
Detailed Fiscal Analysis

Under current law, commercial real estate brokers can collect delinquent fees by only one method, through legal action. This bill enables a broker to claim a lien against commercial real estate to ensure payment of the broker's commission. Conditions of the lien include: the broker must have a written contract with the owner of the commercial property, signed by the broker and the owner or the owner's agent; only the broker named in the contract would have a lien; the amount of the lien is limited to the amount due the broker; and the lien would be effective only against the interest in real estate that is the subject of the contract, not other real estate owned by the same person. The broker would record the lien in the recorder's office of the county in which the real estate is located before the conveyance of the property and provide a copy of the lien to the owner on the day the lien is recorded. For a transaction to close with a claim for lien pending, an escrow account must be established. The money would be held in escrow until a right to the money is determined by a written agreement of the parties by a court or by any process agreed to by the parties. The bill also outlines the steps to enforce a lien, allows alternative dispute resolution and holds brokers liable for damages incurred by filing a spurious or materially inaccurate claim for lien or failing to release or acknowledge release or satisfaction of a lien.

□ *LBO staff: Rick Graycarek, Budget/Policy Analyst*

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