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LHC Newsletter Vol. 17, No. 1

2025 Year-End Review of California Legislation and Cases which affect Homeowners' Associations and Common Interest Developments

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NEW LAWS ENACTED IN 2025

AB 130. Limitation of Fines by Homeowner Associations.

[*Status: Approved by Governor and Chaptered by the Secretary of State 06/30/25.]*

This bill restricts the fines an association may impose on a member, capping them at no more than $100 per violation. Any fine schedule that includes fines exceeding this amount is now void and unenforceable. AB 130 also prohibits late charges or interest from being added to any fine. The only exception to the $100 cap applies when a violation creates a potential adverse "health or safety" impact on the common area or another member's property. An HOA can identify and pre-approve certain types of violations as health or safety hazards (e.g. speeding, parking in front of a fire hydrant or fire lane, glass at pool, aggressive/off-leash pets, etc.) by adding them to its rules and fine schedule in advance; however, if a specific fine is not included then the association's board must adopt a written finding at an open meeting explaining the specific "health or safety" risk to exercise this option.

Before any fine can be imposed, owners must be given a meaningful opportunity to cure the violation. The Board may not impose discipline if: (1) the member cures the violation before the hearing, or (2) the violation cannot reasonably be cured within the notice period before the hearing, and the member provides a financial commitment to complete the cure.

If, after the hearing, the member and the Association do not reach an agreement, the member must be given the option to pursue Internal Dispute Resolution (IDR). Conversely, if an agreement is reached, the Association must prepare a written resolution, signed by both parties. This resolution is judicially enforceable.

Additionally, AB 130 shortens the deadline for issuing written hearing results from fifteen (15) days to fourteen (14) days. If an Association's existing fine policy or fine schedule does

not comply with AB 130, it must be revised and replaced. The updated policy must then be provided to the membership for the required 28-day review and comment period before the Board may adopt it.

AB 130 may make it difficult for associations to obtain compliance from owners violating the governing documents due to the limit on the amount of each fine. The likely unintended result of AB130 will be associations being forced to proceed with stronger steps to attempt to gain compliance including Alternative Dispute Resolution (ADR) and possibly litigation.

[*AB 130 amends, among other Civil Code sections, Sections 714.3, 5850, and 5855.*]

SB 410. Exterior Elevated Elements

[*Status: Approved by Governor and Chaptered by the Secretary of State 10/10/2025*]

This bill strengthens oversight of common interest developments by mandating more comprehensive inspection and disclosure requirements for exterior elevated elements such as balconies, decks, stairs, and walkways. Inspection reports must now detail the number of units and elevated elements inspected, and these reports become official association records accessible to all members. The bill also requires sellers to provide these inspection reports to prospective buyers as part of the mandatory disclosure package. In addition, the bill expands the inspection mandate to include buildings with three or more attached multifamily dwelling units, strengthening the previous standard, which applied to buildings with three or more multifamily units.

[SB 410 amends Sections 4525, 4528, 5200, 5210, and 5551 of the Civil Code, relating to common interest developments.]

SB 625. Housing Developments: Disasters: Reconstruction of Destroyed or Damaged Structures

[*Status: Approved by Governor and Chaptered by the Secretary of State 10/10/2025*]

The bill renders any rule or document unenforceable if it interferes with the rebuilding of a substantially similar home after a declared disaster. This includes all covenants, restrictions, or conditions contained in deeds, contracts, security instruments, governing documents, or any other instrument. Any such provision is void and unenforceable to the extent that it would prohibit or impede the reconstruction of a similar residential structure. The bill also establishes an expedited review process for post-disaster residential reconstruction.

Local agencies must accelerate their review of qualifying projects when the proposed development complies with the planning standards specified in SB 625.

Additionally, the bill sets firm timelines for Homeowners Association review bodies: (1) 30 days to determine the completeness of an application; and (2) 45 days to issue a final decision.

SB 625 further expands the ministerial exemption under the California Environmental Quality Act, applying this streamlined process to projects that would otherwise require discretionary review. Finally, the bill invalidates any local ordinance that prohibits the placement of manufactured homes, mobile homes, or recreational vehicles (RVs) for use as temporary housing during reconstruction.

This protection applies for three years following a disaster declaration, ensuring that displaced residents can remain on their property while rebuilding their homes.

[SB 625 adds Sections 4752 and 4766 to the Civil Code and adds Chapter 4.2.2 (commencing with Section 65914.200) to Division 1 of Title 7 of the Government Code, relating to housing.]

SB 547. Insurance

[*Status: Approved by Governor and Chaptered by the Secretary of State 10/10/2025*]

This bill expands California's wildfire-related insurance cancellation moratorium to protect not only individual homeowners but also commercial-property policies with limits of $10,000,000 or more when those policies insure communities such as Homeowners Associations (HOA's), condominium associations, and multifamily housing. Prior to this, the moratorium applied only to personal residential policies. SB 547 adds these higher-value commercial policies to the list of policies that cannot be canceled or nonrenewed for one year after a declared wildfire emergency if the property is in or near fire-affected areas.

Many HOA's rely on large-limit commercial master policies for buildings, common areas, and liability coverage, and were previously unprotected from wildfire-driven cancellations. The law still allows cancellation in cases of willful misconduct, unrelated severe losses, or major changes in insurability, but provides stability for community associations facing post-wildfire insurance volatility.

[SB 547 adds to Section 675.55 to the Insurance Code, relating to insurance.]

SB 770. EV Charging Stations

[*Status: Approved by Governor and Chaptered by the Secretary of State 10/10/2025*]

This bill changes California law for common-interest developments by eliminating the requirement that a homeowner installing an electric-vehicle charging station must carry a liability insurance policy naming the homeowner association as an additional insured. While the bill supports broader EV adoption, the change increases liability exposure for associations if a charger causes property damage and the homeowner's insurance is

inadequate or lapses, since the association is no longer automatically protected under the owner's policy. The bill prioritizes accessibility to EV infrastructure in multi-unit communities but shifts some liability considerations back to associations.

[SB 547 amends Section 4745 of the Civil Code, relating to common interest developments.]

REVIEW – ELECTRONIC VOTING EFFECTIVE JANUARY 1, 2024

Although AB 2159 took effect on January 1, 2024, it remains important for California homeowner associations (HOA's) to fully understand the significant changes it brings to HOA election procedures. The rollout and implementation of its provisions have been noticeably slow. Many associations are still working to update their election rules, educate members, and put the required systems and safeguards in place. Some HOA's may still be considering the adoption of electronic voting, making it even more critical to revisit the law's requirements and ensure a smooth transition to the new election framework.

AB 2159. Adoption of Electronic Voting.
[*Status: Approved by Governor and Chaptered by the Secretary of State on 9/22/24.*]

California homeowner associations (HOA's) may, but are not required to, use electronic voting for most secret-ballot elections, including director elections, recalls, and votes on governing documents. However, electronic voting cannot be used for regular or special assessment votes, which must continue to use traditional paper secret ballots.

The new law imposes several technical requirements to strengthen the security and integrity of electronic voting systems, including verifying member identity and authentication. To adopt electronic voting, an association must: (1) Adopt updated election rules; (2) Maintain records of each member's voting preference; and (3) Ensure all members are informed of their choice between electronic and paper ballots.
HOA's may implement electronic voting under one of two models: (1) Opt-out model: electronic voting is the default, but members may opt out and request a paper ballot; or (2) Opt-in model: paper ballots remain the default, and members may opt-in to electronic voting.

Each model carries its own procedural responsibilities. With electronic voting, associations will now need to: (1) Manage a dual voting system; (2) Ensure transparency and compliance with notice requirements; (3) Provide members with detailed instructions on how to vote electronically and how to change their voting preference; and (4) Deliver this information at least 30 days before the opt-out deadline. A key difference from traditional paper voting is that floor nominations will no longer be permitted when electronic voting is used. All candidate nominations must be submitted in advance. To protect ballot integrity, no person, including association members or management company employees, may open or review any electronic ballot tally sheet before the

designated time and place for counting ballots. Finally, timing requirements remain critical. Election rules may not be amended within 90 days of an election, and proposed changes must be provided to owners at least 28 days before board adoption.

[*AB 2159 amended Sections 5105, 5110, 5115, 5120, 5125, 5200, and 5260 of the Civil Code, relating to common interest developments.*]

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LHC Newsletter Vol. 17, No. 2

2025 Year-End Review of California Legislation and Cases which affect Homeowners' Associations and Common Interest Developments

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PUBLISHED CASES:

11640 Woodbridge Condominium Homeowners Association v. Farmers Insurance Exchange (3/28/2025) 110 Cal.App.5th 211

***Significance*:** Clarifies how California interprets all-risk, or open-peril, coverage for condominium associations. This analysis is especially relevant for associations starting large-scale repair projects and may influence how associations and insurers negotiate insurance coverage terms. The decision also reveals potential exposure for insurers under bad-faith and punitive-damage theories.

***Facts*:** 11640 Woodbridge Condominium Homeowners Association (Association) incurred more than $3.5 million dollars of water damage during a reroofing project when a pair of rainstorms penetrated a partially constructed roof and caused extensive interior damage. Farmers Insurance Exchange (Farmers) denied coverage arguing that: (1) the temporary tarp was not a "roof"; and (2) the roofer did not meet the standard of care during the roofing process. In addition, Farmers noted that the policy contained exclusions for: (1) Water Damage; and (2) Faulty Workmanship and applied those exclusions as a part of its denial.

***Disposition*:** The Appellate Court held that insurance coverage can remain intact during repairs, even when structural components are dismantled. It relied on the policy's definition of "covered property," which expressly included "repairs and alterations." Although Farmers attempted to deny coverage under broad exclusions in an "all-risk" policy, specifically the "water damage" and "faulty workmanship" exclusions, the Appellate Court emphasized that such exclusions must be interpreted narrowly to protect the reasonable expectations of policyholders. Farmer's had argued that the loss was caused entirely by the contractor's negligence, but the Appellate Court found that it had not shown the damage would have been avoided if the contractor adhered to industry standards.

Farmer's questionable interpretation of its own policy not only failed to defeat coverage but also exposed it to potential bad-faith and punitive damages. The decision reinforces that insurers must treat their insureds' interests with equal consideration and conduct thorough good-faith investigations of all claims. Ultimately, the Appellate Court reversed the trial court's granting of summary judgment in favor of Farmers and awarded the Association its appellate costs.

Ridley v. Rancho Palma Grande Homeowners Association, (August 28, 2025) 114 Cal.App.5th 788

Significance: The business judgment rule and the rule of judicial deference to condominium associations do not apply when an association abandons its duties by failing to conduct a reasonable investigation and acting in bad faith regarding the maintenance and repair of common areas.

Facts: Around April 2018, the crawlspace beneath the condominium owned by Doug Ridley and Sherry Shen (Homeowners) unit flooded. Because the crawlspace was a common area under the control of the Rancho Palma Grade Homeowners Association (HOA), the responsibility for investigating and remedying the water intrusion rested with the HOA, not the Homeowners. Early in its investigation, a plumber hired by the HOA learned from the City of Santa Clara (City) that the water was likely coming from an abandoned but undestroyed well. Three drilling contractors subsequently engaged by the HOA echoed that same conclusion.

Despite this consistent input, the HOA rejected the well theory and decided that no well existed. Instead, it adopted the position that the flooding was caused by a high groundwater table. The HOA maintained this position even as additional evidence undermined it, including: (1) another flooding event in March 2019; (2) the lack of water in trenches dug near the unit by one of the contractors; and (3) the discovery of a sinkhole in September 2019.

Exacerbating the problem, the HOA attempted to influence the opinions of hydrologists it consulted by withholding information about the potential well, and it misrepresented the expert opinions it had received from the City, the Water District, its membership, and the courts. As a result, the HOA took more than 19 months to remove the water and begin meaningful repairs. During this delay, the Homeowners' unit suffered significant damage.

Disposition: The Appellate Court affirmed that the trial court had ample grounds to conclude that the HOA violated its subsidiary duties to maintain and repair the common areas. Specifically, the HOA (1) failed to conduct a reasonable investigation into the source of the problems and (2) failed to remediate the Homeowners' unit within a reasonable time.

The HOA acted in bad faith by refusing to search for the well and by declining to remediate the Homeowners' unit. The trial court correctly declined to apply both the business judgment rule and the rule of judicial deference ordinarily afforded to condominium associations on matters of maintenance and repair because of this bad-faith conduct.

In addition, the HOA could not rely on the exculpatory clause in its CC&Rs. The clause was inapplicable because the HOA's conduct amounted to gross negligence, with ample evidence of an extreme departure from the ordinary standard of care. The Appellate Court affirmed the trial court's injunction and stated the respondents could recover costs on appeal.

Casa Mira Homeowners Association v. California Coastal Commission, (12/12/24) 107 Cal.App.5th 370

Significance: The California Coastal Commission (Commission) interprets "existing structures" to mean those structures that were in place before the California Coastal Act of 1976 took effect on January 1, 1977. Under this interpretation, structures built before that effective date can be protected through construction that alters the natural shoreline, such as seawalls, when necessary "to serve coastal-dependent uses or to protect existing structures...in danger from erosion." In contrast, structures erected after January 1, 1977 do not qualify as "existing structures" under the Act and are not eligible for shoreline-altering development.

Facts: In 2018, the Casa Mira Homeowners Association sought a coastal development permit to construct a 257-foot seawall to protect three assets: (1) a condominium complex and sewer line constructed in 1982; (2) an apartment building dating to 1972; and (3) a portion of the Coastal Trail. The California Coastal Commission approved only a 50-foot seawall to protect the 1972 apartment building, concluding the condominium complex and sewer line were not entitled to shoreline-altering protection and that the Coastal Trail could be relocated inland. On appeal, the court confronted the central question: must an "existing structure" exist at the time the Coastal Act was enacted, or at the time the statute is applied? Although the court recognized that the statutory text alone did not definitively resolve this issue, it examined the Coastal Act as a whole and held that "existing structure" refers exclusively to structures standing before the Coastal Act's January 1, 1977 effective date.

Disposition: The Appellate Court reversed the lower court's interpretation of "existing structures," replacing it with its own determination. The term refers only to structures predating the Coastal Act's January 1, 1977 effective date.

Further, the Commission lacked substantial evidence to support its finding that shoreline armoring was unnecessary to protect the existing Coastal Trail. The Coastal Trail constitutes a coastal-dependent use entitled to protection, emphasizing that no viable inland relocation alternative existed that would preserve the trail's essential aesthetic and recreational value along the ocean and beach.

Majestic Asset Management, LLC v. The Colony at California Oaks Homeowners Association, (12/16/24) 107 Cal.App.5th 413

Significance: If a performance deed of trust is subject to foreclosure, the court will typically determine the value under standard contract principles, not tort principles. Further, if the deed of trust requires future acts or ongoing performance, those obligations may survive foreclosure and continue to bind the parties.

Facts: Majestic Asset Management, LLC (Majestic) purchased a golf course connected to a gated community in Murrieta, California. When Majestic purchased the golf course, it assumed an obligation to maintain the golf course in good condition under a performance deed of trust (PDOT) in favor of The Colony at California Oaks Homeowners Association (HOA) community. Majestic failed to keep up with its obligations leading to browning grass, dying trees and a dried up lake. Majestic and the HOA engaged in two rounds of litigation that ended in a court-ordered foreclosure sale based on Majestic's failure to perform its duties under the PDOT. The trial court valued the PDOT at $2,748,434.37, and held that the maintenance obligations would survive the foreclosure.

Majestic argued on appeal that the trial court erred by valuing the PDOT using the "cost of repair" measure, a remedy from tort law, even though the foreclosure was based on a breach of contractual obligations under the PDOT. The Appellate Court agreed that the trial court had applied the wrong legal framework; however, it had reached the correct outcome because "the value for purposes of the foreclosure sale is limited to the value of the performance obligations to which the Association had a right under the PDOT and which appellants failed to perform."

Applying the proper contract measure to the PDOT still produced an amount of $2,503,500. This figure is lower than the amount awarded at trial due to an additional deduction representing 36 months of management fees.

Disposition: The Appellate Court largely affirmed the trial court's ruling but did so on contract principles rather than tort law. It reduced the judgment by $244,934.37, the present-value discount for 36 months of management fees, resulting in a total award of $2,503,500. The Appellate Court affirmed that the trial court had the authority to issue

additional equitable orders to ensure the PDOT's maintenance obligations continued after foreclosure. This prevented Majestic from exploiting its own nonperformance by paying only for partial completion under the PDOT and then using foreclosure to escape the remaining contractual duties.

Eng v. Opperman (12/19/2025) 2025 WL 3704973

***Significance*:** The Business Judgment Rule (BJR) applies not only to HOA maintenance and repair decisions, but to all corporate decisions made by the HOA board.

***Facts*:** This matter involved the Portola Valley Ranch Association, a planned residential community in Portola Valley. The Oppermans wanted to build an accessory dwelling unit (ADU) on their property. They submitted a preliminary plan to the Design Review Committee ("DRC"); however, the DRC stated that it did not have any guidance on how to review an ADU application. The DRC "formally referred" all ADU applications to the Board for review and action.

Before the Board ruled on the ADU application, the Oppermans' neighbors, the Engs, filed a complaint to quiet title against the Oppermans. The Engs alleged they held a non-exclusive easement for egress over the shared driveway and that the proposed ADU would interfere with that easement. Subsequently, the HOA Board denied the Oppermans' ADU application, citing concerns about fire safety and traffic safety.

The Oppermans filed a cross-complaint against the HOA in response, arguing that the HOA had wrongly denied their ADU application. They claimed the HOA violated its governing documents and breached its fiduciary duties to them. The HOA asked the court to rule in its favor without a trial by filing a motion for summary judgment. The court granted the motion and dismissed the Oppermans' claims. The Oppermans appealed that decision.

Disposition: The Court of Appeal affirmed the trial court's grant of summary judgment in favor of the homeowners association. The Business Judgment Rule (BJR) applies not only to HOA maintenance and repair decisions, but to all corporate decisions made by the HOA board.

The Appeals Court relied on *Lamden v. La Jolla Shores Clubdominium Homeowners Assn.* It concluded that HOA board decisions are presumed to have been made in good faith and in the best interests of the association, based on sound business judgment. That presumption may be rebutted only by evidence showing that the board acted fraudulently, in bad faith, engaged in overreaching, or unreasonably failed to investigate material facts. HOA members cannot successfully sue their association merely because they disagree

with a decision made in good faith and within the board's authority. The court emphasized that BJR protection applies when decisions are made by the board as a body, within the scope of its authority, after reasonable inquiry, and for the benefit of the community.

UNPUBLISHED CASES

Lipton v. Fairbanks Ranch Association (1/21/2025) 2025 WL 258828

Significance: A homeowners association (HOA) has discretion in how it enforces the restrictions in its CC&Rs but cannot fail to enforce them. An HOA that fails to enforce its governing documents within a reasonable time is not entitled to judicial deference.

Facts: In 2017, the Lotsoffs discovered that the retaining wall surrounding their tennis court was failing and required repair. Completing the repair required removing a mature bamboo hedge that had provided the neighboring Liptons with a natural visual barrier from the tennis court and its lights. After the hedge was removed, the Liptons reported to the Fairbanks Ranch Association (Association) that the now unscreened court violated the community's CC&R's. Despite this complaint, the Association declined to require the Lotsoffs to restore comparable natural screening. Instead, it permitted the Lotsoffs to: (1) plant a different bamboo species that was slower-growing and did not reach the height of the original hedge; (2) install a thirty-minute timer on the tennis court lights; and (3) add tennis court screening. The Liptons objected, asserting that the Association's governing documents expressly require that "Tennis courts must be located so that they will not infringe upon view corridors. Courts should be naturally screened from adjacent homesites and wind screens should be kept to moderate heights."

Disposition: The Association failed to enforce its own CC&Rs by not requiring adequate natural screening between the Lotsoffs' tennis court and the Liptons' property within a reasonable time. Since the Association neglected to enforce its governing documents, the Association was not entitled to judicial deference for its decisions.

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