

AN ACT

relating to the ability of a property owners' association to contract with an association board member or certain other persons or entities associated with the board member.

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

SECTION 1. Section 209.002, Property Code, is amended by adding Subdivision (4-a) to read as follows:

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

(A) a right to facilitate the development, construction, and marketing of the subdivision; and

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

SECTION 2. Chapter 209, Property Code, is amended by adding Section 209.0052 to read as follows:

Sec. 209.0052. ASSOCIATION CONTRACTS. (a) This section does not apply to a contract entered into by an association during the development period.

(b) An association may enter into an enforceable contract with a current association board member, a person related to a current association board member within the third degree by consanguinity or affinity, as determined under Chapter 573, Government Code, a company in which a current association board member has a financial interest in at least 51 percent of profits,

1 or a company in which a person related to a current association
2 board member within the third degree by consanguinity or affinity,
3 as determined under Chapter 573, Government Code, has a financial
4 interest in at least 51 percent of profits only if the following
5 conditions are satisfied:

6 (1) the board member, relative, or company bids on the
7 proposed contract and the association has received at least two
8 other bids for the contract from persons not associated with the
9 board member, relative, or company, if reasonably available in the
10 community;

11 (2) the board member:

12 (A) is not given access to the other bids;

13 (B) does not participate in any board discussion
14 regarding the contract; and

15 (C) does not vote on the award of the contract;

16 (3) the material facts regarding the relationship or
17 interest with respect to the proposed contract are disclosed to or
18 known by the association board and the board, in good faith and with
19 ordinary care, authorizes the contract by an affirmative vote of
20 the majority of the board members who do not have an interest
21 governed by this subsection; and

22 (4) the association board certifies that the other
23 requirements of this subsection have been satisfied by a resolution
24 approved by an affirmative vote of the majority of the board members
25 who do not have an interest governed by this subsection.

26 SECTION 3. The change in law made by this Act applies only
27 to a contract entered into on or after the effective date of this

1 Act.

2 SECTION 4. This Act takes effect September 1, 2013.

President of the Senate

Speaker of the House

I certify that H.B. No. 503 was passed by the House on May 10, 2013, by the following vote: Yeas 115, Nays 23, 3 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 503 was passed by the Senate on May 22, 2013, by the following vote: Yeas 30, Nays 1.

Secretary of the Senate

APPROVED: _____

Date

Governor