Assembly Bill No. 2801

Passed the Assembly August 28, 2024

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Chief Clerk of the Assembly

Passed the Senate August 27, 2024

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Secretary of the Senate

This bill was received by the Governor this _____ day of _____, 2024, at _____ o'clock ___M.

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Private Secretary of the Governor

CHAPTER _____

An act to amend Section 1950.5 of the Civil Code, relating to tenancy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2801, Friedman. Tenancy: security deposits.

Existing law regulates the terms and conditions of residential tenancies, including limitations on the demanding or receiving of security, as defined, from a tenant and charging amounts against the tenant or the security. Existing law limits the landlord's claim of the security to only those amounts as are reasonably necessary for specified purposes, including, but not limited to, the repair of damages to the premises, exclusive of ordinary wear and tear, caused by the tenant or by a guest or licensee of the tenant, and the cleaning of the premises upon the termination of the tenancy necessary to return the unit to the same level of cleanliness it was in at the inception of the tenancy.

Existing law prohibits a landlord from asserting a claim against the tenant or the security for damages to the premises or any defective conditions that preexisted the tenancy, for ordinary wear and tear or the effects thereof, or for the cumulative effects of ordinary wear and tear occurring during any one or more tenancies.

This bill would limit claims against the tenant or the security for materials or supplies and for work performed by a contractor, the landlord, or the landlord's employee to the amount necessary to restore the premises back to the condition it was in at the inception of the tenancy, exclusive of ordinary wear and tear. The bill would also prohibit a landlord from requiring a tenant to pay for, or asserting a claim against the tenant or the security for, professional carpet cleaning or other professional cleaning services, unless reasonably necessary to return the premises to the condition that it was in at the inception of the tenancy, exclusive of ordinary wear and tear.

Existing law requires the landlord to notify, within a reasonable time after notification of either party's intention to terminate the tenancy or before the end of the lease term, the tenant in writing of the tenant's option to request an initial inspection and of the

tenant's right to be present at the inspection. Existing law sets forth procedures for requesting the inspection and requires the landlord to give the tenant an itemized statement specifying repairs or cleanings that are proposed to be the basis of any deductions from the security, as specified. Existing law provides that the initial inspection and related requirements do not prevent a landlord from using the security for specified purposes that occur between completion of the initial inspection and termination of the tenancy or that were not identified during the initial inspection due to the presence of a tenant's possessions.

This bill would instead provide that the initial inspection and related requirements do not prevent a landlord from using the security for specified purposes that occur between completion of initial inspection and when possession of the unit is returned to the landlord or that were not identified during the initial inspection due to the tenant's possessions. The bill would also prohibit the landlord from using the security for deductions for repairs or cleanings that are not identified in the itemized statement, if an initial inspection is conducted and, at the time of inspection, the premises do not contain tenant possessions that prevent the landlord from identifying repairs or cleanings due to the presence of those possessions.

Existing law requires, no later than 21 calendar days after the tenant has vacated the premises, but not earlier than a specified time, the landlord to furnish the tenant an itemized statement indicating the basis for, and the amount of, any security received and the disposition of the security, and to return any remaining portion of the security to the tenant. Existing law requires the itemized statement to be accompanied by copies of documents showing charges incurred and deducted by the landlord to repair or clean the premises, including a copy of the bill, invoice, or receipt for materials or supplies deductions.

This bill would require, for tenancies that begin on or after July 1, 2025, a landlord to take photographs of the unit immediately before, or at the inception of, the tenancy. The bill would also require, beginning April 1, 2025, the landlord to take photographs of the unit within a reasonable time after possession of the unit is returned to the landlord, but prior to any repairs or cleanings for which the landlord will make deduction from or claim against the security deposit, as described, and within a reasonable time after

such repairs or cleanings are completed. The bill would additionally require the landlord to provide, as described, these photographs along with and at the same time the itemized statement is sent, along with a written explanation of the cost of the allowable repairs or cleanings. The bill would prohibit the landlord from making a claim against the tenant or the security if the landlord, in bad faith, fails to comply with these itemized statement requirements.

This bill would make other nonsubstantive changes.

This bill would incorporate additional changes to Section 1950.5 of the Civil Code proposed by SB 611 to be operative only if this bill and SB 611 are enacted and this bill is enacted last.

The people of the State of California do enact as follows:

SECTION 1. It is the intent of the Legislature, in enacting this measure, to ensure that landlords do not subsidize improvements to their rental properties with a former tenant's security deposit.

SEC. 2. Section 1950.5 of the Civil Code, as added by Section 2 of Chapter 733 of the Statutes of 2023, is amended to read:

1950.5. (a) This section applies to security for a rental agreement for residential property that is used as the dwelling of the tenant.

(b) As used in this section, "security" means any payment, fee, deposit, or charge, including, but not limited to, any payment, fee, deposit, or charge, except as provided in Section 1950.6, that is imposed at the beginning of the tenancy to be used to reimburse the landlord for costs associated with processing a new tenant or that is imposed as an advance payment of rent, used or to be used for any purpose, including, but not limited to, any of the following:

(1) The compensation of a landlord for a tenant's default in the payment of rent.

(2) The repair of damages to the premises, exclusive of ordinary wear and tear, caused by the tenant or by a guest or licensee of the tenant.

(3) The cleaning of the premises upon termination of the tenancy necessary to return the unit to the same level of cleanliness it was in at the inception of the tenancy. The amendments to this paragraph enacted by the act adding this sentence shall apply only to tenancies for which the tenant's right to occupy begins after January 1, 2003.

(4) To remedy future defaults by the tenant in any obligation under the rental agreement to restore, replace, or return personal property or appurtenances, exclusive of ordinary wear and tear, if the security deposit is authorized to be applied thereto by the rental agreement.

(c) (1) Except as provided in paragraph (2), (3), or (4), a landlord shall not demand or receive security, however denominated, in an amount or value in excess of an amount equal to one month's rent, in addition to any rent for the first month paid on or before initial occupancy.

(2) This subdivision does not prohibit an advance payment of not less than six months' rent if the term of the lease is six months or longer.

(3) This subdivision does not preclude a landlord and a tenant from entering into a mutual agreement for the landlord, at the request of the tenant and for a specified fee or charge, to make structural, decorative, furnishing, or other similar alterations, if the alterations are other than cleaning or repairing for which the landlord may charge the previous tenant as provided by subdivision (e).

(4) (A) Notwithstanding paragraph (1), a landlord shall not demand or receive security, however denominated, in an amount or value in excess of an amount equal to two months' rent, in addition to any rent for the first month paid on or before initial occupancy if the landlord meets both of the following requirements:

(i) The landlord is a natural person or a limited liability company in which all members are natural persons.

(ii) The landlord owns no more than two residential rental properties that collectively include no more than four dwelling units offered for rent.

(B) Subparagraph (A) shall not apply if the prospective tenant is a service member. A landlord shall not refuse to enter into a rental agreement for residential property with a prospective tenant who is a service member because this subparagraph prohibits the landlord from demanding or receiving a greater amount of security than that which is established in paragraph (1). For purposes of this paragraph, "service member" has the same meaning as in Section 400 of the Military and Veterans Code.

(C) For purposes of this paragraph:

(i) "Natural person" includes any natural person who is a settlor or beneficiary of a family trust.

(ii) "Family trust" means a revocable living trust or irrevocable trust in which the settlors and beneficiaries of the trust are persons who are related to each other as sibling, spouse, domestic partner, child, parent, grandparent, or grandchild.

(5) This subdivision shall not apply to a security collected or demanded by the landlord before July 1, 2024.

(d) Any security shall be held by the landlord for the tenant who is party to the lease or agreement. The claim of a tenant to the security shall be prior to the claim of any creditor of the landlord.

(e) (1) Subject to paragraph (2), the landlord may claim of the security only those amounts as are reasonably necessary for the purposes specified in subdivision (b).

(2) (A) The landlord shall not assert a claim against the tenant or the security for damages to the premises or any defective conditions that preexisted the tenancy, for ordinary wear and tear or the effects thereof, whether the wear and tear preexisted the tenancy or occurred during the tenancy, or for the cumulative effects of ordinary wear and tear occurring during any one or more tenancies.

(B) Claims against the tenant or the security for materials or supplies and for work performed by a contractor, the landlord, or the landlord's employee shall be limited to a reasonable amount necessary to restore the premises back to the condition it was in at the inception of the tenancy, exclusive of ordinary wear and tear.

(C) The landlord shall not require a tenant to pay for, or assert a claim against the tenant or the security for, professional carpet cleaning or other professional cleaning services, unless reasonably necessary to return the premises to the condition it was in at the inception of tenancy, exclusive of ordinary wear and tear.

(f) (1) Within a reasonable time after notification of either party's intention to terminate the tenancy, or before the end of the lease term, the landlord shall notify the tenant in writing of the tenant's option to request an initial inspection and of the tenant's right to be present at the inspection. At a reasonable time, but no earlier than two weeks before the termination or the end of lease date, the landlord, or an agent of the landlord, shall, upon the request of the tenant, make an initial inspection of the premises

prior to any final inspection the landlord makes after the tenant has vacated the premises. The purpose of the initial inspection shall be to allow the tenant an opportunity to remedy identified deficiencies, in a manner consistent with the rights and obligations of the parties under the rental agreement, in order to avoid deductions from the security. If a tenant chooses not to request an initial inspection, the duties of the landlord under this subdivision are discharged. If an inspection is requested, the parties shall attempt to schedule the inspection at a mutually acceptable date and time. The landlord shall give at least 48 hours' prior written notice of the date and time of the inspection if either a mutual time is agreed upon, or if a mutually agreed time cannot be scheduled but the tenant still wishes an inspection. The tenant and landlord may agree to forgo the 48-hour prior written notice by both signing a written waiver. The landlord shall proceed with the inspection whether the tenant is present or not, unless the tenant previously withdrew their request for the inspection. Written notice by the landlord shall contain, in substantially the same form, the following:

"State law permits former tenants to reclaim abandoned personal property left at the former address of the tenant, subject to certain conditions. You may or may not be able to reclaim property without incurring additional costs, depending on the cost of storing the property and the length of time before it is reclaimed. In general, these costs will be lower the sooner you contact your former landlord after being notified that property belonging to you was left behind after you moved out."

(2) Based on the inspection, the landlord shall give the tenant an itemized statement specifying repairs or cleanings that are proposed to be the basis of any deductions from the security the landlord intends to make pursuant to paragraphs (1) to (4), inclusive, of subdivision (b). This statement shall also include the texts of paragraphs (1) to (4), inclusive, of subdivision (b). The statement shall be given to the tenant, if the tenant is present for the inspection, or shall be left inside the premises.

(3) The tenant shall have the opportunity during the period following the initial inspection until termination of the tenancy to remedy identified deficiencies, in a manner consistent with the rights and obligations of the parties under the rental agreement, in order to avoid deductions from the security.

(4) Subject to paragraphs (5) and (6), if an initial inspection is conducted pursuant to this subdivision and, at the time of inspection, the premises do not contain tenant possessions that prevent the landlord from identifying repairs or cleanings due to the presence of those possessions, the landlord shall not use the security for deductions for repairs or cleanings that are not identified in the itemized statement described in paragraph (2).

(5) Nothing in this subdivision shall prevent a landlord from using the security for deductions itemized in the statement provided for in paragraph (2) that were not cured by the tenant so long as the deductions are for damages authorized by this section.

(6) Nothing in this subdivision shall prevent a landlord from using the security for any purpose specified in paragraphs (1) to (4), inclusive, of subdivision (b) that occurs between completion of the initial inspection and when possession of the unit is returned to the landlord or that was not identified during the initial inspection due to the presence of a tenant's possessions.

(7) The requirements of this subdivision do not apply when the tenancy is terminated pursuant to subdivision (2), (3), or (4) of Section 1161 of the Code of Civil Procedure.

(g) (1) For tenancies that begin on or after July 1, 2025, the landlord shall take photographs of the unit immediately before, or at the inception of, the tenancy.

(2) Beginning April 1, 2025, the landlord shall take photographs of the unit within a reasonable time after the possession of the unit is returned to the landlord, but prior to any repairs or cleanings for which the landlord will make a deduction from or claim against the security deposit pursuant to this section, and shall also take photographs of the unit within a reasonable time after such repairs or cleanings are completed.

(h) (1) No later than 21 calendar days after the tenant has vacated the premises, but not earlier than the time that either the landlord or the tenant provides a notice to terminate the tenancy under Section 1946 or 1946.1, Section 1161 of the Code of Civil Procedure, or not earlier than 60 calendar days prior to the expiration of a fixed-term lease, the landlord shall furnish the tenant, by personal delivery or by first-class mail, postage prepaid, a copy of an itemized statement indicating the basis for, and the amount of, any security received and the disposition of the security, and shall return any remaining portion of the security to the tenant.

After either the landlord or the tenant provides notice to terminate the tenancy, the landlord and tenant may mutually agree to have the landlord deposit any remaining portion of the security deposit electronically to a bank account or other financial institution designated by the tenant. After either the landlord or the tenant provides notice to terminate the tenancy, the landlord and the tenant may also agree to have the landlord provide a copy of the itemized statement along with the copies required by paragraph (2) to an email account provided by the tenant.

(2) The landlord shall also include, along with and at the same time the itemized statement is sent, copies of documents showing charges incurred and deducted by the landlord to repair or clean the premises, as follows:

(A) If the landlord or landlord's employee did the work, the itemized statement shall reasonably describe the work performed. The itemized statement shall include the time spent and the reasonable hourly rate charged.

(B) If the landlord or landlord's employee did not do the work, the landlord shall provide the tenant a copy of the bill, invoice, or receipt supplied by the person or entity performing the work. The itemized statement shall provide the tenant with the name, address, and telephone number of the person or entity, if the bill, invoice, or receipt does not include that information.

(C) If a deduction is made for materials or supplies, the landlord shall provide a copy of the bill, invoice, or receipt. If a particular material or supply item is purchased by the landlord on an ongoing basis, the landlord may document the cost of the item by providing a copy of a bill, invoice, receipt, vendor price list, or other vendor document that reasonably documents the cost of the item used in the repair or cleaning of the unit.

(D) If a deduction is made for repairs or cleanings allowed by this section, the landlord shall provide photographs taken pursuant to subdivision (g), along with a written explanation of the cost of the allowable repairs or cleanings, as described in subparagraphs (A) to (C), inclusive. The landlord may provide such photographs to the tenant by mail, email, computer flash drive, or by providing a link where the tenant may view the photographs online.

(3) If a repair to be done by the landlord or the landlord's employee cannot reasonably be completed within 21 calendar days after the tenant has vacated the premises, or if the documents from

a person or entity providing services, materials, or supplies are not in the landlord's possession within 21 calendar days after the tenant has vacated the premises, the landlord may deduct the amount of a good faith estimate of the charges that will be incurred and provide that estimate with the itemized statement. If the reason for the estimate is because the documents from a person or entity providing services, materials, or supplies are not in the landlord's possession, the itemized statement shall include the name, address, and telephone number of the person or entity. Within 14 calendar days of completing the repair or receiving the documentation, the landlord shall complete the requirements in paragraphs (1) and (2) in the manner specified.

(4) The landlord need not comply with paragraph (2) or (3) if either of the following applies:

(A) The deductions for repairs and cleaning together do not exceed one hundred twenty-five dollars ($125).

(B) The tenant waived the rights specified in paragraphs (2) and (3). The waiver shall only be effective if it is signed by the tenant at the same time or after a notice to terminate a tenancy under Section 1946 or 1946.1 has been given, a notice under Section 1161 of the Code of Civil Procedure has been given, or no earlier than 60 calendar days prior to the expiration of a fixed-term lease. The waiver shall substantially include the text of paragraph (2).

(5) Notwithstanding paragraph (4), the landlord shall comply with paragraphs (2) and (3) when a tenant makes a request for documentation within 14 calendar days after receiving the itemized statement specified in paragraph (1). The landlord shall comply within 14 calendar days after receiving the request from the tenant.

(6) Any mailings to the tenant pursuant to this subdivision shall be sent to the address provided by the tenant. If the tenant does not provide an address, mailings pursuant to this subdivision shall be sent to the unit that has been vacated.

(7) The landlord shall not be entitled to claim any amount of the security if the landlord, in bad faith, fails to comply with this subdivision.

(i) Upon termination of the landlord's interest in the premises, whether by sale, assignment, death, appointment of receiver, or otherwise, the landlord or the landlord's agent shall, within a reasonable time, do one of the following acts, either of which shall

relieve the landlord of further liability with respect to the security held:

(1) Transfer the portion of the security remaining after any lawful deductions made under subdivision (e) to the landlord's successor in interest. The landlord shall thereafter notify the tenant by personal delivery or by first-class mail, postage prepaid, of the transfer, of any claims made against the security, of the amount of the security deposited, and of the names of the successors in interest, their addresses, and their telephone numbers. If the notice to the tenant is made by personal delivery, the tenant shall acknowledge receipt of the notice and sign their name on the landlord's copy of the notice.

(2) Return the portion of the security remaining after any lawful deductions made under subdivision (e) to the tenant, together with an accounting as provided in subdivision (h).

(j) Prior to the voluntary transfer of a landlord's interest in the premises, the landlord shall deliver to the landlord's successor in interest a written statement indicating the following:

(1) The security remaining after any lawful deductions are made.

(2) An itemization of any lawful deductions from any security received.

(3) Their election under paragraph (1) or (2) of subdivision (i).

This subdivision does not affect the validity of title to the real property transferred in violation of this subdivision.

(k) (1) In the event of noncompliance with subdivision (i), the landlord's successors in interest shall be jointly and severally liable with the landlord for repayment of the security, or that portion thereof to which the tenant is entitled, when and as provided in subdivisions (e) and (h). A successor in interest of a landlord may not require the tenant to post any security to replace that amount not transferred to the tenant or successors in interest as provided in subdivision (i), unless and until the successor in interest first makes restitution of the initial security as provided in paragraph (2) of subdivision (i) or provides the tenant with an accounting as provided in subdivision (h).

(2) This subdivision does not preclude a successor in interest from recovering from the tenant compensatory damages that are in excess of the security received from the landlord previously paid by the tenant to the landlord.

(3) Notwithstanding this subdivision, if, upon inquiry and reasonable investigation, a landlord's successor in interest has a good faith belief that the lawfully remaining security deposit is transferred to the successor in interest or returned to the tenant pursuant to subdivision (i), the successor in interest is not liable for damages as provided in subdivision (m), or any security not transferred pursuant to subdivision (i).

(*l*) Upon receipt of any portion of the security under paragraph (1) of subdivision (i), the landlord's successors in interest shall have all of the rights and obligations of a landlord holding the security with respect to the security.

(m) The bad faith claim or retention by a landlord or the landlord's successors in interest of the security or any portion thereof in violation of this section, or the bad faith demand of replacement of security in violation of subdivision (k), may subject the landlord or the landlord's successors in interest to statutory damages of up to twice the amount of the security, in addition to actual damages. The court may award damages for bad faith whenever the facts warrant that award, regardless of whether the injured party has specifically requested relief. In an action under this section, the landlord or the landlord's successors in interest shall have the burden of proof as to the reasonableness of the amounts claimed or the authority pursuant to this section to demand additional security deposits.

(n) A lease or rental agreement shall not contain a provision characterizing any security as "nonrefundable."

(o) An action under this section may be maintained in small claims court if the damages claimed, whether actual, statutory, or both, are within the jurisdictional amount allowed by Section 116.220 or 116.221 of the Code of Civil Procedure.

(p) Proof of the existence of and the amount of a security deposit may be established by any credible evidence, including, but not limited to, a canceled check, a receipt, a lease indicating the requirement of a deposit as well as the amount, prior consistent statements or actions of the landlord or tenant, or a statement under penalty of perjury that satisfies the credibility requirements set forth in Section 780 of the Evidence Code.

(q) The amendments to this section made during the 1985 portion of the 1985–86 Regular Session of the Legislature that are set forth in subdivision (e) are declaratory of existing law.

(r) The amendments to this section made during the 2003 portion of the 2003–04 Regular Session of the Legislature that are set forth in paragraph (1) of subdivision (f) are declaratory of existing law.

(s) This section shall become operative on July 1, 2024.

SEC. 2.5. Section 1950.5 of the Civil Code, as added by Section 2 of Chapter 733 of the Statutes of 2023, is amended to read:

1950.5. (a) This section applies to security for a rental agreement for residential property that is used as the dwelling of the tenant.

(b) As used in this section, "security" means any payment, fee, deposit, or charge, including, but not limited to, any payment, fee, deposit, or charge, except as provided in Section 1950.6, that is imposed at the beginning of the tenancy to be used to reimburse the landlord for costs associated with processing a new tenant or that is imposed as an advance payment of rent, used or to be used for any purpose, including, but not limited to, any of the following:

(1) The compensation of a landlord for a tenant's default in the payment of rent.

(2) The repair of damages to the premises, exclusive of ordinary wear and tear, caused by the tenant or by a guest or licensee of the tenant.

(3) The cleaning of the premises upon termination of the tenancy necessary to return the unit to the same level of cleanliness it was in at the inception of the tenancy. The amendments to this paragraph enacted by the act adding this sentence shall apply only to tenancies for which the tenant's right to occupy begins after January 1, 2003.

(4) To remedy future defaults by the tenant in any obligation under the rental agreement to restore, replace, or return personal property or appurtenances, exclusive of ordinary wear and tear, if the security deposit is authorized to be applied thereto by the rental agreement.

(c) (1) Except as provided in paragraph (2), (3), or (5), a landlord shall not demand or receive security, however denominated, in an amount or value in excess of an amount equal to one month's rent, in addition to any rent for the first month paid on or before initial occupancy.

(2) This subdivision does not prohibit an advance payment of not less than six months' rent if the term of the lease is six months or longer.

(3) This subdivision does not preclude a landlord and a tenant from entering into a mutual agreement for the landlord, at the request of the tenant and for a specified fee or charge, to make structural, decorative, furnishing, or other similar alterations, if the alterations are other than cleaning or repairing for which the landlord may charge the previous tenant as provided by subdivision (e).

(4) On or after April 1, 2025, if a landlord or its agent charges a service member who rents residential property in which the service member will reside a higher than standard or advertised security pursuant to paragraph (1) due to the credit history, credit score, housing history, or other factor related to the tenant, the landlord shall provide the tenant with a written statement, on or before the date the lease is signed, of the amount of the higher security and an explanation why the higher security amount is being charged. The additional amount of security shall be returned to the tenant after no more than six months of residency if the tenant is not in arrears for any rent due during that period. The date for return of the additional amount of security shall be included in the lease agreement. For purposes of this paragraph, "service member" has the same meaning as in Section 400 of the Military and Veterans Code.

(5) (A) Notwithstanding paragraph (1), a landlord shall not demand or receive security, however denominated, in an amount or value in excess of an amount equal to two months' rent, in addition to any rent for the first month paid on or before initial occupancy if the landlord meets both of the following requirements:

(i) The landlord is a natural person or a limited liability company in which all members are natural persons.

(ii) The landlord owns no more than two residential rental properties that collectively include no more than four dwelling units offered for rent.

(B) Subparagraph (A) shall not apply if the prospective tenant is a service member. A landlord shall not refuse to enter into a rental agreement for residential property with a prospective tenant who is a service member because this subparagraph prohibits the landlord from demanding or receiving a greater amount of security than that which is established in paragraph (1). For purposes of this subparagraph, "service member" has the same meaning as in Section 400 of the Military and Veterans Code.

(C) For purposes of this paragraph:

(i) "Natural person" includes any natural person who is a settlor or beneficiary of a family trust.

(ii) "Family trust" means a revocable living trust or irrevocable trust in which the settlors and beneficiaries of the trust are persons who are related to each other as sibling, spouse, domestic partner, child, parent, grandparent, or grandchild.

(6) This subdivision shall not apply to a security collected or demanded by the landlord before July 1, 2024.

(d) Any security shall be held by the landlord for the tenant who is party to the lease or agreement. The claim of a tenant to the security shall be prior to the claim of any creditor of the landlord.

(e) (1) Subject to paragraph (2), the landlord may claim of the security only those amounts as are reasonably necessary for the purposes specified in subdivision (b).

(2) (A) The landlord shall not assert a claim against the tenant or the security for damages to the premises or any defective conditions that preexisted the tenancy, for ordinary wear and tear or the effects thereof, whether the wear and tear preexisted the tenancy or occurred during the tenancy, or for the cumulative effects of ordinary wear and tear occurring during any one or more tenancies.

(B) Claims against the tenant or the security for materials or supplies and for work performed by a contractor, the landlord, or the landlord's employee shall be limited to a reasonable amount necessary to restore the premises back to the condition it was in at the inception of the tenancy, exclusive of ordinary wear and tear.

(C) The landlord shall not require a tenant to pay for, or assert a claim against the tenant or the security for, professional carpet cleaning or other professional cleaning services, unless reasonably necessary to return the premises to the condition it was in at the inception of tenancy, exclusive of ordinary wear and tear.

(f) (1) Within a reasonable time after notification of either party's intention to terminate the tenancy, or before the end of the lease term, the landlord shall notify the tenant in writing of the tenant's option to request an initial inspection and of the tenant's right to be present at the inspection. At a reasonable time, but no earlier than two weeks before the termination or the end of lease date, the landlord, or an agent of the landlord, shall, upon the

request of the tenant, make an initial inspection of the premises prior to any final inspection the landlord makes after the tenant has vacated the premises. The purpose of the initial inspection shall be to allow the tenant an opportunity to remedy identified deficiencies, in a manner consistent with the rights and obligations of the parties under the rental agreement, in order to avoid deductions from the security. If a tenant chooses not to request an initial inspection, the duties of the landlord under this subdivision are discharged. If an inspection is requested, the parties shall attempt to schedule the inspection at a mutually acceptable date and time. The landlord shall give at least 48 hours' prior written notice of the date and time of the inspection if either a mutual time is agreed upon, or if a mutually agreed time cannot be scheduled but the tenant still wishes an inspection. The tenant and landlord may agree to forgo the 48-hour prior written notice by both signing a written waiver. The landlord shall proceed with the inspection whether the tenant is present or not, unless the tenant previously withdrew their request for the inspection. Written notice by the landlord shall contain, in substantially the same form, the following:

"State law permits former tenants to reclaim abandoned personal property left at the former address of the tenant, subject to certain conditions. You may or may not be able to reclaim property without incurring additional costs, depending on the cost of storing the property and the length of time before it is reclaimed. In general, these costs will be lower the sooner you contact your former landlord after being notified that property belonging to you was left behind after you moved out."

(2) Based on the inspection, the landlord shall give the tenant an itemized statement specifying repairs or cleanings that are proposed to be the basis of any deductions from the security the landlord intends to make pursuant to paragraphs (1) to (4), inclusive, of subdivision (b). This statement shall also include the texts of paragraphs (1) to (4), inclusive, of subdivision (b). The statement shall be given to the tenant, if the tenant is present for the inspection, or shall be left inside the premises.

(3) The tenant shall have the opportunity during the period following the initial inspection until termination of the tenancy to remedy identified deficiencies, in a manner consistent with the

rights and obligations of the parties under the rental agreement, in order to avoid deductions from the security.

(4) Subject to paragraphs (5) and (6), if an initial inspection is conducted pursuant to this subdivision and, at the time of inspection, the premises do not contain tenant possessions that prevent the landlord from identifying repairs or cleanings due to the presence of those possessions, the landlord shall not use the security for deductions for repairs or cleanings that are not identified in the itemized statement described in paragraph (2).

(5) Nothing in this subdivision shall prevent a landlord from using the security for deductions itemized in the statement provided for in paragraph (2) that were not cured by the tenant so long as the deductions are for damages authorized by this section.

(6) Nothing in this subdivision shall prevent a landlord from using the security for any purpose specified in paragraphs (1) to (4), inclusive, of subdivision (b) that occurs between completion of the initial inspection when possession of the unit is returned to the landlord or that was not identified during the initial inspection due to the presence of a tenant's possessions.

(7) The requirements of this subdivision do not apply when the tenancy is terminated pursuant to subdivision (2), (3), or (4) of Section 1161 of the Code of Civil Procedure.

(g) (1) For tenancies that begin on or after July 1, 2025, the landlord shall take photographs of the unit immediately before, or at the inception of, the tenancy.

(2) Beginning April 1, 2025, the landlord shall take photographs of the unit within a reasonable time after the possession of the unit is returned to the landlord, but prior to any repairs or cleanings for which the landlord will make a deduction from or claim against the security deposit pursuant to this section, and shall also take photographs of the unit within a reasonable time after such repairs or cleanings are completed.

(h) (1) No later than 21 calendar days after the tenant has vacated the premises, but not earlier than the time that either the landlord or the tenant provides a notice to terminate the tenancy under Section 1946 or 1946.1, Section 1161 of the Code of Civil Procedure, or not earlier than 60 calendar days prior to the expiration of a fixed-term lease, the landlord shall furnish the tenant, by personal delivery or by first-class mail, postage prepaid, a copy of an itemized statement indicating the basis for, and the

amount of, any security received and the disposition of the security, and shall return any remaining portion of the security to the tenant. After either the landlord or the tenant provides notice to terminate the tenancy, the landlord and tenant may mutually agree to have the landlord deposit any remaining portion of the security deposit electronically to a bank account or other financial institution designated by the tenant. After either the landlord or the tenant provides notice to terminate the tenancy, the landlord and the tenant may also agree to have the landlord provide a copy of the itemized statement along with the copies required by paragraph (2) to an email account provided by the tenant.

(2) The landlord shall also include, along with and at the same time the itemized statement is sent, copies of documents showing charges incurred and deducted by the landlord to repair or clean the premises, as follows:

(A) If the landlord or landlord's employee did the work, the itemized statement shall reasonably describe the work performed. The itemized statement shall include the time spent and the reasonable hourly rate charged.

(B) If the landlord or landlord's employee did not do the work, the landlord shall provide the tenant a copy of the bill, invoice, or receipt supplied by the person or entity performing the work. The itemized statement shall provide the tenant with the name, address, and telephone number of the person or entity, if the bill, invoice, or receipt does not include that information.

(C) If a deduction is made for materials or supplies, the landlord shall provide a copy of the bill, invoice, or receipt. If a particular material or supply item is purchased by the landlord on an ongoing basis, the landlord may document the cost of the item by providing a copy of a bill, invoice, receipt, vendor price list, or other vendor document that reasonably documents the cost of the item used in the repair or cleaning of the unit.

(D) If a deduction is made for repairs or cleanings allowed by this section, the landlord shall provide photographs taken pursuant to subdivision (g), along with a written explanation of the cost of the allowable repairs or cleanings, as described in subparagraphs (A) to (C), inclusive. The landlord may provide such photographs to the tenant by mail, email, computer flash drive, or by providing a link where the tenant may view the photographs online.

(3) If a repair to be done by the landlord or the landlord's employee cannot reasonably be completed within 21 calendar days after the tenant has vacated the premises, or if the documents from a person or entity providing services, materials, or supplies are not in the landlord's possession within 21 calendar days after the tenant has vacated the premises, the landlord may deduct the amount of a good faith estimate of the charges that will be incurred and provide that estimate with the itemized statement. If the reason for the estimate is because the documents from a person or entity providing services, materials, or supplies are not in the landlord's possession, the itemized statement shall include the name, address, and telephone number of the person or entity. Within 14 calendar days of completing the repair or receiving the documentation, the landlord shall complete the requirements in paragraphs (1) and (2) in the manner specified.

(4) The landlord need not comply with paragraph (2) or (3) if either of the following applies:

(A) The deductions for repairs and cleaning together do not exceed one hundred twenty-five dollars ($125).

(B) The tenant waived the rights specified in paragraphs (2) and (3). The waiver shall only be effective if it is signed by the tenant at the same time or after a notice to terminate a tenancy under Section 1946 or 1946.1 has been given, a notice under Section 1161 of the Code of Civil Procedure has been given, or no earlier than 60 calendar days prior to the expiration of a fixed-term lease. The waiver shall substantially include the text of paragraph (2).

(5) Notwithstanding paragraph (4), the landlord shall comply with paragraphs (2) and (3) when a tenant makes a request for documentation within 14 calendar days after receiving the itemized statement specified in paragraph (1). The landlord shall comply within 14 calendar days after receiving the request from the tenant.

(6) Any mailings to the tenant pursuant to this subdivision shall be sent to the address provided by the tenant. If the tenant does not provide an address, mailings pursuant to this subdivision shall be sent to the unit that has been vacated.

(7) The landlord shall not be entitled to claim any amount of the security if the landlord, in bad faith, fails to comply with this subdivision.

(i) Upon termination of the landlord's interest in the premises, whether by sale, assignment, death, appointment of receiver, or

otherwise, the landlord or the landlord's agent shall, within a reasonable time, do one of the following acts, either of which shall relieve the landlord of further liability with respect to the security held:

(1) Transfer the portion of the security remaining after any lawful deductions made under subdivision (e) to the landlord's successor in interest. The landlord shall thereafter notify the tenant by personal delivery or by first-class mail, postage prepaid, of the transfer, of any claims made against the security, of the amount of the security deposited, and of the names of the successors in interest, their addresses, and their telephone numbers. If the notice to the tenant is made by personal delivery, the tenant shall acknowledge receipt of the notice and sign their name on the landlord's copy of the notice.

(2) Return the portion of the security remaining after any lawful deductions made under subdivision (e) to the tenant, together with an accounting as provided in subdivision (h).

(j) Prior to the voluntary transfer of a landlord's interest in the premises, the landlord shall deliver to the landlord's successor in interest a written statement indicating the following:

(1) The security remaining after any lawful deductions are made.

(2) An itemization of any lawful deductions from any security received.

(3) Their election under paragraph (1) or (2) of subdivision (i).

This subdivision does not affect the validity of title to the real property transferred in violation of this subdivision.

(j) (1) In the event of noncompliance with subdivision (i), the landlord's successors in interest shall be jointly and severally liable with the landlord for repayment of the security, or that portion thereof to which the tenant is entitled, when and as provided in subdivisions (e) and (h). A successor in interest of a landlord may not require the tenant to post any security to replace that amount not transferred to the tenant or successors in interest as provided in subdivision (i), unless and until the successor in interest first makes restitution of the initial security as provided in paragraph (2) of subdivision (i) or provides the tenant with an accounting as provided in subdivision (h).

(2) This subdivision does not preclude a successor in interest from recovering from the tenant compensatory damages that are

in excess of the security received from the landlord previously paid by the tenant to the landlord.

(3) Notwithstanding this subdivision, if, upon inquiry and reasonable investigation, a landlord's successor in interest has a good faith belief that the lawfully remaining security deposit is transferred to the successor in interest or returned to the tenant pursuant to subdivision (i), the successor in interest is not liable for damages as provided in subdivision (m), or any security not transferred pursuant to subdivision (i).

(*l*) Upon receipt of any portion of the security under paragraph (1) of subdivision (i), the landlord's successors in interest shall have all of the rights and obligations of a landlord holding the security with respect to the security.

(m) The bad faith claim or retention by a landlord or the landlord's successors in interest of the security or any portion thereof in violation of this section, or the bad faith demand of replacement of security in violation of subdivision (k), may subject the landlord or the landlord's successors in interest to statutory damages of up to twice the amount of the security, in addition to actual damages. The court may award damages for bad faith whenever the facts warrant that award, regardless of whether the injured party has specifically requested relief. In an action under this section, the landlord or the landlord's successors in interest shall have the burden of proof as to the reasonableness of the amounts claimed or the authority pursuant to this section to demand additional security deposits.

(n) A lease or rental agreement shall not contain a provision characterizing any security as "nonrefundable."

(o) An action under this section may be maintained in small claims court if the damages claimed, whether actual, statutory, or both, are within the jurisdictional amount allowed by Section 116.220 or 116.221 of the Code of Civil Procedure.

(p) Proof of the existence of and the amount of a security deposit may be established by any credible evidence, including, but not limited to, a canceled check, a receipt, a lease indicating the requirement of a deposit as well as the amount, prior consistent statements or actions of the landlord or tenant, or a statement under penalty of perjury that satisfies the credibility requirements set forth in Section 780 of the Evidence Code.

(q) The amendments to this section made during the 1985 portion of the 1985–86 Regular Session of the Legislature that are set forth in subdivision (e) are declaratory of existing law.

(r) The amendments to this section made during the 2003 portion of the 2003–04 Regular Session of the Legislature that are set forth in paragraph (1) of subdivision (f) are declaratory of existing law.

(s) This section shall become operative on July 1, 2024.

SEC. 3. Section 2.5 of this bill incorporates amendments to Section 1950.5 of the Civil Code proposed by both this bill and Senate Bill 611. That section of this bill shall only become operative if (1) both bills are enacted and become effective on or before January 1, 2025, (2) each bill amends Section 1950.5 of the Civil Code, and (3) this bill is enacted after Senate Bill 611, in which case Section 2 of this bill shall not become operative.

Approved _____, 2024

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Governor