

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

AB 739 (Jackson)
Version: January 15, 2026
Hearing Date: June 16, 2026
Fiscal: No
Urgency: No
ID

SUBJECT

Common interest developments: managing agent fees

DIGEST

This bill requires the board of directors of a homeowners' association of a common interest development to review, on an annual basis, fees charged by the association's managing agent, as specified, and requires the association to deliver through electronic means a statement of these fees upon written request of a member.

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. State law requires an HOA to provide its members with an annual budget report with specified information, and requires the HOA board of directors to review on a monthly basis a number of financial documents and accounts related to the HOA's funds. However, many CIDs are managed by a managing agent or company that handles the day-to-day operations for the HOA's board, and the fees that HOAs pay for the managing agent may not be clear or easy to discern for individual HOA members or the board. To increase transparency, AB 739 requires the HOA board to review, on an annual basis, the fees charged by the HOA's managing agent, as specified, and other specified information. In addition, AB 739 requires an HOA to deliver, by electronic means, a statement of fees, as defined, charged by the HOA's managing agent upon written request of an HOA member.

AB 739 is author-sponsored. It is supported by the California Association of Realtors, and the Committee has received no timely letters of opposition. AB 739 previously passed out of the Senate Housing Committee by a vote of 10 to 0.

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 of Covenants, Conditions, and Restrictions (CC&Rs), 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 forma 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) Requires the HOA board, unless the governing documents of the HOA impose more stringent standards, to review, on a monthly basis: a current reconciliation of the HOA's operating accounts; a current reconciliation of the HOA's reserve accounts; the current year's actual operating revenues and expenses compared to the current year's budget; the latest account statements prepared by the financial institutions where the association has its operating and reserve accounts; an income and expense statement from the HOA's operating and reserve accounts; and the check register, monthly general ledger, and delinquent assessment receivable reports. (Civ. Code § 5500.)

- 8) Permits the reviews required by (7), above, to be met when every individual member of the board, or a subcommittee consisting of the treasurer and at least one other board member, reviews the documents and statements independent of a board meeting, as long as the review is ratified at the next board meeting and the ratification is reflected in the minutes of that board meeting. (Civ. Code § 5501.)

This bill:

- 1) Requires the HOA, upon written request of a member, to deliver through electronic means, a statement of fees, as described in 2) below, charged by the managing agent of the HOA.
- 2) Requires the HOA board to, unless the governing documents impose more stringent standards, review on an annual basis, a statement of fees charged by the managing agent of the HOA, including:
 - a) the reporting period covered by this disclosure;
 - b) the total number of residential units in the HOA during the reporting period;
 - c) the total amount billed and paid by the HOA to the management company during the reporting period;
 - d) a breakdown of the total amount billed and paid by the HOA to the management company by:
 - i. base management fees, including amounts paid pursuant to fixed or recurring compensation specified in the management agreement;
 - ii. fee schedule charges, including amounts paid for additional or optional services provided pursuant to a fee schedule adopted by the board as part of the management agreement; and
 - iii. reimbursable expenses, including amounts paid to reimburse the management company for third-party costs or expenses incurred on behalf of the HOA.

COMMENTS

1. Author's statement

According to the author:

Fees charged by HOA managing agents are often complex and confusing for association members who want to understand exactly what they are paying and want insight into third-party vendors. AB 739 is a transparency measure to require a summary of HOA fee information be provided to the association's board members while guaranteeing homeowners the right to access this information. Providing HOA members with clear, digestible fee information is critical to ensure they can make informed decisions about their communities.

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 14,489,000 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. The CC&Rs apply to each members' individual units and the common areas and "run with the land," meaning that they encumber the property from one owner to the next. The 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). 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. 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 forma 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

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

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 board must also conduct monthly reviews of the HOA's finances. The board must review a reconciliation of the HOA's operating and reserve accounts, the current revenues and expenditures in comparison to the budgeted revenues and expenses, and delinquent assessment receivable reports. (Civ. Code § 5500.)

3. AB 739 requires the HOA board to deliver specified documents to a member upon request, and to review annually the fees charged by the HOA's manager

According to the author, issues have arisen in HOAs regarding the transparency of fees that HOAs pay to the manager of the HOA. They assert that management companies have recently shifted their fees to a series of rising "fee-per-service" fees, which makes it difficult for HOA members to understand and determine what their assessments are paying for and how much the HOA is paying the HOA manager. The author also asserts that HOA boards, as volunteer board members, often heavily rely upon the HOA manager or management company, preventing them from making fully informed decisions about the best interest of the HOA.

To increase transparency, AB 739 requires the HOA board to review, on an annual basis, a statement of fees charged by the managing agent. This statement of fees must include: the reporting period covered by the disclosure; the total number of residential units in the association during the reporting period; the total amount billed and paid by the HOA to the management company during the reporting period; and a breakdown of the total amount billed and paid by: base management fees, such as fixed or recurring compensation; fee schedule charges, including amounts paid for additional or optional services provided pursuant to a fee schedule; and reimbursable expenses, including amounts paid to reimburse management for third-party costs or expenses.

In addition, AB 739 requires the HOA to deliver through electronic means, upon written request by an HOA member, the statement of fees charged by the managing agent described above.

It should be noted that, while the California Association of Community Managers and the Community Associations Institute - California Legislative Action Committee were both previously opposed to AB 739, recent amendments moved both organizations to neutral.

SUPPORT

California Association of Realtors

OPPOSITION

None received

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 Assembly Housing and Community Development Committee.

AB 2439 (Blanca Rubio, 2026) among other things, makes an HOA board liable to a member for the reconveyance fee and any costs to the owner associated with the HOA's failure to comply with the procedures of the Davis-Sterling Act and for a civil penalty of \$1,000 when the HOA fails to comply with the procedures required by the Davis-Sterling Act. AB 2439 is currently pending before the Senate Housing 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 Senate Housing 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 690 (Quirk-Silva, Ch. 127, Stats. 2017) required the annual budget report that an HOA board must provide members to include specified information relating to charges for requesting copies of certain documents from the HOA.

(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 10, Noes 0)

Assembly Floor (Ayes 75, Noes 0)

Assembly Housing and Community Development Committee (Ayes 11, Noes 0)

Assembly Business and Professions Committee (Ayes 17, Noes 0)
