First Regular Session Seventieth General Assembly STATE OF COLORADO

INTRODUCED

LLS NO. 15-1006.01 Jennifer Berman x3286

HOUSE BILL 15-1343

HOUSE SPONSORSHIP

Williams and Thurlow, Nordberg

SENATE SPONSORSHIP

Todd and Balmer,

House Committees

Business Affairs and Labor

Senate Committees

	A BILL FOR AN ACT
101	CONCERNING A STREAMLINED PROCESS TO SIMPLIFY THE LICENSURE
102	OF PERSONS WHO MANAGE THE AFFAIRS OF COMMON INTEREST
103	COMMUNITIES UNDER THE "COLORADO COMMON INTEREST
104	OWNERSHIP ACT".

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://www.leg.state.co.us/billsummaries.)

In 2013, the General Assembly enacted House Bill 13-1277, which requires a person who, for compensation, manages the affairs of a common interest community on behalf of a unit owners' association

(HOA) to meet minimum qualifications and obtain a license from the director of the division of real estate in the department of regulatory agencies. The bill modifies the regulation of these community association managers by:

- ! Requiring a license for a community association management apprentice;
- ! Amending the definition of "community association management";
- ! Exempting executives who employ or supervise an individual who performs community association management and independent contractors from being licensed as community association managers;
- ! Adding the definition of a "designated manager" and providing that an entity may obtain a license by designating a manager who qualifies for a community association manager's license to manage and supervise all of the entity's licensed activity;
- ! Modifying the examination requirement by conditioning the grant of a community association manager's license on an applicant passing two separate portions of an examination, referred to as the "general portion" and the "Colorado law portion"; and
- ! Changing the fund used for implementation of the regulation of community association managers from the community association manager licensing cash fund to the division of real estate cash fund and repealing the former.
- 1 Be it enacted by the General Assembly of the State of Colorado:
- 2 **SECTION 1.** In Colorado Revised Statutes, **amend** 12-61-1001
- 3 as follows:
- 4 **12-61-1001. Definitions.** As used in this part 10, unless the
- 5 context otherwise requires:
- 6 (1) "APPRENTICE" MEANS A PERSON WHO:
- 7 (a) HAS NOT COMPLETED THE EDUCATION AND EXAMINATION
- 8 REQUIREMENTS FOR OBTAINING A COMMUNITY ASSOCIATION MANAGER
- 9 LICENSE;
- 10 (b) Is under the control and direct supervision of a

-2- HB15-1343

1	LICENSED COMMUNITY ASSOCIATION MANAGER; AND
2	(c) IS LICENSED WITH THE DIRECTOR FOR PURPOSES OF LEARNING
3	AND PERFORMING ANY PRACTICES THAT REQUIRE A COMMUNITY
4	ASSOCIATION MANAGER LICENSE.
5	(1) (2) "CCIOA" means the "Colorado Common Interest
6	Ownership Act", article 33.3 of title 38, C.R.S.
7	(2) (3) "Common interest community" has the meaning set forth
8	in section 38-33.3-103 (8), C.R.S.
9	(3) (4) "Community association management" means any of the
10	following practices relating to the management of a common interest
11	community, at the direction OR ON BEHALF of its executive board:
12	(a) Receiving, depositing, controlling, or disbursing funds of the
13	common interest community, preparing budgets, or preparing other
14	financial documents In interactions with members or nonmembers
15	OF THE COMMON INTEREST COMMUNITY, ACTING WITH THE AUTHORITY OF
16	THE COMMON INTEREST COMMUNITY WITH RESPECT TO ITS BUSINESS,
17	LEGAL, FINANCIAL, OR OTHER TRANSACTIONS;
18	(b) Assisting in the creation and implementation of a reserve
19	program for the replacement of capital assets Executing the
20	RESOLUTIONS AND DECISIONS OF THE EXECUTIVE BOARD;
21	(c) Assisting in the provision of notice or conduct of meetings of
22	board members or unit owners Enforcing the rights of the common
23	INTEREST COMMUNITY SECURED BY STATUTE, CONTRACT, COVENANT,
24	RULE, OR BYLAW;
25	(d) Contracting for ADMINISTERING or coordinating maintenance
26	of property and OR facilities of the common interest community;
27	(e) Conducting property inspections, Administering applications

-3- HB15-1343

1	for architectural review; and keeping records of violations of the
2	governing documents of the common interest community; and
3	(f) Performing other services relating to the day-to-day operation
4	of the common interest community Arranging, conducting, or
5	COORDINATING MEETINGS OF THE COMMON INTEREST COMMUNITY'S
6	MEMBERSHIP OR EXECUTIVE BOARD;
7	$(g)\ M \hbox{aintaining the common interest community's records}$
8	PURSUANT TO ITS GOVERNING DOCUMENTS AND APPLICABLE PROVISIONS
9	OF THE CCIOA; OR
10	(h) ADMINISTERING, OR OTHERWISE EXERCISING CONTROL OF, A
11	COMMON INTEREST COMMUNITY'S FUNDS, INCLUDING THE
12	ADMINISTRATION OF A RESERVE PROGRAM FOR THE MAJOR REPAIR OR
13	REPLACEMENT OF CAPITAL ASSETS.
14	(4)(5)(a) "Community association manager" or "manager" means
15	any person, firm, partnership, limited liability company, association, or
16	corporation that, in consideration of compensation by fee, commission,
17	salary, or anything else of value or with the intention of receiving or
18	collecting such compensation, WHETHER OR NOT THE COMPENSATION IS
19	RECEIVED BY THE LICENSED MANAGER DIRECTLY OR BY THE LICENSED
20	ENTITY THAT EMPLOYS THE LICENSED MANAGER, engages in or offers or
21	$attempts \ to \ engage \ in \ community \ ASSOCIATION \ management \ in \ Colorado.$
22	The term includes:
23	(I) The chief executive officer of a business entity that employs
24	individuals or contracts with other business entities to perform
25	community association management services; and
26	(II) Any executive of a business entity who has direct supervision
27	or oversight of an individual who performs community association

-4- HB15-1343

management services.

- 2 (b) "Community association manager" or "manager" does not include:
 - (I) A person who, UNDER THE DIRECT SUPERVISION OF A MANAGER, performs not more than one of the practices listed in paragraphs (a) to (g) of subsection (3) of this section, or any clerical, ministerial, accounting, or maintenance function; not requiring substantially specialized knowledge, judgment, or managerial skill, under the direct supervision and control of a licensed community association manager or of a contractor employed by a licensed community association manager or by the common interest community's executive board;
 - (II) Any public official in the conduct of his or her official duties;
 - (III) A receiver, trustee, administrator, conservator, executor, or guardian acting under proper authorization;
 - (IV) A person, firm, partnership, limited liability company, or association acting personally or a corporation acting through its officers or regular salaried employees, on behalf of that person or on its own behalf as principal in acquiring or in negotiating to acquire any interest in real estate;
 - (V) An attorney-at-law in connection with his or her representation of clients in the practice of law;
 - (VI) A corporation with respect to property owned or leased by it, acting through its officers or regular salaried employees, when such acts are incidental and necessary in the ordinary course of the corporation's business activities of a non-property management nature. For the purposes of this paragraph (b), the term "officers or regular salaried employees" means persons regularly employed who derive not less than

-5- HB15-1343

1	seventy-five percent of their compensation from the corporation in the
2	form of salaries;
3	$(VII) \ An \text{independent contractor who is not engaged in the} \\$
4	PERFORMANCE OF COMMUNITY ASSOCIATION MANAGEMENT; OR
5	(VIII) AN APPRENTICE WORKING UNDER THE DIRECT SUPERVISION
6	OF A LICENSED MANAGER.
7	(5.5) "Designated manager" means a person who is
8	CURRENTLY LICENSED AS A MANAGER AND WHO, ON BEHALF OF A
9	LICENSED ENTITY, IS RESPONSIBLE FOR PERFORMING COMMUNITY
10	ASSOCIATION MANAGEMENT PRACTICES AND SUPERVISING COMMUNITY
11	ASSOCIATION MANAGEMENT PRACTICES PERFORMED BY PERSONS
12	EMPLOYED BY, OR ACTING ON BEHALF OF, THE LICENSED ENTITY.
13	(5) (6) "Director" means the director of the division.
14	(6) (7) "Division" means the division of real estate in the
15	department of regulatory agencies.
16	(7) (8) "Executive board" has the meaning set forth in section
17	38-33.3-103 (16), C.R.S.
18	(8) (9) "HOA" or "homeowners' association" means an association
19	or unit owners' association, as defined in section 38-33.3-103 (3), C.R.S.,
20	whether organized before, on, or after July 1, 1992.
21	(9) (10) "Limited liability company" has the meaning set forth in
22	section 7-80-102 (7), C.R.S.
23	SECTION 2. In Colorado Revised Statutes, 12-61-1003, amend
24	(1) (a), (3) (a), (4), (5) (a), (5) (b), and (6) (b); and add (9) and (10) as
25	follows:
26	12-61-1003. Application for license - criminal history record
27	check - examination - rules. (1) (a) A person desiring to become a

-6- HB15-1343

1 community association manager OR APPRENTICE must apply to the 2 director for a license in the form and manner prescribed by the director. 3 (3) (a) The director may require and procure any proof necessary 4 in reference to the truthfulness, honesty, and good moral character of any 5 applicant for a community association manager's license or, if the 6 applicant is a partnership, limited liability company, or corporation, of 7 any partner, manager, director, officer, member, or stockholder if such 8 person has, either directly or indirectly, a substantial interest in the 9 applicant prior to the issuance of the license. 10 (4) An applicant for a manager's license must be at least eighteen 11 years of age and must furnish proof satisfactory to the director that the 12 applicant has received either a high school diploma or the equivalent 13 general education development certification. 14 (5) (a) An applicant for a manager's license must: 15 (I) Hold one or more of the following credentials: 16 (A) The "certified manager of community associations" or 17 "CMCA" designation CERTIFICATION awarded by the COMMUNITY 18 ASSOCIATION MANAGERS INTERNATIONAL CERTIFICATION BOARD, 19 PREVIOUSLY KNOWN AS THE national board of certification for community 20 association managers; 21 The "association management specialist" or "AMS" (B) 22 designation awarded by the community associations institute; 23 The "professional community association manager" or 24 "PCAM" designation awarded by the community associations institute; 25 or 26 (D) Another credential identified by the director in rules; and 27 Certify completion of any educational or continuing (II)

-7- HB15-1343

educational requirements as determined by the director in rules and published on the division's web site; and

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(III) Submit to and pass an examination designed to determine WITH TWO SEPARATE PORTIONS, WHICH MAY BE ADMINISTERED SEPARATELY. THE EXAMINATION MUST MEASURE the competency of the applicant and IN CARRYING OUT THE CORE FUNCTIONS OF COMMUNITY ASSOCIATION MANAGEMENT, REFERRED TO AS THE "GENERAL PORTION" OF THE EXAMINATION, AND IN UNDERSTANDING THE BASIC PROVISIONS OF LEGAL DOCUMENTS AND COLORADO LAW WITH WHICH MANAGERS ARE REQUIRED TO COMPLY, REFERRED TO AS THE "COLORADO LAW PORTION" OF THE EXAMINATION. THE EXAMINATION SHALL BE prepared by or under the supervision of the director or the director's designated contractor OR CONTRACTORS. The director may contract with an ONE OR MORE independent testing service SERVICES to develop, administer, or grade examinations or to administer licensee records. The contract CONTRACTS may allow the testing service to recover from the applicant the costs of the examination and the costs of administering the examination and license records. The director may contract separately for these functions and allow recovered costs to be collected and retained by a single contractor for distribution to other contractors. The director shall have the authority to MAY set the SEPARATE minimum passing score that an applicant must receive on the examination, which score must reflect the minimum level of competency required to be a community association manager SCORES FOR THE GENERAL PORTION AND THE COLORADO LAW PORTION OF THE EXAMINATION. The director shall prescribe the times and places at which the examination AS A WHOLE is given OR AT WHICH THE SEPARATE PORTIONS OF THE EXAMINATION ARE GIVEN.

-8-

HB15-1343

1	(IV) AN APPLICANT WHO IS CREDENTIALED PURSUANT TO
2	SUB-SUBPARAGRAPH (A), (B), OR (C) OF SUBPARAGRAPH (I) OF THIS
3	PARAGRAPH (a) AND HAS MAINTAINED THE CREDENTIAL IN GOOD
4	STANDING, INCLUDING HAVING COMPLETED ALL ONGOING EDUCATION
5	REQUIRED TO MAINTAIN THE CREDENTIAL, MUST COMPLETE THE
6	COLORADO LAW PORTION, BUT NEED NOT COMPLETE THE GENERAL
7	PORTION, OF THE EXAMINATION DESCRIBED IN SUBPARAGRAPH (III) OF
8	THIS PARAGRAPH (a).
9	(b) The SEPARATE PORTIONS OF THE examination developed under
10	subparagraph (III) of paragraph (a) of this subsection (5) must assess an
11	applicant's competency in the following subject matter areas:
12	(I) The For the Colorado Law Portion of the Examination,
13	legal documents; and statutes, that enable a community association to
14	operate, including the "Colorado Common Interest Ownership Act"; and
15	other applicable provisions of Colorado law; and
16	(II) FOR THE GENERAL PORTION OF THE EXAMINATION, other core
17	competencies OF COMMUNITY ASSOCIATION MANAGEMENT, as specified
18	by the director.
19	(6) (b) A partnership, limited liability company, or corporation, in
20	its application for a license, shall designate a qualified, active manager to
21	be responsible for management and supervision of the licensed actions of
22	the entity and all persons employed by, or acting at any time on behalf of,
23	the entity. A license may not be issued to the entity unless the manager so
24	designated and all persons that the entity employs to perform community
25	association management duties on behalf of the entity, take TAKES and
26	pass PASSES the examination required by this part 10. Upon these persons'
27	THE MANAGER successfully passing the examination and upon compliance

-9- HB15-1343

1	with all other requirements of law by the entity as well as by the
2	designated manager, the director shall issue a designated manager's
3	license to the designated manager.
4	(9) THE DIRECTOR MAY GRANT A PROVISIONAL LICENSE TO AN
5	APPLICANT FOR A COMMUNITY ASSOCIATION MANAGER LICENSE IF THE
6	APPLICANT HAS NOT PASSED THE EXAMINATION DESCRIBED IN PARAGRAPH
7	(b) of subsection (5) of this section. A provisional license expires
8	ON DECEMBER 31, 2015.
9	(10) AN APPRENTICE SHALL NOT PERFORM AN ACT THAT
10	OTHERWISE REQUIRES A COMMUNITY ASSOCIATION MANAGER LICENSE
11	EXCEPT WHEN UNDER THE DIRECT SUPERVISION OF A LICENSED
12	COMMUNITY ASSOCIATION MANAGER.
13	SECTION 3. In Colorado Revised Statutes, amend 12-61-1004
14	as follows:
15	12-61-1004. Insurance required - rules. Every licensee under
16	this part 10, except an inactive manager or an attorney licensee who
17	maintains a policy of professional malpractice insurance that provides
18	coverage for his or her activities under this part 10, shall maintain MUST
19	BE INSURED UNDER insurance necessary to cover all activities
20	contemplated under this part 10 in an amount and under terms and
21	conditions specified by the director by rule. In promulgating rules under
22	this section, the director shall solicit and consider information and
23	comments from interested persons.
24	SECTION 4. In Colorado Revised Statutes, 12-61-1006, amend
25	(1) as follows:
26	12-61-1006. Resident licensee - nonresident licensee - consent
27	to service. (1) A nonresident of the state may become a community

-10- HB15-1343

1	association manager OR APPRENTICE in this state by conforming to all the
2	conditions of this part 10; except that THE nonresident manager shall IS
3	not be required to maintain a place of business within this state if that
4	manager maintains a definite place of business in another state.
5	SECTION 5. In Colorado Revised Statutes, amend 12-61-1009
6	as follows:
7	12-61-1009. License fees - partnership, limited liability
8	company, and corporation licenses - rules. (1) The director shall
9	establish, collect, and periodically adjust, in accordance with section
10	12-61-111.5, fees for:
11	(a) Each manager's examination;
12	(b) Each manager's OR ENTITY'S original application and license;
13	(c) Each renewal or reinstatement of a manager's license; and
14	(d) Any change of name, address, or employment status requiring
15	a change in director records;
16	(e) EACH PROVISIONAL LICENSE APPLICATION; AND
17	(f) EACH APPRENTICE'S ORIGINAL APPLICATION AND LICENSE.
18	(2) The director shall transmit all fees to the state treasurer, who
19	shall credit them to the community association manager licensing
20	DIVISION OF REAL ESTATE cash fund, created in section 12-61-1012
21	12-61-111.5 (2) (b). Fees collected under paragraphs (b), (c), and (d), (e),
22	AND (f) of subsection (1) of this section are nonrefundable.
23	(3) EXCEPT AS PROVIDED IN SUBSECTION (4) OF THIS SECTION,
24	licenses are valid for up to three years, subject to expiration and renewal
25	on a schedule determined by the director. The director shall establish, by
26	rule, the requirements for continuing education, reexamination, and
27	subsequent criminal history record checks; except that these requirements

-11- HB15-1343

1	must not be more stringent than the equivalent requirements for real
2	estate brokers under part 1 of this article.
3	(4) AN APPRENTICE LICENSE IS VALID FOR ONE YEAR AND IS NOT
4	SUBJECT TO RENEWAL.
5	SECTION 6. In Colorado Revised Statutes, 12-61-1010, amend
6	(1) introductory portion, (1) (f), (1) (m), (1) (o), (1) (p) (IX), and (6); and
7	add (1) (p.5) as follows:
8	12-61-1010. Investigation - revocation - actions against
9	licensee. (1) The director, upon the director's own motion, may, and,
10	upon the complaint in writing of any person, shall, investigate the
11	activities of any community association manager LICENSEE or any person
12	who assumes to act in such the capacity of a licensee within the state.
13	The director, after holding a hearing in accordance with the "State
14	Administrative Procedure Act", article 4 of title 24, C.R.S., may impose
15	an administrative fine not to exceed two thousand five hundred dollars for
16	each separate offense, censure a licensee, place the licensee on probation
17	and set the terms of probation, or temporarily suspend or permanently
18	revoke a license when the licensee has performed, is performing, or is
19	attempting to perform any of the following acts and is guilty of:
20	(f) Failing to account for or to remit, within a reasonable time, any
21	moneys coming into the licensee's possession that belong to others,
22	whether acting as a community association manager, APPRENTICE, or
23	otherwise, and failing to keep records relative to said moneys, which
24	records must contain any information required by rules of the director and
25	are subject to audit by the director;
26	(m) Procuring, or attempting to procure, a community association
27	manager's license or renewing, reinstating, or reactivating, or attempting

-12- HB15-1343

1	to renew, reinstate, or reactivate, a community association manager's
2	license by fraud, misrepresentation, or deceit or by making a material
3	misstatement of fact in an application for such A license;
4	(o) Having had a community association manager's LICENSE or a
5	subdivision developer's license REGISTRATION suspended or revoked in
6	any jurisdiction, or having had any disciplinary action taken against the
7	manager or subdivision developer in any other jurisdiction if the
8	manager's LICENSEE'S or subdivision developer's action would constitute
9	a violation of this subsection (1). A certified copy of the order of
10	disciplinary action is prima facie evidence of such disciplinary action.
11	(p) Within the last five years, having a license, registration, or
12	certification issued by Colorado or another state revoked or suspended for
13	fraud, deceit, material misrepresentation, theft, or breach of a fiduciary
14	duty, and such discipline denied the person authorization to practice as:
15	(IX) An investment advisor representative, as defined by section
16	11-51-201 (9.6), C.R.S.; or
17	$(p.5)\ A \text{CTINGOUTSIDE} \ \text{THE SCOPE} \ \text{OF} \ \text{AUTHORITY} \ \text{GRANTED} \ \text{BY THE}$
18	ISSUANCE OF A LICENSE; OR
19	(6) All administrative fines collected pursuant to this section shall
20	be transmitted to the state treasurer, who shall credit the same to the
21	community association manager licensing DIVISION OF REAL ESTATE cash
22	fund, created in section 12-61-1012 12-61-111.5 (2) (b).
23	SECTION 7. In Colorado Revised Statutes, amend 12-61-1012
24	as follows:
25	12-61-1012. Community association manager licensing cash
26	fund - creation - repeal. (1) (a) The direct and indirect costs incurred by
27	the director in administering this part 10 are payable from the community

-13- HB15-1343

1	association manager licensing cash fund, which fund is hereby created in
2	the state treasury. The fund consists of fees paid by community
3	association managers and applicants for licensure under section
4	12-61-1009. Interest earned on moneys in the fund remain in the fund,
5	and any unexpended and unencumbered moneys in the fund at the end of
6	any fiscal year do not revert to the general fund or any other fund.
7	Payments from the fund are subject to annual appropriation by the general
8	assembly.
9	(b) This subsection (1) is repealed, effective July 1, 2015.
10	$(2)\ On\ July\ 1,2015, the\ state\ treasurer\ shall\ transfer\ any$
11	MONEY REMAINING IN THE COMMUNITY ASSOCIATION MANAGER
12	LICENSING CASH FUND TO THE DIVISION OF REAL ESTATE CASH FUND
13	CREATED IN SECTION 12-61-111.5 (2) (b).
14	SECTION 8. In Colorado Revised Statutes, 12-61-1013, amend
15	(1) introductory portion as follows:
16	12-61-1013. Review and report by director - report - repeal.
17	(1) The director shall review the operation of this part 10 during the first
18	year of its implementation and shall report to the COMMITTEES IN THE
19	senate committee on business, labor, and technology and the house
20	committee on OF REPRESENTATIVES THAT HEAR MATTERS PERTAINING TO
21	business, labor, and economic and workforce development, or their
22	successor committees, on or before February 15, 2016, concerning the
23	director's findings and recommendations for legislative changes, if any.
24	The matters included in the director's report may include:
25	SECTION 9. In Colorado Revised Statutes, 24-34-104, amend
26	(49.5) (g) as follows:
27	24-34-104. General assembly review of regulatory agencies

-14- HB15-1343

and functions for termination, continuation, or reestablishment.
(49.5) The following agencies, functions, or both, terminate on
September 1, 2018:
(g) The licensing of community association managers AND
APPRENTICES by the director of the division of real estate in accordance
with part 10 of article 61 of title 12, C.R.S.;
SECTION 10. In Colorado Revised Statutes, amend 38-33.3-402
as follows:
38-33.3-402. Manager licensing - condition precedent for
enforcement of contract terms. A person that is subject to licensure as
a community association manager under part 10 of article 61 of title 12,
C.R.S., shall at all times have and maintain a valid license when acting or
purporting to act on behalf of the association. The association's agreement
to pay a fee for the services of a community manager or to hold harmless
or indemnify the community manager for any act or omission in the
course of providing those services is void and unenforceable for any
period in which the MANAGER'S license is expired, suspended, or revoked.
SECTION 11. Safety clause. The general assembly hereby finds,
determines, and declares that this act is necessary for the immediate
preservation of the public peace, health, and safety.

-15- HB15-1343