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SENATE BILL NO. 721

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on General Laws
on February 2, 2000)

(Patron Prior to Substitute—Senator Mims)

A *BILL to amend and reenact §§ 55-510, 55-510.1, 55-513 and 55-516 of the Code of Virginia, relating to property owners' associations.*

Be it enacted by the General Assembly of Virginia:

1. That §§ 55-510, 55-510.1, 55-513 and 55-516 of the Code of Virginia are amended and reenacted as follows:

§ 55-510. Access to association records; meetings of the board of directors.

A. The association shall keep detailed records of receipts and expenditures affecting the operation and administration of the association. All financial books and records shall be kept in accordance with generally accepted accounting practices.

B. Subject to the provisions of subsection C, all books and records kept by or on behalf of the association, including, but not limited to, the association's membership list and addresses, which shall not be used for purposes of pecuniary gain or commercial solicitation, and aggregate salary information of employees of the association, shall be available for examination and copying by a member in good standing or his authorized agent so long as the request is for a proper purpose related to his membership in the association. This right of examination shall exist without reference to the duration of membership and may be exercised (i) only during reasonable business hours or at a mutually convenient time and location and (ii) upon five days' written notice reasonably identifying the purpose for the request and the specific books and records of the association requested.

C. Books and records kept by or on behalf of an association may be withheld from inspection and copying to the extent that they concern:

1. Personnel matters *relating to specific, identified persons* or a person's medical records;

2. ~~Communications with legal counsel or attorney work product;~~

3. ~~Transactions~~ *Contracts, leases, and other such transactions to purchase goods or services or for other commercial purposes, currently in or under negotiation;*

4. ~~3.~~ Pending or probable litigation. *Probable litigation means those instances where there has been a specific threat of litigation from a party or the legal counsel of a party within the previous 365 days of the request;*

5. ~~4.~~ Matters involving *state or local* administrative or other formal proceedings *before a government tribunal* for enforcement of the association documents or rules and regulations promulgated pursuant ~~thereto~~ *to § 55-513;*

5. *Communications with legal counsel which relates to subdivisions 1 through 4 or which is protected by the attorney-client privilege or the attorney work product doctrine;*

6. Disclosure of information in violation of law;

7. Meeting minutes or other *confidential* records of an executive session of the board of directors held in accordance with *subsection C of § 55-510.1* €;

8. Documentation, correspondence or management or board reports compiled for or on behalf of the association or the board by its agents or committees for consideration by the board *in executive session;* or

9. Individual unit owner or member files, other than those of the requesting lot owner, including any individual lot owner's or member's files kept by or on behalf of the association.

D. The association may impose and collect a charge, reflecting the actual *and reasonable* costs of materials and labor, prior to providing copies of any books and records to a member in good standing under this section.

E. Meetings of the association shall be held in accordance with the provisions of the bylaws at least once each year after the formation of the association. The bylaws shall specify an officer who shall, at least fourteen days in advance of any annual or regularly scheduled meeting, and at least seven days in advance of any other meeting, send to each member notice of the time, place, and purposes of such meeting. Notice shall be sent by United States mail to all members at the address of their respective lots and to such other addresses as any of them may have designated to such officer; or notice may be hand delivered by the officer, provided the officer certifies in writing that notice was delivered to the member.

§ 55-510.1. Meetings of the board of directors.

A. All meetings of the board of directors shall be open to all members of record. Minutes shall be recorded and shall be available as provided in *subsection B of § 55-510* B.

60 B. Notice including the time, date and place of each meeting of the board of directors shall be
61 furnished to any member who requests such information. Requests by a member to be notified on a
62 continual basis shall be made at least once a year in writing and include the member's name, address,
63 and zip code. Notice, reasonable under the circumstances, of special or emergency meetings shall be
64 given contemporaneously with the notice provided members of the association's board of directors
65 conducting the meeting.

66 Unless otherwise exempt as relating to a closed session pursuant to subsection C, at least one copy
67 of all agenda packets and materials furnished to members of an association's board of directors for a
68 meeting shall be made available for inspection by the membership of the association at the same time
69 such documents are furnished to the members of the board of directors.

70 Any member may make an audio recording of any portion of a meeting required to be open. The
71 board of directors conducting the meeting may adopt rules governing the placement and use of
72 equipment necessary for recording a meeting to prevent interference with the proceedings.

73 *If a meeting is conducted by telephone conference or video conference or similar electronic means,*
74 *at least two members of the board of directors must be physically present at the meeting place included*
75 *in the notice. The audio equipment shall be sufficient for any member in attendance to hear what is said*
76 *by any member of the board of directors participating in the meeting who is not physically present.*

77 Voting by secret or written ballot in an open meeting shall be a violation of this chapter except for
78 the election of officers.

79 C. The board of directors may convene in closed session to consider personnel matters; consult with
80 legal counsel; discuss and consider contracts, ~~potential or~~ pending or probable litigation and matters
81 involving violations of the declaration or rules and regulations adopted pursuant thereto for which a
82 member, his family members, tenants, guests or other invitees are responsible; or discuss and consider
83 the personal liability of members to the association, upon the affirmative vote in an open meeting to
84 assemble in closed session. The motion shall state specifically the purpose for the closed session.
85 Reference to the motion and the stated purpose for the closed session shall be included in the minutes.
86 The board of directors shall restrict the consideration of matters during the closed portions of meetings
87 to only those purposes specifically exempted and stated in the motion. No contract, motion or other
88 action adopted, passed or agreed to in closed session shall become effective unless the board of
89 directors, following the closed session, reconvenes in open meeting and takes a vote on such contract,
90 motion or other action which shall have its substance reasonably identified in the open meeting. The
91 requirements of this section shall not require the disclosure of information in violation of law.

92 *D. Subject to reasonable rules adopted by the board of directors, the board of directors shall*
93 *provide a designated period of time during a meeting to allow members an opportunity to comment on*
94 *any matter relating to the association. During a meeting at which the agenda is limited to specific*
95 *topics or at a special meeting, the board of directors may limit the comments of members to the topics*
96 *listed on the meeting agenda.*

97 § 55-513. Adoption and enforcement of rules.

98 A. The board of directors of the association shall have the power to establish, adopt, and enforce
99 rules and regulations with respect to use of the common areas and with respect to such other areas of
100 responsibility assigned to the association by the declaration, except where expressly reserved by the
101 declaration to the members. Rules and regulations may be adopted by resolution and shall be reasonably
102 published or distributed throughout the development. A majority of votes cast, in person or by proxy, at
103 a meeting convened in accordance with the provisions of the association's bylaws and called for that
104 purpose, shall repeal or amend any rule or regulation adopted by the board of directors. Rules and
105 regulations may be enforced by any method normally available to the owner of private property in
106 Virginia, including, but not limited to, application for injunctive relief or damages, during which the
107 court may award to the association court costs and reasonable attorneys' fees.

108 B. The board of directors of the association shall also have the power, to the extent the declaration
109 or rules and regulations duly adopted pursuant thereto expressly so provide, to (i) suspend a member's
110 right to use facilities or services, including utility services, provided directly through the association for
111 nonpayment of assessments which are more than sixty days past due, to the extent that access to the lot
112 through the common areas is not precluded and provided that such suspension shall not endanger the
113 health, safety, or property of any owner, tenant, or occupant and (ii) assess charges against any member
114 for any violation of the declaration or rules and regulations for which the member or his family
115 members, tenants, guests, or other invitees are responsible. Before any such charges or suspension may
116 be imposed, the member shall be given an opportunity to be heard and to be represented by counsel
117 before the board of directors or other tribunal specified in the documents. Notice of a hearing shall be
118 hand delivered or mailed by registered or certified mail, return receipt requested, to the member at the
119 address of record with the association at least fourteen days prior to the hearing. The amount of any
120 charges so assessed shall not be limited to the expense or damage to the association caused by the
121 violation, but shall not exceed fifty dollars for a single offense or ten dollars per day for any offense of

a continuing nature and shall be treated as an assessment against the member's lot for the purposes of § 55-516. *However, the total amount of such charges for any offense of a continuing nature shall not exceed \$300.*

§ 55-516. Lien for assessments.

A. Once perfected, the association shall have a lien on every lot for unpaid assessments levied against that lot in accordance with the provisions of this chapter and all lawful provisions of the declaration. The lien, once perfected, shall be prior to all other subsequent liens and encumbrances except (i) real estate tax liens on that lot, (ii) liens and encumbrances recorded prior to the recordation of the declaration, and (iii) sums unpaid on and owing under any mortgage or deed of trust recorded prior to the perfection of said lien. The provisions of this subsection shall not affect the priority of mechanics' and materialmen's liens. Notice of a memorandum of lien to a holder of a credit line deed of trust under § 55-58.2 shall be given in the same fashion as if the association's lien were a judgment.

B. The association, in order to perfect the lien given by this section, shall file before the expiration of twelve months from the time *the first* such assessment became due and payable in the clerk's office of the circuit court in the county or city in which such development is situated, a memorandum, verified by the oath of the principal officer of the association, or such other officer or officers as the declaration may specify, which contains the following:

1. The name of the development;
2. A description of the lot;
3. The name or names of the persons constituting the owners of that lot;
4. The amount of unpaid assessments currently due or past due relative to such lot together with the date when each fell due;
5. The date of issuance of the memorandum;
6. The name of the association and the name and current address of the person to contact to arrange for payment or release of the lien; and
7. A statement that the association is obtaining a lien in accordance with the provisions of the Virginia Property Owners' Association Act as set forth in Chapter 26 (§ 55-508 et seq.) of Title 55.

It shall be the duty of the clerk in whose office such memorandum is filed as hereinafter provided to record and index the same as provided in subsection D, in the names of the persons identified therein as well as in the name of the association. The cost of recording and releasing the memorandum shall be taxed against the person found liable in any judgment or decree enforcing such lien.

C. Prior to filing a memorandum of lien, a written notice shall be sent to the property owner by certified mail, at the property owner's last known address, informing the property owner that a memorandum of lien will be filed in the circuit court clerk's office of the applicable city or county. The notice shall be sent at least ten days before the actual filing date of the memorandum of lien.

D. Notwithstanding any other provision of this section, or any other provision of law requiring documents to be recorded in the miscellaneous lien books or the deed books in the clerk's office of any court, on or after July 1, 1989, all memoranda of liens arising under this section shall be recorded in the deed books in the clerk's office. Any memorandum shall be indexed in the general index to deeds, and the general index shall identify the lien as a lien for lot assessments.

E. ~~No~~ *Subject to the provisions of subdivision (1) of § 16.1-77 and § 17.1-513, no* suit to enforce any lien perfected under subsection B shall be brought after twenty-four months from the time when the memorandum of lien was recorded; however, the filing of a petition to enforce any such lien in any suit wherein the petition may be properly filed shall be regarded as the institution of a suit under this section. Nothing herein shall extend the time within which any such lien may be perfected.

F. The judgment or decree in an action brought pursuant to this section ~~shall~~ *may* include, without limitation, reimbursement for costs and reasonable attorney's fees *of the prevailing party*, together with interest at the ~~maximum lawful~~ *legal* rate for the sums secured by the lien from the time each such sum became due and payable *if the association prevails*.

G. When *partial or complete* payment or satisfaction is made of a debt secured by the lien perfected by subsection B hereof, the lien shall be released *in part or in total* in accordance with the provisions of § 55-66.3. *Any lien which is not so released shall subject the lien creditor to the penalty set forth in subdivision A (1) of § 55-66.3.* For the purposes of § 55-66.3, the principal officer of the association, or any other officer or officers as the declaration may specify, shall be deemed the duly authorized agent of the lien creditor.

H. Nothing in this section shall be construed to prohibit actions at law to recover sums for which subsection A hereof creates a lien, maintainable pursuant to § 55-515.

I. At any time after perfecting the lien pursuant to this section, the property owners' association may sell the unit at public sale, subject to prior liens, conducted in compliance with the following:

1. In addition to the advertisement required by subdivision 2, the property owners' association shall give written notice of the time, date and place of any proposed sale in execution of the lien by personal

183 delivery or by mail to (i) the present owner of the property to be sold at his last known address as such
184 owner and address appear in the records of the property owners' association, (ii) any lienholder who
185 holds a note against the property secured by a deed of trust recorded at least thirty days prior to the
186 proposed sale and whose address is recorded with the deed of trust, and (iii) any assignee of such a note
187 secured by a deed of trust provided the assignment and address of the assignee are likewise recorded at
188 least thirty days prior to the proposed sale. Mailing a copy of the advertisement or the notice containing
189 the same information to the owner by certified or registered mail no less than fourteen days prior to
190 such sale and to lienholders and their assigns, at the addresses noted in the memorandum of lien, by
191 ordinary mail no less than fourteen days prior to such sale, shall be a sufficient compliance with the
192 requirement of notice.

193 2. The advertisement of sale by the property owners' association shall be in a newspaper having a
194 general circulation in the city or county wherein the property to be sold, or any portion thereof, lies
195 pursuant to the following provisions:

196 a. The property owners' association shall advertise once a week for four successive weeks; however,
197 if the property or some portion thereof is located in a city or in a county immediately contiguous to a
198 city, publication of the advertisement five different days, which may be consecutive days, shall be
199 deemed adequate. The sale shall be held on any day following the day of the last advertisement which is
200 no earlier than eight days following the first advertisement nor more than thirty days following the last
201 advertisement.

202 b. Such advertisement shall be placed in that section of the newspaper where legal notices appear or
203 where the type of property being sold is generally advertised for sale. The advertisement of sale, in
204 addition to such other matters as the property owners' association finds appropriate, shall set forth a
205 description of the property to be sold, which description need not be as extensive as that contained in
206 the deed of trust, but shall identify the property by street address, if any, or, if none, shall give the
207 general location of the property with reference to streets, routes, or known landmarks. Where available,
208 tax map identification may be used but is not required. The advertisement shall also include the date,
209 time, place, and terms of sale and the name of the property owners' association. It shall set forth the
210 name, address and telephone number of the representative, agent, or attorney who may be able to
211 respond to inquiries concerning the sale.

212 c. In addition to the advertisement required by subdivisions a and b above, the property owners'
213 association shall give such other further and different advertisement as the association finds appropriate.

214 3. In the event of postponement of sale, which postponement shall be at the discretion of the
215 property owners' association, advertisement of such postponed sale shall be in the same manner as the
216 original advertisement of sale.

217 4. Failure to comply with the requirements for advertisement contained in this section shall, upon
218 petition, render a sale of the property voidable by the court.

219 5. In the event of a sale, the property owners' association shall have the following powers and duties:

220 a. Written one-price bids may be made and shall be received by the property owners' association
221 from any person for entry by announcement at the sale. Any person other than a member of the
222 property owners' association may bid at the foreclosure sale, including a person who has submitted a
223 written one-price bid. Upon request to the property owners' association, any other bidder in attendance at
224 a foreclosure sale shall be permitted to inspect written bids.

225 b. The property owners' association may require of any bidder at any sale a cash deposit of as much
226 as ten percent of the sale price before his bid is received, which shall be refunded to him if the property
227 is not sold to him. The deposit of the successful bidder shall be applied to his credit at settlement, or if
228 such bidder fails to complete his purchase promptly, the deposit shall be applied to pay the costs and
229 expenses of the sale, and the balance, if any, shall be retained by the property owners' association in
230 connection with that sale.

231 c. The property owners' association shall receive and receipt for the proceeds of sale, no purchaser
232 being required to see to the application of the proceeds, and apply the same in the following order: first,
233 to the reasonable expenses of sale; second, to the satisfaction of all taxes, levies and assessments, with
234 costs and interest; third, to the satisfaction of the lien for the owners' assessments; fourth, to the
235 satisfaction in the order of priority of any remaining inferior claims of record; and fifth, to pay the
236 residue of the proceeds to the owner or his assigns; provided, however, that the association as to such
237 residue shall not be bound by any inheritance, devise, conveyance, assignment or lien of or upon the
238 owner's equity, without actual notice thereof prior to distribution.

239 **2. That the Virginia Housing Study Commission shall review the operation of property owners**
240 **associations covered by the Property Owners Association Act (§ 55-508 et seq.) and whether the**
241 **Real Estate Board should be charged with the investigation and resolution of alleged violations of**
242 **state law involving such associations. In conducting its review, the Commission shall consider the**
243 **authority possessed by the Real Estate Board to conduct investigations and to take enforcement**
244 **action under the Condominium Act (§ 55-79.39 et seq.). The Commission shall complete its work**

245 in time to submit its findings and report to the 2001 session of the General Assembly as provided
246 in the procedures of the Division of Legislative Automated Systems for the processing of legislative
247 documents.