

Date of Hearing: June 24, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Matt Haney, Chair

SB 1238 (Wahab) – As Amended April 23, 2026

SENATE VOTE: 36-2

SUBJECT: Common interest developments: management

SUMMARY: Establishes that a duty of care for any person or entity that facilitates activities under the Davis-Stirling Common Interest Development Act (the Act) is owed to the homeowners' association (HOA) and its members. Requires disclosure of specified information related to exterior elevated elements (EEEs) to a prospective purchaser of a separate interest in the common interest development (CID). Makes other changes to the Act related to financial and capital planning documents. Specifically, **this bill:**

- 1) Amends the definition of “agent” to include any person or company that facilitates activities related to specified financial reporting and management provisions of the Act.
- 2) Specifies that “management services,” for the purposes of the provisions relating to CID managers means acts performed by an agent, as defined in Civil Code (CIV) 2295.
- 3) Amends the definition of “CID manager” (CID manager) to specify that the management services provided by an individual are those services defined in 2) above.
- 4) Requires an owner of a separate interest to provide the following information to a prospective purchaser of the separate interest, if requested by the prospective purchaser:
 - a) The location on the first page of the nine-year exterior elevated elements (EEEs) inspection report where the following information may be found:
 - i. The number of EEEs, and the number of units identified as impacted by the EEEs inspected and posing an immediate threat to the safety of the occupants;
 - ii. The number of EEEs recommended to be included in the next reasonably competent and diligent visual inspection of major components or recommended for reinspection within the next three years; and
 - iii. The number of EEEs recommended for reinspection in the next nine-year EEE inspection.
 - b) Any balcony identified in the nine-year EEE inspection report as needing repairs that exceed \$10,000.
- 5) Requires an owner of a separate interest to provide to a prospective purchaser of the separate interest the following information indicating whether:
 - a) The covenants, codes, and restrictions require a unit owner, with the exclusive right to use the exterior element, to individually maintain EEEs;

- b) The HOA reserve study includes a minimum annual budgeted replacement reserve allocation of 10% for repairs of the exterior structures; and
 - c) The HOA reserve study has been updated to include identified repairs contained within the balcony inspection report.
- 6) Expands the definition of “association records” to include three-year reserve studies.
 - 7) Requires any person or entity that facilitates specified managerial duties under the Act, or other activities under the Act that are authorized by the HOA, owes a duty of care that is prudent and provides the highest good faith effort to the HOA and its members.
 - 8) Prohibits an HOA from expending funds designated as reserve funds for other litigation or legal services, except for litigation involving the repair, restoration, replacement, or maintenance of major components for which the HOA is responsible.
 - 9) Adds associated waterproofing systems, EEEs, and load-bearing components identified in the nine-year EEE inspection report to the list of major components included in the three-year reserve study report.
 - 10) Adds the following repair urgency categories to the first page of the nine-year EEE inspection report for the total number of inspected EEEs identified in the report and the number of units impacted:
 - a) EEEs recommended to be included in the next reasonably competent and diligent visual inspection conducted pursuant to the three-year reserve study or recommended for reinspection within the next three years;
 - b) EEEs recommended for reinspection in the next nine-year EEE inspection report; and
 - c) EEEs demonstrating no need for repair at the time of inspection.
 - 11) Requires an HOA’s reserve funding plan to include repairs identified in the nine-year EEE inspection report.
 - 12) Requires the summary of the HOA’s reserves to include repairs identified in the nine-year EEE inspection report.

EXISTING LAW:

- 1) Establishes the Act which governs the creation and operations of CIDs and the respective rights and duties of a CID’s HOA and its members. (CIV 4000 *et seq.*)
- 2) Prohibits an HOA from expending funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components that are the responsibility of the HOA. (CIV 5510(b))
- 3) Provides that an HOA shall cause to be conducted, at least once every three years, a reasonably competent and diligent visual inspection of the accessible areas of the major components that the HOA is obligated to repair, replace, restore, or maintain as part of a

study of the reserve account requirements (three-year reserve study) of the CID, if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the HOA. (CIV 5550(a))

- 4) Requires the HOA to review the three-year reserve study, or cause it to be reviewed, annually and to consider and implement necessary adjustments to the HOA's analysis of the reserve account requirements as a result of that review. (CIV 5550(a))
- 5) Requires the three-year reserve study to include the following:
 - a) Identification of the major components that the HOA is obligated to repair, replace, restore, or maintain that, as of the date of the study, have a remaining useful life of less than 30 years;
 - b) Identification of the probable remaining useful life of the components identified in a) as of the date of the study;
 - c) An estimate of the cost of repair, replacement, restoration, or maintenance of the components in a);
 - d) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components in a) during and at the end of their useful life, after subtracting total reserve funds as of the date of the date; and
 - e) A reserve funding plan that indicates how the HOA plans to fund the contribution identified in d) to meet the HOA's obligation for the repair and replacement of all major components with an expected remaining life of 30 years or less. (CIV 5550(b))
- 6) Defines "major components" for purposes of the three-year reserve study to include gas, water, and electrical service to the extent that the HOA is responsible for repair or replacement of those lines. (CIV 5550(c))
- 7) 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 EEEs for which the HOA has maintenance or repair responsibility. (CIV 5551(b))
- 8) Requires the inspector in 7) 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))
- 9) Defines, for purposes of the nine-year EEE inspection in 7), 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))
- 10) Requires an owner of a separate interest within a CID to provide specified information to a prospective purchaser of the separate interest before the execution of a real property sales contract, including a copy of all governing documents, a copy of most recent annual reports, a copy of the nine-year EEE inspection report, and other information. (CIV 4525(a))

FISCAL EFFECT: According to the Senate Appropriations Committee, “The Department of Real Estate (DRE) estimates minor one-time costs, likely in the tens of thousands of dollars, to conduct stakeholder and consumer education and to conduct training for Subdivisions Division staff. DRE would also incur one-time contract costs of approximately \$50,000 to update Subdivision forms, the Operating Costs Manual, and Reserve Study Guidelines related to HOA budgets. (Real Estate Fund)”

COMMENTS:

Author’s statement: According to the author, “SB 1238 will protect homeowners who reside in communities with a homeowner’s association (HOA) by requiring additional disclosures to the

homeowner and ensuring HOAs act in the homeowners' best interest by requiring a duty of care be provided by HOA managers to the HOA board and the HOA members. Under current law HOA managers have no licensing requirements or duties to the homeowner. This bill will establish a minimum standard by requiring HOA managers to provide a duty of care to the homeowner while also prohibiting HOAs from using HOA reserve funds to sue homeowners seeking to hold boards and managers accountable for property maintenance required under CA law.”

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 HOA, including bylaws, declaration, and operating rules.

Davis-Stirling Common Interest Development Act (the 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 plays a critical role in shaping the living environment and governance of millions of residents across the state.

HOA managers: Under the Act, an HOA may contract with an HOA manager or management company to assist with the administration of the HOA. HOA managers commonly provide services like collecting assessments, maintain association records, preparing budgets and financial reports, coordinating maintenance and repairs, administering contracts, and supporting compliance with applicable laws and governing documents. While an HOA manager may oversee day-to-day operations, the board of an HOA retains ultimate responsibility for governing the HOA and making decisions on behalf of the membership.

California does not require HOA managers to hold a state license in order to provide management services. However, existing law regulates the use of the title “certified common interest development manager.” Individuals who use that title must satisfy education, examination, and continuing education requirements established under the Business and Professions Code. HOAs often hire HOA managers because volunteer board members may lack

the time, expertise, or resources needed to manage the HOA's financial, administrative, operational, and maintenance responsibilities.

EEE deterioration 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 CSBC 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

Disclosure requirements and transfers of separate interests: Existing law requires owners of separate interests within a CID to disclose specified information to a prospective purchaser of the separate interest as soon as practicable before the transfer of title or the execution of a real property sales contract. This disclosure includes 11 different elements, such as copies of the governing documents and most recent annual fiscal reports, a statement of the HOA’s current regular and special assessments and fees, a description of any prohibition on renting or leasing of any separate interests, if applicable, among other provisions. Last year, the state enacted SB 410 (Grayson), Chapter 516, Statutes of 2025, which added the nine-year EEE inspection report to the list of disclosure requirements prior to the sale of any separate interest. The sponsors of SB 410 argued real estate transactions in CIDs had stalled because some HOAs had not provided inspection reports or conducted required inspections. According to the sponsors, SB 410 clarified that these reports must be disclosed in order to help buyers meet loan requirements while simultaneously providing greater transparency about the condition of the exterior of structures within the CID. The sponsors of SB 410 are also sponsoring this bill.

This bill: This bill makes a number of changes to the Act and related sections of law within the Business and Professions Code and elsewhere in the Civil Code.

Disclosures and nine-year EEE inspection reports: This bill adds additional required elements to the nine-year EEE inspection report. Last year, SB 410 required the nine-year EEE inspection report to include, on the first page of the report, all of the following: a) the date of the inspection; b) the total number of units in the condominium project; c) the total number of units in the condominium project with EEEs; d) the total number of EEEs in the condominium project; and e) the total number of EEEs inspected in the report. SB 410 also required the report to include the total number of inspected EEEs identified as posing an immediate threat to the safety of the occupants and the number of units impacted. This bill now proposes additional categories of information for inclusion on the first page of the nine-year EEE inspection report. These new categories include, in addition to those posing an immediate threat to the safety of occupants, EEEs recommended to be included in the next three-year reserve study of the CID’s major components, EEEs recommended for reinspection in the next nine-year EEE inspection, and EEEs demonstrating no need for repair at the time of the inspection.

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>

Like the nine-year EEE inspection report, this bill also adds new information to be included in the mandated disclosure prior to transfers of separate interests. This bill requires all of the new categories outlined above in the nine-year EEE inspection report to be provided to a prospective purchaser, if separately requested by the purchaser. In other words, this bill both proposes to add new requirements to the first page of the nine-year EEE inspection report and requires an owner to provide the same information if separately requested by a prospective purchaser, despite the prospective purchaser already receiving the nine-year EEE inspection report (and presumably the first page of the report) per SB 410.

This bill does add new disclosure requirements previously discussed, including any balcony identified as needing repairs that exceed \$10,000. Other information that this bill proposes to require to be disclosed, such as whether the HOA's three-year reserve study includes a minimum annual budgeted replacement reserve allocation of 10% of the repairs of the exterior structures, can assist prospective purchasers navigating the complex lending requirements imposed by GSEs.

Use of reserve funds: This bill specifies that reserve funds may not be used for any litigation expenses or legal services other than those permitted related to the major components. According to one of the sponsors of this bill, most standard contracts between HOA managers and HOAs require that the HOA manager be held harmless in the event they get sued and further indemnify all the HOA manager's employees. This bill's sponsor further cites sections within the Act that require reserves to be used only to maintain, repair and replace the common areas. Existing law prohibits an HOA from expending funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components that the HOA is obligated to repair, restore, replace, or maintain. Existing law already limits the use of reserve funds to obligations to repair, restore, replace, or maintain major components and any related litigation; adding a prohibition on using these funds for any other litigation or legal services is unnecessary.

Reserve fund planning and major components: Under existing law, HOAs are required to periodically assess 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 HOA 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. For purposes of the three-year reserve study, major components include gas, water, and electric service to the extent the HOA is responsible for repair or replacement of those lines. This bill adds EEEs, associated waterproofing systems, and load-bearing components to the list of major components and specifies that the reserve funding plan must include repairs identified in the nine-year EEE inspection report. In effect, EEEs would be inspected every nine years as part of the nine-year EEE inspection report and every three years as part of the three-year reserve study.

Duty of care: An HOA itself has a fiduciary relationship with its members. Members of an HOA's board of directors also owe a fiduciary duty to the HOA and its members, including a duty of loyalty and a duty of care. These duties ensure that an HOA board acts in the best

interests of the HOA and its members, and helps members of the HOA hold board members accountable if they fail to properly operate the HOA or have a conflict of interest. An HOA management company or manager, hired to conduct the HOA's day-to-day operations, may, in some circumstances, have a fiduciary relationship with the HOA board under the contract it signs with the HOA. However, the management company does not have a fiduciary relationship with the members of the HOA. Initially, this bill proposed requiring HOA managers or HOA management companies provide a fiduciary duty to the HOA board and the members of the HOA. The duty of care provisions were amended to instead specify any person or entity that facilitates activities under Davis-Stirling Act that are authorized by an HOA board owes a duty of care that is prudent and provides the highest good faith effort. This bill still extends this duty of care to members of the HOA, not just the HOA.

Policy consideration: This bill aims to align the capital planning for EEEs with an HOA's reserve fund planning for other major components under the responsibility of the HOA for repair and replacement. Although existing law already requires the nine-year EEE inspection report to be incorporated into the reserve study, this bill correctly acknowledges the benefit of planning for long-term capital improvements. Proper planning minimizes potential life safety risks to current residents and future occupants. Adequate planning also maintains access to home financing opportunities that might otherwise be the only avenue to homeownership for many Californians, particularly as greater numbers of new developments in the state are within CIDs. However, planning alone will not address any of the deficiencies identified in either inspection. Sufficiently funding reserves in a manner that remains affordable to homeowners within the HOA is essential.

Arguments in Support: The California Association of Realtors, the sponsor of this bill, writes in support: "As the Department of Real Estate reports, nearly all new housing constructions now includes an HOA, yet current law provides virtually no state-level oversight of HOA managers or management companies. This lack of accountability has created long-term risks for homeowners, including opaque financial practices, limited access to essential documents, and costly barriers to enforcing their rights under the Davis-Stirling Act. SB 1238 addresses these gaps by establishing clear standards of conduct and improving access to information necessary for homeowners to understand the financial health of their association – information that is especially critical during a real estate transaction or homeowners' refinance."

Arguments in Opposition: The Community Associations Institute's California Legislative Action Committee writes in an opposed unless amended position: "The bill was recently amended to add language regarding a manager's 'duty of care' to the association and members of the association. While we agree the manager owes a duty of care to the association because of the contractual relationship between the two, we cannot support extending in statute that duty to the members of the association. The manager is the association's agent. Its contractual duty is owed to the corporation not the members. The association already owes a duty to the members. If the manager fails to comply with Davis-Stirling Act, that failure is imputed to the association. There is no need to impose a duty on the manager. It will only create litigation expenses which will be passed on to the owners, increasing the cost of ownership. It is for these reasons, we request an amendment to limit that language to the association."

Amendments: Due to timing, the following amendments will be taken in the Assembly Judiciary Committee should this bill pass out of this Committee.

- 1) The author has requested that the committee consider adding a copy of the master insurance policy for an HOA to the list of required disclosures prior to the sale of a separate interest.
- 2) Recast section 8 of this bill to clarify EEs identified in the nine-year EE inspection report are considered ‘major components’ for purposes of the three-year reserve study.

SEC. 4.

Section 4525 of the Civil Code is amended to read:

4525.

(a) The owner of a separate interest shall **be able to obtain the following documents and shall** provide the following documents to a prospective purchaser of the separate interest, as soon as practicable before the transfer of title or the execution of a real property sales contract, as defined in Section 2985:

(1) A copy of all governing documents. If the association is not incorporated, this shall include a statement in writing from an authorized representative of the association that the association is not incorporated.

(2) If there is a restriction in the governing documents limiting the occupancy, residency, or use of a separate interest on the basis of age in a manner different from that provided in Section 51.3, a statement that the restriction is only enforceable to the extent permitted by Section 51.3 and a statement specifying the applicable provisions of Section 51.3.

(3) A copy of the most recent documents distributed pursuant to Article 7 (commencing with Section 5300) of Chapter 6-**and shall include a copy of the master insurance policy for the association that covers the association’s property, general liability, earthquake, flood, and fidelity coverage upon request of the property owner or prospective purchaser.**

(4) A true statement in writing obtained from an authorized representative of the association as to the amount of the association’s current regular and special assessments and fees, any assessments levied upon the owner’s interest in the common interest development that are unpaid on the date of the statement, and any monetary fines or penalties levied upon the owner’s interest and unpaid on the date of the statement. The statement obtained from an authorized representative shall also include true information on late charges, interest, and costs of collection which, as of the date of the statement, are or may be made a lien upon the owner’s interest in a common interest development pursuant to Article 2 (commencing with Section 5650) of Chapter 8.

(5) A copy or a summary of any notice previously sent to the owner pursuant to Section 5855 that sets forth any alleged violation of the governing documents that remains unresolved at the time of the request. The notice shall not be deemed a waiver of the association’s right to enforce the governing documents against the owner or the prospective purchaser of the separate interest with respect to any violation. This paragraph shall not be construed to require an association to inspect an owner’s separate interest.

(6) A copy of the initial list of defects provided to each member pursuant to Section 6000, unless the association and the builder subsequently enter into a settlement agreement or otherwise resolve the matter and the association complies with Section 6100. Disclosure of the initial list of

defects pursuant to this paragraph does not waive any privilege attached to the document. The initial list of defects shall also include a statement that a final determination as to whether the list of defects is accurate and complete has not been made.

(7) A copy of the latest information provided for in Section 6100.

(8) Any change in the association's current regular and special assessments and fees which have been approved by the board, but have not become due and payable as of the date disclosure is provided pursuant to this subdivision.

(9) If there is a provision in the governing documents that prohibits the rental or leasing of any of the separate interests in the common interest development to a renter, lessee, or tenant, a statement describing the prohibition.

(10) If requested by the prospective purchaser, a copy of the minutes of board meetings, excluding meetings held in executive session, conducted over the previous 12 months, that were approved by the board.

(11) (A) A copy of the report issued pursuant to the most recent inspection conducted pursuant to Section 5551.

(B) The following information, if separately requested by the purchaser:

(i) The location on the first page of the report where the following information may be found:

(I) The number of exterior elevated elements, and the number of units identified pursuant to clause (i) of subparagraph (F) of paragraph (5) of subdivision (e) of Section 5551.

(II) The number of exterior elevated elements identified pursuant to clause (ii) of subparagraph (F) of paragraph (5) of subdivision (e) of Section 5551.

(III) The number of exterior elevated elements identified pursuant to clause (iii) of subparagraph (F) of paragraph (5) of subdivision (e) of Section 5551.

(ii) Any balcony identified in the report as needing repairs that exceed ten thousand dollars (\$10,000).

(C) (i) The following information indicating whether:

(I) The covenants, codes, and restrictions require a unit owner, with the exclusive right to use the exterior element, to individually maintain exterior elevated elements.

(II) The association reserve study includes a minimum annual budgeted replacement reserve allocation of 10 percent for repairs of the exterior structures.

(III) The association reserve study has been updated to include identified repairs contained within the balcony inspection report.

(ii) The requirements of clause (i) of this subparagraph may be satisfied by identifying where this information is addressed in the documents disclosed pursuant to paragraphs (1) and (3) of subdivision (a).

(b) This section does not apply to an owner that is subject to Section 11018.6 of the Business and Professions Code.

SEC. 8.

Section 5550 of the Civil Code is amended to read:

5550.

(a) **At least once every three** ~~*In addition to the inspection mandated pursuant to Section 5551 every nine*~~ years, the board shall cause to be conducted a reasonably competent and diligent visual inspection ~~*once every three years*~~ of the accessible areas of the major components that the association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the common interest development, if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the association, excluding the association's reserve account for that period. The board shall review this study, or cause it to be reviewed, annually and shall consider and implement necessary adjustments to the board's analysis of the reserve account requirements as a result of that **review.** ~~*review to ensure the maintenance of components under the association's control.*~~

(b) The study required by this section shall at a minimum include:

(1) Identification of the major components that the association is obligated to repair, replace, restore, or **maintain** ~~*maintain, including those identified pursuant to Section 5551,*~~ that, as of the date of the study, have a remaining useful life of less than 30 years.

(2) Identification of the probable remaining useful life of the components identified in paragraph (1) as of the date of the study.

(3) An estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in paragraph (1).

(4) Cost of repair, replacement, restoration, or maintenance of the components identified in the report required in Section 5551.

~~(4)~~ **(5)** An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components identified in paragraph (1) during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.

~~(5)~~ **(6)** A reserve funding plan that indicates how the association plans to fund the contribution identified in paragraph ~~(4)~~ **(5)** to meet the association's obligation for the repair and replacement of all major components with an expected remaining life of 30 years or less, not including those components that the board has determined will not be replaced or repaired.

(c) For purposes of this section, "major components" includes, **but is not limited to,** ~~*associated waterproofing systems, exterior elevated elements and load-bearing components defined and inspected pursuant to Section 5551,*~~ and gas, water, and electrical service to the extent that the association is responsible for repair or replacement of those lines pursuant to Section 4775.

Related legislation: *SB 1007 (Menjivar, 2026)*, would reduce the maximum allowable increase in regular assessments without a vote of the membership from 20% greater than the preceding fiscal year to 8%. *SB 1007 is pending consideration in this Committee.*

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.*

SB 410 (Grayson) Chapter 516, Statutes of 2025, requires the owner of a housing unit to provide a copy of the report issued from the most recent inspection of EEEs in a CID to a prospective purchaser of the housing unit, requires inspection reports to contain specified information, and requires HOAs to preserve inspection reports as HOA records.

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 2114 (Irwin) Chapter 100, Statutes of 2024, adds licensed civil engineers to the types of inspectors eligible to perform visual inspections of EEEs for which an HOA has maintenance or repair responsibility.

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.

Doubled 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

California Association of Realtors (Sponsor)

Opposition

Community Associations Institute – California Legislative Action Committee (unless amended)

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