Date of Hearing: June 24, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
SB 1007 (Menjivar) – As Amended June 15, 2026

SENATE VOTE: 24-13

SUBJECT: Common interest developments: annual reports: assessments: discipline

SUMMARY: Adds new information to the existing annual budget reporting requirements of a homeowners' association (HOA). Caps an HOA's allowable increase of regular assessments without a vote of the membership to 8% greater than the preceding fiscal year. Establishes new disclosure obligations of an HOA prior to imposing a monetary penalty against a member of the HOA. Specifically, **this bill**:

1) Requires an HOA to include in its annual budget reporting both of the following:

   a) A comparison breakdown of the anticipated expenses of the previous fiscal year versus actual expenditures of the current fiscal year, organized in major categories to be determined at the discretion of the HOA, including, but not limited to, reserve contributions, a third-party management company, utilities, landscaping, maintenance, and insurance; and

   b) A statement of the compensation of a management company, if applicable.

2) Specifies that including the information in 1) above, in the pro forma operating budget of the annual budget report shall satisfy the HOA's obligation to report such information.

3) Requires the comparison breakdown and statement in 1) above to be included in the summary of the annual budget delivered to all members.

4) Prohibits an HOA from imposing annual increases in regular assessments if the HOA has not complied with 1) above.

5) Caps the allowable increase in regular assessments imposed by an HOA at 8% greater than the regular assessment for the HOA's preceding fiscal year without approval of a majority of a quorum of members.

6) Requires an HOA to make any physical evidence used to determine a violation of the governing documents, including, but not limited to, photographs or video or audio recordings, available to the member at least five business days before the hearing or deadline for the member's response if an HOA seeks to impose a monetary penalty against a member for a violation of the governing documents.

7) Requires an HOA, if any digital materials are used in determining a violation of the governing documents, to make any digital metadata associated with the digital material available to the member together with the digital material.

8) Defines "metadata" to mean data bearing the record of, and not the content of, a digital photograph, including, but not limited to, the time, date, and location of the image.

EXISTING LAW:

1) Establishes the Davis-Stirling Common Interest Development (CID) Act which governs the creation and operation of CIDs, including HOAs. (Civil Code (CIV) 4000 *et seq.*)

2) Requires an HOA to distribute an annual budget report 30 to 90 days before the end of its fiscal year and to include specified information, including a pro forma operating budget, a summary of the HOA's reserves, and a summary of the HOA's property, general liability, earthquake, flood, and fidelity insurance policies. (CIV 5300)

3) Requires an HOA to distribute an annual policy statement that provides the members with information about HOA policies and to include specified information, including the statement of assessment collection policies and a statement describing the discipline policy. (CIV 5310)

4) Requires an HOA, when a report is prepared pursuant to 2) or 3) above, to deliver to all members by individual delivery either the full report or a summary of the report that includes a general description of the content and instructions regarding how to request the full report. (CIV 5320)

5) Requires an HOA of a condominium project with buildings containing three or more multifamily units to cause, at least once every nine years, a reasonably competent and diligent visual inspection to be conducted by a licensed structural or civil engineer or architect of a random and statistically significant sample of exterior elevated elements (EEEs) for which the HOA has maintenance or repair responsibility. (CIV 5551(b))

6) Requires the inspector in 5) to issue a written report (the nine-year EEE inspection report) containing the following:

   a) The identification of the building components comprising the load-bearing components and associated waterproofing system;

   b) The current physical condition of the load-bearing components and associated waterproofing system, including whether the condition presents an immediate threat to the health and safety of the residents;

   c) The expected future performance and remaining useful life of the load-bearing components and associated waterproofing system;

   d) Recommendations for any necessary repair or replacement of the load-bearing components and associated waterproofing system; and

   e) Specified information on the first page of the report, including the date of the inspection, total number of units in the condominium project, total number of EEEs in the project, the total number of inspected EEEs identified as posing an immediate threat to the safety of the occupants and the number of units impacted, among other provisions. (CIV 5551(e))

7) Defines, for purposes of the nine-year EEE inspection in 5), the following terms:

a) "Exterior elevated elements" means the load-bearing components together with their associated waterproofing system.

b) "Loading-bearing components" means those components that extend beyond the exterior walls of the building to deliver structural loads to the building from decks, balconies, stairways, walkways, and their railings, that have a walking surface elevated more than six feet above ground level, that are designed for human occupancy or use, and that are supported in whole or in substantial part by wood or wood-based products.

c) "Associated waterproofing system" includes flashings, membranes, coatings, and sealants that protect the load-bearing components of the EEEs from exposure to water.

d) "Statistically significant sample" means a sufficient number of units inspected to provide 95% confidence that the results from the sample are reflective of the whole, within a margin of error of no greater than plus or minus 5%.

e) "Visual inspection" means inspection through the least intrusive method necessary to inspect load-bearing components, including visual observation only or visual observation in conjunction with, for example, the use of moisture meters, borescopes, or infrared technology. (CIV 5551(a))

8) Prohibits an HOA from imposing annual increases in regular assessments for any fiscal year unless the HOA has complied with specified requirements related to the annual budget report in 2) above, or has obtained the approval of a majority of a quorum of members, as specified. (CIV 5605(a))

9) Prohibits an HOA from imposing a regular assessment that is more than 20% greater than the regular assessment for the HOA's preceding fiscal year or impose special assessments which in the aggregate exceed 5% of the budgeted gross expenses of the HOA for that fiscal year without approval of a majority of a quorum of members, as specified. (CIV 5605(b))

10) Prohibits an HOA from imposing a regular assessment against an 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 an HOA that records its original declaration on or after January 1, 2025. (CIV 5605(c))

FISCAL EFFECT: Unknown.

COMMENTS:

***Author's statement*:** According to the author, "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 homeowners 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."

***CIDs*:** There are over 50,000 CIDs in the state, ranging in size from three to 27,000 units, with the average CID having 286 residents. CIDs make up roughly 4.7 million housing units, and 36%

of Californians (over 14 million Californians) live in a CID. These rates are even higher for homeowners, with approximately 65% of homeowners living in a CID. CIDs include condominiums, community apartment projects, housing cooperatives, and planned unit developments. They are characterized by a separate ownership of dwelling space coupled with an undivided interest in a common property, restricted by covenants and conditions that limit the use of common area, and the separate ownership interests and the management of common property and enforcement of restrictions by an HOA. CIDs are governed by the Davis-Stirling Common Interest Development Act (the Act) as well as the governing documents of the association, including bylaws, declaration, and operating rules.

***Davis-Stirling Common Interest Development Act*:** The Act went into effect in 1986 and is the primary body of law governing CIDs in California. The Act provides the legal framework for the creation and management of HOAs, including rules related to governance, assessments, dispute resolution, maintenance responsibilities, and member rights. The Act aims to balance the authority of HOAs with the rights of individual property owners, ensuring that communities are managed efficiently and fairly.

Over time, the Act has been amended to address the evolving needs of CIDs and to increase transparency, accountability, and consumer protection. Key provisions include requirements for open meetings, financial disclosures, election procedures, and architectural review processes. The Act also provides mechanisms for resolving disputes, including internal dispute resolution and alternative dispute resolution, before certain legal actions can proceed. As CIDs continue to represent a significant portion of California's housing stock, the Act play as critical role in shaping the living environment and governance of millions of residents across the state.

***Annual reports*:** Under the Act, HOAs must distribute an annual budget report to the association's members 30 to 90 days before the end of the HOA's fiscal year. The budget report must include, unless the governing documents impose more stringent standards, 12 specified elements related to the HOA's fiscal condition. These elements include, among other provisions: a pro forma operating budget showing the estimated revenues and expenses on an accrual basis, a summary of the HOA's reserves, a summary of the reserve funding plan, a statement as to the mechanism by which the HOA will fund reserves to repair or replace major components (e.g., assessments, borrowing, etc.), and a summary of the HOA's various insurance policies and related policy limits and deductible amounts. An HOA must make its annual budget report available to all members in one of two forms – either the full report or a summary. If the HOA provides a summary of the report, the summary must include a general description of the content of the report and instructions regarding how to request a complete copy of the report. A member can always request to receive all reports in full, at no cost to the member, rather than a summary of the report.

***HOA Assessments*:** Under existing law, HOAs are required to levy regular and special assessments sufficient to perform their obligations under the governing documents and the Act. HOAs are prohibited from imposing or collecting an assessment that exceeds the amount necessary to defray the costs for which it is levied. Regular assessments are established in an HOA's annual budget and are paid by members of an HOA usually on a monthly or quarterly basis. Special assessments are generally a one-time or limited-duration charge imposed to pay for expenses not covered by regular assessments or the budget.

There are limitations on the rates at which regular and special assessments may be levied without a vote of the membership. An HOA may increase regular assessments for any fiscal year up to, and including, 20% greater than the regular assessments for the HOA's preceding fiscal year without the approval of a majority of a quorum of members. Existing law allows an HOA to levy a special assessment up to 5% of the current fiscal year's budgeted gross expenses without the approval of a majority of a quorum of members. There are no limitations on the number of special assessments that an HOA may impose. However, the 5% cap is an aggregate of the number of special assessments. For example, an HOA may impose one special assessment of 5% of the budgeted gross expenses or five special assessments of 1% without approval of the membership. With approval from a majority of a quorum of members, an HOA can impose regular or special assessments that exceed either cap.

The Act also provides HOAs with the authority to impose emergency special assessments. Emergency special assessments are for situations in which an extraordinary expense is required by an order of a court; necessary to operate, repair, or maintain the CID or any part for which the HOA is responsible where a threat to personal health or safety or another hazardous condition or circumstance on the property is discovered; or necessary to repair or maintain the CID or any part of it for which the HOA is responsible that could not have been reasonably foreseen by the HOA board in preparing and distributing the annual budget report.

Reserve Studies**:** HOAs are required to periodically review their long-term repair and replacement obligations through reserve studies. At least once every three years, the HOA board must conduct a reasonably competent and diligent visual inspection of the accessible areas of major components for which the association is responsible, where the replacement value of those components is at least one-half of the association's gross budget, excluding reserves, and must review that study annually and make appropriate adjustments to its reserve analysis. The reserve study must identify major components with less than 30 years of remaining useful life, estimate their remaining life and repair or replacement costs, calculate the annual contribution needed to fund those obligations, and include a reserve funding plan. In this sense, existing law requires HOAs to periodically identify foreseeable capital needs and map out a strategy to pay for them. Although the Act specifies the planning activities an HOA must take, there is no requirement to allocate any portion of the HOA's annual budget to the reserve fund. Generally, any contributions to a reserve fund would come from the collection of regular assessments.

Disciplinary Policies**:** The Act requires the board of an HOA to distribute an annual policy statement to the members with information about the HOA's policies within 30 to 90 days before the end of each fiscal year. The annual policy statement must include, a statement describing the HOA's discipline policy, if any, including any schedule of penalties for violations of the governing documents. AB 130, Chapter 22, Statutes of 2025, capped monetary penalties that an HOA board may impose for a violation of the governing documents at $100, with exceptions for violations that may have an adverse health or safety impact on a common area or another member's property.

When an HOA board is to meet to consider or impose discipline upon a member, or impose a monetary charge as a means of reimbursing the HOA for costs incurred by the HOA in repair of damage to the common area and facilities caused by a member or a guest of a member, an HOA board must notify the member in writing at least 10 days prior to the meeting. The notification must include the date, time, and place of the meeting, the nature of the alleged violation, and a statement that the member has a right to attend and may address the HOA board at the meeting.

AB 130 provided members with the opportunity to cure the violation prior to the meeting. If a member cures the violation prior to the meeting, an HOA board is prohibited from imposing discipline. If curing the violation would take longer than the time between the notice provided and the meeting, the HOA board would be prohibited from imposing discipline if a member provides financial commitment to cure the violation.

***Deferred Maintenance and Inspection Mandates*:** In 2015, an exterior balcony at the Library Gardens apartment complex in Berkeley, located near the University of California, Berkeley, collapsed, resulting in the deaths of six young adults and injuries to seven others. Subsequent investigations determined that the balcony's wooden support framing had deteriorated because of extensive dry rot that had not been addressed through proper maintenance.

Following the incident, the California State Contractors State License Board revoked the license of the general contractor that built the apartment complex. The board found that the company, Segue Construction, Inc., had allegedly disregarded approved construction plans and specifications and failed to comply with accepted standards for quality construction practices.

In response to the tragedy, the Legislature approved SB 465 (Hill), Chapter 372, Statutes of 2016. Among other provisions aimed at increasing contractor oversight, the measure directed the California Building Standards Commissions (CSBC) to convene a working group to examine failures involving EEEs, such as balconies. The legislation required the CBSC to report its findings to the Legislature and identify potential statutory, regulatory, or building code changes. In 2017, the CSBC adopted emergency regulations intended to expedite implementation of enhanced construction standards.

California later approved SB 721 (Hill), Chapter 445, Statutes of 2018, which established periodic inspection requirements for EEEs in specified multifamily residential buildings. Under the law, building owners must arrange inspections of balconies and related load-bearing components and waterproofing systems at least once every six years by qualified licensed professionals. These inspections are intended to verify that the structures remain safe, functional, and free of hazardous conditions. The law also requires identified deficiencies to be repaired within prescribed timeframes and authorizes penalties for owners who fail to complete required repairs.

SB 721 did not apply to CIDs. To address that gap, the Legislature approved SB 326 (Hill), Chapter 207, Statutes of 2019, which imposed comparable inspection requirements on CIDs. Under SB 326, HOAs must arrange inspections at least every nine years for balconies and other EEEs for which the HOA is responsible for maintenance or repair. Inspectors must prepare written reports, and the findings must be incorporated into the HOA's reserve study process.

Both SB 721 and SB 326 originally required initial inspections to be completed by January 1, 2025. However, AB 2579 (Quirk-Silva), Chapter 835, Statutes of 2024, generally extended the deadline for multifamily residential buildings subject to SB 721 to January 1, 2026. AB 2579 did not extend the corresponding deadline applicable to CIDs under SB 326.

***Access to Homeownership Opportunities*:** Government-sponsored enterprises (GSEs), including Fannie Mae and Freddie Mac, play an important role in expanding homeownership opportunities in CIDs by purchasing and guaranteeing mortgages originated by private lenders. By providing liquidity to the mortgage market, the GSEs help make conventional mortgage financing more widely available for homebuyers. To manage risk, the GSEs establish project eligibility requirements for condominiums and other CIDs that consider factors such as reserve funding, special assessments, deferred maintenance, insurance coverage, and the overall financial condition of the HOA. As a result, the availability of conventional mortgage financing in many CIDs depends in part on whether the CID satisfies applicable GSE eligibility standards.

Following the 2021 Champlain Towers South condominium collapse in Seaside, Florida, Fannie Mae and Freddie Mac increased their scrutiny of condominium and CID projects with significant deferred maintenance, structural deficiencies, or critical repair needs. The GSEs do not automatically deem a project ineligible simply because repairs are required. However, projects with unresolved structural safety concerns, substantial deferred maintenance, or critical repairs affecting the safety, structural integrity, or habitability of the property may be ineligible for purchase by the GSEs until those issues are adequately resolved. According to media reports, these new requirements have resulted in the creation of a "blacklist" by the GSEs of CID properties in which all units within the development are ineligible for GSE-backed mortgages.[1]

***This Bill*:** This bill makes three changes to the Act that, according to the author, aim to increase transparency and preserve affordability for homeowners living in HOAs.

Annual Budgets: As noted previously, the Act requires an HOA to provide the members with an annual budget report 30 to 90 days before the end of the fiscal year. The report must contain 12 components, including a pro forma operating budget, information about the reserve fund, and a summary of various insurance policies. This bill adds two more requirements to the report. This bill requires the annual budget report to include a comparison breakdown of the anticipated expenses of the previous fiscal year versus actual expenditures of the previous fiscal year, which are to be organized into major categories. These categories must include expenses related to reserve contributions, a third-party management companies, utilities, maintenance, and insurance. This bill adds a statement of the compensation of a management company, if applicable, to the annual report. To address concerns raised by opponents of this bill that this information is already included in other disclosures, the author amended this bill to specify that, if an HOA includes both of these proposed elements in the pro forma operating budget of the annual report, then an HOA has complied with these disclosure requirements. This bill also specifies that, if the annual budget report is delivered to members in the form of a summary, the HOA must also include the comparison breakdown and the statement of the compensation of a management company.

Regular Assessments: This bill reduces from 20% to 8% the maximum allowable annual increase in regular assessments without a vote of the membership. The author has provided the committee with media reports of HOA members across California facing increases regular and special assessments. Last year, members of an HOA in Modesto faced a sudden special assessment to repair various EEEs, despite a 2025 budget disclosure filed in September 2024 indicating no special assessment was anticipated.[2] In Orange County, another outlet reports continued increases in regular assessments in addition to the special assessment contemplated for

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[1] Jean Eaglesham and Nicole Friedman, "A secret mortgage blacklist is leaving homeowners stuck with unsellable condos," The Wall Street Journal (March 2025), https://www.wsj.com/finance/regulation/condo-sales-home-insurance-crisis-a921362b

[2] Nina Burns, "Modesto HOA increases monthly dues at Walnut Orchards as residents launch recall effort of board," CBS News (Aug. 15, 2025), https://www.cbsnews.com/sacramento/news/modesto-walnut-orchard-hoa-increases-monthly-dues/.

maintenance and repairs.[3] This bill attempts to minimize the increases homeowners will be required to pay and aims to give members of an HOA greater control over whether, and to what degree, increases in regular assessments may be imposed without a vote of the membership.

Disciplinary Policies: This bill increases transparency and procedural protections for HOA members facing disciplinary fines. This bill requires an HOA to provide a member with access to any physical evidence the HOA board relied upon in determining that the member violated the HOA's governing documents at least five business days before the hearing or deadline for the member to submit a response. If the evidence is in a digital format (e.g., photos, video, audio recordings, etc.), the HOA must provide certain data associated with the evidence. Various outlets have covered the growing tensions between some HOA boards and the members within those associations.[4] Despite the recent cap placed on monetary penalties in AB 130 last year, these fines can still have an impact on the living conditions of residents around the state. Requiring an HOA board to disclose the information and evidence supporting a proposed monetary penalty affords residents a reasonable opportunity to understand and respond to the allegations against them.

***Policy Considerations*:** California continues to face a significant housing affordability crisis, with high housing costs limiting opportunities for homeownership and increasing financial burdens on households throughout the state. As a growing share of state's housing stock is developed within CIDs, HOA assessments can represent a substantial component of a homeowner's monthly housing expenses. Consequently, the state has an interest in balancing the goal of maintaining affordable HOA costs for residents with ensuring that HOAs have sufficient resources to safely maintain their communities and meet long-term obligations.

- *Housing Stability and Foreclosure Risk*: HOA assessments are mandatory obligations that may be secured by a lien against an owner's separate interest, and delinquent assessments may ultimately result in collection actions or foreclosure. Limiting the magnitude of annual increases in regular assessments may help reduce the likelihood that homeowners, particularly those on fixed incomes or with limited financial resources, experience sudden increases in housing costs that they are unable to absorb, thereby promoting housing stability and reducing the risk of assessment-related delinquencies and foreclosures.

- *Homeowner Participations in Assessment Decisions*. Reducing the maximum allowable increase in regular assessments without a vote of the membership may encourage HOA boards to seek member approval for larger increases more frequently. Providing homeowners with an opportunity to vote on proposed assessment increases affords residents a greater voice in determining the housing costs they will bear and may promote transparency, accountability, and member engagement in HOA budgeting decisions.

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[3] David González, "New HOA fees at Yorba Linda community may force residents out of their homes," ABC 7 (Feb. 11, 2023), https://abc7.com/post/yorba-linda-villages-condominium-association-hoa-fees-orange-county-homes-california/12797554/

[4] Hilda Gutierrez et al., " 'This has to stop:' residents blast San Jose HOA over excessive fines, seek board recall," NBC Bay Area (Feb. 12, 2025), https://www.nbcbayarea.com/investigation/residents-blast-san-jose-hoa-excessive-fines/3791486/.

- *Potential Shift Towards Special Assessments*: Conversely, a lower cap on increases in regular assessments may create an unintended incentive for HOAs to rely more heavily on special assessments to address reserve shortfalls, insurance increases, or other unforeseen expenses. Unlike regular assessments, which are typically adopted through the annual budget process and paid on a recurring basis, special assessments may result in unexpected and substantial costs to HOA members, may be payable in a lump sum or over a shorter period established by the HOA board, and generally become due according to the schedule imposed when the assessment is levied. To the extent the purpose of reducing the cap on regular assessments is to protect homeowners from significant increases in housing costs, a potential for greater reliance on special assessments may undermine that objective by replacing gradual increases with less predictable and potentially more burdensome payment obligations.

- *Increases in Insurance Premiums*: CIDs throughout California have experienced substantial increases in property insurance costs in recent years, particularly in areas exposed to wildfire and other disaster risks. Because insurance is a necessary operating expenses, HOAs may have limited ability to absorb these increases without higher regular assessments.

- *Deferred Maintenance and EEEs.* HOAs are responsible for maintaining, repairing, and replacing common area components, including EEEs, and are required to inspect their conditions following the tragic Berkeley balcony collapse. Deferring necessary repairs can increase life safety risks and lead to more costly future repairs.

- *Reserve Funding Obligations for EEEs.* Existing law requires HOAs to incorporate findings from EEE inspections into their reserve studies to assist with long-term capital planning. However, planning alone does not address identified deficiencies, and HOAs must maintain adequately funded reserves to timely perform necessary repairs and replacements while remaining mindful of affordability concerns for homeowners.

- *Mortgage Financing and Deferred Maintenance*. Recent reporting indicates that loans backed by GSEs, including Fannie Mae and Freddie Mac, may be unavailable for units located in developments with significant deferred maintenance, unresolved structural issues, or inadequate funding for required repairs. Reduced access to convention mortgage financing may limit opportunities for prospective purchasers. Lowering the assessment amount HOA's can charge may undermine the overall financial health of the CID.

- *Planned Developments*. Planned developments often rely on projected assessment levels and reserve funding assumptions reviewed during the Department of Real Estate public report process. Constraints on an HOA's ability to adjust assessments to address legitimate operating, insurance, reserve, or maintenance obligations could affect the pace of development and the completion of the common area amenities.

- *Affordable Housing Assessment Limitations*. The state recently reduced the cap on regular assessment increases for deed-restricted affordable housing units in developments recorded on or after January 1, 2025, to 5% plus the percentage change in the cost of living, not to exceed 10% greater than the preceding year. To the extent that the affordable housing units are levied a regular assessment at that allowable cap of 10%, this bill would provide a greater benefit to other residents within the HOA with an 8% cap. In addition, the combined effect may further constrain an HOA's ability to address long-term maintenance and capital needs.

***Arguments in Support*:** According to the Consumer Federation of California, "Homeowner associations (HOAs) collect millions of dollars annually from the homeowners living in them, because the services they provided are self-financed. Homeowner dollars might pay for road maintenance, private security, landscaping, snow removal, trash pickup, water services, mosquito abatement, parks, environmental management. A new law effective in 2019 now makes homeowners – not utility companies – responsible for the 'maintenance and repair' of all gas, water, electrical, and sewer delivery lines coming into the subdivision. In short, associations finance through assessments many of the services formerly finance with property taxes, though homeowners are required to pay those too in addition to assessments. The services listed above are ones formerly provided by California cities and counties, but that local governments can no longer afford or cannot fully fund, for example road maintenance. However, unlike property taxes which have a 2% annual increase, state law lets associations increase regular assessments an arbitrary 20% a year – without meaningful justification. 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. The cost of housing – rental, ownership, and mobile home parks – has become alarmingly unaffordable for Californians. In response, the Legislature has started reining in rents and ownership costs by indexing them to rational measures like the Consumer Price Index (CPI) as the Foundation for Community Association Research recommends."

According to the California Low-Income Consumer Coalition, "Common interest developments (aka 'homeowner association') are the fastest growing form of housing in the state. In 1970 California had 10,000 associations; now it has 55,000 associations where 14 million Californians – about 30% of the population – live. Alameda County, for example, has 2334 HOAs; Los Angeles County has 16,574 HOAs. These figures increase every year. Membership is mandatory and holds tremendous power over homeowners, especially their pocketbook. SB 1007 increase transparency and preserves affordability for homeowners living in HOAs by: ensuring that homeowners have a clear understanding of what their HOA fees fund, capping HOA fees (regular assessments) that the Board can assess without a vote to 8%, which currently is arbitrarily set at 20%, and guaranteeing that homeowners who are facing fines for alleged violations can view the evidence the HOA Board has against them."

***Arguments in Opposition*:** According to the Community Associations Institute's California Legislative Action Committee, the California Building Industry Association, and the California Association of Community Managers, "Associations are nonprofit organizations that exist solely to maintain common property and provides services for residents. Unlike businesses or local governments, associations cannot generate profits or create revenue streams. They are only permitted to collect the funds necessary to meet anticipated operating expenses and reserve obligations. SB 1007 limits assessment increases but does nothing to address the unprecedented rise in costs associations are legally required to absorb. Since 2020, associations have faced: an insurance crisis, with many communities experiencing premium increases of 300% to 500% due to wildfire risk and the shrinking insurance market. Many associations have been forced onto the California FAIR Plan, which recently approved additional rate increases of 29% to 36% effective October 1, 2026; rising utility costs, with electricity rates increasing dramatically and significantly impacting common-area operations; new state mandates, including structural balcony inspections, election requirements, and other compliance obligations that increase operating costs; escalating labor and vendor expenses, which continue to outpace inflation and increase the cost of maintaining communities." "The bill's alternative of obtaining homeowner approval to exceed the cap is not a practical solution. Association elections are costly, achieving quorum is difficult, and homeowners often reject necessary increases despite the long-term consequences. This dynamic was tragically illustrated in the years leading up to the Champlain Towers South collapse in Florida, where critical repairs were repeatedly delayed amid resistance to increased assessments." "It is for these reasons, we oppose SB 1007 unless amended to delete Section 3 and request a No vote before your committee."

***Amendments*:** The author has proposed amendments for this Committee's consideration. Due to timing, the following amendments will be taken in the Assembly Judiciary Committee if approved by this Committee:

- Raise the cap in Section 3 of this bill to 8% plus the percentage change in the cost of living, not to exceed 13% greater than the preceding regular assessment.
- Specify the "percentage change in the cost of living" means the percentage change from April 1 of the prior year to April 1 of the current year in the regional Consumer Price Index for the region where the residential real property is located, as published in the United States Bureau of Labor Statistics. If a regional index is not available, the California Consumer Price Index for All Urban Consumers for all items, as determined by the Departments of Industrial Relations, shall apply.

***Related Legislation*:**

AB 2050 (Caloza, 2026), 1) requires an HOA's reserve study to identify the minimum reserve contribution level to prevent the projected reserve account balance from falling below zero over the following 30 years; 2) requires an HOA, if the reserve study projects the reserve fund will fall below zero at any point over a 30 year period, to transfer a minimum of 15% of its gross annual budget to its reserve account each year until its reserve account balance is no longer projected to fall below zero; and 3) requires an HOA to impose a special assessment of 5% of the annual budget without a vote of the membership if the 15% allocation is insufficient to fund the minimum reserve contribution level. *AB 2050 is pending in the Senate Judiciary Committee.*

AB 130 (Committee on Budget), Chapter 22, Statutes of 2025, enacted statutory changes to facilitate implementation of the Budget Act of 2025 as it relates to housing and homelessness, and capped HOA monetary fines at $100 and required that HOAs provide members an opportunity to cure the violation before a fine may be imposed.

AB 2579 (Quirk-Silva) Chapter 835, Statutes of 2024, extends the deadline by one year, to January 1, 2026, for performing inspections of EEEs in all buildings containing three or more multifamily dwelling units.

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 in regular assessments on an 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%, more than the assessment from the prior year.

AB 1410 (Rodriguez), Chapter 858, Statutes of 2022, among other provisions, limited an HOA from taking disciplinary action against a member during a state of emergency and prohibited an HOA from retaliating against a member for exercising their rights. AB 1410 originally included provisions substantially similar to SB 1007's provisions regarding the evidence used by the HOA to demonstrate a member has committed a violation of the HOA rules, but those provisions were removed from the bill before its enactment.

SB 326 (Hill) Chapter 207, Statutes of 2019, establishes minimum inspection requirements for EEEs within HOAs.

SB 721 (Hill) Chapter 445, Statutes of 2018, established minimum inspection requirements for the EEEs, including balconies and decks, of buildings with three or more multifamily dwelling units, as specified.

AB 690 (Quirk-Silva), Chapter 127, Statutes of 2017, required the annual budget report that the HOA board must provide members include specified information relating to charges for requesting copies of certain documents from the HOA.

AB 279 (Frazee), Chapter 596, Statutes of 1987, raised the cap in the original Act for annual increases in assessments without member approval from 10% to 20%, and eliminated the exceptions to the cap.

Sterling, Chapter. 874, Statutes of 1985, established the Act, and included a 10% cap on annual increases in HOA dues that do not require approval by the members, subject to exceptions.

Double-Referred: This bill was also referred to the Assembly Judiciary Committee, where it will be heard should it pass out of this Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

Consumer Federation of California (Sponsor)
California Low-income Consumer Coalition
Individuals (2)

Opposition

California Building Industry Association
Desert Resort Management
Golden Rain Foundation Board of Directors
Housing Action Coalition
Oaknoll Homeowners Association
Peninsula Place Homeowners Association
Torrance Windemere Hoa
Villa Caballeros Homeowners Association
Individual (20)

Oppose Unless Amended
California Association of Community Managers
Community Associations Institute - California Legislative Action Committee

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