IN THE OFFICE OF ADMINISTRATIVE HEARINGS

Anne F. Segal, Petitioner,

No. 25F-H032-REL

VS.

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ADMINISTRATIVE LAW JUDGE **DECISION**

Prince Court Homeowners Association,

Respondent.

HEARING: May 02, 2025 at 9:00 AM.

APPEARANCES: Anne S. Segal ("Petitioner") appeared on her own behalf with Robert Segal, David Zeinfeld, and Mary Beth Snyder as witnesses. Wendy Ehrlich, Esq. appeared on behalf of Prince Court Homeowners Association Inc. ("Respondent" and "Association") with Susan Matheson as a witness. Dianna Tidle observed.

ADMINISTRATIVE LAW JUDGE: Jenna Clark.

EXHIBITS ADMITTED INTO EVIDENCE: The Notice of Hearing, including the Arizona Department of Real Estate's administrative file, Petitioner Exhibits A-C, and Respondent Exhibits 2-8 were admitted into the evidentiary record.

After review of the hearing record in this matter, the undersigned Administrative Law Judge makes the following Findings of Fact and Conclusions of Law, and issues this ORDER to the Commissioner of the Arizona Department of Real Estate ("Department").

FINDINGS OF FACT

BACKGROUND AND PROCEDURE

- 1. The Department is authorized by statute to receive and to decide petitions for hearings from members of homeowners' associations and from homeowners' associations in Arizona.
- 2. On or about December 22, 2024, Petitioners filed a single-issue petition with the Department which alleged that the Association violated Arizona Revised Statutes ("ARIZ. REV. STAT.") §§ 33-1812, 33-1803(B-E), 33-1804, and 33-1817, and Article V of the Covenants, Conditions, and Restrictions ("CC&Rs") by "replacing the [CC&Rs]

through the use of unlawful procedures." Specifically, Petitioner alleged that the Association Board directed Members to sign a notarized agreement to replace the existing CC&Rs, or not participate. Petitioner further alleged that Members were not permitting to disagree with any portion of the proposed CC&Rs or have an open discussion about changing them.

- a. On an unknown date, Petitioner tendered a \$500.00 filing fee to the Department for the underlying petition.
- 3. On January 06, 2025, the Department issued an HOA NOTICE OF PETITION t Respondent.²
- 4. On or about January 16, 2025, Respondent returned its ANSWER to the Department whereby it denied all complaint items in the petition.³
- 5. On January 22, 2025, the Department referred this matter to the Office of Administrative Hearings ("OAH"), an independent state agency, for an evidentiary hearing on March 13, 2025, at 1:00 p.m. Per the Notice of Hearing, the purpose of the hearing was to determine whether Respondent "replac[ed] the existing [CC&Rs] through the use of unlawful procedures" in violation of ARIZ. REV. STAT. §§ 33-1812, 33-1803(B-E), 33-1804, and 33-1817, and CC&R Article V.⁴

THE PARTIES AND GOVERNING DOCUMENTS

- 6. Respondent is a homeowners' association whose members own properties in a 39-home residential real estate development located in Tucson, Arizona. Membership for the Association is compromised of the Prince Court subdivision.
- 7. Petitioner is a Prince Court subdivision property owner and a member of the Association.
- 8. The Association is recognized by the State of Arizona as a domestic nonprofit corporation.⁵

¹ See Department's electronic file at Segal Petition and documents (1).pdf.

² See Department's electronic file at Cert. Mail No 2 - Notice of Petition.pdf.

³ See Department's electronic file at Response to Petition.pdf.

⁴ At the hearing, Petitioner acknowledged that she listed Article V in error, and had intended to list Article VII. Because Respondent did not object, the Tribunal accepted Petitioner's petition amendment without remanding the matter back to the Department for the issuance of a new Notice of Hearing.

⁵ See Department's electronic file at Arizona Corporation Commission.pdf.

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9. The Association is governed by its CC&Rs and overseen by a Board of Directors ("the Board"). The CC&Rs empower the Association to control certain aspects of property use within the development. When a party buys a residential unit in the development, the party receives a copy of the CC&Rs and Bylaws and agrees to be bound by their terms. Thus, the CC&Rs form an enforceable contract between the Association and each property owner, and the Bylaws outline how the Association is permitted to operate.

10. CC&Rs Article VII(1)⁶ provides as follows:

All of the aforesaid provisions, conditionals, covenants, restrictions and reservations shall continue and remain in full force and effect at all times as against the owner of any portion of said property, however his title thereto may be acquired, until the commencement of the calendar year 2025, and shall be automatically continued thereafter for successive periods of ten years each; provided, the holders of record title of a majority of the lots subject to these restrictions may, by executing and acknowledging an appropriate agreement or agreements in writing for such purpose and recording the same at any time at least one year prior to January 1, 2025, release all of the land so restricted from any one or more of said restrictions or may release any of the property subject to these restrictions from any one or more of said restrictions, said release, change or modification to be effective January 2, 2025. During each successive ten-year period after January 1, 2025, a majority of record title holders shall have the same power to release, change, or modify said restrictions as to any property then covered by said restrictions by executing, acknowledging and recording an appropriate agreement or agreements at least one year prior to expiration of said ten-year period, said release, change or modification to be effective at expiration of said ten-year period.

HEARING EVIDENCE

- 11. Petitioner testified on her own behalf and called Robert Segal, David Zeinfeld, and Mary Beth Snyder as witnesses. Respondent called Susan Matheson as a witness. The substantive evidence of record is as follows:
 - a. Mr. Zeinfeld is a residential subdivision developer. In 1995, despite not being an attorney or ever having any legal training, Mr. Zeinfeld created the CC&Rs for the Prince Court subdivision based on his interpretation of planned community statutes and "common sense." He served as the

⁶ See Petitioner Exhibit B.

Declarant until control was passed to the Association. Currently, Mr. Zeinfeld owns secondary residential property in Prince Court and is a member of the Association.

- b. Petitioner and her son, who resides abroad, own residential property in the Prince Court subdivision and are members of the Association. Their property is used for long-term rentals.
- c. Ms. Snyder is the President of the Association's Board.
- d. On or about March 02, 2024, during an Association meeting, members were advised that the Board intended to revise the Prince Court CC&Rs, which were in effect through the "end of 2025."⁷
- e. On April 09, 2024, the Board voted unanimously to hire Ms. Ehrlich as counsel to help them update the Association's CC&Rs.⁸
- f. On July 10, 2024, August 04, 2024, and August 21, 2024, the Association issued "straw poll" email correspondence to members regarding two (2) proposed revised sections of the CC&Rs regarding rental contracts and common wall maintenance. Members were asked to provide their feedback by replying "yes" or "no." 10
- g. Although Petitioner, an attorney and licensed realtor, offered to assist the Association with the drafting of proposed changes to its CC&Rs, the Association declined; noting that it wished to work with a neutral third party.
- h. During a Board meeting on August 19, 2025, attending Members were advised that the Board planned to go into executive session with Ms. Ehrlich to discuss the legality of proposed revisions to the CC&Rs.¹¹
- On September 25, 2025, the Association issued a meeting agenda to members, about a closed meeting scheduled for September 30, 2024, to discuss legal advice regarding revisions to CC&Rs.¹²

⁷ See Respondent Exhibit 6.

⁸ See Respondent Exhibit 7.

⁹ See Department's electronic file at Segal Petition and documents (1).pdf.

¹⁰ *Id.*; see also Respondent Exhibits 2-3.

¹¹ See Respondent Exhibit 8.

¹² *Id*.

j. On October 14, 2024, the Association issued a draft copy of newly proposed CC&Rs via its Member distribution list.¹³ In an attached cover letter, Members were advised as follows:

The Board of Directors of Prince Court HOA recommends that members amend and restate the CC&Rs that were drafted by the original developer more than 25 years ago. (The time limitations for CC&R amendments set forth in our current CC&Rs, Article VII, Paragraph 1 have been superseded by Arizona law which allows CC&Rs to be amended at any time; see A.R.S. § 33-1817).¹⁴

Members were asked to submit their questions, if any, no later than November 18, 2024, after which time Ms. Ehrlich would reply en masse. 15

k. On November 25, 2025, the Association issued a set of answers to Member questions, and noted that as none resulted in modification of the draft copy previously issued, that it constituted the final version of the proposed CC&Rs.¹⁶ Members were further advised as follows:

For this document to become the Prince Court HOA's official CC&Rs, a majority of homeowners need to approve the document. "A majority" means at least 20 of the 39 lots. To approve the document, our current CC&Rs state that each homeowner needs to sign a form agreeing to this change (see the attached document "Agreement"), and then that form needs to be notarized and later recorded by our attorney at the Pima County Recorder's Office. For your convenience, we've hired a notary to come to our neighborhood on Monday, December 9, from 4:00 to 6:00 pm at Mary Beth Snyder's house, 2173 E. Carob Ln. We'll also provide blank copies of the Agreement form.¹⁷

I. On or about December 09, 2024, Ms. Snyder hosted a prepared agreement notarization event at her home whereby Members were invited to sign their consent on copies of the proposed replacement CC&Rs and have them notarized. The Association intentionally did not hold an open meeting to

¹³ See Respondent Exhibit 4.

¹⁴ *Id*.

¹⁵ *Ic*

¹⁶ See Respondent Exhibit 5.

¹⁷ *Id*.

discuss proposed revisions to the CC&Rs beforehand due to concerns over perceived threatening or otherwise aggressive behavior by Petitioner.

ADDITIONAL EVIDENCE

- m. The Board used an email distribution list, which it had inherited from its predecessors, to provide electronic notice of its meetings. It is unknown whether the list was complete or otherwise accurate during its use. In total, eight (8) emails were issued to Members regarding the Association's CC&Rs.
- n. Between approximately March 02, 2024, and December 09, 2024, only three (3) Members, including Petitioner and Mr. Zeinfeld complained to the Board regarding the proposed revisions to the CC&Rs.
- o. Because she wanted an "open discussion" regarding the Association's CC&Rs, Petitioner leafleted postcards in common areas and on Members' homes and mailboxes inviting them share their thoughts. She also sent them email correspondence. The Association determined that going the route of obtaining signed consent from Members, as opposed to obtaining their votes, would be the path of least contentiousness given Petitioner's public objections.
- p. Petitioner did not attend any of the Board's meetings where discussion of the CC&Rs was on the agenda.

CLOSING ARGUMENTS

Petitioner's closing argument

12. In closing, Petitioner opined that the Board's President and Vice President failed to follow Association protocol and engaged in dictatorial behavior. Petitioner further opined that the Association was required to find "middle ground" with its most difficult community members, and honor the spirit and intent of the Declarant by having open discourse for no less than 1-year prior to amending the CC&Rs. Petitioner argued, overall, that the Association's conduct amounted to violations of ARIZ. REV. STAT. §§ 33-1812, 33-1803(B-E), 33-1804, and 33-1817, and Article VII of the CC&Rs.

Respondent's closing argument

- 13. In closing, Respondent argued that ARIZ. REV. STAT. §§ 33-1817 and 10-3704 permitted the Association to amend its CC&Rs through written consent, and that Petitioner had convoluted it as an action by approved vote of its Members under ARIZ. REV. STAT. § 33-1812(A). Respondent noted that it declined to hold a vote on proposed changes to the CC&Rs, which in turn did not trigger or otherwise implicate Member voting rights and protections. Respondent argued that the adopted changes to the CC&Rs were obtained by written consent of the Members, notarized by a majority on December 09, 2024.
- 14. Per Respondent, the original CC&Rs 1-year provision was superseded by ARIZ. REV. STAT. § 33-1817, and effectively irrelevant. Additionally, once the new CC&Rs were recorded on December 13, 2024, they were immediately in effect.
- 15. Respondent also argued that no violation of ARIZ. REV. STAT. § 33-1804(F) exists because open meeting were held on March 02, 2024, April 09, 2024, and August 19, 2024, for Members to discuss proposed changes to the CC&Rs, and that all closed sessions occurred in compliance with ARIZ. REV. STAT. § 33-1804(A)(1) for the sole purpose of obtaining legal advice from Ms. Ehrlich on the issue. Respondent noted that "straw polls" were also conducted amongst Members to gauge support for proposed changes to the CC&Rs and went forward on the strength of responses received. No less than 26 Members submitted signed and notarized consent agreements to the Association, well above the threshold of a majority of Members.
- 16. Respondent also further argued a violation of ARIZ. REV. STAT. § 33-1803(B-E) had not been established by Petitioner, as a violation notice had never been served or penalty imposed. Respondent denied that the CC&Rs were required to address those issues.

CONCLUSIONS OF LAW

- 1. This matter lies within the Department's jurisdiction pursuant to ARIZ. REV. STAT. §§ 32-2102 and 32-2199 et seq., regarding a dispute between an owner and a condominium and/or planned community association. Pursuant to ARIZ. REV. STAT. §§ 32-2199(2), 32-2199.01(A), 32-2199.01(D), 32-2199.02, and 41-1092 et seq. OAH has the authority to hear and decide the contested case at bar. OAH has the authority to interpret the contract between the parties.¹⁸
- 2. The owner or association may petition the department for a hearing concerning violations of community documents or violations of the statutes that regulate planned communities as long as the petitioner has filed a petition with the department and paid a filing fee as outlined in ARIZ. REV. STAT. § 32-2199.05.
 - a. Planned Communities are regulated by ARIZ. REV. STAT. Title 33, Chapter 16, Article 1.
 - b. A planned community is "a real estate development that includes real estate owned and operated by or real estate on which an easement to maintain roadways or a covenant to maintain roadways is held by a nonprofit corporation or unincorporated association of owners, that is created for the purpose of managing, maintaining or improving the property and in which the declaration expressly states both that the owners of separately owned lots, parcels or units are mandatory members and that the owners are required to pay assessments to the association for these purposes." ¹⁹
 - c. A planned community association is "a nonprofit corporation or unincorporated association of owners that is created pursuant to a declaration to own and operate portions of a planned community and that has the power under the declaration to assess association members to pay the costs and expenses incurred in the performance of the association's obligations under the declaration…"²⁰

¹⁸ See Tierra Ranchos Homeowners Ass'n v. Kitchukov, 216 Ariz. 195, 165 P.3d 173 (App. 2007).

¹⁹ See Ariz. Rev. Stat. § 33-1802(4).

²⁰ See ARIZ. REV. STAT. § 33- 1802(1).

- 3. In this proceeding, Petitioner bears the burden of proving by a preponderance of the evidence that Respondent committed the alleged statutory and/or governing document violation(s).
- 4. "A preponderance of the evidence is such proof as convinces the trier of fact that the contention is more probably true than not."²¹ A preponderance of the evidence is "[t]he greater weight of the evidence, not necessarily established by the greater number of witnesses testifying to a fact but by evidence that has the most convincing force; superior evidentiary weight that, though not sufficient to free the mind wholly from all reasonable doubt, is still sufficient to incline a fair and impartial mind to one side of the issue rather than the other."²²
- 5. ARIZ. REV. STAT. § 33-1812(A) provides, in pertinent part, that notwithstanding any provision in the community documents, after termination of the period of declarant control, votes allocated to a unit may not be cast pursuant to a proxy and must be made in person, by absentee ballot, or electronically.
 - 6. ARIZ. REV. STAT. § 33-1803 provides as follows, in pertinent parts:
 - B. After notice and an opportunity to be heard, the board of directors may impose reasonable monetary penalties on members for violations of the declaration, bylaws and rules of the association. Notwithstanding any provision in the community documents, the board of directors shall not impose a charge for a late payment of a penalty that exceeds the greater of fifteen dollars or ten percent of the amount of the unpaid penalty. A payment is deemed late if it is unpaid fifteen or more days after its due date, unless the declaration, bylaws or rules of the association provide for a longer period. Any monies paid by a member for an unpaid penalty shall be applied first to the principal amount unpaid and then to the interest accrued. Notice pursuant to this subsection shall include information pertaining to the manner in which the penalty shall be enforced.
 - C. A member who receives a written notice that the condition of the property owned by the member is in violation of the community documents without regard to whether a monetary penalty is imposed by the notice may provide the association with a written response by sending the response by certified mail within twenty-one calendar days after the date of the notice. The response shall be sent to the address identified in the notice.

²¹ MORRIS K. UDALL, ARIZONA LAW OF EVIDENCE § 5 (1960).

²² BLACK'S LAW DICTIONARY 1220 (8th ed. 1999).

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- D. Within ten business days after receipt of the certified mail containing the response from the member, the association shall respond to the member with a written explanation regarding the notice that shall provide at least the following information unless previously provided in the notice of violation:
- 1. The provision of the community documents that has allegedly been violated.
- 2. The date of the violation or the date the violation was observed.
- 3. The first and last name of the person or persons who observed the violation.
- 4. The process the member must follow to contest the notice.

E. Unless the information required in subsection D, paragraph 4 of this section is provided in the notice of violation, the association shall not proceed with any action to enforce the community documents, including the collection of attorney fees, before or during the time prescribed by subsection D of this section regarding the exchange of information between the association and the member and shall give the member written notice of the member's option to petition for an administrative hearing on the matter in the state real estate department pursuant to section 32-2199.01. At any time before or after completion of the exchange of information pursuant to this section, the member may petition for a hearing pursuant to section 32-2199.01 if the dispute is within the jurisdiction of the state real estate department as prescribed in section 32-2199.01.

7. ARIZ. REV. STAT. § 33-1804(A) provides, in pertinent parts, as follows:

Notwithstanding any provision in the declaration, bylaws or other documents to the contrary, all meetings of the members' association and the board of directors, and any regularly scheduled committee meetings, are open to all members of the association or any person designated by a member in writing as the member's representative and all members or designated representatives so desiring shall be permitted to attend and speak at an appropriate time during the deliberations and proceedings. The board may place reasonable time restrictions on those persons speaking during the meeting but shall permit a member or member's designated representative to speak once after the board has discussed a specific agenda item but before the board takes formal action on that item in addition to any other opportunities to speak. The board shall provide for a reasonable number of persons to speak on each side of an issue. Persons attending may audiotape or videotape those portions of the meetings of the board of directors and meetings of the members that are open. The board of directors of the association shall not require advance notice of the audiotaping or videotaping and may adopt reasonable rules governing the

 audiotaping and videotaping of open portions of the meetings of the board and the membership, but such rules shall not preclude such audiotaping or videotaping by those attending, unless the board audiotapes or videotapes the meeting and makes the unedited audiotapes or videotapes available to members on request without restrictions on its use as evidence in any dispute resolution process. Any portion of a meeting may be closed only if that closed portion of the meeting is limited to consideration of one or more of the following:

- 1. **Legal advice from an attorney for the board or the association.** On final resolution of any matter for which the board received legal advice or that concerned pending or contemplated litigation, the board may disclose information about that matter in an open meeting except for matters that are required to remain confidential by the terms of a settlement agreement or judgment. (*Emphasis added*.)
- 2. Pending or contemplated litigation.
- 3. Personal, health or financial information about an individual member of the association, an individual employee of the association or an individual employee of a contractor for the association, including records of the association directly related to the personal, health or financial information about an individual member of the association, an individual employee of the association or an individual employee of a contractor for the association.
- 4. Matters relating to the job performance of, compensation of, health records of or specific complaints against an individual employee of the association or an individual employee of a contractor of the association who works under the direction of the association.
- 5. Discussion of a member's appeal of any violation cited or penalty imposed by the association except on request of the affected member that the meeting be held in an open session.

(Emphasis added.)

- 8. The definition of legal advice is "guidance given by lawyers to their clients."²³
- 9. ARIZ. REV. STAT. § 33-1817(A)(1) provides, in pertinent part, that except during the period of declarant control, or if during the period of declarant control with the written consent of the declarant in each instance *the declaration may be amended by*

²³ Black's Law Dictionary (11th Ed. 2019).

the association, if any, or, if there is no association or board, the owners of the property that is subject to the declaration, *by* an affirmative vote or *written consent of the number of owners or eligible voters specified in the declaration*. (*Emphasis added*.)

- 10. "In applying a statute . . . its words are to be given their ordinary meaning unless the legislature has offered its own definition of the words or it appears from the context that a special meaning was intended." Each word, phrase, clause, and sentence must be given meaning so that no part of the legislation will be void, inert, or trivial. ²⁵
- 11. Legislation must also be given a sensible construction that avoids absurd results.²⁶ If the words do not disclose the legislative intent, the court will scrutinize the statute as a whole and give it a fair and sensible meaning.²⁷
- 12. Although Petitioner raised a number of related tangential issues during the presentation of her case, and in her closing arguments, none of them will be substantively addressed by the Tribunal because Petitioner only paid for the adjudication of one (1) issue the crux of which is whether the actions taken by Respondent to modify the Association's CC&Rs were lawful. Specifically, Petitioner contends that Respondent was required to permit Members to openly deliberate proposed changes to the CC&Rs for at least 1 year, after which time, they were further required to let Members vote for or against the changes at issue.
- 13. Based upon a review of the credible and relevant evidence in the record, the Tribunal is not in agreement with either of Petitioner's contentions, and holds that she has not sustained her burden of proof in this matter.
- 14. Here, the material facts are clear. It is clear from the record that the Association was not only permitted to go into executive session to receive legal advice unrelated to pending litigation from its attorney under ARIZ. REV. STAT. § 33-1804(A), but that it was also permitted to modify or otherwise amend its CC&Rs by written consent of its Members under ARIZ. REV. STAT. § 33-1817(A)(1); which supersedes any edicts outlined in Article VII of the original CC&Rs. It is also undisputed that a majority of Members

²⁴ MORRIS K. UDALL, ARIZONA LAW OF EVIDENCE § 5 (1960).

²⁵ See Stein v. Sonus USA, Inc., 214 Ariz. 200, 204, ¶ 17 (App. 2007).

²⁶ See State v. Gonzales, 206 Ariz. 469, 471, ¶12 (App. 2003).

 $^{^{27}}$ See Luchanski v. Congrove, 193 Ariz. 176, 178, \P 9.

submitted their written and notarized consent regarding proposed changes to the CC&Rs to the Association, and that the changes were properly recorded within thirty (30) days in compliance with ARIZ. REV. STAT. § 33-1817(A)(3).

- 15. Notably, ARIZ. REV. STAT. §§ 33-1812(A) and 33-1803 are inapplicable to the proceedings at bar as unrelated and irrelevant. No violations of these statutes have been established by a preponderance of the evidence.
- 16. Therefore, the undersigned Administrative Law Judge concludes that because Petitioner has failed to establish Respondent's alleged violation(s) of ARIZ. REV. STAT. §§ 33-1812, 33-1803(B-E), 33-1804, and 33-1817, and/or Article VII of the [old] CC&Rs, her petition must be denied.

FINAL ORDER

Based on the foregoing,

IT IS ORDERED that Petitioners' petition be denied.

In the event of certification of the Administrative Law Judge Decision by the Director of the Office of Administrative Hearings, the effective date of the Order will be five days from the date of that certification.

NOTICE

Pursuant to ARIZ. REV. STAT. §32-2199.02(B), this ORDER is binding on the parties unless a rehearing is granted pursuant to ARIZ. REV. STAT. § 32-2199.04. Pursuant to ARIZ. REV. STAT. § 41-1092.09, a request for rehearing in this matter must be filed with the Commissioner of the Arizona Department of Real Estate within thirty (30) days of the service of this ORDER upon the parties.

Done this day, May 22, 2025.

Office of Administrative Hearings

/s/ Jenna Clark Administrative Law Judge

Transmitted by either mail, e-mail, or facsimile to:

Susan Nicolson, Commissioner

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