



MEMORANDUM

TO: ALL REVIEW ATTORNEY

DATE: 1/15/85

FROM: JEAN E. GALLANCY

RE: Condominium and Cooperative Abuse
Relief Act of 1980, 15 USC 3601 et. seq.

Section 608 of the Condominium and Cooperative Abuse Relief Act allows unit owners to terminate a contract which:

1. Provides for operation, maintenance, or management of a condominium or cooperative association in a conversion project, or of property serving the condominium or cooperative unit owners in such project

2. Is between such unit owners or such association and the developer or an affiliate of the developer

3. Was entered into while such association was controlled by the developer through special developer control or because the developer held a majority of the votes in such association and

4. Is for a period of more than three years, including any automatic renewal provisions which are exercisable at the sole option of the developer or an affiliate of the developer.

Termination of such contracts may only occur during a two-year period after developer control is terminated or the developer owns 25 percent or less of the units. Two thirds of units other than units owned by the developer must vote to effectuate such termination.

Plans containing such contracts must contain disclosure of the right of the unit owners to terminate this type of contract. The plan should include a discussion of the two-year period within which unit owners must act if they wish to terminate a contract pursuant to this statute.

**RE: Condominium and Cooperative Abuse Relief Act
of 1980, 15 USC 3601 et. seq.**

**ORIGINAL DATE: 1/15/85
Revised: 3/31/2000**

The federal Condominium and Cooperative Abuse Relief Act (CCARA) allows unit owners to terminate a contract which:

1. provides for operation, maintenance, or management of a condominium or cooperative association in a conversion project, or of property serving the condominium or cooperative unit owners in such a project;
2. is between or among such unit owners or such association and the developer or an affiliate of the developer;
3. was entered into while the association was controlled by the developer through special developer control or because the developer held a majority of the votes in the association; and
4. is for a period of more than three years, which includes any automatic renewal provisions that are exercisable at the sole option of the developer or an affiliate of the developer.

15 U.S.C.A §3607

Such contracts may be terminated only during the two-year period after special developer control terminates or the developer owns 25% or less of the units, whichever occurs first. Two thirds of units other than units owned by the developer must vote to terminate.

Plans containing such contracts must disclose the right of the unit owners to terminate the contract. The plan should delineate the two-year period within which unit owners must act if they wish to terminate a contract pursuant to this statute. If the contract even arguably falls within the act, the benefit of the right to terminate must be disclosed. Phoenix Tenants Association v. The 6465 Realty Co., 500 N.Y. S. 2d 657 (1986).

Courts have interpreted that contracts concerning garage spaces and laundry rooms to come within this section of the CCARA, as they provide services to

the cooperative. West 14th Street Condominium Corp. v. West 14th Owners Corp., 815 F. 2d 188 (1987). Spaces that serve the general public as well as the unit owners are not covered by the Act. Cromwell Associates v. Oliver Cromwell Owners, Inc., 941 F. 2d 107 (1991).

The two-year window within which the cooperative or condominium must terminate the contract does not necessarily begin after the sponsor loses the right to appoint a majority of the board. "Special developer control" is the dispositive factor, and has been found where the sponsor has the right to veto such items as capital improvements, employee hiring, repairs, refinancing and additions to the reserve fund. ? Park South Tenants Corp. v. 200 Central Park South Associates 748 F. Supp. 208, reconsideration denied 754 F. Supp. 352, aff'd 941 F. 2d 112.