

ASSEMBLY BILL NO. 484—ASSEMBLYMEN CHOWNING, GIBBONS, PRICE,
OHRENSCHALL, ANDERSON, BEERS, BERMAN, BROWN,
CEGAVSKE, CLABORN, DE BRAGA, DINI, FREEMAN,
GIUNCHIGLIANI, GOLDWATER, GUSTAVSON, HETTRICK, HUMKE,
LESLIE, MANENDO, MCCLAIN, MORTENSON, NOLAN, PARKS,
PERKINS, SMITH AND TIFFANY

MARCH 19, 2001

Referred to Committee on Judiciary

SUMMARY—Revises provisions governing disclosure statement required upon sale of unit
in common-interest community. (BDR 10-584)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to common-interest communities; revising the information that must be
furnished by a unit's owner to a prospective purchaser before the sale of the unit;
and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** NRS 116.4109 is hereby amended to read as follows:
2 116.4109 1. Except in the case of a sale in which delivery of a public
3 offering statement is required, or unless exempt under subsection 2 of NRS
4 116.4101, a unit's owner shall furnish to a purchaser before *the* execution
5 of any contract for *the* sale of a unit, or otherwise before conveyance:
6 (a) A copy of the declaration, other than any plats and plans, the bylaws,
7 the rules or regulations of the association and, except for a time share
8 governed by the provisions of chapter 119A of NRS, the information
9 statement required by NRS 116.41095;
10 (b) A statement setting forth the amount of the monthly assessment for
11 common expenses and any unpaid assessment of any kind currently due
12 from the selling unit's owner ~~that~~ *that the purchaser will be obligated to*
13 *pay;*
14 (c) *A statement setting forth any unpaid fines due from the selling*
15 *unit's owner that the purchaser will be obligated to pay;*



1 *(d) A statement of any violations of the governing documents of the*
2 *association associated with the unit that the purchaser will be obligated*
3 *to correct or repair;*

4 *(e) The current operating budget of the association and a financial*
5 *statement for the association; ~~and~~*

6 ~~—(d) (f)~~ *(f) A statement of any unsatisfied judgments or pending legal*
7 *actions against the association and the status of any pending legal actions*
8 *relating to the common-interest community ~~{of which the unit's owner has~~*
9 *actual knowledge.};*

10 *(g) A statement of any pending claims submitted to arbitration or*
11 *mediation to which the association is a party; and*

12 *(h) A statement of any legal actions or claims for arbitration or*
13 *mediation that may reasonably be anticipated to be filed against the*
14 *association.*

15 2. The association, within 10 days after a request by a unit's owner,
16 shall furnish a certificate containing the information necessary to enable
17 the unit's owner to comply with this section. *The certificate must be*
18 *signed by a member of the executive board of the association.* A unit's
19 owner providing a certificate pursuant to subsection 1 is not liable to the
20 purchaser for any erroneous information provided by the association and
21 included in the certificate.

22 3. Neither a purchaser nor the purchaser's interest in a unit is liable for
23 ~~any~~ :

24 *(a) Any unpaid assessment, ~~{or}~~ fee or fine greater than the amount ~~{set~~*
25 *forth in the certificate prepared by the association.} disclosed pursuant to*
26 *this section; or*

27 *(b) The correction or repair of any violation of the governing*
28 *documents of the association that is not disclosed pursuant to this*
29 *section.*

30 4. If the association fails to furnish the certificate within the 10 days
31 allowed by subsection 2, the seller is not liable for ~~the~~ :

32 *(a) Any delinquent assessment ~~{}~~, fee or fine owed to the association;*
33 *or*

34 *(b) The correction or repair of any violation of the governing*
35 *documents of the association associated with the unit.*

36 **Sec. 2.** NRS 116.41095 is hereby amended to read as follows:

37 116.41095 The information statement required by NRS 116.4103 and
38 116.4109 must be in substantially the following form:

39

40 BEFORE YOU PURCHASE PROPERTY IN A
41 COMMON-INTEREST COMMUNITY
42 DID YOU KNOW . . .

43 1. YOU ARE AGREEING TO RESTRICTIONS ON HOW YOU
44 CAN USE YOUR PROPERTY?

45 These restrictions are contained in a document known as the Declaration of
46 Covenants, Conditions and Restrictions (C, C & R's) that should be
47 provided for your review before making your purchase. The C, C & R's
48 become a part of the title to your property. They bind you and every future
49 owner of the property whether or not you have read them or had them



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1 explained to you. The C, C & R's, together with other "governing
2 documents" (such as association bylaws and rules and regulations), are
3 intended to preserve the character and value of properties in the
4 community, but may also restrict what you can do to improve or change
5 your property and limit how you use and enjoy your property. By
6 purchasing a property encumbered by C, C & R's, you are agreeing to
7 limitations that could affect your lifestyle and freedom of choice. You
8 should review the C, C & R's and other governing documents before
9 purchasing to make sure that these limitations and controls are acceptable
10 to you.

11 2. YOU WILL HAVE TO PAY OWNERS' ASSESSMENTS FOR AS
12 LONG AS YOU OWN YOUR PROPERTY?

13 As an owner in a common-interest community, you are responsible for
14 paying your share of expenses relating to the common elements, such as
15 landscaping, shared amenities and the operation of any homeowner's
16 association. The obligation to pay these assessments binds you and every
17 future owner of the property. Owners' fees are usually assessed by the
18 homeowner's association and due monthly. You have to pay dues whether
19 or not you agree with the way the association is managing the property or
20 spending the assessments. The executive board of the association may have
21 the power to change and increase the amount of the assessment and to levy
22 special assessments against your property to meet extraordinary expenses.
23 In some communities, major components of the community such as roofs
24 and private roads must be maintained and replaced by the association. If
25 the association is not well managed or fails to maintain adequate reserves
26 to repair, replace and restore common elements, you may be required to
27 pay large, special assessments to accomplish these tasks.

28 3. IF YOU FAIL TO PAY OWNERS' ASSESSMENTS, YOU
29 COULD LOSE YOUR HOME?

30 If you do not pay these assessments when due, the association usually has
31 the power to collect them by selling your property in a nonjudicial
32 foreclosure sale. If fees become delinquent, you may also be required to
33 pay penalties and the association's costs and attorney's fees to become
34 current. If you dispute the obligation or its amount, your only remedy to
35 avoid the loss of your home may be to file a lawsuit and ask a court to
36 intervene in the dispute.

37 4. YOU MAY BECOME A MEMBER OF A HOMEOWNER'S
38 ASSOCIATION THAT HAS THE POWER TO AFFECT HOW YOU
39 USE AND ENJOY YOUR PROPERTY?

40 Many common-interest communities have a homeowner's association. In a
41 new development, the association will usually be controlled by the
42 developer until a certain number of units have been sold. After the period
43 of developer control, the association may be controlled by property owners
44 like yourself who are elected by homeowners to sit on an executive board
45 and other boards and committees formed by the association. The
46 association, and its executive board, are responsible for assessing
47 homeowners for the cost of operating the association and the common or
48 shared elements of the community and for the ~~day-to-day~~ day-to-day
49 operation and management of the community. Because homeowners sitting



1 on the executive board and other boards and committees of the association
2 may not have the experience or professional background required to
3 understand and carry out the responsibilities of the association properly,
4 the association may hire professional managers to carry out these
5 responsibilities.

6 Homeowner's associations operate on democratic principles. Some
7 decisions require all homeowners to vote, some decisions are made by the
8 executive board or other boards or committees established by the
9 association or governing documents. Although the actions of the
10 association and its executive board are governed by state laws, the C, C &
11 R's and other documents that govern the common-interest community,
12 decisions made by these persons will affect your use and enjoyment of
13 your property, your lifestyle and freedom of choice, and your cost of living
14 in the community. You may not agree with decisions made by the
15 association or its governing bodies even though the decisions are ones
16 which the association is authorized to make. Decisions may be made by a
17 few persons on the executive board or governing bodies that do not
18 necessarily reflect the view of the majority of homeowners in the
19 community. If you do not agree with decisions made by the association, its
20 executive board or other governing bodies, your remedy is typically to
21 attempt to use the democratic processes of the association to seek the
22 election of members of the executive board or other governing bodies that
23 are more responsive to your needs. If persons controlling the association or
24 its management are not complying with state laws or the governing
25 documents, your remedy is typically to seek to mediate or arbitrate the
26 dispute and, if mediation or arbitration is unsuccessful, file a lawsuit and
27 ask a court to resolve the dispute. In addition to your personal cost in
28 mediation or arbitration, or to prosecute a lawsuit, you may be responsible
29 for paying your share of the association's cost in defending against your
30 claim. There is no government agency in this state that investigates or
31 intervenes to resolve disputes in homeowner's associations.

32 5. YOU ARE REQUIRED TO PROVIDE PROSPECTIVE BUYERS
33 OF YOUR PROPERTY WITH INFORMATION ABOUT LIVING IN
34 YOUR COMMON-INTEREST COMMUNITY?

35 The law requires you to provide to a prospective purchaser of your
36 property, before you enter into a purchase agreement ~~to~~:

37 (a) A copy of the community's governing documents, including the C,
38 C & R's, association bylaws, and rules and regulations, as well as a copy of
39 this document. ~~You are also required to provide a~~

40 (b) A copy of the association's current financial statement, operating
41 budget and information regarding the amount of the monthly assessment
42 for common expenses, including the amount set aside as reserves for the
43 repair, replacement and restoration of common elements. ~~You are also~~
44 ~~required to inform prospective purchasers~~

45 (c) A statement setting forth any unpaid assessment or fine that the
46 purchaser will be obligated to pay.

47 (d) A statement of any violations of the governing documents of the
48 association that the purchaser will be obligated to correct or repair.



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1 ~~(e) A statement~~ of any outstanding judgments or lawsuits pending
2 against the association . ~~of which you are aware. You are also required to~~
3 ~~provide a]~~
4 (f) *A statement of any pending claims submitted to arbitration or*
5 *mediation to which the association is a party.*
6 (g) *A statement of any legal actions or claims for arbitration or*
7 *mediation that may reasonably be anticipated to be filed against the*
8 *association.*
9 (h) A copy of the minutes from the most recent meeting of the
10 homeowner's association or its executive board.
11 For more information regarding these requirements, see Nevada Revised
12 Statutes 116.4103 ~~+~~ and 116.4109.
13 6. YOU HAVE CERTAIN RIGHTS REGARDING OWNERSHIP IN
14 A COMMON-INTEREST COMMUNITY THAT ARE GUARANTEED
15 YOU BY THE STATE?
16 Pursuant to provisions of chapter 116 of Nevada Revised Statutes, you
17 have the right:
18 (a) To be notified of all meetings of the association and its executive
19 board, except in cases of emergency.
20 (b) To attend and speak at all meetings of the association and its
21 executive board, except in some cases where the executive board is
22 authorized to meet in closed, executive session.
23 (c) To request a special meeting of the association upon petition of at
24 least 10 percent of the homeowners.
25 (d) To inspect, examine, photocopy and audit financial and other
26 records of the association.
27 (e) To be notified of all changes in the community's rules and
28 regulations and other actions by the association or board that affect you.
29 7. QUESTIONS?
30 Although they may be voluminous, you should take the time to read and
31 understand the documents that will control your ownership of a property in
32 a common-interest community. You may wish to ask your real estate
33 professional, lawyer or other person with experience to explain anything
34 you do not understand. You may also request assistance from the
35 ombudsman for owners in common-interest communities, Nevada Real
36 Estate Division, at (telephone number).
37 Buyer or prospective buyer's initials: _____
38 Date: _____

