Office of Senate Floor Analyses
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THIRD READING

Bill No: AB 2050
Author: Caloza (D), et al.
Amended: 8/21/26 in Senate
Vote: 21

SENATE HOUSING COMMITTEE: 7-1, 6/16/26
AYES: Arreguín, Cabaldon, Caballero, Cortese, Durazo, Ochoa Bogh, Padilla
NOES: Seyarto
NO VOTE RECORDED: Gonzalez, Grayson

SENATE JUDICIARY COMMITTEE: 12-0, 6/30/26
AYES: Umberg, Niello, Allen, Ashby, Caballero, Durazo, Laird, Reyes, Stern, Wahab, Weber Pierson, Wiener
NO VOTE RECORDED: Valladares

SENATE APPROPRIATIONS COMMITTEE: 4-1, 8/3/26
AYES: Cervantes, Cabaldon, Richardson, Wahab
NOES: Seyarto
NO VOTE RECORDED: Dahle, Grayson

ASSEMBLY FLOOR: 59-7, 5/11/26 - See last page for vote

SUBJECT: Common interest developments: reserve accounts

SOURCE: CAI-CLAC

DIGEST: This bill requires homeowner's associations (HOAs), beginning January 1, 2032, to fund HOA reserve accounts in accordance with their reserve study and specifies the mechanisms from which the accounts shall be funded.

Senate Floor Amendments of 8/21/26 address chaptering conflicts with SB 1238 (Wahab).

ANALYSIS:

Existing law, related to the Davis-Stirling Act:

1) Notwithstanding more restrictive limitations, prohibits an HOA from imposing the following without the approval of a majority of a quorum of members:

    a) A regular assessment that is more than 20% greater than the regular assessment for the association's preceding fiscal year; or

    b) Special assessments which, in the aggregate, exceed 5% of the budgeted gross expenses of the HOA for that fiscal year.

2) Allows HOAs to impose emergency assessments without member approval for specified urgent expenses, including court-ordered obligations, disaster-related repairs, or threats to health and safety.

3) Requires an HOA board, at least once every three years, to conduct a reasonably competent and diligent visual inspection of the accessible areas of the major components that the HOA is obligated to repair, replace, restore, or maintain as part of a reserve study, when the replacement value of those components meets a specified threshold.

4) Requires an HOA board to review the reserve study annually and consider and implement necessary adjustments to reserve fund planning.

5) Requires reserve studies to include, at a minimum:

    a) Identification of major components the HOA is required to repair, replace, restore, or maintain with a remaining useful life of less than 30 years;

    b) Identification of the probable remaining useful life of the components identified in a).

    c) Estimated repair, replacement, restoration, and maintenance costs associated with the components identified in a).

    d) Estimated annual reserve contributions necessary to defray the costs identified in c); and,

    e) A reserve funding plan to identify how the HOA plans to fund the contributions estimated in d).

6) Provides that "major components" include gas, water, and electrical service lines where the HOA is responsible for maintenance or replacement.

This bill:

1) Sunsets the existing HOA reserve study requirements on January 1st, 2032, and, beginning on that date, revises the study with the following requirements:

    a) Requires 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) Requires the HOA to update the reserve study annually; and,

    c) Requires the HOA to consider and implement necessary adjustments to reserve funding based on the 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 reserve study to include a statement informing the association that, beginning January 1, 2032, state law will require an association 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% of its gross annual budget to the reserve account and, under specified conditions, levying a reserve funding special assessment, as prescribed.

4) If an HOA's reserve account balance is expected to fall below zero over a 30-year period, requires the HOA to transfer a minimum of 15% of its gross annual budget to its reserve account each year until its reserve account balance is no longer to projected to fall below zero.

    a) Requires, if the annual budget transfer is insufficient to meet the projected need, the HOA to levy a one-time reserve funding special assessment, subject to the same provisions of a standard special assessment.

  b) If that amount is insufficient, the HOA shall have the members vote on an amount exceeding the special assessment cap.

  c) Provides that a one-time reserve funding special assessment may not be levied again within a 9-year period.

5) Provides that all funds collected through the reserve funding special assessment shall be deposited in the HOA's reserve account and considered reserve funds.

6) Provides that the bill's provisions regarding annual budget transfers and reserve funding special assessments shall become operative on January 1st, 2032.

Background

HOAs. HOAs are the legal governing bodies of common interest developments (CIDs). These developments cover a variety of community arrangements, including apartment complexes, housing cooperatives, condominiums, and planned unit developments. In 1986, California enacted the Davis-Stirling Act, which outlines the requirements for CID and HOA governance, including assessments and other fees, maintenance responsibilities, and elections. There are over 50,000 HOAs throughout California, covering 36.3% of the state's population. In L.A. County alone, there are over 16,500 HOAs.

Davis-Stirling Act (Act). The Act went into effect in 1986 and is the primary state law governing CIDs and HOAs 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 HOAs, including increased transparency, accountability, and consumer protections. Key provisions of the Act 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 the majority of new housing construction in California is part of an HOA, the Act plays a critical role in shaping the environment and governance of these communities and the tens of millions of residents who reside in them.

Comments

Author's statement. "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 20 years or older and 73% are condominiums. 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. By 2027, Fannie Mae and Freddie Mac will raise from 10% to 15% the minimum an association has to focus on reserves. If an association cannot meet this requirement, owners will have trouble selling 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 secure reserve funding, communities can maintain infrastructure proactively, avoid costly special assessments, and support long-term housing affordability."

The Importance of Funding HOA Reserves. HOA reserves are funds set aside by an HOA to pay for major components that the association is obligated to repair, replace, restore, or maintain (*e.g.,* residential roof replacement, major pool repairs, paving of association-owned roads, etc.). By carefully planning for reserves and raising funds over time through budgeted regular assessments, HOAs can plan for large, anticipated expenses in a way that does not trigger sudden, burdensome special assessments for HOA members.

When an HOA's reserves are not well-funded, the association may struggle with deferred maintenance and its associated consequences without new assessments. Additionally, according to the bill's sponsor, "Many lenders are now refusing to write mortgages for condominiums if the association has underfunded reserves. Fannie Mae and Freddie Mac require an association to have a minimum of 10% in reserves and will increase that level to 15% starting in 2027." This bill is intended to address those issues by requiring an HOA to fund its reserve to at least the minimum contribution level determined by the reserves study that is already required in existing law.

HOA Reserve Studies. 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. As a result, some HOAs 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 that contribute to the annual budget, 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 HOA units harder to finance and thus sell.

Unexpected Costs & Other Affordability Issues. In order to balance the need for funding HOA reserves with the desire to protect homeowners from unforeseen large expenses, this bill was amended to change the mechanism for funding reserves. As written, if an HOA's projected reserve account balance is expected to fall below zero over a 30 year period, the HOA would be required to transfer a minimum of 15% of its gross annual budget to its reserve account each year until its reserve account balance is no longer to projected to fall below zero. This could help ensure that HOAs are using their annual budget more strategically to take reserves into account, which may be more beneficial to homeowners since the budget is funded by more predictable regular assessments. This bill was also amended to require an HOA to levy a one-time reserve funding special assessment-—subject to the same cap provisions as a standard special assessment—to make up any gap in funding needed that is not fulfilled by the annual budget transfer. If that amount is still insufficient, then the HOA shall have the HOA membership vote on an amount exceeding the cap. These measures could help improve member participation in consequential financial decisions made by the HOA.

Double-referral. This bill was also heard in the Senate Judiciary Committee on June 30th, 2026, where it received a vote of 12-0.

Related/Prior Legislation

SB 1007 (Menjivar, 2026) —among other things, would cap HOA regular assessments, without a vote of the members, at an increase of no more than 8% from the previous regular assessment. This bill was held in the Assembly Housing and Community Development Committee at the request of the author.

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

SUPPORT: (Verified 8/21/26)

CAI-CLAC (Source)
California Association of Community Managers

OPPOSITION: (Verified 8/21/26)

California Association of Realtors
Center for California Homeowner Association Law
Consumer Federation of California
Housing and Economic Rights Advocates

ARGUMENTS IN SUPPORT: Supporters of the bill argue that it will help ensure HOAs are actually funding their reserves to prevent major unforeseen expenses that are passed onto homeowners. They also argue that due to evolving federal lending requirements, properly funded HOA reserves are critical to ensure lenders continue to underwrite mortgages for homes in HOAs.

ARGUMENTS IN OPPOSITION: Opponents of the bill argue that setting the minimum reserve funding threshold at an amount not to fall below zero over a 30-year period, rather than a higher defined amount, may not do enough to prevent issues surrounding poorly-funded reserves, such as deferred maintenance. They also argue that requiring reserve funding levels may worsen affordability in HOAs.

ASSEMBLY FLOOR: 59-7, 5/11/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Davies, Dixon, Elhawary, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Ramos, Ransom, Rogers, Blanca Rubio, Schiavo,

Schultz, Sharp-Collins, Stefani, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NOES: DeMaio, Ellis, Gallagher, Hadwick, Johnson, Macedo, Sanchez
NO VOTE RECORDED: Arambula, Bains, Castillo, Chen, Flora, Hoover, Lackey, Lowenthal, Quirk-Silva, Celeste Rodriguez, Michelle Rodriguez, Solache, Soria, Ta

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