



Courtside Real Estate

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CALIFORNIA ASSOCIATION OF REALTORS® WINTER BUSINESS MEETINGS UPDATE

REALTORS® from all over California descended upon Indian Wells for the California Association of REALTORS® ("C.A.R.") Winter Business Meetings. Our office attended various meetings and compiled notes from the sessions, forums, and committee meetings that were held. This article will summarize some of those meetings and underscore some of the highlights to provide key updates regarding various hot-button issues in the real estate industry in 2025.

Note: This article provides a "bird's-eye" view of the changes from ten-thousand feet and is intended only to provide a big-picture perspective of some of the most important changes that are occurring. To that end, let's discuss some of the highlights, and, as always, thank you for reading.

Property Management Forum

While 2024 was the year of the "Settlement" following the resolution of the Sitzer/Burnett litigation, in 2025 (for the first half of the year at least) some significant changes happening in real estate law are taking place in the landlord-tenant space. Both from a substance and volume perspective, there is a lot going on in landlord-tenant that directly affects property managers and landlords.

AB 2493

Here, the Legislature is adding an extra layer of compliance for landlords when it comes to screening fees for potential tenants. First, the law was amended requiring landlords to give applicants a copy of their consumer credit report within 7 days of the landlord receiving the report during the application process. Second, landlords have two options for charging a screening fee.

Option 1: To charge a screening fee, landlords will have to process applications on a first come, first qualified, first served basis, and provide the applicants with any rental criteria in writing along with the application. Further, when considering the applications in the order they were received under Option 1, the landlord must accept the first application that meets the established criteria that was provided to applicants in writing, and no applicants can be charged the screening fees unless their applications were actually considered.

Option 2: Under this option, landlords can accept applications and charge screening fees for them, so long as the entire screening fee is returned to applicants who were not selected for the tenancy "regardless of the reason" for not being selected.

AB 2493 is codified in the Civil Code, Section 1950.6.

AB 2801

This places new obligations on landlords regarding the required documentation for charges against tenant security deposits. Under the new law, three sets of pictures will be required:

- First, starting on April 1, 2025, the landlord must take pictures of the relevant unit after possession is returned but before repairs or cleaning are conducted.
- Second, photos must also be taken after all the cleaning and repairs are completed concerning the unit. If the landlord deducts from the security deposit for such repairs, they must send an itemization of the deductions along with the photos.
- Third, beginning on July 1, 2025, the landlord must take photos of the property immediately before or at the inception of a new tenancy to prove the condition of the property at the time the tenant takes occupancy.

AB 2747

Under AB 2747, starting April 1, 2025, landlords must provide an offer of positive rent reporting to tenants along with the lease at signing. Additionally, also effective April 1, 2025, landlords must also offer positive credit reporting to existing tenants. AB 2747 carves out one exception for landlords with 15 or fewer units unless both of the following apply: 1) the landlord owns more than one rental building; and 2) the owner is not a Real Estate Investment Trust ("REIT"), corporation, or LLC with a corporate member.

As noted at the outset, there is a lot going on in landlord-tenant law this year. For those interested, we recommend reviewing literature and researching AB 2347 (changing timing procedures in unlawful detainer actions), SB 1051 (requiring landlords to cover the cost of changing locks due to domestic violence), and AB 2898 (separating parking fees from rent due under the lease). More in depth discussion of these bills is foregone here given the scope of this article.

Legal Affairs Forum

AB 2992

AB 2992 became law as of January 1, 2025, and the new rules and regulations being issued by the DRE will be going through the process of approval through the

Office of Administrative Law through Spring 2025. The approval process for the new rules should be completed by July 1, 2025, and the new regulations should be in place soon thereafter. Real estate licensees should be aware that the DRE is likely to be on the lookout for patterns of conduct by licensees that violate the new law requiring written buyer-broker compensation agreements prior to making an offer on a property. While a single instance of a violation may not violate the law in eyes of the DRE, repeated instances of licensees not complying with the law will face much more scrutiny.

New Fair Housing Laws

As of 2025, between state law (the Unruh Civil Rights Act ("Unruh") and the Fair Employment and Housing Act ("FEHA")) and federal law, California has 25 different protected characteristics. Specific to California, under SB 1137 which was passed in 2024, it is now unlawful under Unruh and FEHA, to discriminate based on combinations of two or more characteristics, also known as "intersectionality." Within the 25 characteristics are "race traits," which are characteristics that are associated with race, including hair styles such as braids, locs, and hair texture.

Fallout From the Palisades and Eaton Fires

In light of the devastating Palisades and Eaton fires (and fires in Ventura County), the Governor's Office and the local governing bodies of Los Angeles and Ventura issued various Executive Orders and mandates to address the emergencies. These orders, among other things, prohibited price gouging, prohibited unsolicited offers below market value, and eased permitting requirements for those seeking to clean up and rebuild in certain situations.

Practically speaking, given that the situation is in a constant state of flux, if REALTORS® have questions regarding the various rules stemming from the orders, they can contact the C.A.R. Legal Hotline. Further, if REALTORS® have specific questions concerning the various orders, they should contact a licensed real

estate attorney who understands the various laws at play and regularly practices in the area.

Professional Standards Committee Meeting

National Association of REALTORS® (“NAR”) Amendments to the Code of Ethics

NAR has revised Article 4 of the Code of Ethics, specifically, Standards of Practice (“SOPs”) 4-1 and 4-2. The Professional Standards Committee noted the changes stem from the potential conflicts that arise when an agent has “personal, familial, professional, or legal relationships to any party[ies]” in a given transaction. NAR clarified this Article to identify these potential conflicts of interest and heightened the required information that must be disclosed in order to “protect buyers, sellers, lessors, and lessees alike.”

Additionally, the Professional Standards Committee also discussed NAR’s amendment of SOP 11-2. Specifically, the amendment underscored that many states do not use the term “fiduciary.” However, since California uses the term “fiduciary” this amendment does not impact the overall obligations of a REALTOR® practicing in this state.

Changes in the 2025 C.A.R. Code of Ethics and Arbitration Manual (the “Manual”)

There were several relatively minor changes made to the Manual. Section 6(a)(5) was changed to make documenting compliance an **explicit** requirement for any respondents who receive a “cease and refrain” order as a form of discipline. Under previous iterations of the Manual, documenting compliance was merely an implicit requirement.

Given that the composition of the length and term for members of an Association’s Grievance and Professional Standards Committee is sometimes specified in different places depending on the

Association, Sections 9 and 10(a) of the Manual were amended to include the Association’s policies and procedures manual in addition to its bylaws as a place where such rules may be found.

A procedural change was also revised for when a Complainant has withdrawn their Complaint and can be found in Sections 26(a) and (b). Instead of sending the Complaint back to the Grievance Committee to review whether a potential violation of public trust has occurred, the Professional Standards Administrator is now required to refer the Complaint **and** the Response to the Grievance Committee to perform their review.

Another procedural change that was revised can be found in Section 28(h) wherein a member of an Association’s Grievance Committee can now be allowed to attend a hearing as a silent observer for training purposes.

Finally, in Section 38(m) the requirement for the date of a review hearing to be scheduled has changed from 30 calendar days to 45 calendar days after the date the Association has received a Request for Review.

C.A.R. also amended the Disciplinary Complaint (Form D-1) to require the Complainant to indicate the date the transaction closed (if applicable).

Please note: there may be additional forms discussed, revised, and/or newly released based on the outcome of the C.A.R. Spring Business Meetings.

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