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**East Hatchet Ranch Home Owners Association, Inc.**

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P.O. Box 19941, Colorado City, CO 81019

To: Legislators and Committees of Jurisdiction  
for the Colorado Common Interest Ownership Act  
Colorado General Assembly  
Colorado State Capitol Building  
200 East Colfax  
Denver CO 80203

**Re: Inflation Adjustment for Assessment-Capped Homeowners Associations**

This letter expresses our organization's support for amending Section 38-33.3-116 of the Colorado Common Interest Ownership Act (CCIOA) to correct the inequitable treatment of the two types of homeowners associations (HOAs) established in that section (*proposed changes follow*).

Under C.R.S 38-33.3-116(2) & (3), HOAs created in July 1998 or later with the state's \$400 per unit cap on their annual average common expense liability ("assessment cap") can increase their assessments annually to keep pace with inflation (up to the law's inflation-adjusted limit) without adopting the extensive requirements found in the other sections of CCIOA. The Act preserves *both* their purchasing power *and* their exemption from burdensome regulations as their infrastructure ages. This is important because "exempt" associations typically have relatively low incomes, limited common property, and owner-volunteers to manage them.

In contrast, the law *does not* provide an inflation adjustment for older HOAs like ours, created under C.R.S. 38-33.3-116(1) from July 1992 through June 1998 with a \$300 assessment cap. The law's disparity in how these two groups are treated appears to be a legislative oversight introduced when \$400-capped HOAs were added to the Act. Because the law does not currently apply an inflation adjustment to the older HOAs, it essentially *cancel*s their "exemption" as soon as inflation forces them to raise their assessments beyond the cap. This creates contention and management crises within these HOAs. Some even allow community property to degrade as years go by so they can remain "exempt" from most of CCIOA. The absence of an inflation adjustment for these associations undermines the intent of the law.

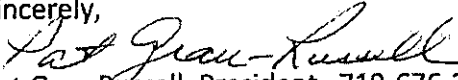
The proposed change also minimizes impact to HOAs that currently operate under the \$300 cap, because it would not directly affect assessments paid by property owners. Each community's declaration ultimately determines whether and how assessments can increase from year to year. In most cases, HOA members would still have to vote on increasing the assessment cap in their declaration. But in the face of such decisions, this change would provide property owners assurance that their annual assessments will remain capped at a reasonable level and that their community associations will not be forced to implement extensive regulations just because of economic forces outside of their control.

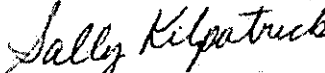
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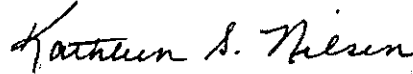
We therefore ask you to support this proposed amendment to CCIOA, and would be happy to share our experiences on this matter with you.


Sincerely,

  
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APPROVED BY EHRHOA BOARD OF DIRECTORS ON 14 JANUARY 2016

## Proposed changes to the Colorado Common Interest Ownership Act (CCIOA), C.R.S. 38-33.3:

38-33.3-116. Exception for ~~new~~ small cooperatives and small and limited expense planned communities.

- (1) If a cooperative created in this state on or after July 1, 1992, but prior to July 1, 1998, contains only units restricted to nonresidential use, or contains no more than ten units and is not subject to any development rights, it is subject only to sections 38-33.3-105, 38-33.3-106, and 38-33.3-107, unless the declaration provides that this entire article is applicable. If a planned community created in this state on or after July 1, 1992, but prior to July 1, 1998, contains no more than ten units and is not subject to any development rights or if a planned community provides, in its declaration, that the annual average common expense liability of each unit restricted to residential purposes, exclusive of optional user fees and any insurance premiums paid by the Association, may not exceed three hundred dollars, as adjusted pursuant to subsection (3) of this section, it is subject only to sections 38-33.3-105, 38-33.3-106, and 38-33.3-107, unless the declaration provides that this entire article is applicable.
- (2) If a cooperative or planned community created in this state on or after July 1, 1998, contains only units restricted to nonresidential use, or contains no more than twenty units and is not subject to any development rights, it is subject only to sections 38-33.3-105, 38-33.3-106, and 38-33.3-107, unless the declaration provides that this entire article is applicable. If a planned community created in this state after July 1, 1998, provides, in its declaration, that the annual average common expense liability of each unit restricted to residential purposes, exclusive of optional user fees and any insurance premiums paid by the Association, may not exceed four hundred dollars, as adjusted pursuant to subsection (3) of this section, it is subject only to sections 38-33.3-105, 38-33.3-106, and 38-33.3-107, unless the declaration provides that this entire article is applicable.
- (3) The ~~four hundred~~-dollar limitations set forth in subsections (1) and (2) of this section shall be increased annually on July 1, 1999, and on July 1 of each succeeding year in accordance with any increase in the United States Department of Labor Bureau of Labor Statistics final consumer price index for the Denver-Boulder consolidated metropolitan statistical area for the preceding calendar year. The limitation shall not be increased if the final consumer price index for the preceding calendar year did not increase and shall not be decreased if the final consumer price index for the preceding calendar year decreased.

**Bold strikeouts** represent deletions from the statute. **Bold underlines represent additions to the statute.**