

2019-2020 COMMUNITY ASSOCIATION LAW SUMMARY



OPEN BOARD AND COMMITTEE MEETINGS

A.R.S. §33-1248 (A),(D) (condominiums) and *§33-1804 (A),(D)* (planned communities) impose the following requirements at any Board meeting and any regularly scheduled committee meeting:

1. Association members "or any person designated by a member in writing as the member's representative" must be allowed to attend and speak "at an appropriate time during the deliberations and proceedings." The Board must also permit the member or designated representative to speak "once after the board has discussed a specific agenda item but before the board takes formal action on that item."
2. Reasonable time limitations may be placed on persons speaking during the meeting, but the Board must allow a "reasonable number of persons to speak on each side of an issue."
3. The agenda shall be available to all members attending (Board meetings).

CLOSED BOARD/COMMITTEE MEETINGS

A.R.S. §33-1248 (A) (condominiums) and *A.R.S. §33-1804 (A)* (planned communities) provide five categories for closed meetings:

1. Legal advice from an attorney for the Board or the Association.
2. Pending or contemplated litigation.
3. Personal, health and financial information, about an individual member of the Association, an individual employee of the Association or an individual employee of a contractor of the Association.
4. Matters relating to the job performance of, compensation of, health records of or specific complaints against an individual employee of the Association or an individual employee of a contractor of the Association who works under the direction of the Association.
5. Discussion of a member's appeal of a violation cited or penalty imposed by the Association except on request of the affected member that the discussion be held in an open session.

Notice Requirement: before entering a closed portion of a meeting, or in the notice of a closed meeting, the Board must identify the paragraph above that authorizes why the Board is closing the meeting.

EMERGENCY BOARD MEETINGS

A.R.S. §33-1248 (D) (condominiums) and *A.R.S. §33-1804 (D)* (planned communities) allow Boards to meet in emergency circumstances without notice to the membership if action cannot be delayed for 48 hours, but the minutes shall state the reason for the emergency, and shall be read and approved at the next regularly scheduled meeting. Only emergency matters can be acted on at the meeting.

BOARD ACTION WITHOUT A BOARD MEETING

If a community association is a nonprofit corporation, *A.R.S. §10-3821* allows action by the Board of Directors without a meeting if the action is taken by all of the directors. The action must be evidenced by one or more written consents describing the action taken, signed by each director and included in the minutes filed with the corporate records reflecting the action taken. *This method of action is best used sparingly.*

AUDIOTAPING AND VIDEOTAPING BOARD OR COMMITTEE MEETINGS

A.R.S. §33-1248 (A) (condominiums) and *A.R.S. §33-1804 (A)* (planned communities) state that persons attending membership meetings, regular

committee meetings, and Board of Directors meetings may tape record or videotape the portion of the meetings that are open to the membership and their designated representatives. The Board of Directors may adopt reasonable rules governing taping of meetings, but the rules cannot preclude taping, unless the Board tapes the meeting and makes tapes available to members on request. The Board cannot require advance notice of members taping.

CONFLICTS OF INTEREST

A.R.S. §33-1243 (C) (condominiums) and *§33-1811* (planned communities) govern conflicts of interest for Board members. If any contract, decision or other action for compensation taken by or on behalf of the Board of Directors would benefit any member of the Board of Directors or any person who is a parent, grandparent, spouse, child or sibling of a member of the Board of Directors or a parent or spouse of any of those persons, that member of the Board of Directors shall declare a conflict of interest for that issue. The member shall declare the conflict in an open meeting of the Board before the Board discusses or takes action on that issue and that member may then vote on that issue. Any contract entered into in violation of this section is void and unenforceable.

BOARD REMOVAL

Pursuant to *A.R.S. §33-1243 (H)* and *(I)* (condominiums) and *A.R.S. §33-1813* (planned communities), if the Association has 1,000 members or fewer, a special membership meeting must be called and held within 30 days of the presentation to the Board of Directors of petitions calling for the removal of a director, directors or the entire Board of Directors signed by members eligible to vote holding 100 votes, or by members eligible to vote entitled to cast 25% of the votes in the Association, whichever is less.

If the Association has more than 1,000 members, a special membership meeting must be called and held within 30 days of the presentation to the Board of Directors of petitions calling for the removal of a director, directors or the entire Board of Directors signed by members eligible to vote holding at least 1,000 votes, or by members eligible to vote entitled to cast 10% of the votes in the Association, whichever is less.

The number necessary to remove a director, directors or the entire Board of Directors, with or without cause, is a simple majority of those voting, so long as a quorum is present. The quorum of owners eligible to vote for the membership meeting called for the purposes of voting on the recall is 20% of the votes or 1,000 votes present, whichever is less.

Replacement of fewer than a majority of the board removed shall be done according to the governing documents. If a majority is removed, or if there is no method to fill vacancies, the association shall hold an election at a separate meeting not less than 30 days after the removal meeting.

A community association is obligated to keep records of the meeting and the petition and any election or action to replace the director(s) for at least one year from the date of the special meeting.

A petition to remove a director can only be submitted once during that director's term. If the removal is not successful, that director cannot be the target of a recall again for the remainder of his or her term. A director removed cannot serve again until after expiration of the term of office unless the governing documents provide for a longer ineligibility period.

ARCHITECTURAL COMMITTEES - PLANNED COMMUNITIES

A.R.S. §33-1817 provides that no matter what the governing documents say, a planned community must include at least one member of the Board of Directors on any design review or architectural type of committee. A Board member on the committee must also serve as the chair of the committee.

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VOTING

A.R.S. §33-1250 (condominiums) and *§33-1812* (planned communities) have provided for a number of years that membership votes may not be cast by proxy. Associations shall provide for votes to be cast in person and by absentee ballot, and the Association may provide for voting by some other form of delivery, including e-mail and fax delivery. Such votes cast by any of the methods are valid for the purpose of establishing a quorum. The Nonprofit Act (*A.R.S. §10-3708*) permits “online voting”, i.e. delivery of a written ballot electronically, if the system authenticates the member’s identity and the validity of each vote, transmits a receipt to the voter, and stores votes for recount and review.

A completed non-secret ballot must contain the name, address and signature of the voter on the ballot. However, if the Association votes by secret ballot, the information and signature are needed on the envelope only, not the ballot. In addition, all voting materials including sign in sheets must be retained in electronic or paper format for at least one year.

BOOKS AND RECORD ACCESS

A.R.S. §33-1258 (condominiums) and *§33-1805* (planned communities) create the following categories of records that are exceptions to the statement that “all financial and other records of the association shall be made reasonably available for examination by any member or person designated by the member in writing as the member’s representative”:

1. Four of the categories are the same* as the four categories outlined above for “Closed Meetings” under *A.R.S. §33-1248 (A)* and *A.R.S. §33-1804 (A)*. (*Except “pending” litigation records only)
2. The fifth category consists of meeting minutes or other records of meetings not required to be open to the membership.

The Association cannot charge an owner to inspect the Association’s books and records pursuant to *A.R.S. §33-1258* (condominiums) and *A.R.S. §33-1805* (planned communities). The Association may charge a fee for copies of not more than 15 cents per page. Upon request, the Association has 10 business days to fulfill the owner’s demand.

ASSESSMENT INCREASES

There is no limit in the Condominium Act on the permissible increase in assessments. If there are limits in the condominium’s governing documents, those limits control.

If there are limits in a planned community’s governing documents, those limits control unless the limit is greater than 20%. If there are no limits in a planned community’s governing documents, or if the limit is greater than 20%, the planned community association cannot impose a regular assessment that is 20% greater than the immediately preceding fiscal year’s assessment without the approval of a majority of the members. *A.R.S. §33-1803 (A)*.

ASSESSMENT COLLECTIONS

As of 8/27/2019, associations must send a notice to owners with specific statutory language by certified mail at least 30 days before turning over an account to a collections agency or attorney.

As of 1/1/2020, except in associations with less than 50 lots/units that are not professionally managed, a “statement of account” must be provided for owners in lieu of payment books. This must be done with the same

frequency as assessments are due.

LATE CHARGES

Late charges are authorized by statute for associations (limited to \$15.00 or 10% of the unpaid assessment for planned communities). Planned communities and condominiums may impose late charges only after providing notice that the assessment is overdue or that an assessment is considered overdue after a certain date (e.g. in a collection policy.)

FORECLOSURES

A.R.S. §33-1256 (condominiums) and *A.R.S. §33-1807* (planned communities) limit when an Association can foreclose upon property with unpaid assessments. The Association can only foreclose at the earlier of:

1. The assessments secured by the lien being delinquent for at least 12 months or
2. The delinquent assessment(s) total at least \$1,200

As of 8/27/2019, the lien is extinguished if not foreclosed in 6 years. This is the same limitation period for suing on the owners’ personal obligation.

NOTICE OF VIOLATIONS

A.R.S. §33-1242 (condominiums) and *A.R.S. §33-1803* (planned communities) require the Association to give the homeowner written notice before enforcing the provisions of the Association’s documents regarding the “condition of the owner’s property.” The Association must include the following information in the initial violation notice before the Association can take enforcement action or, if not in the initial notice, in a written response to a certified letter sent by the owner after receipt of a violation letter:

1. The provision of the documents that has allegedly been violated;
2. The date of the violation or the date the violation was observed;
3. The first & last name of the person or persons who observed the violation;
4. A description of the process the owner must follow to contest the notice.
5. The owner’s right to file an administrative complaint for a hearing before an administrative law judge (Real Estate Department).

The owner has 21 calendar days to respond to the violation letter by certified mail to be entitled to the above information if not provided in the initial notice. The Association has 10 business days to provide the information after receipt of a certified letter.

RENTAL PROPERTY

A.R.S. §33-1260.01 (condominiums) and *§33-1806.01* (planned communities) make it clear that there can be prohibitions on rentals in declarations, as well as rental time period restrictions. However, an Association may not require an owner or owner’s agent to disclose information about a tenant other than name and contact information of adults, the time period of the lease, and a description and license plate numbers of vehicles. Fees and fines must be the same for rental units and owner-occupied units. Associations also cannot prohibit off-site owners from serving on the Board. Finally, landlords cannot be required to provide a copy of the tenant’s rental application, credit report, or lease agreement or rental contract (which would include any “crime free lease addendum” the landlord might utilize).

PHOENIX

1400 E. Southern Ave., Ste. 400
Tempe, AZ 85282
480.427.2800

TUCSON

333 N. Wilmot Rd., Ste. 180
Tucson, AZ 85705
520.744.9480

PRESCOTT

1550 Plaza West Dr.
Prescott, AZ 86303
928.443.0770