



## Virginia Department of Planning and Budget **Economic Impact Analysis**

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**18 VAC 48-50 Common Interest Community Manager Regulations**  
**Department of Professional and Occupational Regulation**  
**Town Hall Action/Stage: 5734 / 10702**  
May 5, 2025

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The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order 19. The analysis presented below represents DPB’s best estimate of the potential economic impacts as of the date of this analysis.<sup>1</sup>

### **Summary of the Proposed Amendments to Regulation**

The Common Interest Community Board (Board) proposes to make several discretionary amendments to the regulation governing common interest community management firms (CIC managers) and their employees.<sup>2</sup> The most substantive changes include (i) increasing the training requirements for certification (and renewal) of principal and supervisory employees at CIC managers, or other designated qualifying individuals; (ii) making a number of changes relating to the standards of conduct and disciplinary requirements; (iii) adding requirements pertaining to fidelity bonds or dishonesty insurance; and (iv) extending the license period for CIC managers from one year to two years.

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<sup>1</sup> Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the analysis should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

<sup>2</sup> Here, as in the regulation, “manager” and “management company” refer to the business entity that provides property management services, whereas “principal or supervisory employees” refers to individual professionals. Managers are licensed, whereas individuals are certified.

## Background

Virginia Code § 54.1-2345 defines a common interest community (CIC) as “real estate subject to a declaration containing lots, at least some of which are residential or occupied for recreational purposes, and common areas to which a person, by virtue of the person’s ownership of a lot subject to that declaration, is a member of the association and is obligated to pay assessments of common expenses.”<sup>3</sup> The Code also defines a CIC manager as “a person or business entity, including a partnership, association, corporation, or limited liability company, that, for compensation or valuable consideration, provides management services to a common interest community.”

CICs include property owners’ associations, condominium unit owners’ associations, and proprietary lessees’ associations in real estate cooperatives. Data from the Community Associations Institute, a trade group for community associations, indicates that approximately 2.01 million Virginians live in 786,000 homes in over 8,890 CICs; this equates to 23 percent of the state’s population.<sup>4</sup> The Department of Professional and Occupational Regulation (DPOR) reports that there are 7,120 CIC associations registered with the Board, most of which are professionally managed by a management company.

CIC managers provide a variety of services to CICs, including management of the real and personal property, and financial accounts, belonging to the association. The Board reports that mismanagement of a CIC may (i) imperil an association’s finances, requiring the association to impose costly special assessments on its members; or (ii) expose the association to legal liability. Mismanagement of an association may also affect the perceived value of the community in the marketplace, thereby reducing property values for owners in the community.

Based on feedback from regulants and the experience of staff who field questions regarding requirements, the Board seeks to make several discretionary changes that would update and clarify the provisions of the regulation, conform the regulation to statute, specify requirements that would strengthen the standards of conduct and practice, and ensure that

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<sup>3</sup> The definition specifically excludes time-share projects. See <https://law.lis.virginia.gov/vacode/title54.1/chapter23.3/section54.1-2345/>.

<sup>4</sup> Foundation for Community Association Research. (2022). <https://foundation.caionline.org/wp-content/uploads/2022/11/StateFactsFiguresVirginia22.pdf>, and <https://data.census.gov/table/ACSDP1Y2022.DP05?q=virginia+population+in+2022>.

individuals engaged in the profession receive additional training to better ensure legal compliance.

Further, Executive Directive 1 (2022) directs executive branch entities under the authority of the Governor “...to initiate regulatory processes to reduce by at least 25 percent the number of regulations not mandated by federal or state statute, in consultation with the Office of the Attorney General, and in a manner consistent with the laws of the Commonwealth.”<sup>5</sup>

Accordingly, the Board seeks to minimize any additional regulatory burden and add flexibility to existing renewal requirements. The most substantive changes are summarized below.

### Training requirements

- Section 252 (Virginia [CIC] laws and regulations training module) would be newly added to (i) specify that such training must include a minimum of four contact hours and (ii) list the mandatory and optional subject areas that must be covered in the syllabus for this training module. This training would be required for all applicants covered by Section 30 (Qualifications for licensure as a CIC manager) and Section 35 (Qualifications for certification as a certified principal or supervisory employee). DPOR reports that this training requirement was added because multiple members of a regulatory review panel indicated that individuals providing management services to CICs in Virginia, particularly those who are newer to the profession, lack knowledge about Virginia-specific CIC laws and regulations. The current pathways to licensure/certification provided in Sections 30 and 35, which are based on Sections 54.1-2349 of the Code of Virginia, include obtaining certain designations from specific national organizations, which does not guarantee a knowledge of state-specific laws and regulations.

### Continuing education

- Section 95 (Training required for certified principals and supervisory employees) would be newly created. Continuing education requirements currently in Section 100 (Procedures for renewal) would be moved to Section 95 and expanded.
  - Certified principals and supervisory employees are currently required to complete four contact hours of Board-approved training every two-year certification cycle,

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<sup>5</sup> See <https://www.governor.virginia.gov/media/governorvirginiagov/governor-of-virginia/pdf/ed/ED-1-Regulatory-Reduction.pdf>

comprising two hours of CIC law and regulation training and two hours of fair housing training.

- The Board proposes to increase the continuing education requirement to six hours of training per two-year cycle. The six hours of training would consist of two hours of CIC legal updates, two hours of fair housing, and two hours on any of a list of specific topics related to CIC management.
- Section 253 (Legal updates training program requirements) would be amended to specify that the material must cover changes to statutes or regulations, recent court decisions, and statutory and regulatory violation determinations of the CIC Ombudsman.
- Newly created Section 256 (Miscellaneous topics training programs) would cover requirements for training providers for the list of miscellaneous topics that would be newly added in section 95.
- The minimum length of each training program in sections 253 (legal updates), 255 (fair housing) and 256 (miscellaneous topics) would be one hour, rather than the current two-hour minimum for CIC law and regulation and fair housing. The Board reports that this change is intended to provide greater flexibility in meeting the continuing education requirement, so that certificate holders can take six one-hour programs rather than three two-hour long programs.

### Standards of conduct

The Board proposes to make a number of changes throughout the regulation that are intended to increase transparency, prevent conflicts of interest and the appearance of self-dealing, and generally reduce incidences of financial mismanagement and/or legal misconduct.

- Sections 30 and 35 (Qualifications for licensure and certification, respectively) would be amended to add a requirement that applicants disclose any disciplinary action taken against a professional or occupational license, certification, or registration issued to the applicant, its principals, the qualifying individual, and the responsible person; amendments would also clarify that the Board may deny licensure to an applicant based on disciplinary action taken by any board or administrative body in any jurisdiction.
- Section 100 (Procedures for renewal) would be amended to add a reminder to regulants that “the board may conduct an audit of any regulant to ensure the regulant’s continued

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compliance with the requirements for licensure or certification, as applicable, established by Chapter 23.3 of Title 54.1 of the Code of Virginia and this chapter.”

- Section 150 (Maintenance of license or certificate) would be amended to specify all instances in which a CIC manager must report changes to the Board, in writing and within 30 days, in order to maintain licenses and certifications.
- Section 190 (Prohibited Acts) would be revised significantly for clarity, and to add language prohibiting an applicant from “furnishing substantially inaccurate information to the board in obtaining, renewing, reinstating, or maintaining a license or certificate.”
- Section 195 (Management services contracts) would be newly created to establish the requirements for the contract between the CIC manager licensee and the CIC association.
  - This section would specify that any modification to the contract which changes the cost, term of the contract, cancellation rights of the parties, or scope of management services be made in writing and signed by all parties.
  - The new section would also include minimum requirements for the management services contract, including cancellation rights, records retention policy, and that the licensee disclose any relationships with other firms that provide services to CICs, or to either of the contracting parties, that may give rise to a conflict of interest.
- Section 205 (Remuneration) would be added specifying that unless authorized in writing by the governing board of the association, a CIC manager may not accept remuneration from vendors, independent contractors, service providers, or others providing goods or services to the association, whether in the form of commissions, finders fees, services fees, discounts, or otherwise. The Board reports that this provision is intended to address a practice in which a management company will charge a fee or commission to vendors that provide services to CICs (such contractors or landscapers) in order to be on the management company’s “approved” vendor list.
- Section 225 (Regulant’s responsibility) would be added to establish regulants’ obligations to the public. The section would also prohibit a regulant from knowingly associating in a venture or allowing the use of the regulant’s name when the regulant believes the person or firm is engaging in fraudulent or dishonest activity or is violating any law or regulation of the Board. The section also requires a regulant who has direct knowledge that another individual or firm may have violated, or may be violating, CIC laws or regulations to

inform the Board in writing and cooperate with the Board in providing information or assistance the Board requires.

#### Blanket fidelity bond or employee dishonesty insurance policy

The Board seeks to create a new section that would specify the requirements for the blanket fidelity bond or employee dishonesty insurance policy that a CIC manager must obtain pursuant to Virginia Code § 54.1-2346.<sup>6</sup> Accordingly, Section 33 would include:

- A requirement that the insurance must include coverage for losses of the firm's clients resulting from theft or dishonesty of officers, directors, and firm employees.
- A requirement that coverage must be the lesser of two million dollars or the highest aggregate amount of the operating and reserve balances of all associations under the firm's control during the firm's prior fiscal year.
- A statement that the minimum coverage amount is \$10,000.
- A requirement that the surety company or insurance company must be authorized to do business in Virginia.
- A description of the minimum requirements necessary to provide proof of insurance.
- A statement that the Board may require certification from the surety company or insurer in order to demonstrate that there is sufficient coverage, and
- A requirement that the bond or insurance policy obtained by the CIC manager must be separate from the insurance policies that are required to be obtained by associations under the Property Owners' Association Act or the Virginia Condominium Act.

#### Length of license

CIC manager licenses are currently valid for one year and must be renewed annually, whereas certifications for principal and supervisory employees are valid for two years. The proposed amendments include extending the license period for CIC managers to two years. License reinstatements are currently valid for six months and would be extended to one year. License fees and reinstatement fees would be doubled accordingly. The Board reports that this

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<sup>6</sup> The contents of this section can currently be found in two guidance documents pertaining to obtaining and providing evidence of a fidelity bond or dishonesty insurance. See <https://townhall.virginia.gov/L/ViewGDoc.cfm?gdid=4190> and <https://townhall.virginia.gov/L/ViewGDoc.cfm?gdid=5049>.

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change is intended to reduce the regulatory burden on CIC managers. These changes are reflected in Section 60 (Fees) and updated throughout the chapter.

### **Estimated Benefits and Costs**

CIC associations and residents would benefit from the proposed amendments to the extent that the increased training and clear and specific standards of conduct improve fiduciary management and legal compliance by CIC managers. As described previously, improved legal compliance by CIC managers serves to protect homeowners' property values. As explained below, homeowners are also likely to indirectly bear some of the costs associated with the new requirements.

Principal and supervisory employees and qualifying individuals would face additional costs due to the new training requirements; these costs may be borne by the CIC managers that employ them. CIC managers may also face additional costs if the standards of conduct and disciplinary requirements lead to changes in their business practices. For instance, the new prohibition against remuneration from vendors could make some CIC managers worse off if they currently accept commissions from vendors to place them on a "approved" list. In addition, CIC managers may incur costs arising from requirements that are already in statute or regulation but were not as clear and/or have not been enforced as strictly by the Board. These compliance costs would be particularly germane if the Board also chose to conduct audits more frequently. Such costs may be related to obtaining sufficient fidelity bonds as well as recordkeeping and reporting.

However, unless the market for CIC managers is highly competitive, CIC managers would likely pass on any additional costs to the CIC associations via higher management fees, which associations would likely pass on to residents. Thus, on the whole, CIC residents may bear most, if not all, of the costs that accrue as a result of the proposed changes.

CIC managers would benefit from the increased license period and less frequent renewals and certificate holders would benefit from greater flexibility in meeting the training requirements in hour-long increments rather than two-hour programs. Training providers would incur initial costs to develop new training materials on CIC law and regulations for new applicants and on the legal updates and miscellaneous topics that would be required for certification renewals. DPOR reports that business entities that seek approval from the Board to provide the training would also pay an application fee of \$100. However, training providers would likely recoup these costs from

training program participants. Once the initial costs are borne, the increased training requirements would likely benefit training providers in the long run.

### **Businesses and Other Entities Affected**

DPOR reports that there are 142 firms that hold an active CIC manager license, 265 individuals that hold an active principal or supervisory employee certificate, and 10 training providers of approved training programs. The Code of Virginia requires DPB to assess whether an adverse impact may result from the proposed regulation.<sup>7</sup> An adverse impact is indicated if there is any increase in net cost or reduction in net revenue for any entity, even if the benefits exceed the costs for all entities combined. As noted above, the additional training requirements would create additional training costs for current and future CIC managers as well as one-time costs for training providers. Thus, an adverse impact is indicated.

### **Small Businesses<sup>8</sup> Affected:<sup>9</sup>**

The proposed amendments would adversely affect small businesses.

#### Types and Estimated Number of Small Businesses Affected

DPOR reports that most CIC managers and training providers would be considered small businesses. However, DPOR does not collect information on which regulants are small businesses, so the exact number is unknown.

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<sup>7</sup> Pursuant to Code § 2.2-4007.04(D): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance. Statute does not define “adverse impact,” state whether only Virginia entities should be considered, nor indicate whether an adverse impact results from regulatory requirements mandated by legislation.

<sup>8</sup> Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

<sup>9</sup> If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.

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### Costs and Other Effects

As mentioned previously, the additional training requirements would create additional training costs for CIC managers as well as one-time training development costs for training providers. The other proposed changes may also create new costs related to the fidelity bonds, recordkeeping, and reporting to the extent that CIC managers were not already implementing those requirements.

### Alternative Method that Minimizes Adverse Impact

There are no clear alternatives to the proposed amendments that both reduce adverse impact and meet the intended policy goal.

### **Localities<sup>10</sup> Affected<sup>11</sup>**

The proposed amendments do not introduce costs for local governments. Accordingly, no additional funds would be required. Consequently, an adverse economic impact is not indicated for localities.

### **Projected Impact on Employment**

The proposed amendments do not appear to affect total employment.

### **Effects on the Use and Value of Private Property**

To the extent that the proposed amendments improve the property management services provided by CIC managers, the proposed changes may modestly increase the value of the property held by CIC members. The proposed amendments do not affect real estate development costs.

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<sup>10</sup> “Locality” can refer to either local governments or the locations in the Commonwealth where the activities relevant to the regulatory change are most likely to occur.

<sup>11</sup> § 2.2-4007.04 defines “particularly affected” as bearing disproportionate material impact.