Florida House of Representatives - 2002

By the Council for Smarter Government and Representatives Mack, Gottlieb, Haridopolos and Cantens

1	A bill to be entitled
2	An act relating to condominiums, cooperatives,
3	and homeowners' associations; amending s.
4	702.09, F.S.; redefining the terms "mortgage"
5	and "foreclosure proceedings"; amending s.
6	718.104, F.S.; revising provisions relating to
7	declarations for the creation of a condominium;
8	amending s. 718.106, F.S.; revising provisions
9	relating to appurtenances that pass with a
10	condominium unit; amending s. 718.110, F.S.;
11	revising provisions relating to amendments to a
12	declaration of condominium; amending s.
13	718.111, F.S.; revising provisions relating to
14	the association; amending s. 718.112, F.S.;
15	revising provisions relating to bylaws;
16	amending s. 718.113, F.S.; revising provisions
17	relating to material alterations of common
18	elements or association real property operated
19	by a multicondominium association; amending s.
20	718.115, F.S.; revising provisions relating to
21	common expenses; amending s. 718.1255, F.S.,
22	relating to alternative dispute resolution
23	procedures; providing for the expedited
24	handling of any allegation of an irregularity
25	in the election of any director of the board of
26	administration of a condominium; amending s.
27	718.405, F.S.; revising provisions relating to
28	multicondominiums and multicondominium
29	associations; amending s. 718.503, F.S.;
30	relating to disclosure requirements for the
31	sale of certain condominiums; removing the
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1 requirement that question and answer sheets be 2 part of the closing documents; amending s. 3 718.504, F.S.; revising provisions relating to the prospectus or offering circular; providing 4 5 an effective date. 6 7 Be It Enacted by the Legislature of the State of Florida: 8 9 Section 1. Section 702.09, Florida Statutes, is 10 amended to read: 11 702.09 Definitions.--For the purposes of ss. 702.07 12 and 702.08 the words "decree of foreclosure" shall include a 13 judgment or order rendered or passed in the foreclosure 14 proceedings in which the decree of foreclosure shall be rescinded, vacated, and set aside; the word "mortgage" shall 15 16 mean any written instrument securing the payment of money or 17 advances and includes liens to secure payment of assessments arising under chapters 718, 719, and 720; the word "debt" 18 19 shall include promissory notes, bonds, and all other written 20 obligations given for the payment of money; the words "foreclosure proceedings" shall embrace every action in the 21 22 circuit or county courts of this state wherein it is sought to foreclose a mortgage and sell the property covered by the 23 same; and the word "property" shall mean and include both real 24 25 and personal property. 26 Section 2. Paragraph (h) of subsection (4) and 27 subsection (5) of section 718.104, Florida Statutes, are 28 amended to read: 29 718.104 Creation of condominiums; contents of declaration .-- Every condominium created in this state shall be 30 31 created pursuant to this chapter. 2

1 (4) The declaration must contain or provide for the 2 following matters: 3 (h) If a developer reserves the right, in a 4 declaration recorded on or after July 1, 2000, to create a 5 multicondominium, the declaration must state, or provide a 6 specific formula for determining, the fractional or percentage 7 shares of liability for the common expenses of the association 8 and of ownership of the common surplus of the association to be allocated to the units in each condominium to be operated 9 by the association. If a the declaration recorded on or after 10 11 July 1, 2000, for a condominium operated by a multicondominium 12 association as originally recorded fails to so provide, the 13 share of liability for the common expenses of the association 14 and of ownership of the common surplus of the association allocated to each unit in each condominium operated by the 15 16 association shall be a fraction of the whole, the numerator of which is the number "one" and the denominator of which is the 17 total number of units in all condominiums operated by the 18 19 association. 20 (5) The declaration as originally recorded or as amended under the procedures provided therein may include 21 22 covenants and restrictions concerning the use, occupancy, and transfer of the units permitted by law with reference to real 23 property. However, the rule against perpetuities shall not 24 defeat a right given any person or entity by the declaration 25 26 for the purpose of allowing unit owners to retain reasonable 27 control over the use, occupancy, and transfer of units. 28 Section 3. Paragraph (b) of subsection (2) of section 718.106, Florida Statutes, is amended to read: 29 30 718.106 Condominium parcels; appurtenances; possession 31 and enjoyment.--

1 (2) There shall pass with a unit, as appurtenances 2 thereto: 3 (b) The exclusive right to use such portion of the 4 common elements as may be provided by the declaration, 5 including the right to transfer such right to other units or 6 unit owners to the extent authorized by the declaration as 7 originally recorded, or amendments to the declaration adopted 8 pursuant to the provisions contained therein under s. 9 718.110(2). Amendments to declarations of condominium providing for the transfer of use rights with respect to 10 11 limited common elements are not amendments that materially 12 modify unit appurtenances as described in s. 718.110(4). 13 However, in order to be effective, the transfer of use rights 14 with respect to limited common elements must be effectuated in 15 conformity with the procedures set forth in the declaration as 16 originally recorded or as amended under the procedures 17 provided therein. This section is intended to clarify existing law and applies to associations existing on the effective date 18 of this <u>act.</u> 19 20 Section 4. Subsection (4) of section 718.110, Florida 21 Statutes, is amended to read: 718.110 Amendment of declaration; correction of error 22 23 or omission in declaration by circuit court .--24 (4) Unless otherwise provided in the declaration as 25 originally recorded, no amendment may change the configuration 26 or size of any unit in any material fashion, materially alter 27 or modify the appurtenances to the unit, or change the 28 proportion or percentage by which the unit owner shares the 29 common expenses of the condominium and owns the common surplus of the condominium unless the record owner of the unit and all 30 31 record owners of liens on the unit join in the execution of 4

the amendment and unless all the record owners of all other 1 2 units in the same condominium approve the amendment. The 3 acquisition of property by the association-and material alterations or substantial additions to such property or the 4 5 common elements by the association in accordance with s. 718.111(7) or s. 718.113, and amendments providing for the 6 7 transfer of use rights in limited common elements pursuant to 8 s. 718.106(2)(b), shall not be deemed to constitute a material alteration or modification of the appurtenances to the units. 9 A declaration recorded after April 1, 1992, may not require 10 11 the approval of less than a majority of total voting interests of the condominium for amendments under this subsection, 12 13 unless otherwise required by a governmental entity. 14 Section 5. Subsections (4) and (13) of section 718.111, Florida Statutes, are amended to read: 15 16 718.111 The association.--(4) ASSESSMENTS; MANAGEMENT OF COMMON ELEMENTS.--The 17 association has the power to make and collect assessments and 18 19 to lease, maintain, repair, and replace the common elements or 20 association property; however, the association may not charge 21 a use fee against a unit owner for the use of common elements 22 or association property unless otherwise provided for in the declaration of condominium or by a majority vote of the 23 association or unless the charges relate to expenses incurred 24 by an owner having exclusive use of the common elements or 25 26 association property. 27 (13) FINANCIAL REPORTING. -- Within 90 days after the 28 end of the fiscal year, or annually on a date provided in the 29 bylaws, the association shall prepare and complete, or contract for the preparation and completion of or cause to be 30 prepared and completed by a third party, a financial report 31 5

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for the preceding fiscal year. Within 21 days after the final 1 2 financial report is completed by the association or received 3 by the association from the third party, but not later than 4 120 days after the end of the fiscal year or other date as 5 provided in the bylaws, the association shall mail to each б unit owner at the address last furnished to the association by 7 the unit owner, or hand deliver to each unit owner, a copy of 8 the financial report or a notice that a copy of the financial report will be mailed or hand delivered to the unit owner, 9 without charge, upon receipt of a written request from the 10 11 unit owner. The division shall adopt rules setting forth 12 uniform accounting principles and standards to be used by all 13 associations and shall adopt rules addressing financial 14 reporting requirements for multicondominium associations. Τn adopting such rules, the division shall consider the number of 15 16 members and annual revenues of an association. Financial reports shall be prepared as follows: 17 (a) An association that meets the criteria of this 18 19 paragraph shall prepare or cause to be prepared a complete set 20 of financial statements in accordance with generally accepted accounting principles. The financial statements shall be 21 22 based upon the association's total annual revenues, as follows: 23 24 An association with total annual revenues of 1. 25 \$100,000 or more, but less than \$200,000, shall prepare 26 compiled financial statements. 27 2. An association with total annual revenues of at 28 least \$200,000, but less than \$400,000, shall prepare reviewed 29 financial statements. 3. An association with total annual revenues of 30 \$400,000 or more shall prepare audited financial statements. 31 6

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1 (b)1. An association with total annual revenues of 2 less than \$100,000 shall prepare a report of cash receipts and 3 expenditures. 4 2. An association which operates less than 50 units, 5 regardless of the association's annual revenues, shall prepare б a report of cash receipts and expenditures in lieu of 7 financial statements required by paragraph (a). 8 3. A report of cash receipts and disbursements must disclose the amount of receipts by accounts and receipt 9 classifications and the amount of expenses by accounts and 10 expense classifications, including, but not limited to, the 11 12 following, as applicable: costs for security, professional and 13 management fees and expenses, taxes, costs for recreation 14 facilities, expenses for refuse collection and utility services, expenses for lawn care, costs for building 15 16 maintenance and repair, insurance costs, administration and salary expenses, and reserves accumulated and expended for 17 capital expenditures, deferred maintenance, and any other 18 19 category for which the association maintains reserves. 20 (c) An association may prepare or cause to be 21 prepared, without a meeting of or approval by the unit owners: 1. Compiled, reviewed, or audited financial 22 23 statements, if the association is required to prepare a report 24 of cash receipts and expenditures; 25 Reviewed or audited financial statements, if the 2. 26 association is required to prepare compiled financial 27 statements; or 28 3. Audited financial statements if the association is 29 required to prepare reviewed financial statements. 30 31 7

1 If approved by a majority of the voting interests (d) 2 present at a properly called meeting of the association, an 3 association may prepare or cause to be prepared: 4 1. A report of cash receipts and expenditures in lieu 5 of a compiled, reviewed, or audited financial statement; 6 2. A report of cash receipts and expenditures or a 7 compiled financial statement in lieu of a reviewed or audited 8 financial statement; or 9 3. A report of cash receipts and expenditures, a compiled financial statement, or a reviewed financial 10 11 statement in lieu of an audited financial statement. 12 13 Such meeting and approval must occur prior to the end of the 14 fiscal year and is effective only for the fiscal year in which the vote is taken. With respect to an association to which the 15 16 developer has not turned over control of the association, all unit owners, including the developer, may vote on issues 17 related to the preparation of financial reports for the first 18 19 2 fiscal years of the association's operation, beginning with 20 the fiscal year in which the declaration is recorded. 21 Thereafter, all unit owners except the developer may vote on 22 such issues until control is turned over to the association by the developer. 23 24 Section 6. Subsection (3) of section 718.112, Florida 25 Statutes, is amended to read: 26 718.112 Bylaws.--27 (3) OPTIONAL PROVISIONS. -- The bylaws as originally 28 recorded or as amended under the procedures provided therein 29 may provide for the following: 30 31

CODING: Words stricken are deletions; words underlined are additions.

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(a) A method of adopting and amending administrative 1 2 rules and regulations governing the details of the operation 3 and use of the common elements. 4 (b) Restrictions on and requirements for the use, 5 maintenance, and appearance of the units and the use of the б common elements. 7 (c) Other provisions which are not inconsistent with 8 this chapter or with the declaration, as may be desired. Section 7. Subsection (2) of section 718.113, Florida 9 10 Statutes, is amended to read: 11 718.113 Maintenance; limitation upon improvement; 12 display of flag; hurricane shutters. --13 (2)(a) Except as otherwise provided in this section, 14 there shall be no material alteration or substantial additions to the common elements or to real property which is 15 16 association property, except in a manner provided in the declaration as originally recorded or as amended under the 17 18 procedures provided therein. If the declaration as originally recorded or as amended under the procedures provided therein 19 20 does not specify the procedure for approval of material 21 alterations or substantial additions, 75 percent of the total 22 voting interests of the association must approve the alterations or additions. 23 24 (b) There shall not be any material alteration of, or substantial addition to, the common elements of any 25 26 condominium operated by a multicondominium association unless 27 approved in the manner provided in the declaration of the 28 affected condominium or condominiums as originally recorded or 29 as amended under the procedures provided therein. If a declaration as originally recorded or as amended under the 30 procedures provided therein does not specify a procedure for 31 9

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approving such an alteration or addition, the approval of 75 1 2 percent of the total voting interests of each affected 3 condominium is required. This subsection does not prohibit a provision in any declaration, articles of incorporation, or 4 5 bylaws as originally recorded or as amended under the б procedures provided therein requiring the approval of unit 7 owners in any condominium operated by the same association or 8 requiring board approval before a material alteration or substantial addition to the common elements is permitted. This 9 paragraph is intended to clarify existing law and applies to 10 associations existing on the effective date of this act. 11 12 (c) There shall not be any material alteration or 13 substantial addition made to association real property 14 operated by a multicondominium association, except as provided 15 in the declaration, articles of incorporation, or bylaws as 16 originally recorded or as amended under the procedures provided therein. If the declaration, articles of 17 incorporation, or bylaws as originally recorded or as amended 18 19 under the procedures provided therein do not specify the 20 procedure for approving an alteration or addition to association real property, the approval of 75 percent of the 21 22 total voting interests of the association is required. This 23 paragraph is intended to clarify existing law and applies to 24 associations existing on the effective date of this act. 25 Section 8. Paragraphs (b) and (c) of subsection (1) of 26 section 718.115, Florida Statutes, are amended to read: 27 718.115 Common expenses and common surplus.--28 (1)29 The common expenses of a condominium within a (b) multicondominium are the common expenses directly attributable 30 31 to the operation of that condominium. The common expenses of a 10

multicondominium association do not include the common 1 2 expenses directly attributable to the operation of any 3 specific condominium or condominiums within the multicondominium. This paragraph is intended to clarify 4 5 existing law and applies to associations existing on the б effective date of this act. 7 (c) The common expenses of a multicondominium 8 association may include categories of expenses related to the property or common elements within a specific condominium in 9 the multicondominium if such property or common elements are 10 areas in which all members of the multicondominium association 11 have use rights or from which all members receive tangible 12 13 economic benefits. Such common expenses of the association 14 shall be identified in the declaration or bylaws as originally recorded or as amended under the procedures provided therein 15 of each condominium within the multicondominium association. 16 This paragraph is intended to clarify existing law and applies 17 to associations existing on the effective date of this act. 18 19 Section 9. Subsection (5) is added to section 20 718.1255, Florida Statutes, to read: 21 718.1255 Alternative dispute resolution; voluntary 22 mediation; mandatory nonbinding arbitration; legislative 23 findings.--24 (5) DISPUTES INVOLVING ELECTION IRREGULARITIES.--Every 25 arbitration petition received by the division and required to 26 be filed under this section challenging the legality of the 27 election of any director of the board of administration must 28 be handled on an expedited basis in the manner provided by the 29 division's rules for recall arbitration disputes. Section 10. Subsections (1) and (4) of section 30 31 718.405, Florida Statutes, are amended to read: 11

1 718.405 Multicondominiums; multicondominium 2 associations.--3 (1) An association may operate more than one 4 condominium. For multicondominiums created on or after July 1, 5 2000, if the declaration for each condominium to be operated б by that association must provide provides for participation in 7 a multicondominium, in conformity with this section, and 8 disclose discloses or describe describes: 9 (a) The manner or formula by which the assets, liabilities, common surplus, and common expenses of the 10 11 association will be apportioned among the units within the 12 condominiums operated by the association, in accordance with 13 s. 718.104(4)(g) or (h), as applicable. 14 (b) Whether unit owners in any other condominium, or 15 any other persons, will or may have the right to use 16 recreational areas or any other facilities or amenities that are common elements of the condominium, and, if so, the 17 specific formula by which the other users will share the 18 19 common expenses related to those facilities or amenities. 20 (c) Recreational and other commonly used facilities or amenities which the developer has committed to provide that 21 22 will be owned, leased by, or dedicated by a recorded plat to the association but which are not included within any 23 condominium operated by the association. The developer may 24 reserve the right to add additional facilities or amenities if 25 the declaration and prospectus for each condominium to be 26 27 operated by the association contains the following statement 28 in conspicuous type and in substantially the following form: 29 RECREATIONAL FACILITIES MAY BE EXPANDED OR ADDED WITHOUT 30 CONSENT OF UNIT OWNERS OR THE ASSOCIATION. 31

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(d) The voting rights of the unit owners in the 1 2 election of directors and in other multicondominium 3 association affairs when a vote of the owners is taken, including, but not limited to, a statement as to whether each 4 5 unit owner will have a right to personally cast his or her own б vote in all matters voted upon. 7 (4) This section does not prevent or restrict the 8 formation of a multicondominium by the merger or consolidation 9 of two or more condominium associations. Mergers or consolidations of associations shall be accomplished in 10 accordance with this chapter, the declarations of the 11 condominiums being merged or consolidated, and chapter 617. 12 13 Section 718.110(4) does not apply to amendments to 14 declarations necessary to effect a merger or consolidation. This section is intended to clarify existing law and applies 15 16 to associations existing on the effective date of this act. 17 Section 11. Subsection (2) of section 718.503, Florida Statutes, is amended to read: 18 19 718.503 Developer disclosure prior to sale; 20 nondeveloper unit owner disclosure prior to sale; 21 voidability.--22 (2) NONDEVELOPER DISCLOSURE.--(a) Each unit owner who is not a developer as defined 23 by this chapter shall comply with the provisions of this 24 25 subsection prior to the sale of his or her unit. Each 26 prospective purchaser who has entered into a contract for the 27 purchase of a condominium unit is entitled, at the seller's 28 expense, to a current copy of the declaration of condominium, 29 articles of incorporation of the association, bylaws, and 30 rules of the association, as well as a copy of the question 31

1 and answer sheet provided for by s. 718.504 and a copy of the 2 financial information required by s. 718.111.

3 (b) If a person licensed under part I of chapter 475 4 provides to or otherwise obtains for a prospective purchaser 5 the documents described in this subsection, the person is not 6 liable for any error or inaccuracy contained in the documents.

7 (c) Each contract entered into after July 1, 1992, for
8 the resale of a residential unit shall contain in conspicuous
9 type either:

1. A clause which states: THE BUYER HEREBY 10 11 ACKNOWLEDGES THAT BUYER HAS BEEN PROVIDED A CURRENT COPY OF THE DECLARATION OF CONDOMINIUM, ARTICLES OF INCORPORATION OF 12 13 THE ASSOCIATION, BYLAWS, RULES OF THE ASSOCIATION, AND A COPY 14 OF THE MOST RECENT YEAR-END FINANCIAL INFORMATION AND THE QUESTION AND ANSWER SHEET MORE THAN 3 DAYS, EXCLUDING 15 16 SATURDAYS, SUNDAYS, AND LEGAL HOLIDAYS, PRIOR TO EXECUTION OF 17 THIS CONTRACT; or

2. A clause which states: THIS AGREEMENT IS VOIDABLE 18 19 BY BUYER BY DELIVERING WRITTEN NOTICE OF THE BUYER'S INTENTION 20 TO CANCEL WITHIN 3 DAYS, EXCLUDING SATURDAYS, SUNDAYS, AND 21 LEGAL HOLIDAYS, AFTER THE DATE OF EXECUTION OF THIS AGREEMENT 22 BY THE BUYER AND RECEIPT BY BUYER OF A CURRENT COPY OF THE DECLARATION OF CONDOMINIUM, ARTICLES OF INCORPORATION, BYLAWS, 23 AND RULES OF THE ASSOCIATION, AND A COPY OF THE MOST RECENT 24 25 YEAR-END FINANCIAL INFORMATION AND QUESTION AND ANSWER SHEET 26 IF SO REQUESTED IN WRITING. ANY PURPORTED WAIVER OF THESE 27 VOIDABILITY RIGHTS SHALL BE OF NO EFFECT. BUYER MAY EXTEND THE 28 TIME FOR CLOSING FOR A PERIOD OF NOT MORE THAN 3 DAYS, 29 EXCLUDING SATURDAYS, SUNDAYS, AND LEGAL HOLIDAYS, AFTER THE BUYER RECEIVES THE DECLARATION, ARTICLES OF INCORPORATION, 30 31 BYLAWS, AND RULES, AND QUESTION AND ANSWER SHEET IF REQUESTED

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1 IN WRITING. BUYER'S RIGHT TO VOID THIS AGREEMENT SHALL 2 TERMINATE AT CLOSING. 3 4 A contract that does not conform to the requirements of this 5 paragraph is voidable at the option of the purchaser prior to б closing. 7 Section 12. Subsection (15) of section 718.504, 8 Florida Statutes, is amended to read: 9 718.504 Prospectus or offering circular.--Every developer of a residential condominium which contains more 10 11 than 20 residential units, or which is part of a group of 12 residential condominiums which will be served by property to 13 be used in common by unit owners of more than 20 residential 14 units, shall prepare a prospectus or offering circular and file it with the Division of Florida Land Sales, Condominiums, 15 16 and Mobile Homes prior to entering into an enforceable contract of purchase and sale of any unit or lease of a unit 17 for more than 5 years and shall furnish a copy of the 18 prospectus or offering circular to each buyer. In addition to 19 20 the prospectus or offering circular, each buyer shall be 21 furnished a separate page entitled "Frequently Asked Questions 22 and Answers," which shall be in accordance with a format approved by the division and a copy of the financial 23 information required by s. 718.111. This page shall, in 24 readable language, inform prospective purchasers regarding 25 26 their voting rights and unit use restrictions, including 27 restrictions on the leasing of a unit; shall indicate whether 28 and in what amount the unit owners or the association is 29 obligated to pay rent or land use fees for recreational or other commonly used facilities; shall contain a statement 30 31 identifying that amount of assessment which, pursuant to the

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budget, would be levied upon each unit type, exclusive of any 1 2 special assessments, and which shall further identify the 3 basis upon which assessments are levied, whether monthly, quarterly, or otherwise; shall state and identify any court 4 5 cases in which the association is currently a party of record in which the association may face liability in excess of 6 7 \$100,000; and which shall further state whether membership in 8 a recreational facilities association is mandatory, and if so, shall identify the fees currently charged per unit type. 9 The division shall by rule require such other disclosure as in its 10 11 judgment will assist prospective purchasers. The prospectus or 12 offering circular may include more than one condominium, 13 although not all such units are being offered for sale as of 14 the date of the prospectus or offering circular. The prospectus or offering circular must contain the following 15 16 information:

17 (15) If <u>a</u> the condominium <u>created on or after July 1</u>, 18 <u>2000</u>, is or may become part of a multicondominium, the 19 following information must be provided:

(a) A statement in conspicuous type in substantially
the following form: THIS CONDOMINIUM IS (MAY BE) PART OF A
MULTICONDOMINIUM DEVELOPMENT IN WHICH OTHER CONDOMINIUMS WILL
(MAY) BE OPERATED BY THE SAME ASSOCIATION. Immediately
following this statement, the location in the prospectus or
offering circular and its exhibits where the multicondominium
aspects of the offering are described must be stated.

(b) A summary of the provisions in the declaration, articles of incorporation, and bylaws which establish and provide for the operation of the multicondominium, including a statement as to whether unit owners in the condominium will have the right to use recreational or other facilities located

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or planned to be located in other condominiums operated by the 1 2 same association, and the manner of sharing the common 3 expenses related to such facilities. 4 (c) A statement of the minimum and maximum number of condominiums, and the minimum and maximum number of units in 5 б each of those condominiums, which will or may be operated by 7 the association, and the latest date by which the exact number 8 will be finally determined. (d) A statement as to whether any of the condominiums 9 10 in the multicondominium may include units intended to be used 11 for nonresidential purposes and the purpose or purposes 12 permitted for such use. 13 (e) A general description of the location and 14 approximate acreage of any land on which any additional 15 condominiums to be operated by the association may be located. 16 Section 13. This act shall take effect July 1, 2002. 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31