

SENATE BILL NO. 306

INTRODUCED BY R. WEBB

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING CONDOMINIUM AND TOWNHOUSE LAWS; PROVIDING REQUIREMENTS FOR CONVERSION OF A CONDOMINIUM TO A TOWNHOUSE UNDER THE UNIT OWNERSHIP ACT; REQUIRING NOTICE OF THE CONVERSION BE GIVEN TO CERTAIN PARTIES; PROVIDING FOR THE EFFECTS OF A CONVERSION FROM A CONDOMINIUM TO A TOWNHOUSE; EXEMPTING CERTAIN CONVERSIONS OF A CONDOMINIUM TO A TOWNHOUSE FROM STATE SUBDIVISION REVIEW OF WATER SUPPLY AND SEWAGE DISPOSAL SYSTEMS; PROVIDING DEFINITIONS; AMENDING SECTIONS 70-23-102 AND 76-4-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Conversion of condominium to townhouse. (1) A condominium may be converted to a townhome or townhouse only if:

(a) no other structure occupies the vertical airspace above the unit's converted footprint; and

(b) all condominium units on the property are converted to townhome or townhouse units.

(2) A condominium described in subsection (1) may be converted to a townhome or townhouse only if all the unit owners owning units on the property consent in writing to the conversion.

(3) The association of unit owners must obtain an appraisal of the fair market value of each unit presuming that each unit had been converted to a townhome or townhouse for the purpose of establishing that the fair market value of the units as townhomes or townhouses is not less than the fair market value of the existing condominium units.

(4) (a) Within 10 days following the date of written consent pursuant to subsection (2) and after obtaining the appraisal required by subsection (3), a representative of the unit owners who consented to the conversion shall deliver by certified mail, return receipt requested, to each lender holding a mortgage against a unit subject to the conversion or to the applicable loan servicing company and to each holder of a lien against a unit subject to the conversion, a written notification of the proposed conversion with an opportunity to respond.

(b) Within 90 days of the date of the mailing of the written notification, the lender, loan servicing

1 company, or lienholder may object to the conversion by sending a written objection and explanation of the
2 lender's, loan servicing company's, or lienholder's requirements for acceptance of the conversion. The objection
3 and explanation must be sent by certified mail to the representative who prepared the notification.

4 (c) If a lender, loan servicing company, or lienholder does not register an objection within 90 days after
5 the date of the mailing of the written notification as provided by subsection (4)(b), the lender, loan servicing
6 company, or lienholder is considered to have consented to the conversion, and the unit owners' representative
7 may record the amended declaration.

8 (d) If the representative receives a written objection and explanation from a lender, loan serving
9 company, or lienholder, the conversion must be deferred for an additional 60 days beyond the 90 days described
10 by subsection (4)(b) to provide the parties an opportunity to resolve the objection. After the expiration of the
11 additional 60-day period, the amended declaration may be recorded.

12 (e) A conversion may be terminated if a consenting unit owner withdraws the owner's consent in writing
13 to the association of unit owners prior to expiration of the 90 days described by subsection (4)(b).

14 (5) (a) Except as otherwise provided by this section, after written consent for a conversion is granted as
15 provided by subsection (2), an amended declaration executed in accordance with 70-23-305 must be recorded
16 with the office of the county clerk and recorder of the county in which the property is situated. The amended
17 declaration must contain the following provisions or have the following contemporaneous recordings attached
18 to it:

19 (i) the bylaws of the association of unit owners with any amendments recorded pursuant to 70-23-307;

20 (ii) a provision providing for the continuation of the prior condominium association of unit owners as a
21 townhouse association of unit owners;

22 (iii) an exhibit containing certification by all the unit owners as provided in subsection (2) certifying that
23 they have consented in writing to the conversion;

24 (iv) a site plan that includes the boundaries of the footprint beneath each unit and any limited common
25 elements such as decks, patios, and walkways that will be included in the conversion; and

26 (v) a survey depicting the corners and boundaries of the land underlying each townhome or townhouse.

27 (b) An amended declaration must be accepted for recording by the clerk and recorder if the amended
28 declaration contains the information required by 70-23-301 and this section.

29 (6) The conversion of a condominium to a townhome or townhouse is effective upon recording the
30 amended declaration and contemporaneous recordings pursuant to subsection (5).

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2 **NEW SECTION.** **Section 2. Effect of conversion.** Following a conversion pursuant to [section 1]:

3 (1) (a) a townhome or townhouse unit, including the structural elements and land beneath the unit as
4 described in the survey in [section 1(5)(a)(v)] must be considered to be owned in fee simple by the unit owner;

5 (b) a portion of the property depicted as common area on the site plan described in [section 1(5)(a)(iv)]
6 must be considered to be owned in common by all of the converted townhome or townhouse unit owners. The
7 percentage of the undivided interest of each unit owner in the common area must be considered to be the same
8 as the percentage of undivided interest owned by the owner in the common elements prior to the conversion.

9 (c) a lien affecting a townhome or townhouse unit is a lien against the fee simple interest of the unit
10 owner in subsection (1)(a) and the undivided interest in the common area described in subsection (1)(b). The
11 conversion, by itself, may not be considered to have an effect on the existing priorities of any liens concerning
12 the converted townhome or townhouse units.

13 (2) the owners, lenders, and title insurers may rely on the amended declaration's legal description of the
14 property subject to the adjustment of boundaries provided by the survey in [section 1 (5)(a)(v)] with regard to the
15 future conveyance of individual townhome or townhouse units;

16 (3) section 71-1-108 applies to the fee simple title to the land beneath a townhome or townhouse unit
17 acquired by the mortgagor pursuant to the conversion;

18 (4) because the amended declaration must provide for the continuation of the association of unit owners
19 pursuant to [section 1(5)(a)(ii)], the unit owners may not be required to form a new association of unit owners;

20 (5) the townhome or townhouse may not be considered removed from the provisions of Title 70, chapter
21 23, solely by virtue of the conversion; and

22 (6) a unit owner, lender, or lienholder may not bring an action concerning the conversion against any
23 party associated with the conversion, including but not limited to the association of unit owners, title insurers,
24 escrow providers, or lenders. A person who brings an action concerning the conversion is liable for damages
25 and attorney fees and costs to defend the action.

26
27 **Section 3.** Section 70-23-102, MCA, is amended to read:

28 **"70-23-102. Definitions.** In this chapter, unless the context requires otherwise, the following definitions
29 apply:

30 (1) "Association of unit owners" means all the unit owners acting as a group in accordance with the

1 declaration and bylaws.

2 (2) "Building" means a multiple-unit building or buildings comprising a part of the property.

3 (3) "Common elements" means the general common elements and the limited common elements.

4 (4) "Common expenses" means:

5 (a) expenses of administration, maintenance, repair, or replacement of the common elements;

6 (b) expenses agreed upon as common by all the unit owners; and

7 (c) expenses declared common by 70-23-610 and 70-23-612 or by the declaration or the bylaws of the
8 particular condominium.

9 (5) "Condominium" means the ownership of single units with common elements located on property
10 submitted to the provisions of this chapter. The term does not include a townhome or townhouse.

11 (6) "Conversion" means a change in the character of residential real property from one or more parcels
12 of land with attached condominium units to one or more parcels of land with attached townhome or townhouse
13 units.

14 ~~(6)(7)~~ "Declaration" means the instrument by which the property is submitted to the provisions of this
15 chapter.

16 ~~(7)(8)~~ "General common elements", unless otherwise provided in a declaration or by consent of all the
17 unit owners, means:

18 (a) the land on which the building is located, except any portion of the land included in a unit or made
19 a limited common element by the declaration;

20 (b) the foundations, columns, girders, beams, supports, mainwalls, roofs, halls, corridors, lobbies, stairs,
21 fire escapes, entrances, and exits of the building;

22 (c) the basements, yards, gardens, parking areas, and outside storage spaces, private pathways,
23 sidewalks, and private roads;

24 (d) installations of central services such as power, light, gas, hot and cold water, heating, refrigeration,
25 air conditioning, waste disposal, and incinerating;

26 (e) the elevators, tanks, pumps, motors, fans, compressors, ducts, and in general all apparatus and
27 installations existing for common use;

28 (f) the premises for the lodging of janitors or caretakers of the property; and

29 (g) all other elements of the building necessary or convenient to its existence, maintenance, and safety
30 or normally in common use.

~~(8)~~(9) "Limited common elements" means those common elements designated in the declaration or by agreement of all the unit owners as reserved for the use of a certain unit or number of units to the exclusion of the other units.

~~(9)~~(10) "Majority" or "majority of the unit owners", unless otherwise provided in the declaration, means the owners of more than 50% in the aggregate of the undivided ownership interests in the general common elements as the percentage of interest in the element appertaining to each unit is expressed in the declaration. Whenever a percentage of the unit owners is specified, percentage means the percentage in the aggregate of undivided ownership.

~~(10)~~(11) "Manager" means the manager, board of managers, or other person in charge of the administration of or managing the property.

~~(11)~~(12) "Project" means a real estate condominium project whereby a condominium of two or more units located on property submitted to the provisions of this chapter ~~are~~ is offered or proposed to be offered for sale.

~~(12)~~(13) "Property" means the land, all buildings, improvements, and structures on the land, and all easements, rights, and appurtenances belonging to the land that are submitted to the provisions of this chapter.

~~(13)~~(14) "Recording officer" means the county officer charged with the duty of filing and recording deeds and mortgages or other instruments or documents affecting the title to real property.

~~(14)~~(15) "Townhome" or "townhouse" means property that is owned subject to an arrangement under which persons own their own units and hold separate title to the land beneath their units, but under which they may jointly own the common areas and facilities.

~~(15)~~(16) "Unit" means a part of the property including one or more rooms occupying one or more floors or a part or parts of the property intended for any type of independent use and with a direct exit to a public street or highway or to a common area or area leading to a public street or highway.

~~(16)~~(17) "Unit designation" means the number, letter, or combination of numbers and letters designating a unit in the declaration.

~~(17)~~(18) "Unit owner" means the person owning a unit in fee simple absolute individually or as co-owner in any real estate tenancy relationship recognized under the laws of this state. However, for all purposes, including the exercise of voting rights, provided by lease filed with the presiding officer of the association of unit owners, a lessee of a unit must be considered a unit owner."

Section 4. Section 76-4-111, MCA, is amended to read:

"76-4-111. Exemption for certain condominiums. (1) Condominiums constructed on land divided in compliance with the Montana Subdivision and Platting Act and this part are exempt from provisions of this part.

(2) Whenever a parcel of land has previously been reviewed under either department requirements or local health requirements and has received approval for a given number of living units for rental or lease, the construction of the same or a fewer number of condominium units on that parcel is not subject to the provisions of this part, provided that no new extension of a public water supply system or extension of a public sewage system is required.

(3) The conversion of a condominium to a townhouse or townhome pursuant to [section 1] is exempt from this part if the condominium was approved following review under Title 76, chapter 3, parts 5 and 6."

NEW SECTION. **Section 5. Codification instruction.** [Sections 1 and 2] are intended to be codified as an integral part of Title 70, chapter 23, and the provisions of Title 70, chapter 23, apply to [sections 1 and 2].

NEW SECTION. **Section 6. Effective date.** [This act] is effective on passage and approval.

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