

Date of Hearing: April 28, 2026

ASSEMBLY COMMITTEE ON JUDICIARY
Ash Kalra, Chair
AB 2050 (Caloza) – As Amended April 16, 2026

SUBJECT: COMMON INTEREST DEVELOPMENTS: RESERVE ACCOUNTS

KEY ISSUE: SHOULD HOMEOWNER ASSOCIATIONS BE REQUIRED TO FUND THEIR RESERVE FUND IN A MANNER SUCH THAT THE FUND BALANCE WILL NOT FALL BELOW ZERO IN THE NEXT THIRTY YEARS?

SYNOPSIS

Common interest developments, governed by homeowner associations, are developments in which a homeowner is responsible for maintaining their separate property while neighbors communally provide support for the development's common areas. These common areas can range from simple matters like community landscaping, to the shared roof of a condominium, to a community pool or park. In order to ensure that the association can properly manage its obligations to maintain the common areas, existing law requires the association to conduct a reserve study every three years. This study examines what aspects of the common areas will need repair or replacement and determines when such maintenance is likely to occur. The study also recommends the amount of funding needed to properly capitalize the reserve for the next 30 years. However, existing law does not require an association's board to actually collect that money or provide a guaranteed manner for the association to seek contributions from members.

Recognizing that most members of a homeowner association will not own their property for the full thirty years of maintenance the reserve study seeks to fund, this bill will adopt several changes to the laws governing reserve accounts. First, commencing in 2032 the bill enhances the reserve study to require the study to produce a specific dollar amount each member of the association must contribute to the account to ensure the account remains solvent for the next thirty years. Secondly, the bill authorizes a reserve fund special assessment to be collected every nine years to ensure that a board cannot avoid funding the reserve account just because such collections are unpopular with the other homeowners in the association. Finally, the bill makes several additional conforming changes to ensure that reserve accounts are funded.

This bill is supported by the Community Associations Institute's California Legislative Action Committee, on behalf of homeowner association boards. The Community Associations Institute notes that due to the length that most Californians stay in one home, existing homeowners do not always have sufficient incentives to adequately fund an association's future repair needs given that they may not live there by the time the repairs come to fruition. This bill has no opposition and was previously heard and approved by the Committee on Housing and Community Development by a vote of eleven to zero.

SUMMARY: Requires a homeowner association, commencing in 2032, as a part of the regularly occurring reserve study, to include the minimum reserve contribution level necessary to prevent the projected association reserve account balance from falling below zero over the following 30 years. Specifically, **this bill:**

- 1) Adds the following elements to the reserve study a homeowner association is required to conduct every three years:
 - a) A reserve funding plan that indicates how the association plans to fund the reserve account to meet the association's obligation for the repair and replacement of all major components with an expected remaining life of 30 years or less, not including those components that the board has determined will not be replaced or repaired, as specified; and
 - b) The minimum reserve contribution level from members of the association to prevent the projected association reserve account balance from falling below zero over the following 30 years.
- 2) Requires a homeowner association to fund the reserve account on an annual basis in at least the minimum reserve contribution level included in the most recent study of the reserve account requirements pursuant to 1).
- 3) Requires, if the association is unable to fund the reserve account in at least the minimum reserve contribution level without exceeding the limitations on assessment increases set forth in existing law, then, notwithstanding the existing law, the association to levy a reserve special assessment in an amount necessary to allow the association to fund to the minimum contribution level without a reserve special assessment within nine fiscal years.
- 4) Requires all funds collected pursuant to 3) to be deposited in the association's reserve account and considered reserve funds.
- 5) Prohibits a reserve fund special assessment from being levied more than once every nine years.

EXISTING LAW:

- 1) Establishes the Davis-Stirling Common Interest Development Act and provides for the rules and regulations governing the operation of a residential common interest development and the respective rights and duties of the homeowner association and its members. (Civil Code Section 4000 *et seq.*)
- 2) Requires a homeowner association's board of directors to cause to be conducted, at least once every three years, a reasonably competent and diligent visual inspection of the accessible areas of the major components that the association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the common interest development. (Civil Code Section 5550.)
- 3) Requires a homeowner association's board of a condominium project with buildings containing three or more multifamily units to cause a reasonably competent and diligent visual inspection to be conducted by a licensed structural engineer or architect of a random and statistically significant sample of the exterior elevated elements of the common interest for which the association has maintenance or repair responsibility. (Civil Code Section 5551 (b).)

- 4) Authorizes a homeowner association to institute, defend, settle, or intervene in litigation, arbitration, mediation, or administrative proceedings in its own name as the real party in interest and without joining with it the members, in matters pertaining to the following:
 - a) Enforcement of the governing documents;
 - b) Damage to the common area;
 - c) Damage to a separate interest that the association is obligated to maintain or repair; and
 - d) Damage to a separate interest that arises out of, or is integrally related to, damage to the common area or a separate interest that the association is obligated to maintain or repair. (Civil Code Section 5980.)

FISCAL EFFECT: As currently in print this bill is keyed non-fiscal.

COMMENTS: Existing law requires a homeowner association to maintain the association's common areas as well as aspects of separate property integral to the development such that the association is obligated to maintain it (i.e. the plumbing within a condominium). To assist homeowner associations in determining how much this maintenance will cost, existing law requires the association to conduct a study every three years to determine the appropriate amount of reserves needed to pay for maintenance. However, the law does not require the association to fund the reserve.

Recognizing the increasing costs facing homeowner associations, this bill would require a homeowner association to collect dues in an amount adequate to maintain the reserve fund at a balance above \$0 for a thirty-year horizon. To assist the association, this bill authorizes the imposition of a reserve fund special assessment once every nine years. In support of this bill, the author states:

California is home to thousands of common interest developments (CIDs), where homeowners rely on their association to maintain shared property and ensure long-term safety and financial stability. In my district alone, 70% of associations are more than 20 years old and 73% are condominiums, meaning many communities are managing aging buildings that require significant long-term maintenance. While state law requires associations to conduct reserve studies and plan for major repairs, it does not require them to fund those future obligations.

The lack of reserve funding is also impacting the ability of homeowners to sell. Fannie Mae and Freddie Mac now requires an association to show it has at least 10% of its budget focused on reserves. This amount is likely to increase to 15% by 2027. If an association cannot meet this requirement, owners will have trouble selling their residences due to a lack of mortgage financing.

Strong neighborhoods are built on financial preparedness. California homeowners deserve the peace of mind knowing their HOAs are equipped with the tools and resources they need to meet the long-term needs of their community. With reliable infrastructure, properly managed common areas, and secure reserves, neighborhoods can thrive and homeowners can live with confidence in their community—not just today, but for many years to come. Adequate reserve funding will promote safer homes, encourage proactive maintenance, and

help prevent sudden and costly special assessments that burden homeowners and support long-term housing affordability.

Background on homeowner association governance. There are approximately 50,000 common interest developments in California. They vary in size and structure, but generally are characterized by the following: (1) separate ownership of individual residential units coupled with an undivided interest in common property; (2) covenants, conditions, and restrictions that limit the use of both separate interests and common property; and (3) management of common property and enforcement of restrictions by a homeowner association.

Governance of these developments and the homeowner associations that make up their governing bodies is regulated under the Davis-Stirling Act (Civil Code Section 1350 *et seq.*), which sets forth general rules governing common interest developments. Beyond the overarching state law, each individual association is also subject to specific rules and regulations set forth by the association's "governing documents." These governing documents include the recorded declaration and any other documents, such as bylaws, operating rules of the association, or articles of incorporation that govern the operation of the association. Homeowner associations are governed by volunteer boards of directors who are elected by the members of the association and who are responsible for interpreting the governing documents and state law.

Recognizing that most homeowners do not stay in their home for 30 years, homeowner association boards struggle to obtain approvals to generate revenue for long-term maintenance. Although homeowners tend to move far less frequently than renters, data suggested that most Californians will own more than one home in their lifetime. While the length of a stay in an individual home range significantly across regions of the state, according to the San Francisco Chronicle, California homeowners tend to move every 12 to 20 years, with inland residents moving more frequently than those living along the coast. (Jessica Roy, *Here's How Long Californian's Keep Their Homes*, SF Gate (Mar. 15, 2026) available at: <https://www.sfchronicle.com/personal-finance/article/home-owner-year-california-21971129.php>.) Notably, regardless of the region of the state, these timelines are significantly shorter than the thirty-year planning horizons existing law requires homeowner associations to utilize when examining the financial health of, and potential demands on, reserve accounts used to fund association maintenance and repairs.

The existing law requires homeowner associations to study their reserve needs every three years. Based on the result, presumably, the association board would then vote on modest adjustments to the homeowner association dues to ensure that the association can slowly build up the reserves necessary to make future repairs. These repairs include replacing the roof on condominiums, pool maintenance, even road repairs in some associations. Notably, none of these items are cheap.

However, given that many homeowners within an association will no longer live in the development to see the benefit of these repairs, the present association members have little incentive to help the association save for the benefit of future residents. Accordingly, the author and the proponents of the bill note that many associations currently struggle to adequately fund their reserve accounts. This not only imperils the association's ability to fund known future needs but also to address any emergency repairs that may arise without being forced to resort to significant special assessments. As the Legislature contemplates shifting significant responsibility for funding construction defect-related repairs away from builders and onto

homeowner associations, the proponents of this bill contend adequately funded and stable reserve accounts may become more important than ever.

This bill. Recognizing the financial hardships that may befall many homeowner associations in the future, commencing in 2032, this bill enhances the reserve study requirements of homeowner associations and provides association new tools to raise capital. This bill would require, as a part of the regularly conducted reserve study, a homeowner association to determine what level of funding a reserve account would need to maintain a positive balance for the next 30 years. The bill requires the association board to impose a reserve fund special assessment once every nine years if the present amount collected by the then-existing association dues is insufficient to maintain the solvency of the reserve fund. This bill also makes several technical changes to carry out the above-discussed reforms.

ARGUMENTS IN SUPPORT: This bill is supported by the Community Associations Institute's California Legislative Action Committee, on behalf of homeowner association boards. In support they write:

The bill, beginning January 1, 2032, would require reserve studies to identify a minimum annual reserves contribution necessary to ensure that an association's reserve balance does not fall below zero over a 30-year period. Associations would be required to fund reserves at or above that level annually. If they are unable to do so within statutory limits on assessment increases, the bill appropriately requires a temporary reserve special assessment to restore funding within nine fiscal years.

This approach reflects a simple but critical principle: pay now or pay later. Adequate reserve funding prevents deferred maintenance, costly emergency repairs, and steep special assessments that place sudden financial burdens on homeowners. By promoting disciplined, forward-looking funding practices, AB 2050 helps protect property values and the long-term affordability of common interest developments.

More importantly, stronger reserve funding will also help associations meet secondary mortgage market expectations.

REGISTERED SUPPORT / OPPOSITION:

Support

Community Associations Institute- California Legislative Action Committee

Opposition

None on file

Analysis Prepared by: Nicholas Liedtke / JUD. / (916) 319-2334