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Regulatory Responses to the Condominium Conversion Crisis

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REGULATORY RESPONSES TO THE CONDOMINIUM CONVERSION CRISIS

The conversion of rental housing to condominiums has created regulatory interest nationwide.1 Although not a new form of housing,2 condominiums occupy a rapidly growing share of the housing market.3 The number of condominium conversions each year has thus increased dramatically during the last decade.4

A variety of market factors make condominium conversion attractive. Landlords argue that rent control and rising costs preclude an adequate return on their investment.5 Construction of new condominium projects is comparatively expensive; often it is difficult to locate property on which to build because of a shortage of multi-family zon-

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2. The condominium concept dates back to Roman times and was popular in the Middle Ages. Common in Europe and Latin America, it was not until the 1950s that an American jurisdiction authorized the creation of condominiums. See 125 CONG. REC. H7346 (1979) (remarks of Rep. Rosenthal); Bucknall, Leasehold Condominiums: The Further Flight of the Fee, 14 OSGOODE HALL L.J. 29 (1976).

3. In 1975, 85% of the condominiums in existence were less than five years old. See 1975 HUD STUDY, supra note 1, at I-7. A survey by the National Association of Realtors found that condominiums constituted at least 10% of the housing market in 300 market areas. Almost 200 reported a significant increase in demand for condominiums in one year. See REALTORS REVIEW, July 1978, at 12. In San Francisco there was a 92% increase in the ownership of condominiums between 1970 and 1978. See Condominium Conversions in San Francisco (November, 1978) (unpublished joint study by the San Francisco Department of City Planning and Members of the Real Estate Industry, on file with Washington University Law Quarterly).


5. See 1980 HUD STUDY, supra note 1, at V-1; 1975 HUD STUDY, supra note 1, at I-11.
Tax reforms in 1969 and 1976 made investment in rental housing less attractive. Condominium conversion, therefore, is more lucrative than rental housing.

The conversion process also has certain drawbacks. For example, tenants who cannot afford to purchase their apartment are forced to move. Tenants forced to find alternate rental housing and persons who purchase their apartment face increases in the cost of housing. Because conversion tends to occur in low vacancy areas, these factors deplete the number of available housing units even further. Those most affected can least afford to move: elderly persons, lower income households, and young persons clearly suffer the most when conversion occurs.

State and local governments are responding to these negative consequences by enacting legislation to slow the conversion process. This

7. Id. See also 1975 HUD Study, supra note 1, at 1-11.
9. Studies conducted on Palo Alto, California, metropolitan Washington, and Evanston, Illinois, show at least an 82% displacement rate. This figure refers to the proportion of tenants who did not purchase their apartments. The Evanston study showed that 55-73% of the displaced tenants moved out of the municipality entirely. See 1979 Hearings, supra note 4, at 48-53 (statement of Daniel Lauber).
11. Vacancy rates are extremely low in the housing markets that contain the greatest number of conversions. Washington, D.C., parts of Chicago, and Seattle have vacancy rates under 2.5%, which is far below the 5% rate characteristic of a healthy market. See 1979 Hearings, supra note 4, at 103.
12. Condominium conversions clearly create a vicious cycle in a city's rental housing market. Conversions occur in areas where a shortage of adequate rental units already exists, thus panicked many people into buying converted units. This reduces the availability of rental housing even further, and drives up the rents in remaining apartments. The combination of lower vacancy rates and higher rents then prompts another round of "condomania." In short, the demand for many converted condominiums is partially artificial—created by shortages that have been created by developers. 125 Cong. Rec. H7348 (1979).
13. Id. at H7347.
14. For a general discussion of these issues see F. Jackson & W. Lippman, Condominium and Cooperative Conversions (1980); C. Rhyne, W. Rhyne & P. Asch, Municipalities and Multiple Residential Housing: Condominiums and Rent Control (1975); U.S. Dept of Housing and Urban Development, Condominium Conversion Controls (1979); 1980 HUD Study, supra note 1; Wynn, Condominium Conversion and Tenant Rights—Wisconsin Statutes Section 703.08: What Kind of Protection Does It Really Provide?, 63 Marq. L. Rev. 73 (1979); Note, The Condominium Conversion Problem: Causes and Solutions, 1980 Duke L.J. 306; Com-
Note discusses controls on condominium conversions, their sources in land use regulations, and legal issues presented by those controls.

I. ORIGINS OF LAND USE REGULATION


16. For example, Illinois is a home rule state. The Illinois Constitution grants authority to municipalities to regulate for the protection of the public health, safety, morals, and welfare. ILL. CONST. art. 7, § 6.


20. See Sea Ranch Ass'n v. California Coastal Zone Comm'n, 537 F.2d 1058 (9th Cir. 1976);
Court has avoided deciding land use cases by deferring to the state if the regulations are reasonably related to a legitimate state interest. 21

A. Zoning

Zoning is and has been for two centuries the predominant tool of land use regulation. 22 Historically courts relied on the law of nuisance to control uses of property that harmed adjacent owners. 23 Nuisance law proved inadequate, however, because it forced complainants to meet the difficult burden of proving actual harm to their property and could not prevent the placement of incompatible uses. 24 In response to these inadequacies, municipalities enacted comprehensive planning ordinances to establish broad goals, and used zoning ordinances to implement them. 25 Zoning creates an organized separation of incompatible uses by grouping compatible uses together. Municipalities thus became a source of public management based on a police power derived from state enabling legislation or specific grants. 26

Zoning ordinances grew in number and complexity during the last


23. See 1 R. ANDERSON, AMERICAN LAW OF ZONING § 2.03 (1968).


26. See Village of Euclid v. Ambler Realty Co., 272 U.S. 365 (1926). The Village of Euclid enacted a comprehensive zoning ordinance that regulated building size, lot size, and use. Apartment buildings were prohibited, therefore, in "residential" areas. The Court upheld the ordinance, saying that the ordinance was valid unless "clearly arbitrary and unreasonable, having no substantial relation to the public health, safety, morals, or general welfare." Id. at 395. See generally PRINCIPLES AND PRACTICE OF URBAN PLANNING (W. Goodman ed., 4th ed. 1968).
half century. They now define the public welfare even more broadly by using subzones that separate even potentially incompatible uses.

These intricate zoning devices maintain their presumptive validity. Municipalities need only enact zoning ordinances pursuant to properly delegated authority, and the ordinances must not be arbitrary or unreasonable in accomplishing the objectives of the comprehensive plan. Although the presumptive validity of zoning ordinances limits judicial scrutiny, courts enforce basic constitutional requirements. The regulation must not constitute a taking of property without compensation in violation of the fifth amendment of the United States Constitution. This requirement, however, is minimal. Courts, in deference to legislative determinations of public needs and goals, rarely invalidate


34. No compensation is necessary if the regulation is for the public health and welfare. See generally Michelman, Property, Utility and Fairness: Comments on the Ethical Formulations of
zoning ordinances on fifth amendment grounds. Additionally, courts find that zoning does not deprive an owner of all possible uses of the property.\textsuperscript{35} To defeat a fifth amendment challenge, a municipality need demonstrate only a relationship to the public welfare.\textsuperscript{36} States justify size and use limitations, for example, under one of the many public interests in health, safety, and general welfare.\textsuperscript{37} Thus, complainants face a nearly irrebuttable presumption of validity.\textsuperscript{38}

The equal protection clause\textsuperscript{39} of the Constitution imposes an additional requirement on zoning and land use law. Similar classes of people must be treated equally in separating uses.\textsuperscript{40} Courts, in deciding this issue, distinguish between legitimate classifications and suspect classifications. The Supreme Court has found that housing is not a fundamental right that involves strict equal protection scrutiny.\textsuperscript{41}

\begin{flushright}
\textit{"Just Compensation" Law, 80 Harv. L. Rev. 1165 (1967); Sax, Takings, Private Property, and Public Rights, 81 Yale L.J. 149 (1971); Sax, Takings and the Police Power, 74 Yale L.J. 36 (1964).}
\end{flushright}


\textsuperscript{36} See generally Wengut, supra note 32.


\textsuperscript{39} No state shall "deny to any person within its jurisdiction the equal protection of the laws." U.S. Const. amend. XIV. See generally Note, Exclusionary Zoning and Equal Protection, 84 Harv. L. Rev. 1645 (1971).

\textsuperscript{40} See generally Note, supra note 28, at 120.

\textsuperscript{41} See James v. Valtierra, 402 U.S. 137 (1971) (state requirement for a local referendum on
sequently, complainants must meet difficult burdens of proof and overcome presumptions of validity.

B. Growth Control Regulations

Until approximately 1960, zoning was the exclusive means of regulating land use. Zoning inadequately controlled growth, however, which by that time increasingly concerned many municipalities. To control growth, municipalities began to promulgate numerous supplementary regulations designed to limit growth directly by prohibiting the construction of buildings or necessary support facilities. Municipalities enacted minimum lot size requirements, building moratoria, quotas, and limitations on the number of various types of buildings to accomplish goals of approved comprehensive plans. These devices control the pace, direction, and volume of development and apply to all construction.


45. Limits on the number of building permits as well as other forms of restrictions on future construction allow city officials to control the amount of expansion in their municipality. Some municipalities establish quotas that limit the number of permits, map approvals, or utility hookups. One municipality instituted a "blanket" quota by limiting the actual number of dwelling units to 40,000 in 1971. See Arvida Corp. v. City of Boca Raton, 59 F.R.D. 316 (S.D. Fla. 1973).
For a discussion of growth control techniques see D. Brower & C. Carraway, Tools & Techniques of Growth Management (1978); D. Mandelker & R. Cunningham, supra note 17, at 987.
46. See generally Fagin, supra note 27, at 298 (1955).
47. Growth control regulations can have significant economic consequences, including increased price and reduced quantity of housing. See generally R. Ellickson, Suburban Growth Controls: An Economic and Legal Analysis, 86 Yale L.J. 385 (1977).
municipality exceeded its delegated authority.48 As in zoning, there is a presumption of constitutionality as long as the regulation relates to legitimate purposes.49 In addition, courts rarely overturn growth control regulations as violative of the fifth amendment taking clause,50 even though the regulations may severely restrict the available uses of property.51 Because taking and equal protection challenges to growth control regulations fail52 unless the regulations adversely affect suspect classes or fundamental rights,53 litigation has focused on the exclusionary effects of growth control regulations.54 Building moratoria and de-

48. See note 30 supra.

49. The municipality only needs to produce sufficient evidence that the legislators had a rational basis for the regulation. See Village of Euclid v. Ambler Realty Co., 272 U.S. 365, 389 (1926). The city can show this if: (1) The regulation was adopted with a legitimate purpose; (2) the regulation is necessary to reach that goal; and (3) the regulation is not unreasonably burdensome. Lawton v. Steele, 152 U.S. 133, 137 (1894).


If apparently legitimate land use planning objections result in the exclusion of minorities, the result is less clear. See McDermott v. Village of Calverton Park, 447 S.W.2d 837 (Mo. Ct. App. 1969).
velopment limitations are likely to withstand legal challenges if they are of limited duration. Improper exclusionary motivations will rebut the presumption of validity, however, and thus impose a real limitation on municipal regulations.

Municipalities may regulate widely if they remain within their comprehensive plan. For example, in *Golden v. Planning Board of Ramapo* the New York Court of Appeals considered a growth control plan that required development in one area before permitting expansion in another. Despite arguments that the legislation resulted in a fifth amendment taking and was exclusionary, the court upheld the plan on the assumption that development in the restricted area would occur in the future.

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56. *See Steel Hill Dev., Inc. v. Town of Sanbornton, 469 F.2d 956 (1st Cir. 1972).* The court upheld a rezoning to six acre lot minimums despite its “serious worries whether the basic motivation of the town meeting was not simply to keep outsiders . . . out of the town . . . . Were we to adjudicate this as a restriction for all time . . . we might well come to a different conclusion.” *Id.* at 962.

57. For example, a limit on the number of dwelling units permitted in Boca Raton was upheld. *See Arvida Corp. v. City of Boca Raton, 59 F.R.D. 316 (S.D. Fla. 1973).*


59. For a discussion of the Ramapo plan see *Note, supra* note 27; *Note, supra* note 28.

60. 30 N.Y.2d 359, 373 n.7, 285 N.E.2d 291, 298 n.7, 334 N.Y.S.2d 138, 148 n.7 (1972), *cert. denied,* 409 U.S. 1003 (1972). The court noted that the Ramapo plan was a permissible first step. Finding no exclusionary intent, the court stated that “the present amendments merely seek, by the implementation of sequential development and timed growth, to provide a balanced cohesive...
C. Early Condominium Legislation

Condominiums, like any form of property ownership or land use, are subject to municipal and state regulation. Thus, all fifty states and the District of Columbia enacted some type of condominium ownership law. First-generation statutes addressed developers' needs, but contained few consumer protection provisions. Condominium development increased significantly in the late 1960s and 1970s, partially as a result of enabling statutes. Consequently, states amended their condominium statutes to ensure adequate disclosure to purchasers and to regulate increased levels of condominium development. The Uniform Condominium Act typically needs of developers, but few of them contained consumer protection provisions.


63. One commentator noted that:

The major burdens of . . . [a condominium] statute are threefold: (1) to provide a procedure for the establishment and dissolution of a condominium and to secure a uniform pattern of legal documentation; (2) to accommodate existing legislation dealing with taxation, recording procedures, liens, land-use control, and security regulatory techniques to the special needs of the condominium; and (3) to anticipate possible judicial antagonism involving such matters as bars on partition and covenants real. Berger, Condominium: Shelter on a Statutory Foundation, 63 COLUM. L. REV. 987, 1003 (1963). See generally Welfeld, The Condominium and Median-Income Housing, 31 FORDHAM L. REV. 457 (1963); Comment, Community Apartments: Condominium or Stock Cooperative, 50 CALIF. L. REV. 299 (1962).

Moreover, the Uniform Condominium Act was designed to “facilitate the creation of condominiums which will function properly over time.” See Judy & Wittie, Uniform Condominium Act; Selected Key Issues, 13 REAL PROP. PROB. & TR. J. 437 (1978).

64. See notes 3-4 supra and accompanying text.

65. See notes 6-7 supra and accompanying text.

66. Many states recognized the need to amend their original statutes by adding stricter disclosure requirements and certain warranties. See, e.g., FLA. STAT. ANN. § 718.101-508 (West Supp.
ifies these amendments by outlining condominium creation, management, and regulation, and by including disclosure requirements.67

Condominium statutes and ordinances nationally contain similar or identical provisions.68 Every jurisdiction requires a declaration or master deed,69 establishment of unit owner associations,70 financial record keeping,71 basic operational procedures for building owners,72 and collective decision making on issues affecting the common areas.73 States take varying approaches, however, when dealing with condo-

1978); OHIO REV. CODE ANN. § 5311.01-.09, .11, .13, .18, .21, .27 (Page Supp. 1978); VA. CODE § 55-79.39 to .103 (Supp. 1978). There are presently four basic types of condominium statutes: (1) statutes or enabling acts that provide for creation and termination of the condominium, management of the property, and consumer protection requirements; (2) statutes that impose registration and disclosure requirements; (3) statutes that vest local planning agencies with authority to regulate subdivisions; and (4) securities statutes that apply to offerings of condominium units as investments. See 1975 HUD STUDY, supra note 1, at VI-5.

67. The Uniform Condominium Act contains five sections: (1) general provisions, definitions, applicability; (2) creation, alteration, and termination of condominiums; (3) management; (4) protection of the purchaser, and (5) administration and regulation. The Uniform Condominium Act was originally part of the Uniform Land Transactions Act, but was undertaken separately in 1975. See Jackson & Colgan, The Uniform Condominium Act from a Local Government Perspective, 10 Urb. Law. 429 (1978); Judy & Wittie, supra note 63, at 437; Rohan, supra note 1.

68. See note 61 supra and accompanying text.


Condominium statutes adequately protected condominium owners and purchasers, but could not handle the conversion problems that appeared in the late 1970s as a result of the increase in conversion of rental units to condominiums. Shortages of rental housing grew worse as the increase in conversions resulted in the removal of more units from the marketplace. The diminished supply also caused price increases that further reduced the ability of some to obtain rental housing. These factors induced municipalities to promulgate new regulations that focused directly on controlling the conversion process.

II. CURRENT CONDOMINIUM REGULATION

Land use law provides the foundation for condominium conversion controls. Municipalities employ growth control techniques to regulate conversions. Although only a few state statutes provide for the protection of tenants in the conversion process, most statutes provide for local responses to unacceptable levels of conversion. These responses are divisible into two categories—moratoria and tenant protections.

A. Moratoria

Most municipalities impose moratoria to control growth by temporarily preventing utility hook-ups, building permits, and rezoning requests. These devices usually survive a constitutional challenge because they are viewed as interim measures or as responses to a tem-


76. *See* notes 11 & 12 *supra* and accompanying text.

77. *See* note 10 *supra* and accompanying text.

78. Enabling acts and home rule provisions provide the necessary enabling legislation. *See*, e.g., statutes cited in note 75 *supra*.


Some municipalities employ moratoria as a stopgap while considering more comprehensive and permanent regulation. Other municipalities prohibit conversions unless the rental stock exceeds a legislatively determined percentage. A few municipalities approach conversion on a case-by-case basis by allowing a planning commission to decide which buildings may convert. These methods, in many instances, can amount to a ban on conversion.

The approach of Montgomery County, Maryland is typical of the first type of moratorium. In July 1979 the county council declared a public emergency in the rental housing market. This situation justified the imposition of a 120-day moratorium on conversions. The county council then introduced follow-up legislation in September 1979. This legislation requires the developer to give written notice of intent to convert to representative tenant organizations and to the county itself. The developer must then provide a 120-day right of first refusal to the tenant organization.


83. MARIN COUNTY CODE tit. 20, § 20.72 (1979). See also LA MESA MUNICIPAL CODE § 22.04.080, Ord. No. 2158 (Sept. 15, 1978) (allowing half of the average number of apartments constructed in the previous two years to convert); CODE OF PALO ALTO ch. 22.04 (1979) (conversion prohibited if vacancy rate is below three percent). In addition, Palo Alto currently prohibits conversion unless two-thirds of the tenants consent and the developer offers all the tenants a lifetime lease. Palo Alto Ord. No. 3251 (Nov. 24, 1980); Palo Alto Ord. No. 3246 (Oct. 27, 1980).

84. See, e.g., City of Belmont Ord. No. 609, § 15.6(a) (Aug., 1977) (city council may deny approval if conversion "would be detrimental to the supply of alternative types of housing within the City of Belmont and . . . would tend to create a shortage of a particular housing type within the community"). See also CONCORD MUNICIPAL CODE ch. 4(7), § 4478(c) (1978) (approval granted for conversion only if it "will not have an adverse effect on the diversity of housing types available in the City").

85. For example, South Lake Tahoe, California, currently restricts conversions until a prohibition on the construction of multiple family housing within the city is repealed. City of South Lake Tahoe Ord. No. 540 (Aug. 21, 1979).

86. MONTGOMERY COUNTY CODE § 11A-10(a) (Supp. 1980).

87. Id. § 11A-10(b).

88. Id. § 11A-5C.

89. Id. § 11A-5C(c).

90. Id. § 53A.
Condominium developers challenged these ordinances in *Apartment & Office Building Ass'n v. Montgomery County, Maryland*. The circuit court for Montgomery County upheld the moratorium as an enlargement of state law and found the declaration of emergency unreviewable. The court further held that the right of first refusal violated no constitutionally protected rights.

South Lake Tahoe, California enacted an outright prohibition in August 1979. A California Regional Planning Agency prohibition on construction of new multi-family housing intensified an already severe housing shortage. The city declared that the conversion of rental apartments would exacerbate this condition as well as substantially increase the cost of housing. The city, based on these findings, created the open-ended moratorium, effective until the repeal of Regional Planning Agency prohibition.

**B. Tenant Protections**

States and municipalities also promulgated regulations that protect tenants' rights in conversions. These regulations basically consist of notice requirements, purchase rights, relocation assistance, evic-

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92. Id., slip op. at 2. But see District of Columbia v. The Washington Home Ownership Council, Inc., 415 A.2d 1349 (D.C. 1980). The D.C. Court of Appeals enjoined enforcement of the D.C. Emergency Condominium and Cooperative Conversion Stabilization Act of 1979, which reimposed a 90-day limit on the conversion of rental projects. The court held that the city was authorized to respond to emergency situations, but could not continue the legislation for the same emergency. See note 123 infra.
95. Id. §§ 1(3).
96. See note 85 supra and accompanying text.
99. See, e.g., D.C. Law 3-204, §§ 302-303 (June 27, 1980), 27 D.C. Reg. No. 28, p. 2975 (July 11, 1980) (to be codified at D.C. CODE tit. 45, ch. 16(a) (Supp. 1980)) (provides assistance to eligible displaced tenants); Subdivision Code of the City and County of San Francisco art. 9, § 1393 (1975) (as amended) (developer must provide relocation services to low-income tenants).
tion limitations, and tenant approval. Most states include a notice of conversion in their condominium legislation, usually ranging from ninety to 120 days. A few municipalities extend the period in recognition of the greater difficulties of the elderly and handicapped.

Some municipalities recently granted tenants a right of first refusal in the conversion process. These laws generally require developers to offer contracts of sale to the tenants on at least as favorable terms as other prospective purchasers would receive. By combining a right of first refusal with a specific eviction period limitation, the provision prevents the developer from selling to another purchaser at a lower price within that specified period.

In many areas, relocation assistance constitutes an important source of tenant relief. Some municipalities provide advisory and information services, and others compel the developer to pay a displaced tenant's moving expenses. Thus, tenants who cannot afford to stay in their converted apartment receive assistance from the developer to find new housing. The Montgomery County, Maryland circuit court addressed this issue in Rockville Grosvenor, Inc. v. Montgomery County. The court upheld an ordinance that required developers to reimburse tenants for moving expenses, but invalidated regulations that provided


101. See, e.g., Subdivision Code of the City and County of San Francisco art. 9, § 1388 (1975) (as amended) (prohibited conversions on large buildings unless 40% of the tenants consent); N.Y. Gen. Bus. Law § 352(e) (McKinney 1978) (although in effect only until 1977, required 35% of the tenants to agree to purchase).

102. See note 97 supra and accompanying text.


104. For example, Glendale, California requires that "the present tenant or tenants of any unit to be converted shall be given such exclusive right to contract to purchase the unit occupied as provided by state law." Glendale Municipal Code art. XI, § 28-1104, Ord. No. 4427 (Dec. 19, 1978). See S.B. 1645, Sept. 25, 1980, California State Senate for applicable state law.

105. See note 98 supra.

106. See note 99 supra.


109. "The exercise of the police power to require payments into funds to carry out valid public purposes involved with the public welfare, have been sustained in a long history of this State, . . ." Id., slip op. at 11. See also Westchester West II Ltd. Partnership v. Montgomery County,
for automatic allowances up to $750.\footnote{110}

Municipalities also may grant statutory tenancies to certain tenants. Elderly or handicapped tenants thus gain a life tenancy in their apartment even as the rest of the building is converted to condominiums.\footnote{111} Other eviction limitations prohibit the eviction of tenants prior to the termination of their leases.\footnote{112} This provides tenants with a temporary delay while the conversion process proceeds because developers cannot bring eviction proceedings.\footnote{113}

Finally, a few municipalities establish regulations that require tenant approval before approving a conversion application. In San Francisco forty percent of the existing tenants must consent before the city will approve a conversion.\footnote{114} Palo Alto, California\footnote{115} combines tenant approval with vacancy rates by requiring two-thirds tenant approval if the vacancy rate falls below a fixed percentage.\footnote{116}

In 1974 New York's Goodman-Dearie law\footnote{117} combined some of these techniques.\footnote{118} This statewide conversion law required thirty-five percent of the tenants to agree to purchase their apartments,\footnote{119} provided for a two year prohibition on evictions during the conversion,\footnote{120}

\footnotetext{276 Md. 448, 348 A.2d 856 (1975); Bowie Inn v. City of Bowie, 274 Md. 230, 335 A.2d 679 (1975); Salisbury Beauty Schools v. State Bd., 268 Md. 32, 300 A.2d 367 (1973).}

\footnotetext{110. It seems to me that what was expressed here calls for an indemnification payment upon the establishment of the cost having been incurred or to be incurred, and with respect to or in relationship to some criteria for determining a person to be in need of financial assistance. These regulations seem to establish a different rule not in harmony with the legislative history of the enactment, in keeping with its apparent purpose or making it available to those intended to be benefited by the statute, and not otherwise.}


\footnotetext{111. See note 100 supra.}

\footnotetext{112. See BYLAWS OF THE TOWN OF BROOKLINE art. XXXVIII, ¶¶ 8, 9(a) (1978).}

\footnotetext{113. See Chan v. Town of Brookline, 484 F. Supp. 1283 (D. Mass. 1980) (town amendment permitted tenants to stay in possession; court denied developers preliminary injunction because of potential hardship to tenants).}

\footnotetext{114. See note 101 supra.}

\footnotetext{115. CODE OF PALO ALTO ch. 22, § 22.04.050(a) (1979).}

\footnotetext{116. See 1979 Hearings, supra note 4, at 161.}


\footnotetext{118. At least one New York Court upheld these requirements. In People v. Lexington Sixty-First Assocs., 38 N.Y.2d 588, 345 N.E.2d 307, 381 N.Y.S.2d 836 (1976), the court found that the 35% tenant approval requirements had been met fraudulently and overturned a trial court determination that tenants who had made arrangements to leave their apartments could not come back.}


\footnotetext{120. Id. § 2-a.1(iii) (expired 1976).}
and granted a fifteen day period for tenants to voice their objections to
the conversion.\textsuperscript{121} The New York legislature allowed this law to expire
in 1976.\textsuperscript{122}

The District of Columbia enacted a moratorium\textsuperscript{123} in 1979 to pro-
vide time for the city council to propose an answer to the conversion
problem. The 1977 Act had permitted conversion notwithstanding the
vacancy rate if a majority of tenants signed a written agreement con-
senting to the conversion.\textsuperscript{124} In 1980 the city council amended the 1977
Act by imposing even more stringent notice and tenant approval re-
quirements.\textsuperscript{125}

\section*{III. Challenges to Condominium Conversion Controls}

Legal challenges to condominium conversion controls will determine
the shape of future regulations. As the conversion process spreads, mu-
nicipalities will respond with more regulations.\textsuperscript{126} The nature of these
regulations will depend on the needs of a particular area. In all cases,
however, states and municipalities will have to fashion legislation ac-
cording to basic constitutional and statutory requirements.

As with zoning and growth control regulations, courts will test con-
version regulations on a case-by-case basis.\textsuperscript{127} The major concerns
with temporary moratoria are their duration and their relationship to a
legitimate purpose.\textsuperscript{128} When moratoria approach outright bans, courts

\begin{thebibliography}{10}
\bibitem{121} Id. § 2-a, 2 (expired 1976).
\bibitem{122} Id. § 2 (expired 1976).
\bibitem{123} Condominium and Cooperative Conversion Stabilization Emergency Act of 1979, D.C.
          Act 3-95, 26 D.C. Reg. No. 9, p. 1014 (Aug. 27, 1979). This moratorium remained in effect for
          three months. The city council then enacted emergency legislation to extend this moratorium.
          p. 2436 (Nov. 23, 1979). See note 92 \textit{supra}.
\bibitem{124} D.C. Code § 5-1281(b) (Supp. 1979). The Act generally provided that if a building was
          not in a "high rent" area and the vacancy rate was less than 3%, the developer had to persuade at
          least half of the tenants to consent to the conversion. The Act required notice of conversion, \textit{id.}
          § 5-1268(b)(1), a right of first refusal, \textit{id.} § 5-1268(b)(2), and relocation assistance, \textit{id.} § 5-1291.
\bibitem{125} D.C. Law 3-204 (June 27, 1980), D.C. Reg. No. 28, p. 2975 (July 11, 1980) (to be codified
          D.C. Code tit. 45, ch. 16(a) (Supp. 1980)). The new Act also creates statutory tenancies for low-
          income elderly tenants. \textit{id.} § 208. See also notes 97-99 \textit{supra}.
\bibitem{126} See note 4 \textit{supra} and accompanying text.
\bibitem{127} See notes 34-35 \textit{supra} and accompanying text.
\bibitem{128} See, e.g., Builders' Ass'n v. Superior Court, 13 Cal. 3d 225, 529 P.2d 582, 118 Cal. Rptr.
          158 (1974); State v. Superior Court, 12 Cal. 3d 237, 524 P.2d 1281, 115 Cal. Rptr. 497 (1974);
          (1975); Monmouth Lumber Co. v. Ocean Township, 9 N.J. 64, 87 A.2d 9 (1952); Walworth
          County v. City of Elkhorn, 27 Wis. 2d 30, 133 N.W.2d 257 (1965).
\end{thebibliography}
will determine the success of the regulations individually.\(^{129}\) Although
there are no strict lines of demarcation,\(^{130}\) land use regulations are not
a taking if there is a relation to a stated goal.\(^{131}\)

Tenant protections such as notice requirements\(^{132}\) and the right of
first refusal\(^{133}\) should pose few problems.\(^{134}\) They are traditional
means of regulating property transactions and benefit developers as
well. Moreover, tenant protections do not significantly affect a prop-
erty owner's interest.

Courts also must treat relocation assistance\(^{135}\) and statutory tenan-
tcies\(^{136}\) individually. Opponents challenge these devices on grounds
similar to those presented in opposition to the more restrictive morato-
ria.\(^ {137}\) For example, the court in *Grace v. Town of Brookline*\(^{138}\)
reviewed eviction limitations and held that the restriction of property
owners' rights was permissible when in the public interest.\(^ {139}\)

*United States v. Caltex*, 344 U.S. 149, 156 (1952) (no “rigid rules”).

\(^{130}\) Regulation of the use of land is not a taking if there is a relation to a legitimate purpose.
See, e.g., *Goldblatt v. Town of Hempstead*, 369 U.S. 590, 594 (1962); *United States v. Central
Eureka Mining Co.*, 357 U.S. 155, 168 (1958); Village of Euclid v. Ambler Realty Co., 272 U.S.
365, 390-91 (1926); *Maher v. City of New Orleans*, 516 F.2d 1051, 1066 (5th Cir. 1975), cert.
denied, 426 U.S. 905 (1976). *See generally Sax, Takings and the Police Power*, 74 YALE L.J. 36,
50 (1964).

\(^{131}\) Challenges to rent control statutes are analogous situations. In *Apartment & Office Bldg.
Ass'n v. Washington*, 381 A.2d 588 (D.C. Ct. App. 1977), the court held that rent controls were not
a taking despite a deferred rate of return because the legislature determined that an emergency
existed and because the owner retained a reasonable use of the property. *See generally F. Bos-
selman, D. Callies & J. Banta, supra* note 33; *Wengut, supra* note 32.

\(^{132}\) For example, a New Jersey court upheld the spirit of eviction protections in *Fishman v.
eviction protections by invoking an owner-occupier exception to the regulations. The court held
that the exceptions could not apply to condominium conversion situations because to do so
would defeat the purpose of the protections. *See also* note 97 *supra* and accompanying text.

\(^{133}\) *See note 98 supra* and accompanying text.

\(^{134}\) *See note 99 supra* and accompanying text.

\(^{135}\) *See notes 99-100 supra* and accompanying text.

\(^{136}\) *See note 100 supra* and accompanying text.

\(^{137}\) *See note 51 supra* and accompanying text.

\(^{138}\) 399 N.E.2d 1038 (Mass. 1979).

\(^{139}\) The Town of Brookline prohibited developers from evicting tenants who refused to va-
cate converted buildings voluntarily, but provided that the condominium purchaser could bring
an eviction proceeding. These provisions effectively slowed the pace of conversion. The Massa-
chusetts Supreme Judicial Court held this was not a taking:

In a strict sense, the amendments do effect a transfer of rights incident to ownership: the
tenant in possession at the time of conversion is permitted to remain in possession even
though the owner seeks recovery for his own personal use. In our view, however, this
The basis for the taking challenge is the effect of a regulation on landlords' use of property. Regulations that require tenant approval of the conversion process are thus potentially less likely to succeed. Municipalities often invoke the police power, however, to cope with tight rental housing markets, so even these more restrictive regulations are arguably permissible if related to the general welfare. Further, because courts do not find a taking when a regulation simply deprives an owner of the most profitable use of the property, a mere diminution in value will not of itself invalidate conversion regulations.

Equal protection analysis of condominium conversion regulations generally fails to result in invalidation. Equal protection challenges to land use regulations traditionally focus on exclusionary effects. Thus, municipalities can safely legislate to protect displaced tenants faced with the conversion process in areas where replacement housing is difficult to find.

Municipalities must avoid discriminating against condominiums as a form of ownership. Instead, municipalities should focus on the use to which the property is put because courts will uphold legitimate land use classifications. Condominium conversion regulations single out redistribution of rights is not unlike the redistribution of rights effected by rent and eviction control generally.

Id. at 1045.

140. "[N]or shall private property be taken for public use, without just compensation." U.S. Const. amend. V. A taking is established if the land use regulation is so arbitrary and unreasonable that a private owner is not compensated for a public use. See F. Bosseman, D. Callies & J. Banta, supra note 33; Wengut, supra note 32.


143. See note 54 supra and accompanying text.

144. Exclusionary effects of condominium conversion regulation are minimal. Indeed, the regulations are aimed at preventing exclusion of tenants who cannot afford to purchase their apartments. A right to travel challenge will therefore have little success.


146. See Norsco Enterprises v. City of Fremont, 54 Cal. App. 3d 488, 126 Cal. Rptr. 659
developers or owners who wish to convert their property to condominiums; thus, the regulatory classification must have a legitimate basis to remain valid.\textsuperscript{147}

\textit{Goldman v. Town of Dennis}\textsuperscript{148} tests this argument. The Town of Dennis prohibited the conversion of any nonconforming cottage colony to condominium ownership unless the lot met certain zoning requirements.\textsuperscript{149} The court held that the prohibition was a valid land use regulation because conversion to condominiums would result in use of the property for more than just the summer season.\textsuperscript{150}

All municipal regulations are vulnerable to a challenge on grounds that the municipality exceeded its statutory authority. Condominium conversion regulations generally require an explicit declaration of the emergency that compels action.\textsuperscript{151} Of course, state law must not preempt the regulations. In \textit{Zussman v. Rent Control Board of Brookline},\textsuperscript{152} for example, the Massachusetts Supreme Court held that a state statute encouraging home ownership in the form of condominiums preempted the Rent Control Board’s conversion application denial.\textsuperscript{153} Thus, local regulations cannot attempt to regulate in an area already regulated by state statute unless the local regulation is simply an enlargement of the state statute pursuant to state enabling legislation or

\textsuperscript{147} See Rockville Grosvenor, Inc. v. Montgomery County, Eq. No. 68230 (Cir. Ct. Md., filed Aug. 23, 1979), aff'd in part and rev'd in part, No. 146 (Md., filed Nov. 13, 1980). The court concluded that relocation payments did not arbitrarily discriminate against landlords seeking to convert because “[i]t is clear from the expressions in the legislation as to its purpose, and the objectives sought to be gained through the enactment, that this is an appropriate classification and there is no invidious discrimination in it.” \textit{Id.}, slip op. at 12.

\textsuperscript{148} 375 N.E.2d 1212 (Mass. 1978).

\textsuperscript{149} \textit{Id.} at 1213.

\textsuperscript{150} \textit{Id.} at 1214. The court stated that the town council could reasonably believe that conversion would encourage expansion of use beyond the summer season: “Although the limitation is phrased in terms of the type of ownership, we think it is valid as a regulation of a ‘change of use.’” \textit{Id.} See also \textit{Town of Tuftonboro v. Lakeside Colony, Inc.}, 119 N.H. 445, 403 A.2d 410 (1979); Maplewood Village Tenants Ass'n v. Maplewood Village, 116 N.J. Super. 372, 282 A.2d 428 (1971).


\textsuperscript{152} 367 Mass. 561, 326 N.E.2d 876 (1975).

\textsuperscript{153} \textit{Id.}
home rule. 154

Challengers of condominium conversion controls offer policy arguments as well. Some argue that municipalities can best prevent the adverse effects of condominium conversion by providing an adequate supply of alternative rental housing. 155 There is, however, little new construction, and this solution does not address the needs of those for whom moving in itself is a hardship. Others argue that conversion controls have a detrimental effect on the housing economy, 156 further discouraging the construction of new housing. These policy arguments, however, are unlikely to succeed against an overwhelming state and municipal power to legislate for the public health and welfare. 157

Still other challengers claim that the best solution is for tenant organizations to opt for conversion themselves. 158 Although this may solve the problems of tenants in a particular building, it will not relieve low vacancy rate phenomena. Depletion of the rental stock will continue unabated and the cost of housing will continue to increase. This situation will justify continued regulation by municipalities.

Condominium conversion controls are a sound response to the crisis created by burgeoning condominium conversion and the shrinking housing market. As predominantly local regulators, municipalities can best evaluate their own housing needs and can tailor the regulations to fairly balance the interests of the public with those of private property owners. Municipalities, moreover, must ensure that their condominium regulations emanate from sound land use policies and sufficient authority. Because they address discrete public health and welfare concerns, condominium conversion regulations resist challenges on constitutional and policy grounds. Municipalities, therefore, should not

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155. One commentator noted that:
   It is not constructive to attempt to freeze conversion at its present level; this will only serve to increase the demand among existing condominium units, possibly to dangerously superheated levels. The objective should be to provide an environment that encourages the development of housing: not to preserve the sanctity of the rental format of apartment occupancy. 1979 Hearings, supra note 4, at 283 (statement of Philip Kozloff).
157. See notes 18-19 supra and accompanying text.
158. See 1979 Hearings, supra note 4, at 178-85.
hesitate to protect the public by enacting condominium conversion controls as needed.

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