# 2026 California Real Estate Legislation at a Glance

BY POOJA S. NAIR

The 2026 California legislative session closed on Sept. 30, with Gov. Newsom signing a staggering 1,040 bills into law and vetoing 120. New bills impact the real estate industry on topics that include insurance, development, taxes, landlord requirements, and HOA management.

**Homeowners Insurance and Fire Recovery**

Responding to the Palisades and Eaton fires, the legislature passed a substantial package of laws related to insurance that are designed to provide protection for natural disaster victims.

SB 876, which goes into effect on Jan. 1, 2028, sets additional rules for fire and residential property insurance and doubles the penalties for unfair insurer practices tied to a declared emergency, to $10,000 per violation and $20,000 per willful violation. After a total loss, the insurer must pay the property owner the full cost of code upgrades for rebuilding at the original site, even if the owner rebuilds or buys elsewhere. After an emergency-related total loss, living-expense coverage runs at least 24 months and continues 15 days after the home becomes habitable. That coverage must pay all reasonable costs of maintaining a comparable standard of living, and insurers may let owners take the home's monthly fair rental value instead of submitting itemized expenses. Insurers must also offer extended replacement cost coverage and extended living-expense coverage of at least 50% above policy limits and must record any policyholder's decision to decline. For emergency claims, insurers must assign a primary point of contact within 30 days.

Notice of Nonrenewal. SB 1301, which also goes into effect in January 2028, requires insurers to give policyholders 90 days' notice of nonrenewal and state the reason. The notice must explain the grounds in detail and in plain language and include all non-aerial imagery the insurer relied on. On request, the insurer must provide any inspection reports it relied on within 15 days. If the insurer fails to give notice, the existing policy stays in effect for 90 days after the notice is delivered. If the problem can be fixed by the owner, the insurer must explain the needed repair or remediation at least 120 days before the policy expires, and the owner then has 90 days to complete it. Insurers also may not refuse to renew based solely on certain claims or on a policyholder's earlier inquiry.

Fire Victim Protections. AB 2038 requires insurers to renew home insurance policies for 36 months following the total loss to the primary insured structure. Additionally, insurers are prohibited from canceling or refusing to renew a policy located in a zip code within or adjacent to a fire perimeter for two years after the declaration of a state of emergency. This only applies if the reason for cancellation or nonrenewal is solely because the home is in a wildfire area.

Two companion bills focus on mortgage relief. AB 1842 creates a standing forbearance right of up to 12 months for borrowers whose homes become uninhabitable as a direct result of a declared disaster. AB 1847 expands existing mortgage relief for Los Angeles fire survivors for up to 24 months of forbearance. Eligible homeowners may apply until Jan. 7, 2029, and the mortgage servicer must offer the option to defer the forborne payments to the end of the loan term.

AB 1795, the Smoke Damage Recovery Act, provides that when wildfire smoke, ash, soot or char is present in a surviving home within the wildfire impact zone, there is a presumption that the damage came from that fire. The insurer may rebut the presumption. Additionally, the insurer must pay for the sampling and testing needed to restore the home and clear it for occupancy. The insurer must also pay for living expenses until the home is cleared for occupancy.

**ADUs**

AB 956 requires cities to approve two detached new construction ADUs on a single-family lot, up from one. Under SB 1117, ADUs of 750 square feet will not be subject to impact fees. Impact fees on a larger unit now apply only to the living space above 750 square feet.

**Residential Landlords**

Pet Policies. Starting April 1, 2027, SB 1296 requires that every landlord to have a written pet policy or pet addendum, including a policy that bars pets altogether or has no pet restrictions at all. The landlord must link the policy on the property website and in digital advertisements and must provide a copy with every rental application. The policy must describe in plain language the rights and responsibilities of tenants who own pets. If a landlord collects an application fee without first disclosing the policy, and the applicant declines to proceed because of the pet policy, the landlord must refund the fee on request.

Altered listing photos. Under AB 2025, a rental advertisement that uses a digitally altered image, such as virtual staging, must include a conspicuous statement that the image was altered. It must also include a link, URL or QR code to a website showing the original photograph. This law does not apply to renderings that are not derived from original photographs.

**Commercial Property**

Pop-up small business program. AB 1679 requires every city and county, to offer a temporary authorization that lets a pop-up small business occupy an eligible vacant commercial space for up to 120 days without full compliance with permanent occupancy standards. Health and safety standards for temporary uses still apply, and local fees are limited to the cost of running the program. This is designed to increase pop-up retail with the goal of utilizing vacant commercial space and promoting entrepreneurship.

Faster permits. AB 1693 lets a retail tenant hire a licensed architect or engineer, at the



tenant's own expense, to certify that tenant improvement plans comply with code. The building department must then approve or deny the permit within 20 business days and act on any resubmission within 10 business days. Additionally, AB 2418 shortens the "excessive delay" threshold for other nonresidential permits from 50 days to 30 business days. If a review by a city or building department takes more than 30 business days, the applicant may demand a private plan check. If no qualified provider is available, the applicant may retain one directly, and the city must act on the provider's report within 10 business days. These rules remain in place until Jan. 1, 2032.

**HOAs**

**Reserve funding.** Starting Jan. 1, 2032, AB 2050 requires HOAs to update their reserve studies every year. Each study must identify a minimum annual contribution that keeps reserves above zero for 30 years, and the HOA must fund at that level. If the projection turns negative, the HOA must transfer at least 15% of its gross annual budget into reserves each year until the projection recovers. When the budget alone falls short, the HOA must levy a reserve funding special assessment, though no more than once every nine years. Owners in older, underfunded buildings should expect higher dues. This bill was intended to ensure that HOAs remain financially viable, especially as buildings age and repair costs rise.

**Replacement windows.** SB 908 requires HOAs to allow homeowners to install Energy Code-compliant replacement windows. Reasonable installation rules survive if they raise the cost or reduce energy efficiency by no more than 10%. Aesthetic rules survive only in multifamily buildings of more than 20 units, excluding townhomes. If the board does not review an application for 45 days, it is deemed to be approved. There is an exemption for historic buildings.

**Air conditioning.** AB 1684 lets owners install code-compliant air conditioners, swamp coolers, fans and heat pumps even if they are prevented by HOA rules. The HOA may not charge a fee, require a particular product or contractor, or require removal of an existing system. An HOA that willfully violates the law is liable for actual damages, a civil penalty of up to $2,000 and the owner's attorney's fees.

**Heat pumps and electrification.** SB 222 voids HOA and deed restrictions on heat pump water heaters, heat pump HVAC systems and gas-to-electric appliance conversions. City permit fees are capped at $150 for heat pump water heaters and $200 for heat pump HVAC systems, with an exception for the smallest cities and counties.

**Vetoed Bills**

Gov. Newsom vetoed SB 1238, which would have extended a duty of care from HOA management companies to individual owners, barred boards from spending reserve funds on lawsuits against owners, and required sellers to disclose exterior elevated elements, such as balconies, that need near-term repair.

The Governor also vetoed AB 2439, which would have required associations to notify each owner individually when the payee for assessments changes.

He also vetoed AB 1997, which would have required cities to approve or deny housing projects within 30 days, so local review timelines stay as they are. ●



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