IN THE OFFICE OF ADMINISTRATIVE HEARINGS

In the Matter of: Steven Schumacher Petitioner, v. The Ridge at Sedona Association of Homeowners, Inc. Respondent.	**No. 26F-H031-REL** **ADMINISTRATIVE LAW JUDGE DECISION**

HEARING: September 01, 2026 at 9:00 AM.

APPEARANCES: Steven Schumacher ("Petitioner") appeared on his own behalf. Daniel Leffler, Esq. appeared on behalf of The Ridge at Sedona Association of Homeowners, Inc. ("Respondent") with Donad Schneider as a witness. Pamela Schumacher observed.

ADMINISTRATIVE LAW JUDGE: Jenna Clark.

EXHIBITS ADMITTED INTO EVIDENCE: The NOTICE OF HEARING, including the referring agency's attached administrative file, Petitioner Exhibits 2-4, Respondent Exhibits A-B and D-E, and ORDERS GRANTING CONTINUANCE issued April 21, 2026, and June 08, 2026, 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 the State of Arizona.

2. On or about January 09, 2026, Petitioner filed a single-issue HOA DISPUTE PROCESS PETITION ("PETITION") with the Department.[1] In the petition, Petitioner identified Respondent's alleged violations as follows:

> [Respondent] is a hybrid community compromised of 19 independently owned residential lots (Detached Units) and 16 Association buildings that house 50 condominiums (Attached Units). The Association carries insurance that specifically covers the general liability, repair and replacement of the Attached Units buildings. However, the full cost of this insurance is being improperly assessed against the Detached Units since the start of fiscal year 2025-2026, violating CC&R Article 7, Section 7.2.3.[2] [sic]

Petitioner requested an order directing Respondent to abide by the referenced governing documents.[3] Civil penalties were not requested.[4]

a. On an unknown date, Petitioner tendered a $500.00 filing fee to the Department for the PETITION.

3. On February 03, 2026, the Department issued a HOA NOTICE OF PETITION to Respondent.[5]

4. On February 23, 2026, Respondent returned its ANSWER to the Department whereby it denied the complaint item in the petition.[6]

5. On March 18, 2026, the Department issued a NOTICE OF HEARING setting the above-captioned matter for hearing before the Office of Administrative Hearings ("OAH"), an independent state agency, on April 17, 2026, to address Respondent's alleged violation(s) of CC&R Art. VII sec. 7.2.3.[7]

6. On April 21, 2026, per Respondent's request, the Tribunal issued an ORDER GRANTING CONTINUANCE that reset the matter for hearing on June 11, 2026.

7. On June 06, 2026, per Respondent's request, the Tribunal issued an ORDER GRANTING CONTINUANCE that reset the matter for hearing on September 01, 2026.

THE PARTIES AND GOVERNING DOCUMENTS

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[1] *See* HOA Petitioner Request Form.pdf.
[2] *Id*.
[3] *Id*.
[4] *Id*.
[5] *See* Notice of Petition – Schumacher v The Ridge at Sedona – ACC Address.pdf.
[6] *See* 2026-02-23 Response to Petition Case 26F-H031.pdf.
[7] *See* 26F-H031-REL Signed Notice of Hearing.pdf.

8. Respondent is a homeowners' association whose members own properties in a residential real estate development located in Sedona, Arizona.[8] Membership for the Association is compromised of 69 units; 19 single family residences and 50 condominiums, in the Hilton Bell Rock subdivision.[9]

9. Petitioner is a residential property owner and a member of the Association.

10. The Association is recognized by the State of Arizona as a domestic nonprofit corporation,[10] and managed by AAM LLC.[11]

11. The Association is governed by a Declaration of 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.

12. CC&Rs Art. II sec. 2.6 **Allocation of Common Element Interest and Common Expense Liabilities**[12] provides the following:

> The undivided interest m the Common Elements of the Association shall be allocated equally among the Units Accordingly, each Unit's percentage interest in the Common Elements shall be one seventieth (1/70th) The undivided interest in the Common Expenses of the Association (except For the Common Expenses that are to be assessed to less than all of the Units pursuant to Sections 7.2.3, 7.2.4 and 7.2.5 of this Declaration) shall be allocated equally among the Units with each Unit's percentage interest being one seventieth (1/70th). The Common Expenses to be assessed against only the Attached Units pursuant to Section 7.23 of this Declaration shall be allocated equally among the Attached and, therefore, each Attached Units 's share of such Common Expenses shall be one-fiftieth (1/50th).

13. CC&Rs Art. V sec. 5.1 **Duties of the Association**[13] provides the following:

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[8] *See* Ridge at Sedona Amended and Restated Declaration of CC&R's 7-26-96.pdf.
[9] *See* Respondent Exhibit A.
[10] *See* Ridge at Sedona Amended and Restated Declaration of CC&R's 7-26-96.pdf.
[11] *See* Respondent Exhibit D.
[12] *Id*.
[13]

> The Association shall maintain, repair and replace all Common Elements, whether located inside or outside the Units, except for the Limited Common Elements which the Unit Owners are obligated to maintain, repair and replace pursuant *to* Section 5.2 of this Declaration. The cost of all such maintenance, repairs and replacements shall be a Common Expense and shall be paid for by the Association. In addition, the Association shall maintain, repair and replace the wall along the south property line of Units 63 through 68, inclusive, whether or not such wall is located inside or outside of such Units, except for the interior surface of such wall which will be maintained by the Owner of each of Unit 63 through 68 as provided in Section 5.2.1 of this Declaration.

14. CC&Rs Art. VII sec. 7.2.3 – **Common Expense Assessment**[14] provides the following:

> All Common Expenses pertaining to the maintenance, repair or replacement of the Buildings containing the Attached Units {except for the Attached Units and any Limited Common Elements allocated to such Attached Units) shall be assessed only against the Attached Units, and no Detached Units shall be assessed for any such Common Expenses The Common Expenses pertaining to the repair, maintenance and replacement of the Buddings containing the Attached Units {except for the Attached Units and any Limited Common Elements allocated to such Attached Units) shall be allocated equally to such Attached Units.

15. CC&Rs Art. VIII sec. 8.2 – **Payment of Premiums**[15] provides the following:

> Premiums for all insurance obtained by the Association pursuant to this Article shall be Common Expenses and shall be paid for by the Association.

16. CC&Rs Art. VIII sec. 8.3 – **Insurance Obtained by Unit Owners**[16] provides the following:

> The issuance of insurance policies to the Association pursuant to this Article shall not prevent a Unit Owner from obtaining insurance for his own benefit and at his own expense covering his Unit, his personal property and providing personal liability coverage.

[14] *Id*.
[15] *Id*.
[16] *Id*.

HEARING EVIDENCE

17. Petitioner testified on his own behalf. Donad Schneider testified on behalf of Respondent. The substantive evidence of record is as follows:

a. Petitioner owns detached residential property located at 56 Ridge Rock Rd. Sedona, Arizona 86351.

b. On June 25, 2025, Acord® issued a CERTIFICATE OF LIABILITY INSURANCE to the Association for seven (7) individual policies; including commercial general liability, automobile liability, umbrella/excess liability, workers compensation and employer's liability, and coverage for property, crime/fidelity, and directors & officers for April 01, 2025, through April 01, 2026.[17]

c. There is a $32,437.00 premium for the commercial general liability portion of the policy, Policy No. N030PK3474-00.[18] The policy provides, in pertinent parts, "General Liability/Condo … Based on 50 Units … $1,752 total - $35.04 each" and "Property – Condos $19,884,384 … For 50 Units ... $30,173 - $603.46 each."[19]

d. The Association's Draft Budget for April 01, 2025, through March 31, 2026, proposes a $17,000.00 insurance increase "due to rezoning," and a $60.00 monthly fee increase to "increase painting reserves."[20]

e. In November 2025, an unidentified unit owner issued a community newsletter, What's Up on the Ridge,[21] that was unsanctioned by the board and provided the following information to residents:

> Effective April 1, 2025, the Ridge has new insurance policies, issued by new insurance carriers, negotiated by a new insurance broker. The big change for attached unit owners is a $25,000 deductible for all claims. Since the vast majority of insurable problems, like water leaks, will cost less than $25,000 to fix, there will be fewer claims. That means the Ridge should have fewer insurance conflicts between the attached unit insurance and the

[17] *See* Respondent Exhibit D.
[18] *See* Petitioner Exhibit 2.
[19] *Id*.
[20] *See* Respondent Exhibit E.
[21] *See* Petitioner Exhibit 4.

association insurance. This should help keep the association insurance costs in line.

The attached unit owners might be able to increase their homeowners' policy coverage to pay the $25,000 deductible. Contact your insurance carrier to discuss.

ADDITIONAL EVIDENCE

f. Petitioner testified that, in his opinion, Respondent was in violation of ARIZ. REV. STAT. § 33-1255(C) because common expense(s) associated with maintenance, repair, and/or replacement of limited common element(s) were not equally assessed against units to which they had been assigned, and that because the expense(s) at issue benefitted fewer than all units they should have been exclusively assessed against the benefitted units. Although he acknowledged that all unit owners were assessed equally by Respondent for insurance at 1/69th each, Petitioner continued that, in his opinion, Detached Unit Owners like himself were over-assessed and Attached Unit Owners were under-assessed. No corroborating evidence was offered to substantiate these opinions.

g. Mr. Schneider, a former Board member and contract attorney, testified that none of the first seven CC&Rs articles address any specific common expense, and that only CC&Rs Art. VIII covered the issue of insurance; which did not refer back to Art. 1-6. Per Mr. Schneider, for insurance to be a common expense it must be shared equally by all unit owners. Neither type of unit owner pays more than the other for insurance.

CLOSING ARGUMENTS

2. In closing, Respondent argued that because Petitioner failed to establish that the "full cost" of insurance was or had been improperly assessed against Detached Unit owners in fiscal year 2025-2026, he had not sustained his burden of proof. Respondent argued that Petitioner had conceded that all unit owners, both Attached and Detached, were equally assessed for insurance as a common expense to protect all of their interests in common elements of the property. Respondent opined that Petitioner's

arguments regarding CC&Rs Art. II sec. 2.6 and ARIZ. REV. STAT. § 33-1255(C) were irrelevant as he had not plead violations of either in his PETITION.

3. In closing, Petitioner clarified that his reference to "full cost" did not alleged that Detached Unit owners paid insurance for both types of unit owners and instead referred to all subcategories of insurance coverage in the Association's policy. More pointedly, Petitioner opined that Detached Unit owners improperly paid for property liability and guaranteed repair and replacement of Attached Units. Petitioner opined that the insurance policy at issue covered the entirety of buildings that housed all condominium units, and argued that because he had no ownership rights in any of those units, it was improper to require him to contribute to the cost of insuring those dwellings, regardless of whether he had access to any of the Attached Unit's common areas.

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 planned community association. 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.

2. 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.[22]

3. In this proceeding, Petitioner bears the burden of proving by a preponderance of the evidence that Respondent violated CC&R Art. VII sec. 7.2.3.[23] Respondent bears the burden of establishing any affirmative defenses by the same evidentiary burden.[24]

4. "A preponderance of the evidence is such proof as convinces the trier of fact that the contention is more probably true than not."[25] A preponderance of the evidence is

[22] *See Tierra Ranchos Homeowners Ass'n v. Kitchukov*, 216 Ariz. 195, 165 P.3d 173 (App. 2007).
[23] *See* Arizona Administrative Code ("ARIZ. ADMIN. CODE") R2-19-119.
[24] *Id*.
[25] MORRIS K. UDALL, ARIZONA LAW OF EVIDENCE § 5 (1960).

"[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."[26]

5. In Arizona, when construing statutes, we look first to a statute's language as the best and most reliable index of its meaning. If the statute's language is clear and unambiguous, we give effect to that language and apply it without using other means of statutory construction, unless applying the literal language would lead to an absurd result. Words should be given "their natural, obvious, and ordinary meaning."[27] Statutes should be interpreted to provide a fair and sensible result.[28] Unless defined by the legislature, words in statutes are given their ordinary meanings.[29] Each word, phrase, clause, and sentence of a statute or rule must be given meaning so that no part will be void, inert, redundant, or trivial.[30]

6. The crux of the case at bar is whether Petitioner established that Respondent's alleged conduct constitutes one or more violations of CC&R Art. VII sec. 7.2.3 by the requisite evidentiary standard. Based upon a review of the credible and relevant evidence in the record, the Tribunal finds that Petitioner has not sustained his burden of proof.

7. Here, both parties are in agreement that all unit owners are assessed equally for insurance, with neither type paying more than the other. There is insufficient evidence in the record to find that the Association unequally or otherwise improperly or unlawfully assessed for common expenses pertaining to the maintenance, repair or replacement of the buddings containing Attached Units to Detached Units.

8. Therefore, because Petitioner failed to sustain his burden of proof the PETITION must be denied

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[26] BLACK'S LAW DICTIONARY 1220 (8th ed. 1999).
[27] *Arpaio v. Steinle*, 201 Ariz. 353, 355 ¶ 5, 35 P.3d 114, 116 (App. 2001) (footnotes and citations omitted).
[28] *Gutierrez v. Industrial Commission of Arizona*; *see also State v. McFall*, 103 Ariz. 234, 238, 439 P.2d 805, 809 (1968) ("Courts will not place an absurd and unreasonable construction on statutes.").
[29] *Id*.
[30] *See Deer Valley, v. Houser*, 214 Ariz. 293, 296, 152 P.3d 490, 493 (2007).

FINAL ORDER

In consideration of the foregoing,

IT IS ORDERED that the underlying PETITION filed January 09, 2026, is denied, including the relief requested, and dismissed with prejudice.

IT IS FURTHER ORDERED that no civil penalties shall be levied against Respondent as a result of these proceedings.

IT IS FURTHER ORDERED that each party bears its own costs related to preparation and litigation of this matter.

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 Department within thirty (30) days of the service of this FINAL ORDER upon the parties.[31]

Done this day, September 16, 2026.

Office of **A**dministrative **H**earings

/s/ Jenna Clark
Administrative Law Judge

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[31] *See* https://azre.gov/sites/default/files/2025-07/Dispute%20Rehearing%20Request%20Form.pdf.

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