

# HB22-1239 (AS AMENDED)

## "REGULATE COMMUNITY ASSOCIATION MANAGERS"

### WHAT THE BILL DOES

Creates a regulatory structure for businesses that provide community association management services. Begins on July 1, 2023 and expires on September 1, 2027, subject to Sunset Review.

### LICENSING REQUIREMENTS

- Company must designate a controlling manager
- Controlling manager must have industry-specific education:
  - Controlling manager and CAMs will have education/experience requirements set through DORA/DRE rule-making
  - Demonstrable knowledge of Colorado HOA law
  - Minimum continuing education requirements
- Background checks for controlling manager:
  - CBI - fingerprint and name-based check
  - Application denied for certain criminal convictions within 5 years
  - Application denied if license/registration as a CAM was refused or revoked in any other state
  - CAM company must also have a policy in place to vet CAMs they employ
- Company must maintain a physical place of business in the state
- Company must be registered in the state and be in good standing
- Insurance
- License Fee (tiered with cost control in mind)
- License valid for two years

### EXCLUSIONS

- Timeshares
- Persons who exclusively perform clerical, accounting or maintenance functions
- Persons who are directly employed by a single HOA

### WHY THE BILL MATTERS

Colorado is #4 in the US for % population living in an HOA

- 10,486 known HOAs in Colorado
- Number of people living in an HOA = 2,611,763
- Roughly 45% of Colorado's population live in an HOA
- Approx. 60% of all homeowners live in an HOA



HOA Information and Resource Center has received an average of 1475 complaints per year over the past decade.

A 2019 survey conducted per Governor's executive order revealed

- 75% of all survey respondents agreed that regulatory oversight was necessary to protect the public
  - 64% of CAMs believed that regulation was necessary
  - 82% of homeowners were in favor of regulation

### OTHER BILL FUNCTIONS:

- Adds a requirement for each HOA to supply the name of their CAM when they renew their annual registration if hiring a CAM directly

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### ACCOUNTABILITY

- Points-based disciplinary system to be determined in rule-making
- Acts that can receive disciplinary points include, but are not limited to:
  - Financial misconduct
  - Knowingly violating or directing others to violate any law or any HOA covenant or rules
  - Licensing fraud
  - Failing to cooperate in legal or regulatory investigation
  - Failing to disclose conflicts of interest
  - Breach of contract with the HOA
  - Failing to provide criminal history records
  - Failing to ensure maintenance of required credentials and complete continuing education requirements
- Companies will be given an opportunity to cure violations
- Companies will be given an opportunity to reduce or eliminate points after a period of time with no additional violations



### AUDITS & HEARINGS

- DRE will conduct random compliance audits
- DRE to conduct any investigation or hearings

### DISCIPLINARY MEASURES

- Administrative fines (up to max \$5,000) and/or
- Temporarily or permanently revoke license
- Any decision or denial of licensure is subject to judicial review by the court of appeals
- Unlawful to act as a CAM without a license (Class 2 Misdemeanor)

### FISCAL NOTES

This licensing program is expected to cost significantly less than previous CAM licensing program

- ~655 business entities are predicted for the entire state
- 2 FTE to conduct investigations and audits
- No impacts on criminal justice-related expenditures based on experience with comparable licensing in DORA
- Similarly, revenue from fines is expected to be minimal based on past experience and

Rules will create: "EQUITABLE FEE STRUCTURE THAT CONTEMPLATES THE SIZE OF THE BUSINESS ENTITY, NUMBER OF EMPLOYEES PERFORMING COMMUNITY ASSOCIATION MANAGEMENT ACTIVITIES FOR THE BUSINESS ENTITY, AND THE NUMBER AND SIZE OF THE ASSETS MANAGED."