

BILL NUMBER: AB 899      CHAPTERED  
BILL TEXT

CHAPTER 484  
FILED WITH SECRETARY OF STATE    OCTOBER 11, 2009  
APPROVED BY GOVERNOR    OCTOBER 11, 2009  
PASSED THE SENATE    AUGUST 24, 2009  
PASSED THE ASSEMBLY    AUGUST 27, 2009  
AMENDED IN SENATE    JUNE 26, 2009  
AMENDED IN SENATE    JUNE 17, 2009  
AMENDED IN ASSEMBLY    MAY 26, 2009  
AMENDED IN ASSEMBLY    APRIL 1, 2009

INTRODUCED BY    Assembly Member Torres  
(Coauthor: Assembly Member Eng)

FEBRUARY 26, 2009

An act to amend Sections 1350.7 and 1365.2.5 of, and to add Section 1363.005 to, the Civil Code, relating to common interest developments.

#### LEGISLATIVE COUNSEL'S DIGEST

AB 899, Torres. Common interest developments: disclosures.

The Davis-Stirling Common Interest Development Act provides for the creation and regulation of common interest developments. Under existing law, a common interest development is managed by an association pursuant to the provisions of the governing documents of the development. Existing law requires an association to provide specified disclosure documents to its members. Existing law allows the required disclosure documents to be delivered electronically.

This bill would provide that a document that uses an electronic record to provide or make available the document satisfies the writing requirement, as provided. This bill would also require an association to distribute annually to its members a Disclosure Documents Index, as specified.

Existing law requires an association to distribute to its members a pro forma operating budget for each fiscal year, as specified. Existing law also requires an association to distribute, with the pro forma operating budget, an Assessment and Reserve Funding Disclosure Summary containing specified information regarding the association's assessments and reserves.

This bill would require that Assessment and Reserve Funding Disclosure Summary to include a specified statement regarding the interest rate earned on reserve funds and the assumed inflation rate applied to major component repair and replacement costs.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 1350.7 of the Civil Code is amended to read:

1350.7. (a) This section applies to delivery of a document listed in Section 1363.005 or to the extent the section is made applicable by another provision of this title.

(b) A document shall be delivered by one or more of the following methods:

(1) Personal delivery.

(2) First-class mail, postage prepaid, addressed to a member at the address last shown on the books of the association or otherwise provided by the member. Delivery is deemed to be complete on deposit into the United States mail.

(3) E-mail, facsimile, or other electronic means, if the recipient has agreed to that method of delivery. The agreement obtained by the association shall be consistent with the conditions for obtaining consumer consent described in Section 20 of the Corporations Code. If a document is delivered by electronic means, delivery is complete at the time of transmission.

(4) By publication in a periodical that is circulated primarily to members of the association.

(5) If the association broadcasts television programming for the purpose of distributing information on association business to its members, by inclusion in the programming.

(6) A method of delivery provided in a recorded provision of the governing documents.

(7) Any other method of delivery, provided that the recipient has agreed to that method of delivery.

(c) A document may be included in or delivered with a billing statement, newsletter, or other document that is delivered by one of the methods provided in subdivision (b).

(d) For the purposes of this section, an unrecorded provision of the governing documents providing for a particular method of delivery does not constitute agreement by a member of the association to that method of delivery.

SEC. 2. Section 1363.005 is added to the Civil Code, to read:

1363.005. The association shall, at the request of any member, distribute to the member, in the manner described in Section 1350.7, the following Disclosure Documents Index:



12	Reserve Funding Plan  (summary)	Civil Code Sec.  1365(b)	
13	Review of Financial  Statement	Civil Code Sec.  1365(c)	
14	Annual Update of Reserve  Study	Civil Code Sec.  1365(a)	

SEC. 3. Section 1365.2.5 of the Civil Code is amended to read:  
1365.2.5. (a) The disclosures required by this article with regard to an association or a property shall be summarized on the following form:

Assessment and Reserve Funding Disclosure Summary For the Fiscal Year Ending \_\_\_\_\_

(1) The regular assessment per ownership interest is \$\_\_\_\_\_ per \_\_\_\_\_. Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page \_\_\_\_\_ of the attached summary.

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

	Amount per ownership interest per month or year (If assessments are variable, see note immediately below):	Date assessment will be due:	Purpose of the assessment:

	Total:	
--	--------	--

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page \_\_\_\_ of the attached report.

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes \_\_\_\_\_ No \_\_\_\_\_

(4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members?

Approximate date of assessment will be due:	Amount per ownership interest per month or year:	
Total:		

(5) All major components are included in the reserve study and are included in its calculations.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5, the estimated amount required in the reserve fund at the end of the current fiscal year is \$\_\_\_\_, based in whole or in part on the last reserve study or update prepared by \_\_\_\_ as of \_\_\_\_ (month), \_\_\_\_ (year). The projected reserve fund cash balance at the end of the current fiscal year is \$\_\_\_\_, resulting in reserves being \_\_\_\_ percent funded at this date.

If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is \$\_\_\_\_. (See attached explanation)

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is \$\_\_\_\_\_, and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is \$\_\_\_\_\_, leaving the reserve at \_\_\_\_\_ percent funding. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be \$\_\_\_\_\_, leaving the reserve at \_\_\_\_\_ percent funding.

Note: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was \_\_\_\_\_ percent per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was \_\_\_\_\_ percent per year.

(b) For the purposes of preparing a summary pursuant to this section:

(1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.

(2) "Major component" has the meaning used in Section 1365.5. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.

(3) The form set out in subdivision (a) shall accompany each pro

forma operating budget or summary thereof that is delivered pursuant to this article. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.

(4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.