

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 635

(Senator Raskin)

Judicial Proceedings

Environmental Matters

Condominiums - Conversion of Rental Facilities - Notice Requirements

This bill provides that if an offer to purchase rental property being converted to a condominium is not given to the tenant concurrently with the notice of the conversion required to be given by the owner of the rental facility or 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 purchase offer is considered to have been given to a tenant if delivered by hand or mailed by certified mail, in the manner as the notice.

Fiscal Summary

State Effect: The bill would not directly affect governmental finances or operations.

Local Effect: None.

Small Business Effect: Potential 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 tenant leasing any portion of the residential rental facility as a residence may not be required to vacate the premises, with limited exceptions, prior to the expiration of 180 days from the notice.

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. The offer must be made concurrently with the required notice about the conversion and must make specified statements about the tenant's rights. After an offer terminates, the owner may not offer to sell the unit at a price or on terms and conditions more favorable to the offeree than the price, terms, and conditions offered to the tenant during the 180-day period.

A developer may not grant a unit in a rental facility occupied by a "designated household" (a household that includes a senior citizen or an individual with a disability) 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 based on specified criteria.

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: (1) the property for at least three years; or (2) at least 20% of the units in the facility as rental units for income-eligible households for a period of 15 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 the 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 may not be 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 2,200 condominiums in Maryland, including those exempt from registering with the Secretary of State. 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 168 applications received in 2006, 51 were for conversions. Of the 13 applications received to date in 2007, 2 have been for conversions.

Chapters 370 and 451 of 2006 altered the provisions governing the conversion of a rental facility to a condominium regime. Chapter 370 altered provisions governing income eligibility for extended leases and purchases by local governments when a rental facility is converted. Chapter 451 expanded the class of individuals, from a “handicapped citizen” to an individual with a “disability,” that must be offered an extended lease when a rental facility is converted. Chapter 451 also altered the allocation among households who must be offered extended leases.

Additional Information

Prior Introductions: An identical bill, HB 1350 of 2006, received a hearing in the House Environmental Matters Committee, but no further action was taken.

Cross File: HB 95 (Delegate Hixson *et al.*) – Environmental Matters.

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

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