

Department of Legislative Services  
Maryland General Assembly  
2006 Session

FISCAL AND POLICY NOTE

House Bill 1259

(Delegate Rosenberg, *et al.*)

Environmental Matters

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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:** If an owner of a residential rental facility intends to subject the entire facility to a condominium regime, the owner must give the required notice to all tenants at the same time. If an offer to purchase the property being rented is not given to the tenant concurrently with the notice of the conversion required of 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.

The bill expands the class of individuals, from a "handicapped citizen" to include an individual with a "disability" as defined under the bill, who must be offered an extended lease when a rental facility is converted to a condominium. Under the bill, "disability" means: (1) a physical or mental impairment that substantially limits one or more of an individual's major life activities; (2) a record of having a physical or mental impairment

that substantially limits one or more of an individual's major life activities; or (3) being regarded as having a physical or mental impairment that substantially limits one or more of an individual's major life activities. However, disability does not include current illegal use of or addiction to a controlled dangerous substance.

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 40%.

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.

When a designated household is temporarily required to move from a rental facility during renovation, the bill requires a developer to reimburse a designated household the difference between the amount of rent the household paid at the converting rental facility and the amount of rent paid at the relocation site for the length of time that the household was required to be away from the rental facility.

The bill repeals the \$750 limit on moving expenses to which a designated household is entitled upon return of a rental unit. Instead, a developer must reimburse all moving expenses actually and reasonably incurred.

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.

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.

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.

The bill's definition of "disability" tracks the definition used in the federal Americans with Disabilities Act, as well as federal and State fair housing laws. The effect of the change is to include individuals with developmental disabilities as well as individuals with physical disabilities in the category of individuals who must be offered extended leases when a rental facility is converted to a condominium.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** Although identified as a cross file, SB 782 is not identical.

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

**Fiscal Note History:** First Reader - February 28, 2006  
ncs/jr

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