twin City Conversions. The Displacement Factor: A Survey of Outmovers. Thomas L. Anding and Rebecca Smith, CURA 81-7.
- Twin City Conversions. The Case Studies: How the Finances Work. Milo Pinkerton. CURA 81-8.
- Twin City Conversions. The Complete Inventory: 1970-1980. Milo Pinkerton. CURA 81-9.

INTRODUCTION

These case studies analyze three projects as illustrative examples of condominium conversions in different settings with developers who differ in background and in motivation. The case studies also seek to:

- from the developers' point of view, describe the conversion process and look at components of income and expense;
- from the buyer's and city's perspective, look at benefits each receives with conversions;
- describe how public tax policies influence choices to own rather than rent.

Additional attention focuses on winners and losers in the process, how much profit is made, and what constitutes a feasible project.

Two inner-city projects were selected: one in an established, desirable residential location and the other in an area undergoing gentrification. The third project was suburban and typical of a large project in a building less than fifteen years old, and providing several types of amenities and recreational facilities (see Figure 1).

Projects A, B, C are real and financial data supplied by the various developers are assumed to be accurate. Each project was chosen to represent a "class" of conversions. In order to maintain the developers' confidentiality, the property descriptions have been generalized. Photographs of three comparable properties were taken in each area to reflect the character of the property and to act as a visual aid to the reader.

Figure 1. LOCATION OF THE CASE STUDIES IN THE TWIN CITIES AREA

