

# CONDOMINIUM CONVERSION DISCUSSION

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City of Salem

January 12, 2022



# Overview

- Background and Challenges
- Why should Salem adopt a local ordinance?
- Draft Ordinance Highlights
- Next Steps
- Questions and Comments
- How to Stay Informed

# Background

- 1983: Condominium Conversion Law adopted by MA Legislature in response to a surge of conversions. The law prevented displacement by providing certain basic protections for tenants and allowed communities to adopt greater or different protections.
- Law was amended in 1989 and 2005 to allow certain waivers.
- Local legislative action must be accompanied by a declaration in the form of findings where local conditions constitute an acute rental housing emergency requiring local action.

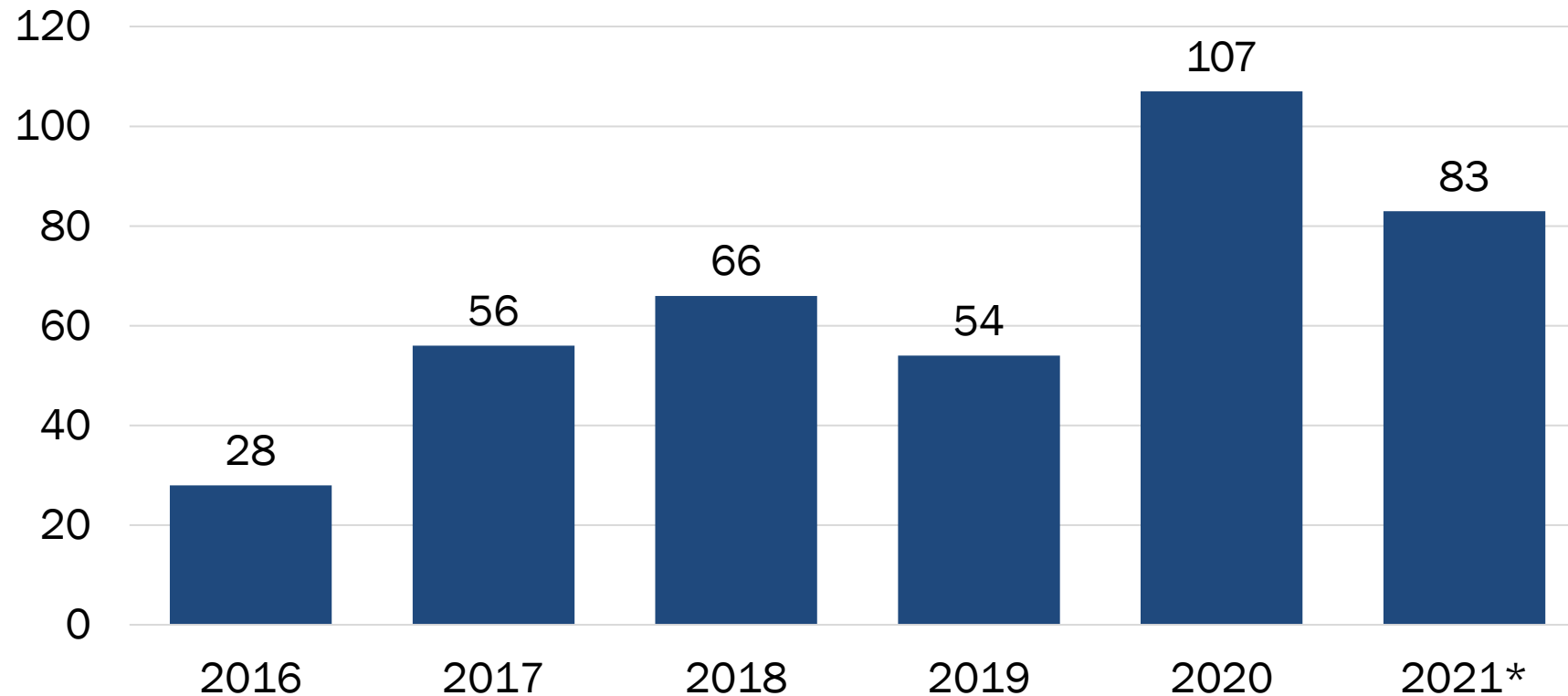
# Challenges

1. The State's Condo Conversion Law does not provide regulations by which municipalities should implement the Law.
2. The Law only applies to buildings with 4 or more housing units; local action cannot lower this threshold.
3. Meaningful enforcement is not possible without devoting local staff and resources; therefore, the Law is not enforced even in municipalities that have adopted local condo conversion bylaws/ordinances.

# Why Now?

- The State condo conversion law is not being enforced in Salem and therefore not effective in its intended goals of preventing displacement or successful relocation of tenants within the City.
- The pace of condominium conversions in Salem has steadily increased over the past 6 years while housing costs continues to rise.
- Declining housing diversity: Salem is rapidly losing its 2-3 family housing stock to conversions.
- Displacement due to conversions disproportionately impacts people of color, since 1 in 4 renter householders in Salem identify as non-white (ACS 2019).

## Total New Condominium Units by Year - Salem

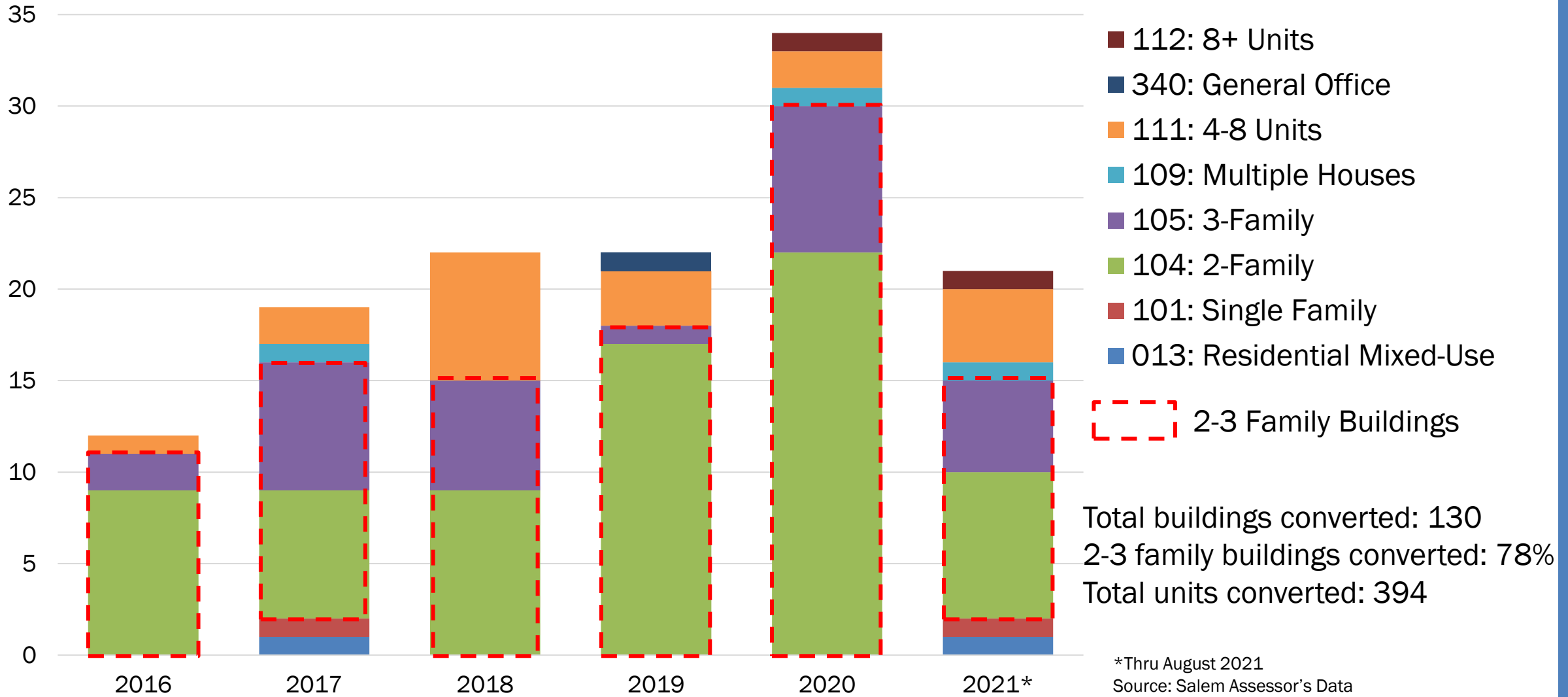


\*Thru August 2021

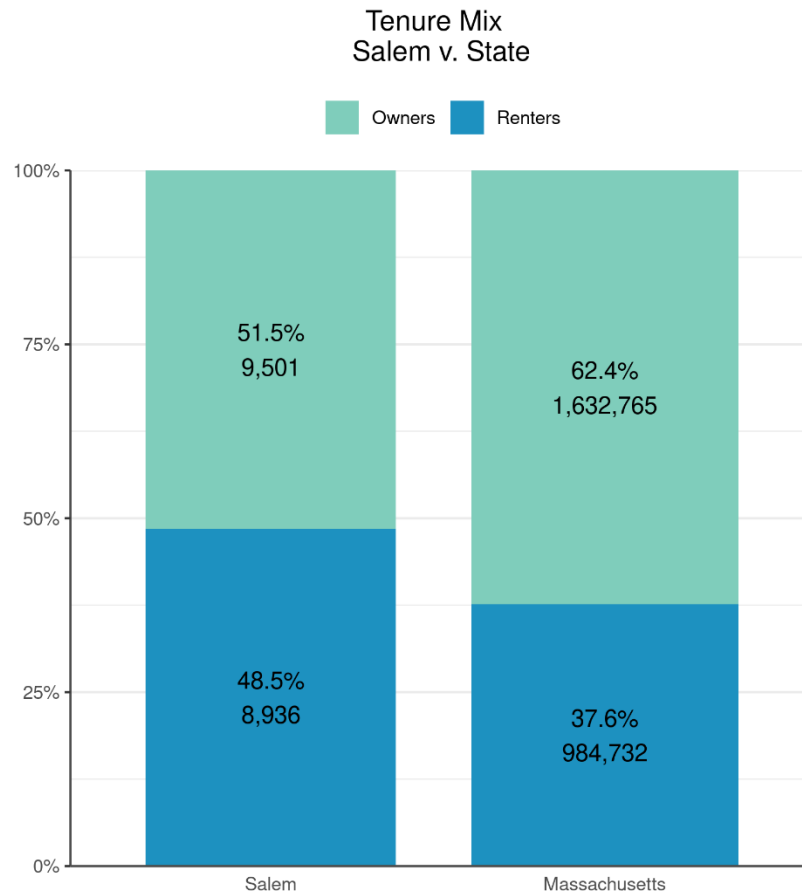
Source: Salem Assessor's Data

- From 2015 to August of 2021, 394 rental units have been converted into condominiums.
- Over half (54%) of all homes in Salem were built before 1940. Older homes are vulnerable to conversion into condominiums, which reduces the city's rental options.

# Condominium Conversions by Previous Land Uses- Salem 2016 thru August 2021



# Household Conditions (2019)



Source: U.S. Census Bureau American Community Survey, 2015-2019 5-year estimates.  
Table DP04: Selected Housing Characteristics



Tenure	# of Households	Median Household Income	% Cost burdened	% Non-white
All	18,437	\$68,808		16%
Owner	9,501 (52%)	\$100,548	32.1%	7.5%
Renter	8,935 (48%)	<b>\$40,516</b>	<b>51.6%</b>	<b>25.2%</b>

Source: ACS 2015-2019 5 Yr Estimates

- Renter households in Salem are more at risk of displacement due to condominium conversions because of higher rate of housing cost burden (paying more than 30% of income on housing) and lower median household income compared to owner households.
- Displacement due to conversions will disproportionately impact people of color, since 1 in 4 renter householders in Salem identify as non-white.



## Change in Land Use by Tax Code 2016 – 2021, Salem

Fiscal Year	Single Family 101	Condos 102	Misc. Residential 103,109	Two Family 104	Three Family 105	Apartment 111-125	Vacant/ Accessory Land 130-132,106
2016	4,898	4,123	53	1,577	551	345	381
2017	4,915	4,178	52	1,574	543	346	387
2018	4,928	4,249	51	1,565	537	342	372
2019	4,939	4,301	50	1,550	532	347	375
2020	4,954	4,396	50	1,533	529	350	365
2021	4,987	4,464	50	1,517	525	355	321
% Change	1.8%	<b>8.3%</b>	-5.7%	<b>-3.8%</b>	<b>-4.7%</b>	2.9%	-15.7%

Source: MA Department of Revenue

# Salem Condominium Conversion Ordinance

## Purpose

1. To decelerate the rate of conversion of naturally affordable rental housing stock into condominiums and cooperatives, especially in multifamily residential buildings.
2. To minimize residential displacement of renter households by strengthening tenant's rights during a condominium conversion.
3. To preserve the supply of housing and diversity of housing options, in response to demographic changes such as smaller and older households.
4. To provide a permitting pathway for the owner of an existing multifamily building to convert rental housing into condominium or cooperatives.

# Requirements

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## State Law

## Salem Proposed

Buildings with 4 or more units

Applicable to buildings with 2 or more units that have been used in part of whole as rental housing for at least 1 year (requires Home Rule Petition)

An intent to convert is triggered by property owner's preparation or filing of a Master Deed; preparation of Purchase and Sale Agreements; inspections, measurements, surveys, showings, advertising, etc.

A fully completed application for a Conversion Permit must be submitted by the owner within one month of notice of intent to convert

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# Tenant Notification

State Law	Salem Option 1	Salem Option 2
1 year prior to intent	2 years	1 year
2 years for protected classes, up to 2 more if unable to find housing in same city/town	4 years for protected classes + up to 2 years extension if unable to find housing in Salem	2 years for protected classes, up to 2 more if unable to find housing in same city/town
	Notices to the tenants must be translated into the tenant's primary language	Notices to the tenants must be translated into the tenant's primary language

# Permitting

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## State Law

## Salem Proposed

Silent on permitting body

Condominium Review Board

5 members:

- 2 renters
- 2 homeowners
- 1 member of protect class
- AHTF Board member must be 1 of 5

Silent on permitting procedure

- 1 year notice to CRB for vacant units
  - Conditional permit
  - Final conversion permit
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# Protected Classes

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## State Law

## Salem Proposed

Older adults aged 62+

Older adults aged 60+ at notification date

People with a disability

Intellectual disabilities included

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# Lease Terms, Eviction, Relocation

State Law	Salem Option 1	Salem Option 2
Rent cap at 10% or Consumer Price Index during notice period	Add: Tenant lease is extended through notice period upon notification	Rent cap at 10% or Consumer Price Index during notice period
Eviction prohibited during notice period	Add: Right to vacate within 30 days of notice without penalty	Eviction prohibited during notice period
Relocation payment: \$750 per tenant; \$1,000 for protected classes	\$2,500 per tenant; \$3,500 for protected classes, paid within 10 days after vacating	Relocation payment: \$750 per tenant; \$1,000 for protected classes

# Right to Purchase

State Law	Salem Proposed
Tenant has first right to purchase within 90 days on same or more favorable terms	120 days; 180 for protected classes (requires Home Rule Petition)
	City of Salem or its designee has next right to purchase under the same terms
	Vacant units: City of Salem or its designee has option to purchase for 120 days



# Next Steps

- Reaching out to landlords and tenants to ask for input
- Staff will review comments/refine the draft ordinance
- Home Rule Petitions must be adopted before the City Council can vote on an ordinance.

## Housing Strategies

HOUSING STRATEGY

### CONDO CONVERSIONS

ACCESSORY DWELLING UNITS

INCLUSIONARY ZONING

LEVERAGE PUBLICLY OWNED LAND

HOUSING DEVELOPMENT INCENTIVE PROGRAM

MUNICIPAL AND RELIGIOUS REUSE SPECIAL PERMIT

OTHER HOUSING TOOLS

FAQS AND COMMON CONCERNS



## Condo Conversion

[CLICK HERE TO SEE INFO ON THE ORDINANCE](#)

### CONDOMINIUM CONVERSIONS

*Learn more about condo conversions below or contact City Staff, at [imagesalem@salem.com](mailto:imagesalem@salem.com), or 978-619-5685.*

A condominium conversion is when a multi-family residential unit is converted from a rental unit to an ownership unit.

The ordinance has four purposes:

1. To decelerate the rate of conversion of naturally affordable rental housing stock into condominiums and cooperatives, especially in multifamily residential buildings
2. To minimize residential displacement of renter households by strengthening tenant's rights during a condominium conversion.
3. To preserve the supply of housing and diversity of housing options, in response to demographic changes such as smaller and older households
4. To permit the owner of an existing multifamily building to convert rental housing into condominium or cooperatives.

**The goal is not to prohibit the conversion of rental units into**

## RESOURCES

[GLOSSARY OF COMMON HOUSING TERMS](#)

[HOUSING FAQS AND COMMON CONCERNS](#)

[MASS LEGISLATURE ON CONDOMINIUMS](#)

## HOUSING STRATEGIES

[ACCESSORY DWELLING UNITS](#)



[INCLUSIONARY ZONING](#)



[LEVERAGE](#)



# STAY INFORMED!

[www.imagesalem.org](http://www.imagesalem.org)

# Questions or Comments?

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