

House Engrossed
FILED
KEN BENNETT
SECRETARY OF STATE

State of Arizona
House of Representatives
Forty-ninth Legislature
Second Regular Session
2010

CHAPTER 40

HOUSE BILL 2768

AN ACT

AMENDING TITLE 33, CHAPTER 4, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 33-442; RELATING TO CONVEYANCES OF REAL PROPERTY.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 33, chapter 4, article 3, Arizona Revised Statutes,
3 is amended by adding section 33-442, to read:

4 33-442. Prohibition on transfer fees; exceptions; definitions

5 A. A PROVISION IN A DECLARATION, COVENANT OR ANY OTHER DOCUMENT
6 RELATING TO REAL PROPERTY IN THIS STATE IS NOT BINDING OR ENFORCEABLE AGAINST
7 THE REAL PROPERTY OR AGAINST ANY SUBSEQUENT OWNER, PURCHASER, LIENHOLDER OR
8 OTHER CLAIMANT ON THE PROPERTY IF IT PURPORTS TO DO BOTH OF THE FOLLOWING:

9 1. BIND SUCCESSORS IN TITLE TO THE SPECIFIED REAL PROPERTY.

10 2. OBLIGATE THE TRANSFEREE OR TRANSFEROR OF ALL OR PART OF THE
11 PROPERTY TO PAY A FEE OR OTHER CHARGE TO A DECLARANT OR A THIRD PERSON ON
12 TRANSFER OF AN INTEREST IN THE PROPERTY OR IN CONSIDERATION FOR PERMITTING
13 SUCH A TRANSFER. REGULARLY SCHEDULED FEES OR CHARGES SHALL NOT BE CONSIDERED
14 PAYABLE ON TRANSFER OF AN INTEREST IF THE FEES OR CHARGES WILL BE PAYABLE BY
15 THE OWNER OF THE PROPERTY REGARDLESS OF WHETHER OR NOT THE PROPERTY IS
16 TRANSFERRED, EVEN IF THE OBLIGATION TO PAY DOES NOT COMMENCE UNTIL THE
17 TRUSTEE, DECLARANT, BUILDER OR DEVELOPER FIRST CONVEYS THE PROPERTY TO A
18 RETAIL PURCHASER.

19 B. A TRANSFER FEE PROVISION PRESCRIBED BY SUBSECTION A IS
20 UNENFORCEABLE WHETHER OR NOT RECORDED AND DOES NOT CREATE A LIEN RIGHT AND
21 ANY LIEN PURPORTEDLY ARISING OUT OF AN UNENFORCEABLE PROVISION PRESCRIBED BY
22 SUBSECTION A IS INVALID AND UNENFORCEABLE.

23 C. THIS SECTION DOES NOT APPLY TO ANY OF THE FOLLOWING:

24 1. ANY PROVISION OF A PURCHASE CONTRACT, OPTION, MORTGAGE, SECURITY
25 AGREEMENT, REAL PROPERTY LISTING AGREEMENT OR OTHER AGREEMENT THAT OBLIGATES
26 ONE PARTY TO THE AGREEMENT TO PAY THE OTHER PARTY AS FULL OR PARTIAL
27 CONSIDERATION FOR THE AGREEMENT OR FOR A WAIVER OF RIGHTS UNDER THE AGREEMENT
28 IF THE AMOUNT TO BE PAID IS:

29 (a) A LOAN ASSUMPTION FEE OR SIMILAR FEE CHARGED BY A LENDER THAT
30 HOLDS A LIEN ON THE PROPERTY.

31 (b) A FEE OR COMMISSION PAID TO A LICENSED REAL ESTATE BROKER FOR
32 BROKERAGE SERVICES RENDERED IN CONNECTION WITH THE TRANSFER OF THE PROPERTY
33 FOR WHICH THE FEE OR COMMISSION IS PAID.

34 2. ANY PROVISION IN A DEED, MEMORANDUM OR OTHER DOCUMENT RECORDED FOR
35 THE PURPOSE OF PROVIDING RECORD NOTICE OF AN AGREEMENT PRESCRIBED IN
36 PARAGRAPH 1, SUBDIVISION (a) OF THIS SUBSECTION.

37 3. ANY PROVISION OF A DOCUMENT THAT REQUIRES PAYMENT OF A FEE OR
38 CHARGE TO AN ASSOCIATION TO BE USED EXCLUSIVELY FOR THE PURPOSE AUTHORIZED IN
39 THE DOCUMENT IF BOTH OF THE FOLLOWING APPLY:

40 (a) THE FEE BEING CHARGED TOUCHES AND CONCERNS THE LAND.

41 (b) NO PORTION OF THE CHARGE OR FEE IS REQUIRED TO BE PASSED THROUGH
42 TO A THIRD PARTY OR DECLARANT DESIGNATED OR IDENTIFIABLE BY DESCRIPTION IN
43 THE DOCUMENT OR IN ANOTHER DOCUMENT THAT IS REFERENCED IN THE DOCUMENT UNLESS
44 THE THIRD PARTY IS AUTHORIZED IN THE DOCUMENT TO MANAGE REAL PROPERTY WITHIN
45 THE ASSOCIATION OR WAS PART OF AN APPROVED DEVELOPMENT PLAN.

1 4. ANY RENT, REIMBURSEMENT, CHARGE, FEE OR OTHER AMOUNT PAYABLE BY A
2 LESSEE TO A LESSOR UNDER A LEASE, INCLUDING ANY FEE PAYABLE TO THE LESSOR FOR
3 CONSENTING TO AN ASSIGNMENT, SUBLEASE, ENCUMBRANCE OR TRANSFER OF THE LEASE.

4 5. ANY CONSIDERATION PAYABLE TO THE HOLDER OF AN OPTION TO PURCHASE AN
5 INTEREST IN THE REAL PROPERTY OR TO THE HOLDER OF A RIGHT OF FIRST REFUSAL OR
6 FIRST OFFER TO PURCHASE AN INTEREST IN REAL PROPERTY AND PAID FOR WAIVING,
7 RELEASING OR NOT EXERCISING THE OPTION OR RIGHT ON TRANSFER OF THE PROPERTY
8 TO ANOTHER PERSON.

9 6. ANY FEE, CHARGE, ASSESSMENT, DUES, CONTRIBUTION OR OTHER AMOUNT
10 RELATING TO THE PURCHASE OR TRANSFER OF A CLUB MEMBERSHIP RELATED TO THE REAL
11 PROPERTY OWNER BY THE TRANSFEROR.

12 7. ANY FEE OR CHARGE THAT IS IMPOSED BY A DOCUMENT AND THAT IS PAYABLE
13 TO A NONPROFIT CORPORATION FOR THE SOLE PURPOSE OF SUPPORTING RECREATIONAL
14 ACTIVITIES WITHIN THE ASSOCIATION.

15 8. ANY FEE, TAX, ASSESSMENT OR OTHER CHARGE IMPOSED BY A GOVERNMENTAL
16 AUTHORITY PURSUANT TO APPLICABLE LAWS, ORDINANCES OR REGULATIONS.

17 9. ANY CONSIDERATION PAYABLE BY THE TRANSFEREE TO THE TRANSFEROR FOR
18 THE INTEREST IN REAL PROPERTY BEING TRANSFERRED INCLUDING ANY SUBSEQUENT
19 ADDITIONAL CONSIDERATION FOR THE PROPERTY PAYABLE BY THE TRANSFEREE BASED ON
20 ANY SUBSEQUENT APPRECIATION, DEVELOPMENT OR SALE OF THE PROPERTY.

21 D. NOTWITHSTANDING ANY PROVISION IN THE DOCUMENT OR PURPORTED LIEN, A
22 TRANSFER FEE COVENANT OR OTHER DOCUMENT PRESCRIBED BY SUBSECTION A OR A LIEN
23 PURPORTING TO SECURE PAYMENT UNDER A TRANSFER FEE COVENANT OR DOCUMENT
24 PRESCRIBED BY SUBSECTION A THAT IS EXECUTED AFTER THE EFFECTIVE DATE OF THIS
25 SECTION IS NOT BINDING OR ENFORCEABLE. THIS SECTION SHALL NOT BE CONSTRUED
26 TO IMPLY THAT A TRANSFER FEE COVENANT OR OTHER DOCUMENT PRESCRIBED BY
27 SUBSECTION A THAT IS EXECUTED BEFORE THE EFFECTIVE DATE OF THIS SECTION IS
28 ENFORCEABLE OR VALID.

29 E. FOR THE PURPOSES OF THIS SECTION:

30 1. "ASSOCIATION" MEANS A NONPROFIT MANDATORY MEMBERSHIP ORGANIZATION
31 THAT IS CREATED PURSUANT TO A DECLARATION, COVENANT OR OTHER APPLICABLE LAW
32 AND THAT IS COMPRISED OF THE OWNERS OF HOMES, CONDOMINIUMS, COOPERATIVES OR
33 MANUFACTURED HOMES OR ANY OTHER INTEREST IN REAL PROPERTY.

34 2. "TRANSFER" MEANS THE SALE, GIFT, CONVEYANCE, ASSIGNMENT,
35 INHERITANCE OR OTHER TRANSFER OF AN INTEREST IN REAL PROPERTY LOCATED IN THIS
36 STATE.

37 Sec. 2. Legislative findings and intent

38 The legislature finds that the public policy of this state favors the
39 transferability of interests in real property free from unreasonable
40 restraints on alienation and covenants or servitudes that do not touch and
41 concern the property. A transfer fee covenant proscribed in section 33-442,
42 subsection A, Arizona Revised Statutes, as added by this act, violates this
43 public policy by impairing the marketability of title to the affected real
44 property and constitutes an unreasonable restraint on alienation of property,
45 regardless of the duration of the covenant or the amount of the transfer fee
46 set forth in the covenant.

APPROVED BY THE GOVERNOR APRIL 9, 2010.

Passed the House March 3, 2010

by the following vote: 58 Ayes,

0 Nays, 2 Not Voting

[Signature]
Speaker of the House

[Signature]
Chief Clerk of the House

Passed the Senate April 1, 2010

by the following vote: 25 Ayes,

1 Nays, 4 Not Voting

[Signature]
President of the Senate

[Signature]
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

5th day of April, 2010

at 2:36 o'clock P. M.

[Signature]
Secretary to the Governor

Approved this 9th day of

April

at 10:32 o'clock A. M.

[Signature]
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 9th day of April, 2010

at 4:15 o'clock P. M.

[Signature]
Secretary of State