

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 750 - SB 863

February 9, 2023

SUMMARY OF BILL: Requires the board of directors for a unit owners' association (UOA) created under the *Tennessee Condominium Act of 2008* to have a reserve study conducted on or before January 1, 2024, if the board has not had a reserve study conducted on or after January 1, 2023. Requires the board of directors to update its reserve study every five years.

FISCAL IMPACT:

NOT SIGNIFICANT

Assumption:

- The proposed legislation concerns requirements for private parties; therefore, any fiscal impact to state or local government is estimated to be not significant.

IMPACT TO COMMERCE:

Increase Business Expenditures –

\$11,630,000/FY23-24 and Every Five Years Thereafter
\$3,880,000/FY27-28 and Every Five Years Thereafter

Assumptions:

- According to the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) report *Protecting the Interests of Homeowners: An Overview of Concerns Related to Homeowners Associations*, in 2015 there were 3,447 active homeowners associations (HOAs) in Tennessee.
- For the purpose of this analysis, this figure is assumed to remain in perpetuity.
- Under current law, HOAs may choose to operate as a profit or nonprofit corporation, a limited liability company, or an unincorporated association.
- The cost of each UOA's reserve study will vary but it can be reasonably assumed that a comprehensive study of the elements critical to structural integrity and safety, as well as an analysis of the reserve fund each UOA should maintain will result in an increase to UOA expenditures of \$10,000 once every five years.

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- It is assumed that UOAs comprise 45 percent of the HOAs in Tennessee, or 1,551 (3,447 HOAs x 45%).
- For the purpose of this analysis, it is assumed that 25 percent of UOAs, or 388 (1,551 UOAs x 25%), conducted a reserve study on or after January 1, 2023 and will not be required to do so again until 2028.
- The remaining 75 percent of UOAs, or 1,163 (1,551 x 75%), would be required to complete a study on or before January 1, 2024.
- The increase to UOA expenditures is estimated to be \$11,630,000 (1,163 UOAs x \$10,000) in FY23-24 and every five years thereafter.
- The increase to UOA expenditures is estimated to be \$3,880,000 (388 UOAs x \$10,000) in FY27-28 and every five years thereafter.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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