CONCURRENCE IN SENATE AMENDMENTS
AB 2050 (Caloza)
As Amended August 21, 2026
Majority vote

SUMMARY

Requires, beginning January 1, 2032, a homeowners association (HOA) to include in its three-year reserve study the minimum reserve contribution level to prevent the projected association reserve account balance from falling below zero over the following 30 years and to fund the reserve account on an annual basis in at least the minimum reserve contribution level included in the most recent three-year reserve study, as specified.

Senate Amendments

1) Delete the provision requiring an HOA to levy a reserve special assessment in any amount necessary to allow the HOA to fund to minimum contribution level without a reserve special assessment within nine fiscal years if the HOA is unable to fund the reserve account in at least the minimum reserve contribution level.

2) Specify the order of actions an HOA must take before the required reserved funding special assessment is levied, as follows:

    a) If an HOA's reserve account balance is projected to fall below zero at any time over the following 30 years, the HOA must transfer a minimum of 15% of its gross annual budget to its reserve account each year until its reserve account balance is no longer projected to fall below zero;

    b) If the HOA is unable to fund the reserve account in at least the minimum reserve contribution level under a) through its gross annual budget, the HOA must levy a reserve funding special assessment subject to the same limitations as a standard special assessment under the Davis-Stirling Common Interest Development Act (Act); then

    c) If the reserve funding special assessment amount in b) is insufficient to meet the minimum reserve contribution level due to the cap on special assessments without a vote, the HOA must have the membership vote on approving an amount exceeding the cap that is necessary to fund the minimum level.

3) Add a statement to an HOA's reserve study informing an HOA that beginning January 1, 2032, state law will require an 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 15% of its gross annual budget to the reserve account and, under specified conditions, levying a reserve funding special assessment, as prescribed.

4) Make findings and declare the intent of the Legislature to reaffirm that all moneys collected and transferred into these reserve accounts must be strictly safeguarded, and that, consistent with existing law, these funds should be used for the repair, restoration, replacement, or maintenance of the major components that the HOA is obligated to repair, restore, or maintain, and for which the reserve fund was established, or for related litigation, and not for routine operations or any other unauthorized purpose.

5) Incorporate nonsubstantive chaptering amendments.

COMMENTS

Davis-Stirling Common Interest Development Act: The Act went into effect in 1986 and is the primary body of law governing common interest developments (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 Act 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 protection. 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.

HOA Assessments: Under existing law, HOAs are required to levy regular and special assessments sufficient to perform their obligations under the governing documents and the Act. HOAs are prohibited from imposing or collecting an assessment that exceeds the amount necessary to defray the costs for which it is levied. Regular assessments are established in an HOA's annual budget and are paid by members of an HOA usually on a monthly or quarterly basis. Special assessments are generally a one-time or limited-duration charge imposed to pay for expenses not covered by regular assessments or the budget.

There are limitations on the rates at which regular and special assessments may be levied without a vote of the membership. An HOA may increase regular assessments for any fiscal year up to, and including, 20% greater than the regular assessments for the HOA's preceding fiscal year without the approval of a majority of a quorum of members. Existing law allows an HOA to levy a special assessment up to 5% of the current fiscal year's budgeted gross expenses without the approval of a majority of a quorum of members. There are no limitations on the number of special assessments that an HOA may impose. However, the 5% cap is an aggregate of the number of special assessments. For example, an HOA may impose one special assessment of 5% of the budgeted gross expenses or five special assessments of 1% without approval of the membership. With approval from a majority of a quorum of members, an HOA can impose regular or special assessments that exceed either cap.

The Act also provides HOAs with the authority to impose emergency special assessments. Emergency special assessments are for situations in which an extraordinary expense is required by an order of a court; necessary to operate, repair, or maintain the CID or any part for which the HOA is responsible where a threat to personal health or safety or another hazardous condition or circumstance on the property is discovered; or necessary to repair or maintain the CID or any part of it for which the HOA is responsible that could not have been reasonably foreseen by the HOA board in preparing and distributing the annual budget report.

Reserve Studies: HOAs are required to periodically review 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. Although the Act specifies the planning activities an HOA must take, there is no requirement to allocate any portion of the HOA's annual budget to the reserve fund. Generally, any contributions to a reserve fund would come from the collection of regular assessments.

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 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."

Arguments in Support
According to the Community Association Institute's California Legislative Action Committee, "This approach reflects a simple but critical principal: 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 prompting 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. For example, Fannie Mae requires condominium associations to allocate at least 10 percent of their total annual budget assessment income towards reserves, and Freddie Mac similarly applies a 10% reserves allocation for established and new condominium projects. These entities are expected to raise the reserves allocation to a 15% starting as early as 2027."

Arguments in Opposition
According to the Center for California Homeowner Association Law, Consumer Federation of California, and other organizations in the opposition coalition, "Homeowner associations (HOAs) collect hundreds of millions of dollars annually from the 14 million Californians who live in them. There is no state oversight of HOAs or what they do with homeowner money. With no state oversight, AB 2050 would let HOAs collect a new type of assessment on top of regular, special, and emergency assessments homeowners already pay. The new assessment to be levied by AB 2050 will make HOA housing even more unaffordable."

FISCAL COMMENTS

According to the Senate Appropriations Committee:

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)

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

ASSEMBLY FLOOR: 59-7-14
YES: 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
NO: DeMaio, Ellis, Gallagher, Hadwick, Johnson, Macedo, Sanchez
ABS, ABST OR NV: Arambula, Bains, Castillo, Chen, Flora, Hoover, Lackey, Lowenthal, Quirk-Silva, Celeste Rodriguez, Michelle Rodriguez, Solache, Soria, Ta

UPDATED

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