



How Does Phasing Work in a Condominium?

Under Georgia law, a condominium can be developed in stages or phases. So, for example, let's say that a developer owns four (4) two-story residential apartment buildings and decides to convert them to the condominium form of ownership. The developer can convert them all at once or choose to convert one or two of the buildings and hold in abeyance the decision to convert the remainder. If sales in the first building or two goes well, the developer can continue the process with the other buildings. If the sales do not go well, the developer can leave the other buildings as an apartment.

When the developer decides to do a phased or staged condominium, the property that may be added to the condominium later must be specifically defined so that the buyers of the condominium know what other property can be made a part of the condominium at a later time. This property is referred to as "additional property" under the Georgia Condominium Act.

The Georgia Condominium Act gives the declarant (the person who files the legal documents to turn the property into a condominium) the right to submit all of the additional property to the condominium for up to seven (7) years from the filing of the original declaration.

The declarant can only add additional property to the condominium by filing an

amendment to the declaration describing the additional property, a plat of the additional property and any plans of new unit types. The benefit of phasing is three-fold. First, it allows the developer to test the market for the condominium without making all of the property a part of the condominium. Second, since the secondary mortgage market institutions require developers to presell a significant percentage of units before they will purchase mortgages on those units, it allows the developer to reach the presale requirement sooner (since the presale requirement is imposed

on the phase and excludes the property not yet a part of the condominium). Third, phasing is a way for developers to avoid paying assessments since units which are not a part of the condominium pay no assessments. 



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