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HOUSE BILL NO. 558

Offered January 11, 2006

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A BILL to amend and reenact §§ 55-79.40, 55-79.74:3, 55-79.79 and 55-79.90 of the Code of Virginia, relating to the Condominium Act; actions for breach of warranty; notice of declarant.

 Patron—Oder

 Referred to Committee on General Laws

Be it enacted by the General Assembly of Virginia:

1. That §§ 55-79.40, 55-79.74:3, 55-79.79, and 55-79.90 of the Code of Virginia are amended and reenacted as follows:

§ 55-79.40. Application and construction of chapter.

A. This chapter shall apply to all condominiums and to all horizontal property regimes or condominium projects. For the purposes of this chapter, the terms "horizontal property regime" and "condominium project" shall be deemed to correspond to the term "condominium" ; the term "apartment" shall be deemed to correspond to the term "unit" ; the term "co-owner" shall be deemed to correspond to the term "unit owner" ; the term "council of co-owners" shall be deemed to correspond to the term "unit owners' association" ; the term "developer" shall be deemed to correspond to the term "declarant" ; the term "general common elements" shall be deemed to correspond to the term "common elements" ; and the terms "master deed" and "master lease" shall be deemed to correspond to the term "declaration" and shall be deemed included in the term "condominium instruments." This chapter shall be deemed to supersede the Horizontal Property Act, §§ 55-79.1 through 55-79.38, and no condominium shall be established under the latter on or after July 1, 1974. But this chapter shall not be construed to affect the validity of any provision of any condominium instrument recorded prior to July 1, 1974. Nor shall Article 4 (§ 55-79.86 et seq.) of this chapter be deemed to supersede §§ 55-79.16 through 55-79.31 of the Horizontal Property Act as to any condominiums established prior to the effective date hereof.

B. This chapter shall not apply to condominiums located outside ~~this~~*the* Commonwealth. Sections 55-79.88 through 55-79.94 and §§ 55-79.98 through 55-79.103 shall apply to all contracts for the disposition of condominium units signed in ~~this~~*the* Commonwealth by any person, unless exempt under § 55-79.87.

C. Subsection ~~(b)~~ B of § 55-79.79 and § 55-79.94 do not apply to the declarant of a conversion condominium if that declarant is a proprietary lessees' association that, immediately before the creation of the condominium, owned fee simple title to or a fee simple reversionary interest in the real estate described pursuant to subdivision (a) (3) of § 55-79.54.

§ 55-79.74:3. Transfer of special declarant rights.

A. No special declarant right may be transferred except by a document evidencing the transfer recorded in every city and county wherein any portion of the condominium is located. The instrument shall not be effective unless executed by the transferee.

B. Upon transfer of any special declarant right, the liability of a transferor declarant shall be as follows:

1. The transferor shall not be relieved of any obligation or liability arising before the transfer and shall remain liable for warranty obligations imposed upon him by subsection ~~(b)~~ B of § 55-79.79. Lack of privity shall not deprive any unit owner of standing to bring an action to enforce any obligation of the transferor.

2. If the successor to any special declarant right is an affiliate of a declarant, the transferor shall also be jointly and severally liable with the successor for any obligation or liability of the successor which relates to the condominium.

3. If a transferor retains any special declarant rights, but transfers other special declarant rights to a successor who is not an affiliate of the declarant, the transferor shall also be liable for all obligations and liabilities relating to the retained special declarant rights and imposed on a declarant by this chapter or by the condominium instruments.

4. A transferor shall have no liability for any breach of a contractual or warranty obligation or for any other act or omission, arising from the exercise of a special declarant right by a successor declarant who is not an affiliate of the transferor.

C. Except as otherwise provided by the mortgage or deed of trust, in case of foreclosure of a mortgage, sale by a trustee under a deed of trust, tax sale, judicial sale or sale under receivership proceedings or the Bankruptcy Code as codified in Title 11 of the United States Code, of any unit

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59 owned by a declarant or land subject to development rights:

60 1. A person acquiring title to all the land being foreclosed or sold shall, but only upon his request,
61 succeed to all special declarant rights related to that land reserved by that declarant, or only to any
62 rights reserved in the declaration pursuant to § 55-79.66 and held by that declarant to maintain sales
63 offices, management offices, model units and/or signs.

64 2. The judgment or instrument conveying title shall provide for transfer of only the special declarant
65 rights requested.

66 For the purposes of this subsection, "development rights" means any right or combination of rights to
67 expand an expandable condominium, contract a contractable condominium, convert convertible land or
68 convert convertible space.

69 D. Upon foreclosure, sale by a trustee under a deed of trust, tax sale, judicial sale or sale under
70 receivership proceedings or the Bankruptcy Code as codified in Title 11 of the United States Code of all
71 units and other land in the condominium owned by a declarant (i) that declarant ceases to have any
72 special declarant rights, and (ii) any period of declarant control reserved under subsection A of
73 § 55-79.74 shall terminate, unless the judgment or instrument conveying title provides for transfer of all
74 special declarant rights held by that declarant to a successor declarant.

75 E. The liabilities and obligations of any person or persons who succeed to any special declarant right
76 shall be as follows:

77 1. A successor to any special declarant right who is an affiliate of a declarant is subject to all
78 obligations and liabilities imposed on the transferor by this chapter or by the condominium instruments.

79 2. A successor to any special declarant right, other than a successor described in subdivisions 3 and
80 4 of this subsection, who is not an affiliate of a declarant shall be subject to all obligations and
81 liabilities imposed by this chapter or the condominium instruments on a declarant, which relate to his
82 exercise or nonexercise of special declarant rights, or on his transferor, except for (i) misrepresentations
83 by any prior declarant, (ii) warranty obligations as provided in subsection ~~(b)~~B of § 55-79.79 on
84 improvements made by any previous declarant or made before the condominium was created, (iii) breach
85 of any fiduciary obligation by any previous declarant or his appointees to the executive organ, or (iv)
86 any liability or obligation imposed on the transferor as a result of the transferor's acts or omissions after
87 the transfer.

88 3. Unless he is an affiliate of a declarant, a successor to only a right reserved in the declaration to
89 maintain sales offices, management offices, model units and/or signs shall not exercise any other special
90 declarant right and shall not be subject to any liability or obligation as a declarant, except the liabilities
91 and obligations arising under Article 4 (§ 55-79.86 et seq.) of this chapter as to disposition by that
92 successor.

93 4. A successor to all special declarant rights held by his transferor who is not an affiliate of that
94 transferor and who succeeded to those rights pursuant to a deed in lieu of foreclosure or a judgment or
95 instrument conveying title to units under subsection C hereof may declare his intention in a recorded
96 instrument to hold those rights solely for transfer to another person. Thereafter, until transferring all
97 special declarant rights to any person acquiring title to any unit owned by the successor, or until
98 recording an instrument permitting exercise of all those rights, that successor may not exercise any of
99 those rights other than any right reserved by his transferor pursuant to subsection A of § 55-79.74. Any
100 attempted exercise of those rights is void. So long as a successor declarant may not exercise special
101 declarant rights under this subsection, he shall not be subject to any liability or obligation as a declarant
102 other than liability for his acts and omissions relating to the exercise of rights reserved under subsection
103 A of § 55-79.74.

104 F. Nothing in this section subjects any successor to a special declarant right to any claims against or
105 other obligations of a transferor declarant, other than claims and obligations arising under this chapter or
106 the condominium instruments.

107 G. For the purposes of this section, "affiliate of a declarant" means any person who controls, is
108 controlled by, or is under common control with a declarant. A person controls a declarant if the person
109 (i) is general partner, officer, director or employer of the declarant, (ii) directly or indirectly or acting in
110 concert with one or more persons or through one or more subsidiaries, owns, controls, holds with power
111 to vote, or holds proxies representing more than twenty percent of the voting interests in the declarant,
112 (iii) controls in any manner the election of a majority of the directors of the declarant, or (iv) has
113 contributed more than twenty percent of the capital of the declarant. A person is controlled by a
114 declarant if the declarant (i) is a general partner, officer, director or employer of the person, (ii) directly
115 or indirectly or acting in concert with one or more other persons or through one or more subsidiaries,
116 owns, controls, holds with power to vote or holds proxies representing more than twenty percent of the
117 voting interest in the person, (iii) controls in any manner the election of a majority of the directors of
118 the person, or (iv) has contributed more than twenty percent of the capital of the person. Control does
119 not exist if the powers described in this paragraph are held solely as security for an obligation and are
120 not exercised.

§ 55-79.79. Upkeep of condominiums; warranty against structural defects; statute of limitations for warranty.

(a) A. Except to the extent otherwise provided by the condominium instruments, all powers and responsibilities, including financial responsibility, with regard to maintenance, repair, renovation, restoration, and replacement of the condominium shall belong (1) (i) to the unit owners' association in the case of the common elements, and (2) (ii) to the individual unit owner in the case of any unit or any part thereof, except to the extent that the need for repairs, renovation, restoration or replacement arises from a condition originating in or through the common elements or any apparatus located within the common elements, in which case the unit owners' association shall have such powers and responsibilities. Each unit owner shall afford to the other unit owners and to the unit owners' association and to any agents or employees of either such access through his unit as may be reasonably necessary to enable them to exercise and discharge their respective powers and responsibilities. But to the extent that damage is inflicted on the common elements or any unit through which access is taken, the unit owner causing the same, or the unit owners' association if it caused the same, shall be liable for the prompt repair thereof.

(b) B. Notwithstanding anything in this section to the contrary, the declarant shall warrant or guarantee, against structural defects, each of the units for two years from the date each is conveyed, and all of the common elements for two years. In the case of each unit the declarant shall also warrant that the unit is fit for habitation and constructed in a workmanlike manner so as to pass without objection in the trade. The two years referred to in this subsection shall begin as to each of the common elements whenever the same has been completed or, if later, (1) (i) as to any common element within any additional land or portion thereof, at the time the first unit therein is conveyed, (2) (ii) as to any common element within any convertible land or portion thereof, at the time the first unit therein is conveyed, and (3) (iii) as to any common element within any other portion of the condominium, at the time the first unit therein is conveyed. For the purposes of this subsection, no unit shall be deemed conveyed unless conveyed to a bona fide purchaser. Any conveyance of a condominium unit transfers to the purchaser all of the declarant's warranties against structural defects imposed by this subsection. For the purposes of this subsection, structural defects shall be those defects in components constituting any unit or common element which reduce the stability or safety of the structure below accepted standards or restrict the normal intended use of all or part of the structure and which require repair, renovation, restoration, or replacement. Nothing in this subsection shall be construed to make the declarant responsible for any items of maintenance relating to the units or common elements.

(c) C. An action for breach of any warranty prescribed by this section ~~must~~ shall be commenced within five years after the date such warranty period began. *However, no such action shall be maintained against the declarant unless a written statement by the claimant or his agent, attorney or representative, of the nature of the alleged defect has been sent to the declarant, by registered or certified mail, at his last known address, as reflected in the records of the Real Estate Board, more than six months prior to the commencement of the action giving the declarant an opportunity to cure the alleged defect within a reasonable time. Sending the notice required by this subsection shall toll the statute of limitations for commencing a breach of warranty action for a period not to exceed six months.*

§ 55-79.90. Public offering statement; condominium securities.

A. A public offering statement shall disclose fully and accurately the characteristics of the condominium and the units therein offered and shall make known to prospective purchasers all unusual and material circumstances or features affecting the condominium. The proposed public offering statement submitted to the agency shall be in a form prescribed by its rules and shall include the following:

1. The name and principal address of the declarant and the condominium;
2. A general narrative description of the condominium stating the total number of units in the offering; the total number of units planned to be sold and rented; the total number of units that may be included in the condominium by reason of future expansion or merger of the project by the declarant;
3. Copies of the declaration and bylaws, with a brief narrative statement describing each and including information on declarant control, a projected budget for at least the first year of the condominium's operation (including projected common expense assessments for each unit), and provisions for reserves for capital expenditures and restraints on alienation;
4. Copies of any management contract, lease of recreational areas, or similar contract or agreement affecting the use, maintenance or access of all or any part of the condominium with a brief narrative statement of the effect of each such agreement upon a purchaser, and a statement of the relationship, if any, between the declarant and the managing agent or firm;
5. A general description of the status of construction, zoning, site plan approval, issuance of building permits, or compliance with any other state or local statute or regulation affecting the condominium;
6. The significant terms of any encumbrances, easements, liens and matters of title affecting the

182 condominium;

183 7. The significant terms of any financing offered by the declarant to the purchaser of units in the
184 condominium;

185 8. Provisions of any warranties provided by the declarant on the units and the common elements,
186 other than the warranty prescribed by subsection ~~(b)~~B of § 55-79.79;

187 9. A statement that the purchaser may cancel the disposition within ten days of delivery of the
188 current public offering statement, or within ten days of the contract date of the disposition, whichever is
189 later;

190 10. A statement of the declarant's obligation to complete improvements of the condominium which
191 are planned but not yet begun, or begun but not yet completed. Said statement shall include a
192 description of the quality of the materials to be used, the size or capacity of the improvements when
193 material, and the time by which the improvements shall be completed. Any limitations on the declarant's
194 obligation to begin or complete any such improvements shall be expressly stated;

195 11. If the units in the condominium are being subjected to a time-share instrument pursuant to
196 § 55-367, the information required to be disclosed by § 55-374;

197 12. A statement listing the facilities or amenities which are defined as common elements or limited
198 common elements in the condominium instruments, which are available to a purchaser for use. Such
199 statement shall also include whether there are any fees or other charges for the use of such facilities or
200 amenities which are not included as part of any assessment, and the amount of such fees or charges, if
201 any, a purchaser may be required to pay;

202 13. A statement of any limitation on the number of persons who may occupy a unit as a dwelling;
203 and

204 14. Additional information required by the agency to assure full and fair disclosure to prospective
205 purchasers.

206 B. The public offering statement shall not be used for any promotional purposes before registration
207 of the condominium project and afterwards only if it is used in its entirety. No person may advertise or
208 represent that the agency approves or recommends the condominium or disposition thereof. No portion
209 of the public offering statement may be underscored, italicized, or printed in larger or heavier or
210 different color type than the remainder of the statement unless the agency requires it.

211 C. The agency may require the declarant to alter or amend the proposed public offering statement in
212 order to assure full and fair disclosure to prospective purchasers, and no change in the substance of the
213 promotional plan or plan of disposition or development of the condominium may be made after
214 registration without notifying the agency and without making appropriate amendment of the public
215 offering statement. A public offering statement is not current unless all amendments are incorporated.

216 D. If an interest in a condominium is currently registered with the Securities and Exchange
217 Commission of the United States, a declarant satisfies all requirements relating to the preparation of a
218 public offering statement in this chapter if he delivers to the purchaser and files with the agency a copy
219 of the public offering statement filed with the Securities and Exchange Commission. An interest in a
220 condominium is not a security under the provisions of the Securities Act (§ 13.1-501 et seq.).

221 **2. That the provisions of § 55-79.79 of this act shall apply only to breach of warranty claims**
222 **arising on or after January 1, 2007.**