

ASSEMBLY THIRD READING  
AB 2050 (Caloza)  
As Amended April 16, 2026  
Majority vote

## SUMMARY

Requires homeowners associations (HOAs), beginning January 1, 2032, to fund reserve accounts at a minimum level sufficient to prevent insolvency over a 30-year period, and authorizes (and in some cases requires) special assessments notwithstanding existing statutory assessment caps to meet that obligation.

### Major Provisions

- 1) Sunsets the existing HOA reserve study requirements on January 1, 2032, and, beginning on that date, establishes the following revised requirements:
  - a) The HOA (rather than the board) to conduct a reasonably competent and diligent visual inspection of major components at least once every three years as part of a reserve study;
  - b) The HOA to review and update the reserve study annually; and
  - c) The HOA to consider and implement necessary adjustments to reserve funding based on that annual review.
- 2) Retains existing reserve study content requirements, including identification of major components, their remaining useful life, cost estimates to repair, replace, restore, or maintain them, and a reserve funding plan, but:
  - a) Revises the calculation from an "annual contribution" to an annual reserve account transfer; and
  - b) Adds a requirement that the study include the minimum reserve contribution level necessary to prevent the reserve account balance from falling below zero over a 30-year period.
- 3) Requires the HOA to annually fund the reserve account at least at the minimum reserve contribution level identified in the most recent reserve study.
- 4) Provides that, if the HOA cannot meet the minimum reserve funding level without exceeding existing statutory assessment increase limits, the HOA shall, notwithstanding those limits:
  - a) Levy a reserve special assessment sufficient to meet the minimum funding level; and
  - b) Structure the assessment such that the HOA can fund it to the minimum level required within nine fiscal years.
- 5) Specifies parameters for reserve special assessments:
  - a) Requires that all funds collected through a reserve special assessment be deposited into the reserve account and treated as reserve funds;

- b) Requires that the amount of the special assessment be sufficient to prevent the reserve account balance from falling below zero over the following 30 years; and
  - c) Prohibits an HOA from levying a reserve funding special assessment more than once every nine years.
- 6) Provides that the revised reserve study requirements and new reserve funding mandates, including the minimum funding requirement and special assessment provisions, become operative on January 1, 2032

## COMMENTS

*Common Interest Developments (CIDs):* There are over 50,000 CIDs in the state that range in size from three to 27,000 units, with the average CID having 286 residents. CIDs make up roughly 4.7 million housing units, and 36% of Californians (over 14 million Californians) live in a CID. These rates are even higher for homeowners, with approximately 65% of homeowners living in a CID. CIDs include condominiums, community apartment projects, housing cooperatives, and planned unit developments. They are characterized by a separate ownership of dwelling space coupled with an undivided interest in a common property, restricted by covenants and conditions that limit the use of common area, and the separate ownership interests and the management of common property and enforcement of restrictions by an HOA. CIDs are governed by the Davis-Stirling Common Interest Development Act (the Act) as well as the governing documents of the association (Covenants, Conditions, and Restrictions, or CC&Rs), including bylaws, declaration, and operating rules.

*Davis-Stirling Common Interest Development Act:* The Davis-Stirling Act (Act) went into effect in 1986 and is the primary body of law governing CIDs in California. The Act provides the legal framework for the creation and management of HOAs, including rules related to governance, assessments, dispute resolution, maintenance responsibilities, and member rights. The law aims to balance the authority of HOAs with the rights of individual property owners, ensuring that communities are managed efficiently and fairly.

Over time, the Act has been amended to address the evolving needs of CIDs and to increase transparency, accountability, and consumer protections. Key provisions include requirements for open meetings, financial disclosures, election procedures, and architectural review processes. The Act also provides mechanisms for resolving disputes, including internal dispute resolution and alternative dispute resolution, before certain legal actions can proceed. As CIDs continue to represent a significant portion of California's housing stock, the Act plays a critical role in shaping the living environment and governance of millions of residents across the state.

*Reserve Studies and Assessments:* Under existing law, HOAs are required to periodically assess their long-term repair and replacement obligations through reserve studies. At least once every three years, the HOA board must conduct a reasonably competent and diligent visual inspection of the accessible areas of major components for which the association is responsible, where the replacement value of those components is at least one-half of the association's gross budget, excluding reserves, and must review that study annually and make appropriate adjustments to its reserve analysis. The reserve study must identify major components with less than 30 years of remaining useful life, estimate their remaining life and repair or replacement costs, calculate the annual contribution needed to fund those obligations, and include a reserve funding plan. In this

sense, existing law requires HOAs to periodically identify foreseeable capital needs and map out a strategy to pay for them.

However, while the Act requires reserve planning, it does not mandate actual funding at any particular level. In practice, this may result in HOA boards being constrained, or politically discouraged, from raising assessments enough to match reserve study recommendations. Under the Act, an HOA board generally may not increase regular assessments by more than 20% over the prior year or impose special assessments exceeding 5% of the association's budgeted gross expenses without member approval. This provision is meant to empower homeowners to make decisions that will ultimately affect their monthly payments, and HOA members are often reluctant to approve fee increases even where the long-term need is clear.

As a result, some HOA's may defer reserve contributions to avoid near-term assessment pressure, even if that increases future risk. Rather than spreading costs over time through gradual increases in regular assessments, this can lead to large, one-time assessments when major components ultimately fail, even when the need for repair or replacement was foreseeable and identified in prior reserve studies.

Furthermore, underfunding can then spill into broader financing and insurance problems. For example, Fannie Mae's current condo project standards treat projects with significant deferred maintenance or unsafe conditions as ineligible until repairs are completed, require lenders to scrutinize special assessments, and note that projects budgeting less than 10% of HOA assessment income toward reserves may be at increased risk of deferred maintenance and special assessments. Fannie Mae also requires adequate master property insurance for condo projects and has suspended waivers for certain project insurance deficiencies, which means deteriorating conditions or weak project finances can make units in these HOAs harder to finance and potentially harder to sell.

*This Bill:* This bill builds on existing reserve study requirements by shifting from a planning framework to a funding requirement. Beginning in 2032, HOAs would be required not only to conduct reserve studies, but to fund reserves at a minimum level sufficient to prevent the reserve account from falling below zero over a 30-year period, as calculated in the study. This bill also requires HOAs to meet that minimum funding level annually and authorizes the use of special assessments, notwithstanding existing statutory caps, where necessary to achieve compliance within nine fiscal years. In doing so, this bill seeks to align reserve funding practices more closely with the long-term obligations identified in reserve studies.

By requiring more consistent reserve funding, this bill may help distribute the cost of major repairs over time, rather than relying on large, one-time special assessments when components fail. This approach could reduce the likelihood of deferred maintenance and improve the financial predictability of HOAs, including in contexts where reserve funding levels are considered in lending or insurance decisions. At the same time, this bill would likely result in higher regular assessments for some homeowners, particularly in HOAs that are currently underfunded, and may reduce the extent to which boards and members can defer or phase in those costs under existing assessment limits.

#### **According to the Author**

"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."

### **Arguments in Support**

The Community Associations Institute's California Legislative Action Committee writes in support: "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."

### **Arguments in Opposition**

None on file.

## **FISCAL COMMENTS**

None.

## **VOTES**

### **ASM HOUSING AND COMMUNITY DEVELOPMENT: 11-0-1**

**YES:** Haney, Patterson, Ávila Farías, Caloza, Garcia, Kalra, Lee, Quirk-Silva, Tangipa, Wicks, Wilson

**ABS, ABST OR NV:** Ta

**ASM JUDICIARY: 10-1-1**

**YES:** Kalra, Bauer-Kahan, Bryan, Connolly, Dixon, Harabedian, Pacheco, Papan, Lee, Zbur

**NO:** Sanchez

**ABS, ABST OR NV:** Johnson

**UPDATED**

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CONSULTANT: Dori Ganetsos / H. & C.D. / (916) 319-2085

FN: 0002436