

The Covenants Compliance Inspection Program

The Covenants Compliance Inspection (CCI) Program was rolled out last Fall to a warm reception for many associations and new buyers in the communities. This program was created to help associations add an extra layer of protection against litigious situations. CCI provides documented disclosure of modifications and compliance during the sale and/or financing process. But there are many of you that have not taken advantage of this opportunity to further insure your current owners and future owners of compliance confirmation with regards to selling their homes or purchasing their new homes.

In states such as California and Arizona, a Resale Statute was put into place several years ago requiring either the association or management company, provide to the purchaser ten (10) days after receipt of a written notice of a pending sale of a unit, a written statement containing all the information noted in the statute. This included the inspection of the unit to verify whether or not the association has any knowledge of an alteration or improvement to the unit or the limited common elements assigned to that unit which violates the declaration, bylaws or association rules.

This requirement was brought to our attention when an interpretation of Section 9 of the Texas Property Code 82.157 was presented to legislation. This states that at the time of a resale certificate is requested, the association acknowledges in writing that "the unit does not violate the declaration, bylaws and rules of the association".

In order to assist our associations in meeting with this requirement, PMG implemented the Covenants Compliance Inspection program. The way the service works is upon request, a trained staff member conducts a property inspection of the sale property to ensure that the exterior of the home is in compliance of the governing documents. This report documents in writing (pictures also provided) that protects the buyer, seller and community.

Texas Property Code 82.157 *Resale of Units* stipulates that if a unit owner other than a Declarant intends to sell a unit, the unit owner must furnish to the purchaser a current copy of the declaration, bylaws, any association rules, and a *resale certificate* that must have been prepared not earlier than three months before the date it is delivered to purchaser. The resale certificate must be issued by the association and must contain the current operating budget of the association and *statements of*

1. Any right of first refusal or other restraint contained in the declaration that restricts the right to transfer a unit;
2. The amount of periodic common expense assessment and the

unpaid common expenses or special assessments currently due and payable from the selling unit owner;

3. Other unpaid fees or amounts payable to the association by the selling unit owner;
4. Capital expenditures, if any, approved by the association for the next 12 months;
5. The amount of reserves, if any, for capital expenditures and of portions of those reserves designated for a specified project;
6. Any unsatisfied judgments against the association;
7. The nature of any pending suits against the association;
8. Insurance coverage provided for the benefit of unit owners;
9. Whether the board has knowledge that any alterations or improvements to the unit or to the limited common elements assigned to that unit, violate the declaration, bylaws or association rules;
10. Whether the board has received notice from a governmental authority concerning violations of health or building codes with respect to the unit, the limited common elements assigned to that unit, or any other portion of the condominium;
11. The remaining term of any leasehold estate that effects the condominium and the provisions governing an extension or renewal of the lease; and
12. The name, mailing address, and telephone number of the association's managing agent, if any;

Your Association Manager may have already spoken with you concerning the adoption of a policy which meets with these requirements. It is imperative that our Board's take serious consideration of adopting such a policy that will require an inspection of the property to ensure your association is in compliance with the aforementioned code.

Whether your Association chooses to adopt the policy for the inspection of the unit, PMG will continue to offer it to your members as it is their option. The adoption of the policy will require your members to include the inspection in their resale certificate.

If a policy has not been presented to you, please contact Laura Price, lprice@principal-mgmt.com and an email copy can quickly be sent to your email address. Further, if you have any questions regarding this program, please feel free to contact Laura at 214.265.6403.

RESOLUTION

WHEREAS, the Board of Directors of the Biltmore Swim & Racquet Club Patio Association finds that there is a need to establish this dedicatory instrument related to a proactive affirmation of covenant compliance in conjunction with a home being transferred to a new owner.

WHEREAS, Texas State Statutes, Property Code, Chapter 207, Subsection 207.003(e) specifically states that such a dedicatory instrument may require such an inspection.

NOW THEREFORE, BE IT RESOLVED BY THIS DEDICATORY INSTRUMENT THAT at the time of each transfer of home ownership, the Association shall require a Covenant Compliance Inspection of the exterior of the home and lot in conjunction with the Association related disclosure process. Such inspections will be coordinated through, and conducted by, the Association Management Company. All fees associated with resale, including said inspection shall be the responsibility of the real estate transaction parties, and not the Association. Should covenant violation(s) be noted during such inspection, the current owner (seller) is required to bring said covenant violation(s) into compliance in conjunction with the transfer of Unit ownership.

IT IS FURTHER RESOLVED that this COVENANTS COMPLIANCE INSPECTION requirement is effective upon adoption hereof, to remain in force and effect until revoked, modified or amended.

This is to certify that the foregoing Resolution was adopted by the Board of Directors at a meeting of same on May 5, 2018, and has not been modified, rescinded or revoked.

5-5-18

Date



Secretary