

Proposed legislation could alienate bulk condo buyers

Law has passed state Senate and House, awaits Gov. Rick Scott's signature

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By Francisco Alvarado

A new law designed to protect property owners being squeezed out of their homes could scare away bulk condo investors from Florida, some prominent Miami-based real estate attorneys told *The Real Deal*.

Last week, the state Senate and House approved legislation that tightens the screws on developers or majority property owners seeking to terminate condo associations, a practice that has led some homeowners to lose title to their units against their will.

Under the proposed law, which is awaiting Gov. Rick Scott's signature, opposing owners will be paid 110 percent of their purchase price or 110 percent of the unit's market value — whichever is greater. [Bulk condo investors](#) could also be required to pay off outstanding first mortgages on units they buy.

After 2007, legislators dropped the voting threshold to terminate condo associations from 100 percent to 80 percent in an effort to make the redevelopment of old and blighted condo buildings easier, said Gary Saul, a shareholder with Greenberg Traurig.

"The [condo termination law](#) had been a very effective tool that helped Florida rebound after the downturn in the economy," Saul told *TRD*. "You had a lot of buildings that were mostly vacant and condo owners who couldn't pay the property maintenance."

Buildings in distress relied on [bulk condo investors](#) to come in and bail owners out. "At the time, these buildings were more effective investments as rental properties," Saul said. "Having a condo association didn't make sense and created an additional burden."

By forcing investors to pay hold-out unit owners fair market value or the purchase price, the legislature overreacted to isolated incidents involving condo owners who were forced to sell their units at fractions of the price they originally paid, Saul said. "The market should dictate what happens with these buildings," he added. "It's a knee-jerk reaction to fix something that wasn't broken."

Jason Kellogg, a partner with the Miami firm Levine Kellogg, agreed, insisting the new law will create a chilling effect on the condo bulk buying sector that helped the real estate market recover from the recession. "It is going to make it more difficult to terminate a condo association," Kellogg said. "It gives dissenters the incentive to dissent."

Yeline Goin, an attorney with Becker & Poliakoff, said it is highly unlikely the governor will veto the new legislation, which was approved unanimously in the Senate and House, since it ultimately protects consumers.

"People were basically being forced out of their home without their consent," Goin told *TRD*. "During committee hearings, you had condo owners who gave compelling testimony that swayed legislators who were not completely onboard."