

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

SB 1007 (Menjivar)
Version: February 9, 2026
Hearing Date: April 28, 2026
Fiscal: No
Urgency: No
ID

SUBJECT

Common interest developments: annual reports: assessments: discipline

DIGEST

This bill limits annual increases in regular assessments for homeowner associations to no more than the amount of the previous year's assessment, plus adjustments for inflation, without approval by the members, requires the homeowners association to provide additional information to members in its annual budget report, and requires the association board to make available any physical evidence used to determine that a member violated a rule of the homeowners association before the board can impose a fine for that violation at a board meeting, as specified.

EXECUTIVE SUMMARY

Common Interest Developments (CIDs) are self-governing housing developments comprised of individually-owned housing units and common space that all homeowners and residents of the CID can enjoy. CIDs are managed and governed by homeowner associations (HOAs), of which every owner within the CID is a member. The laws that regulate CIDs are encompassed in the Davis-Sterling Common Interest Development Act (Civ. Code §§ 4000 et seq.). The Davis-Sterling Act requires an HOA to provide its members with an annual budget report. If a member of the HOA violates a rule of the HOA, the board may impose fines for that violation. It also prohibits the board of the HOA from increasing annual dues by more than 20 percent without approval from the members. This bill removes this cap and instead permits increases to dues only for inflation without approval of the members. It also requires the HOA to provide additional information to members in the annual budget report, and requires the board to make available any physical evidence used to determine that a member violated a rule of the HOA before the board can impose a fine for that violation at a board meeting.

SB 1007 is sponsored by the Center for California Homeowner Association Law and the Consumer Federation of California, and is supported by the California Association of Realtors and the California Low-Income Consumer Coalition. It is opposed by the California Building Industry Association, the Community Associations Institute – California Legislative Action Committee, and a number of HOAs and individuals. SB 1007 previously passed out of the Senate Housing Committee by a vote of 8 to 2.

PROPOSED CHANGES TO THE LAW

Existing law:

- 1) Establishes the Davis-Stirling Common Interest Development Act, providing rules and regulations governing the establishment and operation of residential common interest developments (CIDs) and the rights and responsibilities of a CID's homeowner association (HOA) and its members. (Civ. Code §§ 4000 et seq.)
- 2) Specifies that a CID is created whenever a separate interest coupled with an interest in a common area or membership in an association is conveyed, provided that a declaration, condominium plan, if any, and a final map or parcel map are recorded. (Civ. Code § 4200.)
- 3) Requires an HOA to distribute to its members an annual budget report 30 to 90 days before the end of the fiscal year, and requires that this report include specified information, including a pro form operating budget showing the estimated revenue and expenses on an accrual basis. (Civ. Code § 5300.)
- 4) Requires the board to distribute to members within 30 to 90 days before the end of the fiscal year an annual policy statement that includes specified information. (Civ. Code § 5310.)
- 5) Specifies that, when a report is prepared pursuant to (3) or (4), above, the HOA must deliver to all members by individual delivery either the full report or a summary of the report that includes, on the first page, a general description of the content of the report and instructions on how to request the full report. (Civ. Code § 5320.)
- 6) Prohibits the board of the HOA from imposing annual increases in regular assessments unless it has provided members with the required information in the annual budget report, or has obtained approval from a majority of a quorum of members at a member meeting or election. (Civ. Code § 5605.)
- 7) Prohibits the board from imposing an increase in a regular assessment that is more than 20 percent greater than the regular assessment charged for the prior year, or from imposing a special assessment that exceeds in aggregate five percent of the budgeted gross expenses of the HOA for that fiscal year, without the approval of a

majority of a quorum of members at a member meeting or election. (Civ. Code § 5605(b).)

- 8) For an HOA that records its original declaration on or after January 1, 2025, prohibits the board from imposing an increase in a regular assessment against an owner of a deed-restricted affordable housing unit that is more than five percent than the previous year's assessment, plus the change in the cost of living, not to exceed 10 percent more than the preceding regular assessment. (Civ. Code § 5605(c).)

This bill:

- 1) Requires the annual budget report described in (3), above, to include a high-level summary breakdown in the form of a visual aid that describes what the regular assessments fund, including but not limited to, funding of administrative costs, repairs, maintenance, and litigation, if applicable.
- 2) Requires the annual budget report described in (3), above, to include a statement of the compensation of a management company, if applicable.
- 3) Specifies that, if the HOA delivers a summary of either the annual budget report or an annual policy statement, this summary must include on the first page of the report a high-level breakdown that describes what the regular assessments fund.
- 4) Prohibits annual increases in assessments unless the board has provided the high-level summary breakdown required by 1) and 2), above.
- 5) Removes the limitation on the board imposing a regular assessment that is more than 20 percent greater than the regular assessment for the preceding fiscal year without the approval of a majority of a quorum of HOA members at a member election, and instead prohibits the board from imposing a regular assessment that is more than the regular assessment for the HOA's preceding fiscal year, adjusted for inflation, without the approval of a majority of a quorum of HOA members at a member election.
- 6) Requires that, if the HOA seeks to impose a monetary penalty on a member for a violation of the governing documents, it must make any physical evidence used to determine a violation of the governing documents has occurred, including but not limited to, photographs or video or audio recordings, available to the member at least five days before the hearing or the deadline for the member's response.
- 7) Specifies that, if any digital materials, including photographs or video or audio recordings, are used in determining a violation of the governing documents has occurred, the HOA must make any digital metadata associated with the digital material available to the member together with the digital material.

- 8) Defines, for the purposes of the requirement in 7), above, “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.

COMMENTS

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

2. Common Interest Developments in California

Common Interest Developments (CIDs) are self-governing housing developments comprised of individually-owned housing units and common space that all homeowners and residents of the CID can enjoy. Arrangements of CIDs can vary widely, from condominiums, townhouses, and detached single-family homes, to apartment-like high rises. They may be comprised of only a few housing units, or thousands. CIDs are commonly referred to as homeowner associations, or HOAs, for the body that provides for the CID’s self-governance. There are an estimated 51,700 CIDs in the state, housing an estimated 14,489,00 Californians.¹

The laws that regulate CIDs are encompassed in the Davis-Sterling Common Interest Development Act (Civ. Code §§ 4000 et seq.). Many of the rules and structural elements of the CID are determined by the Declaration of Covenants, Conditions, and Restrictions (CC&Rs) that are filed with the county recorder when the CID is established. These CC&Rs identify the CID’s common area, the HOA’s responsibilities, the obligation of the HOA to collect assessments from homeowners to cover the HOA’s expenses, and a variety of other topics. All homeowners in the CID are members of the HOA, which provides for the self-governance of the CID, managing and maintaining the common space of the CID, setting the rules for the CID, and resolving disputes. The HOA elects a board of directors, and usually has bylaws outlining the governance rules of the HOA and its board of directors (board).

¹ Foundation for Community Association Research, *Community Association Fact Book 2025: 2025 U.S. National and State Statistical Review* (2025).

The board has a number of duties and powers for the management of the community, including setting the regular, monthly assessments that members must pay in order to cover communal expenses. The board may increase the regular assessments every year by as much as 20 percent without approval of the membership. (Civ. Code § 5605.) When a homeowner in the CID does not pay their assessments, the HOA board has the authority to impose a lien and foreclose on the individual's property. (Civ. Code §§ 5660, 5700.) Because HOA board members are volunteer members of the HOA and the rules governing CIDs are complex, HOAs often hire an HOA management company or manager to help manage the HOA and conduct the HOA's day-to-day operations.

One of the responsibilities of the board is to prepare and provide to members an annual budget report for the HOA. This budget report must include: a pro form operating budget that shows the estimated revenue and expenses for the HOA; a summary of the HOA's reserve funds and reserve funding plan; statements regarding whether the HOA will defer specified major repairs or replacements, whether the board plans to levy any special assessments, and whether the HOA has any outstanding loans; and a summary of the HOA's insurance policies, among other items. (Civ. Code § 5300.) The board must provide this annual budget report 30 to 90 days before the end of the fiscal year.

The HOA may also impose fines on individual members for violations of the rules of the HOA. However, if an HOA plans to impose fines, it must adopt a policy imposing such penalties for such a violation, and it must distribute the schedule of these penalties to each member annually. (Civ. Code § 5850.) Any penalty levied must not exceed the lesser of: the penalty stated in the HOA's schedule at the time of the violation, or \$100 per violation. (Civ. Code § 5850(c).) The HOA can charge a penalty stated in its schedule that is greater than \$100, if the violation may result in an adverse health or safety impact on the common area of the CID or another HOA member's property. (Civ. Code § 5850(d).) If the board intends to consider imposing a penalty on a member, it must notify the member at least 10 days before the meeting at which the board will consider imposing the fine, providing the member with information on the meeting, the alleged violation, and a statement that the member may attend the meeting. (Civ. Code § 5855.) Moreover, the member must be provided an opportunity to cure the violation prior to the meeting, and the member is permitted to request that the dispute be resolved through an internal dispute resolution process. (Civ. Code § 5855(c)-(d).)

3. SB 1007 requires more transparency for an HOA budget

Issues with HOAs and disputes between members and the HOA are not uncommon. Some reports describe HOAs charging members excessive fines, often for nominal violations. One HOA member, for example, reported owing \$1,800 to a San Jose HOA

that many claimed was issuing excessive and arbitrary fines upon its members.² Moreover, HOA members are increasingly facing increases in their monthly HOA dues. Reports from CIDs in the Los Angeles area and from Modesto have recently reported 20 percent increases in their monthly dues, along with special assessments to cover major repairs and maintenance.³ While increased insurance costs across the state and aging infrastructure for many older CIDs in the state may contribute to these increases, some are concerned that these increases are due to mismanagement or a lack of transparency over HOA operations and finances. Moreover, many HOA members may not realize their dues are significantly increasing until they receive notice from the HOA, since the board can vote to increase dues up to 20 percent without a vote of the membership. When HOA dues increase significantly, it can strain HOA members' finances, and risk members being foreclosed upon if they cannot pay. Such increases can exacerbate the current affordability crisis for CID residents in California.

SB 1007 aims to limit annual increases in HOA dues and provide additional transparency requirements for HOA budgets and fines. Specifically, it requires the annual budget report that the board must provide to HOA members to include a high-level summary breakdown of what the HOA's assessments fund, and it requires this summary to be in the form of a visual aid, like a pie chart. It also requires the annual budget report to include a statement of the compensation paid to a management company, if the HOA uses such a management company to operate the HOA.

In addition, SB 1007 provides HOA members with more transparency and process when the board intends to fine them. It requires the HOA to make available to the member any physical evidence that the board used to determine that the member violated a rule of the HOA, and to do so at least five business days before the hearing regarding the imposition of the fine or the deadline set for the member to respond. This evidence, if digital, must include specified metadata regarding the evidence.

4. SB 1007 limits annual increases in HOA dues

Lastly, SB 1007 removes the 20 percent cap on annual HOA dues increases, and replaces it with the requirement that HOA dues cannot increase from the previous year beyond adjustments for inflation. SB 1007 still permits a board to increase dues by more than the increase in inflation, as long as the increase is approved by a majority of a quorum

² 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/>.

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/>; 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/>.

of members in an election. While SB 1007 does not specify a measurement for inflation, a common measure for inflation is the consumer price index.

The Davis-Sterling Act, as originally enacted in 1985, included a 10 percent cap on annual increases in HOA dues. (Sterling, Ch. 874, Stats. 1985.) It also included exceptions to this cap for the maintenance or repair of common areas and for emergency situations. However, in 1987, the exceptions were eliminated, and the cap was raised to 20 percent. (AB 279 (Frazee), Ch. 596, Stats. 1987.)

This bill's opposition argues that such a limitation in HOA due increases as proposed by SB 1007 would prevent HOAs from raising the funds necessary to operate the HOA. HOAs may only raise the funds they need to meet operating expenses, and many HOAs are seeing increased expenses due to inflation, increases in the cost of insurance, and a variety of other factors. Many HOAs are also seeing increased costs for maintenance or repair; however, such costs should be planned for and covered by the HOA's reserve fund. Nonetheless, contributions to the reserve fund typically come from members' dues, so if an HOA needs to increase the size of its reserve fund, it may need to increase HOA dues. All of these factors may result in HOA boards needing to raise HOA dues, even beyond the increase in inflation.

Yet increases in monthly dues significantly impact HOA members, many of whom may be on fixed incomes. Since HOA members can be foreclosed upon for not paying HOA dues, the consequences of sharply-increasing dues can be dire for many CID residents. Thus, the law currently and under this bill permits greater increases in monthly dues, but only upon approval by the membership. If the board needs to increase dues beyond the statutory limit, they need to make their case to the HOA membership. This ultimately puts the power in the hands of the HOA membership, and increases the accountability of the board to the members that elect it.

5. Arguments in support

According to the Consumer Federation of California and the Center for California Homeowner Association Law, which are the sponsors of SB 1007:

Homeowner associations (HOAs) collect millions of dollars annually from the homeowners living in them, because the services they provide 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 financed 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 increase⁴, 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 [...]

SB1007 is consistent with this rational approach adopted by the Legislature:

- it requires HOAs to account for how they are spending the millions of dollars collected annually from homeowners;
- prohibits HOAs from increasing regular assessments at all if they do not provide meaningful transparency; and
- indexes assessment increases to a recognized index: the rate of inflation.

6. Arguments in opposition

According to the Community Associations Institute – California Legislative Action Committee, which opposes SB 1007:

By law, associations are only allowed to budget for anticipated expenses. Eliminating the authority for boards to increase regular assessments by up to 20 percent annually and limiting increases to the rate of inflation threatens the financial stability of associations. Costs such as insurance, labor, energy and repairs often rise faster than inflation. This restriction may lead to deferred maintenance or burdensome special assessments on homeowners. This approach does not improve housing affordability and may ultimately increase costs to residents. The option provided in the bill for a member vote to increase assessments beyond the rate of inflation is a false solution. Association elections are expensive and achieving a majority of the quorum is not easily done, which is why the Legislature has provided for election by acclamation and other tools to assist with voter apathy faced by associations. In addition, such votes are often rejected by owners who do not understand the impact of rejecting necessary

assessment increases. This was the exact scenario which led to the deadly tower collapse of Chaplain Towers in Florida in 2021, wherein the association sought approval for assessment increases from homeowners which were rejected, making it impossible for the association to undertake the structural repairs identified necessary by experts.

The authorization to increase assessments by 20% without a membership vote was a major negotiation point when the Davis Stirling Act was first written. Since that time, California has had 4 recessions and other significant economic situations impacting California and its citizens. At no time during these economic crises was this section pointed out as factor of unaffordability. For the reasons stated above, it should not be called out as such today.

SUPPORT

Center for California Homeowner Association Law (co-sponsor)
Consumer Federation of California (co-sponsor)
California Association of Realtors
California Low-Income Consumer Coalition

OPPOSITION

Community Associations Institute – California Legislative Action Committee
California Building Industry Association
Cobblestone in Pomona Homeowners Association
Meadowtree Homeowners Association
Peninsula Place Homeowners Association
Port Marluna Homeowners Association
Four individuals

RELATED LEGISLATION

Pending Legislation:

SB 1238 (Wahab, 2026) makes various changes to the laws regarding common interest developments (CIDs), including: by requiring homeowners association (HOA) managers to maintain fiduciary duties to the HOA and its members; expanding the information required in exterior elevated element (EEE) inspection reports; prohibiting the use of HOA reserve funds for any litigation, except as permitted; and expanding the information that a seller of a unit within a CID must provide a prospective buyer regarding the CID's EEEs. SB 1238 is currently pending before the Senate Appropriations Committee.

AB 739 (Jackson, 2026) requires the HOA board to review, on an annual basis, the fees charged by the HOA managing agent, as specified, and requires the HOA to deliver a statement of these fees through electronic means to an HOA member who requests them. AB 739 is currently pending in the Senate Rules Committee.

AB 2050 (Caloza, 2026) requires, beginning January 1, 2032, the reserve study to include the minimum reserve contribution level needed to prevent the projected reserve account from falling below zero, and requires the HOA to fund the reserve account on an annual basis, as specified. AB 2050 is currently pending before the Assembly Judiciary Committee.

Prior Legislation:

AB 130 (Committee on Budget, Ch. 22, Stats. 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 1410 (Rodriguez, Ch. 858, Stats. 2022) among other things, 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.

AB 572 (Haney, Ch. 745, Stats. 2022) 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 five percent plus the percentage change in the cost of living, not to exceed 10 percent, more than the assessment from the prior year.

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

AB 279 (Frazee, Ch. 596, Stats. 1987) raised the cap in the original Davis-Sterling Act for annual increases in assessments without member approval from 10 percent to 20 percent, and eliminated the exceptions to the cap.

(Sterling, Ch. 874, Stats. 1985.) established the Davis-Sterling Common Interest Development Act, and included a 10 percent cap on annual increases in HOA dues that do not require approval by the members, subject to exceptions.

PRIOR VOTES:

Senate Housing Committee (Ayes 8, Noes 2)
