
OLR Bill Analysis

SB 1103

AN ACT CONCERNING THE APPROVAL PROCESS FOR ASSIGNMENTS OF FUTURE INCOME IN COMMON INTEREST COMMUNITIES.

SUMMARY:

This bill changes approval requirements under the Common Interest Ownership Act (CIOA) for assignments of the right to future income as security for loan agreements. 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. Under both current law and the bill, the declaration can specify higher numbers than a majority.

The bill provides that the absence of a quorum at the meeting does not affect approval or rejection of the assignment. It also sets a required timeframe for votes on such assignments.

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

EFFECTIVE DATE: July 1, 2013

LOAN AGREEMENTS AND ASSIGNMENT OF RIGHT TO FUTURE INCOME UNDER CIOA

Current law requires 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 does not specify when the vote must be held. The bill requires the board to schedule a unit owners' meeting to vote on whether to approve the assignment. The meeting must be held between 10 and 60 days after the board satisfies other legal requirements, unchanged by the bill, 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).

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.).

Generally, CIOA applies to common interest communities created in Connecticut on or after January 1, 1984. However, certain provisions of CIOA (including the provisions that this bill amends) apply to common interest communities created in Connecticut before January 1, 1984, but do not invalidate existing provisions of the communities' governing instruments. Common interest communities created before then can amend their governing instruments to conform to portions of CIOA that do not automatically apply (CGS §§ 47-214, -216, -218).

Related Bill

HB 6513, reported favorably by the Judiciary Committee, changes requirements under CIOA for approval of annual budgets and special assessments. It provides that to reject such a budget or assessment, (1) a majority of all unit owners participating in the vote must reject it and (2) at least one-third of unit owners entitled to vote on the measure must vote to reject it. Currently, such measures are approved unless a majority of all unit owners votes to reject them.

COMMITTEE ACTION

Judiciary Committee

Joint Favorable

Yea 40 Nay 3 (04/16/2013)