



ARIZONA STATE SENATE
Fifty-Fifth Legislature, Second Regular Session

AMENDED

FACT SHEET FOR H.B. 2275

condominium termination; unit owners; percentage

Purpose

Allows a condominium created on or after the effective date to be terminated only by agreement of unit owners of units to which 95 percent of the votes in the association are allocated, with exceptions.

Background

Except in the case of a taking of all the units by eminent domain, a condominium may be terminated only by agreement of unit owners to which 80 percent of the votes in the association are allocated. If any real estate condominium is to be sold following termination, title to that real estate on termination vests in the association as trustee for the holders of all interest in the units. Proceeds of the sale must be distributed to the unit owners and lienholders as their interests appear, in proportion to the respective interests of unit owners.

The respective interests of unit owners are the fair market values of their units, limited common elements and common element interests immediately before the termination, their pro rata share of monies in the association's reserve fund and the operating account and an additional five percent of the total amount for relocating costs. An independent appraiser selected by the association must determine the total fair market values. The determination of the independent appraiser must be distributed to the unit owners and becomes final unless disapproved within 60 days after distribution to the unit owner. Any unit owner may obtain a second independent appraisal at the unit owner's expense and, if the unit owner's independent appraisal amount differs from the association's appraisal amount by five percent or less, the higher appraisal is final. If the appraisals differ by more than five percent, the unit owner must submit to arbitration at the association's expense. The arbitration amount is deemed the final sale amount ([A.R.S. § 33-1228](#)).

Statute defines *condominium* as real estate, portions of which are designated for separate ownership and the remainder of which is designated for common ownership solely by the owners of the separate portions ([A.R.S. § 33-1202](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Allows a condominium created on or after the effective date to be terminated only by agreement of unit owners of units to which 95 percent of the votes in the association are allocated or by a larger percentage if specified in the declaration, except:
 - a) in the case of a taking of all the units by eminent domain; or
 - b) if the declaration specifies a smaller percentage, but only if all of the units in the condominium are restricted exclusively to nonresidential uses.

2. Makes technical and conforming changes.
3. Becomes effective on the general effective date.

Amendments Adopted by Committee of the Whole

1. Restores the 80 percent association vote threshold required to terminate currently established condominiums.
2. Allows a condominium created on or after the effective date to be terminated only by agreement of unit owners of units to which 95 percent of the votes in the association are allocated or by a larger percentage if specified in the declaration, except:
 - a) in the case of a taking of all the units by eminent domain; or
 - b) if the declaration specifies a smaller percentage, but only if all of the units in the condominium are restricted exclusively to nonresidential uses.
3. Makes conforming changes.

House Action

COM 2/1/22 DP 7-3-0-0
3rd Read 2/17/22 45-14-1

Senate Action

COM 3/9/22 DP 5-4-0

Prepared by Senate Research

June 24, 2022

JT/sr