

Legislative Analysis



CONDOMINIUM ASSOCIATIONS: 10-YEAR PERIOD TO EXPAND, CONTRACT, OR CONVERT

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House Bill 5046

Sponsor: Rep. Joe Haveman

Committee: Local, Intergovernmental, and Regional Affairs

Complete to 11-9-11

A SUMMARY OF HOUSE BILL 5046 AS INTRODUCED 10-6-11

House Bill 5046 would amend the Condominium Act to specify that a condominium association's documents could be amended, without the consent of the co-owners, in order to extend from six years to 10 years the time during which a developer could expand, contract, or convert units or common elements. A more detailed explanation of the bill follows.

Currently under the law if a condominium project contains any convertible area, then the master deed must contain all of the following: (a) a specific reference to the convertible area within the condominium project; (b) the maximum number of condominium units that can be created there; (c) a statement to describe the types of units that can be created there; (d) a statement to describe the extent to which a structure erected there will be compatible with other structures elsewhere in the condominium project; (e) a description of improvements that can be made on the convertible area; (f) a description of the developer's reserved right, if any, to create and designate limited common elements within the convertible area; and (g) a time limit of not more than six years after initial recording of the master deed, by which the election to use this option expires. House Bill 5046 *would retain all of these provisions, but modify provision (g) to extend the expiration date of the developer's option to develop convertible area from six years to 10 years.*

Similarly and under the law, if a condominium project is an expandable condominium project, then the master deed must contain 15 provisions including, among other things, the explicit election (on the part of the developer or a successor) to expand the condominium project. In addition, the master deed must include a time limit based on the size and nature of the project, of not more than six years after the initial master deed is recorded. House Bill 5046 would retain all of the statute's current provisions concerning expandable condominium projects, *but extend the expiration date by which the developer must elect to expand the condominium project from six years to 10 years.*

Finally, if a condominium project is a contractable condominium project under the law, then the master deed must contain certain provisions, including a time limit of not more than six years after the initial recording of the master deed, by which the developer can elect to contract the condominium project. House Bill 5046 *would extend this expiration date by which a condominium project could be contracted from six years to 10 years.*

Finally and under the law, a condominium association's documents can be amended *without the consent of co-owners* (or mortgagees), if the amendments do not materially alter or change the rights of a co-owner, and if the condominium documents contain a reservation of the right to amend for that purpose to the developer or the association of co-owners. The law further specifies that such an amendment--that is, an amendment that does not materially change the rights of a co-owner (or mortgagee)--includes, but is not limited to an amendment that modifies the types and sizes of unsold condominium units and their common elements. House Bill 5046 would retain these provisions, but in addition the bill specifies that an association's documents could also be amended *without the consent of the co-owners*, in order to extend the time during which a developer could expand, contract, or convert units or common elements from six years to 10 years, as described above.

MCL 559.131 et al.

FISCAL IMPACT:

House Bill 5046 will not have an impact on the Department of Licensing and Regulatory Affairs since the Legislature repealed LARA's regulatory and enforcement responsibilities under the Condominium Act in 1983.

By extending the timeframe to exercise an option to develop convertible, expandable, or contractible areas from 6 to 10 years, HB 5046 could have an indeterminate effect on property assessments (hence property tax collections) for local units of government and the School Aid Fund.

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