

Condo conversion requirements

Summary and Benefits:

Condominium conversions refer to the process of converting a multi-unit rental property held in single ownership into one in which the units may be individually bought or sold. Jurisdictions generally receive condominium conversion requests when selling housing becomes more profitable than renting or leasing. Under California law, tenants have certain protections such as the exclusive right to purchase the property under the same terms that the unit is being offered to the general public and 180 days' notice of intent to end the tenancy (§66452.19). Though tenants enjoy these protections, they often cannot afford the necessary down payment or the monthly mortgage to own their home. Hence, while condo conversions may offer a more affordable homeownership opportunity for some households seeking to buy, they can displace existing tenants and reduce a jurisdiction's rental housing stock without increasing housing supply. Through their zoning power, jurisdictions have the authority to put in place additional restrictions on condominium conversions. These ordinances may be justified due to jurisdictions' limited housing stock and their state mandate to maintain an adequate housing supply for all economic segments of the population.

As of May 2013, 55 of the Bay Area's 109 jurisdictions have some sort of condominium conversion ordinance. These ordinances greatly vary in the types of protections they offer to tenants and may or may not impose numerical limits on condo conversions.

Potential Policies:

- Stricter provisions for condominium conversions through additional tenant protections including: relocation assistance, lifetime leases, restrictions on rent increases, discounts for tenants on the sale price of the property
- Limitations on the number of units that can be converted in any given year
- Provide one for one replacement of converted units
- Require that a percentage of converted condos be sold at affordable prices
- Mandate payment of a fee into an affordable housing trust fund

Model Ordinances/Useful Sources:

- League of California Cities Primer on Condominium Conversions:
<http://www.cacities.org/UploadedFiles/LeagueInternet/c5/c5e504c3-e261-4986-b983-c964db35d7c0.pdf>
- City of Lafayette requires owners to pay tenants moving expenses and limits the number of conversions, link: <http://ci.lafayette.ca.us/Modules/ShowDocument.aspx?documentid=742>
- City of Larkspur imposes restrictions on rent increases, requires that some of the converted units be sold at below market rates, and limits the annual number of conversions, link: <http://www.codepublishing.com/ca/Larkspur/html/larkspur18/larkspur1838.html#18.38.030>
- City of San Carlos limits the number of annual conversions based on the vacancy rate and provides tenants with relocation assistance, link: <http://www.codepublishing.com/ca/sancarlos/html/sancarlos17/sancarlos1748.html#17.48.020>