

1 **CONDOMINIUM AND COMMUNITY ASSOCIATION**

2 **REVISIONS**

3 2011 GENERAL SESSION

4 STATE OF UTAH

5 **Chief Sponsor: Wayne L. Niederhauser**

6 House Sponsor: Gage Froerer

8 **LONG TITLE**

9 **General Description:**

10 This bill modifies, enacts, and repeals provisions relating to condominium associations
11 and community associations.

12 **Highlighted Provisions:**

13 This bill:

- 14 ▶ modifies, repeals, and enacts provisions relating to the Condominium Ownership
15 Act and the Community Association Act;
- 16 ▶ provides what constitutes fair and reasonable notice;
- 17 ▶ modifies provisions relating to liens for assessments and related charges and the
18 process to collect assessments and enforce the liens;
- 19 ▶ modifies provisions relating to insurance;
- 20 ▶ enacts Community Association Act provisions, including provisions relating to:
 - 21 • declaration content;
 - 22 • association bylaws, rules, and budget;
 - 23 • creditor approval of specified actions;
 - 24 • the collection of assessments and related charges; and
 - 25 • insurance;
- 26 ▶ repeals redundant or obsolete provisions; and
- 27 ▶ makes technical changes.

28 **Money Appropriated in this Bill:**

29 None

30 **Other Special Clauses:**

31 None

32 **Utah Code Sections Affected:**

33 AMENDS:

34 **57-8-3**, as last amended by Laws of Utah 2008, Chapter 291

35 **57-8-10**, as last amended by Laws of Utah 2009, Chapter 178

36 **57-8a-102**, as enacted by Laws of Utah 2004, Chapter 153

37 ENACTS:

38 **57-8-42**, Utah Code Annotated 1953

39 **57-8-43**, Utah Code Annotated 1953

40 **57-8-44**, Utah Code Annotated 1953

41 **57-8-45**, Utah Code Annotated 1953

42 **57-8-46**, Utah Code Annotated 1953

43 **57-8-47**, Utah Code Annotated 1953

44 **57-8-48**, Utah Code Annotated 1953

45 **57-8-49**, Utah Code Annotated 1953

46 **57-8-50**, Utah Code Annotated 1953

47 **57-8-51**, Utah Code Annotated 1953

48 **57-8-52**, Utah Code Annotated 1953

49 **57-8-53**, Utah Code Annotated 1953

50 **57-8-54**, Utah Code Annotated 1953

51 **57-8a-212**, Utah Code Annotated 1953

52 **57-8a-213**, Utah Code Annotated 1953

53 **57-8a-214**, Utah Code Annotated 1953

54 **57-8a-215**, Utah Code Annotated 1953

55 **57-8a-216**, Utah Code Annotated 1953

56 **57-8a-217**, Utah Code Annotated 1953

57 **57-8a-218**, Utah Code Annotated 1953

- 58 **57-8a-219**, Utah Code Annotated 1953
- 59 **57-8a-220**, Utah Code Annotated 1953
- 60 **57-8a-221**, Utah Code Annotated 1953
- 61 **57-8a-301**, Utah Code Annotated 1953
- 62 **57-8a-302**, Utah Code Annotated 1953
- 63 **57-8a-303**, Utah Code Annotated 1953
- 64 **57-8a-304**, Utah Code Annotated 1953
- 65 **57-8a-305**, Utah Code Annotated 1953
- 66 **57-8a-306**, Utah Code Annotated 1953
- 67 **57-8a-307**, Utah Code Annotated 1953
- 68 **57-8a-308**, Utah Code Annotated 1953
- 69 **57-8a-309**, Utah Code Annotated 1953
- 70 **57-8a-310**, Utah Code Annotated 1953
- 71 **57-8a-311**, Utah Code Annotated 1953
- 72 **57-8a-401**, Utah Code Annotated 1953
- 73 **57-8a-402**, Utah Code Annotated 1953
- 74 **57-8a-403**, Utah Code Annotated 1953
- 75 **57-8a-404**, Utah Code Annotated 1953
- 76 **57-8a-405**, Utah Code Annotated 1953
- 77 **57-8a-406**, Utah Code Annotated 1953
- 78 **57-8a-407**, Utah Code Annotated 1953
- 79 REPEALS:
- 80 **57-8-20**, as last amended by Laws of Utah 2010, Chapter 309
- 81 **57-8-29**, as last amended by Laws of Utah 2000, Chapter 99
- 82 **57-8a-202**, as enacted by Laws of Utah 2004, Chapter 153
- 83 **57-8a-203**, as enacted by Laws of Utah 2004, Chapter 153
- 84 **57-8a-204**, as enacted by Laws of Utah 2004, Chapter 153
- 85 **57-8a-205**, as enacted by Laws of Utah 2004, Chapter 153

86 **57-8a-207**, as enacted by Laws of Utah 2004, Chapter 153

87

88 *Be it enacted by the Legislature of the state of Utah:*

89 Section 1. Section **57-8-3** is amended to read:

90 **57-8-3. Definitions.**

91 As used in this chapter:

92 (1) "Assessment" means any charge imposed by the association, including:

93 (a) common expenses on or against a unit owner pursuant to the provisions of the
94 declaration, bylaws, or this chapter[-]; and

95 (b) an amount that an association of unit owners assesses to a unit owner under

96 Subsection 57-8-43(9)(h).

97 (2) "Association of unit owners" means all of the unit owners:

98 (a) acting as a group in accordance with the declaration and bylaws; or

99 (b) organized as a legal entity in accordance with the declaration.

100 (3) "Building" means a building, containing units, and comprising a part of the
101 property.

102 (4) "Common areas and facilities" unless otherwise provided in the declaration or
103 lawful amendments to the declaration means:

104 (a) the land included within the condominium project, whether leasehold or in fee
105 simple;

106 (b) the foundations, columns, girders, beams, supports, main walls, roofs, halls,
107 corridors, lobbies, stairs, stairways, fire escapes, entrances, and exits of the building;

108 (c) the basements, yards, gardens, parking areas, and storage spaces;

109 (d) the premises for lodging of janitors or persons in charge of the property;

110 (e) installations of central services such as power, light, gas, hot and cold water,
111 heating, refrigeration, air conditioning, and incinerating;

112 (f) the elevators, tanks, pumps, motors, fans, compressors, ducts, and in general all
113 apparatus and installations existing for common use;

114 (g) such community and commercial facilities as may be provided for in the
115 declaration; and

116 (h) all other parts of the property necessary or convenient to its existence, maintenance,
117 and safety, or normally in common use.

118 (5) "Common expenses" means:

119 (a) all sums lawfully assessed against the unit owners;

120 (b) expenses of administration, maintenance, repair, or replacement of the common
121 areas and facilities;

122 (c) expenses agreed upon as common expenses by the association of unit owners; and

123 (d) expenses declared common expenses by this chapter, or by the declaration or the
124 bylaws.

125 (6) "Common profits," unless otherwise provided in the declaration or lawful
126 amendments to the declaration, means the balance of all income, rents, profits, and revenues
127 from the common areas and facilities remaining after the deduction of the common expenses.

128 (7) "Condominium" means the ownership of a single unit in a multiunit project
129 together with an undivided interest in common in the common areas and facilities of the
130 property.

131 (8) "Condominium plat" means a plat or plats of survey of land and units prepared in
132 accordance with Section 57-8-13.

133 (9) "Condominium project" means a real estate condominium project; a plan or project
134 whereby two or more units, whether contained in existing or proposed apartments, commercial
135 or industrial buildings or structures, or otherwise, are separately offered or proposed to be
136 offered for sale. Condominium project also means the property when the context so requires.

137 (10) "Condominium unit" means a unit together with the undivided interest in the
138 common areas and facilities appertaining to that unit. Any reference in this chapter to a
139 condominium unit includes both a physical unit together with its appurtenant undivided interest
140 in the common areas and facilities and a time period unit together with its appurtenant
141 undivided interest, unless the reference is specifically limited to a time period unit.

142 (11) "Contractible condominium" means a condominium project from which one or
143 more portions of the land within the project may be withdrawn in accordance with provisions
144 of the declaration and of this chapter. If the withdrawal can occur only by the expiration or
145 termination of one or more leases, then the condominium project is not a contractible
146 condominium within the meaning of this chapter.

147 (12) "Convertible land" means a building site which is a portion of the common areas
148 and facilities, described by metes and bounds, within which additional units or limited common
149 areas and facilities may be created in accordance with this chapter.

150 (13) "Convertible space" means a portion of the structure within the condominium
151 project, which portion may be converted into one or more units or common areas and facilities,
152 including limited common areas and facilities in accordance with this chapter.

153 (14) "Declarant" means all persons who execute the declaration or on whose behalf the
154 declaration is executed. From the time of the recordation of any amendment to the declaration
155 expanding an expandable condominium, all persons who execute that amendment or on whose
156 behalf that amendment is executed shall also come within this definition. Any successors of
157 the persons referred to in this subsection who come to stand in the same relation to the
158 condominium project as their predecessors also come within this definition.

159 (15) "Declaration" means the instrument by which the property is submitted to the
160 provisions of this act, as it from time to time may be lawfully amended.

161 (16) "Expandable condominium" means a condominium project to which additional
162 land or an interest in it may be added in accordance with the declaration and this chapter.

163 (17) "Leasehold condominium" means a condominium project in all or any portion of
164 which each unit owner owns an estate for years in his unit, or in the land upon which that unit
165 is situated, or both, with all those leasehold interests to expire naturally at the same time. A
166 condominium project including leased land, or an interest in the land, upon which no units are
167 situated or to be situated is not a leasehold condominium within the meaning of this chapter.

168 (18) "Limited common areas and facilities" means those common areas and facilities
169 designated in the declaration as reserved for use of a certain unit or units to the exclusion of the

170 other units.

171 (19) "Majority" or "majority of the unit owners," unless otherwise provided in the
172 declaration or lawful amendments to the declaration, means the owners of more than 50% in
173 the aggregate in interest of the undivided ownership of the common areas and facilities.

174 (20) "Management committee" means the committee as provided in the declaration
175 charged with and having the responsibility and authority to make and to enforce all of the
176 reasonable rules covering the operation and maintenance of the property.

177 (21) "Par value" means a number of dollars or points assigned to each unit by the
178 declaration. Substantially identical units shall be assigned the same par value, but units located
179 at substantially different heights above the ground, or having substantially different views, or
180 having substantially different amenities or other characteristics that might result in differences
181 in market value, may be considered substantially identical within the meaning of this
182 subsection. If par value is stated in terms of dollars, that statement may not be considered to
183 reflect or control the sales price or fair market value of any unit, and no opinion, appraisal, or
184 fair market transaction at a different figure may affect the par value of any unit, or any
185 undivided interest in the common areas and facilities, voting rights in the unit owners'
186 association, liability for common expenses, or right to common profits, assigned on the basis
187 thereof.

188 (22) "Person" means an individual, corporation, partnership, association, trustee, or
189 other legal entity.

190 (23) "Property" means the land, whether leasehold or in fee simple, the building, if any,
191 all improvements and structures thereon, all easements, rights, and appurtenances belonging
192 thereto, and all articles of personal property intended for use in connection therewith.

193 (24) "Record," "recording," "recorded," and "recorder" have the meaning stated in Title
194 57, Chapter 3, Recording of Documents.

195 (25) "Size" means the number of cubic feet, or the number of square feet of ground or
196 floor space, within each unit as computed by reference to the record of survey map and rounded
197 off to a whole number. Certain spaces within the units including attic, basement, or garage

198 space may be omitted from the calculation or be partially discounted by the use of a ratio, if the
199 same basis of calculation is employed for all units in the condominium project and if that basis
200 is described in the declaration.

201 (26) "Time period unit" means an annually recurring part or parts of a year specified in
202 the declaration as a period for which a unit is separately owned and includes a timeshare estate
203 as defined in Subsection 57-19-2(17).

204 (27) "Unit" means either a separate physical part of the property intended for any type
205 of independent use, including one or more rooms or spaces located in one or more floors or
206 part or parts of floors in a building or a time period unit, as the context may require. A
207 convertible space shall be treated as a unit in accordance with Subsection 57-8-13.4(3). A
208 proposed condominium unit under an expandable condominium project, not constructed, is a
209 unit two years after the date the recording requirements of Section 57-8-13.6 are met.

210 (28) "Unit number" means the number, letter, or combination of numbers and letters
211 designating the unit in the declaration and in the record of survey map.

212 (29) "Unit owner" means the person or persons owning a unit in fee simple and an
213 undivided interest in the fee simple estate of the common areas and facilities in the percentage
214 specified and established in the declaration or, in the case of a leasehold condominium project,
215 the person or persons whose leasehold interest or interests in the condominium unit extend for
216 the entire balance of the unexpired term or terms.

217 Section 2. Section **57-8-10** is amended to read:

218 **57-8-10. Contents of declaration.**

219 (1) Prior to the conveyance of any unit in a condominium project, a declaration shall be
220 recorded that contains the covenants, conditions, and restrictions relating to the project that
221 shall be enforceable equitable servitudes, where reasonable, and which shall run with the land.
222 Unless otherwise provided, these servitudes may be enforced by any unit owner and his
223 successors in interest.

224 (2) (a) For every condominium project:

225 (i) The declaration shall include a description of the land or interests in real property

226 included within the project.

227 (ii) The declaration shall contain a description of any buildings, which states the
228 number of storeys and basements, the number of units, the principal materials of which the
229 building is or is to be constructed, and a description of all other significant improvements
230 contained or to be contained in the project.

231 (iii) The declaration shall contain the unit number of each unit, the square footage of
232 each unit, and any other description or information necessary to properly identify each unit.

233 (iv) The declaration shall describe the common areas and facilities of the project.

234 (v) The declaration shall describe any limited common areas and facilities and shall
235 state to which units the use of the common areas and facilities is reserved.

236 (b) Any shutters, awnings, window boxes, doorsteps, porches, balconies, patios, or
237 other apparatus intended to serve a single unit, but located outside the boundaries of the unit,
238 shall constitute a limited common area and facility appertaining to that unit exclusively,
239 whether or not the declaration makes such a provision.

240 (c) The condominium plat recorded with the declaration may provide or supplement
241 the information required under Subsections (2)(a) and (b).

242 (d) (i) The declaration shall include the percentage or fraction of undivided interest in
243 the common areas and facilities appurtenant to each unit and its owner for all purposes,
244 including voting, derived and allocated in accordance with Subsection 57-8-7(2).

245 (ii) If any use restrictions are to apply, the declaration shall state the purposes for which
246 the units are intended and restricted as to use.

247 (iii) (A) The declaration shall include the name of a person to receive service of
248 process on behalf of the project, in the cases provided by this chapter, together with the
249 residence or place of business of that person.

250 (B) The person described in Subsection (2)(d)(iii)(A) shall be a resident of, or shall
251 maintain a place of business within, this state.

252 (iv) The declaration shall describe the method by which it may be amended consistent
253 with this chapter.

254 (v) Any further matters in connection with the property may be included in the
255 declaration, which the person or persons executing the declaration may consider desirable
256 consistent with this chapter.

257 (vi) The declaration shall contain a statement of intention that this chapter applies to
258 the property.

259 (e) The initial recorded declaration shall include:

260 (i) an appointment of a trustee who qualifies under Subsection 57-1-21(1)(a)(i) or (iv);
261 and

262 (ii) the following statement: "The declarant hereby conveys and warrants pursuant to
263 U.C.A. Sections 57-1-20 and 57-8-45 to (name of trustee), with power of sale, the unit and all
264 improvements to the unit for the purpose of securing payment of assessments under the terms
265 of the declaration."

266 (3) (a) If the condominium project contains any convertible land:

267 (i) The declaration shall contain a legal description by metes and bounds of each area
268 of convertible land within the condominium project.

269 (ii) The declaration shall state the maximum number of units that may be created
270 within each area of convertible land.

271 (iii) (A) The declaration shall state, with respect to each area of convertible land, the
272 maximum percentage of the aggregate land and floor area of all units that may be created and
273 the use of which will not or may not be restricted exclusively to residential purposes.

274 (B) The statements described in Subsection (3)(a)(iii)(A) need not be supplied if none
275 of the units on other portions of the land within the project are restricted exclusively to
276 residential use.

277 (iv) The declaration shall state the extent to which any structure erected on any
278 convertible land will be compatible with structures on other portions of the land within the
279 condominium project in terms of quality of construction, the principal materials to be used, and
280 architectural style.

281 (v) The declaration shall describe all other improvements that may be made on each

282 area of convertible land within the condominium project.

283 (vi) The declaration shall state that any units created within each area of convertible
284 land will be substantially identical to the units on other portions of the land within the project
285 or it shall describe in detail what other type of units may be created.

286 (vii) The declaration shall describe the declarant's reserved right, if any, to create
287 limited common areas and facilities within any convertible land in terms of the types, sizes, and
288 maximum number of the limited common areas within each convertible land.

289 (b) The condominium plat recorded with the declaration may provide or supplement
290 the information required under Subsection (3)(a).

291 (4) If the condominium is an expandable condominium project:

292 (a) (i) (A) The declaration shall contain an explicit reservation of an option to expand
293 the project.

294 (B) The declaration shall include a statement of any limitations on the option to
295 expand, including a statement as to whether the consent of any unit owners shall be required
296 and, a statement as to the method by which consent shall be ascertained, or a statement that
297 there are no such limitations.

298 (ii) The declaration shall include a time limit, not exceeding seven years from the date
299 of the recording of the declaration, upon which the option to expand the condominium project
300 shall expire, together with a statement of any circumstances which will terminate the option
301 prior to expiration of the specified time limits.

302 (iii) The declaration shall contain a legal description by metes and bounds of all land
303 that may be added to the condominium project, which is known as additional land.

304 (iv) The declaration shall state:

305 (A) if any of the additional land is added to the condominium project, whether all of it
306 or any particular portion of it must be added;

307 (B) any limitations as to what portions may be added; or

308 (C) a statement that there are no such limitations.

309 (v) The declaration shall include a statement as to whether portions of the additional

310 land may be added to the condominium project at different times, together with any limitations
311 fixing the boundaries of those portions by legal descriptions setting forth the metes and bounds
312 of these lands and regulating the order in which they may be added to the condominium
313 project.

314 (vi) The declaration shall include a statement of any limitations as to the locations of
315 any improvements that may be made on any portions of the additional land added to the
316 condominium project, or a statement that no assurances are made in that regard.

317 (vii) The declaration shall state the maximum number of units that may be created on
318 the additional land. If portions of the additional land may be added to the condominium project
319 and the boundaries of those portions are fixed in accordance with Subsection (4)(a)(v), the
320 declaration shall also state the maximum number of units that may be created on each portion
321 added to the condominium project. If portions of the additional land may be added to the
322 condominium project and the boundaries of those portions are not fixed in accordance with
323 Subsection (4)(a)(v), then the declaration shall also state the maximum number of units per
324 acre that may be created on any portion added to the condominium project.

325 (viii) With respect to the additional land and to any portion of it that may be added to
326 the condominium project, the declaration shall state the maximum percentage of the aggregate
327 land and floor area of all units that may be created on it, the use of which will not or may not
328 be restricted exclusively to residential purposes. However, these statements need not be
329 supplied if none of the units on the land originally within the project are restricted exclusively
330 to residential use.

331 (ix) The declaration shall state the extent to which any structures erected on any
332 portion of the additional land added to the condominium project will be compatible with
333 structures on the land originally within the project in terms of quality of construction, the
334 principal materials to be used, and architectural style. The declaration may also state that no
335 assurances are made in those regards.

336 (x) The declaration shall describe all other improvements that will be made on any
337 portion of the additional land added to the condominium project, or it shall contain a statement

338 of any limitations as to what other improvements may be made on it. The declaration may also
339 state that no assurances are made in that regard.

340 (xi) The declaration shall contain a statement that any units created on any portion of
341 the additional land added to the condominium project will be substantially identical to the units
342 on the land originally within the project, or a statement of any limitations as to what types of
343 units may be created on it. The declaration may also contain a statement that no assurances are
344 made in that regard.

345 (xii) The declaration shall describe the declarant's reserved right, if any, to create
346 limited common areas and facilities within any portion of the additional land added to the
347 condominium project, in terms of the types, sizes, and maximum number of limited common
348 areas within each portion. The declaration may also state that no assurances are made in those
349 regards.

350 (b) The condominium plat recorded with the declaration may provide or supplement
351 the information required under Subsections (4)(a)(iii) through (a)(vi) and (a)(ix) through
352 (a)(xii).

353 (5) If the condominium project is a contractible condominium:

354 (a) (i) The declaration shall contain an explicit reservation of an option to contract the
355 condominium project.

356 (ii) The declaration shall contain a statement of any limitations on the option to
357 contract, including a statement as to whether the consent of any unit owners shall be required,
358 and if so, a statement as to the method by which this consent shall be ascertained. The
359 declaration may also contain a statement that there are no such limitations.

360 (iii) The declaration shall state the time limit, not exceeding seven years from the
361 recording of the declaration, upon which the option to contract the condominium project shall
362 expire, together with a statement of any circumstances which will terminate this option prior to
363 expiration of the specified time limit.

364 (b) (i) The declaration shall include a legal description by metes and bounds of all land
365 that may be withdrawn from the condominium project, which is known as withdrawable land.

366 (ii) The declaration shall include a statement as to whether portions of the
367 withdrawable land may be withdrawn from the condominium project at different times,
368 together with any limitations fixing the boundaries of those portions by legal descriptions
369 setting forth the metes and bounds and regulating the order in which they may be withdrawn
370 from the condominium project.

371 (iii) The declaration shall include a legal description by metes and bounds of all of the
372 land within the condominium project to which the option to contract the project does not
373 extend.

374 (c) The condominium plat recorded with the declaration may provide or supplement
375 the information required under Subsection (5)(b).

376 (6) (a) If the condominium project is a leasehold condominium, then with respect to
377 any ground lease or other leases the expiration or termination of which will or may terminate or
378 contract the condominium project:

379 (i) The declaration shall include recording information enabling the location of each
380 lease in the official records of the county recorder.

381 (ii) The declaration shall include the date upon which each lease is due to expire.

382 (iii) The declaration shall state whether any land or improvements will be owned by the
383 unit owners in fee simple. If there is to be fee simple ownership, the declaration shall include:

384 (A) a description of the land or improvements, including without limitation, a legal
385 description by metes and bounds of the land; or

386 (B) a statement of any rights the unit owners have to remove these improvements
387 within a reasonable time after the expiration or termination of the lease or leases involved, or a
388 statement that they shall have no such rights.

389 (iv) The declaration shall include a statement of the rights the unit owners have to
390 extend or renew any of the leases or to redeem or purchase any of the reversions, or a statement
391 that they have no such rights.

392 (b) After the recording of the declaration, no lessor who executed the declaration, and
393 no successor in interest to this lessor, has any right or power to terminate any part of the

394 leasehold interest of any unit owner who:

395 (i) makes timely payment of his share of the rent to the persons designated in the
396 declaration for the receipt of the rent; and

397 (ii) otherwise complies with all covenants which would entitle the lessor to terminate
398 the lease if they were violated.

399 (7) (a) If the condominium project contains time period units, the declaration shall also
400 contain the location of each condominium unit in the calendar year. This information shall be
401 set out in a fourth column of the exhibit or schedule referred to in Subsection 57-8-7(2), if the
402 exhibit or schedule accompanies the declaration.

403 (b) The declaration shall also put timeshare owners on notice that tax notices will be
404 sent to the management committee, not each timeshare owner.

405 (c) The time period units created with respect to any given physical unit shall be such
406 that the aggregate of the durations involved constitute a full calendar year.

407 (8) (a) The declaration, bylaws, and condominium plat shall be duly executed and
408 acknowledged by all of the owners and any lessees of the land which is made subject to this
409 chapter.

410 (b) As used in Subsection (8)(a), "owners and lessees" does not include, in their
411 respective capacities, any mortgagee, any trustee or beneficiary under a deed of trust, any other
412 lien holder, any person having an equitable interest under any contract for the sale or lease of a
413 condominium unit, or any lessee whose leasehold interest does not extend to any portion of the
414 common areas and facilities.

415 (9) (a) As used in this section, "rentals" or "rental unit" means:

416 (i) a unit owned by an individual not described in Subsection (9)(a)(ii) that is occupied
417 by someone while no unit owner occupies the unit as the unit owner's primary residence; and

418 (ii) a unit owned by an entity or trust, regardless of who occupies the unit.

419 (b) (i) Subject to Subsections (9)(c), (f), and (g), an association of unit owners may:

420 (A) create restrictions on the number and term of rentals in a condominium project; or

421 (B) prohibit rentals in the condominium project.

422 (ii) An association of unit owners that creates a rental restriction or prohibition in
423 accordance with Subsection (9)(b)(i) shall create the rental restriction or prohibition in a
424 declaration or by amending the declaration.

425 (c) If an association of unit owners prohibits or imposes restrictions on the number and
426 term of rentals, the restrictions shall include:

427 (i) a provision that requires a condominium project to exempt from the rental
428 restrictions the following unit owner and the unit owner's unit:

429 (A) a unit owner in the military for the period of the unit owner's deployment;

430 (B) a unit occupied by a unit owner's parent, child, or sibling;

431 (C) a unit owner whose employer has relocated the unit owner for no less than two
432 years; or

433 (D) a unit owned by a trust or other entity created for estate planning purposes if the
434 trust or other estate planning entity was created for the estate of:

435 (I) a current resident of the unit; or

436 (II) the parent, child, or sibling of the current resident of the unit;

437 (ii) a provision allowing a unit owner who has a rental in the condominium project
438 before the time the rental restriction described in Subsection (9)(b)(i) is recorded with the
439 county recorder of the county in which the condominium project is located to continue renting
440 until:

441 (A) the unit owner occupies the unit; or

442 (B) an officer, owner, member, trustee, beneficiary, director, or person holding a
443 similar position of ownership or control of an entity or trust that holds an ownership interest in
444 the unit, occupies the unit; and

445 (iii) a requirement that the association of unit owners create, by rule or resolution,
446 procedures to:

447 (A) determine and track the number of rentals and units in the condominium project
448 subject to the provisions described in Subsections (9)(c)(i) and (ii); and

449 (B) ensure consistent administration and enforcement of the rental restrictions.

450 (d) For purposes of Subsection (9)(c)(ii), a transfer occurs when one or more of the
451 following occur:

452 (i) the conveyance, sale, or other transfer of a unit by deed;

453 (ii) the granting of a life estate in the unit; or

454 (iii) if the unit is owned by a limited liability company, corporation, partnership, or
455 other business entity, the sale or transfer of more than 75% of the business entity's share, stock,
456 membership interests, or partnership interests in a 12-month period.

457 (e) This section does not limit or affect residency age requirements for an association
458 of unit owners that complies with the requirements of the Housing for Older Persons Act, 42
459 U.S.C. Sec. 3607.

460 (f) A declaration or amendment to a declaration recorded prior to transfer of the first
461 unit from the initial declarant may prohibit or restrict rentals without providing for the
462 exceptions, provisions, and procedures required under Subsection (9)(c).

463 (g) This section does not apply to:

464 (i) a condominium project containing a time period unit as defined in Section 57-8-3;

465 (ii) any other form of timeshare interest as defined in Section 57-19-2; or

466 (iii) a condominium project in which the initial declaration is recorded before May 12,
467 2009.

468 (h) Notwithstanding this section, an association of unit owners may, upon unanimous
469 approval by all unit owners, restrict or prohibit rentals without an exception described in
470 Subsection (9)(c).

471 Section 3. Section **57-8-42** is enacted to read:

472 **57-8-42. Fair and reasonable notice.**

473 (1) Notice that an association of unit owners provides by a method allowed under Title
474 16, Chapter 6a, Utah Revised Nonprofit Corporation Act, constitutes fair and reasonable
475 notice, whether or not the association of unit owners is a nonprofit corporation.

476 (2) Notice that an association of unit owners provides by a method not referred to in
477 Subsection (1), including a method described in Subsection (3), constitutes fair and reasonable

478 notice if:

479 (a) the method is authorized in the declaration, articles, bylaws, or rules; and

480 (b) considering all the circumstances, the notice is fair and reasonable.

481 (3) (a) If provided in the declaration, articles, bylaws, or rules, an association of unit

482 owners may provide notice by electronic means, including text message, email, or the website

483 of the association of unit owners.

484 (b) Notwithstanding Subsection (3)(a), a unit owner may, by written demand, require

485 an association of unit owners to provide notice to the unit owner by mail.

486 Section 4. Section **57-8-43** is enacted to read:

487 **57-8-43. Insurance.**

488 (1) As used in this section, "reasonably available" means available using typical

489 insurance carriers and markets, irrespective of the ability of the association of unit owners to

490 pay.

491 (2) This section applies to an insurance policy or combination of insurance policies:

492 (a) issued or renewed on or after July 1, 2011; and

493 (b) issued to or renewed by:

494 (i) a unit owner; or

495 (ii) an association of unit owners, regardless of when the association of unit owners is

496 formed.

497 (3) Beginning not later than the day on which the first unit is conveyed to a person

498 other than a declarant, an association of unit owners shall maintain, to the extent reasonably

499 available:

500 (a) subject to Subsection (9), property insurance on the physical structures in the

501 condominium project, including common areas and facilities, limited common areas and

502 facilities, and units, insuring against all risks of direct physical loss commonly insured against,

503 including fire and extended coverage perils; and

504 (b) subject to Subsection (10), liability insurance, including medical payments

505 insurance covering all occurrences commonly insured against for death, bodily injury, and

506 property damage arising out of or in connection with the use, ownership, or maintenance of the
507 common areas and facilities.

508 (4) If an association of unit owners becomes aware that property insurance under
509 Subsection (3)(a) or liability insurance under Subsection (3)(b) is not reasonably available, the
510 association of unit owners shall, within seven calendar days after becoming aware, give all unit
511 owners notice, as provided in Section 57-8-42, that the insurance is not reasonably available.

512 (5) (a) The declaration or bylaws may require the association of unit owners to carry
513 other types of insurance in addition to those described in Subsection (3).

514 (b) In addition to any type of insurance coverage or limit of coverage provided in the
515 declaration or bylaws and subject to the requirements of this section, an association of unit
516 owners may, as the management committee considers appropriate, obtain:

517 (i) an additional type of insurance than otherwise required; or

518 (ii) a policy with greater coverage than otherwise required.

519 (6) Unless a unit owner is acting within the scope of the unit owner's authority on
520 behalf of an association of unit owners, a unit owner's act or omission may not:

521 (a) void a property insurance policy under Subsection (3)(a) or a liability insurance
522 policy under Subsection (3)(b); or

523 (b) be a condition to recovery under a policy.

524 (7) An insurer under a property insurance policy or liability insurance policy obtained
525 under this section waives the insurer's right to subrogation under the policy against any unit
526 owner or member of the unit owner's household.

527 (8) (a) An insurance policy issued to an association of unit owners may not be
528 inconsistent with any provision of this section.

529 (b) A provision of a declaration, bylaw, rule, or other document governing the
530 association of unit owners that is contrary to a provision of this section has no effect.

531 (c) A property insurance or liability insurance policy issued to an association of unit
532 owners may not prevent a unit owner from obtaining insurance for the unit owner's own
533 benefit.

534 (9) (a) This Subsection (9) applies to property insurance required under Subsection
535 (3)(a).

536 (b) The property covered by property insurance shall include any property that, under
537 the declaration, is required to become common areas and facilities.

538 (c) The total amount of coverage provided by blanket property insurance may not be
539 less than 100% of the full replacement cost of the insured property at the time the insurance is
540 purchased and at each renewal date, excluding items normally excluded from property
541 insurance policies.

542 (d) Property insurance shall include coverage for any fixture, improvement, or
543 betterment installed by a unit owner to a unit or to a limited common area, including a floor
544 covering, cabinet, light fixture, electrical fixture, heating or plumbing fixture, paint, wall
545 covering, window, and any other item permanently part of or affixed to a unit or to a limited
546 common element.

547 (e) Notwithstanding anything in this section and unless otherwise provided in the
548 declaration, an association of unit owners is not required to obtain property insurance for a loss
549 to a unit that is not physically attached to:

550 (i) another unit; or

551 (ii) an above-ground structure that is part of a common area or facility.

552 (f) Each unit owner is an insured person under a property insurance policy.

553 (g) If a loss occurs that is covered by a property insurance policy in the name of an
554 association of unit owners and another property insurance policy in the name of a unit owner:

555 (i) the association's policy provides primary insurance coverage; and

556 (ii) notwithstanding Subsection (9)(g)(i), the unit owner's policy applies to that portion
557 of the loss attributable to the policy deductible of the association of unit owners.

558 (h) (i) As used in this Subsection (9)(h):

559 (A) "Covered loss" means a loss, resulting from a single event or occurrence, that is
560 covered by a property insurance policy of an association of unit owners.

561 (B) "Unit damage" means damage to a unit or to a limited common area or facility

562 applicable to that unit, or both.

563 (C) "Unit damage percentage" means the percentage of total damage resulting in a
564 covered loss that is attributable to unit damage.

565 (ii) A unit owner who owns a unit that has suffered unit damage as part of a covered
566 loss is responsible for an amount calculated by applying the unit damage percentage for that
567 unit to the amount of the deductible under the property insurance policy of the association of
568 unit owners.

569 (iii) If a unit owner does not pay the amount required under Subsection (9)(h)(ii) within
570 30 days after substantial completion of the repairs to the unit, an association of unit owners
571 may levy an assessment against the unit owner for that amount.

572 (i) An association of unit owners shall set aside an amount equal to the amount of the
573 association's property insurance policy deductible or \$10,000, whichever is less.

574 (j) (i) An association of unit owners shall provide notice in accordance with Section
575 57-8-42 to each unit owner of the unit owner's obligation under Subsection (9)(h) for the
576 association's policy deductible and of any change in the amount of the deductible.

577 (ii) An association of unit owners that fails to provide notice as provided in Subsection
578 (9)(j)(i) is responsible for the amount of the deductible increase that the association of unit
579 owners could have assessed to a unit owner under Subsection (9)(h).

580 (iii) The failure of an association of unit owners to provide notice as provided in
581 Subsection (9)(j)(i) may not be construed to invalidate any other provision of this section.

582 (k) If, in the exercise of the business judgment rule, the management committee
583 determines that a claim is likely not to exceed the property insurance policy deductible of the
584 association of unit owners:

585 (i) the unit owner's policy is considered the policy for primary coverage to the amount
586 of the policy deductible of the association of unit owners;

587 (ii) a unit owner who does not have a policy to cover the property insurance policy
588 deductible of the association of unit owners is responsible for the loss to the amount of the
589 policy deductible of the association of unit owners, as provided in Subsection (9)(h); and

590 (iii) the association of unit owners need not tender the claim to the association's
591 insurer.

592 (l) (i) An insurer under a property insurance policy issued to an association of unit
593 owners shall adjust with the association of unit owners a loss covered under the association's
594 policy.

595 (ii) Notwithstanding Subsection (9)(l)(i), the insurance proceeds for a loss under a
596 property insurance policy of an association of unit owners:

597 (A) are payable to an insurance trustee that the association of unit owners designates
598 or, if no trustee is designated, to the association of unit owners; and

599 (B) may not be payable to a holder of a security interest.

600 (iii) An insurance trustee or an association of unit owners shall hold any insurance
601 proceeds in trust for the association of unit owners, unit owners, and lien holders.

602 (iv) (A) Insurance proceeds shall be disbursed first for the repair or restoration of the
603 damaged property.

604 (B) After the disbursements described in Subsection (9)(l)(iv)(A) are made and the
605 damaged property has been completely repaired or restored or the project terminated, any
606 surplus proceeds are payable to the association of unit owners, unit owners, and lien holders.

607 (m) An insurer that issues a property insurance policy under this section, or the
608 insurer's authorized agent, shall issue a certificate or memorandum of insurance to:

609 (i) the association of unit owners;

610 (ii) a unit owner, upon the unit owner's written request; and

611 (iii) a holder of a security interest, upon the holder's written request.

612 (n) A cancellation or nonrenewal of a property insurance policy under this section is
613 subject to the procedures stated in Section 31A-21-303.

614 (o) A management committee that acquires from an insurer the property insurance
615 required in this section is not liable to unit owners if the insurance proceeds are not sufficient
616 to cover 100% of the full replacement cost of the insured property at the time of the loss.

617 (10) (a) This Subsection (10) applies to a liability insurance policy required under

618 Subsection (3)(b).

619 (b) A liability insurance policy shall be in an amount determined by the management
620 committee but not less than an amount specified in the declaration or bylaws.

621 (c) Each unit owner is an insured person under a liability insurance policy that an
622 association of unit owners obtains that insures against liability arising from the unit owner's
623 interest in the common areas and facilities or from membership in the association of unit
624 owners.

625 Section 5. Section **57-8-44** is enacted to read:

626 **57-8-44. Lien in favor of association of unit owners for assessments and costs of**
627 **collection.**

628 (1) (a) An association of unit owners has a lien on a unit for:

629 (i) an assessment;

630 (ii) except as provided in the declaration, fees, charges, and costs associated with
631 collecting an unpaid assessment, including:

632 (A) court costs and reasonable attorney fees;

633 (B) late charges;

634 (C) interest; and

635 (D) any other amount that the association of unit owners is entitled to recover under the
636 declaration, this chapter, or an administrative or judicial decision; and

637 (iii) a fine that the association of unit owners imposes against the owner of the unit.

638 (b) The recording of a declaration constitutes record notice and perfection of a lien
639 described in Subsection (1)(a).

640 (2) If an assessment is payable in installments, a lien described in Subsection (1)(a)(i)
641 is for the full amount of the assessment from the time the first installment is due, unless the
642 association of unit owners otherwise provides in a notice of assessment.

643 (3) An unpaid assessment or fine accrues interest at the rate provided:

644 (a) in Subsection 15-1-1(2); or

645 (b) in the governing documents, if the governing documents provide for a different

646 interest rate.

647 (4) A lien under this section has priority over each other lien and encumbrance on a
648 unit except:

649 (a) a lien or encumbrance recorded before the declaration is recorded;

650 (b) a first or second security interest on the unit secured by a mortgage or deed of trust
651 that is recorded before a recorded notice of lien by or on behalf of the association of unit
652 owners; or

653 (c) a lien for real estate taxes or other governmental assessments or charges against the
654 unit.

655 (5) A lien under this section is not subject to Title 78B, Chapter 5, Part 5, Utah
656 Exemptions Act.

657 (6) Unless the declaration provides otherwise, if two or more associations of unit
658 owners have liens for assessments on the same unit, the liens have equal priority, regardless of
659 when the liens are created.

660 Section 6. Section **57-8-45** is enacted to read:

661 **57-8-45. Enforcement of a lien.**

662 (1) (a) To enforce a lien established under Section 57-8-44, an association of unit
663 owners may:

664 (i) cause a unit to be sold through nonjudicial foreclosure as though the lien were a
665 deed of trust, in the manner provided by:

666 (A) Sections 57-1-24, 57-1-25, 57-1-26, and 57-1-27; and

667 (B) this chapter; or

668 (ii) foreclose the lien through a judicial foreclosure in the manner provided by:

669 (A) law for the foreclosure of a mortgage; and

670 (B) this chapter.

671 (b) For purposes of a nonjudicial or judicial foreclosure as provided in Subsection

672 (1)(a):

673 (i) the association of unit owners is considered to be the beneficiary under a trust deed;

674 and

675 (ii) the unit owner is considered to be the trustor under a trust deed.

676 (2) A unit owner's acceptance of the owner's interest in a unit constitutes a
677 simultaneous conveyance of the unit in trust, with power of sale, to the trustee designated as
678 provided in this section for the purpose of securing payment of all amounts due under the
679 declaration and this chapter.

680 (3) (a) A power of sale and other powers of a trustee under this part and under Sections
681 57-1-19 through 57-1-34 may not be exercised unless the association of unit owners appoints a
682 qualified trustee.

683 (b) An association of unit owners' execution of a substitution of trustee form
684 authorized in Section 57-1-22 is sufficient for appointment of a trustee under Subsection (3)(a).

685 (c) A person may not be a trustee under this part unless the person qualifies as a trustee
686 under Subsection 57-1-21(1)(a)(i) or (iv).

687 (d) A trustee under this part is subject to all duties imposed on a trustee under Sections
688 57-1-19 through 57-1-34.

689 (4) This chapter does not prohibit an association of unit owners from bringing an
690 action against a unit owner to recover an amount for which a lien is created under Section
691 57-8-44 or from taking a deed in lieu of foreclosure, if the action is brought or deed taken
692 before the sale or foreclosure of the unit owner's unit under this chapter.

693 Section 7. Section **57-8-46** is enacted to read:

694 **57-8-46. Notice of nonjudicial foreclosure -- Nonjudicial foreclosure prohibited if**
695 **unit owner demands judicial foreclosure.**

696 (1) At least 30 calendar days before initiating a nonjudicial foreclosure, an association
697 of unit owners shall provide notice to the owner of the unit that is the intended subject of the
698 nonjudicial foreclosure.

699 (2) The notice under Subsection (1):

700 (a) shall:

701 (i) notify the unit owner that the association of unit owners intends to pursue

702 nonjudicial foreclosure with respect to the owner's unit to enforce the association of unit
703 owners' lien for an unpaid assessment;

704 (ii) notify the unit owner of the owner's right to demand judicial foreclosure in the
705 place of nonjudicial foreclosure;

706 (iii) be in substantially the following form:

707 "NOTICE OF NONJUDICIAL FORECLOSURE AND RIGHT TO DEMAND
708 JUDICIAL FORECLOSURE

709 The (insert the name of the association of unit owners), the association for the project in
710 which your unit is located, intends to foreclose upon your unit and allocated interest in the
711 common areas and facilities using a procedure that will not require it to file a lawsuit or
712 involve a court. This procedure is being followed in order to enforce the association's lien
713 against your unit and to collect the amount of an unpaid assessment against your unit, together
714 with any applicable late fees and the costs, including attorney fees, associated with the
715 foreclosure proceeding. Alternatively, you have the right to demand that a foreclosure of your
716 property be conducted in a lawsuit with the oversight of a judge. If you make this demand and
717 the association prevails in the lawsuit, the costs and attorney fees associated with the lawsuit
718 will likely be significantly higher than if a lawsuit were not required, and you may be
719 responsible for paying those costs and attorney fees. If you want to make this demand, you
720 must state in writing that 'I demand a judicial foreclosure proceeding upon my unit,' or words
721 substantially to that effect. You must send this written demand by first class and certified U.S.
722 mail, return receipt requested, within 15 days after the date of the postmark on the envelope in
723 which this notice was mailed to you. The address to which you must mail your demand is
724 (insert the address of the association of unit owners for receipt of a demand)."; and

725 (iv) be sent to the unit owner by certified mail, return receipt requested; and

726 (b) may be included with other association correspondence to the unit owner.

727 (3) An association of unit owners may not use a nonjudicial foreclosure to enforce a
728 lien if the unit owner mails the association of unit owners a written demand for judicial
729 foreclosure;

- 730 (a) by U.S. mail, certified with a return receipt requested;
- 731 (b) to the address stated in the association of unit owners' notice under Subsection (1);
- 732 and
- 733 (c) within 15 days after the date of the postmark on the envelope of the association of
- 734 unit owners' notice under Subsection (1).

735 Section 8. Section **57-8-47** is enacted to read:

736 **57-8-47. Provisions applicable to nonjudicial foreclosure.**

737 (1) An association of unit owners' nonjudicial foreclosure of a unit is governed by:

738 (a) Sections 57-1-19 through 57-1-34, to the same extent as though the association of

739 unit owners' lien were a trust deed; and

740 (b) this chapter.

741 (2) If there is a conflict between a provision of this chapter and a provision of Sections

742 57-1-19 through 57-1-34 with respect to an association of unit owners' nonjudicial foreclosure

743 of a unit, the provision of this chapter controls.

744 Section 9. Section **57-8-48** is enacted to read:

745 **57-8-48. One-action rule not applicable -- Abandonment of enforcement**

746 **proceedings.**

747 (1) Subsection 78B-6-901(1) does not apply to an association of unit owners' judicial

748 or nonjudicial foreclosure of a unit under this part.

749 (2) An association of unit owners may abandon a judicial foreclosure, nonjudicial

750 foreclosure, or sheriff's sale and initiate a separate action or another judicial foreclosure,

751 nonjudicial foreclosure, or sheriff's sale if the initial judicial foreclosure, nonjudicial

752 foreclosure, or sheriff's sale is not complete.

753 Section 10. Section **57-8-49** is enacted to read:

754 **57-8-49. Costs and attorney fees in lien enforcement action.**

755 (1) A court entering a judgment or decree in a judicial action brought under Sections

756 57-8-44 through 57-8-53 shall award the prevailing party its costs and reasonable attorney fees

757 incurred before the judgment or decree and, if the association of unit owners is the prevailing

758 party, any costs and reasonable attorney fees that the association of unit owners incurs
759 collecting the judgment.

760 (2) In a nonjudicial foreclosure, an association of unit owners may include in the
761 amount due, and may collect, all costs and reasonable attorney fees incurred in collecting the
762 amount due, including the costs of preparing, recording, and foreclosing a lien.

763 Section 11. Section **57-8-50** is enacted to read:

764 **57-8-50. Action to recover unpaid assessment.**

765 An association of unit owners need not pursue a judicial foreclosure or nonjudicial
766 foreclosure to collect an unpaid assessment but may file an action to recover a money judgment
767 for the unpaid assessment without waiving the lien under Section 57-8-44.

768 Section 12. Section **57-8-51** is enacted to read:

769 **57-8-51. Appointment of receiver.**

770 In an action by an association of unit owners to collect an assessment or to foreclose a
771 lien for an unpaid assessment, a court may:

772 (1) appoint a receiver, in accordance with Section 7-2-9, to collect and hold money
773 alleged to be due and owing to a unit owner:

774 (a) before commencement of the action; or

775 (b) during the pendency of the action; and

776 (2) order the receiver to pay the association of unit owners, to the extent of the
777 association's common expense assessment, money the receiver holds under Subsection (1).

778 Section 13. Section **57-8-52** is enacted to read:

779 **57-8-52. Termination of a delinquent owner's rights -- Notice -- Informal hearing.**

780 (1) As used in this section, "delinquent unit owner" means a unit owner who fails to
781 pay an assessment when due.

782 (2) A management committee may, if authorized in the declaration, bylaws, or rules
783 and as provided in this section, terminate a delinquent unit owner's right:

784 (a) to receive a utility service for which the unit owner pays as a common expense; or

785 (b) of access to and use of recreational facilities.

786 (3) (a) Before terminating a utility service or right of access to and use of recreational
787 facilities under Subsection (2), the manager or management committee shall give the
788 delinquent unit owner notice in a manner provided in the declaration, bylaws, or association of
789 unit owners rules.

790 (b) (i) A notice under Subsection (3)(a) shall state:

791 (A) that the association of unit owners will terminate the unit owner's utility service or
792 right of access to and use of recreational facilities, or both, if the association of unit owners
793 does not receive payment of the assessment within the time provided in the declaration, bylaws,
794 or association of unit owners rules, subject to Subsection (3)(b)(ii);

795 (B) the amount of the assessment due, including any interest or late payment fee; and

796 (C) the unit owner's right to request a hearing under Subsection (4).

797 (ii) The time provided under Subsection (3)(b)(i)(A) may not be less than 14 days.

798 (iii) A notice under Subsection (3)(a) may include the estimated cost to reinstate a
799 utility service if service is terminated.

800 (4) (a) A delinquent unit owner may submit a written request to the management
801 committee for an informal hearing to dispute the assessment.

802 (b) A request under Subsection (4)(a) shall be submitted within 14 days after the date
803 the delinquent unit owner receives the notice under Subsection (3).

804 (5) A management committee shall conduct an informal hearing requested under
805 Subsection (4) in accordance with the standards provided in the declaration, bylaws, or
806 association of unit owners rules.

807 (6) If a delinquent unit owner requests a hearing, the association of unit owners may
808 not terminate a utility service or right of access to and use of recreational facilities until after
809 the management committee:

810 (a) conducts the hearing; and

811 (b) enters a final decision.

812 (7) If an association of unit owners terminates a utility service or a right of access to
813 and use of recreational facilities, the association of unit owners shall take immediate action to

814 reinstate the service or right following the unit owner's payment of the assessment, including
815 any interest and late payment fee.

816 (8) An association of unit owners may:

817 (a) assess a unit owner for the cost associated with reinstating a utility service that the
818 association of unit owners terminates as provided in this section; and

819 (b) demand that the estimated cost to reinstate the utility service be paid before the
820 service is reinstated, if the estimated cost is included in a notice under Subsection (3).

821 Section 14. Section **57-8-53** is enacted to read:

822 **57-8-53. Requiring tenant in residential condominium unit to pay rent to**
823 **association of unit owners if owner fails to pay assessment.**

824 (1) As used in this section:

825 (a) "Amount owing" means the total of:

826 (i) any assessment or obligation under Subsection 57-8-44(1)(a) that is due and owing;
827 and

828 (ii) any applicable interest, late fee, and cost of collection that accrues after an
829 association of unit owners gives notice under Subsection (3).

830 (b) "Lease" means an arrangement under which a tenant occupies a unit owner's
831 residential condominium unit in exchange for the unit owner receiving a consideration or
832 benefit, including a fee, service, gratuity, or emolument.

833 (c) "Tenant" means a person, other than the unit owner, who has regular, exclusive
834 occupancy of the unit owner's residential condominium unit.

835 (2) Subject to Subsections (3) and (4), the management committee may require a tenant
836 under a lease with a unit owner to pay the association of unit owners all future lease payments
837 due to the unit owner:

838 (a) if:

839 (i) the unit owner fails to pay an assessment for a period of more than 60 days after the
840 assessment is due and payable; and

841 (ii) authorized in the declaration, bylaws, or rules;

842 (b) beginning with the next monthly or periodic payment due from the tenant; and

843 (c) until the association of unit owners is paid the amount owing.

844 (3) (a) Before requiring a tenant to pay lease payments to the association of unit owners
845 under Subsection (2), the manager or management committee shall give the unit owner notice,
846 in accordance with the declaration, bylaws, or association rules.

847 (b) The notice required under Subsection (3)(a) shall state:

848 (i) the amount of the assessment due, including any interest, late fee, collection cost,
849 and attorney fees;

850 (ii) that any costs of collection, including attorney fees, and other assessments that
851 become due may be added to the total amount due and to be paid through the collection of
852 lease payments; and

853 (iii) that the association intends to demand payment of future lease payments from the
854 unit owner's tenant if the unit owner does not pay the amount owing within 15 days.

855 (4) (a) If a unit owner fails to pay the amount owing within 15 days after the manager
856 or management committee gives the unit owner notice under Subsection (3), the manager or
857 management committee may exercise the rights of the association of unit owners under
858 Subsection (2) by delivering a written notice to the tenant.

859 (b) A notice under Subsection (4)(a) shall state that:

860 (i) due to the unit owner's failure to pay an assessment within the required time, the
861 manager or management committee has notified the unit owner of the manager or management
862 committee's intent to collect all lease payments until the amount owing is paid;

863 (ii) the law requires the tenant to make all future lease payments, beginning with the
864 next monthly or other periodic payment, to the association of unit owners, until the amount
865 owing is paid; and

866 (iii) the tenant's payment of lease payments to the association of unit owners does not
867 constitute a default under the terms of the lease with the unit owner.

868 (c) The manager or management committee shall mail a copy of the notice to the unit
869 owner.

870 (5) (a) A tenant to whom notice under Subsection (4) is given shall pay to the
871 association of unit owners all future lease payments as they become due and owing to the unit
872 owner:

873 (i) beginning with the next monthly or other periodic payment after the notice under
874 Subsection (4) is delivered to the tenant; and

875 (ii) until the association of unit owners notifies the tenant under Subsection (6) that the
876 amount owing is paid.

877 (b) A unit owner:

878 (i) shall credit each payment that the tenant makes to the association of unit owners
879 under this section against any obligation that the tenant owes to the owner as though the tenant
880 made the payment to the owner; and

881 (ii) may not initiate a suit or other action against a tenant for failure to make a lease
882 payment that the tenant pays to an association of unit owners as required under this section.

883 (6) (a) Within five business days after the amount owing is paid, the manager or
884 management committee shall notify the tenant in writing that the tenant is no longer required to
885 pay future lease payments to the association of unit owners.

886 (b) The manager or management committee shall mail a copy of the notification
887 described in Subsection (6)(a) to the unit owner.

888 (7) (a) An association of unit owners shall deposit money paid to the association of unit
889 owners under this section in a separate account and disburse that money to the association of
890 unit owners until:

891 (i) the amount owing is paid; and

892 (ii) any cost of administration, not to exceed \$25, is paid.

893 (b) The association of unit owners shall, within five business days after the amount
894 owing is paid, pay to the unit owner any remaining balance.

895 Section 15. Section **57-8-54** is enacted to read:

896 **57-8-54. Statement from manager or management committee of unpaid**
897 **assessment.**

898 (1) A manager or management committee shall issue a written statement indicating any
899 unpaid assessment with respect to a unit owner's unit upon:

- 900 (a) a written request by the unit owner; and
- 901 (b) payment of a reasonable fee not to exceed \$25.

902 (2) A written statement under Subsection (1) is conclusive in favor of a person who
903 relies on the written statement in good faith.

904 Section 16. Section **57-8a-102** is amended to read:

905 **57-8a-102. Definitions.**

906 As used in this chapter:

907 (1) (a) "Assessment" means a charge imposed or levied:

- 908 (i) by the association;
- 909 (ii) on or against a lot or a lot owner; and
- 910 (iii) pursuant to a governing document recorded with the county recorder.

911 (b) "Assessment" includes:

- 912 (i) a common expense[-]; and
- 913 (ii) an amount assessed against a lot owner under Subsection 57-8a-405(8).

914 (2) (a) Except as provided in Subsection (2)(b), "association" means a corporation or
915 other legal entity, each member of which:

916 (i) is an owner of a residential lot located within the jurisdiction of the association, as
917 described in the governing documents; and

918 (ii) by virtue of membership or ownership of a residential lot is obligated to pay:

- 919 (A) real property taxes;
- 920 (B) insurance premiums;
- 921 (C) maintenance costs; or
- 922 (D) for improvement of real property not owned by the member.

923 (b) "Association" or "homeowner association" does not include an association created
924 under Title 57, Chapter 8, Condominium Ownership Act.

925 (3) "Board of directors" or "board" means the entity, regardless of name, with primary

926 authority to manage the affairs of the association.

927 (4) "Common areas" means property that the association:

928 (a) owns;

929 (b) maintains;

930 (c) repairs; or

931 (d) administers.

932 (5) "Common expense" means costs incurred by the association to exercise any of the
933 powers provided for in the association's governing documents.

934 (6) "Declarant":

935 (a) means the person who executes a declaration and submits it for recording in the
936 office of the recorder of the county in which the property described in the declaration is
937 located; and

938 (b) includes the person's successor and assign.

939 [~~6~~] (7) (a) "Governing documents" means a written instrument by which the
940 association may:

941 (i) exercise powers; or

942 (ii) manage, maintain, or otherwise affect the property under the jurisdiction of the
943 association.

944 (b) "Governing documents" includes:

945 (i) articles of incorporation;

946 (ii) bylaws;

947 (iii) a plat;

948 (iv) a declaration of covenants, conditions, and restrictions; and

949 (v) rules of the association.

950 (8) "Judicial foreclosure" means a foreclosure of a lot:

951 (a) for the nonpayment of an assessment; and

952 (b) (i) in the manner provided by law for the foreclosure of a mortgage on real
953 property; and

954 (ii) as provided in Part 3, Collection of Assessments.
955 [~~(7)~~] (9) "Lease" or "leasing" means regular, exclusive occupancy of a lot:
956 (a) by a person or persons other than the owner; and
957 (b) for which the owner receives a consideration or benefit, including a fee, service,
958 gratuity, or emolument.

959 (10) "Limited common areas" means common areas described in the declaration and
960 allocated for the exclusive use of one or more lot owners.

961 [~~(8)~~] (11) "Lot" means:
962 (a) a lot, parcel, plot, or other division of land:
963 (i) designated for separate ownership or occupancy; and
964 (ii) (A) shown on a recorded subdivision plat; or
965 (B) the boundaries of which are described in a recorded governing document; or
966 (b) (i) a unit in a condominium association if the condominium association is a part of
967 a development; or
968 (ii) a unit in a real estate cooperative if the real estate cooperative is part of a
969 development.

970 (12) "Nonjudicial foreclosure" means the sale of a lot:
971 (a) for the nonpayment of an assessment; and
972 (b) (i) in the same manner as the sale of trust property under Sections 57-1-19 through
973 57-1-34; and

974 (ii) as provided in Part 3, Collection of Assessments.
975 [~~(9)~~] (13) "Residential lot" means a lot, the use of which is limited by law, covenant, or
976 otherwise to primarily residential or recreational purposes.

977 Section 17. Section **57-8a-212** is enacted to read:

978 **57-8a-212. Content of a declaration.**

979 (1) An initial declaration recorded on or after May 10, 2011 shall contain:

- 980 (a) the name of the project;
981 (b) the name of the association;

- 982 (c) a statement that the project is not a cooperative;
- 983 (d) a statement indicating any portions of the project that contain condominiums
- 984 governed by Chapter 8, Condominium Ownership Act;
- 985 (e) if the declarant desires to reserve the option to expand the project, a statement
- 986 reserving the option to expand the project;
- 987 (f) the name of each county in which any part of the project is located;
- 988 (g) a legally sufficient description of the real estate included in the project;
- 989 (h) a description of any limited common areas and any real estate that is or is required
- 990 to become common areas;
- 991 (i) any restriction on the alienation of a lot, including a restriction on leasing; and
- 992 (j) (i) an appointment of a trustee who qualifies under Subsection 57-1-21(1)(a)(i) or
- 993 (iv); and
- 994 (ii) the following statement: "The declarant hereby conveys and warrants pursuant to
- 995 U.C.A. Sections 57-1-20 and 57-8a-402 to (name of trustee), with power of sale, the lot and all
- 996 improvements to the lot for the purpose of securing payment of assessments under the terms of
- 997 the declaration."
- 998 (2) A declaration may contain any other information the declarant considers
- 999 appropriate, including any restriction on the use of a lot, the number of persons who may
- 1000 occupy a lot, or other qualifications of a person who may occupy a lot.
- 1001 (3) The location of a limited common area or real estate described in Subsection (1)(g)
- 1002 may be shown on a subdivision plat.
- 1003 Section 18. Section **57-8a-213** is enacted to read:
- 1004 **57-8a-213. Board action to enforce governing documents -- Parameters.**
- 1005 (1) (a) The board shall use its reasonable judgment to determine whether to exercise
- 1006 the association's powers to impose sanctions or pursue legal action for a violation of the
- 1007 governing documents, including:
- 1008 (i) whether to compromise a claim made by or against the board or the association; and
- 1009 (ii) whether to pursue a claim for an unpaid assessment.

1010 (b) The association may not be required to take enforcement action if the board
1011 determines, after fair review and acting in good faith and without conflict of interest, that under
1012 the particular circumstances:

1013 (i) the association's legal position does not justify taking any or further enforcement
1014 action;

1015 (ii) the covenant, restriction, or rule in the governing documents is likely to be
1016 construed as inconsistent with current law;

1017 (iii) (A) a technical violation has or may have occurred; and

1018 (B) the violation is not material as to a reasonable person or does not justify expending
1019 the association's resources; or

1020 (iv) it is not in the association's best interests to pursue an enforcement action, based
1021 upon hardship, expense, or other reasonable criteria.

1022 (2) Subject to Subsection (3), if the board decides under Subsection (1)(b) to forego
1023 enforcement, the association is not prevented from later taking enforcement action.

1024 (3) The board may not be arbitrary, capricious, or against public policy in taking or not
1025 taking enforcement action.

1026 (4) This section does not govern whether the association's action in enforcing a
1027 provision of the governing documents constitutes a waiver or modification of that provision.

1028 Section 19. Section **57-8a-214** is enacted to read:

1029 **57-8a-214. Fair and reasonable notice.**

1030 (1) Notice that an association provides by a method allowed under Title 16, Chapter 6a,
1031 Utah Revised Nonprofit Corporation Act, constitutes fair and reasonable notice, regardless of
1032 whether or not the association is a nonprofit corporation.

1033 (2) Notice that an association provides by a method not referred to in Subsection (1)
1034 constitutes fair and reasonable notice if:

1035 (a) the method is authorized in the declaration, articles, bylaws, or rules; and

1036 (b) considering all the circumstances, the notice is fair and reasonable.

1037 (3) (a) If provided in the declaration, articles, bylaws, or rules, an association may

1038 provide notice by electronic means, including text message, email, or the association's website.

1039 (b) Notwithstanding Subsection (3)(a), a lot owner may, by written demand, require an
1040 association to provide notice to the lot owner by mail.

1041 Section 20. Section **57-8a-215** is enacted to read:

1042 **57-8a-215. Budget.**

1043 (1) At least annually the board shall prepare and adopt a budget for the association.

1044 (2) The board shall present the adopted budget to association members at a meeting of
1045 the members.

1046 (3) A budget is disapproved if within 45 days after the date of the meeting under
1047 Subsection (2) at which the board presents the adopted budget:

1048 (a) there is a vote of disapproval by at least 51% of all the allocated voting interests of
1049 the lot owners in the association; and

1050 (b) the vote is taken at a special meeting called for that purpose by lot owners under the
1051 declaration, articles, or bylaws.

1052 (4) If a budget is disapproved under Subsection (3), the budget that the board last
1053 adopted that was not disapproved by members continues as the budget until and unless the
1054 board presents another budget to members and that budget is not disapproved.

1055 (5) During the period of administrative control, association members may not
1056 disapprove a budget.

1057 Section 21. Section **57-8a-216** is enacted to read:

1058 **57-8a-216. Association bylaws -- Recording required -- Bylaw requirements.**

1059 (1) (a) No later than the date of the first lot sale, an association shall file its bylaws for
1060 recording in the office of the recorder of each county in which any part of the real estate
1061 included within the association is located.

1062 (b) If an association fails to file bylaws for recording within the time specified in
1063 Subsection (1)(a), the board may file the bylaws for recording as provided in Subsection (1)(a).

1064 (2) Unless otherwise provided in the declaration, an association's bylaws shall state:

1065 (a) the number of board members;

1066 (b) the title of each of the association's officers;
1067 (c) the manner and method of officer election by the board or, if the declaration
1068 requires, by the lot owners;
1069 (d) (i) the board member's and officer's:
1070 (A) qualifications;
1071 (B) powers and duties; and
1072 (C) terms of office;
1073 (ii) the method for removing a board member or officer; and
1074 (iii) the method for filling a board member or officer vacancy;
1075 (e) the powers that the board or officers may delegate to other persons or to a managing
1076 agent;
1077 (f) the officers who may prepare, execute, certify, and record amendments to the
1078 declaration on behalf of the association;
1079 (g) a method for the board or lot owners to amend the bylaws, consistent with Section
1080 16-6a-1010; and
1081 (h) subject to the provisions of the declaration and unless the declaration or this chapter
1082 requires that a provision appear in a declaration, any other matter that is necessary or
1083 appropriate for conducting the affairs of the association, including:
1084 (i) meetings;
1085 (ii) voting requirements; and
1086 (iii) quorum requirements.
1087 (3) An association shall file any amended bylaws for recording in the same manner as
1088 the association is required to file the initial bylaws for recording under Subsection (1).
1089 Section 22. Section **57-8a-217** is enacted to read:
1090 **57-8a-217. Association rules, including design criteria -- Requirements and**
1091 **limitations relating to board's action on rules and design criteria -- Vote of disapproval.**
1092 (1) (a) Subject to Subsection (1)(b), a board may adopt, amend, modify, cancel, limit,
1093 create exceptions to, expand, or enforce the rules and design criteria of the association.

1094 (b) A board's action under Subsection (1)(a) is subject to:
1095 (i) this section;
1096 (ii) any limitation that the declaration imposes on the authority stated in Subsection
1097 (1)(a);
1098 (iii) the limitation on rules in Sections 57-8a-218 and 57-8a-219;
1099 (iv) the board's duty to exercise business judgment on behalf of:
1100 (A) the association; and
1101 (B) the lot owners in the association; and
1102 (v) the right of the lot owners or declarant to disapprove the action under Subsection
1103 (4).
1104 (2) Except as provided in Subsection (3), before adopting, amending, modifying,
1105 canceling, limiting, creating exceptions to, or expanding the rules and design criteria of the
1106 association, the board shall:
1107 (a) at least 15 days before the board will meet to consider a change to a rule or design
1108 criterion, deliver notice to lot owners, as provided in Section 57-8a-214, that the board is
1109 considering a change to a rule or design criterion;
1110 (b) provide an open forum at the board meeting giving lot owners an opportunity to be
1111 heard at the board meeting before the board takes action under Subsection (1)(a); and
1112 (c) deliver a copy of the change in the rules or design criteria approved by the board to
1113 the lot owners as provided in Section 57-8a-214 within 15 days after the date of the board
1114 meeting.
1115 (3) (a) Subject to Subsection (3)(b), a board may adopt a rule without first giving
1116 notice to the lot owners under Subsection (2) if there is an imminent risk of harm to a common
1117 area, a limited common area, a lot owner, an occupant of a lot, a lot, or a dwelling.
1118 (b) The board shall provide notice under Subsection (2) to the lot owners of a rule
1119 adopted under Subsection (3)(a).
1120 (4) A board action in accordance with Subsections (1), (2), and (3) is disapproved if
1121 within 60 days after the date of the board meeting where the action was taken:

1122 (a) (i) there is a vote of disapproval by at least 51% of all the allocated voting interests
1123 of the lot owners in the association; and

1124 (ii) the vote is taken at a special meeting called for that purpose by the lot owners
1125 under the declaration, articles, or bylaws; or

1126 (b) (i) the declarant delivers to the board a writing of disapproval; and

1127 (ii) (A) the declarant is within the period of declarant control; or

1128 (B) for an expandable project, the declarant has the right to add real estate to the
1129 project.

1130 (5) (a) The board has no obligation to call a meeting of the lot owners to consider
1131 disapproval, unless lot owners submit a petition, in the same manner as the declaration,
1132 articles, or bylaws provide for a special meeting, for the meeting to be held.

1133 (b) Upon the board receiving a petition under Subsection (5)(a), the effect of the
1134 board's action is:

1135 (i) stayed until after the meeting is held; and

1136 (ii) subject to the outcome of the meeting.

1137 (6) During the period of administrative control, a declarant may exempt the declarant
1138 from association rules and the rulemaking procedure under this section if the declaration
1139 reserves to the declarant the right to exempt the declarant.

1140 Section 23. Section **57-8a-218** is enacted to read:

1141 **57-8a-218. Equal treatment by rules required -- Limits on association rules and**
1142 **design criteria.**

1143 (1) (a) Except as provided in Subsection (1)(b), a rule shall treat similarly situated lot
1144 owners similarly.

1145 (b) Notwithstanding Subsection (1)(a), a rule may:

1146 (i) vary according to the level and type of service that the association provides to lot
1147 owners; and

1148 (ii) differ between residential and nonresidential uses.

1149 (2) (a) A rule criterion may not abridge the rights of a lot owner to display religious

1150 and holiday signs, symbols, and decorations inside a dwelling on a lot.

1151 (b) Notwithstanding Subsection (2)(a), the association may adopt time, place, and
1152 manner restrictions with respect to displays visible from outside the dwelling or lot.

1153 (3) (a) A rule may not regulate the content of political signs.

1154 (b) Notwithstanding Subsection (3)(a):

1155 (i) a rule may regulate the time, place, and manner of posting a political sign; and

1156 (ii) an association design provision may establish design criteria for political signs.

1157 (4) (a) A rule may not interfere with the freedom of a lot owner to determine the
1158 composition of the lot owner's household.

1159 (b) Notwithstanding Subsection (4)(a), an association may:

1160 (i) require that all occupants of a dwelling be members of a single housekeeping unit;

1161 and

1162 (ii) limit the total number of occupants permitted in each residential dwelling on the
1163 basis of the residential dwelling's:

1164 (A) size and facilities; and

1165 (B) fair use of the common areas.

1166 (5) (a) A rule may not interfere with an activity of a lot owner within the confines of a
1167 dwelling or lot, to the extent that the activity is in compliance with local laws and ordinances.

1168 (b) Notwithstanding Subsection (5)(a), a rule may prohibit an activity within a dwelling
1169 on an owner's lot if the activity:

1170 (i) is not normally associated with a project restricted to residential use; or

1171 (ii) (A) creates monetary costs for the association or other lot owners;

1172 (B) creates a danger to the health or safety of occupants of other lots;

1173 (C) generates excessive noise or traffic;

1174 (D) creates unsightly conditions visible from outside the dwelling;

1175 (E) creates an unreasonable source of annoyance to persons outside the lot; or

1176 (F) if there are attached dwellings, creates the potential for smoke to enter another lot
1177 owner's dwelling, the common areas, or limited common areas.

1178 (c) If permitted by law, an association may adopt rules described in Subsection (5)(b)
1179 that affect the use of or behavior inside the dwelling.

1180 (6) (a) A rule may not, to the detriment of a lot owner and over the lot owner's written
1181 objection to the board, alter the allocation of financial burdens among the various lots.

1182 (b) Notwithstanding Subsection (6)(a), an association may:

1183 (i) change the common areas available to a lot owner;

1184 (ii) adopt generally applicable rules for the use of common areas; or

1185 (iii) deny use privileges to a lot owner who:

1186 (A) is delinquent in paying assessments;

1187 (B) abuses the common areas; or

1188 (C) violates the governing documents.

1189 (c) This Subsection (6) does not permit a rule that:

1190 (i) alters the method of levying assessments; or

1191 (ii) increases the amount of assessments as provided in the declaration.

1192 (7) (a) Subject to Subsection (7)(b), a rule may not:

1193 (i) prohibit the transfer of a lot; or

1194 (ii) require the consent of the association or board to transfer a lot.

1195 (b) Unless contrary to a declaration, a rule may require a minimum lease term.

1196 (8) (a) A rule may not require a lot owner to dispose of personal property that was in or
1197 on a lot before the adoption of the rule or design criteria if the personal property was in
1198 compliance with all rules and other governing documents previously in force.

1199 (b) The exemption in Subsection (8)(a):

1200 (i) applies during the period of the lot owner's ownership of the lot; and

1201 (ii) does not apply to a subsequent lot owner who takes title to the lot after adoption of
1202 the rule described in Subsection (8)(a).

1203 (9) A rule or action by the association or action by the board may not unreasonably
1204 impede a declarant's ability to satisfy existing development financing for community
1205 improvements and right to develop:

- 1206 (a) the project; or
- 1207 (b) other properties in the vicinity of the project.
- 1208 (10) A rule or association or board action may not interfere with:
- 1209 (a) the use or operation of an amenity that the association does not own or control; or
- 1210 (b) the exercise of a right associated with an easement.
- 1211 (11) A rule may not divest a lot owner of the right to proceed in accordance with a
- 1212 completed application for design review, or to proceed in accordance with another approval
- 1213 process, under the terms of the governing documents in existence at the time the completed
- 1214 application was submitted by the owner for review.
- 1215 (12) Unless otherwise provided in the declaration, an association may by rule:
- 1216 (a) regulate the use, maintenance, repair, replacement, and modification of common
- 1217 areas;
- 1218 (b) impose and receive any payment, fee, or charge for:
- 1219 (i) the use, rental, or operation of the common areas, except limited common areas; and
- 1220 (ii) a service provided to a lot owner;
- 1221 (c) impose a charge for a late payment of an assessment; or
- 1222 (d) provide for the indemnification of its officers and board consistent with Title 16,
- 1223 Chapter 6a, Utah Revised Nonprofit Corporation Act.
- 1224 (13) A rule shall be reasonable.
- 1225 (14) A declaration, or an amendment to a declaration, may vary any of the
- 1226 requirements of Subsections (1) through (12), except Subsection (1)(b)(ii).
- 1227 (15) A rule may not be inconsistent with a provision of a declaration.
- 1228 Section 24. Section **57-8a-219** is enacted to read:
- 1229 **57-8a-219. Display of the flag.**
- 1230 (1) An association may not prohibit a lot owner from displaying a United States flag
- 1231 inside a dwelling or limited common area or on a lot, if the display complies with United States
- 1232 Code, Title 4, Chapter 1, The Flag.
- 1233 (2) An association may restrict the display of a flag on the common areas.

1234 Section 25. Section **57-8a-220** is enacted to read:

1235 **57-8a-220. Creditor approval may be required for lot owner or association action**
1236 **under declaration -- Creditor approval presumed in certain circumstances -- Notice to**
1237 **creditor or creditor's successor.**

1238 (1) (a) Subject to Subsection (1)(b), a declaration may:

1239 (i) condition the effectiveness of lot owners' actions specified in the declaration on the
1240 approval of a specified number or percentage of lenders holding a security interest in the lots;
1241 or

1242 (ii) condition the effectiveness of association actions specified in the declaration on the
1243 approval of a specified number or percentage of lenders that have extended credit to the
1244 association.

1245 (b) A condition under Subsection (1)(a) may not:

1246 (i) deny or delegate the lot owners' or board's control over the association's general
1247 administrative affairs;

1248 (ii) prevent the association or board from commencing, intervening in, or settling any
1249 litigation or proceeding; or

1250 (iii) prevent an insurance trustee or the association from receiving or distributing
1251 insurance proceeds under Subsection 57-8a-405(12).

1252 (c) A condition under Subsection (1)(a) does not violate a prohibition under Subsection
1253 (1)(b) by:

1254 (i) requiring the association to deposit the association's assessments before default with
1255 the lender assigned the income; or

1256 (ii) requiring the association to increase an assessment at the lender's direction by an
1257 amount reasonably necessary to pay the loan in accordance with the loan terms.

1258 (d) This Subsection (1) applies to:

1259 (i) an association formed before, on, or after May 10, 2011; and

1260 (ii) documents created and recorded before, on, or after May 10, 2011.

1261 (2) Subject to this chapter and applicable law, a lender who has extended credit to an

1262 association secured by an assignment of income or an encumbrance of the common areas may
1263 enforce the lender's security agreement as provided in the agreement.

1264 (3) (a) Subject to Subsection (4), a security holder's consent that is required under
1265 Subsection (1) to amend a declaration or bylaw or for another association action is presumed if:

1266 (i) the association sends written notice of the proposed amendment or action by
1267 certified or registered mail to the security holder's address stated in a recorded document
1268 evidencing the security interest; and

1269 (ii) the person designated in a notice under Subsection (3)(a)(i) to receive the security
1270 holder's response does not receive a response within 60 days after the association sends notice
1271 under Subsection (3)(a)(i).

1272 (b) If a security holder's address for receiving notice is not stated in a recorded
1273 document evidencing the security interest, an association:

1274 (i) shall use reasonable efforts to find a mailing address for the security holder; and

1275 (ii) may send the notice to any address obtained under Subsection (3)(b)(i).

1276 (4) If a security holder responds in writing within 60 days after the association sends
1277 notice under Subsection (3)(a)(i) that the security interest has been assigned or conveyed to
1278 another person, the association:

1279 (a) shall:

1280 (i) send a notice under Subsection (3)(a)(i) to the person assigned or conveyed the
1281 security interest at the address provided by the security holder in the security holder's response;
1282 or

1283 (ii) if no address is provided:

1284 (A) use reasonable efforts to find a mailing address for the person assigned or
1285 conveyed the security interest; and

1286 (B) send notice by certified or registered mail to the person at the address that the
1287 association finds under Subsection (4)(a)(ii)(A); and

1288 (b) may not presume the security holder's consent under Subsection (3)(a) unless the
1289 person designated in a notice under Subsection (4)(a) to receive the response from the person

1290 assigned or conveyed the security interest does not receive a response within 60 days after the
1291 association sends the notice.

1292 Section 26. Section **57-8a-221** is enacted to read:

1293 **57-8a-221. Reincorporation of terminated or dissolved association.**

1294 (1) An association that is terminated or dissolved without possibility of reinstatement
1295 under Title 16, Chapter 6a, Utah Revised Nonprofit Corporation Act, may be reincorporated by
1296 the acting directors of the association refiling articles of incorporation that are substantially
1297 similar to the articles of incorporation, as amended, in existence at the time of termination or
1298 dissolution.

1299 (2) Upon the association's reincorporation under Subsection (1):

1300 (a) the board of directors shall readopt bylaws for the association that are the same as
1301 the bylaws that were in existence at the time of termination or dissolution; and

1302 (b) all lot owners within the project are members of the reincorporated association.

1303 Section 27. Section **57-8a-301** is enacted to read:

1304 **Part 3. Collection of Assessments**

1305 **57-8a-301. Lien in favor of association for assessments and costs of collection.**

1306 (1) (a) An association has a lien on a lot for:

1307 (i) an assessment;

1308 (ii) except as provided in the declaration, fees, charges, and costs associated with
1309 collecting an unpaid assessment, including:

1310 (A) court costs and reasonable attorney fees;

1311 (B) late charges;

1312 (C) interest; and

1313 (D) any other amount that the association is entitled to recover under the declaration,
1314 this chapter, or an administrative or judicial decision; and

1315 (iii) a fine that the association imposes against the owner of the lot.

1316 (b) The recording of a declaration constitutes record notice and perfection of a lien
1317 described in Subsection (1)(a).

1318 (2) If an assessment is payable in installments, a lien described in Subsection (1)(a)(i)
1319 is for the full amount of the assessment from the time the first installment is due, unless the
1320 association otherwise provides in a notice of assessment.

1321 (3) An unpaid assessment or fine accrues interest at the rate provided:

1322 (a) in Subsection 15-1-1(2); or

1323 (b) in the declaration, if the declaration provides for a different interest rate.

1324 (4) A lien under this section has priority over each other lien and encumbrance on a lot
1325 except:

1326 (a) a lien or encumbrance recorded before the declaration is recorded;

1327 (b) a first or second security interest on the lot secured by a mortgage or trust deed that
1328 is recorded before a recorded notice of lien by or on behalf of the association; or

1329 (c) a lien for real estate taxes or other governmental assessments or charges against the
1330 lot.

1331 (5) A lien under this section is not subject to Title 78B, Chapter 5, Part 5, Utah
1332 Exemptions Act.

1333 (6) Unless the declaration provides otherwise, if two or more associations have liens
1334 for assessments on the same lot, the liens have equal priority, regardless of when the liens are
1335 created.

1336 Section 28. Section **57-8a-302** is enacted to read:

1337 **57-8a-302. Enforcement of a lien.**

1338 (1) (a) To enforce a lien established under Section 57-8a-301, an association may:

1339 (i) cause a lot to be sold through nonjudicial foreclosure as though the lien were a deed
1340 of trust, in the manner provided by:

1341 (A) Sections 57-1-24, 57-1-25, 57-1-26, and 57-1-27; and

1342 (B) this part; or

1343 (ii) foreclose the lien through a judicial foreclosure in the manner provided by:

1344 (A) law for the foreclosure of a mortgage; and

1345 (B) this part.

1346 (b) For purposes of a nonjudicial or judicial foreclosure as provided in Subsection

1347 (1)(a):

1348 (i) the association is considered to be the beneficiary under a trust deed; and

1349 (ii) the lot owner is considered to be the trustor under a trust deed.

1350 (2) A lot owner's acceptance of the owner's interest in a lot constitutes a simultaneous

1351 conveyance of the lot in trust, with power of sale, to the trustee designated as provided in this

1352 section for the purpose of securing payment of all amounts due under the declaration and this

1353 chapter.

1354 (3) (a) A power of sale and other powers of a trustee under this part and under Sections

1355 57-1-19 through 57-1-34 may not be exercised unless the association appoints a qualified

1356 trustee.

1357 (b) An association's execution of a substitution of trustee form authorized in Section

1358 57-1-22 is sufficient for appointment of a trustee under Subsection (3)(a).

1359 (c) A person may not be a trustee under this part unless the person qualifies as a trustee

1360 under Subsection 57-1-21(1)(a)(i) or (iv).

1361 (d) A trustee under this part is subject to all duties imposed on a trustee under Sections

1362 57-1-19 through 57-1-34.

1363 (4) This part does not prohibit an association from bringing an action against a lot

1364 owner to recover an amount for which a lien is created under Section 57-8a-301 or from taking

1365 a deed in lieu of foreclosure, if the action is brought or deed taken before the sale or foreclosure

1366 of the lot owner's lot under this part.

1367 Section 29. Section **57-8a-303** is enacted to read:

1368 **57-8a-303. Notice of nonjudicial foreclosure -- Nonjudicial foreclosure prohibited**

1369 **if unit owner demands judicial foreclosure.**

1370 (1) At least 30 calendar days before initiating a nonjudicial foreclosure, an association

1371 shall provide notice to the owner of the lot that is the intended subject of the nonjudicial

1372 foreclosure.

1373 (2) The notice under Subsection (1):

1374 (a) shall:

1375 (i) notify the lot owner that the association intends to pursue nonjudicial foreclosure
1376 with respect to the owner's lot to enforce the association's lien for an unpaid assessment;

1377 (ii) notify the lot owner of the owner's right to demand judicial foreclosure in the place
1378 of nonjudicial foreclosure;

1379 (iii) be in substantially the following form:

1380 "NOTICE OF NONJUDICIAL FORECLOSURE AND RIGHT TO DEMAND
1381 JUDICIAL FORECLOSURE

1382 The (insert the name of the association), the association for the project in which your lot
1383 is located, intends to foreclose upon your lot and allocated interest in the common areas using a
1384 procedure that will not require it to file a lawsuit or involve a court. This procedure is being
1385 followed in order to enforce the association's lien against your lot and to collect the amount of
1386 an unpaid assessment against your lot, together with any applicable late fees and the costs,
1387 including attorney fees, associated with the foreclosure proceeding. Alternatively, you have the
1388 right to demand that a foreclosure of your property be conducted in a lawsuit with the oversight
1389 of a judge. If you make this demand and the association prevails in the lawsuit, the costs and
1390 attorney fees associated with the lawsuit will likely be significantly higher than if a lawsuit
1391 were not required, and you may be responsible for paying those costs and attorney fees. If you
1392 want to make this demand, you must state in writing that 'I demand a judicial foreclosure
1393 proceeding upon my lot,' or words substantially to that effect. You must send this written
1394 demand by first class and certified U.S. mail, return receipt requested, within 15 days after the
1395 date of the postmark on the envelope in which this notice was mailed to you. The address to
1396 which you must mail your demand is (insert the association's address for receipt of a
1397 demand)."; and

1398 (iv) be sent to the lot owner by certified mail, return receipt requested; and

1399 (b) may be included with other association correspondence to the lot owner.

1400 (3) An association may not use a nonjudicial foreclosure to enforce a lien if the lot
1401 owner mails the association a written demand for judicial foreclosure:

1402 (a) by U.S. mail, certified with a return receipt requested;
1403 (b) to the address stated in the association's notice under Subsection (1); and
1404 (c) within 15 days after the date of the postmark on the envelope of the association's
1405 notice under Subsection (1).

1406 Section 30. Section **57-8a-304** is enacted to read:

1407 **57-8a-304. Provisions applicable to nonjudicial foreclosure.**

1408 (1) An association's nonjudicial foreclosure of a lot is governed by:

1409 (a) Sections 57-1-19 through 57-1-34, to the same extent as though the association's
1410 lien were a trust deed; and

1411 (b) this part.

1412 (2) If there is a conflict between a provision of this part and a provision of Sections
1413 57-1-19 through 57-1-34 with respect to an association's nonjudicial foreclosure of a lot, the
1414 provision of this part controls.

1415 Section 31. Section **57-8a-305** is enacted to read:

1416 **57-8a-305. One-action rule not applicable -- Abandonment of enforcement**
1417 **proceeding.**

1418 (1) Subsection 78B-6-901(1) does not apply to an association's judicial or nonjudicial
1419 foreclosure of a lot under this part.

1420 (2) An association may abandon a judicial foreclosure, nonjudicial foreclosure, or
1421 sheriff's sale and initiate a separate action or another judicial foreclosure, nonjudicial
1422 foreclosure, or sheriff's sale if the initial judicial foreclosure, nonjudicial foreclosure, or
1423 sheriff's sale is not complete.

1424 Section 32. Section **57-8a-306** is enacted to read:

1425 **57-8a-306. Costs and attorney fees in lien enforcement action.**

1426 (1) A court entering a judgment or decree in a judicial action brought under this part
1427 shall award the prevailing party its costs and reasonable attorney fees incurred before the
1428 judgment or decree and, if the association is the prevailing party, any costs and reasonable
1429 attorney fees that the association incurs collecting the judgment.

1430 (2) In a nonjudicial foreclosure, an association may include in the amount due, and may
1431 collect, all costs and reasonable attorney fees incurred in collecting the amount due, including
1432 the costs of preparing, recording, and foreclosing a lien.

1433 Section 33. Section **57-8a-307** is enacted to read:

1434 **57-8a-307. Action to recover unpaid assessment.**

1435 An association need not pursue a judicial foreclosure or nonjudicial foreclosure to
1436 collect an unpaid assessment but may file an action to recover a money judgment for the unpaid
1437 assessment without waiving the lien under Section 57-8a-301.

1438 Section 34. Section **57-8a-308** is enacted to read:

1439 **57-8a-308. Appointment of receiver.**

1440 In an action by an association to collect an assessment or to foreclose a lien for an
1441 unpaid assessment, a court may:

1442 (1) appoint a receiver, in accordance with Section 7-2-9, to collect and hold money
1443 alleged to be due and owing to a lot owner:

1444 (a) before commencement of the action; or

1445 (b) during the pendency of the action; and

1446 (2) order the receiver to pay the association, to the extent of the association's common
1447 expense assessment, money the receiver holds under Subsection (1).

1448 Section 35. Section **57-8a-309** is enacted to read:

1449 **57-8a-309. Termination of a delinquent owner's rights -- Notice -- Informal**
1450 **hearing.**

1451 (1) As used in this section, "delinquent lot owner" means a lot owner who fails to pay
1452 an assessment when due.

1453 (2) A board may, if authorized in the declaration, bylaws, or rules and as provided in
1454 this section, terminate a delinquent lot owner's right:

1455 (a) to receive a utility service for which the lot owner pays as a common expense; or

1456 (b) of access to and use of recreational facilities.

1457 (3) (a) Before terminating a utility service or right of access to and use of recreational

1458 facilities under Subsection (2), the manager or board shall give the delinquent lot owner notice
1459 in a manner provided in the declaration, bylaws, or association rules.

1460 (b) (i) A notice under Subsection (3)(a) shall state:

1461 (A) that the association will terminate the lot owner's utility service or right of access
1462 to and use of recreational facilities, or both, if the association does not receive payment of the
1463 assessment within the time provided in the declaration, bylaws, or association rules, subject to
1464 Subsection (3)(b)(ii);

1465 (B) the amount of the assessment due, including any interest or late payment fee; and

1466 (C) the lot owner's right to request a hearing under Subsection (4).

1467 (ii) The time provided under Subsection (3)(b)(i)(A) may not be less than 14 days.

1468 (iii) A notice under Subsection (3)(a) may include the estimated cost to reinstate a
1469 utility service if service is terminated.

1470 (4) (a) A delinquent lot owner may submit a written request to the board for an
1471 informal hearing to dispute the assessment.

1472 (b) A request under Subsection (4)(a) shall be submitted within 14 days after the date
1473 the delinquent lot owner receives the notice under Subsection (3).

1474 (5) A board shall conduct an informal hearing requested under Subsection (4) in
1475 accordance with the standards provided in the declaration, bylaws, or association rules.

1476 (6) If a delinquent lot owner requests a hearing, the association may not terminate a
1477 utility service or right of access to and use of recreational facilities until after the board:

1478 (a) conducts the hearing; and

1479 (b) enters a final decision.

1480 (7) If an association terminates a utility service or a right of access to and use of
1481 recreational facilities, the association shall take immediate action to reinstate the service or
1482 right following the lot owner's payment of the assessment, including any interest and late
1483 payment fee.

1484 (8) An association may:

1485 (a) assess a lot owner for the cost associated with reinstating a utility service that the

1486 association terminates as provided in this section; and

1487 (b) demand that the estimated cost to reinstate the utility service be paid before the
1488 service is reinstated, if the estimated cost is included in a notice under Subsection (3).

1489 Section 36. Section **57-8a-310** is enacted to read:

1490 **57-8a-310. Requiring tenant in residential condominium lot to pay rent to**
1491 **association if owner fails to pay assessment.**

1492 (1) As used in this section:

1493 (a) "Amount owing" means the total of:

1494 (i) any assessment or obligation under Section 57-8a-301 that is due and owing; and

1495 (ii) any applicable interest, late fee, and cost of collection.

1496 (b) "Lease" means an arrangement under which a tenant occupies a lot owner's lot in
1497 exchange for the lot owner receiving a consideration or benefit, including a fee, service,
1498 gratuity, or emolument.

1499 (c) "Tenant" means a person, other than the lot owner, who has regular, exclusive
1500 occupancy of the lot owner's lot.

1501 (2) Subject to Subsections (3) and (4), the board may require a tenant under a lease
1502 with a lot owner to pay the association all future lease payments due to the lot owner:

1503 (a) if:

1504 (i) the lot owner fails to pay an assessment for a period of more than 60 days after the
1505 assessment is due and payable; and

1506 (ii) authorized in the declaration, bylaws, or rules;

1507 (b) beginning with the next monthly or periodic payment due from the tenant; and

1508 (c) until the association is paid the amount owing.

1509 (3) (a) Before requiring a tenant to pay lease payments to the association under
1510 Subsection (2), the association's manager or board shall give the lot owner notice, in

1511 accordance with the declaration, bylaws, or association rules.

1512 (b) The notice required under Subsection (3)(a) shall state:

1513 (i) the amount of the assessment due, including any interest, late fee, collection cost,

1514 and attorney fees;

1515 (ii) that any costs of collection, including attorney fees, and other assessments that
1516 become due may be added to the total amount due and be paid through the collection of lease
1517 payments; and

1518 (iii) that the association intends to demand payment of future lease payments from the
1519 lot owner's tenant if the lot owner does not pay the amount owing within 15 days.

1520 (4) (a) If a lot owner fails to pay the amount owing within 15 days after the
1521 association's manager or board gives the lot owner notice under Subsection (3), the
1522 association's manager or board may exercise the association's rights under Subsection (2) by
1523 delivering a written notice to the tenant.

1524 (b) A notice under Subsection (4)(a) shall state that:

1525 (i) due to the lot owner's failure to pay an assessment within the required time, the
1526 board has notified the lot owner of the board's intent to collect all lease payments until the
1527 amount owing is paid;

1528 (ii) the law requires the tenant to make all future lease payments, beginning with the
1529 next monthly or other periodic payment, to the association, until the amount owing is paid; and

1530 (iii) the tenant's payment of lease payments to the association does not constitute a
1531 default under the terms of the lease with the lot owner.

1532 (c) The manager or board shall mail a copy of the notice to the lot owner.

1533 (5) (a) A tenant to whom notice under Subsection (4) is given shall pay to the
1534 association all future lease payments as they become due and owing to the lot owner:

1535 (i) beginning with the next monthly or other periodic payment after the notice under
1536 Subsection (4) is delivered to the tenant; and

1537 (ii) until the association notifies the tenant under Subsection (6) that the amount owing
1538 is paid.

1539 (b) A lot owner:

1540 (i) shall credit each payment that the tenant makes to the association under this section
1541 against any obligation that the tenant owes to the owner as though the tenant made the payment

1542 to the owner; and

1543 (ii) may not initiate a suit or other action against a tenant for failure to make a lease
1544 payment that the tenant pays to an association as required under this section.

1545 (6) (a) Within five business days after the amount owing is paid, the association's
1546 manager or board shall notify the tenant in writing that the tenant is no longer required to pay
1547 future lease payments to the association.

1548 (b) The manager or board shall mail a copy of the notification described in Subsection
1549 (6)(a) to the lot owner.

1550 (7) (a) An association shall deposit money paid to the association under this section in
1551 a separate account and disburse that money to the association until:

1552 (i) the amount owing is paid; and

1553 (ii) any cost of administration, not to exceed \$25, is paid.

1554 (b) The association shall, within five business days after the amount owing is paid, pay
1555 to the lot owner any remaining balance.

1556 Section 37. Section **57-8a-311** is enacted to read:

1557 **57-8a-311. Statement from association's manager or board of unpaid assessment.**

1558 (1) An association's manager or board shall issue a written statement indicating any
1559 unpaid assessment with respect to a lot owner's lot upon:

1560 (a) a written request by the lot owner; and

1561 (b) payment of a reasonable fee not to exceed \$25.

1562 (2) A written statement under Subsection (1) is conclusive in favor of a person who
1563 relies on the written statement in good faith.

1564 Section 38. Section **57-8a-401** is enacted to read:

1565 **Part 4. Insurance**

1566 **57-8a-401. Definition.**

1567 As used in this part, "reasonably available" means available using typical insurance
1568 carriers and markets, irrespective of the ability of the association to pay.

1569 Section 39. Section **57-8a-402** is enacted to read:

1570 **57-8a-402. Applicability of part.**

1571 (1) This part applies to an insurance policy or combination of insurance policies:

1572 (a) issued or renewed on or after July 1, 2011; and

1573 (b) issued to or renewed by:

1574 (i) a lot owner; or

1575 (ii) an association, regardless of when the association is formed.

1576 (2) This part does not apply to a project if all of the project's lots are restricted to
1577 entirely nonresidential use.

1578 (3) Subject to Subsection (4), this part does not apply to a project if:

1579 (a) the initial declaration for the project is recorded before January 1, 2012;

1580 (b) the project includes attached dwellings; and

1581 (c) the declaration requires each lot owner to insure the lot owner's dwelling.

1582 (4) (a) An association that is subject to a declaration recorded before January 1, 2012
1583 may amend the declaration, as provided in the declaration, to subject the association to this
1584 part.

1585 (b) During the period of administrative control, an amendment under Subsection (4)(a)
1586 requires the consent of the declarant.

1587 Section 40. Section **57-8a-403** is enacted to read:

1588 **57-8a-403. Property and liability insurance required -- Notice if insurance not**
1589 **reasonably available.**

1590 (1) Beginning not later than the day on which the first lot is conveyed to a person other
1591 than a declarant, an association shall maintain, to the extent reasonably available:

1592 (a) subject to Section 57-8a-405, property insurance on the physical structure of all
1593 attached dwellings, limited common areas appurtenant to a dwelling on a lot, and common
1594 areas in the project, insuring against all risks of direct physical loss commonly insured against,
1595 including fire and extended coverage perils; and

1596 (b) subject to Section 57-8a-406, liability insurance, including medical payments
1597 insurance covering all occurrences commonly insured against for death, bodily injury, and

1598 property damage arising out of or in connection with the use, ownership, or maintenance of the
1599 common areas.

1600 (2) If an association becomes aware that property insurance under Subsection (1)(a) or
1601 liability insurance under Subsection (1)(b) is not reasonably available, the association shall,
1602 within seven calendar days after becoming aware, give all lot owners notice, as provided in
1603 Section 57-8a-215, that the insurance is not reasonably available.

1604 Section 41. Section **57-8a-404** is enacted to read:

1605 **57-8a-404. Other and additional insurance -- Limit on effect of lot owner act or**
1606 **omission -- Insurer's subrogation waiver -- Inconsistent provisions.**

1607 (1) (a) The declaration or bylaws may require the association to carry other types of
1608 insurance in addition to those described in Section 57-8a-403.

1609 (b) In addition to any type of insurance coverage or limit of coverage provided in the
1610 declaration or bylaws and subject to the requirements of this part, an association may, as the
1611 board considers appropriate, obtain:

1612 (i) an additional type of insurance than otherwise required; or

1613 (ii) a policy with greater coverage than otherwise required.

1614 (2) Unless a lot owner is acting within the scope of the lot owner's authority on behalf
1615 of an association, a lot owner's act or omission may not:

1616 (a) void a property insurance policy under Subsection 57-8a-403(1)(a) or a liability
1617 insurance policy under Subsection 57-8a-403(1)(b); or

1618 (b) be a condition to recovery under a policy.

1619 (3) An insurer under a property insurance policy or liability insurance policy obtained
1620 under this part waives its right to subrogation under the policy against any lot owner or member
1621 of the lot owner's household.

1622 (4) (a) An insurance policy issued to an association may not be inconsistent with any
1623 provision of this part.

1624 (b) A provision of a governing document that is contrary to a provision of this part has
1625 no effect.

1626 (c) A property insurance or liability insurance policy issued to an association may not
1627 prevent a lot owner from obtaining insurance for the lot owner's own benefit.

1628 Section 42. Section **57-8a-405** is enacted to read:

1629 **57-8a-405. Property insurance.**

1630 (1) This section applies to property insurance required under Subsection
1631 57-8a-403(1)(a).

1632 (2) The property covered by property insurance shall include any property that, under
1633 the declaration, is required to become common areas.

1634 (3) The total amount of coverage provided by blanket property insurance may not be
1635 less than 100% of the full replacement cost of the insured property at the time the insurance is
1636 purchased and at each renewal date, excluding items normally excluded from property
1637 insurance policies.

1638 (4) Property insurance shall include coverage for any fixture, improvement, or
1639 betterment installed by a lot owner to an attached dwelling or to a limited common area
1640 appurtenant to a dwelling on a lot, including a floor covering, cabinet, light fixture, electrical
1641 fixture, heating or plumbing fixture, paint, wall covering, window, and any other item
1642 permanently part of or affixed to an attached dwelling or to a limited common area.

1643 (5) Notwithstanding anything in this part and unless otherwise provided in the
1644 declaration, an association is not required to obtain property insurance for a loss to a dwelling
1645 that is not physically attached to another dwelling or to a common area structure.

1646 (6) Each lot owner is an insured person under a property insurance policy.

1647 (7) If a loss occurs that is covered by a property insurance policy in the name of an
1648 association and another property insurance policy in the name of a lot owner:

1649 (a) the association's policy provides primary insurance coverage; and

1650 (b) notwithstanding Subsection (7)(a) and subject to Subsection (8):

1651 (i) a lot owner is responsible for the association's policy deductible; and

1652 (ii) the lot owner's policy applies to that portion of the loss attributable to the
1653 association's policy deductible.

1654 (8) (a) As used in this Subsection (8):

1655 (i) "Covered loss" means a loss, resulting from a single event or occurrence, that is
1656 covered by an association's property insurance policy.

1657 (ii) "Lot damage" means damage to any combination of a lot, a dwelling on a lot, or a
1658 limited common area appurtenant to a lot or appurtenant to a dwelling on a lot.

1659 (iii) "Lot damage percentage" means the percentage of total damage resulting in a
1660 covered loss that is attributable to lot damage.

1661 (b) A lot owner who owns a lot that has suffered lot damage as part of a covered loss is
1662 responsible for an amount calculated by applying the lot damage percentage for that lot to the
1663 amount of the deductible under the association's property insurance policy.

1664 (c) If a lot owner does not pay the amount required under Subsection (8)(b) within 30
1665 days after substantial completion of the repairs to, as applicable, the lot, a dwelling on the lot,
1666 or the limited common area appurtenant to the lot, an association may levy an assessment
1667 against a lot owner for that amount.

1668 (9) An association shall set aside an amount equal to the amount of the association's
1669 property insurance policy deductible or \$10,000, whichever is less.

1670 (10) (a) An association shall provide notice in accordance with Section 57-8a-215 to
1671 each lot owner of the lot owner's obligation under Subsection (8) for the association's policy
1672 deductible and of any change in the amount of the deductible.

1673 (b) An association that fails to provide notice as provided in Subsection (10)(a) is
1674 responsible for the amount of the deductible increase that the association could have assessed
1675 to a lot owner under Subsection (8).

1676 (c) An association's failure to provide notice as provided in Subsection (10)(a) may not
1677 be construed to invalidate any other provision of this part.

1678 (11) If, in the exercise of the business judgment rule, the board determines that a claim
1679 is likely not to exceed the association's property insurance policy deductible:

1680 (a) the lot owner's policy is considered the policy for primary coverage to the amount
1681 of the association's policy deductible;

1682 (b) a lot owner who does not have a policy to cover the association's property insurance
1683 policy deductible is responsible for the loss to the amount of the association's policy deductible,
1684 as provided in Subsection (8); and

1685 (c) the association need not tender the claim to the association's insurer.

1686 (12) (a) An insurer under a property insurance policy issued to an association shall
1687 adjust with the association a loss covered under the association's policy.

1688 (b) Notwithstanding Subsection (12)(a), the insurance proceeds for a loss under an
1689 association's property insurance policy:

1690 (i) are payable to an insurance trustee that the association designates or, if no trustee is
1691 designated, to the association; and

1692 (ii) may not be payable to a holder of a security interest.

1693 (c) An insurance trustee or an association shall hold any insurance proceeds in trust for
1694 the association, lot owners, and lien holders.

1695 (d) (i) Insurance proceeds shall be disbursed first for the repair or restoration of the
1696 damaged property.

1697 (ii) After the disbursements described in Subsection (12)(d)(i) are made and the
1698 damaged property has been completely repaired or restored or the project terminated, any
1699 surplus proceeds are payable to the association, lot owners, and lien holders.

1700 (13) An insurer that issues a property insurance policy under this part, or the insurer's
1701 authorized agent, shall issue a certificate or memorandum of insurance to:

1702 (a) the association;

1703 (b) a lot owner, upon the lot owner's written request; and

1704 (c) a holder of a security interest, upon the holder's written request.

1705 (14) A cancellation or nonrenewal of a property insurance policy under this section is
1706 subject to the procedures stated in Section 31A-21-303.

1707 (15) A board that acquires from an insurer the property insurance required in this
1708 section is not liable to lot owners if the insurance proceeds are not sufficient to cover 100% of
1709 the full replacement cost of the insured property at the time of the loss.

1710 Section 43. Section **57-8a-406** is enacted to read:

1711 **57-8a-406. Liability insurance.**

1712 (1) This section applies to a liability insurance policy required under Subsection
1713 57-8a-403(1)(b).

1714 (2) A liability insurance policy shall be in an amount determined by the board but not
1715 less than an amount specified in the declaration or bylaws.

1716 (3) Each lot owner is an insured person under a liability insurance policy that an
1717 association obtains that insures against liability arising from the lot owner's interest in the
1718 common areas or from membership in the association.

1719 Section 44. Section **57-8a-407** is enacted to read:

1720 **57-8a-407. Damage to a portion of project -- Insurance proceeds.**

1721 (1) (a) If a portion of the project for which insurance is required under this part is
1722 damaged or destroyed, the association shall repair or replace the portion within a reasonable
1723 amount of time unless:

1724 (i) the project is terminated;

1725 (ii) repair or replacement would be illegal under a state statute or local ordinance
1726 governing health or safety; or

1727 (iii) (A) at least 75% of the allocated voting interests of the lot owners in the
1728 association vote not to rebuild; and

1729 (B) each owner of a dwelling on a lot and the limited common area appurtenant to that
1730 lot that will not be rebuilt votes not to rebuild.

1731 (b) If a portion of a project is not repaired or replaced because the project is terminated,
1732 the termination provisions of applicable law and the governing documents apply.

1733 (2) The cost of repair or replacement in excess of insurance proceeds and reserves is a
1734 common expense.

1735 (3) If the entire project is damaged or destroyed and not repaired or replaced:

1736 (a) the association shall use the insurance proceeds attributable to the damaged

1737 common areas to restore the damaged area to a condition compatible with the remainder of the

1738 project;
1739 (b) the association shall distribute the insurance proceeds attributable to lots and
1740 common areas that are not rebuilt to:
1741 (i) the lot owners of the lots that are not rebuilt;
1742 (ii) the lot owners of the lots to which those common areas that are not rebuilt were
1743 allocated; or
1744 (iii) lien holders; and
1745 (c) the association shall distribute the remainder of the proceeds to all the lot owners or
1746 lien holders in proportion to the common expense liabilities of all the lots.
1747 (4) If the lot owners vote not to rebuild a lot:
1748 (a) the lot's allocated interests are automatically reallocated upon the lot owner's vote
1749 as if the lot had been condemned; and
1750 (b) the association shall prepare, execute, and submit for recording an amendment to
1751 the declaration reflecting the reallocations described in Subsection (4)(a).

1752 Section 45. **Repealer.**

1753 This bill repeals:

1754 Section **57-8-20, Lien for nonpayment of common expenses.**

1755 Section **57-8-29, Insurance.**

1756 Section **57-8a-202, Unpaid assessment -- Costs and attorney fees.**

1757 Section **57-8a-203, Unpaid assessment -- Lien -- Foreclosure.**

1758 Section **57-8a-204, Unpaid assessment -- Utility service -- Right of access and use.**

1759 Section **57-8a-205, Unpaid assessment -- Future lease payments.**

1760 Section **57-8a-207, Payment of unpaid assessment by encumbrancer.**