

## **SB 601 STAFF MEASURE SUMMARY**

### **Senate Committee On Housing and Development**

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**Prepared By:** Kevin Rancik, LPRO Analyst

**Meeting Dates:** 2/27

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#### **WHAT THE MEASURE DOES:**

Requires owners of multifamily rental housing containing five or more residential dwelling units to notify each tenant of owner's intent to sell the housing and after receiving an offer to purchase it. Allows tenants, via committee acting through cooperative or limited liability company, to purchase property at highest price offered; tenant committee has 10 days from an offer to notify owner of intent to purchase, or 30 days from required owner notices to accept offer from owner. Requires owner to provide information to committee on highest offer received, income from housing and profit centers, utility cost, insurance cost, and vacant unit count. Specifies liability in event owner fails to comply with Act. Allows owner to file affidavit with county clerk certifying compliance with provisions of Act, and to continue listing property for sale and negotiate with potential purchasers in addition to tenant committee. Provides exceptions for housing to condominium conversions and cases where tenants committee fails to comply with Act.

#### **ISSUES DISCUSSED:**

- Accessibility of financing for tenants
- Potential state role in process
- Experience of other locales with similar programs
- Effect on housing availability/supply
- Applicability across renters' income levels

#### **EFFECT OF AMENDMENT:**

No amendment.

#### **BACKGROUND:**

In real estate, a right of first refusal is most commonly applied in situations where renters seek to purchase the property from their landlords. In practice, if a landlord receives a purchase offer, the tenant(s) would have the option to purchase the property for that amount before the party who made the offer. The option is sometimes used to prevent potential evictions or rent increases in the event of a new owner, but may also make soliciting offers from interested parties more challenging.

In a residential cooperative corporation, members may live in individual dwellings but own shares in the corporation owning the real estate; some recent housing co-ops in Oregon operate on this principle. A limited liability company is an unincorporated association having at least one member, which can be managed by members or managers (managers may, but do not have to, be members).

Senate Bill 601 provides tenants of multifamily rental housing the right of first refusal in the sale of the property, and they may form a tenants committee to purchase the property at the highest price offered via a cooperative corporation or limited liability company. The property owner must inform the committee of the highest offer received, and costs and profits of specific property operations. Owners may continue pursuing other offers but cannot accept them while the tenants committee considers action.