



ARIZONA HOUSE OF REPRESENTATIVES

Fifty-sixth Legislature
Second Regular Session

House: COM DP 10-0-0-0

HB 2861: condominiums; terminations

Sponsor: Representative Schwiebert, LD 2
Caucus & COW

Overview

Amends condominium statutes relating to condominium termination.

History

A condominium may be terminated only by an agreement containing the requisite number of votes of unit owners. A termination agreement may provide that all the common elements and units of the condominium must be sold following termination. The association may contract for the sale of real estate in the condominium. Proceeds of the sale are distributed to unit owners and lienholders as their interests may appear, in proportion to the respective interests of unit owners. The respective interests of unit owners are the fair market values of their units, limited common elements and common element interests immediately before the termination, their pro rata share of any monies in the association's reserve fund and the operating account and an additional five percent of that total amount for relocation costs ([A.R.S. § 33-1228](#)).

Provisions

1. Clarifies the respective interest of unit owners are their pro rata share of monies in the reserve fund and the operating account *immediately before the termination*. (Sec. 1)
2. Specifies only units that are owner-occupied receive the additional 5% of the total amount for relocation costs as part of their respective interests. (Sec. 1)
3. Increases the amount of relocation costs as part of a unit owner's respective interests from 5% to 10%. (Sec. 1)
4. Adds that the relocation costs amount includes all closing costs of the sales transaction, including costs for title insurance if requested by the unit owner. (Sec. 1)
5. Outlines the requirements and methods for appraising a unit to determine the fair market value. (Sec. 1)
6. Adds that the appraisal requirements and methods is at the unit owner's option, and the buyer must pay for the appraisal. (Sec. 1)
7. Stipulates the fair market value must be determined without such requirements and methods if the unit owner chooses not to use an appraisal. (Sec. 1)
8. Prohibits the fair market value from being reduced by any special assessments, capital improvement fees or other charges imposed by the association during the two-year period immediately preceding the termination. (Sec. 1)

Prop 105 (45 votes) Prop 108 (40 votes) Emergency (40 votes) Fiscal Note

9. Stipulates the unit owner may submit issues to arbitration if the owner and the buyer do not agree on the fair market value of the unit. (Sec. 1)
10. Removes language relating to the association selecting an independent appraiser to determine the fair market value of a unit and the unit owner obtaining a second appraisal. (Sec. 1)
11. Requires the written notice of a pending sale to include the following:
 - a) a statement notifying the purchaser that the condominium may be terminated by a vote of eighty percent or more of the owners of the units in the condominium and if a sufficient number of units are acquired by a potential buyer for the entire property, the unit owners may be required to sell their units; and
 - b) a statement that the condominium is governed by recorded covenants, conditions and restrictions that regulate the use of the property. (Sec. 2)
12. Instructs the association's board of directors to provide an annual notice to unit owners that includes:
 - a) a statement that the condominium may be terminated by a vote of eighty percent or more of the owners of the units in the condominium and if a sufficient number of units are acquired by a potential buyer for the entire property, the unit owners may be required to sell their units; and
 - b) a statement that provides the total number of units in the condominium, the number of units owned by each unit owner and the name of each unit owner. (Sec. 3)
13. Contains a Legislative intent clause. (Sec. 4)
14. Applies the Acts requirements retroactively to all condominiums regardless of when the condominium was established. (Sec. 5)