

TEXT OF REVISED REGULATIONS

The following are the Department of Law's revisions to 13 N.Y.C.R.R. Part 20. Please note that pursuant to Department of State guidelines, deleted portions of existing text are in brackets, additions to existing text are underlined, and new additions to 13 N.Y.C.R.R. Part 20 are normally formatted.

A new section 20.1(c)(9) is added to title 13 to read as follows:

(8) Interim lessee means a purchaser under the plan who takes occupancy to his or her contracted-for unit prior to closing title. The rights and obligations of the interim lessee must be set forth in a writing executed by both sponsor and purchaser.

Section 20.3(c)(1) of title 13 is amended to read as follows:

(1) Disclose whether sponsor is reserving the right to rent rather than sell units after the plan has been consummated and whether sponsor is limiting its right to rent rather than sell after the plan has been consummated based on objective articulable criteria, such as a significant decline in market prices of a specific percentage and the conditions upon which the sponsor would resume sales. If sponsor has obtained construction financing, disclose the terms of the construction loan as they apply to the sponsor's obligation to market the units for sale, including any minimum number or percentage of units which must be under contract before the plan can be declared effective, the existence of either a minimum release price set by the lender or a required minimum payment per sale which must be made to the lender in order for the lender to release its lien from the unit being sold, and limits or requirements imposed by the lender for sponsor to rent rather than sell under specified market conditions. If sponsor is reserving an unconditional right to rent rather than sell, the cover of the plan must state in bold print:

BECAUSE SPONSOR IS RETAINING THE UNCONDITIONAL RIGHT TO RENT RATHER THAN SELL UNITS AFTER THE PLAN HAS BEEN CONSUMMATED, THIS PLAN MAY NOT RESULT IN THE CREATION OF A CONDOMINIUM IN WHICH A MAJORITY OF THE UNITS ARE OWNED BY

OWNER-OCCUPANTS OR INVESTORS UNRELATED TO THE SPONSOR. (SEE SPECIAL RISKS SECTION OF THE PLAN.)

Further disclose, in the Special Risks section, that because sponsor is not limiting the conditions under which it will rent rather than sell units after the plan has been consummated, there is no commitment to sell more units than the 15 percent necessary to declare the plan effective and owner-occupants may never gain effective control and management of the condominium.

Section 20.3(d)(4) of title 13 is amended to read as follows:

(4) Disclose sponsor's intent with regard to the sale of units offered for sale in the plan. Disclose whether sponsor represents that it will endeavor in good faith to sell units rather than rent after the plan has been consummated. If sponsor makes a bulk sale of all or some of its unsold units, the transferee successor sponsor is bound by sponsor's representations regarding its commitment to sell units. If sponsor has obtained construction financing, disclose the terms of the construction loan as they apply to the sponsor's obligation to market the units for sale, including any minimum number or percentage of units which must be under contract before the plan can be declared effective, the existence of either a minimum release price set by the lender or a required minimum payment per sale which must be made to the lender in order for the lender to release its lien from the unit being sold, and limits or requirements imposed by the lender for sponsor to rent rather than sell under specified market conditions. If sponsor has not obtained construction financing or if the construction loan agreement does not include provisions on the terms set forth in the previous sentence, disclose any conditions under which sponsor reserves the right to rent rather than sell after the plan has been consummated based on objective articulable criteria, such as a significant decline in market prices of a specific percentage and the conditions under which sponsor would resume sales. If sponsor retains unconditional discretion to rent rather than sell units after the plan has been consummated, include on the cover of the plan the warning set forth in section 20.3(c)(1) above and discuss as a special risk.

Section 20.3(n)(1) of title 13 is amended to read as follows:

(1) State whether the owner of the building may rent any unit [that is vacant before the closing] to a purchaser under the plan as an interim lessee, including prior to consummation of the plan.

Section 20.3(t)(1) of title 13 is amended to read as follows:

(1) Disclose sponsor's intent with regard to the sale of the units offered in Schedule A, including whether sponsor will endeavor in good faith to sell all of the units in a reasonably timely manner. Disclose any conditions under which sponsor retains the right to rent rather than sell after the plan has been consummated based on objective, articulable criteria, such as a significant decline in market prices of a specific percentage and the conditions under which sponsor would resume sales. Disclose any obligations imposed on sponsor by the construction lender with regard to selling and/or renting units. If sponsor retains unconditional discretion to rent rather than sell units after the plan has been consummated, include on the cover of the plan the warning set forth in paragraph (c)(1) of this section and discuss as a special risk.