

**Department of Legislative Services**  
Maryland General Assembly  
2006 Session

**FISCAL AND POLICY NOTE**

Senate Bill 782 (Senator Gladden)  
Judicial Proceedings

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

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This bill alters various prerequisites for conversion of a rental facility to a condominium.

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**Fiscal Summary**

**State Effect:** Any change in State activities would not materially affect State finances.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** The bill alters the percentage of rental units that a developer converting a rental facility to a condominium must set aside for “designated households” from 20% to 25%.

The bill raises the maximum amount of moving expenses that a developer must reimburse designated households, from \$750 to \$1,000, upon vacating their rental units.

The bill lowers the percentage of median income, from 80% to 70%, that the Secretary of State must reasonably approximate when establishing the income eligibility figure for a designated household.

**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) 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. The eligibility figure must reasonably approximate 80% of the median income for each county and standard metropolitan statistical area. A county or municipality that is in a standard metropolitan statistical area may by ordinance or resolution adopt the income eligibility figure applicable to the county or standard metropolitan statistical area.

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 the property for at least three years.

Also, 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 Secretary of State advises that there are over 2,000 condominiums in Maryland. Of the 194 applications for a condominium regime received by the Secretary of State in 2005, approximately 33 were for conversions of rental facilities. Of the 21 applications received to date in 2006, 5 have been for conversions.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** Although identified as a cross file, HB 1259 is not identical.

**Information Source(s):** Secretary of State, Department of Legislative Services

**Fiscal Note History:** First Reader - February 13, 2006  
mam/jr

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