

2016 -- H 7574 SUBSTITUTE A

LC004726/SUB A/2

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

A N A C T

**RELATING TO PROPERTY - RHODE ISLAND REAL ESTATE TIME-SHARE ACT -
TERMINATION OF TIME SHARES**

Introduced By: Representatives Tobon, Barros, Shekarchi, Marshall, and Carnevale

Date Introduced: February 11, 2016

Referred To: House Judiciary

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 34-41-2.05 of the General Laws in Chapter 34-41 entitled "Rhode
2 Island Real Estate Time-Share Act" is hereby amended to read as follows:

3 **34-41-2.05. Termination of time shares.** -- (a) This section applies to all time share
4 estates except it shall apply to time-share licenses only to the extent expressly provided by the
5 time-share instrument.

6 (b) All time shares in a time-share property may be terminated only ~~by~~ as follows:

7 (1) By agreement of the time-share owners having at least ~~eighty sixty~~ percent ~~(80%)~~
8 (60%) of the time shares, or such larger majority as the time-share instrument may specify ~~;~~ or

9 (2) Any provision in the time-share instrument notwithstanding, by a plan of termination
10 approved by the lesser of the lowest percentage of voting interests necessary to amend the
11 instrument, or as otherwise provided in the instrument for approval of termination if:

12 (i) The estimated cost of construction for repairs which are necessary to restore the time-
13 share property to its former condition or bring the time-share property into compliance with
14 applicable laws or regulations exceeds the combined fair market value of the units in the time-
15 share property after completion of the construction or repairs;

16 (ii) It becomes impossible to operate or reconstruct a time-share property to its prior
17 physical configuration because of land use laws or regulations;

18 (iii) The association is not paying its debts as they become due;

- 1 (iv) The association's debts exceed its assets;
- 2 (v) More than twenty-five percent (25%) of the association members are delinquent in
- 3 payment of the annual maintenance fee and/or any special assessments;
- 4 (c) An agreement to terminate all time shares pursuant to subsection (b)(1) of this section
- 5 shall comply with the following:

6 ~~(e)~~(1) An agreement to terminate all time shares in a time-share property must be

7 evidenced by the execution of a termination agreement, or ratifications thereof, in the same

8 manner as a deed, by the requisite number of time-share owners. The termination agreement must

9 specify a date after which the agreement will be void unless it is recorded before that date. A

10 termination agreement and a certification by the managing entity of the ratification thereof must

11 be recorded in every municipal office of land evidence records in which a portion of the time-

12 share property is situated, and is effective only upon recordation.

13 ~~(d)~~(2) Unless the termination agreement sets forth the material terms of a contract or

14 proposed contract under which an estate or interest in each time-share unit equal to the sum of the

15 time shares therein is to be sold and designates a trustee to effect the sale, title to an estate or

16 interest in each time-share unit equal to the sum of the time shares therein vests upon termination

17 in the time-share owners thereof in proportion to their respective interests as provided in

18 subsection (h), and liens on the time shares shift accordingly to encumber those interests. Any co-

19 owner of that estate or interest in a unit may thereafter maintain an action for partition or for

20 allotment or sale in lieu of partition pursuant to the laws of this state.

21 ~~(e)~~(3) If the termination agreement sets forth the material terms of a contract or proposed

22 contract under which an estate or interest in each time-share unit equal to the sum of the time

23 shares therein is to be sold and designates a trustee to effect the sale, title to that estate or interest

24 vests upon termination in the trustee for the benefit of the time-share owners, to be transferred

25 pursuant to the contract. Proceeds of the sale must be distributed to time-share owners and

26 lienholders as their interests may appear, in proportion to the respective interests of the time-share

27 owners as provided in subsection (h).

28 ~~(f)~~(4) Except as otherwise specified in the termination agreement, so long as the former

29 time-share owners or their trustee hold title to the estate or interest equal to the sum of the time

30 shares, each former time-share owner and his or her successors in interest have the same rights

31 with respect to occupancy in the former time-share unit that he or she would have had if

32 termination had not occurred, together with the same liabilities and other obligations imposed by

33 this chapter or the time-share instrument.

34 ~~(g)~~(d) After termination of all time shares in a time-share property and adequate

1 provision for the payment of the claims of the creditors for time-share expenses, distribution must
2 be made, in proportion to their respective interests as provided in subsection (h), to the former
3 time-share owners and their successors in interest of (i) the proceeds of any sale pursuant to this
4 section, (ii) the proceeds of any personalty held for the use and benefit of the former time-share
5 owners, and (iii) any other funds held for the use and benefit of the former time-share owners.
6 Following termination, creditors of the association holding liens perfected against the time-share
7 property before the termination may enforce those liens in the same manner as any other
8 lienholder. All other creditors of the association are to be treated as if they had perfected liens on
9 the time-share property immediately before termination.

10 ~~(h)~~(e) The time-share instrument may specify the respective fractional or percentage
11 interest in the estate or interest in each unit equal to the sum of the time shares therein that will be
12 owned by each former time-share owner. Otherwise, not more than one hundred eighty (180)
13 days prior to the termination, an appraisal must be made of the fair market value of each time
14 share by one or more impartial qualified appraisers selected either by the trustee designated in the
15 termination agreement, or by the managing entity if no trustee was so designated. The appraisal
16 must also state the corresponding fractional or percentage interests calculated in proportion to
17 those values and in accordance with this subsection. A notice stating all of those values and
18 corresponding interests and the return address of the sender must be sent by certified or registered
19 mail, return receipt requested, by the managing entity or by the trustee designated in the
20 termination agreements, to all of the time-share owners. The appraisal governs the magnitude of
21 each interest unless (i) at least twenty-five percent (25%) of the time-share owners deliver, within
22 sixty (60) days after the date the notices were mailed, written disapprovals to the return address of
23 the sender of the notice, or (ii) the final judgment of a court of competent jurisdiction, entered
24 during or after that period, holds that the appraisal should be set aside. The appraisal and the
25 calculation of interests must be made in accordance with the following:

26 (1) If the termination agreement sets forth the material terms of a contract or proposed
27 contract for the sale of the estate or interest equal to the sum of the time shares, each time share
28 conferring a right of occupancy during a limited number of time periods must be appraised as if
29 the time until the date specified for the conveyance of the property had already elapsed.
30 Otherwise, each time share of that kind must be appraised as if the time until the date specified
31 pursuant to subsection (c) had already elapsed.

32 (2) The interest of each time-share owner is the value of the time share he or she owned
33 divided by the sum of the values of all time shares in the unit or units to which his or her time
34 share applies.

1 ~~(f)~~(f) Foreclosure or enforcement of a lien or encumbrance against all of the time shares
2 in a time-share property does not of itself terminate those time shares.

3 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO PROPERTY - RHODE ISLAND REAL ESTATE TIME-SHARE ACT -
TERMINATION OF TIME SHARES

1 This act would amend the Rhode Island Real Estate Time-Share Act to provide for
2 dissolution of the time-share form of ownership by fewer than sixty percent (60%) of the owners
3 in certain circumstances.

4 This act would take effect upon passage.

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