# SENATE COMMITTEE ON APPROPRIATIONS
**Senator Sabrina Cervantes, Chair**
**2025 - 2026 Regular Session**

**AB 2050 (Caloza) - Common interest developments: reserve accounts**

**Version:** June 18, 2026
**Urgency:** No
**Hearing Date:** August 3, 2026

**Policy Vote:** HOUSING 7 - 1, JUD. 12 - 0
**Mandate:** No
**Consultant:** Mark McKenzie

**Bill Summary:** AB 2050 would require a homeowner's association (HOA), beginning on January 1, 2032, to annually fund its reserve account in at least the minimum reserve contribution level identified in its reserve study, as specified. If the reserve account is projected to fall below zero at any time over the following 30 years, the HOA must annually transfer 15 percent of its gross annual budget to its reserve account and levy a special assessment if the reserve account is not sufficiently funded, as specified.

**Fiscal Impact:**
- The Department of Real Estate (DRE) estimates minor one-time costs, likely in the tens of thousands of dollars, to conduct stakeholder and consumer education and to conduct training for Subdivisions Division staff. DRE would also incur one-time contract costs of approximately $75,000 to update Subdivision forms, the Operating Costs Manual, and Reserve Study Guidelines related to HOA budgets. (Real Estate Fund)

**Background:** Existing law, the Davis-Sterling Common Interest Development Act, establishes rules and regulations governing the establishment and operation of residential common interest developments (CIDs) and the rights and responsibilities of an HOA and its members. Existing makes an HOA responsible for repairing, replacing, and maintaining the common areas, while the owners of each separate interest are responsible for repairing, replacing, and maintaining their separate interest. The owner of each separate interest is also responsible for maintaining the exclusive use common area appurtenant to that separate interest, and the HOA is responsible for repairing and replacing the exclusive use common area.

The HOA board has a number of duties and powers for the management of the community, including setting the regular, monthly assessments that members must pay in order to cover communal expenses. The board may increase the regular assessments every year by as much as 20 percent without approval of the membership. When a homeowner in the CID does not pay their assessments, the HOA board has the authority to impose a lien and foreclose on the individual's property. The HOA may also impose fines on individual members for violations of the rules of the HOA.

Existing law requires an HOA board 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 CID, if the current replacement value of the major components is equal to or greater than one half of the HOAs gross budget, excluding its reserve account for that period. The HOA board must review the study annually, and consider and implement necessary adjustments to the board's analysis of the reserve account requirements accordingly. 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.

While existing law requires the identification of long-term capital needs and reserve planning, it does not mandate funding reserves at a particular level to enable financing future costs to repair, replace, restore, or maintain critical components. This can lead to significant financial and operational issues for the HOA when it needs to actually perform repairs or major maintenance work, as it may then be forced to assess the members a special assessment that runs into the thousands of dollars per member, or else put off needed or essential repairs. In addition, Fannie Mae, one of the main government-sponsored enterprises that backs mortgages in the U.S., recently amended its rules for eligible mortgages on properties in HOAs to require that an HOA allocate 15 percent of its annual budget to replacing its reserves. When an HOA does not meet these requirements, the units within the HOA will not be eligible for a mortgage backed by Fannie Mae, and the owner may have a difficult time selling the property since buyers will not be able to obtain a conventional mortgage for the property.

**Proposed Law:** AB 2050 would, beginning on January 1, 2032, make changes to the requirements regarding an HOAs reserve study, and require an HOA to fund its reserve account on an annual basis in at least the minimum contribution identified in the reserve study, and to take specified actions to fund the reserve account if it is expected to fall below zero at any time over the following 30 years. Specifically, beginning on January 1, 2032, this bill would:

- Sunset the existing HOA reserve study on January 1, 3032 and reconstitute them with the specified changes, including the following:
  - Include the HOAs reserve account as part of the HOA's budget when determining whether the current replacement value of major components is equal to or greater than one half of the HOA's gross budget.
  - Require the study to include the minimum reserve contribution level to prevent the projection reserve account balance from falling below zero over the following 30 years.
  - Require the study to include a statement informing the HOA that, beginning January 1, 2032, state law will require the HOA to take certain actions if the HOA projects the reserve account balance to fall below zero over a 30-year period, including transferring a minimum of 15 percent of its gross annual budget to the reserve account and, under specified conditions, levying a reserve funding special assessment, as prescribed.
- Require an HOA to fund its 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.
- Require an HOA, if its reserve account balance is projected to fall below zero at any time over the following 30 years, to transfer at least 15 percent of its gross annual budget to its reserve account each year until its reserve account balance is no longer projected to fall below zero.
- Require an HOA that is unable to fund the reserve account in at least the minimum reserve contribution level through its gross annual budget to levy a reserve funding special assessment, as specified.

- Require the HOA to have the membership vote on approving an amount exceeding the cap that is necessary to fund the minimum level, if the reserve funding special assessment is insufficient to meet the minimum reserve contribution level due to the cap on special assessments without a vote of the members.
- Require all funds collected through the reserve funding special assessment to be deposited in the HOA's reserve account and considered reserve funds.
- Prohibit an HOA from levying a reserve funding special assessment more than once every nine years.

**Related Legislation:** SB 1007 (Menjivar), which is currently pending in the Assembly Housing and Community Development Committee, would prohibit an HOA board from increasing a regular assessment by more than 8%, without a vote of a majority of a quorum of the board's members, as specified.

AB 1238 (Wahab), which is currently pending on the Assembly Floor, would make various changes to the laws regarding CIDs, including: requiring HOA managers to provide a duty of care that is prudent and provides the highest good faith effort to the HOA and its members, and expanding disclosure requirements when selling a unit within a CID.

**-- END --**