

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 1081 (Delegate Hixson, *et al.*)
Environmental Matters

**Condominiums - Conversion of Residential Rental Facilities - Expiration of
Registration and Notice**

This bill alters various notice provisions that must be provided to a residential tenant by an owner and landlord prior to the conversion of rental property to a condominium. The bill further limits the validity of a registration of the conversion of a residential rental facility to a condominium to five years from the Secretary of State's order that registers the condominium.

The bill applies to any residential rental facility for which a registration application has not been filed with the Secretary of State on or before June 1, 2010.

The bill takes effect June 1, 2010.

Fiscal Summary

State Effect: If the Consumer Protection Division of the Office of the Attorney General receives fewer than 50 complaints per year stemming from the bill, the additional workload can be handled with existing resources. No effect on revenues.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary:

Notice of Conversion of a Residential Rental Facility to a Condominium

The bill requires an owner and landlord to provide notice of conversion of a residential rental facility to a condominium and a purchase offer to a subsequent tenant who leases property after the owner or landlord has given the tenants the initial notice and purchase offer. The bill also requires an owner and a landlord to give a subsequent tenant the same period of time to remain in the rental facility as the initial tenants. The 180-day period triggered by receipt of the notice does not begin until the tenant receives the purchase offer.

Registration of Conversion of a Residential Rental Facility to a Condominium

A registration of a residential rental property being converted to a condominium with the Secretary of State is valid for five years from the date of the Secretary's order registering the condominium. If a developer has not notified the Secretary that the conversion has been completed within five years of the date of the Secretary's order, the Secretary must issue an order terminating the registration and require the submission of a new public offering statement and application for registration.

The rights of residential tenants pertaining to the condominium conversion may not be abrogated by the failure of the developer to complete the conversion process within five years. The bill authorizes the Secretary of State to adopt regulations to set forth the termination of registration and reapplication process while protecting the rights of tenants and the rental facility's unit owners.

Right to an Extended Tenancy Regardless of Change of Ownership of the Rental Facility

Under current law, if a senior citizen or a disabled individual has lived in a household for at least 12 months prior to receiving the notice of the conversion of the rental facility to a condominium, the tenant must be offered a lease extension of at least three years from the notice date. The bill prohibits the right to the extended tenancy from being terminated because of a change of ownership of the residential rental facility.

The bill further requires a notice of intention to create a condominium to inform an eligible individual that, if an extended lease is approved and becomes final, the extended lease continues until it expires without regard to any change in ownership of the rental facility during the period.

Current Law: Before a residential rental facility is subjected to a condominium regime, the owner, and the landlord of each tenant in possession of any portion of the residential rental facility if not the owner, must give the tenant a required notice of the conversion. If an offer to purchase rental property being converted to a condominium is not given to the tenant concurrently with the notice of the conversion, the 180-day period that is triggered by receiving the notice of the conversion does not begin until the tenant receives the purchase offer. The purchase offer is considered to have been given to a tenant if delivered by hand or mailed by certified mail, in the same manner as the notice.

The notice must be delivered after registering the condominium with the Secretary of State and sent together with an offer to allow the tenant to exercise the tenant's right of first refusal to purchase the property. A tenant leasing any portion of the residential rental facility as a residence may not be required to vacate the premises, with limited exceptions, prior to the expiration of 180 days from the notice.

An owner required to give notice of the conversion must offer, to each tenant entitled to receive the notice, a right to purchase the tenant's leased residence. The offer must be at a price and on terms and conditions at least as favorable as the price, terms, and conditions offered for that portion of the property to any other person during the 180-day period following giving notice to the tenant of the conversion. Settlement cannot be required any earlier than 120 days after the offer is accepted by the tenant. The offer must be made concurrently with the required notice about the conversion and must make specified statements about the tenant's rights. After an offer terminates, the owner may not offer to sell the unit at a price or on terms and conditions more favorable to the offeree than the price, terms, and conditions offered to the tenant during the 180-day period.

A developer may not grant a unit in a rental facility occupied by a "designated household" (a household that includes a senior citizen or an individual with a disability) without offering the tenant of the unit a lease extension for a period of at least three years if the household meets the following criteria: (1) has an annual income that does not exceed the income eligibility figure developed by the Secretary of State; (2) is current in its rent payment and has not violated any other material term of the lease; or (3) has provided the developer an affidavit containing specified information about its eligibility for an extended lease.

The Secretary of State must prepare an income eligibility figure for each county and standard metropolitan statistical area of the State based on specified criteria. A developer must grant extended leases to up to 20% of the total number of units within a condominium to designated households. If the number of units occupied by qualifying designated households exceeds 20%, the number of units available for extended leases must be allocated as determined by the local governing body. If the local governing body

does not provide for the allocation, the units must be allocated by the developer based on continuous length of residence.

The developer must pay designated households that meet income qualifications \$375 when the household vacates the unit and for moving expenses in excess of \$375 that are actually and reasonably incurred, up to \$750. The household must make a written request for reimbursement. If a designated household does not meet income qualifications, the developer must reimburse moving expenses actually and reasonably incurred, up to \$750. The household must make a written request for reimbursement.

A county or incorporated municipality may provide, by local law or ordinance, that a rental facility may not be granted to a purchaser for the purpose of subjecting it to a condominium regime unless the county, municipality, or housing agency has first been offered in writing the right to purchase the rental facility on substantially the same terms and conditions. If the county, municipality, or housing agency purchases the rental facility, it must retain or provide for the retention of (1) the property for at least 3 years; or (2) at least 20% of the units in the facility as rental units for income-eligible households for a period of 15 years.

Background: Chapters 170 and 171 of 2007 altered provisions governing notice requirements prior to the conversion of a rental facility to a condominium regime. Under Chapters 170 and 171, if an offer to purchase rental property being converted to a condominium is not given to the tenant concurrently with the notice of the conversion required to be given by the owner of the rental facility or the tenant's landlord, the 180-day period that is triggered by receiving the notice of the conversion does not begin until the tenant receives the purchase offer.

Chapters 370 and 451 of 2006 altered the provisions governing the conversion of a rental facility to a condominium regime. Chapter 370 altered provisions governing income eligibility for extended leases and purchases by local governments when a rental facility is converted. Chapter 451 expanded the class of individuals, from a "handicapped citizen" to an individual with a "disability," that must be offered an extended lease when a rental facility is converted. Chapter 451 also altered the allocation among households who must be offered extended leases.

Additional Information

Prior Introductions: None.

Cross File: SB 692 (Senator Raskin) - Judicial Proceedings.

Information Source(s): Office of the Attorney General (Consumer Protection Division);
Department of Legislative Services

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