



California Condominium Incentive & Reform Package: Legislative Ideas for California

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This Council of Infill Builders working paper contains potential legislative ideas to encourage new condominium development in California, reduce financing and liability barriers for condo developers, and provide long-term stability for homeowners associations (HOAs), while ensuring consumer protections for buyers.

1. Pre-Sale Agreement Deposit Reform

Proposal: Authorize qualified (bondable) developers to utilize buyer deposits—up to 10–30% of the sales price—as part of project financing, subject to safeguards.

Rationale: Current law requires deposits to remain fully refundable, placing disproportionate financial risk on developers and increasing borrowing costs. Allowing controlled use of deposits will lower financing costs and help projects pencil out, ultimately making units more affordable.

2. Establish a Condominium Warranty Program

Proposal: Mandate a structured warranty system under which developers and contractors provide HOAs with time-bound warranties covering:

- Workmanship and materials: 1–2 years
- Plumbing, mechanical, and electrical systems: 2–5 years
- Major structural defects: 10 years (consistent with current statute of repose)

Rationale: This program would mirror models in other states (e.g., New Jersey), providing clarity for homeowners while reducing reliance on litigation. By replacing uncertainty with structured remedies, this reform lowers insurance premiums and makes condo development more financially viable.

3. Mandatory Mediation for New Construction Disputes

Proposal: Require mediation as the first step in resolving construction disputes for condominium buildings under 85 feet in height.

Rationale: Mediation fosters early resolution, prevents escalation, and reduces costly adversarial litigation—while ensuring homeowner concerns are addressed in a timely manner.

4. Streamlined Condo Litigation Reform

Proposal: For disputes not resolved under the warranty program, streamline litigation by:

- Establishing clear procedural timelines
- Limiting excessive discovery burdens
- Reducing incentives for attorneys to file broad contingent litigation

Rationale: Current litigation practices can create a “lottery effect” that encourages unnecessary lawsuits, raising costs for developers and homeowners alike. A streamlined process ensures fairness and efficiency.

5. Attorney Incentive Reform

Proposal: Attorney incentive reform could include:

- Limit attorney contingency fees in condo construction cases
- Require HOA boards to obtain majority member approval before initiating litigation
- Mandate full disclosure to HOA members regarding risks, costs, and alternatives before filing lawsuits

Rationale: These reforms protect homeowners from litigation-driven costs, while ensuring lawsuits proceed only when supported by the majority of members directly affected.

6. HOA Financial Responsibility & Maintenance Standards

Proposal: New standards could include:

- Maintain robust financial reserves proportional to building age and complexity.
- Implement and enforce regular building maintenance schedules.
- Report annually on financial health and maintenance practices to members.

Rationale: Well-funded, well-managed HOAs prevent small issues from escalating into costly structural defects or litigation. This requirement promotes long-term building health and homeowner confidence.

Expected Outcomes

The legislative ideas listed above could potentially achieve the following outcomes:

- Reduced financing barriers for developers
- Lower construction liability insurance premiums
- Expanded condominium production across California
- Improved affordability and homeownership opportunities for middle-income families
- Stronger protections and transparency for buyers and HOA members

For more information, contact: staff@councilofinfillbuilders.org