

OFFICE OF LEGISLATIVE RESEARCH  
PUBLIC ACT SUMMARY



**PA 12-180—sHB 5511 (VETOED)**

*Judiciary Committee*

**AN ACT CONCERNING THE BUDGET, SPECIAL ASSESSMENT AND  
ASSIGNMENT OF FUTURE INCOME APPROVAL PROCESS IN  
COMMON INTEREST OWNERSHIP COMMUNITIES**

**SUMMARY:** This act changes requirements under the Common Interest Ownership Act (CIOA) for approval of annual budgets and special assessments for certain large common interest communities and master associations.

Under existing law, common interest community annual budgets and special assessments are approved unless a majority of all unit owners, or a larger number specified in the association's declaration, votes to reject them. The absence of a quorum in the vote does not affect the budget's or assessment's approval or rejection.

The act creates an exception for (1) common interest communities that have at least 2,400 units and were established prior to July 3, 1991 and (2) master associations exercising the powers on behalf of one or more common interest communities or for the benefit of the unit owners of one or more such communities, with the same size and establishment requirements as specified above. The act provides that, for these communities and master associations, a proposed budget or assessment is approved unless (1) a majority of all unit owners participating in the vote rejects it and (2) at least one-third of unit owners entitled to vote on the measure vote to reject it.

By law, unchanged by the act, unit owner approval is not required for special assessments that are (1) small relative to the association's budget (unless the declaration or bylaws provide otherwise) or (2) needed in an emergency (see BACKGROUND).

The act also changes CIOA's approval requirement for assignments of the right to future income as security for loan agreements in common interest communities. It provides that the assignment is approved unless a majority of unit owners votes against it, rather than approved only if a majority votes for it (although the declaration can specify a higher number).

The act makes other changes to the required procedures and timelines for votes on such assignments.

EFFECTIVE DATE: July 1, 2012

**LOAN AGREEMENTS AND ASSIGNMENT OF RIGHT TO FUTURE  
INCOME**

Prior law required unit owner approval of a common interest community executive board's assignment of the right to future income as security for a loan agreement, but did not specify when the vote must be held. The act requires the

## OLR PUBLIC ACT SUMMARY

board to schedule a unit owners' meeting to vote on whether to approve the assignment. Under the act, the meeting must be held between 10 and 60 days after the board satisfies other requirements in existing law related to loan agreements (i.e., at least 14 days before entering into a loan agreement on the association's behalf, the board must (1) disclose to unit owners the loan's amount, terms, and estimated impact on any common expenses assessment and (2) give them a reasonable opportunity to submit comments on the loan).

Under prior law, if the executive board proposed to enter into such a loan agreement and assignment, owners of units to which at least a majority of the association's votes were allocated, or any larger percentage stated in the declaration, had to vote in favor of or agree to the assignment for it to be approved. The act instead provides that the assignment is approved unless a majority of all unit owners, or a larger number specified in the declaration, vote to reject it. The absence of a quorum at the meeting does not affect approval or rejection of the assignment.

By law, the association's declaration can prohibit or limit such assignments of future income.

### BACKGROUND

#### *Common Interest Ownership Act*

CIOA governs the creation, alteration, management, termination, and sale of condominiums and other common interest communities (CGS § 47-200 et seq.).

#### *Special Assessments Not Requiring Owner Approval*

Under CIOA, unless the declaration or bylaws provide otherwise, if a special assessment, together with all other special and emergency assessments the board proposed in the same calendar year, do not exceed 15% of the association's last adopted budget for that year, the assessment is effective without unit owner approval.

CIOA also allows a special assessment to become effective immediately if the executive board determines by a two-thirds vote that it is necessary to respond to an emergency and it provides notice of the emergency assessment promptly to all unit owners. The board may spend emergency assessment receipts only for the purposes described in its vote.

OLR Tracking: JO:SP:PF:eh