

## **BILL ANALYSIS**

Senate Research Center

H.B. 1976  
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Intergovernmental Relations  
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Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

An estimated 57 million Americans live in more than 200,000 community associations, which often exist in combination with one another and generally are grouped together in master planned communities. A property owners' association may be classified as a condominium association, a cooperative association, or a homeowners' association. In Texas, property owners' associations are regulated under the Property Code. As the popularity of property owners' associations increases, so do abuses by such associations. The bill addresses common abuses surrounding property owners' associations.

H.B. 1976 relates to the operation of property owners' associations.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Supreme Court of Texas in SECTION 18 (Section 209.0091, Property Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 5.006, Property Code, by amending Subsection (a) and adding Subsection (a-1), as follows:

(a) Authorizes the court, rather than requires the court, in an action based on breach of a restrictive covenant pertaining to real property or a statute pertaining to real property subject to a restrictive covenant or to restrictive covenants to which real property is subject, to allow to a prevailing party, rather than a prevailing party who asserted the action, reasonable attorney's fees in addition to the party's costs and claim.

(a-1) Authorizes the court, in an action based on a breach of the dedicatory instruments pertaining to an election of a property owners' association board or a meeting of a property owners' association board, to allow the prevailing party reasonable attorney's fees in addition to the party's costs and claim.

SECTION 2. Amends Section 5.012, Property Code, by amending Subsection (a) and adding Subsections (f) and (g), as follows:

(a) Sets forth the required contents of a written notice given to the purchaser of the property by a seller of residential real property that is subject to membership in a property owners' association and that comprises not more than one dwelling unit located in this state.

(f) Requires the seller, on the purchaser's request for a resale certificate from the seller, to promptly deliver a copy of a current resale certificate if one has been issued for the property under Chapter 207 (Disclosure of Information by Property Owners' Associations) or, if the seller does not have a current resale certificate, request the property owners' association or its agent to issue a resale certificate under Chapter 207 and promptly deliver a copy of the resale certificate to the purchaser on receipt of the resale certificate from the property owners' association or its agent.

(g) Requires the seller or the purchaser, as agreed to by the parties, to pay the fee to the property owners' association or its agent for issuing the resale certificate. Prohibits the

property owners' association from requiring payment for a resale certificate requested under Chapter 207 until the certificate is available for delivery. Prohibits the association from charging a fee if the certificate is not provided in the time prescribed by Section 207.003(a) (relating to requiring the association to deliver to the owner, owner's agent, or title insurance company or its agent certain information not later than the 10th day after the written request).

SECTION 3. Amends Section 82.102, Property Code, by amending Subsection (a) and adding Subsection (f), as follows:

(a) Authorizes the unit owners' association, unless otherwise provided by the declaration, acting through its board of directors or the body (board), to impose interest and late charges for late payments of assessments, returned check charges, and, if notice and an opportunity to be heard are given in accordance with Subsection (d) (relating to authorizing an association to charge the unit owner for certain property damage), reasonable fines for violations of the declaration, bylaws, and rules of the association, among other certain powers. Deletes existing text authorizing the association, unless otherwise provided by the declaration, acting through its board, to assign its right to future income, including the right to receive common expense assessments, but only to the extent the declaration so provides.

(f) Authorizes the association by resolution of the board to borrow money unless prohibited by the declaration, articles of incorporation, bylaws, rules, or other restrictions. Authorizes the association, if the board issues a resolution under this subsection, to assign the association's right to future income, including the right to receive common expense assessments and assign the association's lien rights, as collateral for the loan authorized by the resolution. Requires the association to comply with any member approval requirement in the association's declaration, articles of incorporation, bylaws, rules, or other restrictions for borrowing money, except that not more than 67 percent of all outstanding votes are required to approve an authorization to borrow money.

SECTION 4. Amends Sections 82.111(c) and (i), Property Code, as follows:

(c) Authorizes insurance policies carried under Subsection (a) (relating to requiring the association to maintain certain types of insurance) to provide for commercially reasonable deductibles as the board considers appropriate or necessary.

(i) Requires that costs of repair or replacement incurred before any insurance proceeds are available, or that are within the association's deductible, be paid as determined by resolution of the board, or, if the board does not approve a resolution, the costs are a common expense. Provides that a resolution regarding payment of costs under this subsection is considered a dedicatory instrument and is required to be recorded in each location in which the declaration is recorded.

SECTION 5. Amends Section 82.113(g), Property Code, as follows:

(g) Authorize the owner of a unit purchased at a foreclosure sale, rather than the owner of a unit used for residential purposes and purchased by an association at a foreclosure sale, of the association's lien for assessments to redeem the unit not later than the 90th day after the date of the foreclosure sale. Requires the owner, if the association is the purchaser, to pay to the association to redeem the unit all amounts due the association at the time of the foreclosure sale, interest from the date of foreclosure sale to the date of redemption at the rate provided by the declaration for delinquent assessments, reasonable attorney's fees and costs incurred by the association in foreclosing the lien, any assessment levied against the unit by the association after the foreclosure sale, and any reasonable cost incurred by the association as owner of the unit, including costs of maintenance and leasing. Authorizes the redeeming owner, if a party other than the association is the purchaser, to pay to the purchaser of the unit at the foreclosure sale an amount equal to the amount bid at the sale, interest on the bid amount computed from the date of the foreclosure sale to the date of redemption at the rate of six percent, any assessment paid by the purchaser after the date of foreclosure, and any reasonable costs

incurred by the purchaser as the owner of the unit, including costs of maintenance and leasing. Requires the redeeming owner also to pay to the association all assessments that are due as of the date of the redemption and reasonable attorney's fees and costs incurred by the association in foreclosing the lien. Requires the purchaser of the unit at the foreclosure sale, rather than the association, on redemption, to execute a deed with no warranty to the redeeming unit owner. Makes conforming and nonsubstantive changes.

SECTION 6. Amends Section 202.001(1), Property Code, to redefine "dedicatory instrument."

SECTION 7. Amends Section 202.004, Property Code, by adding Subsections (d) and (e), as follows:

(d) Authorizes the association or other representative designated by an owner of real property, in evaluating an alleged or potential violation of a restrictive covenant, notwithstanding any provision in a dedicatory instrument, to grant a variance and in doing so not enforce the restrictive covenant if the board, in the board's reasonable judgment, makes certain determinations.

(e) Prohibits a determination by the board to grant a variance under Subsection (d) from being considered a waiver of the association's ability to enforce any dedicatory instrument provision in the future.

SECTION 8. Amends Section 202.006, Property Code, as follows:

Sec. 202.006. PUBLIC RECORDS. (a) Creates this subsection from existing text. Requires an association to file all dedicatory instruments, rather than the dedicatory instrument, in the real property records of each county in which the property to which the dedicatory instruments relate is located. Makes a nonsubstantive change.

(b) Provides that a dedicatory instrument that is not filed in accordance with this section has no effect until filed.

SECTION 9. Amends Chapter 202, Property Code, by adding Sections 202.008 and 202.010-202.015, as follows:

Sec. 202.008. ASSOCIATION'S RIGHT OF ENTRY. (a) Provides that a provision in a dedicatory instrument that provides an association the right or authority to enter onto an owner's private property to enforce or abate an alleged violation of a restrictive covenant, except as provided by this section, is void as against public policy except for entry for certain purposes.

(b) Provides that this section does not prohibit a provision in a dedicatory instrument allowing an association a right of entry on the property of an owner that is limited to a dedicated access or other easement contained in a final plat or an easement filed of record.

(c) Provides that this section does not apply to an association regulated under Title 7 (Condominiums) or an association that funds through assessments insurance on residences, one or more utility payments for residences, or exterior maintenance of residences.

Sec. 202.010. CERTAIN PARKING RESTRICTIONS PROHIBITED. (a) Provides that a provision in a dedicatory instrument that restricts or prohibits an owner from parking an operable, noncommercial, and personal automobile or truck on a public street is void as against public policy.

(b) Provides that a provision in a dedicatory instrument that restricts or prohibits an owner from parking the owner's operable, noncommercial, and personal automobile or truck in the owner's driveway is void as against public policy.

(c) Defines "noncommercial automobile" in this section.

(d) Provides that for the purposes of this section, a recreational vehicle, motor home, camper, all-terrain vehicle, trailer, or watercraft, a tow truck, cement mixer, or other similar commercial vehicle, or a vehicle that is more than 30 feet long is not considered to be a personal automobile or truck.

(e) Provides that this section does not apply to an association regulated under Title 7, or a property owners' association that funds through certain assessments.

Sec. 202.011. RIGHT OF FIRST REFUSAL PROHIBITED. (a) Defines "development period" in this section.

(b) Provides that to the extent a restrictive covenant provides a right of first refusal for the sale or lease of a residential unit or residential lot in favor of the property owners' association or the association's members, the covenant is void.

(c) Provides that this section does not apply to a restrictive covenant that provides a right of first refusal in favor of a developer or builder during the development period.

Sec. 202.012. REGULATION OF SOLAR ENERGY DEVICES. (a) Defines "solar energy device."

(b) Prohibits an association, except as otherwise provided by this section, from including or enforcing a provision in a dedicatory instrument that prohibits or restricts a property owner from installing a solar energy device.

(c) Provides that a provision that violates Subsection (b) is void.

(d) Provides that this section does not prohibit the inclusion or enforcement of a provision in a dedicatory instrument that prohibits a certain solar energy device.

Sec. 202.013. RENTAL RESTRICTIONS. (a) Prohibits an association, except as provided by Subsection (b), from amending a dedicatory instrument to prohibit or restrict the rental of property subject to the dedicatory instrument without the consent of 51 percent or more of the total votes allocated to property owners subject to the dedicatory instrument.

(b) Authorizes an amendment to a dedicatory instrument to require:

(1) an owner to exercise due diligence in not leasing to an occupant who is a registered sex offender or who has a history of violent crime or terminate the possessory right of any tenant or occupant who is a registered sex offender or who has a history of violent crime;

(2) all leases to be subject to the dedicatory instruments of the property owners' association; or

(3) a minimum lease term of not more than six months.

(c) Provides that this section does not apply to a dedicatory instrument or to the amendment of a dedicatory instrument during a development period, as defined by Section 202.011.

Sec. 202.014. RESTRICTIONS REQUIRING CAPITAL IMPROVEMENTS. (a) Prohibits a dedicatory instrument from being amended to retroactively require a person who owns property subject to the dedicatory instrument at the time the amendment is adopted to make a capital improvement to the owner's property that is not required before the amendment. Authorizes a provision of a dedicatory instrument requiring an owner to make a capital improvement to the owner's property to only be adopted by a vote of 67 percent or more of the total votes allocated to property owners subject to the dedicatory

instrument and be applicable only to owners purchasing property subject to the dedicatory instrument after the provision is adopted.

(b) Defines "capital improvement" for the purposes of this section.

(c) Provides that this section does not apply to a dedicatory instrument or to the amendment of a dedicatory instrument pertaining to a capital improvement on a vacant lot owned by a developer or home builder during a development period, as defined by Section 202.011.

Sec. 202.015. INJUNCTION; DAMAGES. (a) Authorizes a member of the association, if an association or other representative designated by the association has violated, is violating, or is threatening to violate this chapter, to bring a civil action against the association but is prohibited from bring an action against an association's officer or board member individually.

(b) Authorizes a member of an association bringing an action under this section to seek injunctive relief, damages of a certain amount, or both injunctive relief and damages as provided in this subsection.

(c) Authorizes the court to increase an award under Subsection (b)(2) (relating to damages in an amount equal to the greater of actual damages from the violation or \$1,500 per violation) to an amount not to exceed three times the amount awarded under Subsection (b)(2) if the court finds that violations have occurred with a frequency that constitutes a pattern or practice.

(d) Provides that each day a violation continues is not considered a separate violation for purposes of an assessment of damages.

(e) Authorizes the court to award damages to an association for a suit brought by a member of the association that the court finds frivolous or groundless in an amount that is not more than the greater of three times the association's actual damages or \$4,500.

(f) Requires a person, on or before the 30th day before the date the person files a suit under this section, to provide notice to the other party of the person's intent to file suit under this section. Requires that the notice be sent certified mail, return receipt requested, or delivered by the United States Postal Service with signature confirmation service.

SECTION 10. Amends Chapter 202, Property Code, by adding Section 202.018, as follows:

Sec. 202.018. REGULATION OF DISPLAY OF CERTAIN RELIGIOUS ITEMS. (a) Prohibits an association, except as otherwise provided by this section, from enforcing or adopting a restrictive covenant that prohibits a property owner or resident from displaying or affixing on the entry to the owner's or resident's dwelling one or more religious items that reflect a tenet of the owner's or resident's religion.

(b) Provides that this section does not prohibit the enforcement or adoption of a covenant that, to the extent allowed by the constitution of this state and the United States, prohibits the display or affixing of a certain religious item on the entry to the owner's dwelling.

(c) Provides that except as otherwise provided by this section, this section does not authorize an owner or resident to use a material or color for an entry door or door frame of the owner's or resident's dwelling or make an alteration to the entry door or door frame that is not authorized by the restrictive covenants governing the dwelling.

(d) Authorizes an association to remove an item displayed in violation of a restrictive covenant permitted by this section.

SECTION 11. Amends Section 207.003(b), Property Code, to require that a resale certificate under Subsection (a) contain a statement of any right of first refusal, other than a right of first refusal that is prohibited by statute, and any other restraint contained in the restrictions or restrictive covenants that restricts the owner's right to transfer the owner's property; the amount and purpose of any special assessment that is due after the date the resale certificate is prepared; the style and cause number of any pending lawsuit in which the association is a party, other than a lawsuit relating to unpaid property taxes of an individual member of the association, rather than in which the association is a defendant; and a statement of all fees associated with the transfer of ownership, including a description of each fee, to whom each fee is paid, and the amount of each fee. Makes conforming and nonsubstantive changes.

SECTION 12. Amends Chapter 209, Property Code, by adding Sections 209.0035 and 209.0041, as follows:

Sec. 209.0035. INJUNCTION; DAMAGES. (a) Authorizes a member of the association, if an association or other representative designated by the property owners' association has violated, is violating, or is threatening to violate this chapter, to bring a civil action against the association but prohibits a member from bringing an action against an association's officer or board member individually.

(b) Authorizes a member of an association bringing an action under this section to seek injunctive relief, damages of a certain amount, or both injunctive relief and damages as provided in this subsection.

(c) Authorizes the court to increase an award under Subsection (b)(2) (relating to damages in an amount equal to the greater of actual damages from the violation or \$1,500 per violation) to an amount not to exceed three times the amount awarded under Subsection (b)(2) if the court finds that violations have occurred with a frequency that constitutes a pattern or practice.

(d) Provides that each day a violation continues is not considered a separate violation for purposes of an assessment of damages.

(e) Authorizes the court to award damages to an association for a suit brought by a member of the association that the court finds frivolous or groundless in an amount that is not more than the greater of three times the association's actual damages or \$4,500.

(f) Requires a person, on or before the 30th day before the date the person files a suit under this section, to provide notice to the other party of the person's intent to file suit under this section. Requires that the notice be sent certified mail, return receipt requested, or delivered by the United States Postal Service with signature confirmation service.

Sec. 209.0041. AMENDMENT OF DEDICATORY INSTRUMENTS. (a) Provides that this section applies to a residential subdivision in which property owners are subject to mandatory membership in an association.

(b) Provides that this section applies to all dedicatory instruments regardless of the date on which the dedicatory instruments were created.

(c) Provides that this section does not apply to the amendment of a dedicatory instrument during a development period, as defined by Section 202.011.

(d) Provides that to the extent of any conflict with another provision of this title, this section prevails.

(e) Authorizes a dedicatory instrument, except as provided by Subsection (f), to be amended only by a vote of 51 percent or more of the total votes allocated to

property owners in the association, in addition to any governmental approval required by law.

(f) Authorizes a rule or guideline that affects land owned, leased, maintained, or otherwise controlled by the association to be adopted or amended by majority vote of the association board. Authorizes a rule or guideline that impacts the use and enjoyment of personal or real property owned exclusively by the owner or that may result in a fine or loss of privilege of a member of the association to be adopted or amended only by a vote of 51 percent or more of the total votes allocated to property owners who cast votes by any permissible method in an association-wide vote.

(g) Authorizes a board by majority vote to adopt ministerial, office-related procedural policies, such as payment plan guidelines under Section 209.0062, a collections policy, an enforcement policy, or other similar ministerial, office-related procedural policies. Authorizes the policy to outline circumstances under which or the manner by which enforcement remedies may be carried out but prohibits otherwise impact the use and enjoyment of personal or real property owned exclusively by the owner. Prohibits the policy from creating a power to levy a fine or impose a loss of a privilege on a member of the association or expanding the association's powers beyond the powers granted by any other dedicatory instrument.

(h) Provides that all ballots cast in a vote that results in an amendment to a restrictive covenant, bylaw, or rule are records of the association subject to inspection under Section 209.005 (Association Records).

(i) Provides that this section supersedes any contrary requirement in a dedicatory instrument.

(j) Provides that this section does not apply to an association that is subject to Chapter 552 (Public Information), Government Code, by application of Section 552.0036 (Certain Property Owners' Associations Subject to Law), Government Code.

SECTION 13. Amends Section 209.005, Property Code, as follows:

Sec. 209.005. ASSOCIATION RECORDS. (a) Provides that this section does not apply to an association that is subject to Chapter 552, Government Code, by application of Section 552.0036.

(b) Requires an association, notwithstanding a provision in a dedicatory instrument, to make the books and records of the association, including financial records, open to and reasonably available for examination by an owner. Entitles an owner to obtain from the association copies of information contained in the books and records. Deletes existing text requiring an association to make certain books and records of the association, reasonably available to an owner in accordance with Section B, Article 2.23, Texas Non-Profit Corporation Act (Article 1396-2.23, V.T.C.S.). Makes a nonsubstantive change.

(c) Redesignates Subsection (b) as Subsection (c).

(d) Requires an association, in addition to the requirements of Subsection (b), to make the association's books and records, including financial records and invoices, available in a certain building.

(e) Requires the association, if a building described by Subsection (d) does not exist on property described by Subsection (d), to make the books and records available in accordance with Subsections (g) and (h).

- (f) Requires a party requesting association books or records to submit the request in writing in a certain manner.
- (g) Requires an association to make books and records requested under Subsection (b) available to the requesting party within a reasonable time of the association's receipt of the request.
- (h) Provides that a reasonable time for providing information requested under Subsection (b) is considered to be 10 business days after the date the association receives a request, except as otherwise provided by this section.
- (i) Requires the association, if the association is unable to produce a requested book or record on or before the 10th business day after the date the request is received, to provide to the requestor written notice that informs the requestor that the association is unable to produce the information on or before the 10th business day after the date of the receipt of the request and states a date by which the information will be available for inspection that occurs not later than the 30th day after the date notice under this subsection is given.
- (j) Requires an association to make books and records requested under this section available to the requestor in one or more certain formats, as specified by the requestor.
- (k) Provides that this section does not require an association to staff a building described by Subsection (d).
- (l) Authorizes an association to charge an owner for copies of the requested information in an amount that reasonably includes all costs related to reproducing the information, including costs of materials, labor, and overhead.
- (m) Prohibits any information maintained by the association that is released under this section from identifying an individual member of an association or an individual's personal financial information. Authorizes information to be released in an aggregate manner that would not identify an individual property owner.
- (n) Provides that all ballots cast in an election that results in an amendment to a dedicatory instrument, as required by Section 209.0041, are records of the association subject to inspection under this section.
- (o) Provides that all ballots cast in an election of board members are considered records of the association but are prohibited from being made available for inspection under this section except for the purposes of a recount under Section 209.0057(e) or without a court order or subpoena. Requires the association to take reasonable measures to safeguard the security and privacy of those ballots.
- (p) Requires an association to keep all records as to changes to the dedicatory instruments in perpetuity, maintain and secure all ballots in association-wide elections for four years, and maintain records related to financial matters of the association, including assessments, fines, foreclosures, and enforcement actions, for at least seven years.
- (q) Authorizes a member of an association who is denied access to or copies of association books or records to which the member is entitled under this section to file a petition with the justice of the peace of a justice precinct in which all or part of the property that is governed by the association is located, requesting relief in accordance with this subsection. Authorizes the justice of the peace, if the justice of the peace finds that the member is entitled to access to or copies of the records, to grant one or more of certain remedies.
- (r) Defines "business day" for the purposes of this section.



(s) Requires a person, on or before the 10th day before the date the person files a suit under this section, to provide notice to the other party of the person's intent to file suit under this section. Requires that the notice be sent certified mail, return receipt requested, or delivered by the United States Postal Service with signature confirmation service.

Deletes existing Subsection (a-1), requiring an association described by Section 552.0036(2) (relating to an association being subject to this chapter in the same manner as a governmental body if the association meets certain requirements), Government Code, to make the books and records of the association, including financial records, reasonably available to any person requesting access to the books or records in accordance with Chapter 552, Government Code, and providing that Subsection (a) does not apply to an association to which this subsection applies.

SECTION 14. Amends Chapter 209, Property Code, by adding Sections 209.0051, 209.0056, 209.0057, 209.0058, 209.0059, 209.00591, 209.00592, and 209.00593, as follows:

Sec. 209.0051. OPEN BOARD MEETINGS. (a) Provides that this section does not apply to an association that is subject to Chapter 551 (Open Meetings), Government Code, by application of Section 551.0015 (Certain Property Owners' Associations Subject to Law).

(b) Defines "board meeting" in this section.

(c) Provides that except as provided by this section, a meeting of board or a committee or subcommittee of the board is open to members of the association and is required to be held in a county in which all or part of the property governed by the association is located or a county adjacent to that county.

(d) Requires the board to keep a record of each regular, emergency, or special board meeting in the form of written minutes or an audio recording of the meeting. Requires that a record of the meeting state in the subject of each motion or inquiry, regardless of whether the board takes action on the motion or inquiry, and indicate each vote, order, decision, or other action taken by the board. Requires the board to make meeting records, including approve minutes, available to a member for inspection and copying on the member's written request to the board or the board's representative. Requires the board to approve the minutes of a board meeting not later than the next regular board meeting.

(e) Requires the board to give members notice of the date, hour, place, and subject of a regular or special board meeting, including a general description of any matters to be brought up for deliberation in executive session. Requires that the notice be mailed to each member or posted at least 72 hours before the start of the meeting; and in a conspicuous manner reasonably designated to provide notice to association members in a certain place and on any Internet website maintained by the association.

(f) Provides that if the board recesses a regular or special board meeting to continue the following regular business day, the board is not required to post notice of the continued meeting if the recess is taken in good faith and not to circumvent this section. Requires the board, if a regular or special board meeting is continued to the following regular business day, and on that following day the board continues the meeting to another day, to give notice as required by this section of the meeting continued to that other day.

(g) Provides that if a regular, emergency, administrative, or special meeting, a member makes an inquiry regarding a subject for which notice has not been given as required by this section, the notice provisions of this section do not apply to a statement by the board of specific factual information given in response to the inquiry or a recitation of existing policy in response to the inquiry.

(h) Requires that any deliberation of or decision relating to the subject of an inquiry made under Subsection (g) be limited to a proposal to place the subject on the agenda for a subsequent board meeting.

(i) Authorizes the board, in the event of a reasonably unforeseen emergency or urgent necessity that requires immediate board action, to meet in an emergency board meeting. Authorizes notice for an emergency board meeting to be given in at least one manner prescribed by Subsection (e)(2) (relating to notice posted in a conspicuous manner reasonably designated to provide notice to association members) at least two hours before the emergency session is convened and is required to clearly identify the emergency or urgent necessity for which the notice is given. Prohibits a board in an emergency meeting from considering fines, foreclosures, enforcement actions, increases in assessments, or any other foreseeable business or policy over which the board has responsibility. Requires that any action taken in an emergency board meeting be summarized orally, including an explanation of any known actual or estimated expenditures approved at the meeting, and documented in the minutes or tape recording of the next regular or special board meeting.

(j) Authorizes a board to hold an administrative session, and that session is not subject to the notice requirements of this section. Prohibits the board, in any administrative session, from taking action regarding issuance of fines, commencement of foreclosure proceedings, levying of a special assessments, increases in assessments, or approval of items not previously approved in the association's budget.

(k) Requires the board, before the board calls an executive session, to convene in a regular or special board meeting for which notice has been given as provided by this section. Authorizes the presiding board member, during that board meeting, to call an executive session by announcing that an executive session will be held to deliberate a matter described by Subsection (l) and identifying the specific subdivision of Subsection (l) under which the executive session will be held. Prohibits a vote or other action from being taken in executive session.

(l) Authorizes a board to meet in executive session, to which the members do not have access, to deliberate:

(1) anticipated or pending litigation, settlement officers, or interpretations of the law with the association's legal counsel;

(2) complaints or charges against or issues regarding a board member, or agent, employee, contractor, or other representative of the property owners' association;

(3) a payment plan under Section 209.0062;

(4) a foreclosure of a lien;

(5) an enforcement action against a member of the association, including for nonpayment of amounts due;

(6) the purchase, exchange, lease, or value of real property, if the board determines in good faith that deliberation in an open board meeting may have a detrimental effect on the association;

(7) business and financial issues relating to the negotiation of a contract, if the board determines in good faith that deliberation in an open board meeting to may have a detrimental effect on the position of the association; or

(8) matters involving the invasion of privacy of an individual owner.

Sec. 209.0056. NOTICE OF ELECTION OR ASSOCIATION VOTE. (a) Requires the association, on or before the 30th day before the date an election or vote is held by an association, to give each owner of property in the association written notice of the election or vote.

(b) Provides that this section supersedes any contrary requirement in a dedicatory instrument.

(c) Provides that this section does not apply to an association that is subject to Chapter 552, Government Code, by application of Section 552.0036, Government Code.

Sec. 209.0057. TABULATION OF VOTES. (a) Provides that this section does not apply to an association that is subject to Chapter 552, Government Code, by an application of Section 552.0036, Government Code.

(b) Requires the association, on the written petition of owners having at least 10 percent of all voting interests in an association for a vote tabulation under this subsection, received by the association at least 15 days before the first date that votes are authorized to be cast, to tabulate the votes in any matter subject to a vote of the members of a mandatory association, to enter into a contract for the services of a person who is not a member of the association or related to a member of the board within the third degree by consanguinity or affinity, as determined under Chapter 573 (Degrees of Relationship; Nepotism Prohibitions), Government Code, and who is a current or former county judge, county elections administrator, justice of the peace, or county voter registrar.

(c) Requires that the name of each person tabulating votes of the members of an association and the results of the tabulation be reflected in the minutes of the association.

(d) Authorizes any owner, not later than the fifth day after the date of the initial tabulation of votes, to require a recount of the votes. Requires that a demand for a recount be submitted in writing either in person to a board member; by certified mail, return receipt requested, or by delivery by the United States Postal Service with signature confirmation service to the association's mailing address on the latest management certificate filed under Section 209.004 (Management Certificates); or in person to the association's managing agent as reflected on the latest management certificate filed under Section 209.004.

(e) Requires the association, at the expense of the owner requesting the recount, to retain for the purpose of performing the recount, the services of a person who is not a member of the association or related to a member of the board within the third degree by consanguinity or affinity, as determined under Chapter 573, Government Code, and who is a current or former county judge, county elections administrator, justice of the peace, or county voter registrar.

(f) Requires that any recount under Subsection (d) be performed on or before the 30th day after the date of receipt of a request for and payment for a recount in accordance with Subsections (d) and (e). Requires the association, if the recount changes the results of the election, to reimburse the requesting owner for the cost of the recount. Prohibits any action taken by the board in the period between the initial election vote tally and the completion of the recount from being affected by any recount.

Sec. 209.0058. BALLOTS. (a) Requires that any vote cast in an election or vote by a member of an association be in writing and signed by the member.

(b) Provides that electronic votes cast under Section 209.00593 constitute written and signed ballots.

(c) Provides that in an association-wide election, written and signed ballots are not required for uncontested races.

Sec. 209.0059. RIGHT TO VOTE. (a) Provides that a provision in a dedicatory instrument that would disqualify a property owner from voting in an association election of board members or on any matter concerning the rights or responsibilities of the owner is void.

(b) Provides that this section does not apply to an association that is subject to Chapter 552, Government Code, by application of Section 552.0036, Government Code.

Sec. 209.00591. PROXY VOTING. Provides that a provision in any dedicatory instrument that provides for a proxy vote in any matter subject to a vote of the members of the property owners' association is void.

Sec. 209.00592. BOARD MEMBERSHIP. (a) Provides that except as provided by Subsection (b), a provision in a dedicatory instrument that restricts a property owner's right to run for a position on the board of the association is void.

(b) Provides that if a board is presented with written, documented evidence from a database or other record maintained by a governmental law enforcement authority that a board member has been convicted of a felony or crime involving moral turpitude, the board member is immediately ineligible to serve on the board of the association, automatically considered removed from the board, and prohibited from future service on the board.

(c) Provides that this section does not apply during a period stated in a declaration during which a declarant reserves a right to appoint and remove officers and directors of the association.

Sec. 209.00593. VOTING; QUORUM. (a) Authorizes the voting rights of an owner to be cast or given in a person at a meeting of the property owners' association, by absentee ballot in accordance with this section, or by electronic ballot in accordance with this section.

(b) Provides that an absentee or electronic ballot is authorized to be counted as an owner present and voting for the purpose of establishing a quorum only for items appearing on the ballot; is prohibited from being counted, even if properly delivered, if the owner attends any meeting to vote in person, so that any vote cast at a meeting by a property owner supersedes any vote submitted by absentee or electronic ballot previously submitted for that proposal; and is prohibited from being counted on the final vote of the proposal if the motion is amended at the meeting to be different from the exact language on the absentee or electronic ballot.

(c) Requires that a solicitation for voters by absentee ballot include an absentee ballot that contains each proposed action and provides an opportunity to vote for or against each proposed action; instructions for delivery of the completed absentee ballot, including the delivery location; and certain language.

(d) Defines "electronic ballot."

(e) Requires that a notice of the posting, if an electronic ballot is posted on an Internet website, be sent to each owner that contains instructions on obtaining access to the posting on the website.

(f) Provides that this section supersedes any contrary provision in a dedicatory instrument.

(g) Provides that this section does not apply to an association that is subject to Chapter 552, Government Code, by application of Section 552.0036, Government Code.

SECTION 15. Amends Section 209.006, Property Code, by amending Subsection (b) and adding Subsections (c), (d), (e), and (f), as follows:

(b) Requires that the notice except as provided by Subsection (d), inform the owner that the owner is entitled to a reasonable period to cure the violation and avoid the fine and is authorized to request a hearing under Section 209.007 (Hearing Before Board; Alternative Dispute Resolution) on or before the 30th day after the date notice was delivered to the owner, rather than the owner receives the notice; specify the date by which the owner is required to cure the violation if the violation is of a curable nature and does not pose a threat to public health or safety; specify the dollar amount of any fine the association seeks to levy; specify each provision of the dedicatory instrument the owner is alleged to have violated; and be sent by certified mail, return receipt requested, or delivery by the United States Postal Service with signature confirmation service to the owner at the owner's last known address as shown on the association's records. Deletes existing text requiring that the notice inform the owner that the owner 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.

(c) Requires that the date specified in the notice under Subsection (b)(3) (relating to the date by which the owner is required to cure a certain violation) provide a reasonable period of at least 30 days for the owner to cure the violation if the violation is of a curable nature and does not pose a threat to public health or safety.

(d) Provides that Subsections (a) (relating to requiring an association or agent to give written notice by mail before being able to perform certain actions) and (b) do not apply to a violation for which the owner has previously given notice under this section and the opportunity to exercise any rights available under this section in the preceding six months.

(e) Authorizes the association, if the property owner does not cure the violation in the time provided under Subsection (c) and does not request a hearing under Subsection (b)(2)(B) (relating to a hearing under Section 209.007), to assess a fine and requires the association to provide notice of the assessment to the owner. Provides that if the property owner cures the violation before the expiration period for cure specified under Subsection (c), any fine assessed for the violation is void.

(f) Provides that 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.

SECTION 16. Amends Chapter 209, Property Code, by adding Sections 209.0061, 209.0062, 209.0063, 209.0064, and 209.0065, as follows:

Sec. 209.0061. ASSESSMENT OF FINES. (a) Requires that a fine assessed by the association be reasonable in the context of the nature and frequency of the violation and the effect of the violation on the subdivision as a whole. Requires the association, if the association allows fines for a continuing violation to accumulate against a lot or an owner, to establish a reasonable maximum fine amount for a continuing violation at which point the total fine amount is capped.

(b) Authorizes an association, if a lot occupant other than the owner violates a provision of the dedicatory instrument, in addition to exercising any of the association's powers against the owner, to assess a fine directly against the

nonowner occupant in the same manner as provided for an owner but is prohibited from requiring payment from both the owner and a nonowner occupant for the same violation.

(c) Provides that if the association assess a fine against a nonowner occupant under this section, the notice provisions of Section 209.006 (Notice Required Before Enforcement Action) and the hearing provisions of Section 209.007 apply to the nonowner occupant in the same manner as those provisions apply to an owner.

Sec. 209.0062. ALTERNATIVE PAYMENT SCHEDULE FOR CERTAIN ASSESSMENTS. (a) Requires an association to adopt reasonable guidelines to establish an alternative payment schedule by which an owner is authorized to make partial payments to the association for delinquent regular or special assessments or any other amount owed to the association without accruing additional monetary penalties. Provides that for purposes of this section, monetary penalties do not include reasonable costs associated with administering the payment plan or interest.

(b) Requires an association, for any approved special assessment in an amount greater than the equivalent of the sum of all regular assessments payable in the year the special assessment is approved, to allow partial payments of the special assessment for 12 months unless the property owner requests a shorter payment period in writing at the time the property owner requests an alternative payment plan. Authorizes an association to offer a reasonable discount for making a one-time lump sum payment of the special assessment.

(c) Requires an association, for any approved special assessment in an amount greater than the equivalent of one-half the sum of all regular assessments payable in the year the special assessment is approved, to allow partial payments of the special assessment for six months unless the property owner requests a shorter payment period in writing at the time the property owner requests an alternative payment plan. Authorizes an association to offer a reasonable discount to an owner making a one-time lump sum payment of the special assessment.

(d) Provides that an association is not required to allow a payment plan for any amount that extends more than 12 months from the date of the owner's request for a payment plan or to enter into a payment plan with an owner who failed to honor the terms of a previous payment plan during the five years following an owner's default under a previous payment plan.

(e) Requires a property owners' association to file the association's guidelines under this section in the real property records of each county in which the subdivision is located.

(f) Provides that an association's failure to file as required by this section the association's guidelines in the real property records of each county in which the subdivision is located does not prohibit a property owner from receiving an alternative payment schedule by which the owner is authorized to make partial payments to the association for delinquent regular or special assessments or any other amount owed to the association without accruing additional monetary penalties, as defined by Subsection (a).

Sec. 209.0063. PRIORITY OF PAYMENTS. Requires that a payment received by an association from the owner, unless otherwise provided in writing by the property owner at the time payment is made, be applied to the owner's debt in the following order of priority: any delinquent assessment, any current assessment, any attorney's fees incurred by the association associated solely with assessments or any other charge that could provide the basis for foreclosure, any fines assessed by the association, any attorney's fees incurred by the association that are not subject to Subdivision (3) (relating to attorney's fees incurred by the association), and any other amount owed to the association.

Sec. 209.0064. **COLLECTIONS.** Requires an association to bring suit or otherwise initiate against an owner a collection action authorized by the dedicatory instruments or other law on or before the 10th anniversary of the date on which the cause of action for collection of the debt accrues. Provides that Section 16.004 (Four-Year Limitations Period), Civil Practices and Remedies Code, does not apply to the collection of a debt owed by an owner to an association.

Sec. 209.0065. **REGULATION OF CERTAIN ROOFING MATERIALS.** Prohibits an association from including or informing a provision in a dedicatory instrument that prohibits or restricts a property owner who is otherwise authorized to install shingles on the roof of the owner's property from installing shingles primarily designated to be wind and hail resistant and provide heating and cooling efficiencies greater than customary composite shingles if the installed shingles resemble the shingles used or otherwise authorized for use on property in the subdivision, are more durable and of equal or superior quality to the shingles described by Subdivision (1) (relating to shingles authorized for use on property in the subdivision), and match the aesthetics of the property surrounding the owner's property.

**SECTION 17.** Amends Section 209.007, Property Code, by amending Subsection (a) and adding Subsections (f), (g), (h), (i), and (j), as follows:

(a) Requires that the written request contain a statement of the grounds on which the owner believes the owner is not in violation and citations of the dedicatory instrument for each violation alleged.

(f) Requires the association, if the parties fail to reach agreement in or after the hearing described by this section, to file suit to uphold and enforce any file sought to be assessed. Requires that the suit be filed in a justice court or small claims court not later than the 180th day after the date of the hearing described by this section or an appeal under Subsection (b) (relating to requiring a certain notice stating the owner's right to appeal if a hearing is to be held before a committee), whichever is later. Requires that the complaint list each violation and be accompanied by citation of the dedicatory instrument for each violation. Provides that if the association does not file suit within the time prescribed by this subsection, the association's right to collect the fine is considered waived.

(g) Requires the court, not later than the 30th day after the date a suit is filed under Subsection (f), to hold an evidentiary hearing on the matter. Provides that the parties are not entitled to any discovery.

(h) Provides that at the evidentiary hearing, the association has the burden of providing by a preponderance of the evidence that the property owner has violated a restrictive covenant.

(i) Requires the court to determine whether a violation has occurred and, if so, whether the fine for the violation is reasonable considering the type, duration, and severity of the violation.

(j) Authorizes the court, if the court finds that the position taken by either party is groundless or is taken in bad faith, to award the prevailing party's attorney's fees.

**SECTION 18.** Amends Chapter 209, Property Code, by adding Section 209.0091, as follows:

Sec. 209.0091. **JUDICIAL FORECLOSURE REQUIRED.** (a) Prohibits an association, except as provided by Subsection (c), from foreclosing 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). Authorizes an association to use the procedure described by this subsection to foreclose any lien described by the association's dedicatory instruments.

(b) Requires the supreme court, as an exercise of the court's authority under Section 74.024 (Rules), Government Code, to adopt rules establishing expedited foreclosure proceedings for use by an association in foreclosing an assessment lien of the association. Requires that the rules adopted under this subsection be substantially similar to the rules adopted by the supreme court under Section 50(r) (relating to requiring the supreme court to promulgate rules of civil procedure for expedited foreclosures proceedings), Article XVI (General Provisions), Texas Constitution.

(c) Provides that expedited foreclosure is not required under this section if the owner of the property that is subject to foreclosure agrees in writing at the time the foreclosure is sought to waive expedited foreclosure under this section. Prohibits a waiver under this subsection from being required as a condition of the transfer of title to real property.

(d) Authorizes a provision granting a right to foreclose a lien on real property for unpaid amounts due to an association to be removed from a dedicatory instrument or adopted in a dedicatory instrument by a vote of 51 percent or more of the total votes allocated to property owners in the association. Authorizes owners holding at least 10 percent of all voting interests in the association to petition the association and require a special meeting to be called for the purposes of taking a vote for the purposes of this section.

SECTION 19. Amends Section 209.010(a), Property Code, to require an association that conducts a foreclosure sale of an owner's lot to send the lot owner not later than the 30th day after the date of the foreclosure sale, certain information, including a copy of Section 209.001.

SECTION 20. Amends Chapter 209, Property Code, by adding Section 209.014, as follows:

Sec. 209.014. RESTRICTIONS ON OWNERSHIP VOID. Prohibits an association from prohibiting an owner from owning multiple properties governed by the association if the cumulative voting rights of all of that owner's properties are 25 percent or less of all voting interests in the association. Provides that this section does not apply during a development period as defined by Section 202.011.

SECTION 21. Amends Section 211.002(a), Property Code, to provide that this chapter applies only to a residential real estate subdivision or any unit or parcel of a subdivision to which another chapter in this title that provides a procedure under which a subdivision's restrictions may be amended does not apply. Deletes existing text providing that this chapter applies only to a residential real estate subdivision located in whole or in part within an unincorporated area of a county if the county has a population of less than 65,000.

SECTION 22. (a) Amends Section 171.1011, Tax Code, by adding Subsection (g-7), to require a taxable entity that is an association to exclude from its total revenue, to the extent included under Subsection (c)(1)(A) (relating to the total revenue of a taxable entity is for a taxable entity treated for federal income tax purposes as a corporation, an amount computed by adding certain amounts and revenues), (c)(2)(A) (relating to the total revenue of a taxable entity is for a taxable entity treated for federal income tax purposes as a partnership, an amount computed by adding certain amounts and revenues), or (c)(3) (relating to the total revenue of a taxable entity is for a taxable entity other than a taxable entity treated for federal income tax purposes as a corporation or partnership), assessments received by the association and used for the benefit of the residential subdivision. Defines "assessment," "property owners' association," and "residential subdivision" in this subsection.

(b) Provides that this section applies only to a report originally due on or after the effective date of this section.

(c) Provides that this section takes effect January 1, 2010.

SECTION 23. Repealer Section 202.004(c) (relating to authorizing a court to assess civil damages for the violation of a restrictive covenant in a certain amount), Property Code.



SECTION 24. (a) Makes application of Section 82.111(i), Property Code, as amended by this Act, prospective.

(b) Makes application of Section 82.113(g), Property Code, as amended by this Act, prospective.

SECTION 25. (a) Provides that Section 5.006(a), Property Code, as amended by this Act, and the repeal by this Act of Section 202.004(c), Property Code, apply only to an action filed on or after the effective date of this Act. Provides that an action filed before the effective date of this Act is governed by the law in effect immediately before the effective date of this Act, and that law is continued in effect for that purpose.

(b) Makes application of Section 5.012, Property Code, as amended by this Act, prospective.

(c) Makes application of Sections 202.015 and 209.0035, Property Code, as added by this Act, prospective.

(d) Provides that Section 202.006, Property Code, as amended by this Act, and Sections 202.008, 202.010, 202.011, 202.012, 202.014, 209.0059, 209.00591, 209.00592(a), 209.0065, and 209.014, Property Code, as added by this Act, apply to a provision in a dedicatory instrument or a restrictive covenant enacted before, on, or after the effective date of this Act, except that any action taken before the effective date of this Act based on an unfiled dedicatory instrument is not invalidated by Section 202.006, Property Code, as amended by this Act.

(e) Makes application of Section 209.005, Property Code, as amended by this Act, prospective.

(f) Makes application of Sections 209.0061, 209.0062, and 209.0064, Property Code, as added by this Act, prospective.

(g) Makes application of Section 209.0063, Property Code, as added by this Act, prospective.

(h) Makes application of Section 209.0091, Property Code, as added by this Act, prospective to January 1, 2010.

(i) Makes application of Section 209.010(a), Property Code, as amended by this Act, prospective.

SECTION 26. Requires each association, not later than January 1, 2010, to present for recording with the county clerk as prescribed by Section 202.006, Property Code, as amended by this Act, each dedicatory instrument governing the association that has not been previously recorded in the real property records of the county.

SECTION 27. Requires the Supreme Court of Texas, not later than January 1, 2010, to adopt rules of civil procedure under Section 209.0091, Property Code, as added by this Act.

SECTION 28. Provides that the changes in law provided for in this Act do not apply to mixed use master associations founded before January 1, 1974, and that do not have governing documents that allow for the imposition of fines.

SECTION 29. Effective date: January 1, 2010.