128th General Assembly Regular Session 2009-2010

S. B. No. 187

Senator Seitz

Cosponsor: Senator Sawyer

A BILL

To enact sections	5312.01 to 5312.15	of the Revised	1
Code to establ	ish the Ohio Planned	Community Law.	2

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 5312.01, 5312.02, 5312.03, 5312.04,	3
5312.05, 5312.06, 5312.07, 5312.08, 5312.09, 5312.10, 5312.11,	4
5312.12, 5312.13, 5312.14, and 5312.15 of the Revised Code be	5
enacted to read as follows:	б
Sec. 5312.01. As used in this chapter:	7
(A) "Assessment" means the liability for an expense that is	8
allocated to a lot in a planned community.	9
(B) "Bylaws" means an instrument filed with the declaration	10
that provides for the operation of the owners association.	11
"Bylaws" also is referred to as "regulations" pursuant to Chapter	12
1702. of the Revised Code.	13
(C) "Common element" means any property in a planned	14
community that the owners association holds in fee or has use of	15
pursuant to a lease or easement.	16

(D) "Common expense" means any expense or financial liability 17

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of the owners association, including allocations the association	18
<u>designates for reserves.</u>	19
(E) "Declarant" means the owner of property who executes and	20
records a declaration that the property is a planned community.	21
(F) "Declarant control" means the period of time in which the	22
declarant controls the owners association by appointing or	23
electing the members of the association's board of directors.	24
(G) "Declaration" means an instrument a property owner	25
executes and records to declare that the property is a planned	26
community subject to the provisions of this chapter.	27
(H) "Dwelling unit" means a detached building or the portion	28
of a building that is designed and intended for use and occupancy	29
for residential purposes by a single household or family.	30
(I) "Limited common element" means a common element that a	31
declaration designates as reserved for use by a certain lot or	32
lots, to the exclusion of other lots.	33
(J) "Lot" means a parcel or tract of land that is formed when	34
a larger parcel of land is subdivided pursuant to Chapter 711. of	35
the Revised Code, has a separate parcel number assigned by the	36
county auditor, and is occupied or intended to be occupied by a	37
<u>dwelling unit.</u>	38
(K) "Owner" means a person who owns a lot in a planned	39
community. "Owner" does not include any person that has an	40
interest in a lot solely as security for an obligation.	41
(L) "Owners association" means an organization that is	42
comprised of owners of lots in a planned community and that is	43
responsible for the administrative governance, maintenance, and	44
upkeep of the planned community.	45
(M) "Planned community" means a community comprised of	46
individual lots for which a deed, common plan, or declaration	47

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requires any of the following:	48
(1) That owners become members of an owners association that	49
governs the community;	50
(2) That owners or the owners association holds or leases	51
property or facilities for the benefit of the owners;	52
(3) That owners support by membership or fees, property or	53
facilities for all owners to use.	54
<u>A condominium property as defined in section 5311.01 of the</u>	55
Revised Code is not a "planned community."	56
Sec. 5312.02. (A) Any planned community in this state is	57
subject to this chapter. No person shall establish a planned	58
community unless that person files and records a declaration and	59
bylaws for that planned community in the office of the recorder of	60
the county or counties in which the planned community is located.	61
(B) Any declaration for a planned community shall be	62
accompanied by bylaws that provide for the operation of the	63
planned community. The declaration and bylaws shall provide for	64
all of the following:	65
(1) The election of the board of directors of the owners	66
association;	67
(2) The number of persons constituting the board;	68
(3) The terms of the directors, with not less than one-fifth	69
to expire annually;	70
(4) The powers and duties of the board;	71
(5) The method of removal of directors from office;	72
(6) Whether the services of a manager or managing agent may	73
be engaged;	74
(7) The method of amending the declaration and bylaws;	75

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(8) The time and place for holding meetings and the manner of	76
and authority for calling, giving notice of, and conducting	77
meetings;	78
(9) The common expenses for which assessments may be made and	79
the manner of collecting from the owners their respective shares	80
of the common expenses;	81
(10) Any other matters the original declarant or the owners	82
association deem necessary and appropriate.	83
(C) Nothing in this chapter invalidates any provision of a	84
document that governs a planned community if that provision was in	85
the document at the time the document was recorded and the	86
document was recorded prior to the original effective date of this	87
<u>chapter.</u>	88
Sec. 5312.03. (A)(1) An owners association shall administer a	89
planned community, and a board of directors the owners elect from	90
among the owners and their spouses shall exercise all power and	91
authority of the owners association. If an owner is not an	92
individual, any principal, member of a limited liability company,	93
partner, director, officer, trustee, or employee of the owner may	94
be elected to the board.	95
(2) Unless otherwise provided, a board of directors may carry	96
out any action this chapter requires or allows an owners	97
association to take, subject to any vote required of the owners.	98

(B) A declarant shall establish an owners association not99later than the date upon which the first lot in the planned100community is conveyed to a bona fide purchaser for value. The101owners association shall be organized as a nonprofit corporation102pursuant to Chapter 1702. of the Revised Code.103

(C)(1) If provided in the declaration, a declarant may104control the owners association for the period of time the105

declaration specifies. During the time of declarant control, the	106
declarant or the declarant's designee may appoint and remove the	107
members of the board. The period of declarant control shall	108
terminate not later than the time at which all of the lots have	109
been transferred to owners.	110
(2) Not later than the termination of any period of declarant	111
control, the owners shall elect a board of directors comprised of	112
the number of members the declaration or bylaws specify.	113
Sec. 5312.04. (A) A board of directors of an owners	114
association shall elect officers from the members of the board, to	115
include a president, secretary, treasurer, and other officers as	116
the board designates.	117
(B) A board may act in all instances on behalf of an	118
association unless otherwise provided in this chapter, the	119
declaration, or bylaws. The board may appoint persons to fill	120
vacancies in its membership for the unexpired portion of any term.	121
(C) Except during a period of declarant control, the board	122
shall call a meeting of the owners association at least once each	123
year. Special meetings may be called by the president, a majority	124
of the board, owners representing fifty per cent of the voting	125
power in the organization, or any lower share of the voting power	126
as the declaration or bylaws specify.	127
(D) The board may hold a meeting by any method of	128
communication, including electronic or telephonic communication,	129
provided that each member of the board can hear or read in real	130
time and participate and respond to every other member of the	131
board.	132
(E) In lieu of conducting a meeting, the board may take an	133
action with the unanimous written consent of the members of the	134
board. Any written consent shall be filed with the minutes of the	135

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meetings of the board.	136
(F) No owner other than a director may attend or participate	137
in any discussion or deliberation of a meeting of the board of	138
directors unless the board expressly authorizes that owner to	139
attend or participate.	140
Sec. 5312.05. (A) Unless otherwise specified in the	141
declaration or bylaws, the owners may amend the declaration and	142
bylaws by the consent of seventy-five per cent of the owners,	143
either in writing or in a meeting called for that purpose. No	144
amendment to the declaration or bylaws is effective until filed in	145
the office of the county recorder.	146
(B) A vote to terminate the applicability of the declaration	147
and to dissolve the planned community requires the unanimous	148
consent of owners.	149
Sec. 5312.06. (A) Unless otherwise provided in the	150
declaration or bylaws, the owners association, through its board	151
of directors, shall do both of the following:	152
(1) Annually adopt and amend an estimated budget for revenues	153
and expenditures. Any budget shall include reserves in an amount	154
adequate to repair and replace major capital items in the normal	155
course of operations without the necessity of special assessments,	156
unless the owners, exercising not less than a majority of the	157
voting power of the owners association, waive the reserve	158
requirement annually.	159
(2) Collect assessments for common expenses from owners in	160
accordance with section 5312.10 of the Revised Code.	161
(B) Commencing not later than the time of the first	162
conveyance of a lot to a person other than a declarant, the owners	163
association shall maintain all of the following to the extent	164
reasonably available and applicable:	165

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(1) Property insurance on the common elements;	166
(2) Liability insurance pertaining to the common elements;	167
(3) Directors and officers liability insurance.	168
(C) The owners association shall keep all of the following:	169
(1) Correct and complete books and records of account that	170
specify the receipts and expenditures relating to the common	171
elements and other common receipts and expenses;	172
(2) Records showing the collection of the common expenses	173
from the owners;	174
(3) Minutes of the meetings of the association and the board	175
<u>of directors;</u>	176
(4) Records of the names and addresses of the owners.	177
(D) An owners association, through its board of directors,	178
may do any of the following:	179
(1) Hire and fire managing agents, attorneys, accountants,	180
and other independent professionals and employees that the board	181
determines are necessary or desirable in the management of the	182
property and the association;	183
(2) Commence, defend, intervene in, settle, or compromise any	184
civil, criminal, or administrative action or proceeding that is in	185
the name of, or threatened against, the association, the board of	186
directors, or the property, or that involves two or more owners	187
and relates to matters affecting the property;	188
(3) Enter into contracts and incur liabilities relating to	189
the operation of the property;	190
(4) Enforce all provisions of the declaration, bylaws,	191
covenants, conditions, restrictions, and articles of incorporation	192
governing the lots, common elements, and limited common elements;	193
(5) Adopt and enforce rules that regulate the maintenance,	194

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repair, replacement, modification, and appearance of common	195
elements, and any other rules as the declaration provides;	196
(6) Acquire, encumber, and convey or otherwise transfer real	197
and personal property, subject to section 5312.10 of the Revised	198
<u>Code;</u>	199
(7) Hold in the name of the owners association the real	200
property and personal property;	201
(8) Grant easements, leases, licenses, and concessions	202
through or over the common elements;	203
(9) Levy and collect fees or other charges for the use,	204
rental, or operation of the common elements or for services	205
provided to owners;	206
(10) Pursuant to section 5312.11 of the Revised Code, levy	207
the following charges and assessments:	208
(a) Interest and charges for the late payment of assessments;	209
(b) Returned check charges;	210
(c) Enforcement assessments for violations of the	211
declaration, the bylaws, and the rules of the owners association;	212
(d) Charges for damage to the common elements or other	213
property.	214
(11) Adopt and amend rules that regulate the collection of	215
delinguent assessments and the application of payments of	216
delinguent assessments;	217
(12) Impose reasonable charges for preparing, recording, or	218
copying the declaration, bylaws, amendments to the declaration and	219
bylaws, resale certificates, or statements of unpaid assessments;	220

(13) Authorize entry to any portion of the planned community221by designated individuals when conditions exist that involve an222imminent risk of damage or harm to common elements, another223

dwelling unit, or to the health or safety of the occupants of that	224
dwelling unit or another dwelling unit;	225
(14) Subject to division (A)(1) of section 5312.09 of the	226
Revised Code, borrow money and assign the right to common	227
assessments or other future income to a lender as security for a	228
loan to the owners association;	229
(15) Suspend the voting privileges and use of recreational	230
facilities of an owner who is delinquent in the payment of	231
assessments for more than thirty days;	232
(16) Purchase insurance and fidelity bonds the directors	233
consider appropriate and necessary;	234
(17) Invest excess funds in investments that meet standards	235
for fiduciary investments under the laws of this state;	236
(18) Exercise powers that are any of the following:	237
(a) Conferred by the declaration or bylaws;	238
(b) Necessary to incorporate the owners association as a	239
nonprofit corporation;	240
(c) Permitted to be exercised in this state by a nonprofit	241
corporation;	242
(d) Necessary and proper for the government and operation of	243
the owners association.	244
Sec. 5312.07. (A) Unless otherwise prohibited by this	245
section, any owner may examine and copy the books, records, and	246
minutes of the owners association that division (C) of section	247
5312.06 of the Revised Code describes, pursuant to reasonable	248
standards set forth in the declaration, bylaws, or rules the board	249
promulgates. The standards may include, but are not limited to,	250
standards governing the type of documents that are subject to	251
examination and copying, the times and locations at which those	252

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documents may be examined or copied, and the specification of a	253
reasonable fee for copying the documents.	254
(B) Unless approved by the board of directors, an owner may	255
not examine or copy any of the following from books, records, and	256
minutes:	257
(1) Information that pertains to property-related personnel	258
<u>matters;</u>	259
(2) Communications with legal counsel or attorney work	260
product pertaining to potential, threatened or pending litigation,	261
or other property-related matters;	262
(3) Information that pertains to contracts or transactions	263
currently under negotiation, or information that is contained in a	264
contract or other agreement containing confidentiality	265
requirements and that is subject to those requirements;	266
(4) Information that relates to the enforcement of the	267
declaration, bylaws, or rules of the owners association against	268
other owners;	269
(5) Information, the disclosure of which is prohibited by	270
<u>state or federal law.</u>	271
Sec. 5312.08. (A) Unless otherwise provided by the	272
declaration, the owners association is responsible for reasonable	273
maintenance, repair, and replacement of the common elements, and	274
each owner is responsible for maintenance, repair, and replacement	275
of the owner's lot and improvements to that lot, including the	276
dwelling unit and the utility lines serving that dwelling unit.	277
(B) An owner shall permit agents or employees of the owners	278
association and other owners access through the owner's lot and	279
dwelling unit for the purpose of fulfilling the association's	280
duties and obligations. Any damage to the common elements, lot, or	281
dwelling unit due to that access is the responsibility of the	282

owner that caused the damage or the owners association if it is	283
responsible for the damage. That owner, or the owners association,	284
is liable for the prompt repair of any damage and, if not	285
repairable, for the value of the damaged property or item as it	286
existed immediately prior to that damage.	287

Sec. 5312.09. (A)(1) The owners association may not assign288the right to common assessments, or the future income from those289assessments, or convey any fee interest or any security interest290in any portion of the common elements unless the declaration291specifically provides for such a conveyance or seventy-five per292cent of the voting power of the owners association, or any larger293percentage the declaration specifies, approves the conveyance.294

(2) The owners association may not convey any fee interest in295a limited common element or subject a limited common element to a296security interest without the approval of all of the owners of the297lots to which the limited common element is allocated. Any298proceeds of the conveyance of a limited common element are an299asset of the owners association.300

(B) No contract to convey or subject a common element or a 301 limited common element to a security interest is enforceable 302 against the owners association unless it complies with division 303 (A) of this section. The board of directors, on behalf of the 304 owners association, has all powers necessary and appropriate to 305 effect a conveyance or encumbrance that division (A) of this 306 section permits, including the power to execute a deed or other 307 instrument. 308

Sec. 5312.10. (A)(1) In accordance with its declaration, all309costs the owners association incurs in the administration,310governance, and maintenance of a planned community are common311expenses. Unless otherwise provided in the declaration, all costs312

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of the administration, operation, maintenance, repair, and	313
replacement of the common elements are common expenses.	314
(2) The common expense liability of each lot shall be	315
allocated in accordance with the allocation set forth in the	316
declaration. If the declaration does not establish any allocation,	317
the common expense liability shall be allocated equally among all	318
the lots.	319
(3) The board of directors shall assess the common expense	320
liability for each lot at least annually, based on a budget the	321
board adopts at least annually.	322
(B) The board shall charge interest on any past due	323
assessment or installment at the rate the board establishes, not	324
to exceed any maximum rate permitted by law.	325
(C)(1) The board may not charge assessments for common	326
expenses unless the declaration provides for or contemplates the	327
charging of such assessments.	328
(2) The board may not increase any assessment for common	329
expenses when the declaration limits the amount of such	330
assessments unless the owners amend the declaration as provided in	331
division (A) of section 5312.05 of the Revised Code to allow the	332
increased amount.	333
Sec. 5312.11. (A) An owners association may assess an	334
individual lot for any of the following:	335
Individual for for any of the forfowing.	335
(1) Enforcement assessments and individual assessments for	336
utility service that are imposed or levied in accordance with the	337
declaration, as well as expenses the board incurs in collecting	338
those assessments;	339
(2) Costs of maintenance, repair, or replacement incurred due	340
to the willful or negligent act of an owner or occupant of a lot	341
or their family, tenants, guests, or invitees, including, but not	342

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limited to, attorney's fees, court costs, and other expenses;	343
(3) Costs associated with the enforcement of the declaration	344
or the rules and regulations of the owners association, including,	345
but not limited to, attorney's fees, court costs, and other	346
expenses;	347
(4) Costs or charges the declaration or bylaws permit.	348
(B) Unless otherwise provided by the declaration, bylaws, or	349
rules, the owners association shall credit any amount it receives	350
from a lot owner pursuant to this section in the following order:	351
(1) To interest owed to the owners association;	352
(2) To administrative late fees or enforcement assessments	353
owed to the owners association;	354
(3) To collection costs, attorney's fees, and paralegal fees	355
the owners association incurred in collecting the assessment;	356
(4) To the oldest principal amounts the owner owes to the	357
owners association for the common expenses chargeable against the	358
<u>dwelling unit or lot.</u>	359
(C) Prior to imposing a charge for damages or an enforcement	360
assessment pursuant to this section, the board of directors shall	361
give the owner a written notice that includes all of the	362
<u>following:</u>	363
(1) A description of the property damage or violation;	364
(2) The amount of the proposed charge or assessment;	365
(3) A statement that the owner has a right to a hearing	366
before the board to contest the proposed charge or assessment;	367
(4) A statement setting forth the procedures to request a	368
hearing;	369
(5) A reasonable date by which the owner must cure a	370
continuing violation to avoid the proposed charge or assessment,	371

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if such an opportunity to cure is applicable.	372
(D)(1) To request a hearing, the owner shall deliver a	373
written notice to the board not later than the tenth day after	374
receiving the notice this division requires. If the owner fails to	375
make a timely request for a hearing, the right to that hearing is	376
waived, and the board immediately may impose a charge for damages	377
or an enforcement assessment pursuant to this section.	378
<u>(2) If an owner requests a hearing, at least seven days prior</u>	379
to the hearing the board shall provide the owner with a written	380
notice that includes the date, time, and location of the hearing.	381
notice that includes the date, time, and location of the hearing.	201
(3) The board shall not levy a charge or assessment before	382
holding any hearing requested pursuant to this section.	383
(4) Within thirty days following a hearing at which the board	384
imposes a charge or assessment, the owners association shall	385
deliver a written notice of the charge or assessment to the owner.	386
(5) Any written notice that this section requires shall be	387
delivered to the owner or any occupant of the dwelling unit by	388
personal delivery, by certified mail, return receipt requested, or	389
by regular mail.	390
Sec. 5312.12. (A) The owners association has a lien upon the	391
estate or interest in any lot for the payment of any assessment or	392
charge levied in accordance with section 5312.11 of the Revised	393
<u>Code, as well as any related interest, administrative late fees,</u>	394
enforcement assessments, collection costs, attorney's fees, and	395
paralegal fees, that are chargeable against the lot and that	396
remain unpaid ten days after any portion has become due and	397
payable.	398
(B) All of the following apply to a lien charged against a	399
property pursuant to this section:	400
<u>property paradate of stray booston</u>	100

(1) The lien is effective on the date that a certificate of 401

lien is filed for record in the office of the recorder of the	402
county or counties in which the lot is situated, pursuant to	403
authorization by the board of directors of the owners association.	404
The certificate shall contain a description of the lot, the name	405
of the record owner of the lot, and the amount of the unpaid	406
portion of the common expenses. It shall be subscribed to by the	407
president of the board or other designated representative of the	408
owners association.	409
(2) The lien is a continuing lien upon the lot against which	410
each assessment is made, subject to automatic subsequent	411
adjustments reflecting any additional unpaid interest,	412
administrative late fees, enforcement assessments, collection	413
costs, attorney's fees, paralegal fees, and court costs.	414
(3) The lien is valid for a period of five years from the	415
date of filing, unless it is sooner released or satisfied in the	416
same manner provided by law for the release and satisfaction of	417
mortgages on real property or unless it is discharged by the final	418
judgment or order of a court in an action brought to discharge the	419
lien as provided in this section.	420
(4) The lien is prior to any lien or encumbrance subsequently	421
arising or created, except liens for real estate taxes and	422
assessments of political subdivisions and liens of first mortgages	423
that have been filed for record prior to the recording of the	424
lien, and may be foreclosed in the same manner as a mortgage on	425
real property in an action brought by the owners association.	426
(C)(1) In any foreclosure action that the holder of a lien	427
commences, the holder shall name the owners association as a	428
defendant in the action. The owners association or the holder of	429
the lien is entitled to the appointment of a receiver to collect	430
rental payments due on the property. Any rental payment a receiver	431
collects during the pendency of the foreclosure action shall be	432
applied first to the payment of the portion of the common expenses	433

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chargeable to the lot during the foreclosure action.	434
(2) Unless prohibited by the declaration or the bylaws,	435
following any foreclosure action, the owners association or an	436
agent the board authorizes is entitled to become a purchaser at	437
the foreclosure sale.	438
(3) A mortgage on a lot may contain a provision that secures	439
the mortgagee's advances for the payment of the portion of the	440
common expenses chargeable against the lot upon which the	441
mortgagee holds the mortgage.	442
(4) In any foreclosure action, it is not a defense, set off,	443
counterclaim, or crossclaim that the owners association has failed	444
to provide the owner with any service, goods, work, or material,	445
or failed in any other duty.	446
(D) An owner may commence an action for the discharge of the	447
lien in the court of common pleas of the county in which all or a	448
part of the property is situated if the owner believes that the	449
common expense liability for which the owners association filed a	450
certificate of lien was improperly charged. In the action, if it	451
is finally determined that the portion of the common expense	452
liability was improperly charged to the owner or the lot, the	453
court shall enter an order that it determines to be just, which	454
may provide for a discharge of record of all or a portion of the	455
lien.	456
Sec. 5312.13. All owners, residents, tenants, and other	457
persons lawfully in possession and control of any part of an	458
ownership interest shall comply with any covenant, condition, and	459
restriction set forth in any recorded document to which they are	460
subject, and with the bylaws and the rules of the owners	461
association, as lawfully amended. Any violation is grounds for the	462
owners association or any owner to commence a civil action for	463
damages, injunctive relief, or both, and an award of court costs	464

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and reasonable attorney's fees in both types of action. 465

Sec. 5312.14. In any action relating to the common elements	466
or to any right, duty, or obligation possessed or imposed upon the	467
owners association by statute or otherwise, the owners association	468
may sue or be sued as a separate legal entity. Service of summons	469
or other process may be made upon the owners association by	470
serving the process personally upon the president of the board of	471
directors or the person named as statutory agent of the	472
association if it is an incorporated entity. Any action brought by	473
or on behalf of the owners association shall be pursuant to	474
authority granted by the board of directors.	475

Sec. 5312.15. This chapter shall be construed to establish a	476
uniform framework for the operation and management of planned	477
communities in this state and to supplement any planned community	478
governing document that is in existence on the effective date of	479
this chapter. In the event of a specific conflict between this	480
chapter and express requirements or restrictions in such a	481
governing document, the governing document shall control. This	482
chapter shall control if any governing document is silent with	483
respect to any provision of this chapter.	484