

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2025-2026 Regular Session

SB 237 (Grayson)
Version: March 20, 2025
Hearing Date: May 6, 2025
Fiscal: No
Urgency: No
ID

SUBJECT

Single-family residential property: sale: disclosures

DIGEST

This bill requires a seller of a single-family residential property to disclose the names and license numbers of any contractors and third parties that worked on the property, and the work that was performed, when the property was rebuilt after the property was destroyed in a disaster and received a certificate of occupancy on or after January 1, 2025.

EXECUTIVE SUMMARY

In early January 2025, extremely dry conditions and high winds in Los Angeles resulted in two of the worst wildfires in state history: the Palisades and Eaton fires. The fires burned 37,469 acres and damaged or destroyed almost 18,000 structures, and resulted in 29 fatalities. In addition, just under 13,000 households were displaced by the Palisades and Eaton fires, exacerbating Los Angeles' ongoing housing and homelessness crises. As Angelenos work to recover from the fires, many will be looking to hire contractors to rebuild their homes. However, if homeowners utilize unlicensed contractors, they risk being defrauded or ending up with an unfinished home or one with sub-standard construction. This could result in significant additional costs for the homeowner, or for any subsequent owner when the property is sold. When a homeowner sells a single-family home, they must disclose certain information to a potential buyer regarding the conditions of and any issues with the property. Failing to do so can leave the seller liable for damages to the seller. SB 237 aims to increase transparency and protect consumers from fraud and substandard work by requiring a homeowner to disclose to a potential buyer specified information regarding any contractors that performed work on the property, when the property was rebuilt after it was destroyed in a disaster and received a certificate of occupancy on or after January 1, 2025. SB 237 is author sponsored, and the Committee has received no timely letters of support or opposition.

PROPOSED CHANGES TO THE LAW

Existing law:

- 1) Requires a transferor (seller) of single-family residential property to provide the transferee (buyer) with certain disclosures about the property by use of a statutorily prescribed Real Estate Transfer Disclosure Statement (TDS), describing whether the single-family residence has any significant defects or malfunctions in various components of the home. (Civ. Code §§ 1102-1102.6.)
- 2) Exempts from these disclosure requirements certain sales, such as sales between co-owners or spouses, sales from a foreclosure, sales to or from any government entity, sales that require a public report under section 11018.1 of the Business and Professions Code, and sales pursuant to a court order. (Civ. Code § 1102.2.)
- 3) Requires that delivery of the disclosures required be made by the seller to the buyer as soon as practicable before transfer of title, or in the case of a sale by a real property sales contract, lease with an option to purchase, or ground lease with improvements, as soon as practicable before the making or acceptance of an offer. If disclosure is delivered after the execution of an offer to purchase the property, the prospective buyer has three to five days (depending on the method of delivery) to terminate the offer. (Civ. Code § 1102.3.)
- 4) Provides that, if any information disclosed is subsequently rendered inaccurate as a result of any act, occurrence, or agreement after the disclosure is delivered, it does not constitute a violation of the disclosure requirements. (Civ. Code § 1102.5.)
- 5) Requires a seller of a single-family real property who accepts an offer for the sale of the property within 18 months from when they obtained title to the property to disclose to the buyer:
 - a) any room additions, structural modifications, other alterations, or repairs made since title was transferred to the seller that were performed by a contractor;
 - b) the name of each contractor the seller entered into a contract of renovations, and their contact information, except as specified; and
 - c) if the seller obtained a permit for any of the renovations, a copy of the permit, as specified. (Civ. Code § 1102.6h.)
- 6) Allows that any disclosure may be amended in writing by the seller or their agent as soon as practicable. (Civ. Code § 1102.9.)
- 7) Requires that the delivery of the disclosures be by personal delivery to the potential buyer or by mail to the potential buyer. Delivery to the spouse of a potential buyer

shall be deemed delivery to the buyer themselves, unless provided otherwise by contract. (Civ. Code § 1102.10.)

- 8) Provides that if a seller willfully or negligently fails to provide specified disclosures in specified real estate transactions they can be held liable for actual damages by the buyer. (Cal. Civ. Code § 1102.13.)
- 9) Prohibits any person who is not licensed from advertising for construction work or work of improvements unless the aggregate contract price for labor, material and all other items on a project or undertaking is less than \$1,000 and they state that they are unlicensed. (Bus. & Prof. Code § 7027.2.)
- 10) Requires any person engaged in construction projects exceeding \$500 in labor and materials to have an active contractor's license. (Bus. & Prof. Code §§ 7027.2 and 7028.)
- 11) Establishes minimum standards for construction in the state, including structural design. (California Buildings Standards Code, Title 24.)

This bill:

Requires a seller of a single-family residential property that was rebuilt after the property was destroyed in an event for which a state or local state of emergency, as defined, was declared, when the property was issued a certificate of occupancy on or after January 1, 2025, to disclose:

- a) The names and license numbers of any entity that performed work to rebuild the property and for which a contractors' license is required, and the work that the entity performed;
- b) Any permits that were obtained to rebuild the property; and
- c) The names and license numbers of any third parties that performed work on the property that were required to be licensed to perform that work, and the work that they performed.

COMMENTS

1. Author's statement

According to the author:

When purchasing a new home in California, sellers must provide comprehensive disclosures to home buyers. One of these common disclosures is the transfer disclosure statement, which serves as an important consumer protection tool that informs the buyer of potential defects that may be present in the property that they are purchasing. Under existing law, sellers must also disclose any potential

renovations done to the home prior to its sale, the contractors and third parties who performed work on the home, as well as any permits that were obtained for the renovations. While these current disclosures are comprehensive and help to protect consumers, these disclosures only apply in situations where an existing home is being sold. These disclosures do not apply to any type of home that may be new construction, including any home rebuilt during catastrophic natural disasters, such as wildfires. The existing disclosures may not be enough to protect consumers from bad actors. Bad actors could exploit this gap in disclosure requirements by performing work with unlicensed contractors and unpermitted work, leading to issues that may not be immediately apparent. In fact, instances of contractor fraud have occurred during post disaster rebuilding. SB 237 closes this loophole, by requiring additional disclosures for any single-family residential property rebuilt after being destroyed by a state declared emergency. Specifically, sellers would be required to disclose the names and license numbers for all builders or contractors involved in the rebuild, as well as any permits that were obtained for the rebuild. These disclosures would apply to any home that was issued a certificate of occupancy after January 1, 2025, and was in an area that was subject to a state of emergency. This bill will help provide greater transparency and accountability in the rebuilding process, protecting consumers from potential fraud and substandard work.

2. The Palisades and Eaton fires were some of the most destructive in California history

In early January 2025, extremely dry conditions and high winds in Los Angeles resulted in two of the most destructive wildfires in state history. The Palisades fire, which started on January 7th, burned a total of 23,448 acres and damaged or destroyed almost 8,000 structures in the Pacific Palisades and Topanga State Park area of west Los Angeles.¹ That same day, another major fire also broke out in the greater Los Angeles area: the Eaton fire. The Eaton fire consumed 14,021 acres and damaged or destroyed more than 10,000 structures, including significant portions of the city of Altadena.² About half of all properties in the Pacific Palisades and Altadena were destroyed by the Palisades and Eaton fires, and both fires together tragically took the lives of 29 civilians and injured a dozen firefighters. Real estate losses have been estimated to be as high as \$30 billion, and just under 13,000 households were displaced by the Palisades and Eaton fires.³ An estimated 9,592 single family homes and condominiums, 678 apartment units,

¹ CalFire, "Palisades Fire," (3/27/2025) <https://www.fire.ca.gov/incidents/2025/1/7/palisades-fire>.

² CalFire, "Eaton Fire," (3/04/2025) <https://www.fire.ca.gov/incidents/2025/1/7/eaton-fire>.

³ Doug Smith and Sandhya Kambhampati, "Real Estate losses from fires may top \$30 billion, from old mobile homes to \$23-million mansions," Los Angeles Times (Feb. 21, 2025) <https://www.latimes.com/california/story/2025-02-21/real-estate-losses-from-palisades-and-eaton-fires-top-30-billion#:~:text=Los%20Angeles%20Housing%20Department%20records,the%20city's%20rent%20stabilization%20ordinance>.

2,210 duplex and bungalow courts, and 373 mobilehomes were either heavily damaged or completely destroyed. All told, the January wildfires in Los Angeles were some of the most tragic and destructive wildfires in state history.

3. Many need to rebuild after the fires and may be susceptible to contractor fraud

In the aftermath of the fires, thousands of Angelenos have been figuring out how to recover and rebuild. Recognizing the need to rebuild quickly to meet the region's housing need and help displaced residents return, the state and Los Angeles County have prioritized streamlining the process for rebuilding. In January, Governor Newsom issued an Executive Order that suspended the California Environmental Quality Act (CEQA) and the California Coastal Act for review of facilities substantially damaged or destroyed by the fires, and directed the HCD and other state and local agencies to coordinate in identifying and enacting measures to expedite and reduce the barriers to rebuilding.⁴ Los Angeles County itself also took steps to streamline permitting for buildings that are "like-for-like" rebuilds and to establish centralized one-stop permit centers for facilitating permitting.⁵ While these steps help, victims of the Eaton and Palisades fires face a monumental task in removing debris and rebuilding.

The sheer breadth of the destruction will undoubtedly stress the city and region's marketplace for rebuilding and construction, and may leave homeowners susceptible to fraud and poor construction by unlicensed contractors. Contractors must have a contractor's license from the Contractors State License Board (CSLB) in order to engage in construction or repair work, unless the construction contract is for less than \$1,000 and the unlicensed contractor states in their advertisements that they are not licensed. (Bus. & Prof. Code § 7027.2.) Contracting without a license from the CSLB in a declared disaster area is a felony. In order to obtain a license, a contractor generally must pass a licensing examination, verify at least four years of training or apprenticeship, carry a license bond, and pass a background check.

In January, the CSLB warned consumers of the dangers of hiring unlicensed contractors to rebuild after the Eaton and Palisades fires.⁶ Consumers who hire unlicensed contractors risk being defrauded or receiving shoddy work, ultimately delaying repairs or construction and potentially costing the consumer more to repair sub-standard work or complete an unfinished project. Unlicensed contractors may not have a bond or necessary workers' compensation insurance, thereby exposing the consumer to considerable risk if the project falls through or the contractor fails to pay their workers.

⁴ Governor Gavin Newsom, Executive Order N-4-25 (Jan. 12, 2025).

⁵ LA County Recovers, "Rebuilding," County of Los Angeles (accessed Apr. 14, 2025), <https://recovery.lacounty.gov/rebuilding/#::~:~:text=LA%20County%20has%20committed%20to,attend%20the%20appointment%20as%20well>.

⁶ Contractors State License Board, "CSLB urges homeowners to hire licensed contractors following Southern California wildfires," Dept. of Consumer Affairs (Jan. 17, 2025), available at https://www.cslb.ca.gov/media_room/disaster_help_center/.

If an unlicensed contractor completes sub-standard work, that work may depress the value of the homeowner's home or require additional repairs when the homeowner tries to sell their home. In the aftermath of the Camp Fire in Paradise in 2018, there were reports of homeowners who were defrauded and left with unfinished homes even after they paid their contractor because the contractor they used was not licensed.⁷ Given the extent of the damage caused by the Palisades and Eaton fires, an even greater risk of fraudulent or sub-standard contractor work exists as homeowners try to rebuild.

4. Current law requires a seller of a single-family home to provide certain disclosures to a potential buyer

When an owner sells a single-family residential property, they generally must provide the buyer with certain disclosures that outline the conditions and issues with the property of which the seller is aware. Many of these disclosures are made on the Real Estate Transfer Disclosure Statement (TDS). (Civ. Code § 1102.6.) Disclosures required by the TDS include any known significant defects in the insulation, roof, foundation, plumbing and sewers, and electrical systems, among others. It requires an explanation of any noted defects, and also requires a comprehensive list of appliances and other features present on the property, along with an extensive questionnaire relating to specific dangers or issues known about the property. In addition to the disclosures required in the TDS, a number of other disclosures and notices are also required by law. For example, a seller must disclose to a potential buyer whether the property is located in a designated high or very high fire hazard severity zone, and must provide a natural hazard disclosure statement disclosing whether the property is located in various disaster areas. (Civ. Code §§ 1102.6f; 1103.2.) In 2023, the Legislature passed AB 968 (Grayson, Ch. 95, Stats. 2023) to require that a seller of a single-family home who sells it within 18 months of purchasing the property disclose to a potential buyer all information regarding renovations completed on the property, and the contractors used and permits obtained for those renovations.

A seller must deliver the disclosure statement as soon as practicable before transfer of title, or in the case of a sale through a real property sales contract, a lease with an option to purchase, or a ground lease with improvements, as soon as practicable before the making or acceptance of an offer. (Cal. Civ. Code § 1102.3). If the disclosure or an amendment to it is delivered after the execution of an offer to purchase, the buyer is given three to five days (depending on the method of delivery of the disclosure) to terminate the offer. (Cal. Civ. Code § 1102.3(c).) If a seller willfully or negligently fails to provide the required disclosures, they are liable for any actual damages to the buyer caused by that failure. (Cal. Civ. Code § 1102.13.)

⁷ Dale Kasler & Ryan Sabalow, "Exclusive: Paradise contractor indicted, accused of preying on Camp Fire victims," The Sacramento Bee (Sept. 7, 2022), <https://www.sacbee.com/news/investigations/article265381231.html>.

5. SB 237 aims to limit the use of uncontracted or unpermitted work to rebuild from the disasters by requiring specified disclosures

SB 237 proposes to require a homeowner that rebuilds their home after a disaster to disclose to a buyer specified information regarding the rebuild. SB 237 would require the homeowner to disclose: the names and contractor license numbers of any entity that performed work on the rebuild that required a contractor's license; the work that such entities performed; any permits that were obtained to rebuild the property; and the names and contractor license numbers of any third parties that performed work on the property who were required to be licensed to perform that work, and a description of the work they performed. These disclosure requirements would apply to any single-family residential property that was rebuilt after the property was destroyed in an event for which a state or local emergency was declared, and for which a certificate of occupancy for the rebuild was issued on or after January 1, 2025. These disclosures would need to be made as soon as practicable before transfer of title or the making or accepting of an offer to purchase, pursuant to the existing provisions regarding transfer disclosures described above. If they are provided after the execution of an offer, the buyer would have three to five days to terminate the offer, and a buyer harmed by a seller's failure to provide these disclosures may be able to obtain damages for that failure through a civil action.

Through its provisions, SB 237 would ensure that buyers of homes that were rebuilt following a disaster are informed of the contractors used and permits obtained in the home's construction. This could allow a potential buyer to be alerted to any potential sub-standard construction or potential issues with unpermitted work. However, SB 237 does not specifically prohibit a homeowner trying to rebuild from the fires from using unlicensed contractors, or prevent a contractor from unlawfully performing work without a license after the fires. Nonetheless, the disclosure requirement could make some homeowners pause before utilizing unlicensed contractors when they know they will sell the property after it is built, as they would need to reveal in the disclosures that the contractor was not licensed, and a buyer may thus require more inspections or additional repairs. It also could discourage unlicensed contractors from engaging in such rebuilds, given that their information and lack of a contractor's license would be exposed upon sale. Considering that a contractor that builds without a license in a disaster area can be charged with a felony for doing so, the disclosure requirement could pose a significant risk to an unlicensed contractor. Moreover, SB 237 would ultimately act as a consumer transparency measure, allowing would-be home buyers to determine whether the home they plan to buy was built with potentially substandard work. This could allow potential home buyers to make more informed decisions and address potential construction issues before the home sale is complete.

6. Amendments

The author has agreed to amendments that clarify that SB 237's provisions apply to all single-family residential properties transferred or sold on or after January 1, 2026, and that covered properties are those constructed after the structure previously on the property was destroyed, as specified. A full mock-up of the amendments is attached at the end of this analysis.

SUPPORT

None received

OPPOSITION

None received

RELATED LEGISLATION

Pending Legislation: SB 410 (Grayson, 2025) requires a seller of a separate interest in a common interest development to provide a prospective buyer of the interest a disclosure regarding the results of an inspection of any exterior elevated elements, as specified. SB 410 is currently pending before this Committee.

Prior Legislation:

SB 1366 (Hurtado, Ch. , Stats. 2024) required a seller of any real property who received domestic water storage tank assistance or is aware the real property received such assistance and the real property currently still has the domestic water storage tank, to deliver a disclosure statement to the prospective buyer regarding the domestic water storage tank.

AB 1280 (Maienschein, Ch. 99, Stats. 2023) expanded a requirement that, if a single-family residential property is located within a fire hazard severity zone, the seller disclose to the seller whether the property is located in a high or very high fire hazard severity zone, and whether it is located in a state or local responsibility area.

AB 968 (Grayson, Ch. 95, Stats. 2023) required a seller of a single-family residential real property that the seller sells within 18 months of the owner's acquisition of the property to disclose specified information to a potential buyer regarding any renovations done to the property and the contractors used and permits obtained for such work.

AB 892 (Holden, Ch. 310, Stats. 2019) revised the form for the real estate transfer disclosure statement, and defined the terms "single-family residential property" and "single-family residential real property," among other changes.

AB 1289 (Arambula, Ch. 907, Stats. 2018) made a series of modifications to the Real Estate Law provisions contained in the Civil Code.

AB 2884 (Irwin, Ch. 285, Stats. 2018) made a series of modifications to the Real Estate Law provisions contained in the Business and Professions Code.

AB 315 (Lieu, Ch. 392, Stats. 2013) Created multiple requirements for contractors, including that it is a misdemeanor to engage in the business of a contractor if a person is not licensed to be a contractor, unless the contractor advertises their work as unlicensed and the work is for less than \$500.

SB 1406 (Petrus, Ch. 1574, Stats. 1985) required specified written disclosures by the seller of real property to the buyer on a transfer disclosure statement, and created a duty for seller to make a record of compliance with the disclosure requirements.

Amended Mock-up for 2025-2026 SB-237 (Grayson (S))

(Amendments may be subject to technical changes by Legislative Counsel)

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 1102.6m is added to the Civil Code, to read:

1102.6m. For all transfers or sale of a single-family residential property on or after January 1, 2026, in ~~in~~ addition to any other disclosures required by this article, the seller of a single-family residential property subject to this article that was ~~rebuild~~ **constructed** after the structure previously on the property was destroyed in an event for which a state of emergency or local emergency, as those terms are defined in Section 8558 of the Government Code, was declared and for which a certificate of occupancy was issued on or after January 1, 2025, shall disclose all of the following to the buyer:

(a) The names and license numbers of any entity that performed work to rebuild the property and for which a contractors license is required pursuant to the Contractors State License Law (Chapter 9 (commencing with Section 7000) of Division 3 of the Business and Professions Code), and the worked that they performed.

(b) Any permits that were obtained to rebuild the property.

(c) The names and license numbers of any third parties that performed work on the property that were required to be licensed to perform that work, and the worked that they performed.