

# SENATE BILL REPORT

## SB 5075

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As of January 22, 2013

**Title:** An act relating to assessment increases in homeowners' associations.

**Brief Description:** Concerning homeowners' association assessment increases.

**Sponsors:** Senator Chase.

**Brief History:**

**Committee Activity:** Financial Institutions & Insurance: 1/22/13.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Staff:** Alison Mendiola (786-7483)

**Background:** Homeowners' associations (HOA) generally levy and collect assessments, manage and maintain common property for the benefit of the residents, and enforce covenants that govern developments. The authority to carry out these functions comes from governing documents, such as the declaration of covenants, conditions, and restrictions.

Restrictive covenants are recorded in property deeds and may regulate broad issues. A person who purchases property governed by an HOA becomes a member of the association and must generally abide by the restrictive covenants.

Under current law, an HOA's board of directors creates the association's budget. Within 30 days after a board adopts any proposed regular or special budget of the association, the board must set a date for a meeting of the owners to consider ratification of the budget.

Unless a majority, or any larger percentage specified in governing documents, rejects the budget, the budget is ratified.

The board is to disclose specific information to the owners, including:

- the current amount of regular assessments budgeted for contribution to the reserve account;
- if additional regular or special assessments are scheduled, the date the assessments are due, the amount per owner, per year, and the purpose of the assessment;
- based upon the most recent reserve study, whether the currently projected reserve account balance is sufficient; and

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- if the reserve account balance is not sufficient, what additional assessments may be necessary to ensure that sufficient reserve account funds will be available each year during the next 30 years, and other reserve account information.

**Summary of Bill:** The bill as referred to committee not considered.

**Summary of Bill (Proposed First Substitute):** Unless governing documents provide otherwise, regular assessments may not exceed a 20 percent increase from the last fiscal year's budget, and the aggregate of any special assessments may not exceed a 5 percent increase from the last fiscal year's budget. An exception may be made for special assessment increases in excess of 5 percent if it is by order of the court, to address issues of personal safety, or if the expense could not be foreseen.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.