

AN ACT

relating to the powers and duties of certain master mixed-use property owners' associations.

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

SECTION 1. Title 11, Property Code, is amended by adding Chapter 215 to read as follows:

CHAPTER 215. MASTER MIXED-USE PROPERTY OWNERS' ASSOCIATIONS

Sec. 215.001. DEFINITIONS. In this chapter:

(1) "Appraised value" means the property value determined by the appraisal district that establishes property values for taxing entities levying taxes on property in a mixed-use development.

(2) "Property owners' association" or "association" means, unless otherwise indicated, a master mixed-use property owners' association.

(3) "Dedictory instrument" has the meaning assigned by Section 209.002.

(4) "Self-help" means the process by which a property owners' association takes remedial action with regard to property governed by the association.

Sec. 215.002. APPLICABILITY OF CHAPTER. (a) This chapter applies to a property owners' association that:

(1) includes:

(A) commercial properties, including hotel and retail properties, that constitute at least 35 percent of the total appraised property value of the mixed-use development governed by the association;

(B) single-family attached and detached properties that constitute at least 25 percent of the total appraised property value of the mixed-use development governed by the association; and

(C) multifamily properties that constitute at least 10 percent of the total appraised property value of the mixed-use development governed by the association;

(2) governs at least 6,000 acres of deed-restricted property;

(3) has at least 10 incorporated residential or commercial property owners' associations that are members of and subject to the dedicatory instruments of the master mixed-use property owners' association;

(4) has at least 3,400 platted and developed single-family residential properties and at least 400 separately platted commercial properties, including office, industrial, hotel, and retail properties, which together constitute at least 30 million square feet of building area available for rental; and

(5) participates in the maintenance of public space, including parks, medians, and lakefronts, owned by local, including county, or state governmental entities.

(b) This chapter applies to property that is:

(1) governed by a property owners' association described by Subsection (a);

(2) located in a master mixed-use development; and

(3) subject to a provision, including a restriction, in a declaration that:

(A) requires mandatory membership in the association; and

(B) authorizes the association to collect a regular or special assessment on all or a majority of the property in the development.

(c) Except as otherwise provided by this chapter, this chapter applies only to a master mixed-use property owners' association and not to the independent property owners' associations that are members of the master mixed-use property owners' association.

Sec. 215.003. APPLICABILITY OF CHAPTER 209. Sections 209.007, 209.008, 209.011, and 209.012 apply only to single-family residential properties governed by a property owners' association subject to this chapter.

Sec. 215.004. CONFLICTS OF LAW. Notwithstanding any other provision of law, the provisions of this chapter prevail over a conflicting or inconsistent provision of law relating to independent property owners' associations.

Sec. 215.005. BOARD POWERS. In addition to any other powers provided by applicable law and this chapter, and unless otherwise

provided by the dedicatory instruments of the property owners' association, the association, acting through its board of directors, may:

(1) adopt and amend bylaws;

(2) adopt and amend budgets for revenues, expenditures, and reserves and collect assessments for common expenses from property owners;

(3) adopt reasonable rules;

(4) hire and terminate managing agents and other agents, employees, and independent contractors;

(5) institute, defend, intervene in, settle, or compromise litigation or administrative proceedings on matters affecting a property governed by the association;

(6) make contracts and incur liabilities relating to the operation of the association;

(7) regulate the use, maintenance, repair, replacement, modification, and appearance of the property governed by the association;

(8) make improvements to be included as a part of the common area;

(9) acquire, hold, encumber, and convey in its own name any right, title, or interest to real or personal property;

(10) purchase an investment property that is not part of the common area;

(11) grant easements, leases, licenses, and concessions

through or over the common elements;

(12) impose and receive payments, fees, or charges for the use, rental, or operation of the common area and for services provided to property owners;

(13) impose interest, late charges, and, if applicable, returned check charges for late payments of regular assessments or special assessments;

(14) charge costs to an owner's assessment account and collect the costs in any manner provided in the restrictions for the collection of assessments;

(15) adopt and amend rules regulating the collection of delinquent assessments;

(16) impose reasonable charges for preparing, recording, or copying amendments to resale certificates or statements of unpaid assessments;

(17) purchase insurance and fidelity bonds, including directors' and officers' liability insurance, that the board considers appropriate or necessary;

(18) subject to the requirements of the provisions described by Section 1.008(d), Business Organizations Code, and by majority vote of the board, indemnify a director or officer of the association who was, is, or may be made a named defendant or respondent in a proceeding because the person is or was a director or officer;

(19) if the restrictions vest the architectural control

authority in the association:

(A) implement written architectural control guidelines for its own use, or record the guidelines in the real property records of the applicable county; and

(B) modify the guidelines as the needs of the development change;

(20) exercise self-help with regard to property governed by the association;

(21) exercise other powers conferred by the dedicatory instruments;

(22) exercise other powers necessary and proper for the governance and operation of the association; and

(23) exercise any other powers that may be exercised in this state by a corporation of the same type as the association.

Sec. 215.006. ANNUAL MEETING OF ASSOCIATION MEMBERS; NOTICE OF ANNUAL OR SPECIAL MEETING. (a) An annual meeting of members of a property owners' association must be conducted in accordance with the association's dedicatory instruments.

(b) Unless otherwise provided by a dedicatory instrument, an annual meeting of the property owners' association members is open to association members and must be held in a county in which all or part of the property governed by the association is located or in a county adjacent to that county.

(c) Unless otherwise provided by a dedicatory instrument, the board shall give members notice of the date, time, place, and

subject of an annual or special meeting of the members. The notice must be delivered to each member not later than the 10th day and not earlier than the 60th day before the date of the meeting.

(d) A notice under Subsection (c) must be posted in a conspicuous manner reasonably designed to provide notice to association members:

(1) in a place located outside the corporate offices of the association that is accessible by the general membership during normal business hours; or

(2) on any Internet website maintained by the association.

(e) Unless otherwise provided by a dedicatory instrument, any number of the members may attend the meeting by use of videoconferencing or a similar telecommunication method for purposes of establishing full participation in the meeting.

Sec. 215.007. BOARD MEETINGS. (a) A meeting of the board of directors of a property owners' association must be conducted in accordance with the association's dedicatory instruments.

(b) Unless otherwise provided by a dedicatory instrument, elected directors who represent the commercial and residential membership attend and conduct the business of the property owners' association at a meeting under this section.

(c) In this section, a board meeting has the meaning assigned by a dedicatory instrument. Notwithstanding this subsection, the term does not include the gathering of a quorum of the board at any

other venue, including 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, workshop, ceremonial event, or press conference, if formal action is not taken and any discussion of association business is incidental to the social function, convention, workshop, ceremonial event, or press conference.

(d) Unless otherwise provided by a dedicatory instrument, the board shall keep a record of each regular, emergency, or special board meeting in the form of written minutes or an audio recording of the meeting. A record of a meeting must state 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. The board shall make meeting records, including approved minutes, available to a member for inspection and copying, at the member's expense, during the normal business hours of the association on the member's written request to the board or the board's representative. The board shall approve the minutes of a board meeting not later than the next regular board meeting.

(e) Unless otherwise provided by a dedicatory instrument, before the board calls an executive session, the board shall convene in a regular or special board meeting for which notice has been given as provided by this section. During that board meeting, the presiding board member may call an executive session by

announcing that an executive session will be held to deliberate a matter described by Subsection (f) and identifying the specific subdivision of Subsection (f) under which the executive session will be held. A vote or other action item may not be taken in executive session. An executive session is not subject to the requirements of Subsection (d).

(f) Unless otherwise provided by a dedicatory instrument, a property owners' association board may meet in executive session to deliberate:

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

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

(3) all financial matters concerning a specific property owner;

(4) a payment plan for an association member who has a financial obligation to the association;

(5) a foreclosure of a lien;

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

(7) 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;

(8) 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 may have a detrimental effect on the position of the association;

(9) matters involving the invasion of privacy of an individual owner;

(10) an employee matter; and

(11) any other matter the board considers necessary or reasonable to further assist the association's operation.

Sec. 215.008. VOTING. (a) The number of votes to which an individual or corporation who is a member of a property owners' association is entitled is determined by the dedicatory instruments of the association.

(b) Each corporation or individual who is a member of the property owners' association may vote by proxy as provided for nonprofit corporations under Sections 22.160(b) and (c), Business Organizations Code.

(c) Notwithstanding any provision of the certificate of formation or bylaws to the contrary, a member vote on any matter may be conducted by mail, by facsimile transmission, by e-mail, or by any combination of those methods.

Sec. 215.009. RESTRICTIVE COVENANTS. (a) A property owners' association may enforce its restrictive covenants as follows:

(1) by exercising discretionary authority relating to a

restrictive covenant unless a court has determined by a preponderance of the evidence that the exercise of discretionary authority was arbitrary, capricious, or discriminatory; and

(2) by initiating, defending, or intervening in litigation or an administrative proceeding affecting the enforcement of a restrictive covenant or the protection, preservation, or operation of property subject to the association's dedicatory instruments.

(b) If the association prevails in an action to enforce restrictive covenants, the association may recover reasonable attorney's fees and costs incurred.

(c) An association may use self-help to enforce its restrictive covenants against a residential or commercial property owner as necessary to prevent immediate harm to a person or property, or as otherwise reasonable. If a property owner commits a subsequent repeat violation of the restrictive covenants within 12 months of the initial violation, the association is not required to provide the property owner with advance notice before the association implements self-help.

(d) For purposes of Subsection (c), an advance, annual notice of maintenance requirements is considered notice to the extent notice is required.

Sec. 215.010. ATTORNEY'S FEES IN BREACH OF RESTRICTIVE COVENANT ACTION. In an action based on breach of a restrictive covenant, the prevailing party is entitled to reasonable attorney's

fees, costs, and actual damages.

Sec. 215.011. COMMON AREAS. A property owners' association may adopt reasonable rules regulating common areas.

Sec. 215.012. RESALE CERTIFICATES. A property owners' association shall provide resale certificates only for residential properties and in the manner provided by Section 207.003.

Sec. 215.013. MANAGEMENT CERTIFICATE. (a) A property owners' association shall record in each county in which any portion of the development governed by the association is located a management certificate, signed and acknowledged by an officer of the association, stating:

(1) the name of the development;

(2) the name of the association;

(3) the recording data for the declaration and all supplementary declarations;

(4) the applicability of any supplementary declarations to residential communities;

(5) the name and mailing address of the association; and

(6) other information the association considers appropriate.

(b) A property owners' association shall record an amended management certificate not later than the 30th day after the date the association has notice of a change in information in the recorded certificate required by Subsection (a).

(c) The association and its officers, directors, employees,

and agents are not liable to any person or corporation for delay in recording or failure to record a management certificate unless the delay or failure is willful or caused by gross negligence.

Sec. 215.014. PRIORITY OF PAYMENTS. Unless otherwise provided in writing by the property owner at the time payment is made, 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 incurred by the association associated solely with assessments or any other charge that could provide the basis for foreclosure;

(4) any fines assessed by the association;

(5) any attorney's fees incurred by the association that are not subject to Subdivision (3); and

(6) any other amount owed to the association.

Sec. 215.015. FORECLOSURE. A property owners' association may not foreclose an association assessment lien unless the association first obtains a court order of sale.

SECTION 2. This Act takes effect September 1, 2011.

President of the Senate

Speaker of the House

I certify that H.B. No. 2869 was passed by the House on April

26, 2011, by the following vote: Yeas 148, Nays 0, 2 present, not voting; and that the House concurred in Senate amendments to H.B. No. 2869 on May 25, 2011, by the following vote: Yeas 145, Nays 0, 3 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 2869 was passed by the Senate, with amendments, on May 24, 2011, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor