

UNOFFICIAL COPY OF SENATE BILL 10
EMERGENCY BILL

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6lr0429
CF 6lr0594

(PRE-FILED)

By: **Senators Frosh, Forehand, Garagiola, Grosfeld, Hogan, and ~~Ruben~~
Ruben, and Green**

Requested: August 2, 2005

Introduced and read first time: January 11, 2006

Assigned to: Judicial Proceedings

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: January 27, 2006

CHAPTER _____

1 AN ACT concerning

2 **Real Property - Condominiums - Conversion of Rental Facilities - Extended**
3 **Leases**

4 FOR the purpose of altering the households to which a developer converting a rental
5 facility to a condominium is required to offer a certain extended lease; altering
6 the allocation of certain units to certain households; defining a certain term;
7 repealing a certain definition; making certain conforming changes; providing for
8 the application of this Act; making this Act an emergency measure; and
9 generally relating to conversion of certain rental facilities to condominiums.

10 BY repealing and reenacting, with amendments,
11 Article - Real Property
12 Section 11-102.1(f) and 11-137
13 Annotated Code of Maryland
14 (2003 Replacement Volume and 2005 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
16 MARYLAND, That the Laws of Maryland read as follows:

17 **Article - Real Property**

18 11-102.1.

19 (f) The notice referred to in subsection (a) of this section shall be sufficient for
20 the purposes of this section if it is in substantially the following form. As to rental

1 facilities containing less than 10 units, "Section 2" of the notice is not required to be
2 given.

3 "NOTICE OF INTENTION TO
4 CREATE A CONDOMINIUM

5 (Date)

6 This is to inform you that the rental facility known as
7 may be converted to a condominium regime in accordance with the Maryland
8 Condominium Act. You may be required to move out of your residence after 180 days
9 have passed from the date of this notice, or in other words, after (Date).

10 Section 1
11 Rights that apply to all tenants

12 If you are a tenant in this rental facility and you have not already given notice
13 that you intend to move, you have the following rights, provided you have previously
14 paid your rent and continue to pay your rent and abide by the other conditions of your
15 lease.

16 (1) You may remain in your residence on the same rent, terms, and conditions
17 of your existing lease until either the end of your lease term or until
18 (Date) (the end of the 180-day period), whichever is later. If your lease term ends
19 during the 180-day period, it will be extended on the same rent, terms, and conditions
20 until (Date) (the end of the 180-day period). In addition, certain
21 households may be entitled to extend their leases beyond the 180 days as described in
22 Section 2.

23 (2) You have the right to purchase your residence before it can be sold publicly.
24 A purchase offer describing your right to purchase is included with this notice.

25 (3) If you do not choose to purchase your unit, and the annual income for all
26 present members of your household did not exceed (the income eligibility
27 figure for the appropriate area which equals approximately 80 percent of the median
28 income for your county or standard metropolitan area) for 20...., you are entitled to
29 receive \$375 when you move out of your residence. You are also entitled to be
30 reimbursed for moving expenses as defined in the Maryland Condominium Act over
31 \$375 up to \$750 which are actually and reasonably incurred. If the annual income for
32 all present members of your household did exceed (the income eligibility
33 figure for the appropriate area which equals approximately 80 percent of the median
34 income for your county or standard metropolitan area) for 20...., you are entitled to be
35 reimbursed up to \$750 for moving expenses as defined in the Maryland Condominium
36 Act actually and reasonably incurred. To receive reimbursement for moving expenses,
37 you must make a written request, accompanied by reasonable evidence of your
38 expenses, within 30 days after you move. You are entitled to be reimbursed within 30
39 days after your request has been received.

1 (4) If you want to move out of your residence before the end of the 180-day
 2 period or the end of your lease, you may cancel your lease without penalty by giving
 3 at least 30 days prior written notice. However, once you give notice of when you
 4 intend to move, you will not have the right to remain in your residence beyond that
 5 date.

6 Section 2

7 Right to 3-year lease extension or 3-month rent payment
 8 for certain [handicapped citizens] INDIVIDUALS WITH DISABILITIES and senior
 9 citizens

10 The developer who converts this rental facility to a condominium must offer
 11 extended leases to qualified households for up to 20 percent of the units in the rental
 12 facility. Households which receive extended leases will have the right to continue
 13 renting their residences for at least 3 years from the date of this notice. A household
 14 may cancel an extended lease by giving 3 months' written notice if more than 1 year
 15 remains on the lease, and 1 month's written notice if less than 1 year remains on the
 16 lease.

17 Rents under these extended leases may only be increased once a year and are
 18 limited by increases in the cost of living index. Read the enclosed lease to learn the
 19 additional rights and responsibilities of tenants under extended leases.

20 In determining whether your household qualifies for an extended lease, the
 21 following definitions apply:

22 (1) (I) ["Handicapped citizen" means a person with a measurable limitation
 23 of mobility due to congenital defect, disease, or trauma.] "DISABILITY" MEANS:

24 ~~(I)~~ 1. A PHYSICAL OR MENTAL IMPAIRMENT THAT SUBSTANTIALLY
 25 LIMITS ONE OR MORE OF AN INDIVIDUAL'S MAJOR LIFE ACTIVITIES; OR

26 ~~(II)~~ 2. A RECORD OF HAVING A PHYSICAL OR MENTAL IMPAIRMENT
 27 THAT SUBSTANTIALLY LIMITS ONE OR MORE OF AN INDIVIDUAL'S MAJOR LIFE
 28 ACTIVITIES; ~~OR~~

29 ~~(III)~~ ~~BEING REGARDED AS HAVING A PHYSICAL OR MENTAL IMPAIRMENT~~
 30 ~~THAT SUBSTANTIALLY LIMITS ONE OR MORE OF AN INDIVIDUAL'S MAJOR LIFE~~
 31 ~~ACTIVITIES.~~

32 (II) "DISABILITY" DOES NOT INCLUDE THE CURRENT ILLEGAL USE OF OR
 33 ADDICTION TO:

34 1. A CONTROLLED DANGEROUS SUBSTANCE AS DEFINED IN §
 35 5-101 OF THE CRIMINAL LAW ARTICLE; OR

36 2. A CONTROLLED SUBSTANCE AS DEFINED IN 21 U.S.C. § 802.

37 (2) "Senior citizen" means a person who is at least 62 years old on the date of
 38 this notice.

1 (3) "Annual income" means the total income from all sources for all present
2 members of your household for the income tax year immediately preceding the year in
3 which this notice is issued but shall not include unreimbursed medical expenses if the
4 tenant provides reasonable evidence of the unreimbursed medical expenses or
5 consents in writing to authorize disclosure of relevant information regarding medical
6 expense reimbursement at the time of applying for an extended lease. "Total income"
7 means the same as "gross income" as defined in § 9-104(a)(7) of the Tax - Property
8 Article.

9 To qualify for an extended lease you must meet all of the following criteria:

10 (1) A member of the household must be [a handicapped citizen] AN
11 INDIVIDUAL WITH A DISABILITY or a senior citizen and must be living in your unit as
12 of the date of this notice and must have been a member of your household for at least
13 12 months preceding the date of this notice; and

14 (2) Annual income for all present members of your household must not have
15 exceeded (80 percent of applicable median income) for 20.....; and

16 (3) You must be current in your rental payments and otherwise in good
17 standing under your existing lease.

18 If you meet all of these qualifications and desire an extended lease, then you
19 must complete the enclosed form and execute the enclosed lease and return them. The
20 completed form and executed lease must be received at the office listed below within
21 60 days of the date of this notice, or in other words, by (Date). If your
22 completed form and executed lease are not received within that time, you will not be
23 entitled to an extended lease.

24 If the number of qualified households requesting extended leases exceeds the 20
25 percent limitation, priority will be given to qualified households who have lived in the
26 rental facility for the longest time.

27 Due to the 20 percent limitation your application for an extended lease must be
28 processed prior to your lease becoming final. Your lease will become final if it is
29 determined that your household is qualified and falls within the 20 percent
30 limitation.

31 If you return the enclosed form and lease by (Date) you will be
32 notified within 75 days of the date of this notice, or in other words, by
33 (Date), whether you are qualified and whether your household falls within the 20
34 percent limitation.

35 You may apply for an extended lease and, at the same time, choose to purchase
36 your unit. If you apply for and receive an extended lease, your purchase contract will
37 be void. If you do not receive an extended lease, your purchase contract will be
38 effective and you will be obligated to buy your unit.

39 If you qualify for an extended lease, but due to the 20 percent limitation, your
40 lease is not finalized, the developer must pay you an amount equal to 3 months rent

1 within 15 days after you move. You are also entitled to up to \$750 reimbursement for
2 your moving expenses, as described in Section 1.

3 If you qualify for an extended lease, but do not want one, you are also entitled to
4 both the moving expense reimbursement previously described, and the payment
5 equal to 3 months' rent. In order to receive the 3 month rent payment, you must
6 complete and return the enclosed form within 60 days of the date of this notice or by
7 (Date), but you should not execute the enclosed lease.

8 All application forms, executed leases, and moving expense requests should be
9 addressed or delivered to:

10
11
12"

13 11-137.

14 (a) (1) In this section the following words have the meanings indicated.

15 (2) "Annual income" means the total income from all sources, of a
16 designated household, for the income tax year immediately preceding the year in
17 which the notice is given under § 11-102.1 of this title, whether or not included in the
18 definition of gross income for federal or State tax purposes. For purposes of this
19 section, the inclusions and exclusions from annual income are the same as those
20 listed in § 9-104(a)(8) of the Tax - Property Article, "gross income" as that term is
21 defined for the property tax credits for homeowners by reason of income and age, but
22 shall not include unreimbursed medical expenses if the tenant provides reasonable
23 evidence of the unreimbursed medical expenses or consents in writing to authorize
24 disclosure of relevant information regarding medical expense reimbursement at the
25 time of applying for an extended lease.

26 (3) "Designated household" means any of the following households:

27 (i) A household which includes a senior citizen who has been a
28 member of the household for a period of at least 12 months preceding the giving of the
29 notice required by § 11-102.1 of this title; or

30 (ii) A household which includes [a handicapped citizen] AN
31 INDIVIDUAL WITH A DISABILITY who has been a member of the household for a period
32 of at least 12 months preceding the giving of the notice required by § 11-102.1 of this
33 title.

34 (4) (I) ["Handicapped citizen" means a person with a measurable
35 limitation of mobility due to congenital defect, disease, or trauma.] "DISABILITY"
36 MEANS:

1 (+) 1. A PHYSICAL OR MENTAL IMPAIRMENT THAT
 2 SUBSTANTIALLY LIMITS ONE OR MORE OF AN INDIVIDUAL'S MAJOR LIFE ACTIVITIES;
 3 OR

4 (+) 2. A RECORD OF HAVING A PHYSICAL OR MENTAL
 5 IMPAIRMENT THAT SUBSTANTIALLY LIMITS ONE OR MORE OF AN INDIVIDUAL'S
 6 MAJOR LIFE ACTIVITIES; ~~OR~~

7 (III) ~~BEING REGARDED AS HAVING A PHYSICAL OR MENTAL~~
 8 ~~IMPAIRMENT THAT SUBSTANTIALLY LIMITS ONE OR MORE OF AN INDIVIDUAL'S~~
 9 ~~MAJOR LIFE ACTIVITIES.~~

10 (II) "DISABILITY" DOES NOT INCLUDE THE CURRENT ILLEGAL USE
 11 OF OR ADDICTION TO:

12 1. A CONTROLLED DANGEROUS SUBSTANCE AS DEFINED IN
 13 § 5-101 OF THE CRIMINAL LAW ARTICLE; OR

14 2. A CONTROLLED SUBSTANCE AS DEFINED IN 21 U.S.C. § 802.

15 (5) "Household" means only those persons domiciled in the unit at the
 16 time the notice required by § 11-102.1 of this title is given.

17 (6) "Rental facility" means property containing 10 or more dwelling units
 18 intended to be leased to persons who occupy the dwellings as their residences.

19 (7) "Senior citizen" means a person who is at least 62 years old on the
 20 date that the notice required by § 11-102.1 of this title is given.

21 (b) A developer may not grant a unit in a rental facility occupied by a
 22 designated household entitled to receive the notice required by § 11-102.1 of this title
 23 without offering to the tenant of the unit a lease extension for a period of at least 3
 24 years from the giving of the notice required by § 11-102.1 of this title, if the household
 25 meets the following criteria:

26 (1) Had an annual income which did not exceed the income eligibility
 27 figure applicable for the county or incorporated municipality in which the rental
 28 facility is located, as provided under subsection (n) of this section;

29 (2) Is current in its rent payment and has not violated any other
 30 material term of the lease; or

31 (3) Has provided the developer within 60 days after the giving of the
 32 notice required by § 11-102.1 of this title with an affidavit under penalty of perjury:

33 (i) Stating that the household is applying for an extended lease
 34 under this section;

35 (ii) Setting forth the household's annual income for the calendar
 36 year preceding the giving of the notice required by § 11-102.1 of this title together

1 with reasonable supporting documentation of the household income and, where
2 applicable, of unreimbursed medical expenses or a written authorization for
3 disclosure of relevant information regarding medical expense reimbursement by
4 doctors, hospitals, clinics, insurance companies, or similar persons, entities, or
5 organizations that provide medical treatment coverage to the household;

6 (iii) Setting forth facts showing that a member of the household is
7 either [a handicapped citizen] AN INDIVIDUAL WITH A DISABILITY or a senior citizen
8 who, in either event, has been a member of the household for at least 12 months
9 preceding the giving of the notice required by § 11-102.1 of this title; and

10 (iv) Has executed an extended lease and returned it to the developer
11 within 60 days after the giving of the notice required by § 11-102.1 of this title.

12 (c) The developer shall deliver to each tenant entitled to receive the notice
13 required by § 11-102.1 of this title, simultaneously with the notice:

14 (1) An application on which may be included all of the information
15 required by subsection (b)(3) of this section;

16 (2) A lease containing the terms required by this section and clearly
17 indicating that the lease will be effective only if:

18 (i) The tenant executes and returns the lease not later than 60
19 days after the giving of the notice required by § 11-102.1 of this title; and

20 (ii) The household is allocated 1 of the units required to be made
21 available to qualified households based on its ranking under subsection (k) of this
22 section and the number of tenants executing and returning leases;

23 (3) A notice, delivered in the form specified in § 11-102.1(f) of this title,
24 setting forth the rights and obligations of the tenant under this section; and

25 (4) A copy of the public offering statement which is registered with the
26 Secretary of State.

27 (d) Within 75 days after the giving of the notice required by § 11-102.1 of this
28 title, the developer shall notify each household which submits to the developer the
29 documentation required by subsection (b)(3) of this section:

30 (1) Whether the household meets the criteria of subsection (b) of this
31 section, and, if not, an explanation of which criteria have not been met; and

32 (2) Whether the extended lease has become effective.

33 (e) Within 75 days after the giving of the notice required by § 11-102.1 of this
34 title, the developer shall provide to any county, incorporated municipality, or housing
35 agency which has a right to purchase units in the rental facility under § 11-139 of this
36 title:

1 (1) A notice indicating the number of units in the rental facility being
2 made available to qualified households under subsection (k)(1) of this section;

3 (2) A list of all households meeting the criteria of subsection (b) of this
4 section, indicating the ranking of each in relation to that number;

5 (3) A list of all households returning the affidavit required by subsection
6 (b) of this section which do not meet all the criteria of subsection (b) of this section and
7 copies of the notifications sent to these households under subsection (d) of this
8 section; and

9 (4) A list of all households as to whom a lease has become effective.

10 (f) (1) The extended lease shall provide for a term commencing on
11 acceptance and terminating not less than 3 years from the giving of the notice
12 required by § 11-102.1 of this title.

13 (2) Annually, on the commencement date of the extended lease, the
14 rental fee for the unit may be increased. The increase may not exceed an amount
15 determined by multiplying the annual rent for the preceding year by the percentage
16 increase for the rent component of the U.S. Consumer Price Index for Urban Wage
17 Earners and Clerical Workers (CPI-W) (1967 = 100), as published by the U.S.
18 Department of Labor, for the most recent 12-month period.

19 (3) Except as this section otherwise permits or requires, the extended
20 lease shall contain the same terms and conditions as the lease in effect on the day
21 preceding the giving of the notice required by § 11-102.1 of this title.

22 (g) A designated household which exercises its rights under this section shall
23 not be denied an opportunity to buy a unit at a later date, if one is available.

24 (h) (1) A designated household which executes an extended lease under this
25 section which is accepted thereafter may not terminate its extended lease under §
26 11-102.1 of this title. A designated household may terminate its extended lease at any
27 time, with notice to the developer or any subsequent titleholder as follows:

28 (i) At least a 1-month notice in writing shall be given when less
29 than 12 months remain on the lease; and

30 (ii) At least a 3-month notice in writing shall be given when 12
31 months or more remain on the lease.

32 (2) Any lease executed under this section shall set forth the provisions
33 for termination contained in this subsection.

34 (i) The title to units subject to the provisions of this section may be granted to
35 a person who is not a member of the designated household, provided that:

36 (1) The provisions of this section continue to apply despite any transfer
37 of title to a unit occupied by a designated household as provided in this section;

1 (2) The designated household is provided written notice of the change of
2 ownership of title by the new titleholder; and

3 (3) The vendor of any such unit provides the purchaser written
4 disclosure that the unit is occupied by a designated household subject to the
5 provisions of this section at the time of or prior to the execution of a contract of sale.

6 (j) The extended tenancy provided for in this section shall cease upon the
7 occurrence of any of the following:

8 (1) 90 days after the death of the last surviving senior citizen or
9 [handicapped citizen] INDIVIDUAL WITH A DISABILITY residing in the unit, or 90
10 days after the last senior citizen or [handicapped citizen] INDIVIDUAL WITH A
11 DISABILITY residing in the unit has moved from the unit;

12 (2) Eviction for failure to pay rent due in a timely fashion or violation of
13 a material term of the lease; or

14 (3) Voluntary termination of the lease by the designated household
15 under subsection (h) of this section.

16 (k) (1) A developer shall set aside a percentage of the total number of units
17 within a condominium for designated households. A developer is not required to grant
18 extended leases covering more than 20 percent of the units within a condominium to
19 designated households.

20 (2) (I) If the number of units occupied by designated households which
21 meet the criteria of subsection (b) of this section exceeds 20 percent, then the number
22 of available units for tenancy under the provisions of this section shall be allocated as
23 determined by the local governing body.

24 (II) If the local governing body fails to provide for allocation, then
25 units shall be allocated by the developer.

26 (III) 1. EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 2 OF THIS
27 SUBPARAGRAPH, THE DEVELOPER SHALL ALLOCATE THE UNITS based on seniority
28 by continuous length of residence.

29 2. AMONG DESIGNATED HOUSEHOLDS THAT INCLUDE
30 INDIVIDUALS WITH DISABILITIES, PRIORITY SHALL BE GIVEN TO HOUSEHOLDS THAT
31 INCLUDE AN INDIVIDUAL WITH A PHYSICAL IMPAIRMENT WHO REQUIRES
32 WHEELCHAIR ACCESSIBLE HOUSING.

33 (l) (1) If a conversion to condominium involves substantial rehabilitation or
34 reconstruction of such a nature that the work involved does not permit the continued
35 occupancy of a unit because of danger to the health and safety of the tenants, then
36 any designated household executing an extended lease under the provisions of this
37 section may be required to vacate their unit not earlier than the expiration of the
38 180-day period and to relocate at the expense of the developer in a comparable unit in
39 the rental facility to permit such work to be performed.

1 (2) If there is no comparable unit available, then the designated
2 household may be required to vacate the rental facility. When the work is completed,
3 the developer shall notify the household of its completion. The household shall have
4 30 days from the date of that notice to return to their original or a comparable rental
5 unit. The term of the extended lease of that household shall begin upon their return
6 to the rental unit.

7 (3) The developer shall give 180 days' notice prior to the date that units
8 must be vacated. The notice shall explain the household's rights under this subsection
9 and subsection (m) of this section.

10 (m) (1) The developer shall pay households that qualify as to income under
11 subsection (b)(1) of this section \$375 when the household vacates the unit and for
12 moving expenses as defined in § 11-101 of this title in excess of \$375 up to \$750 which
13 are actually and reasonably incurred. The household shall make a written request for
14 reimbursement accompanied by reasonable evidence of the costs incurred within 30
15 days of moving. The developer shall reimburse the household within 30 days following
16 receipt of the request.

17 (2) If a household does not qualify as to income under subsection (b)(1) of
18 this section, the developer shall reimburse moving expenses as defined in § 11-101 of
19 this title, up to \$750, actually and reasonably incurred to the designated households
20 eligible under this subsection. The designated household shall make a written request
21 for reimbursement accompanied by reasonable evidence of the costs incurred within
22 30 days of moving. The developer shall reimburse the designated household within 30
23 days following receipt of the request.

24 (3) The developer shall also pay a compensation equivalent to 3 months'
25 rent within 15 days of moving to the designated households eligible under this
26 subsection.

27 (4) The following designated households which meet the applicable
28 criteria of subsection (b) of this section are eligible under this subsection:

29 (i) A designated household which does not execute an extended
30 lease;

31 (ii) A designated household which is precluded from having an
32 extended tenancy by the limitation of subsection (k) of this section; or

33 (iii) A designated household which is required to vacate their rental
34 unit under subsection (l)(2) of this section.

35 (5) A developer shall also reimburse moving expenses as defined in §
36 11-101 of this title, up to \$750, actually and reasonably incurred, to a designated
37 household who returns to their rental unit under subsection (l)(2) of this section. The
38 designated household shall make a written request for reimbursement accompanied
39 by reasonable evidence of the costs incurred within 30 days following the designated
40 household's return. The developer shall reimburse the designated household within
41 30 days following receipt of the request.

1 (n) The Secretary of State shall prepare an income eligibility figure for each
2 county and standard metropolitan statistical area of the State, which shall
3 reasonably approximate 80 percent of the median income for each county and
4 standard metropolitan statistical area. A county or incorporated municipality which is
5 in a standard metropolitan statistical area may by ordinance or resolution adopt the
6 income eligibility figure applicable to the county or standard metropolitan statistical
7 area.

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to
9 any residential rental facility for which a declaration under Title 11 of the Real
10 Property Article has not been filed on or before January 25, 2006.

11 ~~SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect~~
12 ~~June 1, 2006.~~

13 SECTION 3. AND BE IT FURTHER ENACTED, That this Act is an
14 emergency measure, is necessary for the immediate preservation of the public health
15 or safety, has been passed by a yea and nay vote supported by three-fifths of all the
16 members elected to each of the two Houses of the General Assembly, and shall take
17 effect from the date it is enacted.