

annual budget requirements for that fiscal year or has obtained the approval of a majority of a quorum of members at a member meeting or election.

- 7) Defines quorum to mean 50% or more of an HOA's membership.

This bill:

- 1) Requires an HOA Board to include a high-level summary breakdown in the form of a visual aid in their annual budget report that illustrates what the regular assessments fund, including, but not limited to, funding of administrative costs, repairs, maintenance, and, litigation, if applicable.
- 2) Requires an HOA Board that uses an external management company to include a statement of the compensation of the management company within the annual budget report.
- 3) Lowers the cap on regular assessment increases from 20% to the previous regular assessment amount plus the rate of inflation, as defined.
- 4) Requires an HOA Board, when imposing a monetary penalty against a member for violation of the governing documents, to provide the physical evidence – including digital materials – used to determine the violation to the accused member at least five business days before the hearing or the deadline for the member's response.

Background

HOAs. Homeowner associations (HOAs) are the legal governing bodies of common interest developments (CIDs), composed of homeowners who live within the CID. These developments cover a variety of community arrangements, including apartment complexes, housing cooperatives, condominiums, and planned unit developments. In 1986, California enacted the Davis-Stirling Act, which outlines the requirements for CID and HOA governance, including assessments and other fees, maintenance responsibilities, and elections. There are over 50,000 HOAs throughout California, covering 36.3% of the state's population. In L.A. County alone, there are over 16,500 HOAs.

Comments

- 1) *Author's statement.* "During a time when Californians are gripped by dual threats, an unprecedented housing shortage and a crippling affordability crisis, many find their homeownership dreams destabilized by the volatile and

sometimes arbitrary escalation of homeowner association fees. Nearly 14 million Californians live in HOAs. Protecting homeowners' financial stability requires more HOA oversight, including rules for transparency, financial accountability, and due process, keeping these monthly costs reasonable and predictable for homeowners who are on a tight budget.”

- 2) *Drivers of costs to HOAs.* Recent reporting has found that HOA insurance is one of the primary drivers of sharp increases in annual assessments. HOA insurance policies typically cover communal spaces, personal injury claims against an HOA-managed communal space, protection for Board Members against lawsuits, and natural disaster risks. Similar to standard property insurance policies, HOA insurance policies are susceptible to insurers becoming more stringent and restrictive in light of increased severity of wildfires and other natural disasters in California. More expensive premiums and fewer insurance providers have led to increased insurance cost burdens for HOAs, which are then passed onto homeowners through assessments. These costs can become particularly burdensome for condo owners, because their HOA insurance also covers shared walls and building exteriors.
- 3) *The relationship between HOAs and the broader affordability crisis.* With over one-third of Californians living in an HOA, regulations affecting these associations have widespread impacts. Statewide, 68% of Californians identify housing affordability as their top concern; and among homeowners, 4 in 10 are cost burdened.¹ Consequently, increases in monthly HOA costs are likely to worsen an already stressed population of homeowners. The bill's sponsors assert that the current 20% cap is not based on any index and can cause housing instability for homeowners in HOAs whose incomes cannot keep pace. By indexing the regular assessment cap on the previous year's rate plus the rate of inflation, the sponsors argue that homeowners will benefit from greater predictability year to year, and a stronger ability to keep pace with increases. As they write in reference to the current cap, “Needless to say, such increases can be a shock to a homeowner's wallet, since the salary or retirement income of few people increases annually by 20%. Sometimes assessments outstrip a homeowner's mortgage payment and lead to foreclosure.”
- 4) *Embedded safeguards.* Existing law, pursuant to the Davis-Stirling Act, embeds multiple safeguards for associations experiencing financial challenges. For example, the cap on regular assessments specifically applies to increases without a membership vote. If an HOA needs to raise regular assessments to address higher costs, such as insurance premiums, maintenance needs, or

¹ Public Policy Institute of California. *Californians and the Housing Crisis*. Accessible here: <https://www.ppic.org/interactive/californians-and-the-housing-crisis/>. n.d.

reserve funding, the HOA may ask for approval from a majority of a quorum of homeowners voting by secret ballot. Additionally, Davis-Stirling allows special assessments to be levied, without a vote of the membership, up to 5% of an association's budgeted expenses for the year for specific purposes. Similarly to a higher regular assessment increase, special assessments may also exceed the 5% cap upon approval by a majority of a quorum of its members. The author points to these safeguards in consideration of changing the cap on regular assessments levied without a vote of the membership.

5) *Opposition.* Writing in opposition, the Community Associations Institute (CAI) states, "Eliminating the authority for boards to increase regular assessments by up to 20 percent annually and limiting increases to the rate of inflation threatens the financial stability of associations. Costs such as insurance, labor, energy and repairs often rise faster than inflation." CAI also states insufficient funding for reserves could create issues with lenders like FreddieMac who require a certain amount of reserve funding in an HOA's budget to lend in the community. In addition, the California Association of Community Managers is opposed, expressing concerns about the viability of getting homeowners to vote for assessment increases, given concerns around affordability.

6) *Double-referral.* This bill is also referred to the Committee on Judiciary.

Related/Prior Legislation:

AB 572 (Haney, Chapter 745, Statutes of 2023) – prohibited an HOA that records its original declaration on or after January 1, 2025, from imposing an increase of a regular assessment on the owner of a deed-restricted affordable housing unit that is more than 5% plus the percentage change in the cost of living, not to exceed 10% greater than the preceding regular assessment for the association's preceding fiscal year.

AB 739 (Jackson) – requires the HOA Board of Directors to review, on an annual basis, fees charged by the association's managing agent, as specified; and requires the association to deliver through electronic means a statement of these fees upon written request by a member. *This bill is pending re-referral.*

AB 1184 (Patterson) – requires certain reporting responsibilities of an HOA board when emergency rules are made; prohibits a board from communication between members about any matter within the board's jurisdiction outside of a public board meeting; and, prohibits a charge for minutes when delivered electronically. *This bill is pending re-referral.*

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

POSITIONS: (Communicated to the committee before noon on Wednesday, March 11, 2026.)

SUPPORT:

Center for California Homeowner Association Law (Sponsor)
Consumer Federation of California (Sponsor)

OPPOSITION:

California Association of Community Managers (CACM)
California Building Industry Association
Community Associations Institute - California Legislative Action Committee

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