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## HOUSE BILL NO. 1548

## AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on General Laws and Technology  
on February 27, 2020)

(Patron Prior to Substitute—Delegate Simon)

*A BILL to amend and reenact §§ 55.1-1937 and 55.1-1941 of the Code of Virginia, relating to common interest communities; Virginia Condominium Act; termination of condominium; respective interests of unit owners.*

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

**1. That §§ 55.1-1937 and 55.1-1941 of the Code of Virginia are amended and reenacted as follows:**

**§ 55.1-1937. Termination of condominium.**

A. If there is no unit owner other than the declarant, the declarant may unilaterally terminate the condominium. An instrument terminating a condominium signed by the declarant is effective upon recordation of such instrument. But this section shall not be construed to nullify, limit, or otherwise affect the validity or enforceability of any agreement renouncing or to renounce, in whole or in part, the right hereby conferred.

B. Except in the case of a taking of all the units by eminent domain, if any of the units in the condominium is restricted exclusively to residential use and there is any unit owner other than the declarant, the condominium may be terminated only by the agreement of unit owners of units to which four-fifths of the votes in the unit owners' association appertain, or such larger majority as the condominium instruments may specify. If none of the units in the condominium is restricted exclusively to residential use, the condominium instruments may specify a majority smaller than the minimum specified in this subsection.

C. Agreement of the required majority of unit owners to termination of the condominium shall be evidenced by their execution of a termination agreement, or ratifications of such agreement, and such agreement is effective when a copy of the termination agreement is recorded together with a certification, signed by the principal officer of the unit owners' association or by such other officer as the condominium instruments may specify, that the requisite majority of the unit owners signed the termination agreement or ratifications. Unless the termination agreement otherwise provides, prior to recordation of the termination agreement, a unit owner's prior agreement to terminate the condominium may be revoked only with the approval of unit owners of units to which a majority of the votes in the unit owners' association appertain. *Any unit owner acquiring a unit subsequent to approval of a termination agreement but prior to recordation of the termination agreement shall be deemed to have consented to the termination agreement. Upon approval of a termination agreement and until recordation of the termination agreement, a copy of the termination agreement shall be included with the resale certificate required by § 55.1-1990.* The termination agreement shall specify a date after which the termination agreement is void if the termination agreement is not recorded. For the purposes of this section, an instrument terminating a condominium and any ratification of such instrument shall be deemed a condominium instrument subject to the provisions of § 55.1-1911.

D. ~~In the case of a condominium that contains only units having horizontal boundaries described in the condominium instruments,~~ a termination agreement may provide that all of the common elements and units of the condominium shall be sold *or otherwise disposed of* following termination. If, pursuant to the termination agreement, any property in the condominium is sold *or disposed of* following termination, the termination agreement shall set forth the minimum terms of the sale *or disposition*.

E. ~~In the case of a condominium that contains any units not having horizontal boundaries described in the condominium instruments,~~ a termination agreement may provide for sale of the common elements. ~~The termination agreement may not require that the units be sold following termination, unless the condominium instruments as originally recorded provide otherwise or all the unit owners consent to the sale.~~ In the case of a master condominium that contains a unit that is a part of another condominium, a termination agreement for the master condominium shall not terminate the other condominium.

F. On behalf of the unit owners, the unit owners' association may contract for the disposition of property in the condominium, but the contract shall not be binding on the unit owners until approved pursuant to subsections B and C. If the termination agreement requires that any property in the condominium be sold *or otherwise disposed of* following termination, title to the property, upon termination, shall vest in the unit owners' association as trustee for the holders of all interest in the units. Thereafter, the unit owners' association shall have powers necessary and appropriate to effect the sale *or disposition*. Until the termination has been concluded and the proceeds have been distributed, the unit owners' association shall continue in existence with all the powers the unit owners' association had before termination. Proceeds of the sale shall be distributed to unit owners and lien holders as their

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60 interests may appear, in proportion to the respective interests of the unit owners as provided in  
61 subsection I. Unless otherwise specified in the termination agreement, for as long as the unit owners'  
62 association holds title to the property, each unit owner or his successor in interest shall have an  
63 exclusive right to occupancy of the portion of the property that formerly constituted his unit. During the  
64 period of occupancy by that the unit owner or his successor in interest *has the right to occupancy*, each  
65 unit owner or his successor in interest shall remain liable for any assessment or other obligation imposed  
66 on the unit owner by this chapter or the condominium instruments.

67 G. If the property that constitutes the condominium is not sold *or otherwise disposed of* following  
68 termination, title to ~~the common elements and, in the case of a condominium containing only units that~~  
69 ~~have horizontal boundaries described in the condominium instruments, title to all the property in the~~  
70 condominium shall vest in the unit owners, upon termination, as tenants in common in proportion to the  
71 unit owners' respective interests as provided in subsection I. ~~Any~~ *In such an event, any liens on the*  
72 ~~units a unit shall shift accordingly, and a lien may be enforced only against a unit owner's tenancy in~~  
73 *common interest, but the lien shall not encumber the entire property formerly constituting the*  
74 *condominium.* While the tenancy in common exists, each unit owner or his successor in interest shall  
75 have the exclusive right to occupancy of the portion of the property that formerly constituted the unit  
76 owner's unit.

77 H. Following termination of the condominium, the proceeds of any sale of property, together with  
78 the assets of the unit owners' association, shall be held by the unit owners' association as trustee for unit  
79 owners or lien holders on the units as their interests may appear. Following termination, any creditor of  
80 the unit owners' association who holds a lien on the unit that was recorded before termination may  
81 enforce the lien in the same manner as any lien holder. Any other creditor of the unit owners'  
82 association shall be treated as if he had perfected a lien on the units immediately before termination.

83 I. Unless the condominium instruments as originally recorded or as amended by 100 percent of the  
84 unit owners provide otherwise, the respective interests of unit owners referred to in subsections F, G,  
85 and H shall be as follows:

86 1. *Except as provided in subdivision 3, the respective interests of the unit owners shall be as set*  
87 *forth in the termination agreement.*

88 2. Except as provided in subdivision 2 3, *if the respective interests of the unit owners shall be the*  
89 *are based on the respective fair market values of their units, limited common elements, and common*  
90 *element interests immediately before the termination, as the fair market values shall be determined by*  
91 *one or more independent appraisers selected by the unit owners' association. The decision of the*  
92 *independent appraisers shall be distributed to the unit owners and become final unless disapproved*  
93 *within 30 days after distribution by unit owners of units to which one quarter of the votes in the unit*  
94 *owners' association appertain. The proportion of any unit owner's interest to the interest of all unit*  
95 *owners is determined by dividing the fair market value of that unit owner's unit and common element*  
96 *interest by the total fair market values of all the units and their common element interests.*

97 3. *If the method of determining the respective interests of the unit owners in the proceeds of sale or*  
98 *disposition is other than the fair market values, then the association shall provide each unit owner with*  
99 *a notice stating the result of that method for his unit and, no later than 30 days after transmission of*  
100 *that notice, if 10 percent of the unit owners dispute the interest to be distributed to their units, those*  
101 *unit owners may require the association to obtain an independent appraisal of the condominium units. If*  
102 *the fair market value of the units of the objecting unit owners is at least 10 percent more than the*  
103 *amount that the unit owners would have received using the method agreed upon by the membership,*  
104 *then the association shall adjust the respective interests of the unit owners so that each unit owner's*  
105 *share is based on the fair market value for each unit. If the fair market value is less than 10 percent*  
106 *more than the amount that the objecting unit owners would have received using the agreed-upon*  
107 *method, then the agreed-upon method shall be implemented and the objecting unit owners shall receive*  
108 *the distribution less their pro rata share of the cost of their appraisal.*

109 ~~2.~~ 4. *If the method of determining the respective interests of the unit owners cannot be implemented*  
110 *because any unit or limited common element is destroyed to the extent that an appraisal of the fair*  
111 *market value of such unit or limited common element before destruction cannot be made, the interests*  
112 *of all unit owners are the unit owners' respective common element interests immediately before the*  
113 *termination.*

114 5. *Unless the termination agreement provides otherwise, each unit owner shall satisfy and cause the*  
115 *release of any mortgage, deed of trust, lease, or other lien or encumbrance on his unit at the time*  
116 *required by the termination agreement.*

117 J. Except as provided in subsection K, foreclosure or enforcement of a mortgage, deed of trust, or  
118 other lien or encumbrance against the entire condominium shall not alone terminate the condominium,  
119 and foreclosure or enforcement of a lien or encumbrance against a portion of the condominium, other  
120 than withdrawable land, shall not withdraw that portion from the condominium. Foreclosure or  
121 enforcement of a lien or encumbrance against withdrawable land shall not alone withdraw the land from

the condominium, but the person who takes title to the withdrawable land shall have the right to require from the unit owners' association, upon request, an amendment that excludes the land from the condominium.

K. If a lien or encumbrance against a portion of the property that comprises the condominium has priority over the condominium instruments and the lien or encumbrance has not been partially released, upon foreclosure, the parties foreclosing the lien or encumbrance may record an instrument that excludes the property subject to the lien or encumbrance from the condominium.

~~L. The foreclosure of any mortgage, deed of trust, or other lien shall not be deemed, ex proprio vigore, to terminate the condominium.~~

**§ 55.1-1941. Amendment to condominium instruments; consent of mortgagee.**

A. If any provision in the condominium instruments requires the written consent of a mortgagee in order to amend the condominium instruments, the unit owners' association shall be deemed to have received the written consent of a mortgagee if the unit owners' association sends the text of the proposed amendment by certified mail, return receipt requested, to the mortgagee at the address supplied by such mortgagee in a written request to the unit owners' association to receive notice of proposed amendments to the condominium instruments and receives no written objection to the adoption of the amendment from the mortgagee within 60 days of the date that the notice of amendment is sent by the unit owners' association, unless the condominium instruments expressly provide otherwise. If the mortgagee has not supplied an address to the unit owners' association, the unit owners' association shall be deemed to have received the written consent of a mortgagee if the unit owners' association sends the text of the proposed amendment by certified mail, return receipt requested, to the mortgagee at the address filed in the land records or with the local tax assessor's office and receives no written objection to the adoption of the amendment from the mortgagee within 60 days of the date that the notice of amendment is sent by the unit owners' association, unless the condominium instruments expressly provide otherwise.

*B. Any amendment adopted without the required consent of a mortgagee shall be voidable only by an institutional lender that was entitled to notice and an opportunity to consent. An action to void an amendment shall be subject to the one-year statute of limitations set forth in subsection C of § 55.1-1934 beginning on the date of recordation of the amendment.*

C. Subsection A shall not apply to amendments that alter the priority of the lien of the mortgagee or that materially impair or affect the unit as collateral or the right of the mortgagee to foreclose on a unit as collateral.

~~C. D.~~ Where the condominium instruments are silent on the need for mortgagee consent, no mortgagee consent shall be required if the amendment to the condominium instruments does not specifically affect mortgagee rights.