
OLR Bill Analysis

sHB 5265

AN ACT CONCERNING COURT-ORDERED ACCOUNTINGS OF COMMON INTEREST COMMUNITY FINANCIAL RECORDS AND REVISING THE DISCLOSURE REQUIREMENTS RELATING TO COMMON INTEREST COMMUNITIES.

SUMMARY

This bill allows, under certain circumstances, a group of common interest community association unit owners (representing at least 20% of the total voting ownership) to petition the Superior Court for an order directing the association to get an independent third-party audit of certain financial records. It limits the frequency of these requests generally to no more than once per 12-month period and requires the group of unit owners to pay for related audit expenses.

The bill also expands the information on the residential condition report that a residential property seller gives to a prospective buyer. Specifically, it adds a special statement on common interest ownership that advises a buyer to ask for a resale certificate and a reserve fund report if the unit is in a community with more than 12 units or, if not, to consult with certain professionals and other unit residents about possible ownership issues.

EFFECTIVE DATE: October 1, 2026

§ 1 — COMMON INTEREST OWNERSHIP ASSOCIATION FINANCIAL AUDIT

Petitioning for an Audit

The bill allows a group of unit owners in a common interest ownership community (condominiums, cooperatives, and other planned communities) to petition the Superior Court for an independent third-party audit of their association's financial records. If the petition is granted, only certain association records are subject to the audit (see below).

Under the bill, the group of petitioning unit owners must:

1. certify in writing that a good faith belief exists for needing the audit;
2. get a signed opinion from an independent certified public accountant (CPA) specializing in fraud or forensic accounting stating that there appears to be evidence of financial fraud or abuse of the association's funds, that also includes the CPA's basis for this opinion; and
3. certify that they own units making up at least 20% of the association's votes and attach a certified copy of the vote allocation from the recorded declaration.

Additionally, to petition for an audit, a similar audit cannot have been completed during the 12 months before the date the unit owners file their petition.

Lastly, the bill requires the group of petitioning unit owners to pay any expenses associated with the audit, including any reasonable fees the association or community association manager may charge for providing financial records to the independent third-party auditor. The association is also entitled to reasonable attorney's fees incurred in this process (presumably paid for by the group of unit owners).

Records Subject to Audit

If the court requires an audit under the bill, the audit applies to the following records that a common interest community must retain:

1. detailed records of receipts and expenditures affecting the association's operation and administration and other accounting records, including records relating to any reserve accounts;
2. minutes of unit owner and executive board meetings other than executive sessions, records of actions taken without a meeting, and records of actions taken by a committee on the association's behalf;

3. the names of unit owners and number of votes each may cast;
4. the association's original or restated organizational documents, if required by law other than the Connecticut Common Interest Ownership Act (CIOA, see BACKGROUND – *Common Interest Ownership Act*), bylaws and all their amendments, and all rules currently in effect;
5. the association's financial statements and tax returns for the past three years;
6. a list of the names and addresses of the association's current executive board members and officers;
7. the association's most recent annual report delivered to the secretary of the state, if any;
8. financial and other records sufficiently detailed to enable the association to comply with CIOA's provision on resale of units;
9. copies of current contracts to which the association is a party;
10. records of executive board or committee actions to approve or deny any requests for design or architectural approval from unit owners; and
11. ballots, proxies, and other records related to voting by unit owners for one year after the election, action, or vote to which they relate (CGS § 47-260(a)).

Association Records Not Subject to Audit

The bill's audit provisions do not apply to the following records retained by an association that the law requires to be withheld from inspection and copying:

1. individuals' personnel, salary, and medical records unless waived by the subject of the record;
2. unredacted paper or electronic ballots, unredacted proxy forms,

and other unredacted records that identify a unit owner's vote;
and

3. information if its disclosure would violate any law other than CIOA (CGS § 47-260(c)).

§ 2 — ADDITION TO RESIDENTIAL CONDITION REPORT

By law, a person selling residential property must give a prospective buyer a written property condition report that is set out in the Uniform Property Condition Disclosure Act (see BACKGROUND — *Uniform Property Condition Disclosure Act*). On the report, the seller must answer questions on whether the property is in a common interest ownership community, and if so, if the property is subject to any association dues or fees. The bill adds a special statement about common interest ownership immediately following those questions that advises the buyer to:

1. if the unit is in a common interest community with more than 12 units, ask for a (a) resale certificate and (b) report of the community's reserve funds; and
2. if the property is in a common interest community with 12 or fewer units or does not keep a resale certificate, consult with certain professionals (such as trade professionals, attorneys, real estate professionals, or financial analysts) and other community residents for information concerning issues that may arise with ownership within the common interest community (under existing law, communities with 12 or fewer units are not required to prepare resale certificates).

BACKGROUND

Common Interest Ownership Act

The Common Interest Ownership Act governs the creation, alteration, management, termination, and sale of common interest communities (condominiums, cooperatives, and other planned communities) formed in Connecticut after January 1, 1984 (CGS § 47-200 et seq.). In addition to owning their units, condominium unit owners

also have an ownership interest in the areas common to all unit owners (for example, the building's lobby, grounds, and electrical systems). Unit owners, through the association of unit owners, are jointly responsible for the maintenance and operation of commonly held areas and facilities.

Uniform Property Condition Disclosure Act

The Uniform Property Condition Disclosure Act (CGS § 20-327b) requires a residential property seller to give a residential property condition report to the prospective buyer before the prospective buyer executes any binder, contract to purchase, option, or lease with a purchase option. The Department of Consumer Protection commissioner sets this form.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 13 Nay 0 (03/12/2026)