1-1 By: West

(In the Senate - Filed March 10, 2015; March 17, 2015, read first time and referred to Committee on Business and Commerce; 1-4 April 20, 2015, reported favorably by the following vote: Yeas 7, Nays 0; April 20, 2015, sent to printer.)

1-6 COMMITTEE VOTE

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1-7		Yea	Nay	Absent	PNV
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1-9	Creighton	X			
1-10	Ellis	X			
1-11	Huffines	Χ			
1-12	Schwertner	Χ			
1-13	Seliger	X			
1-14	Taylor of Galveston			X	
1-15	Watson	Х			
1-16	Whitmire			X	

A BILL TO BE ENTITLED AN ACT

relating to the operation of certain property owners' associations.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 207.001(2), Property Code, is amended to read as follows:

(2) "Dedicatory instrument," "property owners' association," and "restrictive covenant" have the meanings assigned by Section 209.002 [202.001].

SECTION 2. Section 207.002, Property Code, is amended to read as follows:

Sec. 207.002. APPLICABILITY. (a) This chapter applies to a subdivision with a property owners' association that is entitled to levy regular or special assessments.

(b) This chapter does not apply to a condominium council of owners governed by Chapter 81 or a condominium unit owners' association governed by Chapter 82.

SECTION 3. Section 209.002, Property Code, is amended by

SECTION 3. Section 209.002, Property Code, is amended by amending Subdivision (4-a) and adding Subdivision (13) to read as follows:

(4-a) "Development period" means a period stated in a declaration during which a declarant reserves:

(A) a right to facilitate the development, construction, and marketing of the subdivision; \underline{or} [and]

(B) a right to direct the size, shape, and composition of the subdivision.

(13) "Verified mail" means any method of mailing that provides evidence of mailing.

SECTION 4. Section 209.003(d), Property Code, is amended to read as follows:

(d) This chapter does not apply to a condominium <u>as defined</u> [development governed] by <u>Section 81.002 or 82.003</u> [Chapter 82].

SECTION 5. Section 209.0041, Property Code, is amended by amending Subsection (h) and adding Subsection (h-1) to read as follows:

(h) Except as provided by Subsection (h-1) [this subsection], a declaration may be amended only by a vote of:

 $\underline{(1)}$ 67 percent of the total votes allocated to property owners in the property owners' association, in addition to any governmental approval required by law; or

(2) 67 percent of those entitled to vote on the amendment of the declaration, in addition to any governmental approval required by law.

1-60 (h-1) If the declaration contains a lower percentage than 1-61 prescribed by Subsection (h), the percentage in the declaration

2-1 controls.

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SECTION 6. Section 209.0051, Property Code, is amended by amending Subsections (b), (c-1), and (h) and adding Subsection (c-2) to read as follows:

In this section, "board[+ [(1) "Board] meeting

(1) [(A)] means a deliberation between a quorum of the voting board of the property owners' association, or between a quorum of the voting board and another person, during which property owners' association business is considered and the board takes formal action; and

(2) $[\frac{B}{B}]$ does not include the gathering of a quorum of the board at a social function unrelated to the business of the association or the attendance by a quorum of the board at a regional, state, or national convention, ceremonial event, or press conference, if formal action is not taken and any discussion of association business is incidental to the social function, convention, ceremonial event, or press conference.

[(2) "Development period" means a period stated in a

declaration during which a declarant reserves:

[(A) a right to facilitate

and marketing of the subdivision; and [(B) a right to direct the size,

composition of the subdivision.

(c-1) Except for a meeting held by electronic or telephonic means under Subsection (c-2) [$\frac{h}{h}$], a board meeting must be held in a county in which all or part of the property in the subdivision is located or in a county adjacent to that county.

A board meeting may be held (c-2)<u>by electronic or</u>

telephonic means provided that:
(1) all directors may hear and be heard by every other director; and

(2) except for any portion of the meeting conducted in executive session, all owners in attendance at the meeting may hear all directors.

- Except as provided by this subsection, a [A] board may take action outside of a meeting [meet by any method of communication], including voting by electronic or [and] telephonic means, without prior notice to owners under Subsection (e), if each director is given a reasonable opportunity to express the director's opinion to all other directors and to vote [may hear and be heard by every other director, or the board may take action by unanimous written consent to consider routine and administrative matters or a reasonably unforeseen emergency or urgent necessity that requires immediate board action]. Any action taken without notice to owners under Subsection (e) must be summarized orally, including an explanation of any known actual or estimated expenditures approved at the meeting, and documented in the minutes of the next regular or special board meeting. The board may not, without prior notice to owners under Subsection (e), [consider or] vote on:
 - (1)fines;
 - (2) damage assessments;
 - (3)initiation of foreclosure actions;
- $\mbox{(4)}$ initiation of enforcement actions, excluding temporary restraining orders or violations involving a threat to health or safety;
 - (5) increases in assessments;
 - (6) levying of special assessments;
- (7)appeals from a denial of architectural control approval; or

(8) a suspension of a right of a particular owner before the owner has an opportunity to attend a board meeting to

present the owner's position, including any defense, on the issue.

SECTION 7. Section 209.0056, Property Code, is amended by amending Subsection (a) and adding Subsection (a-1) to read as follows:

For an election or vote taken at a meeting of the (a) association owners, not [Not] later than the 10th day or earlier

than the 60th day before the date of $\frac{\text{the}}{\text{give}}$ [an] election or vote, a property owners' association shall give written notice of the election or vote to:

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- (1) each owner of property in the property owners' association, for purposes of an association-wide election or vote;
- each owner of property in the property owners' association entitled under the dedicatory instruments to vote in a particular representative election, for purposes of a vote that involves election of representatives of the association who are vested under the dedicatory instruments of the property owners' association with the authority to elect or appoint board members of the property owners' association.
- (a-1) For an election or vote of association owners not taken at a meeting, the property owners' association shall give notice of the election or vote to all owners.

 SECTION 8. Section 209.0057, Property Code, is amended by a section of the election of the election of the election of the election of vote to all owners.
- amending Subsections (b), (c), and (d) and adding Subsections (b-1), (b-2), (b-3), and (b-4) to read as follows:
- (b) Any owner may, not later than the 15th day after the date of the meeting of association owners at which the election or vote was held or the date of the announcement of the results of the election or vote if no meeting was held, require a recount of the votes. A demand for a recount must be submitted in writing either:
- (1) by <u>verified</u> [certified] mail[, return receipt requested, or by delivery by the United States Postal Service with signature confirmation service] to the property owners' association's mailing address as reflected on the latest management certificate filed under Section 209.004; or
- (2) in person to the property owners' association's managing agent as reflected on the latest management certificate filed under Section 209.004 or to the address to which absentee and proxy ballots are mailed.
- (b-1) The association must estimate the costs performance of the recount by a person qualified to tabulate votes under Subsection (c) and must send an invoice for the estimated costs to the requesting owner at the owner's last known address according to association records not later than the 20th day after the date the association receives the owner's demand for the recount.
- The owner demanding a recount under this section must the invoice described by Subsection (b-1) in full to the property owners' association on or before the 30th day after the date the invoice is sent to the owner.
- (b-3) If the invoice described by Subsection (b-1) is not by the deadline prescribed by Subsection (b-2), the owner's demand for a recount is considered withdrawn and a recount is not
- (b-4) If the estimated costs under Subsection (b-1) are lesser or greater than the actual costs, the association must send a final invoice to the owner on or before the 30th business day after the date the results of the recount are provided. If the final invoice includes additional amounts owed by the owner, any additional amounts not paid to the association before the 30th business day after the date the invoice is sent to the owner may be added to the owner's account as an assessment. If the estimated costs exceed the final invoice amount, the owner is entitled to a refund. The association shall issue the refund to the owner not later than the 30th business day after the date the invoice is sent
- $\frac{1}{(c)}$ Following receipt of payment under Subsection (b-2), the [The] property owners' association shall, at the expense of the $\overline{\text{own}}$ er requesting the recount, retain for the purpose of performing the recount $[\tau]$ the services of a person qualified to tabulate votes under this subsection. The association shall enter into a contract for the services of a person who:
- (1) is not a member of the association or related to a member of the association board within the third degree by consanguinity or affinity, as determined under Chapter 573,

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    Government Code; and
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                  (2)
                       is:
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                             a current or former:
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                             (i)
                                 county judge;
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                                   county elections administrator;
                             (ii)
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                             (iii)
                                     justice of the peace; or
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                             (iv)
                                   county voter registrar; or
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(B) a person agreed on by the association and

each person [the persons] requesting the recount.

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(d) Any recount under Subsection (b) must be performed on or before the 30th day after the date of receipt of [a request and] payment for a recount in accordance with Subsection (b-2) [Subsections (b) and (c)]. If the recount changes the results of the election, the property owners' association shall reimburse the requesting owner for the cost of the recount. The property owners' association shall provide the results of the recount to each owner who requested the recount. Any action taken by the board in the period between the initial election vote tally and the completion of the recount is not affected by any recount.

SECTION 9. Sections 209.0058(a) and (c), Property Code, are amended to read as follows:

- (a) Any vote cast by a member of a property owners' association in a director [an] election or in a vote on the issue of whether to amend a dedicatory instrument, increase a regular assessment, adopt a special assessment, or remove a director [or vote by a member of a property owners' association] must be in writing and signed by the member.
- (c) In an <u>association</u> [association-wide] election, written and signed ballots are not required for uncontested races.

SECTION 10. Section 209.00591, Property Code, is amended by adding Subsection (b-1) and amending Subsection (c) to read as follows:

- (b-1) Notwithstanding any other provision of this chapter, a property owners' association's bylaws may require one or more board members to reside in the subdivision subject to the dedicatory instruments. A requirement described by this subsection is not applicable during the development period.
- (c) The declaration may provide for a period of declarant control of the association during which a declarant, or persons designated by the declarant, may appoint and remove board members and the officers of the association, other than board members or officers elected by members of the property owners' association. Regardless of the period of declarant control provided by the declaration, on or before the 120th day after the date 75 percent of the lots that may be created and made subject to the declaration are conveyed to owners other than a declarant or a builder in the business of constructing homes who purchased the lots from the declarant for the purpose of selling completed homes built on the lots, at least one-third of the board members must be elected by owners other than the declarant. If the declaration does not include the number of lots that may be created and made subject to the declaration, at least one-third of the board members must be elected by owners other than the declarant not later than the 10th anniversary of the date the declaration was recorded.

SECTION 11. Section 209.00592, Property Code, is amended by amending Subsection (a) and adding Subsections (a-1) and (c-1) to read as follows:

- (a) The voting rights of an owner may be cast or given:
- (1) if a meeting of the property owners' association is held, in person or by proxy at the [a] meeting [of the property owners' association];
- (2) by absentee ballot in accordance with this section; $\underline{\text{or}}$
- (3) [by electronic ballot in accordance with this section; or

 $[\frac{(4)}{}]$ by any method of representative or delegated voting provided by a dedicatory instrument.

(a-1) The board may in its discretion use electronic ballots in accordance with this section as an additional method of voting.

(c-1) For purposes of Subsection (b), a nomination taken from the floor in an election of directors is not considered an amendment to the proposal for the election.

SECTION 12. Section 209.00593(d), Property Code, is amended to read as follows:

- (d) This section does not apply to the appointment of a board member during a development period. [In this subsection, "development period" means a period stated in a declaration during which a declarant reserves:
- [(1) a right to facilitate the ion, and marketing of the subdivision; and the

a right to direct the shape, and composition of the subdivision.

SECTION 13. Section 209.00594, Property Code, is amended by adding Subsection (b-1) and amending Subsection (c) to read as follows:

- A person performing a recount under Section (b-1)209.0057(c) may not disclose to any other person how an individual
- (c) Notwithstanding any other provision of this chapter or any other law, only a person [other than a person] who tabulates votes under Subsection (b) or who performs a recount under Section 209.0057(c)[, including a person described by Subsection (a), may be given access to the ballots cast in the election or vote [only as part of a recount process authorized by law].

SECTION 14. Section 209.006, Property Code, is amended to read as follows:

Sec. 209.006. NOTICE REQUIRED BEFORE ENFORCEMENT ACTION. Before a property owners' association may suspend an owner's right to use a common area, file a suit against an owner other than a suit to collect a regular or special assessment or foreclose under an association's lien, charge an owner for property damage, or levy a fine for a violation of the restrictions or bylaws or rules of the association, the association or its agent must give written notice to the owner by <u>verified</u> [certified] mail[-return receipt requested].

(b) The notice must:

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- (1)describe the nature of the violation or property damage that is the basis for the suspension action, charge, or fine and state any amount due the association from the owner; [and]
- (2) except as provided in Subsection (d), inform the owner that the owner:
- (A) is entitled to a reasonable period to cure the violation and avoid the fine or suspension [unless the owner was given notice and a reasonable opportunity to cure a similar violation within the preceding six months];
- (B) may request a hearing under Section 209.007 on or before the 30th day after the date [the owner receives] the
- notice <u>was mailed to the owner;</u> and

 (C) may have special rights or relief related to the enforcement action under federal law, including the Servicemembers Civil Relief Act (50 U.S.C. App. [app.] Section 501 et seq.), if the owner is serving on active military duty;
- (3) specify the date by which the owner must cure the violation if the violation is of a curable nature and does not pose a threat to public health or safety; and

 (4) be sent by verified mail to the owner at the

owner's last known address as shown on the association records.

- (c) The date specified in the notice under Subsection (b)(3) must provide a reasonable period to cure the violation if the violation is of a curable nature and does not pose a threat to
- which the owner has been previously given notice under this section and the opportunity to exercise any rights available under this section in the preceding six months.
- (e) If the owner cures the violation before the expiration the period for cure described by Subsection (c), any fine assessed for the violation is void.

(f) For purposes of this section, a violation is considered a threat to public health or safety if the violation could materially affect the physical health or safety of an ordinary resident.

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SECTION 15. Section 209.0062(c), Property Code, is amended to read as follows:

(c) A property owners' association <u>is</u> [may] not <u>required to</u> allow a payment plan for any amount that extends more than 18 months from the date of the owner's request for a payment plan. The association is not required to enter into a payment plan with an owner who failed to honor the terms of a previous payment plan during the two years following the owner's default under the previous payment plan. The association is not required to make a payment plan available to an owner after the period for cure described by Section 209.0064(b)(3) expires. The association is not required to allow an owner to enter into a payment plan more than once in any 12-month period.

SECTION 16. Section 209.0063, Property Code, is amended by amending Subsection (a) and adding Subsection (c) to read as follows:

- (a) Except as provided by <u>Subsections</u> [<u>Subsection</u>] (b) <u>and</u> (c), a payment received by a property owners' association from the owner shall be applied to the owner's debt in the following order of priority:
 - (1) any delinquent assessment;
 - (2) any current assessment;
- (3) any attorney's fees or third party collection costs incurred by the association associated solely with assessments or any other charge that could provide the basis for foreclosure;
- (4) any attorney's fees incurred by the association that are not subject to Subdivision (3);
 - (5) any fines assessed by the association; and
 - (6) any other amount owed to the association.
- (c) This section does not apply to a payment made pursuant to a final judgment, another binding court order, or any mutual agreement of the parties entered into after the 30-day period described in Section 209.0064(b)(3).

SECTION 17. Section 209.0064(b), Property Code, is amended to read as follows:

- (b) A property owners' association may not hold an owner liable for fees of a collection agent retained by the property owners' association unless the association first provides written notice to the owner by certified mail, return receipt requested, that:
- (1) specifies each delinquent amount and the total amount of the payment required to make the account current;
- (2) if the property owners' association is subject to Section 209.0062, describes the options the owner has to avoid having the account turned over to a collection agent, including information regarding availability of a payment plan through the association; and
- (3) provides a period of at least 30 days for the owner to cure the delinquency before further collection action is taken.

SECTION 18. Section 209.0091, Property Code, is amended to read as follows:

- Sec. 209.0091. PREREQUISITES TO FORECLOSURE: NOTICE AND OPPORTUNITY TO CURE FOR CERTAIN OTHER LIENHOLDERS. (a) A property owners' association may not sell a property pursuant to a foreclosure right [foreclose a property owners' association assessment lien on real property by giving notice of sale under Section 51.002 or commencing a judicial foreclosure action] unless the association has:
- (1) provided written notice of the total amount of the delinquency giving rise to the foreclosure to any other holder of a lien of record on the property whose lien is inferior or subordinate to the association's lien and is evidenced by a deed of trust; and
- (2) provided the recipient of the notice an opportunity to cure the delinquency before the 61st day after the

7-1 <u>association mails</u> [recipient receives] the the notice 7-2 described in Subdivision (1).

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- Notice under this section must be sent by verified [certified] mail[, return receipt requested,] to the address for the lienholder shown in the deed records relating to the property that is subject to the property owners' association assessment lien.
- (c) Notwithstanding any other law, notice under this section may be provided to any holder of a lien of record on the notice under this property.
- SECTION 19. Section 209.0092, Property Code, is amended by amending Subsection (a) and adding Subsection (d) to read as follows:
- (a) Except as provided by Subsection (c) or (d) and subject to Section 209.009, a property owners' association may not foreclose a property owners' association assessment lien unless the association first obtains a court order in an application for expedited foreclosure under the rules adopted by the supreme court under Subsection (b). A property owners' association may use the procedure described by this subsection to foreclose any lien described by the association's dedicatory instruments and is considered to have with respect to the lien any power of sale required by law as a condition of using the procedure described by this subsection.
- (d) The association may in its discretion elect not to use expedited procedure described by Subsection (b) and instead foreclose the association's assessment lien under court judgment foreclosing the lien and ordering the sale, pursuant to Rules 309 and 646a, Texas Rules of Civil Procedure.
 SECTION 20. Section 209.0041(a)

209.0041(a), Property Code, is repealed.

SECTION 21. (a) The changes in law made by this Act to Chapter 207, Property Code, apply only to a request for subdivision information made on or after the effective date of this Act and any resale certificate delivered in response to that request. \bar{A} request for subdivision information made before the effective date of this Act, any resale certificate delivered in response to that request, and any request for an update of that resale certificate are governed by the law as it existed immediately before that date, and that law is continued in effect for that purpose.

- (b) Sections 209.0041, 209.0056, 209.0057 209.0058, 209.00592, and 209.00594(c), Property Code, as amended by this Act, apply only to an election or vote held on or after the effective date of this Act. An election or vote held before the effective date of this Act is governed by the law as it existed immediately before that date, and that law is continued in effect for that purpose.
- (c) Section 209.006, Property Code, as amended by this Act, applies only to an enforcement action taken on or after the effective date of this Act. An enforcement action taken before the effective date of this Act is governed by the law as it existed immediately before that date, and that law is continued in effect for that purpose.
- (d) Section 209.0064, Property Code, as amended by this Act, applies only to a collection action taken on or after the effective date of this Act. A collection action taken before the effective date of this Act is governed by the law as it existed immediately before that date, and that law is continued in effect for that purpose.
- (e) Section 209.0091, Property Code, as amended by this Act, applies only to a foreclosure sale that takes place on or after the effective date of this Act. A foreclosure sale that takes place before the effective date of this Act is governed by the law as it existed immediately before that date, and that law is continued in effect for that purpose.

 SECTION 22. This Act takes effect September 1, 2015.

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