An Act to amend and reenact § 55-509.2 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 55-509.1:1, relating to the Property Owners’ Association Act; limitation on certain contracts and leases by declarant.

Be it enacted by the General Assembly of Virginia:

1. That § 55-509.2 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding a section numbered 55-509.1:1 as follows:

   § 55-509.1:1. Limitation on certain contracts and leases by declarant.
   A. If entered into any time prior to the expiration of the period of declarant control contemplated by the declaration, no contract or lease entered into with the declarant or any entity controlled by the declarant, management contract, or employment contract that is directly or indirectly made by or on behalf of the association, its board of directors, or the lot owners as a group shall be entered into for a period in excess of five years. Any such contract or agreement may be terminated without penalty by the association or its board of directors upon not less than 90 days' written notice to the other party given no later than 60 days after the expiration of the period of declarant control contemplated by the declaration.

   B. If entered into any time prior to the expiration of the period of declarant control contemplated by the declaration, any contract or lease entered into with the declarant or any entity controlled by the declarant, management contract, or employment contract that is directly or indirectly made by or on behalf of the association, its board of directors, or the lot owners as a group may be renewed for periods not in excess of five years; however, at the end of any five-year period, the association or its board of directors may terminate any further renewals or extensions thereof.

   C. If entered into at any time prior to the expiration of the period of declarant control contemplated by the declaration, any contract, lease, or agreement, other than those subject to the provisions of subsection A or B, may be entered into by or on behalf of the association, its board of directors, or the lot owners as a group if such contract, lease, or agreement is bona fide and is commercially reasonable to the association at the time entered into under the circumstances.

   D. This section shall be strictly construed to protect the rights of the lot owners.

2. That the provisions of § 55-509.1:1 of this act shall apply only to contracts or leases entered into on or after July 1, 2012.