



TO: Councilor Duson, Chair
Members of the Housing Committee

FROM: Victoria Volent, Housing Program Manager

DATED: August 23, 2018

SUBJECT: Condominium Conversion Ordinance

Introduction

The City Council's 2018 Goals include action by the Housing Committee to evaluate the condominium conversion ordinance to assess compliance with the tenant notice and relocation assistance requirements, and recommend if the condominium conversion fee should be increased to fund Tenant Based Rental Assistance and/or the Housing Trust Fund.

The City of Portland's Condominium Conversion regulations are established by Section 14-565 of the City's Code of Ordinances. The purpose of the article is to regulate the conversion of rental housing to condominiums; to minimize the potential adverse impacts of such conversion on tenants; to ensure that converted housing is safe and decent; and to maintain a reasonable balance of housing alternatives within the city for persons of all incomes.

Staff has evaluated the Ordinance and its implementation. At this point, staff is not recommending any significant changes, as there is no indication it is not working as intended.

Protection of Tenants

Prior to a condominium conversion, developers are required to provide each tenant written notice of intent to convert at least one hundred twenty days before the tenant is required by the developer to vacate. The notice period is extended based on how long the tenant has been in possession of any unit within the same building. The notice of intent to convert must contain a statement explaining the requirement of the developer to; provide the tenant a sixty-day option to purchase; assist the tenant in finding another place to live if the tenant does not wish to purchase their apartment and; help determine the tenant's eligibility for relocation payments.

Condominium Conversion Permit

A conversion permit must be obtained before an owner offers to convey a converted unit. Within the permit is a submission checklist that includes a Tenant Data Form requiring the owner to provide the name, occupancy length, date of notice, and eligibility for relocation payment of each tenant. Copies to each tenant of the Notice of Intent to Convert must be attached to the permit application. No permit will be issued without copies of the notices.

Assessment

Based on internal discussions and examination of the data, there is no indication of any significant abuse of Section 14-568 regarding protection of tenants. Permitting & Inspections and the Assessor's Department maintain databases that confirm developers are obtaining permits and filing the necessary documents to record their condominium conversions. There is a time delay from when the developer first obtains the building permit to when the Assessor records the condominium conversion. For that reason, a straight comparison of permitting and assessor's records may suggest that not all condominium conversions are following the ordinance. However, when comparing permits to real estate transactions staff has found they do not neatly line-up, as they do not occur concurrently. There is no record of a condominium conversion that did not have the appropriate permits.

Fee

The condominium conversion fee is \$150 per unit. A fee increase beyond the cost of program administration should be considered in conjunction with a nexus study to connect the impact of the activity to funding Tenant Based Rental Assistance and/or the Housing Trust Fund. One change staff recommends is to consider adjusting the per unit fee to more closely match the actual cost of processing a conversion. Such an adjustment would allow the City to recover the cost of administering the program, as is the intent of the fee.

Summary

Our review of the Condominium Conversion Ordinance does not suggest any significant issues with how it currently functions. In addition, based on the level of condominium conversion over the past two years, there is no indication that there are negative affordability impacts from conversions. In most cases, units that are converted would likely have been renovated into high-end rentals if they were not converted to

condominiums. In addition to possible adjustments in the fee to cover actual costs, staff also recommends the Tenant Data for Condominium Conversion application be updated to provide the 2018 income limits for determining relocation payments or amended to remove the income limits and only provide a link to HUD's Income Limits data.

Attachments:

Article VII Condominium Conversion (download from Permitting & Inspections web site)
Condominium Conversion Permit Application and Checklist (download from Permitting & Inspections web site)



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Condominium Conversion Permit Application and Checklist

A conversion permit shall be obtained before an owner offers to convey a converted unit. Condo conversions are not a change of use. They are considered a change of ownership of building area, not land. Subdivision is not involved. Only the legal number of dwelling units may be condominiumized. Any illegal units shall be removed or made legal by proper permitting.

Notice of intent to convert: All tenants shall be given a specific notice of the intent to convert their unit to a condominium from the owner. This notice shall contain a specific offer and terms for the tenant to purchase their unit. The notice shall contain specific wording outlined in Chapter 14, Article VII of the City Code that notifies the tenants of irrevocable rights and how to contact the City of Portland. The tenant shall also be given a specific time to vacate based upon the number of years that they have occupied their unit. The minimum notice to vacate is 120-day notice:

0-4 years = 120 days notice

7 years = 210 days notice

10 years = 300 days notice

5 years = 150 days notice

8 years = 240 days notice

11 years = 330 days notice

6 years = 180 days notice

9 years = 270 days notice

12+years=360 days notice

Sixty days after their notice, the tenant has an exclusive, irrevocable option to purchase their own unit. During that time, the owner/developer may not convey, the unit to any other person. For the next 180 days, the owner/developer cannot offer a more favorable price or term to any other person unless the same terms are offered to the original tenant first.

Rent may not be altered during the official noticing period unless expressly provided in a pre-existing written lease. The owner/developer shall post a copy of the issued permit in a conspicuous place in each unit, and make copies available to prospective purchasers upon request.

Relocation payments: If the tenant does not purchase, the owner shall (before the tenant vacates) make a cash payment to the tenant in the amount of rent for the preceding two months only if the tenant meets the current 80% of the low/moderate income rules adjusted for family. Additionally, the developer shall provide other assistance to the tenant in the form of reasonable accommodations, referrals, and determining tenant eligibility.

Submission Checklist

All applications shall be submitted online via the Citizen Self Service portal. Refer to the attached documents for complete instructions. The following items shall be submitted (please check and submit all items):

- Condominium Conversion Checklist (this form)
- Tenant Data Form
- Evidence of right, title and interest (e.g. deed, purchase and sale agreement with current deed)
- Copy of notices of intent to convert, for each tenant* (refer to Section 14-568 of the City Code for requirements)
- A plot plan, including the shape and dimension of the lot, footprints of structures, and the location and dimensions of parking areas and driveways
- Dimensioned floor plans for each unit

****Any proposed construction or building alteration requires a separate building permit application.****

***Copies of your notice to each tenant must be attached to the permit application. No permit will be issued without copies of the notices. If there are building vacancies, you must provide the reason why the unit is vacant and the previous tenant's name, new address, and phone number.**



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Tenant Data for Condominium Conversion
 (submit with Condominium Conversion Permit Application)

Project Address: _____ Number of legal dwelling unit in building: _____

Provide the following information for each tenant (if vacant, for the tenant from the past 6 months):

	Tenant Name	Tenant Phone #	Occupancy Length	Date of Notice	Eligible for Relocation Payment?
Unit 1					
Unit 2					
Unit 3					
Unit 4					
Unit 5					
Unit 6					
Unit 7					
Unit 8					
Unit 9					
Unit 10					

If more than 10 units, submit the same information for all units on a separate piece of paper.

Income Limits for Relocation Payments (per HUD FY2016 Income Limits, effective 3/28/2016)

Number of people in household and income limits:

- 1 - \$43,050
- 2 - \$49,200
- 3 - \$55,350
- 4 - \$61,450
- 5 - \$66,400
- 6 - \$71,300
- 7 - \$76,200
- 8 - \$81,150

For the most up-to-date information on income limits, visit: <https://www.huduser.gov/portal/datasets/il.html>



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ARTICLE VII. CONDOMINIUM CONVERSION

Sec. 14-565. Purpose.

The purpose of this article is to regulate the conversion of rental housing to condominiums; to minimize the potential adverse impacts of such conversion on tenants; to ensure that converted such housing is safe and decent; and to maintain a reasonable balance of housing alternatives within the city for persons of all incomes. To these ends, this article shall be liberally construed. (Ord. No. 213-81, § 608.1, 11-16-81)

Sec. 14-566. Applicability.

This article shall apply to the conversion of any rental unit to a condominium unit. (Ord. No. 213-81, § 608.2, 11-16-81)

Sec. 14-567. Definitions.

For the purpose of this article, the following terms shall be defined as follows, unless otherwise clearly implied:

Condominium means any interest in real estate created pursuant to the Unit Ownership Act, 33 M.R.S.A. § 560 et seq., or its equivalent, as it may from time to time be amended.

Developer means and includes any person or other legal entity, but not including an established lending institution unless it is an active participant in a common promotional scheme, who, whether acting as principal or agent, records a declaration of condominium that includes real estate, any portion of which was previously a rental unit.

Tenant means and includes any occupant in lawful possession of a rental unit, whether by lease, sublease, or otherwise.

Unit means any building, or portion thereof, used or intended to be used primarily as a separate dwelling. (Ord. No. 213-81, § 608.3, 11-16-81)

Cross reference(s)--Definitions and rules of construction generally, § 1-2.

Sec. 14-568. Protection of tenants.

Notice of intent to convert. A developer shall give to each tenant written notice of intent to convert at least one hundred twenty (120) days before the tenant is required by the developer to vacate. If a tenant has been in

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possession of any unit within the same building for more than four (4) consecutive years, the notice period shall be increased by thirty (30) additional days for each additional year, or fraction thereof, to a maximum of two hundred forty (240) additional days. The notice shall set forth specifically the rights of tenants under subsections (a) and (b) of this section and section 14-569, and **shall contain the following statement:**

If you do not buy your apartment, the developer of this project is required by law to assist you in finding another place to live and in determining your eligibility for relocation payments. If you have questions about your rights under the law, or complaints about the way you have been treated by the developer, you may contact the Building Inspection Division, Department of Planning and Urban Development, City of Portland, 389 Congress Street, Portland, Maine 04101 (telephone: 874-8703).

If the notice specifies a date by which the tenant is required to vacate, the notice may also serve as a notice of termination under the applicable law of forcible entry and detainer, if it meets the requirements thereof. The notice shall be hand-delivered to the tenant or mailed, by certified mail, return receipt requested, postage prepaid, to the tenant at the address of the unit or such other address as the tenant may provide. The notice shall be effective when actually received. No tenant may be required by a developer to vacate without having been given notice as required herein, except for the reasons specified in the applicable law of forcible entry and detainer, and in accordance with the procedures thereof. The terms of a tenancy, including rent, may not be altered during the notice period, except as expressly provided in a preexisting written lease. If, within one hundred twenty (120) days after a tenant is required by a developer to vacate, the developer records a declaration of condominium without having given notice as required herein, the developer shall be presumed to have converted in violation of this article.

(b) *Option to purchase.* For a sixty-day period following the giving of notice as required in subsection (a), the developer shall grant to the tenant an exclusive and irrevocable option to purchase the unit of which the tenant is then possessed, which option may not be assigned. If the tenant does not purchase or contract to purchase the unit during the sixty-day period, the developer may not convey or offer to convey the unit to any other person during the following one hundred eighty (180) days at a price or on terms more favorable than the price or terms previously offered to the tenant, unless the more favorable price or terms are first offered exclusively and irrevocably to the tenant for an additional sixty-day period. This subsection shall not apply to any rental unit that, when converted, will be restricted exclusively to nonresidential use. If, within two (2) years after a developer records a declaration of condominium, the use of any such unit is changed such that but for the preceding sentence,

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this subsection would have applied, the developer shall be presumed to have converted in violation of this article. (Ord. No. 213-81, § 608.4, 11-16-81)

Sec. 14-569. Relocation payments.

If the tenant does not purchase the unit, the developer shall, before the tenant is required by the developer to vacate, make a cash payment to the tenant in an amount equal to the amount of rent paid by the tenant for the immediately preceding two (2) months; provided that this requirement shall not apply to any tenant whose gross income exceeds eighty (80) percent of the median income of the Portland SMSA, adjusted for family size, as determined by the U.S. Department of Housing and Urban Development at the time notice is given as required in section 14-568(a). Additionally, the developer shall, upon demand, provide assistance to the tenant in the form of referrals to other reasonable accommodations and in determining the tenant's eligibility for relocation payments as provided herein. (Ord. No. 213-81, § 608.5, 11-16-81)

Sec. 14-570. Conversion permit.

Before conveying or offering to convey a converted unit, the developer shall obtain a conversion permit from the building inspection division of the department of planning and urban development. The permit shall issue only upon receipt of a completed application therefor in a form to be devised for that purpose, payment of a fee of one hundred and fifty dollars (\$150.00) per unit, and a finding, upon inspection, that each unit, together with any common areas and facilities appurtenant thereto, is in full compliance with all applicable provisions of article II of chapter 6 (building code), article III of chapter 6 (electrical installations), article V of chapter 6 (minimum standards for dwellings) and article II of chapter 10 (fire prevention code) of this Code, and the Life Safety Code as adopted by the state. The developer shall post a copy of the permit in a conspicuous place in each unit, and shall make copies available to prospective purchasers upon request. (Ord. No. 213-81, § 608.6, 11-16-81)

Sec. 14-571. Variation by agreement.

No provision of, or right conferred by, this article may be waived by a tenant, by agreement or otherwise, and any such waiver shall be void. Any attempt to require, encourage, or induce a tenant to waive any provision hereof, or right conferred hereby, shall be a violation of this article. Nothing herein shall be construed to void any term of a lease which offers greater rights than those conferred hereby. (Ord. No. 213-81, § 608.7, 11-16-81)

Sec. 14-572. - 14-582. Reserved.