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Community Advocacy Network Alert



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The rental market is hot lately, but what's not so hot? Being forced to sell your condo and not getting close to what you paid for it. This is becoming more common as investors are terminating condo associations and converting condo complexes into rental properties.



So how is this legal? Prior to 2007, Florida law stated that termination of a condo association required the approval of 100% of the unit owners. But the increase of foreclosures and two busy hurricane seasons caused many units to become damaged and vacant. That's when the Florida Legislature lowered the threshold to 80% to help prevent economic waste. To block a termination, 10% or more of the complex owners must object. See § 718.117(3), Fla. Stat. (2015). Now that the economy has improved, investors are buying units in bulk so they can terminate the condo association and convert the complex from condos to apartments. This is forcing individual owners to sell and move out quickly. Since 2007 when the law changed, 272 Florida condo developments, with a total of almost 20,000 units, have terminated their associations according to an article in the Tampa Bay Times.

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When the law was originally signed by Gov. Rick Scott, it was envisioned that all owners who bought from the original developer would be compensated for the full purchase price if the complex turned to a rental. But shortly before it was voted on, the law was changed to provide compensation only for owners with homestead exemptions. This means that condos used as second homes or rentals were excluded from being compensated for the full purchase price. According to the new law, except in very limited circumstances, the owner is only entitled to receive the current fair market value for their unit. And if the owner bought the unit at the height of the market, the current value is often much less than the purchase price. This is essentially the functional equivalent of eminent domain - when a government entity compels the sale of private property at a fair market value for purposes of economic development. Except in this case, it's developers and not the government doing the taking.

This is exactly what happened to one Tampa Bay couple. They purchased their condo for \$254,900 in 2006 but are now only getting \$127,000 for their rental property. This is \$70,000 less than what it would take for them to pay off their mortgage. As expected, this is creating a tremendous economic hardship for this couple, who is now a family of four. Experts say this is not what the government originally intended when they passed this law. Some Florida representatives filed bills that would require owners to be compensated for 110% of the purchase price or the fair market value, whichever is greater.

Until the law changes, what can you do as a homeowner? Reach out to your government representatives letting them know your concerns. Talk to other homeowners in your community about how to block a conversion if you suspect this may happen in your community. Call us at CAN if this is happening to you. If you have any questions or concerns, we at CAN, are always here to help. Contact us anytime.

Yours in Community,

Alan Garfinkel, Esq.
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The Community Advocacy Network (CAN) is Florida's leading voice for the interests of 60,000 community associations statewide, leading the fight against over-regulation of private residential communities by state and local governments. Each year since its inception in 2007, CAN spearheads important State legislative reforms designed to protect and enhance Florida Community association living, CAN continues to foster financial stability and operational integrity to all common-interest ownership communities statewide.

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