File #: Res 1066-2025, **Version:** *

Res. No. 1066

Resolution calling on the State Legislature to pass, and the Governor to sign, legislation that removes the statute of limitations for legal claims brought against cooperative and condominium boards where the plaintiff is seeking damages for harms caused by the board's bad faith actions.

By Council Member Salaam

Whereas, A cooperative or condominium board has a fiduciary duty to govern and make decisions on behalf of the cooperative shareholders or condominium owners; and

Whereas, This legal and ethical obligation requires board members to prioritize the shareholders' or owners' collective well-being over the board members' personal interests; and

Whereas, Board members must exercise due diligence, make informed decisions, and act transparently to fulfill their fiduciary duty, which covers financial management, policymaking, and maintenance oversight; and

Whereas, A board's decisions can significantly impact the property values, quality of life, and overall satisfaction of residents within a cooperative or condominium; and

Whereas, Mismanagement by a board may subject residents to conditions that could be dangerous, hazardous, or detrimental to life, health, or safety; and

Whereas, Although cooperative shareholders and condominium owners may bring lawsuits challenging certain actions taken by their boards, a legal doctrine known as the business judgment rule generally protects board actions where the members have acted in good faith, for the cooperative's or condominium's benefit, and

within the scope of their authority; and

Whereas, The business judgment rule often serves as shield for cooperative and condominium boards, but it does not protect board members who have acted in bad faith and is generally is not a defense against claims of negligence or breach of contract; and

Whereas, Even in cases where the business judgment rule does not apply, cooperative and condominium boards may attempt to exploit the applicable statute of limitations to shield themselves from liability; and

Whereas, In New York, the statute of limitations is generally 4 months for claims challenging the propriety of a board's decision, 3 years for negligence claims, and 6 years for breach of contract claims; and

Whereas, There should not be a statute of limitations for shareholders or condominium owners seeking to recover damages for harms caused by a board's bad faith action; and

Whereas, A board may act in bad faith by, for example, stealing from the reserve fund, using their power to unfairly target a shareholder due to a personal issue, or selectively enforcing the proprietary lease; and

Whereas, Some shareholders and owners may delay filing a lawsuit because they fear harassment or retaliation, or because they are attempting to resolve the conflict outside of court; and

Whereas, Statutes of limitation make it harder to achieve justice by allowing boards to benefit from delays which reduce the time available for shareholders and owners to file lawsuits; now, therefore, be it

Resolved, That the Council of the City of New York calls on the State Legislature to pass, and the Governor to sign, legislation that removes the statute of limitations for legal claims brought against cooperative and condominium boards where the plaintiff is seeking damages for harms caused by the board's bad faith

actions.

JLC
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