June 22, 2026

Board of Directors
Laurel Bay Homeowners Association

Re: Strong Opposition to the Proposed Rental Cap / Rental Restriction Amendment

Dear Members of the Board,

I am writing as an owner in good standing at Laurel Bay to register my strong opposition to the proposed rental cap currently under consideration. I understand the Board's intention is to protect community character and property values, and I share that goal completely. But after reviewing the relevant California law, the available research on HOA rental restrictions, and the practical realities of our building, I believe this specific proposal would do the opposite of what it intends — while exposing the Association to real legal and financial risk. I am asking the Board to table the proposal and consider the points below before bringing it to a vote.

1. A strict rental cap is very likely unenforceable under California law, and enforcing it would expose the Association to liability.

Since January 1, 2021, California Civil Code Section 4741 (added by Assembly Bill 3182) has prohibited any HOA governing document from restricting rentals to less than 25% of the units in the community, and voids any provision that "prohibits, has the effect of prohibiting, or unreasonably restricts" rentals. Boards that adopt or enforce a tighter cap face civil penalties of up to $1,000 per violation, plus liability for the owner's actual damages — including lost rental income. A handful of related provisions compound the risk:

- Civil Code 4740 grandfathers in every owner who purchased before any new restriction takes effect, meaning a cap could only ever apply to future buyers — splitting our small community into two permanent classes of owners with different rights.
- Civil Code 4739 (AB 1410) separately protects an owner's right to rent out even a portion of their unit while they continue to occupy it.
- Owner-occupied units do not even count toward whatever cap is adopted, which in a building our size makes a restrictive cap administratively confusing and easy to violate inadvertently.

In short, the strictest cap our governing documents could lawfully adopt is 25%, and even that carries real interpretive risk given how aggressively the Legislature has moved to limit these restrictions since 2020. I would ask that before any vote, the Board obtain a written opinion from the Association's CC&R counsel confirming the proposal's compliance with Sections 4739, 4740, and 4741, and disclose that opinion to the membership.

2. The research does not support the assumption that rental caps protect property values — in many cases, the opposite is true.

A 2025 Journal of Housing Research study of South Florida HOAs found that restricting medium- and long-term leasing signals overly restrictive, overreaching governance to the market — which deters prospective buyers and depresses home prices, even though the same study found shorter-term restrictions can behave differently. Separately, a Florida Atlantic University real estate economist concluded that boards which relax rather than tighten rental restrictions tend to see property values rise, because a larger pool of eligible buyers (including investors and move-up buyers who want optionality) increases demand and competition for units. A narrower buyer pool is rarely good for resale values in a building like ours.

This matters especially for Laurel Bay's location. Bankers Hill is one of San Diego's most walkable, transit-accessible urban neighborhoods, minutes from Balboa Park, Hillcrest, and downtown, with a deep and durable base of renter demand from Scripps Mercy and UC San Diego Medical Center staff, graduate students, and professionals relocating to the urban core. That rental demand is part of what makes units here attractive to a wide range of buyers, including the cash and investor buyers who provide crucial liquidity when it's time for any of us to sell. Restricting that pool doesn't preserve value — it narrows our market.

3. A cap creates real hardship for ordinary owners, not just "investors."

Rental caps are often discussed as though they only affect outside investors, but in practice they fall hardest on owner-occupants who need flexibility: someone relocated for work or military orders, an owner caring for an aging parent out of state, a person who inherits a unit, or anyone who needs to rent for a period rather than sell at a loss into a soft market. A cap with a fixed number of "slots" effectively turns one owner's hardship into a waiting list, often decided by who calls the management company first — which is neither fair nor well-suited to a board's limited administrative capacity. It can also force owners toward a distressed sale they would not otherwise need to make, which is the opposite of protecting value.

4. If the underlying concern is wear-and-tear, noise, parking, or transient turnover, there are more targeted and legally durable tools.

I'd welcome working with the Board on alternatives that address the actual concerns driving this proposal without the legal exposure or the blunt-instrument effect of a cap:

- A minimum lease term to eliminate transient/short-term turnover without touching long-term renters.
- Mandatory lease registration and a tenant acknowledgment of community rules, so the Association has the same enforcement leverage over tenants that it has over owners.
- Reasonable move-in/move-out fees or deposits to offset wear on common areas, applied evenhandedly to all owners.
- Clear, consistently enforced rules on noise, parking, and guests that apply to every resident — owner or tenant — rather than restricting who is allowed to live here at all.

I recognize the Board is trying to act in the community's best interest, and I appreciate the time and care that goes into these decisions. But adopting a rental cap that conflicts with state law, runs against the available property-value research, and creates inequity among owners is a significant risk for a comparatively small and uncertain benefit. I'd respectfully ask that this item be tabled pending a written compliance opinion from counsel, and that the Board consider the more targeted alternatives above as a substitute. I would also appreciate having this letter entered into the record for the next board meeting, and I'm glad to discuss any of this further at the meeting or in writing.

Thank you for your time and consideration.