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HOUSE BILL NO. 690**FLOOR AMENDMENT IN THE NATURE OF A SUBSTITUTE**(Proposed by Delegate Massie
on February 7, 2014)

(Patron Prior to Substitute—Delegate Massie)

A BILL to amend the Code of Virginia by adding sections numbered 55-79.71:2, 55-79.73:2, and 55-515.2:1, relating to the Condominium and Property Owners' Association Acts; merger of developments; reformation of declaration.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding sections numbered 55-79.71:2, 55-79.73:2, and 55-515.2:1 as follows:

§ 55-79.71:2. Merger or consolidation of condominiums; procedure.

A. Any two or more condominiums, by agreement of the unit owners as provided in subsection B, may be merged or consolidated into a single condominium. In the event of a merger or consolidation, unless the agreement otherwise provides, the resultant condominium shall be the legal successor, for all purposes, of all of the preexisting condominiums, and the operations and activities of all unit owners' associations of the preexisting condominiums shall be merged or consolidated into a single unit owners' association that holds all powers, rights, obligations, assets, and liabilities of all preexisting unit owners' associations.

B. An agreement to merge or consolidate two or more condominiums pursuant to subsection A shall be evidenced by an agreement prepared, executed, recorded, and certified by the principal officer of the unit owners' association of each of the preexisting condominiums following approval by owners of units to which are allocated the percentage of votes in each condominium required to terminate that condominium. The agreement shall be recorded in every locality in which a portion of the condominium is located and shall not be effective until recorded.

C. Every merger or consolidation agreement shall provide for the reallocation of the allocated interests in the new unit owners' association among the units of the resultant condominium either (i) by stating the reallocations or the formulas upon which they are based or (ii) by stating the percentage of the overall allocated interests of the condominium that are allocated to all of the units comprising each of the preexisting condominiums, and provided that the portion of the percentages allocated to each unit formerly comprising a part of the preexisting condominium shall be equal to the percentages of allocated interests allocated to that unit by the declaration of the preexisting condominium.

D. If the condominium instruments of a condominium to be merged or consolidated require a vote or consent of mortgagees in order to amend the condominium instruments or terminate the condominium, the same vote or consent of mortgagees shall be required before such merger or consolidation shall become effective. No merger or consolidation shall affect mortgagee rights, alter the priority of the lien of any mortgage, materially impair or affect any condominium unit as collateral for a mortgage, or affect a mortgagee's right to foreclose on a condominium unit as collateral without the prior written consent of the mortgagee. A vote or consent of a mortgagee required by this section may be deemed received pursuant to § 55-79.73:1.

§ 55-79.73:2. Reformation of declaration; judicial procedure.

A. A unit owners' association may petition the circuit court in the county or city wherein the condominium or the greater part thereof is located to reform the condominium instruments where the unit owners' association, acting through its executive organ, has attempted to amend the condominium instruments regarding ownership of legal title of the common elements or real property using provisions outlined therein to resolve (i) ambiguities or inconsistencies in the condominium instruments that are the source of legal and other disputes pertaining to the legal rights and responsibilities of the unit owners' association or individual unit owners or (ii) scrivener's errors, including incorrectly identifying the unit owners' association, incorrectly identifying an entity other than the unit owners' association, or errors arising from oversight or from an inadvertent omission or mathematical mistake.

B. The court shall have jurisdiction to:

1. Reform, in whole or in part, any provision of the condominium instruments; and
2. Correct mistakes or any other error in the condominium instruments that may exist with respect to the declaration for any other purpose.

C. A petition filed by the unit owners' association with the court setting forth any inconsistency or error made in the condominium instruments, or the necessity for any change therein, shall be deemed sufficient basis for the reformation, in whole or in part, of the condominium instruments, provided that:

1. The unit owners' association has made three good faith attempts to convene a duly called meeting of the unit owners' association to present for consideration amendments to the condominium instruments

60 for the reasons specified in subsection A, which attempts have proven unsuccessful as evidenced by an
61 affidavit verified by oath of the principal officer of the unit owners' association;

62 2. There is no adequate remedy at law as practical and effective to attain the ends of justice as may
63 be accomplished in the circuit court;

64 3. Where the declarant of the condominium still owns a unit or continues to have any special
65 declarant rights in the condominium, the declarant joins in the petition of the unit owners' association;

66 4. A copy of the petition is sent to all unit owners at least 30 days before the petition is filed as
67 evidenced by an affidavit verified by oath of the principal officer of the unit owners' association; and

68 5. A copy of the petition is sent to all mortgagees at least 30 days before the petition is filed as
69 evidenced by an affidavit verified by oath of the principal officer of the unit owners' association.

70 D. Any mortgagee of a condominium unit in the condominium shall have standing to participate in
71 the reformation proceedings before the court. No reformation pursuant to this section shall affect
72 mortgagee rights, alter the priority of the lien of any mortgage, materially impair or affect any
73 condominium unit as collateral for a mortgage, or affect a mortgagee's right to foreclose on a
74 condominium unit as collateral without the prior written consent of the mortgagee. Consent of a
75 mortgagee required by this section may be deemed received pursuant to § 55-79.73:1.

76 **§ 55-515.2:1. Reformation of declaration; judicial procedure.**

77 A. An association may petition the circuit court in the county or city wherein the development or the
78 greater part thereof is located to reform a declaration where the association, acting through its board
79 of directors, has attempted to amend the declaration regarding ownership of legal title of the common
80 areas or real property using provisions outlined therein to resolve (i) ambiguities or inconsistencies in
81 the declaration that are the source of legal and other disputes pertaining to the legal rights and
82 responsibilities of the association or individual lot owners or (ii) scrivener's errors, including incorrectly
83 identifying the association, incorrectly identifying an entity other than the association, or errors arising
84 from oversight or from an inadvertent omission or mathematical mistake.

85 B. The court shall have jurisdiction to:

86 1. Reform, in whole or in part, any provision of a declaration; and

87 2. Correct mistakes or any other error in the declaration that may exist with respect to the
88 declaration for any other purpose.

89 C. A petition filed by the association with the court setting forth any inconsistency or error made in
90 the declaration, or the necessity for any change therein, shall be deemed sufficient basis for the
91 reformation, in whole or in part, of the declaration, provided that:

92 1. The association has made three good faith attempts to convene a duly called meeting of the
93 association to present for consideration amendments to the declaration for the reasons specified in
94 subsection A, which attempts have proven unsuccessful as evidenced by an affidavit verified by oath of
95 the principal officer of the association;

96 2. There is no adequate remedy at law as practical and effective to attain the ends of justice as may
97 be accomplished in the circuit court;

98 3. Where the declarant of the development still owns a lot or other property in the development, the
99 declarant joins in the petition of the association;

100 4. A copy of the petition is sent to all owners at least 30 days before the petition is filed as
101 evidenced by an affidavit verified by oath of the principal officer of the association; and

102 5. A copy of the petition is sent to all mortgagees at least 30 days before the petition is filed as
103 evidenced by an affidavit verified by oath of the principal officer of the association.

104 D. Any mortgagee of a lot in the development shall have standing to participate in the reformation
105 proceedings before the court. No reformation pursuant to this section shall affect mortgagee rights, alter
106 the priority of the lien of any mortgage, materially impair or affect any lot as collateral for a mortgage,
107 or affect a mortgagee's right to foreclose on a lot as collateral without the prior written consent of the
108 mortgagee. Consent of a mortgagee required by this section may be deemed received pursuant to
109 § 55-515.1.