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### The "Distressed Condo Relief Act" in SB 1196



#### *What impact will bulk buyers and/or bulk assignees have on your condominium?*

[SB 1196](#) creates new Sections 718.701 through 718.708 entitled the "Distressed Condominium Relief Act". The intent of these provisions is to encourage investors to buy unsold developer inventory, with the goal of stabilizing the condominium market. It also protects lenders from assuming the responsibilities of the developer when they take title to the units in connection with developer defaults. If this provision becomes law (the bill has been presented to the Governor) it will only apply to purchases (or other acquisition of title) that take place before the law 'sunsets' on July 1, 2012. A bulk purchase before the effective date of the statute will not protect any buyer considered an "insider" pursuant to §726.102(7), Florida Statutes or anyone with the intent to "hinder, delay or defraud any purchaser, unit owner, or the association".

What is a bulk assignee? Basically any person or entity that acquires more than seven (7) units in a condominium where there is an assignment of rights from the original developer.

What is a bulk buyer? Any person or entity that acquires more than seven (7) units but does not receive an assignment of rights other than:

- the right to conduct sales, leasing and marketing activities on property;
- the right to be exempt from the working capital contribution; and
- the right to be exempt from the association's rights of first refusal (transfer approval procedure).

The bulk buyer, however, must comply with the association's transfer approval procedures with respect to the units acquired in the bulk purchase.

Bulk assignee's are not saddled with warranties covering work performed under the direction of the original developer and do not need to fund the unfunded portion of the previous developer assessment guarantee. They are, however, required to supply the post transition association with an audit for the period of their control and warrant their own work.

Floridians are sadly getting used to dark, empty buildings. Hopefully these provisions will accomplish the desired objectives.

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