How the Davis Stirling Act Protects an Owner's Right to Rent in California

The Legislative Foundation

The Davis-Stirling Act's protections for rental rights are found primarily in two statutes — Civil Code §4740 and Civil Code §4741 — both of which were significantly strengthened by Assembly Bill 3182, signed into law in 2020 and effective January 1, 2021. Civil Code §4740 provides powerful grandfathering protections for existing owners, while Civil Code §4741 defines what modern HOAs can and cannot do when regulating rentals. Together, these statutes stop HOAs from imposing blanket rental bans, overly restrictive caps, improper ADU limits, and short-term rental definitions that conflict with California law.

Source: https://mbkchapman.com/california-hoa-rental-restrictions-fact-sheet/

Civil Code §4740 — The Grandfathering Shield

Civil Code §4740 is the grandfathering shield. This statute protects homeowners who acquired title before the HOA imposed a rental restriction. Any new rental restriction adopted after you purchased your home does not apply to you no matter what the governing document may now say. In other words, retroactive rental bans and retroactive rental caps are void as applied to existing owners.

Source: https://mbkchapman.com/california-hoa-rental-restrictions-fact-sheet/

The protection of §4740 was confirmed and broadened by the courts. In *Brown v. Montage at Mission Hills, Inc.* (2021), the 4th District Court of Appeals held that the goal of §4740 is to exempt Common Interest Development (like Laurel Bay) unit owners from any kind of rental prohibition or restriction that did not exist when the owner acquired title to the unit. This ruling confirmed that the statute protects owners from restrictions on specific *categories* of rentals — not only outright bans — making §4740's protections exceptionally broad.

Civil Code §4741 — The Modern Rulebook

Civil Code §4741 is the "what's legal today" rulebook for rental restrictions. Civil Code §4741 governs modern rental caps, ADU rules, minimum lease terms, and the penalties that apply when an HOA violates your rental rights. HOAs cannot impose a ban on "all rentals." Any provision in the governing documents that prohibits, has the effect of prohibiting, or unreasonably restricts rentals is void under Civil Code §4741.

Source: https://mbkchapman.com/california-hoa-rental-restrictions-fact-sheet/

The statute establishes several specific protections:

The 25% Floor. Pursuant to Civil Code §4741(a), an owner of a separate interest in a common interest development shall not be subject to a provision in a governing document or an amendment to a governing document that prohibits, has the effect of prohibiting, or unreasonably restricts the rental or leasing of any of the separate interests, accessory dwelling units, or junior accessory dwelling units in that common interest development to a renter, lessee, or tenant. While HOA rules may require the composition of the entire condominium to be at least 75% owner-occupied, the law voids any HOA rules that limit rentals to below 25% of the total units.

Short-Term Rental Minimum. As for the required duration of a lease, an association may only limit short-term rentals by imposing a minimum lease term of 30 days or less. HOAs may prohibit rentals of 30 days or fewer, but may not impose minimum lease terms longer than 30 days.

Source: https://roseman.law/california-enacts-ab-3182/

Penalties for HOA Violations

The Legislature gave these protections real teeth. For an HOA that willfully violates the law, the HOA is liable to the applicant or other party for actual damages, and must pay a civil penalty in an amount not to exceed one thousand dollars ($1,000). This penalty is per violation, meaning repeated or systematic enforcement of unlawful rental restrictions can generate substantial liability for a non-compliant association.

Source: https://schorr-law.com/hoa-rental-restrictions-davis-stirling-act/

The Practical Effect for Laurel Bay

For a 150-unit community even if it's nearing 50% rentals, the combined effect of §§4740 and 4741 is significant. Every owner who purchased their unit before any rental cap was adopted is grandfathered and cannot be compelled to stop renting under any newly adopted restriction. The lowest permissible cap is 25% — 38 units — and even that floor cannot be applied to owners who already hold rental rights under §4740. Any association that attempts to enforce restrictions below these statutory minimums, or against grandfathered owners, faces actual damages plus a $1,000 civil penalty per willful violation. These are not aspirational protections — they are enforceable rights with statutory remedies available through IDR, ADR, and civil action under Civil Code §5975, including recovery of attorney's fees by a prevailing homeowner