



SB 150 and Rental Restrictions What Does It Really Mean for Associations?

by Sandra M. Bonato, Esq. and Melissa Bauman Ward, Esq.

Governor Brown signed a new law this summer -- SB 150 -- about rental restrictions. There are four things that directors and managers need to know about it.

It doesn't affect rental restrictions in place before January 1, 2012

Associations have a short window of time to adopt or amend rental restrictions before the end of the year, if they don't want the new law to apply.

For future rental restrictions, it will "grandfather in" all current owners at the time and for longer periods, but will provide good clarity.

New escrow disclosures about rental limitations start January 1, 2012 for all associations.

Does It Apply?

The new law is "prospective." This means it contains a provision that says it only applies to rental restrictions adopted on or after January 1st. Pre-2012 rental restrictions are not affected by it. Rental restrictions adopted on or after January 1st will be governed by its terms. Amendments to pre-2012 rental restrictions will have the amended portions be subject to the new law.

What is the Window of Opportunity?

Associations who are interested in adopting or amending rental restrictions and who don't want the terms to be subject to the new law should get started immediately. Over the remaining months of this year, many steps have to be completed. This starts with calling counsel to discuss the specific terms of an amendment, as options can vary.

What About Future Rental Restrictions?

If a rental restriction isn't wanted before the end of the year, the new law will provide clarity as to how future rental restrictions would apply to owners. All owners at the time of adopting the rental restriction would be "grandfathered," a term that means all owners at that time get to rent anytime they want to, until they transfer title to their property.

The new law will define types of transfers. Some will allow the new owner to keep the "grandfathered" status (for example, when an owner transfers title into his or her own living trust, or gives title to a son or daughter, or the property is inherited). For other transfers (routine sales of property, for example), the new owner will *not* be "grandfathered" and will or won't be able to rent, depending on how many other properties are rented in the community at the time. Those that can't rent then will go on a waiting list.

We'll be writing a more complete article on the subject of "transfers" as the new year approaches. There are lots

of details.

What About Disclosures?

Disclosures in escrows will need to include clear information about limitations on renting in each specific community, beginning January 1, 2012. This will include both whether the association has a restriction on rentals and what the rental limitations are.

If we can help explain the new law or discuss with you how it impacts your community and whether a rental restriction now is a good idea, please contact us at www.berding-weil.net or call us at 800 838-2090.

3240 Stone Valley Road West | Alamo, CA | 94507-1558 | P: 925.838.2090 | F: 925.820.5592

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