

SENATE THIRD READING

SB 410 (Grayson)

As Amended July 10, 2025

Majority vote

SUMMARY

Requires the owner of a separate interest to provide a copy of the report issued from the most recent inspection of exterior elevated elements in a common interest development (CID) to a prospective purchaser of the separate interest, requires inspection reports to contain specified information, and requires homeowners associations (HOAs) to preserve inspection reports as association records.

Major Provisions

- 1) Requires the owner of a separate interest in a CID to provide a copy of the report issued from the most recent inspection of exterior elevated elements in the CID to a prospective purchaser of the separate interest.
- 2) Adds all exterior elevated element inspection reports to the definition of "association records."
- 3) Requires inspector's reports for exterior elevated elements to be subject to inspection permanently.
- 4) Requires the inspector's written report to include specified information on the first page of the report, including the date of inspection, total number of units and units with exterior elevated elements, the number of elements inspected, the elements requiring repair within specified timeframes, and a certification that the inspector conducted a visual inspection and evaluated a statistically significant sample of the elements within the condominium project.
- 5) Clarifies that the requirement to perform inspections of exterior elevated elements only applies to buildings containing three or more attached multifamily dwelling units.

COMMENTS

CIDs and HOAs: CIDs are a type of housing with separate ownership of housing units that also share common areas and amenities. There are a variety of different types of CIDs, including condominium complexes, planned unit developments, and resident-owned mobilehome parks. In recent years CIDs have represented a growing share of California's housing stock. Data from 2019 indicates that there are an estimated 54,065 CIDs in the state that are made up of five million housing units, or about 35% of the state's total housing stock.

CIDs are regulated under the Davis-Stirling Act as well as the governing documents of the HOA, including the bylaws, declaration, and operating rules. CIDs can also have Covenants, Conditions, and Restrictions (CC&Rs) that are filed with the county and recorded at the time they are established. Owners in a CID are contractually obligated to abide by the CC&Rs and the governing documents of a CID, which specify rules such as parking policies, allowable modifications to homes, and rental restrictions. Additionally, HOAs are governed by a board of directors elected by the membership in elections that closely resemble California's vote-by-mail

process. In addition, many associations use a managing agent to assist with finances, logistics, and other services provided to homeowners.

HOA boards have a number of duties and powers. The board determines the annual assessments that members must pay in order to cover communal expenses, including maintenance obligations. The board enforces the community rules and can propose as well as make changes to those rules. If members do not pay their assessments in full or on time, or if members violate the community rules, the board has the power to fine the members and, if necessary, the power to foreclose upon the offending member's property.

Balcony Collapses and Inspection Mandates: In 2015, a wooden balcony collapsed at the Library Gardens apartment complex in the City of Berkeley, near the University of California, Berkeley campus. The balcony collapse killed six young adults and injured seven others. Investigations later revealed that the balcony had decayed wooden joists caused by wood dry rot left untreated due to poor building maintenance.

Ultimately, the Contractor's State License Board revoked the license of Segue Construction, Inc., the general contractor responsible for building the apartment complex where the collapse occurred, as it was alleged that the contractor company "willfully departed from or disregarded building plans or specifications, and willfully departed from accepted trade standards for good and workmanlike construction."

As a result of that collapse, the Legislature passed SB 465 (Hill), Chapter 372, Statutes of 2016, which, in addition to requiring additional oversight for contractors, also required the California Building Standards Commission (CBSC) to establish a working group to study the failure of exterior elevated elements including balconies. The bill directed the CBSC to submit a report to the Legislature containing findings and possible recommendations for statutory or other changes to the California Building Standards Code. In 2017, the CBSC approved emergency regulations to accelerate the adoption of higher construction standards.

The following year, SB 721 (Hill), Chapter 445, Statutes of 2018, established a requirement to perform regular inspections of exterior elevated elements of certain multi-unit residential buildings. The bill required building owners to have those elements and other load-bearing components and waterproofing elements inspected at least every six years by certain licensed persons, to determine that the elements and their associated waterproofing elements are in a generally safe condition, adequate working order, and free from any hazardous conditions. It also required any identified repairs be made within a designated timeframe and provided penalties for building owners who do not complete the required repairs.

Notably, SB 721 specifically excluded CIDs from its provisions. In 2019, SB 326 (Hill), Chapter 207, Statutes of 2019, extended similar inspection requirements to CIDs. SB 326 requires HOA boards to arrange an inspection every nine years, as specified, of the CID's balconies over which the HOA has maintenance or repair responsibility. The inspector must provide a report for the board, which must be incorporated into the HOA's reserve study.

The deadline for the initial inspection under both SB 721 and SB 326 was January 1, 2025. However, recent legislation (AB 2579 (Quirk-Silva), Chapter 835, Statutes of 2024) generally extended this deadline for multifamily buildings to January 1, 2026 – but did not extend the deadline for CIDs.

California's Homeowner's Insurance Crisis: The devastating wildfires that have occurred in California in recent years have led many insurance companies to pull out of high-risk areas of the state or significantly raise premiums and deductibles. Many California homeowners are now being forced obtain fire insurance coverage from the California FAIR Plan. Obtaining homeowners insurance for a unit in a CID has become even more challenging than insuring a traditional single-family home. This is partly due to the Surfside condominium tower collapse in Florida in June 2021, which killed 98 people. A contributing factor to the collapse was alleged to be long-term degradation of reinforced concrete structural support in the basement-level parking garage under the pool deck, due to water penetration and corrosion of the reinforcing steel. (Although the problems were reported in 2018 and a remediation program was approved, the main structural work had not commenced.)

Recent reports indicate that it has become much more difficult to get government-backed mortgages (e.g., mortgages backed by Fannie Mae and Freddie Mac) on condominiums in many states – particularly Florida, California, Colorado, Hawaii, and Texas – due to the significant rise in the number of properties deemed since the Surfside event as failing to meet Fannie Mae and Freddie Mac standards. In addition, it has been reported that some HOAs are combating soaring insurance rates by agreeing to pared-down policies that make individual CID units ineligible for government-backed loans.

As noted above, SB 326 (Hill) required each HOA board to have an initial inspection conducted by January 1, 2025 of the exterior elevated elements over which it has maintenance or repair responsibility. The author notes that many lenders, as well as Fannie Mae and Freddie Mac, are now requiring compliance with the inspection mandate as a condition of loan approval for a buyer of a CID unit. In some cases, repairs to unit balconies that are not connected to a sale have also been included as a prerequisite for loan approval. According to the sponsor of this bill, many transactions in CIDs have stalled because some HOAs have not provided inspection reports or conducted required inspections. To help increase transparency around inspections and help ensure that inspections are being performed as required, this bill adds copies of inspection reports to the documents an HOA is required to provide to homeowners and prospective buyers during the purchase of condo properties and requires inspection reports to be retained permanently as association records.

According to the Author

"Due to state-mandated requirements on balcony inspections for Homeowner Associations (HOAs), many lenders require compliance with the State's inspection mandates as a condition of loan approval. In some cases, repairs to balconies not connected to a sale have also been placed as a prerequisite for loan approval. Some of these requirements have caused transactions to breakdown, as HOA managers have failed to provide necessary copies of balcony inspection reports, nor conduct required inspections. Further, State law is also unclear on whether HOAs are required to share inspection reports. SB 410 will provide clarity in State law by requiring that HOAs provide copies of balcony inspection reports in the suite of documents they are required to provide to homeowners during the purchase of HOA managed properties. This will ensure that buyers will have the necessary information in order to meet loan requirements, and increase transparency on the condition of balconies and other exterior elements."

Arguments in Support

According to the California Association of Realtors, the bill's sponsor, "SB 410 (Grayson) simply requires homeowner's associations (HOA) to provide sellers a copy of balcony inspection

reports in the suite of documents HOAs are required to provide to homeowners and buyers in connection with the purchase of a real property managed by the HOA. This measure is a follow-up to earlier legislation (SB 721 and SB 326) that mandated inspections of balconies, decks, and other elevated elements after a fatal collapse in Berkeley, California. Due to delays in inspections for apartment buildings, many transactions in common interest developments have stalled because some HOAs haven't provided inspection reports or conducted required inspections. SB 410 (Grayson) aims to clarify that these reports must be included, helping buyers meet loan requirements and ensuring transparency about the condition of exterior structures."

Arguments in Opposition

None on file.

FISCAL COMMENTS

Unknown. This bill is keyed non-fiscal by Legislative Counsel.

VOTES

SENATE FLOOR: 34-0-6

YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Pérez, Richardson, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

ABS, ABST OR NV: Alvarado-Gil, Cervantes, Grove, Padilla, Reyes, Rubio

ASM HOUSING AND COMMUNITY DEVELOPMENT: 11-0-1

YES: Haney, Patterson, Ávila Farías, Caloza, Garcia, Lee, Quirk-Silva, Ta, Tangipa, Wicks, Wilson

ABS, ABST OR NV: Kalra

ASM JUDICIARY: 12-0-0

YES: Kalra, Dixon, Hart, Bryan, Connolly, Harabedian, Macedo, Pacheco, Papan, Sanchez, Stefani, Zbur

UPDATED

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FN: 0001147