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## SENATE BILL NO. 519

## AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on General Laws  
on January 23, 2002)

(Patron Prior to Substitute—Senator Mims)

*A BILL to amend and reenact §§ 55-79.80:2, 55-79.97, 55-511, 55-512, and 55-513 of the Code of Virginia, relating to condominium and property owners' associations; preparation of disclosure information, rule enforcement, and resale by purchasers.*

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 55-79.80:2, 55-79.97, 55-511, 55-512, and 55-513 of the Code of Virginia are amended and reenacted as follows:**

§ 55-79.80:2. Assessment of charges for violations; suspension of services for failure to pay assessments; hearing.

A. The unit owners' association shall have the power, to the extent the condominium instruments or rules duly adopted pursuant thereto expressly so provide, to (i) suspend a unit owner's right to use facilities or services, including utility services, provided directly through the unit owners' association for nonpayment of assessments which are more than sixty days past due, to the extent that access to the unit through the common elements is not precluded and provided that such suspension shall not endanger the health, safety, or property of any unit owner, tenant, or occupant and (ii) assess charges against any unit owner for any violation of the condominium instruments or of the rules or regulations promulgated pursuant thereto for which such unit owner or his family members, tenants, guests or other invitees are responsible.

B. Before any such suspension or charges may be imposed, the unit owner shall be given an opportunity to be heard and to be represented by counsel before the executive organ or such other tribunal as the condominium instruments or rules duly adopted pursuant thereto specify.

Notice of such hearing, including the charges or other sanctions that may be imposed, shall, at least fourteen days in advance thereof, be hand delivered or mailed by registered or certified United States mail, return receipt requested, to such unit owner at the address or addresses required for notices of meetings pursuant to § 55-79.75.

The amount of any charges so assessed shall not exceed fifty dollars for a single offense, or ten dollars per diem for any offense of a continuing nature, and shall be treated as an assessment against such unit owner's condominium unit for the purpose of § 55-79.84. However, the total charges for any offense of a continuing nature shall not be assessed for a period exceeding ninety days. After the date a lawsuit is filed challenging any such charges, no additional charges shall accrue. If the court rules in favor of the unit owners' association, it shall be entitled to collect such charges from the date the action was filed as well as all other charges assessed pursuant to this section against the unit owner prior to the action.

The hearing result shall be hand delivered or mailed by registered or certified mail, return receipt requested, to such unit owner at the address required for notices of meetings pursuant to § 55-79.75 within ~~three~~ seven days of the hearing.

C. This section shall not be construed to prohibit the grant, by the condominium instruments, of other powers and responsibilities to the unit owners' association or its executive organ.

§ 55-79.97. Resale by purchaser.

A. In the event of any resale of a condominium unit by a unit owner other than the declarant, and subject to the provisions of subsection J and § 55-79.87 A, the unit owner shall disclose in the contract that (i) the unit is located within a development which is subject to the Condominium Act, (ii) the Act requires the seller to obtain from the unit owners' association a resale certificate and provide it to the purchaser, (iii) the purchaser may cancel the contract within three days after receiving the resale certificate, (iv) the purchaser has a right to request an update of the resale certificate in accordance with subsection D, and (v) the right to receive the resale certificate and the right to cancel the contract are waived conclusively if not exercised before settlement.

B. If the contract does not contain the disclosure required by subsection A, the purchaser's sole remedy is to cancel the contract prior to settlement.

C. The information contained in the resale certificate shall be current as of a date specified on the resale certificate. The purchaser may cancel the contract (i) within three days after the date of the contract, if the purchaser receives the resale certificate on or before the date that the purchaser signs the contract; (ii) within three days after receiving the resale certificate if the resale certificate is hand delivered *or delivered with the consent of the purchaser by electronic means and a receipt obtained*; or (iii) within six days after the postmark date if the resale certificate is sent to the purchaser by United

60 States mail. Notice of cancellation shall be hand delivered or sent by United States mail, return receipt  
61 requested, to the unit owner selling the unit *or his agent*. Such cancellation shall be without penalty, and  
62 the unit owner shall cause any deposit to be returned promptly to the purchaser. *The unit owners'*  
63 *association may also send the resale certificate by electronic means with the consent of the seller and*  
64 *the purchaser.*

65 A resale certificate shall include the following:

66 1. An appropriate statement pursuant to subsection H of § 55-79.84 which need not be notarized and,  
67 if applicable, an appropriate statement pursuant to § 55-79.85;

68 2. A statement of any expenditure of funds approved by the unit owners' association or the executive  
69 organ which shall require an assessment in addition to the regular assessment during the current or the  
70 immediately succeeding fiscal year;

71 3. A statement, including the amount, of all assessments and any other fees or charges currently  
72 imposed by the unit owners' association and associated with the purchase, disposition and maintenance  
73 of the condominium unit and the use of the common elements, and the status of the account;

74 4. A statement whether there is any other entity or facility to which the unit owner may be liable for  
75 fees or other charges;

76 5. A statement of the status and amount of any reserve or replacement fund and any portion of the  
77 fund designated for any specified project by the executive organ;

78 6. A copy of the unit owners' association's current budget or a summary thereof prepared by the unit  
79 owners' association and a copy of the statement of its financial condition for the last fiscal year for  
80 which a statement is available;

81 7. A statement of the nature and status of any pending suits or unpaid judgments to which the unit  
82 owners' association is a party which either could or would have a material impact on the association or  
83 the unit owners or which relates to the unit being purchased;

84 8. A statement setting forth what insurance coverage is provided for all unit owners by the unit  
85 owners' association, including any fidelity bond maintained by the unit owners' association, and what  
86 additional insurance coverage would normally be secured by each individual unit owner;

87 9. A statement that any improvements or alterations made to the unit, or the limited common  
88 elements assigned thereto, by the prior unit owner are not in violation of the condominium instruments;

89 10. A copy of the current bylaws, rules and regulations and architectural guidelines adopted by the  
90 unit owners' association and the amendments thereto;

91 11. A statement of whether the condominium or any portion thereof is located within a development  
92 subject to the Property Owners' Association Act (§ 55-508 et seq.) of Chapter 26 of this title;

93 12. A copy of the notice given to the unit owner by the unit owners' association of any current or  
94 pending rule or architectural violation;

95 13. Certification, if applicable, that the association has filed with the Real Estate Board the annual  
96 report required by § 55-516.1; which certification shall indicate the filing number assigned by the Real  
97 Estate Board and the expiration date of such filing; and

98 14. A statement of any limitation on the number of persons who may occupy a unit as a dwelling.

99 Failure to receive copies of such documents shall not excuse any failure to comply with the  
100 provisions thereof.

101 The resale certificate, once received by the owner from the unit owners' association, shall be  
102 delivered by the owner to the purchaser. The unit owners' association shall have no obligation to deliver  
103 the resale certificate to the purchaser of the unit. The resale certificate shall not, in and of itself, be  
104 deemed a security within the meaning of § 13.1-501.

105 D. The purchaser may submit a copy of the contract to the unit owners' association with a request  
106 for assurance that statements previously furnished pursuant to subsection C remain materially unchanged,  
107 or, if there have been material changes, a statement specifying such changes. The purchaser shall be  
108 provided with such assurances or such statement within ten days of the receipt of such request by the  
109 unit owners' association. The purchaser may be required to pay the same fee charged a unit owner for  
110 the resale certificate, if any. Any fee shall reflect the actual cost incurred by the unit owners' association  
111 in providing the assurances, but shall not exceed ten cents per page in copying costs or a total of fifty  
112 dollars for all costs incurred in updating the resale certificate. *The unit owners' association may also*  
113 *collect from the purchaser the actual costs incurred of any mailing or delivery requested by the*  
114 *purchaser pursuant to this subsection.*

115 E. In the absence of a written agreement to the contrary, the failure of the unit owners' association to  
116 provide the statement required by subsection D or the disclosure by such statement that there have been  
117 one or more material changes shall render the purchase contract void at the option of the purchaser.

118 F. The unit owners' association shall furnish the resale certificate upon the written request of any unit  
119 owner within fourteen days of the receipt of such request. Payment of the actual costs of preparing the  
120 resale certificate may be required of the unit owner requesting it as a prerequisite to its issuance, but the  
121 total fee shall not exceed ten cents per page in copying costs or a total of \$100, including and not in

addition to, any fee charged pursuant to subsection H of § 55-79.84 and § 55-79.85, for all costs incurred in preparing the resale certificate, *except that the unit owners' association, upon mutual agreement with the seller, may collect for actual costs incurred, in addition to any fee charged pursuant to this subsection (i) a rush fee for furnishing the resale certificate within three business days from the actual receipt of the request, (ii) the actual cost of any mailing or delivery requested by the seller pursuant to this subsection, and (iii) any actual cost incurred at the request and with the consent of the purchaser.*

G. When a resale certificate has been issued as required by this section, the unit owners' association shall, as to the purchaser, be bound by the statements set forth therein as to the status of the assessment account and the status of the unit with respect to any violation of the condominium instruments as of the date of the resale certificate unless the purchaser had actual knowledge that the contents of the resale certificate were in error.

H. If the unit owners' association has been requested to furnish the resale certificate required by this section and has been paid the appropriate fee, its failure to provide the resale certificate in substantially the form provided herein within fourteen days from the actual receipt of the request by an officer, director or agent of the unit owners' association shall be deemed a waiver of any claim for delinquent assessments or of any violation of the condominium instruments, rules and regulations, or architectural guidelines existing as of the date of the request with respect to the subject unit. The unit owners' association shall be liable to the seller in an amount equal to the actual damages sustained by the seller in an amount not to exceed \$500. The purchaser shall nevertheless be obligated to abide by the condominium instruments, rules and regulations, and architectural guidelines of the unit owners' association as to all matters arising after the date of the settlement of the sale. *The settlement agent, as defined in § 6.1-2.20, when transmitting funds to a unit owners' association or otherwise upon request, shall provide the unit owners' association with (i) the name of the seller, (ii) the name and address of the purchaser, (iii) the address of the subject property, (iv) the date of settlement, and (v) a brief explanation of the application of any funds transmitted. Providing a copy of the HUD-1 settlement statement, unless otherwise prohibited, shall satisfy these requirements.*

I. Subject to the provisions of § 55-79.87, but notwithstanding any other provisions of this chapter, the provisions and requirements of this section shall apply to any such resale of a condominium unit created under the provisions of the Horizontal Property Act (§ 55-79.1 et seq.).

J. The resale certificate required by this section need not be provided in the case of:

1. A disposition of a unit by gift;
2. A disposition of a unit pursuant to court order if the court so directs; or
3. A disposition of a unit by foreclosure or deed in lieu of foreclosure.

K. In any transaction in which a resale certificate is required and a trustee acts as the seller in the sale or resale of a unit, the trustee shall obtain the resale certificate from the unit owners' association and provide the resale certificate to the purchaser.

§ 55-511. Contract disclosure statement; right of cancellation.

A. Subject to the provisions of subsection F of § 55-512, a person selling a lot shall disclose in the contract that (i) the lot is located within a development which is subject to the Virginia Property Owners' Association Act; (ii) the Act requires the seller to obtain from the property owners' association an association disclosure packet and provide it to the purchaser; (iii) the purchaser may cancel the contract within three days after receiving the association disclosure packet or being notified that the association disclosure packet will not be available; (iv) if the purchaser has received the association disclosure packet, the purchaser has a right to request an update of such disclosure packet in accordance with § 55-512; and (v) the right to receive the association disclosure packet and the right to cancel the contract are waived conclusively if not exercised before settlement.

B. If the contract does not contain the disclosure required by subsection A, the purchaser's sole remedy is to cancel the contract prior to settlement.

C. The information contained in the association disclosure packet shall be current as of a date specified on the association disclosure packet. The purchaser may cancel the contract: (i) within three days after the date of the contract, if on or before the date that the purchaser signs the contract, the purchaser receives the association disclosure packet or is notified that the association disclosure packet will not be available; (ii) within three days after receiving the association disclosure packet if the association disclosure packet or notice that the association disclosure packet will not be available is hand delivered *or delivered with the consent of the purchaser by electronic means and a receipt obtained*; or (iii) within six days after the postmark date if the association disclosure packet or notice that the association disclosure packet will not be available is sent to the purchaser by United States mail. The purchaser may also cancel the contract at any time prior to settlement if the purchaser has not been notified that the association disclosure packet will not be available and the association disclosure packet is not delivered to the purchaser. Notice of cancellation shall be hand delivered or sent by United States

183 mail, return receipt requested, to the owner *or his agent*. Such cancellation shall be without penalty, and  
184 the seller shall cause any deposit to be returned promptly to the purchaser. *The association may also*  
185 *send the resale certificate by electronic means with the consent of the seller and the purchaser.*

186 D. Whenever any contract is canceled based on a failure to comply with subsection A or C or  
187 pursuant to subsection B, any deposit or escrowed funds shall be returned within thirty days of the  
188 cancellation, unless the parties to the contract agreed upon a shorter period.

189 E. Any rights of the purchaser to cancel the contract provided by this chapter are waived  
190 conclusively if not exercised prior to settlement.

191 F. Except as expressly provided in this chapter, the provisions of this section and § 55-512 may not  
192 be varied by agreement, and the rights conferred by this section and § 55-512 may not be waived.

193 § 55-512. Contents of association disclosure packet; other requirements.

194 A. Subject to the provisions of subsections C and F, the association shall make available to an owner  
195 or his authorized agent within fourteen days after receipt of a written request therefor and receipt of the  
196 appropriate fee, an association disclosure packet, which, upon receipt, the seller shall deliver to the  
197 purchaser. The information contained in the association disclosure packet shall be current as of a date  
198 specified on the association disclosure packet. If hand *or electronically* delivered, the written request and  
199 fee are deemed received on the date of delivery. If sent by United States mail, the request and fee are  
200 deemed received six days after the postmark date. An association disclosure packet shall contain the  
201 following:

202 1. The name of the association and, if incorporated, the state in which the association is incorporated  
203 and the name and address of its registered agent in Virginia;

204 2. A statement of any expenditure of funds approved by the association or the board of directors  
205 which shall require an assessment in addition to the regular assessment during the current year or the  
206 immediately succeeding fiscal year;

207 3. A statement, including the amount of all assessments and any other mandatory fees or charges  
208 currently imposed by the association and associated with the purchase, disposition and maintenance of  
209 the lot and to the right of use of common areas, and the status of the account;

210 4. A statement whether there is any other entity or facility to which the lot owner may be liable for  
211 fees or other charges;

212 5. A statement of the status and amount of any reserve or replacement fund and any portion of the  
213 fund allocated by the board of directors for a specified project;

214 6. A copy of the association's current budget or a summary thereof prepared by the association, and a  
215 copy of its statement of income and expenses or statement of its financial condition for the last fiscal  
216 year for which such statement is available;

217 7. A statement of the nature and status of any pending suit or unpaid judgment to which the  
218 association is a party which either could or would have a material impact on the association or its  
219 members or which relates to the lot being purchased;

220 8. A statement setting forth what insurance coverage is provided for all lot owners by the association,  
221 including any fidelity bond maintained by the association, and what additional insurance would normally  
222 be secured by each individual lot owner;

223 9. A statement that any improvement or alteration made to the lot, or uses made of the lot or  
224 common area assigned thereto by the prior lot owner, are not in violation of any of the instruments  
225 referred to in subdivision 12 of this subsection;

226 10. A statement setting forth any restriction, limitation, or prohibition on the right of a lot owner to  
227 place a sign on the owner's lot advertising the lot for sale;

228 11. A statement setting forth any restriction, limitation, or prohibition on the right of a lot owner to  
229 display any flag on the owner's lot including, but not limited to reasonable restrictions as to the size,  
230 place and manner of placement or display of such flag and the installation of any flagpole or similar  
231 structure necessary to display such flag;

232 12. A copy of the current declaration, the association's articles of incorporation and bylaws, and any  
233 rules and regulations or architectural guidelines adopted by the association;

234 13. A copy of the notice given to the lot owner by the association of any current or pending rule or  
235 architectural violation; and

236 14. Certification, if applicable, that the association has filed with the Real Estate Board the annual  
237 report required by § 55-516.1; which certification shall indicate the filing number assigned by the Real  
238 Estate Board and the expiration date of such filing.

239 Failure to receive copies of such documents shall not excuse any failure to comply with the  
240 provisions thereof.

241 The disclosure packet, once received by the seller from the association, shall be delivered by the  
242 seller to the purchaser. The association shall have no obligation to deliver the disclosure packet to the  
243 purchaser of the lot. The disclosure packet required by this section, shall not, in and of itself, be deemed  
244 a security within the meaning of § 13.1-501.

B. The purchaser may submit a copy of the contract to the association with a request for assurance that the information required by this section previously furnished remains materially unchanged, or, if there have been material changes, a statement specifying such changes. The purchaser shall be provided with such assurances or such statement within ten days of the receipt of such request by the association. The purchaser may be required to pay a fee for the preparation and issuance of the requested assurances. The fee shall reflect the actual cost incurred by the association in providing such assurances but shall not exceed ten cents per page of copying costs or a total of fifty dollars for all costs incurred in updating the association disclosure packet. *The association may also collect from the purchaser the actual costs incurred of any mailing or delivery requested by the purchaser pursuant to this subsection.*

C. The association may charge a fee for the preparation and issuance of the disclosure packet required by this section. Any fee shall reflect the actual cost of the preparation of the packet, but shall not exceed ten cents per page of copying costs or a total of \$100 for all costs incurred in preparing the association disclosure packet, *except that the association, upon mutual agreement with the seller, may collect for actual costs incurred, in addition to any fee charged pursuant to this subsection (i) a rush fee for furnishing the resale certificate within three business days from the actual receipt of the request, (ii) the actual cost of any mailing or delivery requested by the seller pursuant to this subsection, and (iii) any actual cost incurred at the request and with the consent of the purchaser.*

D. When a disclosure packet has been issued as required by this section, the association shall, as to the purchaser, be bound by the statements set forth therein as to the status of the assessment account and the status of the lot with respect to any violation of any of the instruments referred to in subdivision 12 of subsection A as of the date of the statement unless the purchaser had actual knowledge that the contents of the disclosure packet were in error.

E. If the association has been requested to furnish the disclosure packet required by this section and has been paid the appropriate fee, its failure to provide the disclosure packet in substantially the form provided herein within fourteen days from the actual receipt of the request by an officer, director or agent of the association shall be deemed a waiver of any claim for delinquent assessments or of any violation of the declaration, bylaws, rules and regulations, or architectural guidelines existing as of the date of the request with respect to the subject lot. The association shall be liable to the seller in an amount equal to the actual damages sustained by the seller in an amount not to exceed \$500. The purchaser shall nevertheless be obligated to abide by the declaration, bylaws, rules and regulations, and architectural guidelines of the association as to all matters arising after the date of the settlement of the sale. *The settlement agent, as defined in § 6.1-2.20, when transmitting funds to the association or otherwise upon request, shall provide the association with (i) the name of the seller, (ii) the name and address of the purchaser, (iii) the address of the subject property, (iv) the date of settlement, and (v) a brief explanation of the application of any funds transmitted. Providing a copy of the HUD-1 settlement statement, unless otherwise prohibited, shall satisfy these requirements.*

F. The contract disclosures required by § 55-511 and the disclosure packet required by this section need not be provided in the case of:

1. A disposition of a lot by gift;
2. A disposition of a lot pursuant to court order if the court so directs;
3. A disposition of a lot by foreclosure or deed in lieu of foreclosure;
4. A disposition of a lot that is zoned for or otherwise restricted to nonresidential use; or
5. A disposition of a lot to a person or entity who is not acquiring the lot for his own residence or for the construction thereon of a dwelling unit to be occupied as his own residence, unless requested by such person or entity. If such disclosures are not requested, a statement in the contract of sale that the purchaser is not acquiring the lot for such purpose shall be conclusive and may be relied upon by the seller of the lot. The person or entity acquiring the lot shall nevertheless be obligated to abide by the declaration, bylaws, rules and regulations, and architectural guidelines of the association as to all matters.

G. In any transaction in which a disclosure packet is required and a trustee acts as the seller in the sale or resale of a lot, the trustee shall obtain the disclosure packet from the association and provide the packet to the purchaser.

§ 55-513. Adoption and enforcement of rules.

A. The board of directors of the association shall have the power to establish, adopt, and enforce rules and regulations with respect to use of the common areas and with respect to such other areas of responsibility assigned to the association by the declaration, except where expressly reserved by the declaration to the members. Rules and regulations may be adopted by resolution and shall be reasonably published or distributed throughout the development. A majority of votes cast, in person or by proxy, at a meeting convened in accordance with the provisions of the association's bylaws and called for that purpose, shall repeal or amend any rule or regulation adopted by the board of directors. Rules and regulations may be enforced by any method normally available to the owner of private property in

306 Virginia, including, but not limited to, application for injunctive relief or damages, during which the  
307 court may award to the association court costs and reasonable attorneys' fees.

308 B. The board of directors of the association shall also have the power, to the extent the declaration  
309 or rules and regulations duly adopted pursuant thereto expressly so provide, to (i) suspend a member's  
310 right to use facilities or services, including utility services, provided directly through the association for  
311 nonpayment of assessments which are more than sixty days past due, to the extent that access to the lot  
312 through the common areas is not precluded and provided that such suspension shall not endanger the  
313 health, safety, or property of any owner, tenant, or occupant and (ii) assess charges against any member  
314 for any violation of the declaration or rules and regulations for which the member or his family  
315 members, tenants, guests, or other invitees are responsible.

316 Before any such charges or suspension may be imposed, the member shall be given an opportunity to  
317 be heard and to be represented by counsel before the board of directors or other tribunal specified in the  
318 documents. Notice of a hearing, including the charges or other sanctions that may be imposed, shall be  
319 hand delivered or mailed by registered or certified mail, return receipt requested, to the member at the  
320 address of record with the association at least fourteen days prior to the hearing.

321 The amount of any charges so assessed shall not be limited to the expense or damage to the  
322 association caused by the violation, but shall not exceed fifty dollars for a single offense or ten dollars  
323 per day for any offense of a continuing nature and shall be treated as an assessment against the  
324 member's lot for the purposes of § 55-516. However, the total charges for any offense of a continuing  
325 nature shall not be assessed for a period exceeding ninety days. After the date a lawsuit is filed  
326 challenging any such charges, no additional charges shall accrue. If the court rules in favor of the  
327 association, it shall be entitled to collect such charges from the date the action was filed as well as all  
328 other charges assessed pursuant to this section against the lot owner prior to the action.

329 The hearing result shall be hand delivered or mailed by registered or certified mail, return receipt  
330 requested, to the member at the address of record with the association within ~~three~~ seven days of the  
331 hearing.