
SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

Date: April 1, 1998

Revised: _____

Subject: Condominiums

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Rodriguez</u>	<u>Guthrie</u>	<u>RI</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>JU</u>	_____
3.	_____	_____	<u>WM</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The bill amends chapter 718, Florida Statutes, relating to condominiums. It provides for minimum insurance coverage instead of fidelity bonding. It provides that a developer, in order to waive the reserves or reduce the funding of reserves during the first 2 years of operation of the association, must obtain the approval of a majority of the nondeveloper voting interests. It allows for the commingling of reserve funds and operating funds for investment purposes. It amends procedures relating to the filling of vacancies on a board and reporting requirements of annual budgets. It provides for the allocation of common expenses with regards to bulk contracts for master antenna or cable television services. It requires financial disclosure of year-end information.

This bill substantially amends the following sections of the Florida Statutes: 718.111, 718.112, 718.115, 718.503, and 718.504.

II. Present Situation:

Section 718.111, F.S., sets forth provisions regarding the association's powers and duties. In pertinent part, it provides that reserve and operating funds may not be commingled.

Section 718.112, F.S., sets forth provisions that must be included in the bylaws, including procedures for funding reserve accounts and the waiver of such reserve funding by developers within 2 years after control has been transferred in an association from the developer to the owners. Section 718.111, F.S., also includes procedures for filling vacancies on the board caused by the expiration of term with secret ballots unless only one candidate seeks to fill the vacancy. The section also provides a requirement to obtain and maintain adequate fidelity bonding with a prescribed formula based on the amount of funds in possession of the association at any given time.

Section 718.115, F.S., provides that the cost for a master antenna television system or cable television obtained pursuant to a bulk contract shall be apportioned either as specifically provided in the declaration or deemed a common expense and apportioned based on the proportion or percentage of other shared common expenses.

Sections 718.503 and 718.504, provide disclosure requirements to prospective purchasers of condominium units.

III. Effect of Proposed Changes:

Section 1 amends s. 718.111, F.S., to provide that an association must obtain and maintain adequate insurance or fidelity bonding of all persons who control or disburse funds. The provisions in this section are substantively transferred from s. 718.112, F.S. with a change to the amount of coverage required as the lesser of \$1,000,000 or the maximum funds that will be in the custody of the association at any one time. Section 1 provides that operating and reserve funds may be commingled if the accounting records of the association readily identify the amount of reserves available.

Section 2 amends s. 718.112, F.S., to provide additional procedures for filling vacancies created on the board of administration. It also provides that a developer, in order to waive the reserves or reduce the funding of reserves during the first 2 years of operation of the association, must obtain the approval of a majority of the nondeveloper voting interests.

Section 3 amends s. 718.115, F.S., to provide that if a condominium declaration is silent, the cost of master antenna and cable television services that are provided through a bulk contract will be allocated as a common expense and divided on a per-unit basis (as opposed to a per square footage basis) and as to any contracts entered into prior to July 1, 1998 the unit owners may, at a regular or special meeting, modify the allocation of such expenses to a per unit basis.

Sections 4 and 5 amend ss. 718.503 and 718.504, to require that a copy of the most recent year-end financial information be provided to prospective purchasers.

Section 6 provides an effective date of July 1, 1998.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Developers will be required to fund reserve accounts within the first 2 years of turnover from a owner-controlled association to a developer-controlled association unless waived by a majority of nondeveloper voting interests.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

The bill provides adequate and appropriate standards and guidelines to direct the agency's implementation of the proposed legislation.

VIII. Amendments:

None.