

ASSEMBLY BILL NO. 313—ASSEMBLYWOMAN HANSEN

MARCH 17, 2021

Referred to Committee on Government Affairs

SUMMARY—Revises various provisions governing common-interest communities. (BDR 10-228)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to common-interest communities; authorizing the use of electronic ballots for the election and removal of members of the executive board of a unit-owners' association and for the election of delegates or representatives to exercise the voting rights of units' owners in an association; specifying that an association is authorized to conduct a vote for the election or removal of a member of the executive board without a meeting; providing that a unit's owner is responsible in certain circumstances for the cost of the deductible of property insurance maintained by an association; authorizing money in the operating account of an association to be withdrawn without the usual required signatures for the purpose of making certain automatic payments; requiring the Commission for Common-Interest Communities and Condominium Hotels to adopt regulations establishing the requirements relating to the transfer of certain items upon the termination or assignment of a management agreement; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

1 Existing law: (1) establishes the procedures for the election and removal of
2 members of the executive board of a unit-owners' association of a common-interest
3 community and the election of delegates or representatives to exercise the voting
4 rights of units' owners in certain common-interest communities; and (2) requires
5 that the election and removal of such members, as applicable, be conducted by
6 secret written ballot. (NRS 116.31034, 116.31036, 116.31105) **Sections 1 and 2** of



this bill, respectively, authorize the use of secret electronic ballots for the election or removal of any member of the executive board and require that the results of such ballots be reviewed, announced and entered into the record at a meeting of the association. **Section 4** of this bill makes conforming changes to provide the same authority and impose the same requirement with regard to the election of delegates or representatives to exercise the voting rights of units' owners.

Existing law authorizes an association to conduct a vote without a meeting unless conducting a vote in such a manner is prohibited by the declaration or bylaws of the association. (NRS 116.311) **Section 3** of this bill removes such an exception and specifies that an association is authorized to conduct a vote for the election or removal of a member of the executive board without a meeting.

Existing law requires an association to maintain certain property insurance, to the extent reasonably available and subject to reasonable deductibles. (NRS 116.3113) **Section 5** of this bill provides that if the executive board determines that the cause of any loss to any portion of the common-interest community that is covered by such property insurance originated from a unit and the association has provided the unit's owner with notice and an opportunity for a hearing, the unit's owner is responsible for the cost of the deductible for such property insurance, in an amount not to exceed \$50,000. **Section 6** of this bill makes a conforming change to reflect the change in **section 5**.

Existing law generally prohibits money in the operating account of an association from being withdrawn without the signatures of certain persons, but also establishes certain purposes for which money in the operating account may be withdrawn without such signatures. (NRS 116.31153) **Section 7** of this bill additionally provides that money in the operating account of an association may be withdrawn without the usual required signatures for the purpose of making automatic payments for: (1) the cost of certain insurance policies; (2) telecommunications services maintained by the association; (3) loans obtained to provide for the indemnification of the officers and executive board of the association and to maintain certain liability insurance; and (4) services to the association that are billed on a monthly basis.

Existing law imposes certain requirements on community managers regarding the transfer of the possession of all books, records and other papers of a client upon the termination or assignment of a management agreement. (NRS 116A.620) **Section 8** of this bill instead requires the Commission for Common-Interest Communities and Condominium Hotels to adopt regulations establishing the requirements relating to such a transfer. **Section 9** of this bill makes a conforming change to remove the provisions of existing law relating to such a transfer when the commission has adopted the regulations required by **section 8**.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 116.31034 is hereby amended to read as follows:

116.31034 1. Except as otherwise provided in subsection 5 of NRS 116.212, not later than the termination of any period of declarant's control, the units' owners shall elect an executive board of at least three members, all of whom must be units' owners. The executive board shall elect the officers of the association. Unless the governing documents provide otherwise, the officers of the



1 association are not required to be units' owners. The members of the
2 executive board and the officers of the association shall take office
3 upon election.

4 2. The term of office of a member of the executive board may
5 not exceed 3 years, except for members who are appointed by the
6 declarant. Unless the governing documents provide otherwise, there
7 is no limitation on the number of terms that a person may serve as a
8 member of the executive board.

9 3. The governing documents of the association must provide
10 for terms of office that are staggered in such a manner that, to the
11 extent possible, an equal number of members of the executive board
12 are elected at each election. The provisions of this subsection do not
13 apply to:

14 (a) Members of the executive board who are appointed by the
15 declarant; and

16 (b) Members of the executive board who serve a term of 1 year
17 or less.

18 4. Not less than 30 days before the preparation of a ballot for
19 the election of members of the executive board, the secretary or
20 other officer specified in the bylaws of the association shall cause
21 notice to be given to each unit's owner of the unit's owner's
22 eligibility to serve as a member of the executive board. Each unit's
23 owner who is qualified to serve as a member of the executive board
24 may have his or her name placed on the ballot along with the names
25 of the nominees selected by the members of the executive board or a
26 nominating committee established by the association.

27 5. Before the secretary or other officer specified in the bylaws
28 of the association causes notice to be given to each unit's owner of
29 his or her eligibility to serve as a member of the executive board
30 pursuant to subsection 4, the executive board may determine that if,
31 at the closing of the prescribed period for nominations for
32 membership on the executive board, the number of candidates
33 nominated for membership on the executive board is equal to or less
34 than the number of members to be elected to the executive board at
35 the election, then:

36 (a) The association will not prepare or ~~[mail]~~ *provide* any ballots
37 to units' owners pursuant to this section; and

38 (b) The nominated candidates shall be deemed to be duly elected
39 to the executive board at the meeting of the units' owners at which
40 the ballots would have been counted pursuant to paragraph (e) of
41 subsection 15.

42 6. If the executive board makes the determination set forth in
43 subsection 5, the secretary or other officer specified in the bylaws of
44 the association shall disclose the determination and the provisions of
45 subsection 5 with the notice given pursuant to subsection 4.



7. If, at the closing of the prescribed period for nominations for membership on the executive board, the number of candidates nominated for membership on the executive board is less than the number of members to be elected to the executive board at the election, the executive board may fill the remaining vacancies on the executive board by appointment of the executive board at a meeting of the executive board held after the candidates are elected pursuant to subsection 5. Any such person appointed to the executive board shall serve as a member of the executive board until the next regularly scheduled election of members of the executive board. An executive board member elected to a previously appointed position which was temporarily filled by board appointment pursuant to this subsection may only be elected to fulfill the remainder of that term.

8. If, at the closing of the prescribed period for nominations for membership on the executive board described in subsection 5, the number of candidates nominated for membership on the executive board is greater than the number of members to be elected to the executive board, then the association shall:

(a) Prepare and ~~mail~~ provide ballots to the units' owners pursuant to this section; and

(b) Conduct an election for membership on the executive board pursuant to this section.

9. Each person who is nominated as a candidate for membership on the executive board pursuant to subsection 4 must:

(a) Make a good faith effort to disclose any financial, business, professional or personal relationship or interest that would result or would appear to a reasonable person to result in a potential conflict of interest for the candidate if the candidate were to be elected to serve as a member of the executive board; and

(b) Disclose whether the candidate is a member in good standing. For the purposes of this paragraph, a candidate shall not be deemed to be in "good standing" if the candidate has any unpaid and past due assessments or construction penalties that are required to be paid to the association.

➤ The candidate must make all disclosures required pursuant to this subsection in writing to the association with his or her candidacy information. Except as otherwise provided in this subsection, the association shall distribute the disclosures, on behalf of the candidate, to each member of the association with the ballot or, in the event ballots are not prepared and ~~mailed~~ provided pursuant to subsection 5, in the next regular mailing of the association. The association is not obligated to distribute any disclosure pursuant to this subsection if the disclosure contains information that is believed to be defamatory, libelous or profane.



10. Except as otherwise provided in subsections 11 and 12, unless a person is appointed by the declarant:

(a) A person may not be a candidate for or member of the executive board or an officer of the association if:

(1) The person resides in a unit with, is married to, is domestic partners with, or is related by blood, adoption or marriage within the third degree of consanguinity or affinity to another person who is also a member of the executive board or is an officer of the association;

(2) The person stands to gain any personal profit or compensation of any kind from a matter before the executive board of the association; or

(3) The person, the person's spouse or the person's parent or child, by blood, marriage or adoption, performs the duties of a community manager for that association.

(b) A person may not be a candidate for or member of the executive board of a master association or an officer of that master association if the person, the person's spouse or the person's parent or child, by blood, marriage or adoption, performs the duties of a community manager for:

(1) That master association; or

(2) Any association that is subject to the governing documents of that master association.

11. A person, other than a person appointed by the declarant, who owns 75 percent or more of the units in an association may:

(a) Be a candidate for or member of the executive board or an officer of the association; and

(b) Reside in a unit with, be married to, be domestic partners with, or be related by blood, adoption or marriage within the third degree of consanguinity or affinity to another person who is also a member of the executive board or is an officer of the association, ➤ unless the person owning 75 percent or more of the units in the association and the other person would constitute a majority of the total number of seats on the executive board.

12. A person, other than a person appointed by the declarant, may:

(a) Be a candidate for or member of the executive board; and

(b) Reside in a unit with, be married to, be domestic partners with, or be related by blood, adoption or marriage within the third degree of consanguinity or affinity to another person who is also a member of the executive board or is an officer of the association, ➤ if the number of candidates nominated for membership on the executive board is less than or equal to the number of members to be elected to the executive board.



13. If a person is not eligible to be a candidate for or member of the executive board or an officer of the association pursuant to any provision of this chapter, the association:

(a) Must not place his or her name on the ballot; and

(b) Must prohibit such a person from serving as a member of the executive board or an officer of the association.

14. An officer, employee, agent or director of a corporate owner of a unit, a trustee or designated beneficiary of a trust that owns a unit, a partner of a partnership that owns a unit, a member or manager of a limited-liability company that owns a unit, and a fiduciary of an estate that owns a unit may be an officer of the association or a member of the executive board. In all events where the person serving or offering to serve as an officer of the association or a member of the executive board is not the record owner, the person shall file proof in the records of the association that:

(a) The person is associated with the corporate owner, trust, partnership, limited-liability company or estate as required by this subsection; and

(b) Identifies the unit or units owned by the corporate owner, trust, partnership, limited-liability company or estate.

15. Except as otherwise provided in subsection 5 or NRS 116.31105, the election of any member of the executive board must be conducted by secret ~~{written}~~ ballot in the following manner:

(a) The secretary or other officer specified in the bylaws of the association shall cause a secret *paper or electronic* ballot *to be provided to each unit's owner* and :

(1) *If a paper ballot is provided, shall send the ballot and a return envelope , ~~{to be sent,}~~ prepaid by United States mail, to the mailing address of each unit within the common-interest community or to any other mailing address designated in writing by the unit's owner ~~{}~~ ; or*

(2) *If an electronic ballot is provided, shall provide the ballot or make the ballot available by electronic means to each unit's owner.*

(b) Each unit's owner must be provided with at least 15 days after the date the secret ~~{written}~~ ballot is mailed , *provided or made available* to the unit's owner to return the secret ~~{written}~~ ballot to the association ~~{}~~ *by physical or electronic means.*

(c) A quorum is not required for the election of any member of the executive board.

(d) Only the secret ~~{written}~~ ballots that ~~{are returned to}~~ the association *receives by physical or electronic means* may be counted to determine the outcome of the election.



(e) ~~[The secret written ballots must be opened and counted at]~~ At the meeting of the units' owners held pursuant to subsection 1 of NRS 116.3108 ~~[]~~, *the secret ballots physically received by the association must be opened and counted and the results of the secret ballots received by the association by electronic means must be reviewed, announced and entered into the record.* A quorum is not required to be present when the secret ~~[written]~~ ballots *physically received by the association* are opened and counted *or the results of the secret ballots received by the association by electronic means are reviewed, announced and entered into the record* at the meeting.

(f) The incumbent members of the executive board and each person whose name is placed on the ballot as a candidate for membership on the executive board may not possess, be given access to or participate in the opening or counting of the secret ~~[written]~~ ballots that ~~[are returned to]~~ the association *physically receives, or the collection of data regarding the secret ballots that the association receives by electronic means*, before those secret ~~[written]~~ ballots have been opened and counted *or reviewed, announced and entered into the record, as applicable*, at a meeting of the association.

16. An association shall not adopt any rule or regulation that has the effect of prohibiting or unreasonably interfering with a candidate in the candidate's campaign for election as a member of the executive board, except that the candidate's campaign may be limited to 90 days before the date that ballots are required to be returned to the association.

17. A candidate who has submitted a nomination form for election as a member of the executive board may request that the association or its agent either:

(a) Send before the date of the election and at the association's expense, to the mailing address of each unit within the common-interest community or to any other mailing address designated in writing by the unit's owner a candidate informational statement. The candidate informational statement:

(1) Must be no longer than a single, typed page;

(2) Must not contain any defamatory, libelous or profane information; and

(3) May be sent with ~~[the]~~ *a* secret ballot mailed pursuant to subsection 15 or in a separate mailing; or

(b) To allow the candidate to communicate campaign material directly to the units' owners, provide to the candidate, in paper format at a cost not to exceed 25 cents per page for the first 10 pages and 10 cents per page thereafter, in the format of a compact disc at a cost of not more than \$5 or by electronic mail at no cost:



(1) A list of the mailing address of each unit, which must not include the names of the units' owners or the name of any tenant of a unit's owner; or

(2) If the members of the association are owners of time shares within a time share plan created pursuant to chapter 119A of NRS and:

(I) The voting rights of those owners are exercised by delegates or representatives pursuant to NRS 116.31105, the mailing address of the delegates or representatives.

(II) The voting rights of those owners are not exercised by delegates or representatives, the mailing address of the association established pursuant to NRS 119A.520. If the mailing address of the association is provided to the candidate pursuant to this subparagraph, the association must send to each owner of a time share within the time share plan the campaign material provided by the candidate. If the campaign material will be sent by mail, the candidate who provides the campaign material must provide to the association a separate copy of the campaign material for each owner and must pay the actual costs of mailing before the campaign material is mailed. If the campaign material will be sent by electronic transmission, the candidate must provide to the association one copy of the campaign material in an electronic format.

➤ The information provided pursuant to this paragraph must not include the name of any unit's owner or any tenant of a unit's owner. If a candidate who makes a request for the information described in this paragraph fails or refuses to provide a written statement signed by the candidate which states that the candidate is making the request to allow the candidate to communicate campaign material directly to units' owners and that the candidate will not use the information for any other purpose, the association or its agent may refuse the request.

18. An association and its directors, officers, employees and agents are immune from criminal or civil liability for any act or omission which arises out of the publication or disclosure of any information related to any person and which occurs in the course of carrying out any duties required pursuant to subsection 17.

19. Each member of the executive board shall, within 90 days after his or her appointment or election, certify in writing to the association, on a form prescribed by the Administrator, that the member has read and understands the governing documents of the association and the provisions of this chapter to the best of his or her ability. The Administrator may require the association to submit a copy of the certification of each member of the executive board of



1 that association at the time the association registers with the
2 Ombudsman pursuant to NRS 116.31158.

3 **Sec. 2.** NRS 116.31036 is hereby amended to read as follows:

4 116.31036 1. Notwithstanding any provision of the
5 declaration or bylaws to the contrary, any member of the executive
6 board, other than a member appointed by the declarant, may be
7 removed from the executive board, with or without cause, if at a
8 removal election held pursuant to this section, the number of votes
9 cast in favor of removal constitutes:

10 (a) At least 35 percent of the total number of voting members of
11 the association; and

12 (b) At least a majority of all votes cast in that removal election.

13 2. A removal election may be called by units' owners
14 constituting at least 10 percent, or any lower percentage specified in
15 the bylaws, of the total number of voting members of the
16 association. To call a removal election, the units' owners must
17 submit a written petition which is signed by the required percentage
18 of the total number of voting members of the association pursuant to
19 this subsection and which is mailed, return receipt requested, or
20 served by a process server to the executive board or the community
21 manager for the association. If a removal election is called pursuant
22 to this subsection and:

23 (a) The voting rights of the units' owners will be exercised
24 through the use of secret ~~{written}~~ ballots pursuant to this section:

25 (1) The secret ~~{written}~~ ballots for the removal election must
26 be ~~{sent}~~ *mailed, provided or made available* in the manner required
27 by this section not less than 15 days or more than 60 days after the
28 date on which the petition is received; and

29 (2) The executive board shall set the date for the meeting to
30 open and count the secret ~~{written}~~ ballots *physically received by*
31 *the association and to review, announce and enter into the record*
32 *the results of the secret ballots received by the association by*
33 *electronic means* so that the meeting is held not more than 15 days
34 after the deadline for returning the secret ~~{written}~~ ballots *by*
35 *physical or electronic means* and not later than 90 days after the
36 date on which the petition was received.

37 (b) The voting rights of the owners of time shares will be
38 exercised by delegates or representatives as set forth in NRS
39 116.31105, the executive board shall set the date for the removal
40 election so that the removal election is held not less than 15 days or
41 more than 90 days after the date on which the petition is received.

42 ➤ The association shall not adopt any rule or regulation which
43 prevents or unreasonably interferes with the collection of the
44 required percentage of signatures for a petition pursuant to this
45 subsection.



3. Except as otherwise provided in NRS 116.31105, the removal of any member of the executive board must be conducted by secret ~~[written]~~ ballot in the following manner:

(a) The secretary or other officer specified in the bylaws of the association shall cause a secret *paper or electronic* ballot *to be provided to each unit's owner* and :

(1) If a paper ballot is provided, shall send the ballot and a return envelope , ~~[to be sent,]~~ prepaid by United States mail, to the mailing address of each unit within the common-interest community or to any other mailing address designated in writing by the unit's owner ~~[]~~ ; or

(2) If an electronic ballot is provided, shall provide the ballot or make the ballot available by electronic means to each unit's owner.

(b) Each unit's owner must be provided with at least 15 days after the date the secret ~~[written]~~ ballot is mailed , *provided or made available* to the unit's owner to return the secret ~~[written]~~ ballot to the association ~~[]~~ *by physical or electronic means.*

(c) Only the secret ~~[written]~~ ballots that ~~[are returned to]~~ the association *receives by physical or electronic means* may be counted to determine the outcome.

(d) ~~[The secret written ballots must be opened and counted at]~~ *At* a meeting of the association ~~[]~~ , *the secret ballots physically received by the association must be opened and counted and the results of the secret ballots received by the association by electronic means must be reviewed, announced and entered into the record.* A quorum is not required to be present when the secret ~~[written]~~ ballots *physically received by the association* are opened and counted *or the results of the secret ballots received by the association by electronic means are reviewed, announced and entered into the record* at the meeting.

(e) The incumbent members of the executive board, including, without limitation, the member who is subject to the removal, may not possess, be given access to or participate in the opening or counting of the secret ~~[written]~~ ballots that ~~[are returned to]~~ the association *physically receives, or the collection of data regarding the secret ballots that the association receives by electronic means,* before those secret ~~[written]~~ ballots have been opened and counted *or reviewed, announced and entered into the record, as applicable,* at a meeting of the association.

Sec. 3. NRS 116.311 is hereby amended to read as follows:

116.311 1. Unless prohibited or limited by the declaration or bylaws and except as otherwise provided in this section, units' owners may vote at a meeting in person, by absentee ballot pursuant to paragraph (d) of subsection 2, by a proxy pursuant to



1 subsections 3 to 8, inclusive, or, when a vote is conducted without a
2 meeting, by electronic or paper ballot pursuant to subsection 9.

3 2. At a meeting of units' owners, the following requirements
4 apply:

5 (a) Units' owners who are present in person may vote by voice
6 vote, show of hands, standing or any other method for determining
7 the votes of units' owners, as designated by the person presiding at
8 the meeting.

9 (b) If only one of several owners of a unit is present, that owner
10 is entitled to cast all the votes allocated to that unit. If more than one
11 of the owners are present, the votes allocated to that unit may be
12 cast only in accordance with the agreement of a majority in interest
13 of the owners, unless the declaration expressly provides otherwise.
14 There is majority agreement if any one of the owners cast the votes
15 allocated to the unit without protest being made promptly to the
16 person presiding over the meeting by any of the other owners of the
17 unit.

18 (c) Unless a greater number or fraction of the votes in the
19 association is required by this chapter or the declaration, a majority
20 of the votes cast determines the outcome of any action of the
21 association.

22 (d) Subject to subsection 1, a unit's owner may vote by absentee
23 ballot without being present at the meeting. The association
24 promptly shall deliver an absentee ballot to an owner who requests it
25 if the request is made at least 3 days before the scheduled meeting.
26 Votes cast by absentee ballot must be included in the tally of a vote
27 taken at that meeting.

28 (e) When a unit's owner votes by absentee ballot, the
29 association must be able to verify that the ballot is cast by the unit's
30 owner having the right to do so.

31 3. Except as otherwise provided in this section, votes allocated
32 to a unit may be cast pursuant to a proxy executed by a unit's owner.
33 A unit's owner may give a proxy only to a member of his or her
34 immediate family, a tenant of the unit's owner who resides in the
35 common-interest community, another unit's owner who resides in
36 the common-interest community, or a delegate or representative
37 when authorized pursuant to NRS 116.31105. If a unit is owned by
38 more than one person, each owner of the unit may vote or register
39 protest to the casting of votes by the other owners of the unit
40 through an executed proxy. A unit's owner may revoke a proxy
41 given pursuant to this section only by actual notice of revocation to
42 the person presiding over a meeting of the association.

43 4. Before a vote may be cast pursuant to a proxy:

44 (a) The proxy must be dated.

45 (b) The proxy must not purport to be revocable without notice.



(c) The proxy must designate the meeting for which it is executed, and such a designation includes any recessed session of that meeting.

(d) The proxy must designate each specific item on the agenda of the meeting for which the unit's owner has executed the proxy, except that the unit's owner may execute the proxy without designating any specific items on the agenda of the meeting if the proxy is to be used solely for determining whether a quorum is present for the meeting. If the proxy designates one or more specific items on the agenda of the meeting for which the unit's owner has executed the proxy, the proxy must indicate, for each specific item designated in the proxy, whether the holder of the proxy must cast a vote in the affirmative or the negative on behalf of the unit's owner. If the proxy does not indicate whether the holder of the proxy must cast a vote in the affirmative or the negative for a particular item on the agenda of the meeting, the proxy must be treated, with regard to that particular item, as if the unit's owner were present but not voting on that particular item.

(e) The holder of the proxy must disclose at the beginning of the meeting for which the proxy is executed and any recessed session of that meeting the number of proxies pursuant to which the holder will be casting votes.

5. A proxy terminates immediately after the conclusion of the meeting, and any recessed sessions of the meeting, for which it is executed.

6. Except as otherwise provided in this subsection, a vote may not be cast pursuant to a proxy for the election or removal of a member of the executive board of an association. A vote may be cast pursuant to a proxy for the election or removal of a member of the executive board of a master association which governs a time-share plan created pursuant to chapter 119A of NRS if the proxy is exercised through a delegate or representative authorized pursuant to NRS 116.31105.

7. The holder of a proxy may not cast a vote on behalf of the unit's owner who executed the proxy in a manner that is contrary to the proxy.

8. A proxy is void if the proxy or the holder of the proxy violates any provision of subsections 3 to 7, inclusive.

9. ~~Unless prohibited or limited by the declaration or bylaws, an~~ *An* association may conduct a vote without a meeting ~~[. Except as otherwise provided in NRS 116.31034 and 116.31036, if]~~ *, including, without limitation, a vote for the election or removal of a member of the executive board. If* an association conducts a vote without a meeting, the following requirements apply:



(a) The association shall notify the units' owners that the vote will be taken by ballot.

(b) The association shall deliver a paper or electronic ballot to every unit's owner entitled to vote on the matter.

(c) The ballot must set forth each proposed action and provide an opportunity to vote for or against the action.

(d) When the association delivers the ballots, it shall also:

(1) Indicate the number of responses needed to meet the quorum requirements;

(2) State the percentage of votes necessary to approve each matter other than election of directors;

(3) Specify the time and date by which a ballot must be delivered to the association to be counted, which time and date may not be fewer than 3 days after the date the association delivers the ballot; and

(4) Describe the time, date and manner by which units' owners wishing to deliver information to all units' owners regarding the subject of the vote may do so.

(e) Except as otherwise provided in the declaration or bylaws, a ballot is not revoked after delivery to the association by death or disability of or attempted revocation by the person who cast that vote.

(f) Approval by ballot pursuant to this subsection is valid only if the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action.

10. If the declaration requires that votes on specified matters affecting the common-interest community must be cast by the lessees of leased units rather than the units' owners who have leased the units:

(a) This section applies to the lessees as if they were the units' owners;

(b) The units' owners who have leased their units to the lessees may not cast votes on those specified matters;

(c) The lessees are entitled to notice of meetings, access to records and other rights respecting those matters as if they were the units' owners; and

(d) The units' owners must be given notice, in the manner provided in NRS 116.3108, of all meetings at which the lessees are entitled to vote.

11. If any votes are allocated to a unit that is owned by the association, those votes may not be cast, by proxy or otherwise, for any purpose.

Sec. 4. NRS 116.31105 is hereby amended to read as follows:

116.31105 1. Except as otherwise provided in subsection 8, if the declaration so provides, in a common-interest community that



consists of at least 1,000 units, the voting rights of the units' owners in the association for that common-interest community may be exercised by delegates or representatives except that, in the election or removal of a member of the executive board, the voting rights of the units' owners may not be exercised by delegates or representatives.

2. Except as otherwise provided in subsection 8, in addition to a common-interest community identified in subsection 1, if the declaration so provides, in a common-interest community created before October 1, 1999, the voting rights of the units' owners in the association for that common-interest community may be exercised by delegates or representatives except that, in the election or removal of a member of the executive board, the voting rights of the units' owners may not be exercised by delegates or representatives.

3. In addition to a common-interest community identified in subsections 1 and 2, if the declaration so provides, the voting rights of the owners of time shares within a time-share plan created pursuant to chapter 119A of NRS which is governed by a master association may be exercised by delegates or representatives.

4. For the purposes of subsection 1, each unit that a declarant has reserved the right to create pursuant to NRS 116.2105 and for which developmental rights exist must be counted in determining the number of units in a common-interest community.

5. For the purposes of subsection 3, each time share that a developer has reserved the right to create pursuant to paragraph (g) of subsection 2 of NRS 119A.380 must be counted in determining the number of time shares in a time-share plan.

6. Notwithstanding any provision in the declaration, the election of any delegate or representative must be conducted by secret ~~{written}~~ ballot.

7. When an election of a delegate or representative is conducted by secret ~~{written}~~ ballot:

(a) The secretary or other officer of the association specified in the bylaws of the association shall cause a secret ~~{written}~~ *paper or electronic* ballot *to be provided to each unit's owner* and :

(1) If a paper ballot is provided, shall send the ballot and a return envelope , ~~{to be sent,}~~ prepaid by United States mail, to the mailing address of each unit within the common-interest community or to any other mailing address designated in writing by the unit's owner ~~{;}~~ ; or

(2) If an electronic ballot is provided, shall provide the ballot or make the ballot available by electronic means to each unit's owner.

(b) Each unit's owner must be provided with at least 15 days after the date the secret ~~{written}~~ ballot is mailed , *provided or made*



1 *available* to the unit's owner to return the secret ~~[written]~~ ballot to
2 the association ~~[]~~ *by physical or electronic means.*

3 (c) Only the secret ~~[written]~~ ballots that ~~[are returned to]~~ the
4 association ~~[in the manner prescribed on the ballot]~~ *receives by*
5 *physical or electronic means* may be counted to determine the
6 outcome of the election.

7 (d) ~~[The secret written ballots must be opened and counted at]~~
8 *At* a meeting called for the purpose of electing delegates or
9 representatives ~~[]~~, *the secret ballots physically received by the*
10 *association must be opened and counted and the results of the*
11 *secret ballots received by the association by electronic means must*
12 *be reviewed, announced and entered into the record.* A quorum is
13 not required to be present when the secret ~~[written]~~ ballots
14 *physically received by the association* are opened and counted *or*
15 *the results of the secret ballots received by the association by*
16 *electronic means are reviewed, announced and entered into the*
17 *record* at the meeting.

18 (e) A candidate for delegate or representative may not possess,
19 be given access to or participate in the opening or counting of the
20 secret ~~[written]~~ ballots that ~~[are returned to]~~ the association ~~[in the~~
21 ~~manner prescribed on the ballot]~~ *physically receives, or the*
22 *collection of data regarding the secret ballots that the association*
23 *receives by electronic means,* before those secret ~~[written]~~ ballots
24 have been opened and counted *or reviewed, announced and entered*
25 *into the record, as applicable,* at a meeting called for that purpose.

26 8. Except as otherwise provided in subsection 9, the voting
27 rights of the units' owners in the association for a common-interest
28 community may be exercised by delegates or representatives only
29 during the period that the declarant is in control of the association
30 and during the 2-year period after the declarant's control of the
31 association is terminated pursuant to NRS 116.31032.

32 9. The provisions of subsection 8 do not apply to:

33 (a) A time-share plan created pursuant to chapter 119A of NRS
34 which is governed by a master association; or

35 (b) A condominium or cooperative containing both units that are
36 restricted exclusively to nonresidential use and other units that are
37 not so restricted.

38 **Sec. 5.** NRS 116.3113 is hereby amended to read as follows:

39 116.3113 1. Commencing not later than the time of the first
40 conveyance of a unit to a person other than a declarant, the
41 association shall maintain, to the extent reasonably available and
42 subject to reasonable deductibles, all of the following:

43 (a) Property insurance on the common elements and, in a
44 planned community, also on property that must become common
45 elements, insuring against risks of direct physical loss commonly



1 insured against, which insurance, after application of any
2 deductibles, must be not less than 80 percent of the actual cash value
3 of the insured property at the time the insurance is purchased and at
4 each renewal date, exclusive of land, excavations, foundations and
5 other items normally excluded from property policies.

6 (b) Commercial general liability insurance, including insurance
7 for medical payments, in an amount determined by the executive
8 board but not less than any amount specified in the declaration,
9 covering all occurrences commonly insured against for bodily injury
10 and property damage arising out of or in connection with the use,
11 ownership, or maintenance of the common elements and, in
12 cooperatives, also of all units.

13 (c) Crime insurance which includes coverage for dishonest acts
14 by members of the executive board and the officers, employees,
15 agents, directors and volunteers of the association and which
16 extends coverage to any business entity that acts as the community
17 manager of the association and the employees of that entity. Such
18 insurance may not contain a conviction requirement, and the
19 minimum amount of the policy must be not less than an amount
20 equal to 3 months of aggregate assessments on all units plus reserve
21 funds or \$5,000,000, whichever is less.

22 (d) Directors and officers insurance that is a nonprofit
23 organization errors and omissions policy in a minimum aggregate
24 amount of not less than \$1,000,000 naming the association as the
25 owner and the named insured. The coverage must extend to the
26 members of the executive board and the officers, employees, agents,
27 directors and volunteers of the association and to the community
28 manager of the association and any employees thereof while acting
29 as agents as insured persons under the policy terms. Coverage must
30 be subject to the terms listed in the declaration.

31 2. In the case of a building that contains units divided by
32 horizontal boundaries described in the declaration, or vertical
33 boundaries that comprise common walls between units, the
34 insurance maintained under paragraph (a) of subsection 1, to the
35 extent reasonably available, must include the units, but need not
36 include improvements and betterments installed by units' owners.

37 3. *If the executive board determines that the cause of any loss*
38 *to any portion of a common-interest community that is covered by*
39 *insurance maintained pursuant to paragraph (a) of subsection 1*
40 *originated from a unit and the association has provided the unit's*
41 *owner with notice and an opportunity for a hearing in the manner*
42 *provided in NRS 116.31031, the unit's owner is responsible for the*
43 *cost of the deductible for such insurance, in an amount not to*
44 *exceed \$50,000. The association may adopt and establish written,*
45 *nondiscriminatory policies and procedures relating to the*



submission of claims, responsibility for deductibles and any other matters relating to the adjustment of claims.

4. If the insurance described in subsections 1 and 2 is not reasonably available, the association promptly shall cause notice of that fact to be given to all units' owners. The declaration may require the association to carry any other insurance, and the association may carry any other insurance it considers appropriate to protect the association or the units' owners.

~~[4.]~~ 5. An insurance policy issued to the association does not prevent a unit's owner from obtaining insurance for the unit's owner's own benefit.

Sec. 6. NRS 116.31133 is hereby amended to read as follows:

116.31133 1. Insurance policies carried pursuant to NRS 116.3113 must provide that:

(a) Each unit's owner is an insured person under the policy with respect to liability arising out of the unit's owner's interest in the common elements or membership in the association;

(b) ~~[The]~~ *Except as otherwise provided in subsection 3 of NRS 116.3113, the* insurer waives its right to subrogation under the policy against any unit's owner or member of his or her household;

(c) No act or omission by any unit's owner, unless acting within the scope of his or her authority on behalf of the association, voids the policy or is a condition to recovery under the policy; and

(d) If, at the time of a loss under the policy, there is other insurance in the name of a unit's owner covering the same risk covered by the policy, the association's policy provides primary insurance.

2. Any loss covered by the property policy under subsections 1 and 2 of NRS 116.3113 must be adjusted with the association, but the proceeds for that loss are payable to any insurance trustee designated for that purpose, or otherwise to the association, and not to any holder of a security interest. The insurance trustee or the association shall hold any insurance proceeds in trust for the association, units' owners and lienholders as their interests may appear. Subject to NRS 116.31135, the proceeds must be disbursed first for the repair or restoration of the damaged property, and the association, units' owners, and lienholders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored, or the common-interest community is terminated.

3. An insurer that has issued an insurance policy under this section shall issue certificates or memoranda of insurance to the association and, upon written request, to any unit's owner or holder of a security interest. The insurer issuing the policy may not cancel or refuse to renew it until 30 days after notice of the proposed



1 cancellation or nonrenewal has been mailed to the association, each
2 unit's owner and each holder of a security interest to whom a
3 certificate or memorandum of insurance has been issued at their
4 respective last known addresses.

5 **Sec. 7.** NRS 116.31153 is hereby amended to read as follows:

6 116.31153 1. Money in the reserve account of an association
7 required by paragraph (b) of subsection 2 of NRS 116.3115 may not
8 be withdrawn without the signatures of at least two members of the
9 executive board or the signatures of at least one member of the
10 executive board and one officer of the association who is not a
11 member of the executive board.

12 2. Except as otherwise provided in subsection 3, money in the
13 operating account of an association may not be withdrawn without
14 the signatures of at least one member of the executive board or one
15 officer of the association and a member of the executive board, an
16 officer of the association or the community manager.

17 3. Money in the operating account of an association may be
18 withdrawn without the signatures required pursuant to subsection 2
19 to:

20 (a) Transfer money to the reserve account of the association at
21 regular intervals;

22 (b) Make automatic payments for utilities;

23 (c) *Make automatic payments for the cost of any insurance*
24 *policies maintained pursuant to NRS 116.3113;*

25 (d) *Make automatic payments for telecommunications services*
26 *maintained by the association, including, without limitation,*
27 *telephone, cable, satellite and Internet services;*

28 (e) *Make automatic payments for loans obtained in*
29 *compliance with paragraph (p) of subsection 1 of NRS 116.3102*
30 *and the governing documents;*

31 (f) *Make automatic payments for any services to the*
32 *association that are billed on a monthly basis;*

33 (g) Make an electronic transfer of money to a state agency
34 pursuant to NRS 353.1467; or

35 ~~[(d)]~~ (h) Make an electronic transfer of money to the United
36 States Government, or any agency thereof, pursuant to any federal
37 law requiring transfers of money to be made by an electronic means
38 authorized by the United States Government or the agency thereof.

39 4. An association may use electronic signatures to withdraw
40 money in the operating account of the association if:

41 (a) The electronic transfer of money is made pursuant to a
42 written agreement entered into between the association and the
43 financial institution where the operating account of the association is
44 maintained;



(b) The executive board has expressly authorized the electronic transfer of money; and

(c) The association has established internal accounting controls which comply with generally accepted accounting principles to safeguard the assets of the association.

5. As used in this section, "electronic transfer of money" has the meaning ascribed to it in NRS 353.1467.

Sec. 8. NRS 116A.620 is hereby amended to read as follows:

116A.620 1. Any management agreement must:

(a) Be in writing and signed by all parties;

(b) Be entered into between the client and the community manager or the employer of the community manager if the community manager is acting on behalf of a corporation, partnership, limited partnership, limited-liability partnership, limited-liability company or other entity;

(c) State the term of the management agreement;

(d) State the basic consideration for the services to be provided and the payment schedule;

(e) Include a complete schedule of all fees, costs, expenses and charges to be imposed by the community manager, whether direct or indirect, including, without limitation:

(1) The costs for any new client or start-up costs;

(2) The fees for special or nonroutine services, such as the mailing of collection letters, the recording of liens and foreclosing of property;

(3) Reimbursable expenses;

(4) The fees for the sale or resale of a unit or for setting up the account of a new member; and

(5) The portion of fees that are to be retained by the client and the portion to be retained by the community manager;

(f) State the identity and the legal status of the contracting parties;

(g) State any limitations on the liability of each contracting party;

(h) Include a statement of the scope of work of the community manager;

(i) State the spending limits of the community manager;

(j) Include provisions relating to the grounds and procedures for termination of the community manager;

(k) Identify the types and amounts of insurance coverage to be carried by each contracting party, including, without limitation:

(1) A requirement that the community manager or his or her employer shall maintain insurance covering liability for errors or omissions, professional liability or a surety bond to compensate for



1 losses actionable pursuant to this chapter in an amount of
2 \$1,000,000 or more;

3 (2) An indication of which contracting party will maintain
4 fidelity bond coverage; and

5 (3) A statement as to whether the client will maintain
6 directors and officers liability coverage for the executive board;

7 (l) Include provisions for dispute resolution;

8 (m) Acknowledge that all records and books of the client are the
9 property of the client, except any proprietary information and
10 software belonging to the community manager;

11 (n) State the physical location, including the street address, of
12 the records of the client, which must be within 60 miles from the
13 physical location of the common-interest community;

14 (o) State the frequency and extent of regular inspections of the
15 common-interest community; and

16 (p) State the extent, if any, of the authority of the community
17 manager to sign checks on behalf of the client in an operating
18 account.

19 2. In addition to any other requirements under this section, a
20 management agreement may:

21 (a) Provide for mandatory binding arbitration; or

22 (b) Allow the provisions of the management agreement to apply
23 month to month following the end of the term of the management
24 agreement, but the management agreement may not contain an
25 automatic renewal provision.

26 3. Not later than 10 days after the effective date of a
27 management agreement, the community manager shall provide each
28 member of the executive board evidence of the existence of the
29 required insurance, including, without limitation:

30 (a) The names and addresses of all insurance companies;

31 (b) The total amount of coverage; and

32 (c) The amount of any deductible.

33 4. After signing a management agreement, the community
34 manager shall provide a copy of the management agreement to each
35 member of the executive board. Within 30 days after an election or
36 appointment of a new member to the executive board, the
37 community manager shall provide the new member with a copy of
38 the management agreement.

39 5. Any changes to a management agreement must be initialed
40 by the contracting parties. If there are any changes after the
41 execution of a management agreement, those changes must be in
42 writing and signed by the contracting parties.

43 6. ~~[Except]~~ *Until the regulations adopted by the Commission*
44 *pursuant to subsection 8 become effective, and except* as otherwise
45 provided in the management agreement, upon the termination or



1 assignment of a management agreement, the community manager
2 shall, within 30 days after the termination or assignment, transfer
3 possession of all books, records and other papers of the client to the
4 succeeding community manager, or to the client if there is no
5 succeeding community manager, regardless of any unpaid fees or
6 charges to the community manager or management company.

7 7. Notwithstanding any provision in a management agreement
8 to the contrary, a management agreement may be terminated by the
9 client without penalty upon 30 days' notice following a violation by
10 the community manager of any provision of this chapter or chapter
11 116 of NRS.

12 *8. The Commission shall adopt regulations establishing the*
13 *requirements relating to the transfer of all books, records and*
14 *other papers of the client upon the termination or assignment of a*
15 *management agreement.*

16 **Sec. 9.** NRS 116A.620 is hereby amended to read as follows:
17 116A.620 1. Any management agreement must:

18 (a) Be in writing and signed by all parties;

19 (b) Be entered into between the client and the community
20 manager or the employer of the community manager if the
21 community manager is acting on behalf of a corporation,
22 partnership, limited partnership, limited-liability partnership,
23 limited-liability company or other entity;

24 (c) State the term of the management agreement;

25 (d) State the basic consideration for the services to be provided
26 and the payment schedule;

27 (e) Include a complete schedule of all fees, costs, expenses and
28 charges to be imposed by the community manager, whether direct or
29 indirect, including, without limitation:

30 (1) The costs for any new client or start-up costs;

31 (2) The fees for special or nonroutine services, such as the
32 mailing of collection letters, the recording of liens and foreclosing
33 of property;

34 (3) Reimbursable expenses;

35 (4) The fees for the sale or resale of a unit or for setting up
36 the account of a new member; and

37 (5) The portion of fees that are to be retained by the client
38 and the portion to be retained by the community manager;

39 (f) State the identity and the legal status of the contracting
40 parties;

41 (g) State any limitations on the liability of each contracting
42 party;

43 (h) Include a statement of the scope of work of the community
44 manager;

45 (i) State the spending limits of the community manager;



(j) Include provisions relating to the grounds and procedures for termination of the community manager;

(k) Identify the types and amounts of insurance coverage to be carried by each contracting party, including, without limitation:

(1) A requirement that the community manager or his or her employer shall maintain insurance covering liability for errors or omissions, professional liability or a surety bond to compensate for losses actionable pursuant to this chapter in an amount of \$1,000,000 or more;

(2) An indication of which contracting party will maintain fidelity bond coverage; and

(3) A statement as to whether the client will maintain directors and officers liability coverage for the executive board;

(l) Include provisions for dispute resolution;

(m) Acknowledge that all records and books of the client are the property of the client, except any proprietary information and software belonging to the community manager;

(n) State the physical location, including the street address, of the records of the client, which must be within 60 miles from the physical location of the common-interest community;

(o) State the frequency and extent of regular inspections of the common-interest community; and

(p) State the extent, if any, of the authority of the community manager to sign checks on behalf of the client in an operating account.

2. In addition to any other requirements under this section, a management agreement may:

(a) Provide for mandatory binding arbitration; or

(b) Allow the provisions of the management agreement to apply month to month following the end of the term of the management agreement, but the management agreement may not contain an automatic renewal provision.

3. Not later than 10 days after the effective date of a management agreement, the community manager shall provide each member of the executive board evidence of the existence of the required insurance, including, without limitation:

(a) The names and addresses of all insurance companies;

(b) The total amount of coverage; and

(c) The amount of any deductible.

4. After signing a management agreement, the community manager shall provide a copy of the management agreement to each member of the executive board. Within 30 days after an election or appointment of a new member to the executive board, the community manager shall provide the new member with a copy of the management agreement.



5. Any changes to a management agreement must be initialed by the contracting parties. If there are any changes after the execution of a management agreement, those changes must be in writing and signed by the contracting parties.

~~6. [Until the regulations adopted by the Commission pursuant to subsection 8 become effective, and except as otherwise provided in the management agreement, upon the termination or assignment of a management agreement, the community manager shall, within 30 days after the termination or assignment, transfer possession of all books, records and other papers of the client to the succeeding community manager, or to the client if there is no succeeding community manager, regardless of any unpaid fees or charges to the community manager or management company.~~

~~—7.]~~ Notwithstanding any provision in a management agreement to the contrary, a management agreement may be terminated by the client without penalty upon 30 days' notice following a violation by the community manager of any provision of this chapter or chapter 116 of NRS.

~~[8.]~~ 7. The Commission shall adopt regulations establishing the requirements relating to the transfer of all books, records and other papers of the client upon the termination or assignment of a management agreement.

Sec. 10. 1. This section becomes effective upon passage and approval.

2. Section 8 of this act becomes effective:

(a) Upon passage and approval for the purpose of adopting regulations and performing any other preparatory administrative tasks that are necessary to carry out the provisions of that section; and

(b) On October 1, 2021, for all other purposes.

3. Sections 1 to 7, inclusive, of this act become effective on October 1, 2021.

4. Section 9 of this act becomes effective on the effective date of the regulations adopted by the Commission for Common-Interest Communities and Condominium Hotels establishing the requirements relating to the transfer of all books, records and other papers of a client upon the termination or assignment of a management agreement pursuant to that section.

