

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 792 (Montgomery County Delegation)
Environmental Matters

**Montgomery County - Maryland Condominium Act - Rental Housing
Emergency
MC 612-06**

This bill increases the percentage of units, from 20% to 50%, that a developer must set aside to offer extended leases to “designated households” (a household that includes a senior citizen or handicapped citizen) if the household meets specified criteria when converting rental property in Montgomery County to a condominium regime. After declaring a rental housing emergency, Montgomery County (or an incorporated municipality within the county), in addition to the other powers granted after the declaration, may provide for an election by the tenants of the rental property being converted for the tenants’ approval or rejection of the conversion.

Fiscal Summary

State Effect: Special fund revenues could decrease to the extent developers are unable to convert rental units to a condominium regime because of the bill. Any such decrease is assumed to be minimal, but cannot be accurately estimated.

Local Effect: County and municipal property tax revenues in Montgomery County could decrease to the extent developers are unable to convert rental units to a condominium regime because of the bill. Any such decrease is assumed to be minimal, but cannot be accurately estimated.

Small Business Effect: Minimal.

Analysis

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. 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 developer may not grant a unit in a rental facility occupied by a "designated household" (a household that includes a senior citizen or handicapped citizen) if the household meets specified criteria without offering the tenant of the unit a lease extension for a period of at least three years. A developer must grant 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 available units for tenancy through 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.

A county or incorporated municipality may declare a rental housing emergency caused by the conversion of rental housing to condominiums. After declaring a rental housing emergency, the county or municipality may grant a designated family a right to an extended lease for a period in addition to the three-year period mentioned above. The county or municipality may also extend any other provision governing units leased by designated households, including those requiring the payment of moving expenses incurred by designated households. However, the developer is still not required to set aside more than 20% of the total number of units. The term of an extended lease for a family made a designated family by a county or municipality may not exceed three years.

Background: The State real property tax rate is \$0.132 per \$100 of assessed value. All State property tax revenues are credited to a special fund, the Annuity Bond Fund, dedicated exclusively to paying the debt service on State general obligation bonds. Local governments generally have the authority to set their own property tax rates.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Secretary of State, Montgomery County, Office of the Attorney General (Consumer Protection Division), Department of Legislative Services

Fiscal Note History: First Reader - March 13, 2006

ncs/hlb

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