

COMMITTEE ON COMMERCE  
HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1198  
(Reference to Senate engrossed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 33-1228, Arizona Revised Statutes, is amended to  
3 read:

4 33-1228. Termination of condominium

5 A. Except as provided in subsection B of this section, a condominium  
6 may be terminated only by agreement of unit owners of units to which at  
7 least eighty percent of the votes in the association are allocated, or any  
8 larger percentage the declaration specifies, except:

9 1. In the case of a taking of all the units by eminent domain.

10 2. If the declaration specifies a smaller percentage, but only if  
11 all of the units in the condominium are restricted exclusively to  
12 nonresidential uses.

13 B. A condominium created on or after September 24, 2022 may be  
14 terminated only by agreement of unit owners of units to which ninety-five  
15 percent of the votes in the association are allocated, or any larger  
16 percentage the declaration specifies, except as provided in subsection A,  
17 paragraph 1 or 2 of this section.

18 C. At least thirty days before recording a termination agreement,  
19 the board of directors of the association shall convene a regular or  
20 special meeting of the board of directors at which a person or entity that  
21 purports to have the agreement of at least the percentage of the votes in  
22 the association specified in subsection A or B of this section, as  
23 applicable, or any larger percentage if required, shall produce and make

1 available to the unit owners copies of a signed notarized statement that  
2 the owner of a unit has executed a termination agreement. The person or  
3 entity shall produce copies of a statement for each unit owner who has  
4 agreed to the termination, or may produce the signed termination agreement  
5 that includes a sufficient number of unit owners. Any meeting called  
6 pursuant to this subsection shall be noticed as otherwise provided by law,  
7 except that the board may not take action by written consent or any other  
8 method that does not provide for an actual meeting that is open to all the  
9 unit owners. Any termination agreement that is recorded without full  
10 compliance with this subsection is invalid.

11 D. An agreement to terminate shall be evidenced by the execution or  
12 ratifications of a termination agreement, in the same manner as a deed, by  
13 the requisite number of unit owners. The termination agreement shall  
14 specify a date after which the agreement will be void unless it is recorded  
15 before that date. A termination agreement and all ratifications of a  
16 termination agreement shall be recorded in each county in which a portion  
17 of the condominium is situated and is effective only on recordation.

18 E. A termination agreement may provide that all the common elements  
19 and units of the condominium shall be sold following termination. If,  
20 pursuant to the agreement, any real estate in the condominium is to be sold  
21 following termination, the termination agreement shall set forth the  
22 minimum terms of the sale.

23 F. The association, on behalf of the unit owners, may contract for  
24 the sale of real estate in the condominium, but the contract is not binding  
25 on the unit owners until approved pursuant to subsections A, B, C and D of  
26 this section. If any real estate in the condominium is to be sold  
27 following termination, title to that real estate on termination vests in  
28 the association as trustee for the holders of all interest in the units.  
29 Thereafter, the association has all powers necessary and appropriate to  
30 effect the sale. Until the sale has been concluded and the proceeds of the  
31 sale distributed, the association continues in existence with all powers it

1 had before termination. Proceeds of the sale shall be distributed to unit  
2 owners and lienholders as their interests may appear, in proportion to the  
3 respective interests of unit owners as provided in subsection I of this  
4 section. Unless otherwise specified in the termination agreement, as long  
5 as the association holds title to the real estate, each unit owner and the  
6 unit owner's successors in interest have an exclusive right to occupancy of  
7 the portion of the real estate that formerly constituted the unit owner's  
8 unit. During the period of that occupancy, each unit owner and the  
9 successors in interest remain liable for all assessments and other  
10 obligations imposed on unit owners by this chapter or the declaration.

11 G. If the real estate constituting the condominium is not to be sold  
12 following termination, title to all the real estate in the condominium  
13 vests in the unit owners on termination as tenants in common in proportion  
14 to their respective interests as provided in subsection I of this section,  
15 and liens on the units shift accordingly. While the tenancy in common  
16 exists, each unit owner and the unit owner's successors in interest have an  
17 exclusive right to occupancy of the portion of the real estate that  
18 formerly constituted the unit owner's unit.

19 H. Following termination of the condominium, the proceeds of any  
20 sale of real estate, together with the assets of the association, are held  
21 by the association as trustee for unit owners and holders of liens on the  
22 units as their interests may appear. Following termination, creditors of  
23 the association holding liens on the units that were recorded before  
24 termination may enforce those liens in the same manner as any lienholder.

25 I. The respective interests of unit owners referred to in  
26 subsections F, G and H of this section are as follows:

27 1. Except as provided in paragraph 2 of this subsection, the  
28 respective interests of unit owners are the fair market values of their  
29 units, limited common elements and common element interests immediately  
30 before the termination, ~~AND~~ AND their pro rata share of any monies in the  
31 association's reserve fund and the operating account IMMEDIATELY BEFORE THE

1       TERMINATION. ~~and~~ ONLY FOR A UNIT THAT IS THE PRIMARY RESIDENCE OF THE UNIT  
2       OWNER, FROM THE CONDOMINIUM RELOCATION FUND, THE UNIT OWNER SHALL RECEIVE  
3       an additional five percent of that total amount for relocation costs ALONG  
4       WITH ALL CLOSING COSTS OF THE SALES TRANSACTION, INCLUDING COSTS FOR TITLE  
5       INSURANCE IF REQUESTED BY THE UNIT OWNER, AND COMPENSATION FOR THE  
6       DIFFERENCE IN THE INTEREST RATE FOR ANY AMOUNT OWED ON A MORTGAGE, DEED OF  
7       TRUST OR OTHER SIMILAR ENCUMBRANCE ON THE UNIT AT THE TIME OF TERMINATION  
8       AND THE INTEREST RATE FOR A SIMILAR MORTGAGE OR DEED OF TRUST OR OTHER  
9       SIMILAR FINANCING METHOD ON THAT SAME AMOUNT AT THE TIME OF  
10      TERMINATION. FOR ALL UNIT OWNERS, THE FAIR MARKET VALUE OF THE UNIT SHALL  
11      BE DETERMINED FROM THE HIGHER OF THE HIGHEST SELLING PRICE PAID FOR A UNIT  
12      WITH A COMPARABLE FLOOR PLAN AND COMPARABLE SIZE THAT WAS SOLD IN THE  
13      CONDOMINIUM IN THE IMMEDIATELY PRECEDING FIVE YEARS AND THE FAIR MARKET  
14      VALUE AS DETERMINED BY AN INDEPENDENT APPRAISAL OF THE UNIT THAT IS MADE  
15      USING UNITS WITH A SIMILAR SQUARE FOOTAGE, A SIMILAR NUMBER OF BEDROOMS AND  
16      BATHROOMS AND OTHER SIMILAR FEATURES IN CONDOMINIUMS WITHIN A FIVE-MILE  
17      RADIUS OF THE CONDOMINIUM. ANY APPRAISAL USED FOR THIS PURPOSE IS AT THE  
18      UNIT OWNER'S OPTION, AND THE UNIT OWNER SHALL PAY FOR THE APPRAISAL. IF  
19      THE UNIT OWNER CHOOSES NOT TO USE AN APPRAISAL, THE FAIR MARKET VALUE SHALL  
20      BE DETERMINED WITHOUT IT AS PRESCRIBED BY THIS PARAGRAPH. THE FAIR MARKET  
21      VALUE SHALL NOT BE REDUCED BY ANY SPECIAL ASSESSMENTS, CAPITAL IMPROVEMENT  
22      FEES OR OTHER CHARGES IMPOSED BY THE ASSOCIATION DURING THE TWO-YEAR PERIOD  
23      IMMEDIATELY PRECEDING THE TERMINATION. ~~An independent appraiser selected~~  
24      ~~by the association shall determine the total fair market values. The~~  
25      ~~determination of the independent appraiser shall be distributed to the unit~~  
26      ~~owners and becomes final unless disapproved within sixty days after~~  
27      ~~distribution to the unit owner. Any unit owner may obtain a second~~  
28      ~~independent appraisal at the unit owner's expense and, if the unit owner's~~  
29      ~~independent appraisal amount differs from the association's independent~~  
30      ~~appraisal amount by five percent or less, the higher appraisal is~~  
31      ~~final. If the total amount of compensation owed as determined by the~~

1 ~~second appraiser is more than five percent higher than the amount~~  
2 ~~determined by the association's appraiser, IF THE UNIT OWNER AND THE BUYER~~  
3 ~~DO NOT AGREE ON THE FAIR MARKET VALUE OF THE UNIT AND, IF APPLICABLE, THE~~  
4 ~~RELOCATION COSTS AND OTHER ADDITIONAL AMOUNTS DUE AN OWNER OF A UNIT THAT~~  
5 ~~IS THE UNIT OWNER'S PRIMARY RESIDENCE, the unit owner shall~~ MAY submit THE  
6 ISSUES to arbitration by an arbitrator affiliated with a national  
7 arbitration association and under the rules of that association ~~at the~~  
8 ~~association's expense~~ and the arbitration amount is the final sale  
9 amount. ~~As part of the arbitration process, the appraisers shall fully~~  
10 ~~disclose their appraisal methodologies and shall disclose any other~~  
11 ~~transaction occurring between the buyer and the sellers. An additional~~  
12 ~~five percent of the final sale amount shall be added for relocation costs.~~  
13 THE COSTS OF THE ARBITRATION SHALL BE PAID FROM THE CONDOMINIUM RELOCATION  
14 FUND ESTABLISHED BY SECTION 41-3958.

15 2. If any unit or any limited common element is destroyed to the  
16 extent that an appraisal of the fair market value of the unit or element  
17 before destruction cannot be made, the interests of all unit owners are  
18 their respective common element interests immediately before the  
19 termination.

20 J. Except as provided in subsection K of this section, foreclosure  
21 or enforcement of a lien or encumbrance against the entire condominium does  
22 not of itself terminate the condominium, and foreclosure or enforcement of  
23 a lien or encumbrance against a portion of the condominium does not  
24 withdraw that portion from the condominium. Foreclosure or enforcement of  
25 a lien or encumbrance against withdrawable real estate does not of itself  
26 withdraw that real estate from the condominium, but the person taking title  
27 may require from the association, on request, an amendment excluding the  
28 real estate from the condominium.

29 K. If a lien or encumbrance against a portion of the real estate  
30 comprising the condominium has priority over the declaration, and the lien  
31 or encumbrance has not been partially released, the parties foreclosing the

1       lien or encumbrance, on foreclosure, may record an instrument excluding the  
2       real estate subject to that lien or encumbrance from the condominium.

3               L. The provisions of subsections E, F, G, H, J and K of this section  
4       do not apply if the original declaration, an amendment to the original  
5       declaration recorded before the conveyance of any unit to an owner other  
6       than the declarant or an agreement by all of the unit owners contains  
7       provisions inconsistent with these subsections.

8               M. ~~Beginning on August 3, 2018,~~ Any provisions in the declaration  
9       that conflict with subsection I, paragraph 1 of this section are void as a  
10      matter of public policy.

11              N. EACH UNIT IN A CONDOMINIUM SHALL BE ASSESSED AN ANNUAL AMOUNT AS  
12      DETERMINED BY THE DIRECTOR OF THE ARIZONA DEPARTMENT OF HOUSING TO PROVIDE  
13      MONIES FOR THE CONDOMINIUM RELOCATION FUND ESTABLISHED PURSUANT TO SECTION  
14      41-3958.

15              Sec. 2. Section 33-1260, Arizona Revised Statutes, is amended to  
16      read:

17              33-1260. Resale of units; information required; fees; civil  
18                              penalty; applicability; definition

19              A. For condominiums with fewer than fifty units, a unit owner shall  
20      mail or deliver to a purchaser or a purchaser's authorized agent within ten  
21      days after receipt of a written notice of a pending sale of the unit, and  
22      for condominiums with fifty or more units, the association shall mail or  
23      deliver to a purchaser or a purchaser's authorized agent within ten days  
24      after receipt of a written notice of a pending sale that contains the name  
25      and address of the purchaser all of the following in either paper or  
26      electronic format:

- 27              1. A copy of the bylaws and the rules of the association.
- 28              2. A copy of the declaration.
- 29              3. A dated statement containing:
  - 30                      (a) The telephone number and address of a principal contact for the  
31                      association, which may be an association manager, an association management

1 company, an officer of the association or any other person designated by  
2 the board of directors.

3 (b) The amount of the common expense assessment for the unit and any  
4 unpaid common expense assessment, special assessment or other assessment,  
5 fee or charge currently due and payable from the selling unit owner. If  
6 the request is made by a lienholder, escrow agent, unit owner or person  
7 designated by a unit owner pursuant to section 33-1256, failure to provide  
8 the information pursuant to this subdivision within the time provided for  
9 in this subsection shall extinguish any lien for any unpaid assessment then  
10 due against that unit.

11 (c) A statement as to whether a portion of the unit is covered by  
12 insurance maintained by the association.

13 (d) The total amount of money held by the association as reserves.

14 (e) If the statement is being furnished by the association, a  
15 statement as to whether the records of the association reflect any  
16 alterations or improvements to the unit that violate the declaration. The  
17 association is not obligated to provide information regarding alterations  
18 or improvements that occurred more than six years before the proposed sale.  
19 ~~Nothing in~~ This subdivision ~~relieves~~ DOES NOT RELIEVE the seller of a unit  
20 from the obligation to disclose alterations or improvements to the unit  
21 that violate the declaration, ~~nor precludes~~ AND DOES NOT PRECLUDE the  
22 association from taking action against the purchaser of a unit for  
23 violations that are apparent at the time of purchase and that are not  
24 reflected in the association's records.

25 (f) If the statement is being furnished by the unit owner, a  
26 statement as to whether the unit owner has any knowledge of any alterations  
27 or improvements to the unit that violate the declaration.

28 (g) A statement of case names and case numbers for pending  
29 litigation with respect to the unit filed by the association against the  
30 unit owner or filed by the unit owner against the association. The unit  
31 owner or the association shall not be required to disclose information

1 concerning the pending litigation that would violate any applicable rule of  
2 attorney-client privilege under ~~Arizona~~ STATE law.

3 (h) A statement that provides "I hereby acknowledge that the  
4 declaration, bylaws and rules of the association constitute a contract  
5 between the association and me (the purchaser). By signing this statement,  
6 I acknowledge that I have read and understand the association's contract  
7 with me (the purchaser). I also understand that as a matter of Arizona  
8 law, if I fail to pay my association assessments, the association may  
9 foreclose on my property." The statement shall also include a signature  
10 line for the purchaser and shall be returned to the association within  
11 fourteen calendar days.

12 4. A copy of the current operating budget of the association.

13 5. A copy of the most recent annual financial report of the  
14 association. If the report is more than ten pages, the association may  
15 provide a summary of the report in lieu of the entire report.

16 6. A copy of the most recent reserve study of the association, if  
17 any.

18 7. A statement summarizing any pending lawsuits, except those  
19 relating to the collection of assessments owed by unit owners other than  
20 the selling unit owner, in which the association is a named party,  
21 including the amount of any money claimed.

22 8. A STATEMENT NOTIFYING THE PURCHASER THAT UNDER THE LAWS OF THIS  
23 STATE, THE CONDOMINIUM MAY BE TERMINATED BY A VOTE OF EIGHTY PERCENT OR  
24 MORE OF THE OWNERS OF THE UNITS IN THE CONDOMINIUM AND IF A SUFFICIENT  
25 NUMBER OF UNITS ARE ACQUIRED BY A POTENTIAL BUYER FOR THE ENTIRE PROPERTY,  
26 THE UNIT OWNERS MAY BE REQUIRED TO SELL THEIR UNITS.

27 B. A purchaser or seller who is damaged by the failure of the unit  
28 owner or the association to disclose the information required by subsection  
29 A of this section may pursue all remedies at law or in equity against the  
30 unit owner or the association, whichever failed to comply with subsection A  
31 of this section, including the recovery of reasonable attorney fees.



1 C. The association may charge the unit owner a fee of not more than  
2 an aggregate of ~~four hundred dollars~~ \$400 to compensate the association for  
3 the costs incurred in the preparation and delivery of a statement or other  
4 documents furnished by the association pursuant to this section for  
5 purposes of resale disclosure, lien estoppel and any other services related  
6 to the transfer or use of the property. In addition, the association may  
7 charge a rush fee of not more than ~~one hundred dollars~~ \$100 if the rush  
8 services are required to be performed within seventy-two hours after the  
9 request for rush services, and may charge a statement or other documents  
10 update fee of not more than ~~fifty dollars~~ \$50 if thirty days or more have  
11 passed since the date of the original disclosure statement or the date the  
12 documents were delivered. The association shall make available to any  
13 interested party the amount of any fee established from time to time by the  
14 association. If the aggregate fee for purposes of resale disclosure, lien  
15 estoppel and any other services related to the transfer or use of a  
16 property is less than ~~four hundred dollars~~ \$400 on January 1, 2010, the fee  
17 may increase at a rate of not more than twenty percent per year based on  
18 the immediately preceding fiscal year's amount, not to exceed the ~~four~~  
19 ~~hundred dollar~~ \$400 aggregate fee. The association may charge the same fee  
20 without regard to whether the association is furnishing the statement or  
21 other documents in paper or electronic format.

22 D. The fees prescribed by this section shall be collected ~~no~~ NOT  
23 earlier than at the close of escrow and may only be charged once to a unit  
24 owner for that transaction between the parties specified in the notice  
25 required pursuant to subsection A of this section. An association shall  
26 not charge or collect a fee relating to services for resale disclosure,  
27 lien estoppel and any other services related to the transfer or use of a  
28 property except as specifically authorized in this section. An association  
29 that charges or collects a fee in violation of this section is subject to a  
30 civil penalty of not more than ~~one thousand two hundred dollars~~ \$1,200.

1 E. This section applies to a managing agent for an association that  
2 is acting on behalf of the association.

3 F. The following are exempt from this section:

4 1. A sale in which a public report is issued pursuant to section  
5 32-2183 or 32-2197.02.

6 2. A sale pursuant to section 32-2181.02.

7 3. A conveyance by recorded deed that bears an exemption listed in  
8 section 11-1134, subsection B, paragraph 3 or 7. On recordation of the  
9 deed and for no additional charge, the unit owner shall provide the  
10 association with the changes in ownership, including the unit owner's name,  
11 billing address and phone number. Failure to provide the information shall  
12 not prevent the unit owner from qualifying for the exemption pursuant to  
13 this section.

14 G. This section does not apply to timeshare plans or associations  
15 that are subject to chapter 20 of this title.

16 H. For the purposes of this section, unless the context otherwise  
17 requires, "unit owner":

18 1. Means the seller of the condominium unit title. ~~and excludes~~

19 2. DOES NOT INCLUDE:

20 (a) Any real estate salesperson or real estate broker who is  
21 licensed under title 32, chapter 20 and who is acting as a salesperson or  
22 broker. ~~,~~

23 (b) Any escrow agent who is licensed under title 6, chapter 7 and  
24 who is acting as an escrow agent. ~~and also excludes~~

25 (c) A trustee of a deed of trust who is selling the property in a  
26 trustee's sale pursuant to chapter 6.1 of this title.

27 Sec. 3. Title 33, chapter 9, article 3, Arizona Revised Statutes, is  
28 amended by adding section 33-1262, to read:

29 33-1262. Annual notice to unit owners; termination; ownership

30 THE BOARD OF DIRECTORS SHALL PROVIDE AN ANNUAL NOTICE TO ALL UNIT  
31 OWNERS THAT INCLUDES THE FOLLOWING:

1           1. A STATEMENT THAT UNDER THE LAWS OF THIS STATE, THE CONDOMINIUM  
2 MAY BE TERMINATED BY A VOTE OF EIGHTY PERCENT OR MORE OF THE OWNERS OF THE  
3 UNITS IN THE CONDOMINIUM AND IF A SUFFICIENT NUMBER OF UNITS ARE ACQUIRED  
4 BY A POTENTIAL BUYER FOR THE ENTIRE PROPERTY, THE UNIT OWNERS MAY BE  
5 REQUIRED TO SELL THEIR UNITS.

6           2. A STATEMENT THAT PROVIDES THE TOTAL NUMBER OF UNITS IN THE  
7 CONDOMINIUM, THE NUMBER OF UNITS OWNED BY EACH UNIT OWNER AND THE NAME OF  
8 EACH UNIT OWNER.

9           Sec. 4. Title 41, chapter 37, article 2, Arizona Revised Statutes,  
10 is amended by adding section 41-3958, to read:

11           41-3958. Condominium relocation fund; assessment; purpose;  
12                                 exemption

13           A. THE CONDOMINIUM RELOCATION FUND IS ESTABLISHED CONSISTING OF  
14 MONIES COLLECTED PURSUANT TO SECTION 33-1228 AND THIS SECTION. THE  
15 DEPARTMENT SHALL ADMINISTER THE FUND. EACH UNIT OWNER IN A CONDOMINIUM AS  
16 DEFINED IN SECTION 33-1202 SHALL PAY AN ASSESSMENT EACH YEAR FOR EACH  
17 CONDOMINIUM UNIT THE PERSON OWNS. THE DIRECTOR SHALL DETERMINE BY RULE THE  
18 AMOUNT OF THE ASSESSMENT AND SHALL NOTIFY THE COUNTY TREASURER OF THE  
19 AMOUNT. THE COUNTY TREASURER SHALL COLLECT THE ASSESSMENT IMPOSED BY THIS  
20 SECTION AT THE SAME TIME AND IN THE SAME MANNER AS REAL PROPERTY TAXES.  
21 THE COUNTY TREASURER SHALL SEPARATELY LIST THE ASSESSMENT ON THE TAX ROLL  
22 AND SHALL TRANSFER THE REVENUES COLLECTED TO THE STATE TREASURER FOR  
23 DEPOSIT IN THE CONDOMINIUM RELOCATION FUND.

24           B. MONIES IN THE FUND SHALL BE USED TO PAY THE FOLLOWING AS A  
25 PORTION OF THE AMOUNT PAYABLE TO A UNIT OWNER FOR THE UNIT OWNER'S INTEREST  
26 IN A CONDOMINIUM THAT IS BEING TERMINATED PURSUANT TO SECTION 33-1228:

27           1. FOR A UNIT THAT IS THE PRIMARY RESIDENCE OF THE UNIT OWNER, ALL  
28 OF THE FOLLOWING AS PRESCRIBED BY SECTION 33-1228:

29           (a) THE ADDITIONAL FIVE PERCENT OF THE TOTAL AMOUNT PURSUANT TO  
30 SECTION 33-1228, SUBSECTION I, PARAGRAPH 1 AS RELOCATION COSTS.

1 (b) ALL CLOSING COSTS OF THE SALES TRANSACTION, INCLUDING COSTS FOR  
2 TITLE INSURANCE IF REQUESTED BY THE UNIT OWNER.

3 (c) COMPENSATION FOR THE DIFFERENCE IN THE INTEREST RATE FOR ANY  
4 AMOUNT OWED ON A MORTGAGE, DEED OF TRUST OR OTHER SIMILAR ENCUMBRANCE ON  
5 THE UNIT AT THE TIME OF TERMINATION AND THE INTEREST RATE FOR A SIMILAR  
6 MORTGAGE OR DEED OF TRUST OR OTHER SIMILAR FINANCING METHOD ON THAT SAME  
7 AMOUNT AT THE TIME OF TERMINATION.

8 2. FOR ALL UNIT OWNERS, THE COSTS OF THE ARBITRATION PRESCRIBED BY  
9 SECTION 33-1228.

10 C. ON NOTICE FROM THE DIRECTOR, THE STATE TREASURER SHALL INVEST AND  
11 DIVEST MONIES IN THE FUND AS PROVIDED BY SECTION 35-313, AND MONIES EARNED  
12 FROM INVESTMENT SHALL BE CREDITED TO THE FUND. ANY UNEXPENDED AND  
13 UNENCUMBERED MONIES REMAINING IN THE FUND AT THE END OF THE FISCAL YEAR DO  
14 NOT REVERT TO THE STATE GENERAL FUND BUT REMAIN IN THE FUND, SEPARATELY  
15 ACCOUNTED FOR, AS A CONTINGENCY RESERVE.

16 D. THE DEPARTMENT MAY USE NOT MORE THAN FIVE PERCENT OF THE MONIES  
17 IN THE FUND ANNUALLY FOR THE COSTS OF THE DEPARTMENT IN ADMINISTERING THE  
18 FUND.

19 Sec. 5. Legislative intent; condominium terminations;  
20 retroactivity

21 A. The legislature finds that in recent years, numerous condominium  
22 owners in this state have been forced to sell their residences at a  
23 significantly reduced price to investors that have acquired a substantial  
24 interest in the condominium units in that community and that are  
25 terminating the condominium over the objection of those same owners and, in  
26 most cases, converting the condominiums to rental property. These  
27 condominium owners have been financially harmed by the inequitable system  
28 used by the investors acquiring the condominium units at an extreme  
29 discount in a forced sale. Some of these investors have further harmed  
30 these condominium owners by levying special assessments or other similar  
31 charges against the unit owners once the investors have control of the

1 association board of directors, thus requiring the special assessments and  
2 charges to be paid on termination, reducing the net sales proceeds for the  
3 unit owners even further. These inequities are compounded by recent real  
4 estate market forces that have made condominium termination and conversion  
5 a more favored investment option.

6 B. The statutory provisions that govern the acquisition and  
7 termination of a condominium, originally written in 1977, have been in  
8 place in this state since 1985 and have been unchanged for many years.  
9 Beginning in 2018, the legislature recognized the inequities in the old  
10 statutory scheme that leaves these condominium owners with unequal  
11 bargaining power and has attempted to provide more protections for  
12 condominium owners who are subject to a forced termination. A recent  
13 decision in this state's courts, Cao v. PFP Dorsey Investments, LLC, 253  
14 Ariz. 552 (Az. App. 2022), has reduced or eliminated the effectiveness of  
15 the legislature's recent enactments, resulting in continuing harm to  
16 condominium owners' private property rights.

17 C. Based on the foregoing and after careful consideration of the  
18 case Cao v. PFP Dorsey Investments, LLC, 253 Ariz. 552 (Az. App. 2022), the  
19 legislature finds and declares that there is a vital public interest in  
20 maintaining these forms of private property ownership as affordable and  
21 essential housing and in ensuring through a lawful exercise of its police  
22 powers that condominium unit owners are properly compensated for their  
23 private property ownership rights and receive fair compensation for any  
24 condominium units that are forced to be sold under the termination process.  
25 The legislature further finds that even if this enactment does constitute a  
26 substantial impairment to one or more contractual rights, this enactment is  
27 a valid exercise of this state's police power in that it provides a  
28 safeguard to the vital public interest in protecting these property rights  
29 and is a reasonable and appropriate minor adjustment to the inherently  
30 unequal bargaining position of the parties and furthers this significant  
31 and legitimate public purpose. Therefore, the legislature intends for this

1 act to be retroactively applied to all condominiums in this state, whether  
2 established before or after the effective date of this act.

3 Sec. 6. Retroactivity

4 Section 33-1228, Arizona Revised Statutes, as amended by this act,  
5 applies retroactively to all condominiums in this state, whether  
6 established before or after the effective date of this act."

7 Amend title to conform

And, as so amended, it do pass

JUSTIN WILMETH  
CHAIRMAN

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