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By: **Senator Gladden**

Introduced and read first time: February 3, 2006

Assigned to: Judicial Proceedings

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A BILL ENTITLED

1 AN ACT concerning

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

4 FOR the purpose of altering the percentage of units that a developer converting a  
5 certain rental facility to a condominium is required to set aside for certain  
6 households that qualify for extended leases; altering the maximum amount of  
7 certain moving expenses for which a developer is required to reimburse certain  
8 households; altering the calculation of a certain income eligibility figure;  
9 making certain conforming changes; altering the contents of a certain notice of  
10 intention to create a condominium; and generally relating to conversion of  
11 certain rental facilities to condominiums.

12 BY repealing and reenacting, without amendments,  
13 Article - Real Property  
14 Section 11-102.1(a)  
15 Annotated Code of Maryland  
16 (2003 Replacement Volume and 2005 Supplement)

17 BY repealing and reenacting, with amendments,  
18 Article - Real Property  
19 Section 11-102.1(f) and 11-137  
20 Annotated Code of Maryland  
21 (2003 Replacement Volume and 2005 Supplement)

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

24 **Article - Real Property**

25 11-102.1.

26 (a) (1) Before a residential rental facility is subjected to a condominium  
27 regime, the owner, and the landlord of each tenant in possession of any portion of the  
28 residential rental facility as his residence, if other than the owner, shall give the

1 tenant a notice in the form specified in subsection (f) of this section. The notice shall  
2 be given after registration with the Secretary of State under § 11-127 of this title and  
3 concurrently and together with any offer required to be given under § 11-136 of this  
4 title.

5 (2) The owner and the landlord, if other than the owner, shall inform in  
6 writing each tenant who first leases any portion of the premises as his residence after  
7 the giving of the notice required by this subsection that the notice has been given. The  
8 tenant shall be informed at or before the signing of lease or the taking of possession,  
9 whichever occurs first.

10 (3) A copy of the notice, together with a list of each tenant to whom the  
11 notice was given, shall be given to the Secretary of State at the time the notice is  
12 given to each tenant.

13 (f) The notice referred to in subsection (a) of this section shall be sufficient for  
14 the purposes of this section if it is in substantially the following form. As to rental  
15 facilities containing less than 10 units, "Section 2" of the notice is not required to be  
16 given.

17 "NOTICE OF INTENTION TO  
18 CREATE A CONDOMINIUM

19 ..... (Date)

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

24 Section 1

25 Rights that apply to all tenants

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

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

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

1 (3) If you do not choose to purchase your unit, and the annual income for all  
 2 present members of your household did not exceed ..... (the income eligibility  
 3 figure for the appropriate area which equals approximately [80] 70 percent of the  
 4 median income for your county or standard metropolitan area) for 20...., you are  
 5 entitled to receive \$375 when you move out of your residence. You are also entitled to  
 6 be reimbursed for moving expenses as defined in the Maryland Condominium Act  
 7 over \$375 up to [\$750] \$1,000 which are actually and reasonably incurred. If the  
 8 annual income for all present members of your household did exceed ..... (the  
 9 income eligibility figure for the appropriate area which equals approximately [80] 70  
 10 percent of the median income for your county or standard metropolitan area) for 20....,  
 11 you are entitled to be reimbursed up to [\$750] \$1,000 for moving expenses as defined  
 12 in the Maryland Condominium Act actually and reasonably incurred. To receive  
 13 reimbursement for moving expenses, you must make a written request, accompanied  
 14 by reasonable evidence of your expenses, within 30 days after you move. You are  
 15 entitled to be reimbursed within 30 days after your request has been received.

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

21 Section 2

22 Right to 3-year lease extension or 3-month rent payment  
 23 for certain handicapped citizens and senior citizens

24 The developer who converts this rental facility to a condominium must offer  
 25 extended leases to qualified households for up to [20] 25 percent of the units in the  
 26 rental facility. Households which receive extended leases will have the right to  
 27 continue renting their residences for at least 3 years from the date of this notice. A  
 28 household may cancel an extended lease by giving 3 months' written notice if more  
 29 than 1 year remains on the lease, and 1 month's written notice if less than 1 year  
 30 remains on the lease.

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

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

36 (1) "Handicapped citizen" means a person with a measurable limitation of  
 37 mobility due to congenital defect, disease, or trauma.

38 (2) "Senior citizen" means a person who is at least 62 years old on the date of  
 39 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 or a senior  
11 citizen and must be living in your unit as of the date of this notice and must have been  
12 a member of your household for at least 12 months preceding the date of this notice;  
13 and

14 (2) Annual income for all present members of your household must not have  
15 exceeded ..... ([80] 70 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  
25 [20] 25 percent limitation, priority will be given to qualified households who have  
26 lived in the rental facility for the longest time.

27 Due to the [20] 25 percent limitation your application for an extended lease  
28 must be processed prior to your lease becoming final. Your lease will become final if it  
29 is determined that your household is qualified and falls within the [20] 25 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 25 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] 25 percent limitation,  
40 your lease is not finalized, the developer must pay you an amount equal to 3 months

1 rent within 15 days after you move. You are also entitled to up to [\$750] \$1,000  
2 reimbursement for 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 who has been  
31 a member of the household for a period of at least 12 months preceding the giving of  
32 the notice required by § 11-102.1 of this title.

33 (4) "Handicapped citizen" means a person with a measurable limitation  
34 of mobility due to congenital defect, disease, or trauma.

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

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

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

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

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

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

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

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

19 (ii) Setting forth the household's annual income for the calendar  
20 year preceding the giving of the notice required by § 11-102.1 of this title together  
21 with reasonable supporting documentation of the household income and, where  
22 applicable, of unreimbursed medical expenses or a written authorization for  
23 disclosure of relevant information regarding medical expense reimbursement by  
24 doctors, hospitals, clinics, insurance companies, or similar persons, entities, or  
25 organizations that provide medical treatment coverage to the household;

26 (iii) Setting forth facts showing that a member of the household is  
27 either a handicapped citizen or a senior citizen who, in either event, has been a  
28 member of the household for at least 12 months preceding the giving of the notice  
29 required by § 11-102.1 of this title; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (3) A list of all households returning the affidavit required by subsection  
25 (b) of this section which do not meet all the criteria of subsection (b) of this section and  
26 copies of the notifications sent to these households under subsection (d) of this  
27 section; and

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

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

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

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

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

6       (h)       (1)       A designated household which executes an extended lease under this  
7 section which is accepted thereafter may not terminate its extended lease under §  
8 11-102.1 of this title. A designated household may terminate its extended lease at any  
9 time, with notice to the developer or any subsequent titleholder as follows:

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

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

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

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

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

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

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

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

27           (1)       90 days after the death of the last surviving senior citizen or  
28 handicapped citizen residing in the unit, or 90 days after the last senior citizen or  
29 handicapped citizen residing in the unit has moved from the unit;

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

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

34       (k)       (1)       A developer shall set aside a percentage of the total number of units  
35 within a condominium for designated households. A developer is not required to grant



1 extended leases covering more than [20] 25 percent of the units within a  
2 condominium to designated households.

3           (2)       If the number of units occupied by designated households which meet  
4 the criteria of subsection (b) of this section exceeds [20] 25 percent, then the number  
5 of available units for tenancy under the provisions of this section shall be allocated as  
6 determined by the local governing body. If the local governing body fails to provide for  
7 allocation, then units shall be allocated by the developer, based on seniority by  
8 continuous length of residence.

9           (1)       If a conversion to condominium involves substantial rehabilitation or  
10 reconstruction of such a nature that the work involved does not permit the continued  
11 occupancy of a unit because of danger to the health and safety of the tenants, then  
12 any designated household executing an extended lease under the provisions of this  
13 section may be required to vacate their unit not earlier than the expiration of the  
14 180-day period and to relocate at the expense of the developer in a comparable unit in  
15 the rental facility to permit such work to be performed.

16           (2)       If there is no comparable unit available, then the designated  
17 household may be required to vacate the rental facility. When the work is completed,  
18 the developer shall notify the household of its completion. The household shall have  
19 30 days from the date of that notice to return to their original or a comparable rental  
20 unit. The term of the extended lease of that household shall begin upon their return  
21 to the rental unit.

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

25           (m)       (1)       The developer shall pay households that qualify as to income under  
26 subsection (b)(1) of this section \$375 when the household vacates the unit and for  
27 moving expenses as defined in § 11-101 of this title in excess of \$375 up to [\$750]  
28 \$1,000 which are actually and reasonably incurred. The household shall make a  
29 written request for reimbursement accompanied by reasonable evidence of the costs  
30 incurred within 30 days of moving. The developer shall reimburse the household  
31 within 30 days following receipt of the request.

32           (2)       If a household does not qualify as to income under subsection (b)(1) of  
33 this section, the developer shall reimburse moving expenses as defined in § 11-101 of  
34 this title, up to [\$750] \$1,000, actually and reasonably incurred to the designated  
35 households eligible under this subsection. The designated household shall make a  
36 written request for reimbursement accompanied by reasonable evidence of the costs  
37 incurred within 30 days of moving. The developer shall reimburse the designated  
38 household within 30 days following receipt of the request.

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

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

3 (i) A designated household which does not execute an extended  
4 lease;

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

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

9 (5) A developer shall also reimburse moving expenses as defined in §  
10 11-101 of this title, up to [\$750] \$1,000, actually and reasonably incurred, to a  
11 designated household who returns to their rental unit under subsection (l)(2) of this  
12 section. The designated household shall make a written request for reimbursement  
13 accompanied by reasonable evidence of the costs incurred within 30 days following  
14 the designated household's return. The developer shall reimburse the designated  
15 household within 30 days following receipt of the request.

16 (n) The Secretary of State shall prepare an income eligibility figure for each  
17 county and standard metropolitan statistical area of the State, which shall  
18 reasonably approximate [80] 70 percent of the median income for each county and  
19 standard metropolitan statistical area. A county or incorporated municipality which is  
20 in a standard metropolitan statistical area may by ordinance or resolution adopt the  
21 income eligibility figure applicable to the county or standard metropolitan statistical  
22 area.

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
24 October 1, 2006.