

Senator Stephen H. Urquhart proposes the following substitute bill:

HOMEOWNER ASSOCIATION RESERVE ACCOUNT

2011 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Stephen H. Urquhart

House Sponsor: Don L. Ipson

LONG TITLE

General Description:

This bill modifies provisions of the Condominium Ownership Act and the Community Association Act relating to reserve accounts.

Highlighted Provisions:

This bill:

- ▶ requires condominium and community associations to allow owners annually to decide whether and, if so, how to fund a reserve fund; and
- ▶ specifies the applicability of reserve fund provisions.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

57-8-7.5, as enacted by Laws of Utah 2010, Chapter 46

57-8a-211, as enacted by Laws of Utah 2010, Chapter 46

Be it enacted by the Legislature of the state of Utah:



26 Section 1. Section 57-8-7.5 is amended to read:

27 **57-8-7.5. Reserve analysis -- Reserve fund.**

28 (1) As used in this section, "reserve analysis" means an analysis to determine:

29 (a) the need for a reserve fund to accumulate money to cover the cost of repairing,
30 replacing, and restoring common areas and facilities that have a useful life of three years or
31 more, but excluding any cost that can reasonably be funded from the general budget or other
32 funds of the association of unit owners; and

33 (b) the appropriate amount of any reserve fund.

34 (2) Except as otherwise provided in the declaration, a management committee shall:

35 (a) (i) subject to Subsection (2)(a)(ii), cause a reserve analysis to be conducted no less
36 frequently than every five years; and

37 (ii) if no reserve analysis has been conducted since March 1, 2008, cause a reserve
38 analysis to be conducted before July 1, 2012; and

39 (b) review and, if necessary, update a previously conducted reserve analysis no less
40 frequently than every two years.

41 (3) The management committee may conduct a reserve analysis itself or may engage a
42 reliable person or organization, as determined by the management committee, to conduct the
43 reserve analysis.

44 (4) (a) A management committee may not use money in a reserve fund:

45 (i) for daily maintenance expenses, unless a majority of the members of the association
46 of unit owners vote to approve the use of reserve fund money for that purpose; or

47 (ii) for any purpose other than the purpose for which the reserve fund was established.

48 (b) A management committee shall maintain a reserve fund separate from other funds
49 of the association of unit owners.

50 (c) This Subsection (4) may not be construed to limit a management committee from
51 prudently investing money in a reserve fund, subject to any investment constraints imposed by
52 the declaration.

53 (5) Subsections (2), (3), ~~and~~ (4), and (6) do not apply to an association of unit owners
54 during the period of declarant management.

55 (6) An association of unit owners shall:

56 (a) annually, at the annual meeting of unit owners or at a special meeting of unit

57 owners:

58 (i) present the reserve study; and

59 (ii) provide an opportunity for unit owners to discuss reserves and to vote on whether
60 to fund a reserve fund and, if so, how to fund it and in what amount;

61 (b) prepare and keep minutes of each meeting held under Subsection (6)(a) and
62 indicate in the minutes any decision relating to funding a reserve fund.

63 (7) This section applies to each association of unit owners, regardless of when the
64 association of unit owners was created.

65 Section 2. Section **57-8a-211** is amended to read:

66 **57-8a-211. Reserve analysis -- Reserve fund.**

67 (1) As used in this section, "reserve analysis" means an analysis to determine:

68 (a) the need for a reserve fund to accumulate money to cover the cost of repairing,
69 replacing, and restoring common areas that have a useful life of three years or more, but
70 excluding any cost that can reasonably be funded from the association's general budget or from
71 other association funds; and

72 (b) the appropriate amount of any reserve fund.

73 (2) Except as otherwise provided in the governing documents, a board shall:

74 (a) (i) subject to Subsection (2)(a)(ii), cause a reserve analysis to be conducted no less
75 frequently than every five years; and

76 (ii) if no reserve analysis has been conducted since March 1, 2008, cause a reserve
77 analysis to be conducted before July 1, 2012; and

78 (b) review and, if necessary, update a previously conducted reserve analysis no less
79 frequently than every two years.

80 (3) The board may conduct a reserve analysis itself or may engage a reliable person or
81 organization, as determined by the board, to conduct the reserve analysis.

82 (4) (a) A board may not use money in a reserve fund:

83 (i) for daily maintenance expenses, unless a majority of association members vote to
84 approve the use of reserve fund money for that purpose; or

85 (ii) for any purpose other than the purpose for which the reserve fund was established.

86 (b) A board shall maintain a reserve fund separate from other association funds.

87 (c) This Subsection (4) may not be construed to limit a board from prudently investing

88 money in a reserve fund, subject to any investment constraints imposed by the governing
89 documents.

90 (5) Subsections (2), (3), [~~and~~] (4), and (6) do not apply to an association during the
91 period of administrative control.

92 (6) An association shall:

93 (a) annually, at the annual meeting of lot owners or at a special meeting of lot owners:

94 (i) present the reserve study; and

95 (ii) provide an opportunity for lot owners to discuss reserves and to vote on whether to

96 fund a reserve fund and, if so, how to fund it and in what amount;

97 (b) prepare and keep minutes of each meeting held under Subsection (6)(a) and

98 indicate in the minutes any decision relating to funding a reserve fund.

99 (7) This section applies to each association, regardless of when the association was
100 created.

FISCAL NOTE

S.B. 89 1st Sub. (Green)

SHORT TITLE: Homeowner Association Reserve Account

SPONSOR: Urquhart, S.

2011 GENERAL SESSION, STATE OF UTAH

STATE GOVERNMENT (UCA 36-12-13(2)(b))

Enactment of this bill likely will not materially impact the state budget.

LOCAL GOVERNMENTS (UCA 36-12-13(2)(c))

Enactment of this bill likely will not result in direct, measurable costs for local governments.

DIRECT EXPENDITURES BY UTAH RESIDENTS AND BUSINESSES (UCA 36-12-13(2)(d))

Enactment of this bill likely will not result in direct, measurable expenditures by Utah residents or businesses.

