

# Appendix J

## Real Estate Disclosure Law and Legislation





## Assembly Bill No. 2776

### CHAPTER 496

An act to amend Section 11010 of the Business and Professions Code, and to amend Sections 1102.6, 1103.4, and 1353 of the Civil Code, relating to aviation.

[Approved by Governor September 12, 2002. Filed with Secretary of State September 12, 2002.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 2776, Simitian. Aviation: noise.

(1) Existing law requires any person who intends to offer subdivided lands within California for sale or lease to file with the Department of Real Estate an application for a public report consisting of a notice of intention and a completed questionnaire that includes, among other things, the location of all existing airports, and of all proposed airports shown on the general plan of any city or county, located within 2 statute miles of the subdivision. Existing law requires that a copy of the public report of the Real Estate Commissioner, when issued, be given to the prospective purchaser by the owner, subdivider, or agent prior to the execution of a binding contract or agreement for the sale or lease of any lot or parcel in a subdivision or upon request by any member of the public.

This bill would require the notice of intention filed with the application for a public report, to include a statement regarding whether the property is encompassed within an airport influence area, as defined.

(2) The Davis-Stirling Common Interest Development Act regulates common interest developments and defines the declarations and other governing documents that govern the operation of common interest developments and the associations that manage common interest developments. A declaration is required to contain specified information. Existing law provides that an owner of a separate interest in a common interest development must provide certain items to a prospective purchaser prior to transfer of title, including, among other things, a copy of the governing documents of the common interest development.

This bill would require that any declaration, recorded after January 1, 2004, contain a statement regarding whether the property is encompassed within an airport influence area.

(3) Existing law requires a seller of residential property, to make disclosures upon the transfer of that property, and sets forth the content



and form of these disclosures in a Real Estate Transfer Disclosure Statement and a Natural Hazard Disclosure Statement. Existing law requires certain sellers of residential real property who have actual knowledge that the property is affected by or zoned to permit certain manufacturing, commercial, or airport uses to give written notice of that knowledge, as soon as practicable before transfer of title. Existing law requires the disclosure statement to advise a purchaser that other reports and disclosures, such as an inspection report, have or will be made in connection with the transfer.

This bill would revise the Real Estate Transfer Disclosure Statement to require that statement to advise the prospective purchaser of other disclosures required by law, including the Natural Hazard Disclosure Report/Statement that may include airport annoyances, earthquake, fire, flood, or special assessment information, that have or will be made in connection with the transfer.

(4) Existing law limits the liability of a transferor for failing to disclose natural hazards if the transferor obtains a report or opinion prepared by a licensed engineer, land surveyor, geologist, or expert in natural hazard discovery dealing with matters within the scope of the professional's license or expertise.

The bill would condition this limitation upon the expert in natural hazard discovery determining whether the property is within an airport influence area and if so, providing notice with the report or opinion.

This bill would provide that its provisions will become operative on January 1, 2004.

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

SECTION 1. The Legislature finds and declares that the current mechanisms for providing notice to homebuyers of potential airport impact are inadequate, as evidenced by the number of complaints and lawsuits regarding airport noise by residents of surrounding communities.

SEC. 2. Section 11010 of the Business and Professions Code is amended to read:

11010. (a) Except as otherwise provided pursuant to subdivision (c) or elsewhere in this chapter, any person who intends to offer subdivided lands within this state for sale or lease shall file with the Department of Real Estate an application for a public report consisting of a notice of intention and a completed questionnaire on a form prepared by the department.

(b) The notice of intention shall contain the following information about the subdivided lands and the proposed offering:



- (1) The name and address of the owner.
- (2) The name and address of the subdivider.
- (3) The legal description and area of lands.
- (4) A true statement of the condition of the title to the land, particularly including all encumbrances thereon.
- (5) A true statement of the terms and conditions on which it is intended to dispose of the land, together with copies of any contracts intended to be used.
- (6) A true statement of the provisions, if any, that have been made for public utilities in the proposed subdivision, including water, electricity, gas, telephone, and sewerage facilities. For subdivided lands that were subject to the imposition of a condition pursuant to subdivision (b) of Section 66473.7 of the Government Code, the true statement of the provisions made for water shall be satisfied by submitting a copy of the written verification of the available water supply obtained pursuant to Section 66473.7 of the Government Code.
- (7) A true statement of the use or uses for which the proposed subdivision will be offered.
- (8) A true statement of the provisions, if any, limiting the use or occupancy of the parcels in the subdivision.
- (9) A true statement of the amount of indebtedness that is a lien upon the subdivision or any part thereof, and that was incurred to pay for the construction of any onsite or offsite improvement, or any community or recreational facility.
- (10) A true statement or reasonable estimate, if applicable, of the amount of any indebtedness which has been or is proposed to be incurred by an existing or proposed special district, entity, taxing area, assessment district, or community facilities district within the boundaries of which, the subdivision, or any part thereof, is located, and that is to pay for the construction or installation of any improvement or to furnish community or recreational facilities to that subdivision, and which amounts are to be obtained by ad valorem tax or assessment, or by a special assessment or tax upon the subdivision, or any part thereof.
- (11) (A) As to each school district serving the subdivision, a statement from the appropriate district that indicates the location of each high school, junior high school, and elementary school serving the subdivision, or documentation that a statement to that effect has been requested from the appropriate school district.  
(B) In the event that, as of the date the notice of intention and application for issuance of a public report are otherwise deemed to be qualitatively and substantially complete pursuant to Section 11010.2, the statement described in subparagraph (A) has not been provided by any school district serving the subdivision, the person who filed the



notice of intention and application for issuance of a public report shall immediately provide the department with the name, address, and telephone number of that district.

(12) (A) The location of all existing airports, and of all proposed airports shown on the general plan of any city or county, located within two statute miles of the subdivision. If the property is located within an airport influence area, the following statement shall be included in the notice of intention:

NOTICE OF AIRPORT IN VICINITY

This property is presently located in the vicinity of an airport, within what is known as an airport influence area. For that reason, the property may be subject to some of the annoyances or inconveniences associated with proximity to airport operations (for example: noise, vibration, or odors). Individual sensitivities to those annoyances can vary from person to person. You may wish to consider what airport annoyances, if any, are associated with the property before you complete your purchase and determine whether they are acceptable to you.

(B) For purposes of this section, an “airport influence area,” also known as an “airport referral area,” is the area in which current or future airport-related noise, overflight, safety, or airspace protection factors may significantly affect land uses or necessitate restrictions on those uses as determined by an airport land use commission.

(13) A true statement, if applicable, referencing any soils or geologic report or soils and geologic reports that have been prepared specifically for the subdivision.

(14) A true statement of whether or not fill is used, or is proposed to be used in the subdivision and a statement giving the name and the location of the public agency where information concerning soil conditions in the subdivision is available.

(15) Any other information that the owner, his or her agent, or the subdivider may desire to present.

(c) The commissioner may, by regulation, or on the basis of the particular circumstances of a proposed offering, waive the requirement of the submission of a completed questionnaire if the commissioner determines that prospective purchasers or lessees of the subdivision interests to be offered will be adequately protected through the issuance of a public report based solely upon information contained in the notice of intention.

SEC. 3. Section 1102.6 of the Civil Code is amended to read:



1102.6. The disclosures required by this article pertaining to the property proposed to be transferred are set forth in, and shall be made on a copy of, the following disclosure form:



***State of California***

*Department of Real Estate*

# **Disclosures in** ***Real Property*** **Transactions**

**Sixth Edition**  
**2005**



**ARNOLD SCHWARZENEGGER**

*Governor*

State of California

**DALE BONNER**

*Secretary*

Business, Transportation and Housing Agency

**JEFF DAVI**

Commissioner

Department of Real Estate



**2. Real Estate Transfer Disclosure Statement**

The Real Estate Transfer Disclosure Statement (TDS) describes the condition of a property and, in the case of a sale, must be given to a prospective buyer as soon as practicable and before transfer of title. In the case of a transfer by a real property sales contract (as defined in Civil Code Section 2985) by a lease coupled with an option to purchase, or by a ground lease coupled with improvements, the TDS is to be delivered before the execution of any of the foregoing.

The seller and any broker(s)/agent(s) involved are to participate in the disclosures. If more than one broker/agent is involved, the broker/agent obtaining the offer is to deliver the disclosures to the prospective buyer unless the seller instructs otherwise.

Delivery to the prospective buyer of a report or opinion prepared by a licensed engineer, land surveyor, geologist, structural pest control operator, contractor, or other expert (dealing with matters within the scope of the professional’s license or expertise) may limit the liability of the seller and the real estate broker(s)/agent(s) when making required disclosures. The overall intention is to provide meaningful disclosures about the condition of the property being sold or transferred.

*(CAL. CIV. § 1102.4)*

The following is the format of the Transfer Disclosure Statement:

**REAL ESTATE TRANSFER DISCLOSURE STATEMENT**

THIS DISCLOSURE STATEMENT CONCERNS THE REAL PROPERTY SITUATED IN THE CITY OF \_\_\_\_\_, COUNTY OF \_\_\_\_\_, STATE OF CALIFORNIA, DESCRIBED AS \_\_\_\_\_ . THIS STATEMENT IS A DISCLOSURE OF THE CONDITION OF THE ABOVE DESCRIBED PROPERTY IN COMPLIANCE WITH SECTION 1102 OF THE CIVIL CODE AS OF \_\_\_\_\_, 20\_\_\_\_. IT IS NOT A WARRANTY OF ANY KIND BY THE SELLER(S) OR ANY AGENT(S) REPRESENTING ANY PRINCIPAL(S) IN THIS TRANSACTION, AND IS NOT A SUBSTITUTE FOR ANY INSPECTIONS OR WARRANTIES THE PRINCIPAL(S) MAY WISH TO OBTAIN.

I

**COORDINATION WITH OTHER DISCLOSURE FORMS**

This Real Estate Transfer Disclosure Statement is made pursuant to Section 1102 of the Civil Code. Other statutes require disclosures, depending upon the details of the particular real estate transaction (for example: special study zone and purchase-money liens on residential property).

Substituted Disclosures: The following disclosures have or will be made in connection with this real estate transfer, and are intended to satisfy the disclosure obligations on this form, where the subject matter is the same:

- Inspection reports completed pursuant to the contract of sale or receipt for deposit.
- Additional inspection reports or disclosures:

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II

**SELLER’S INFORMATION**

The Seller discloses the following information with the knowledge that even though this is not a warranty, prospective Buyers may rely on this information in deciding whether and on what terms to purchase the subject property. Seller hereby authorizes any agent(s) representing any principal(s) in this transaction to provide a copy of this statement to any person or entity in connection with any actual or anticipated sale of the property.

THE FOLLOWING ARE REPRESENTATIONS MADE BY THE SELLER(S) AND ARE NOT THE REPRESENTATIONS OF THE AGENT(S), IF ANY. THIS INFORMATION IS A DISCLOSURE AND IS NOT INTENDED TO BE PART OF ANY CONTRACT BETWEEN THE BUYER AND SELLER.

Seller \_\_\_ is \_\_\_ is not occupying the property.

A. The subject property has the items checked below (read across):

<input type="checkbox"/> Range	<input type="checkbox"/> Oven	<input type="checkbox"/> Microwave
<input type="checkbox"/> Dishwasher	<input type="checkbox"/> Trash Compactor	<input type="checkbox"/> Garbage Disposal
<input type="checkbox"/> Washer/Dryer Hookups		<input type="checkbox"/> Rain Gutters
<input type="checkbox"/> Burglar Alarms	<input type="checkbox"/> Smoke Detector(s)	<input type="checkbox"/> Fire Alarm
<input type="checkbox"/> TV Antenna	<input type="checkbox"/> Satellite Dish	<input type="checkbox"/> Intercom
<input type="checkbox"/> Central Heating	<input type="checkbox"/> Central Air Cndtng.	<input type="checkbox"/> Evaporative Cooler(s)
<input type="checkbox"/> Wall/Window Air Cndtng.	<input type="checkbox"/> Sprinklers	<input type="checkbox"/> Public Sewer System
<input type="checkbox"/> Septic Tank	<input type="checkbox"/> Sump Pump	<input type="checkbox"/> Water Softener
<input type="checkbox"/> Patio/Decking	<input type="checkbox"/> Built-in Barbecue	<input type="checkbox"/> Gazebo
<input type="checkbox"/> Sauna		
<input type="checkbox"/> Hot Tub <input type="checkbox"/> Locking Safety Cover*	<input type="checkbox"/> Pool <input type="checkbox"/> Child Resistant Barrier*	<input type="checkbox"/> Spa <input type="checkbox"/> Locking Safety Cover*
<input type="checkbox"/> Security Gate(s)	<input type="checkbox"/> Automatic Garage Door Opener(s)*	<input type="checkbox"/> Number Remote Controls
Garage: <input type="checkbox"/> Attached	<input type="checkbox"/> Not Attached	<input type="checkbox"/> Carport
Pool/Spa Heater: <input type="checkbox"/> Gas	<input type="checkbox"/> Solar	<input type="checkbox"/> Electric
Water Heater: <input type="checkbox"/> Gas	<input type="checkbox"/> Water Heater Anchored, Braced, or Strapped*	<input type="checkbox"/> Private Utility or Other _____
Water Supply: <input type="checkbox"/> City	<input type="checkbox"/> Well	
Gas Supply: <input type="checkbox"/> Utility	<input type="checkbox"/> Bottled	
<input type="checkbox"/> Window Screens	<input type="checkbox"/> Window Security Bars	
	<input type="checkbox"/> Quick Release Mechanism on Bedroom Windows*	
Exhaust Fan(s) in _____	220 Volt Wiring in _____	Fireplace(s) in _____
Gas Starter _____	Roof(s): Type: _____	Age: _____ (approx.)
Other: _____		

Are there, to the best of your (Seller's) knowledge, any of the above that are not in operating condition?  
\_\_\_ Yes \_\_\_ No. If yes, then describe.

(Attach additional sheets if necessary): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

B. Are you (Seller) aware of any significant defects/malfunctions in any of the following?  Yes  No. If yes, check appropriate space(s) below.

Interior Walls  Ceilings  Floors  Exterior Walls  Insulation  Roof(s)  Windows  Doors  
 Foundation  Slab(s)  Driveways  Sidewalks  Walls/Fences  Electrical Systems  
 Plumbing/Sewers/Septics  Other

Structural Components (Describe: \_\_\_\_\_  
\_\_\_\_\_)

If any of the above is checked, explain. (Attach additional sheets if necessary): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\* This garage door opener or child resistant pool barrier may not be in compliance with the safety standards relating to automatic reversing devices as set forth in Chapter 12.5 (commencing with Section 19890) of Part 3 of Division 13 of, or with the pool safety standards of Article 2.5 (commencing with Section 115920) of Chapter 5 of Part 10 of Division 104 of, the Health and Safety Code. The water heater may not be anchored, braced, or strapped in accordance with Section 19211 of the Health and Safety Code. Window security bars may not have quick-release mechanisms in compliance with the 1995 Edition of the California Building Standards Code.

C. Are you (Seller) aware of any of the following:

1. Substances, materials or products which may be an environmental hazard such as, but not limited to, asbestos, formaldehyde, radon gas, lead-based paint, fuel or chemical storage tanks, and contaminated soil or water on the subject property .....  Yes  No
2. Features of the property shared in common with adjoining landowners, such as walls, fences, and driveways, whose use or responsibility for maintenance may have an effect on the subject property .....  Yes  No
3. Any encroachments, easements or similar matters that may affect your interest in the subject property .....  Yes  No
4. Room additions, structural modifications, or other alterations or repairs made without necessary permits.....  Yes  No
5. Room additions, structural modifications, or other alterations or repairs not in compliance with building codes.  Yes  No
6. Fill (compacted or otherwise) on the property or any portion thereof.....  Yes  No
7. Any settling from any cause, or slippage, sliding, or other soil problems.....  Yes  No
8. Flooding, drainage or grading problems .....  Yes  No
9. Major damage to the property or any of the structures from fire, earthquake, floods, or landslides .....  Yes  No
10. Any zoning violations, nonconforming uses, violations of "setback" requirements.....  Yes  No
11. Neighborhood noise problems or other nuisances.....  Yes  No
12. CC&R's or other deed restrictions or obligations .....  Yes  No
13. Homeowners' Association which has any authority over the subject property .....  Yes  No
14. Any "common area" (facilities such as pools, tennis courts, walkways, or other areas co-owned in undivided interest  Yes  No

with others) .....

15. Any notices of abatement or citations against the property... \_\_Yes \_\_No

16. Any lawsuits by or against the seller threatening to or affecting this real property, including any lawsuits alleging a defect or deficiency in this real property or "common areas" (facilities such as pools, tennis courts, walkways, or other areas co-owned in undivided interest with others)..... \_\_Yes \_\_No

If the answer to any of these is yes, explain. (Attach additional sheets if necessary.)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Seller certifies that the information herein is true and correct to the best of the Seller's knowledge as of the date signed by the Seller.

Seller \_\_\_\_\_ Date \_\_\_\_\_

Seller \_\_\_\_\_ Date \_\_\_\_\_

III

AGENT'S INSPECTION DISCLOSURE

(To be completed only if the Seller is represented by an agent in this transaction.)

THE UNDERSIGNED, BASED ON THE ABOVE INQUIRY OF THE SELLER(S) AS TO THE CONDITION OF THE PROPERTY AND BASED ON A REASONABLY COMPETENT AND DILIGENT VISUAL INSPECTION OF THE ACCESSIBLE AREAS OF THE PROPERTY IN CONJUNCTION WITH THAT INQUIRY, STATES THE FOLLOWING:

Agent notes no items for disclosure.

Agent notes the following items:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Agent (Broker Representing Seller) \_\_\_\_\_ By \_\_\_\_\_ Date \_\_\_\_\_  
(Please Print) (Associate Licensee or Broker-Signature)

IV

AGENT'S INSPECTION DISCLOSURE

(To be completed only if the agent who has obtained the offer is other than the agent above.)

THE UNDERSIGNED, BASED ON A REASONABLY COMPETENT AND DILIGENT VISUAL INSPECTION OF THE ACCESSIBLE AREAS OF THE PROPERTY, STATES THE FOLLOWING:

Agent notes no items for disclosure.

Agent notes the following items:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Agent (Broker Representing Seller) \_\_\_\_\_ By \_\_\_\_\_ Date \_\_\_\_\_

(Please Print) (Associate Licensee  
or Broker-Signature)

V

BUYER(S) AND SELLER(S) MAY WISH TO OBTAIN PROFESSIONAL ADVICE AND/OR INSPECTIONS OF THE PROPERTY AND TO PROVIDE FOR APPROPRIATE PROVISIONS IN A CONTRACT BETWEEN BUYER AND SELLER(S) WITH RESPECT TO ANY ADVICE/INSPECTIONS/DEFECTS

I/WE ACKNOWLEDGE RECEIPT OF A COPY OF THIS STATEMENT

Seller \_\_\_\_\_ Date \_\_\_\_\_ Buyer \_\_\_\_\_ Date \_\_\_\_\_

Seller \_\_\_\_\_ Date \_\_\_\_\_ Buyer \_\_\_\_\_ Date \_\_\_\_\_

Agent (Broker  
Representing Seller) \_\_\_\_\_ By \_\_\_\_\_ Date \_\_\_\_\_  
(Please Print) (Associate Licensee  
or Broker-Signature)

Agent (Broker  
Obtaining the Offer) \_\_\_\_\_ By \_\_\_\_\_ Date \_\_\_\_\_  
(Please Print) (Associate Licensee  
or Broker-Signature)

SECTION 1102.3 OF THE CIVIL CODE PROVIDES A BUYER WITH THE RIGHT TO RESCIND A PURCHASE CONTRACT FOR AT LEAST THREE DAYS AFTER THE DELIVERY OF THIS DISCLOSURE IF DELIVERY OCCURS AFTER THE SIGNING OF AN OFFER TO PURCHASE. IF YOU WISH TO RESCIND THE CONTRACT, YOU MUST ACT WITHIN THE PRESCRIBED PERIOD.

A REAL ESTATE BROKER IS QUALIFIED TO ADVISE ON REAL ESTATE. IF YOU DESIRE LEGAL ADVICE, CONSULT YOUR ATTORNEY.

*(CAL. CIV. § 1102 et. seq.)*

SEC. 4. Section 1103.4 of the Civil Code is amended to read:

1103.4. (a) Neither the transferor nor any listing or selling agent shall be liable for any error, inaccuracy, or omission of any information delivered pursuant to this article if the error, inaccuracy, or omission was not within the personal knowledge of the transferor or the listing or selling agent, and was based on information timely provided by public agencies or by other persons providing information as specified in subdivision (c) that is required to be disclosed pursuant to this article, and ordinary care was exercised in obtaining and transmitting the information.

(b) The delivery of any information required to be disclosed by this article to a prospective transferee by a public agency or other person providing information required to be disclosed pursuant to this article shall be deemed to comply with the requirements of this article and shall relieve the transferor or any listing or selling agent of any further duty under this article with respect to that item of information.

(c) The delivery of a report or opinion prepared by a licensed engineer, land surveyor, geologist, or expert in natural hazard discovery dealing with matters within the scope of the professional's license or expertise, shall be sufficient compliance for application of the exemption provided by subdivision (a) if the information is provided to the prospective transferee pursuant to a request therefor, whether written or oral. In responding to that request, an expert may indicate, in writing, an understanding that the information provided will be used in fulfilling the requirements of Section 1103.2 and, if so, shall indicate the required disclosures, or parts thereof, to which the information being furnished is applicable. Where that statement is furnished, the expert shall not be responsible for any items of information, or parts thereof, other than those expressly set forth in the statement. In responding to the request, the expert shall determine whether the property is within an airport influence area as defined in subdivision (b) of Section 11010 of the Business and Professions Code. If the property is within an airport influence area, the report shall contain the following statement:



## NOTICE OF AIRPORT IN VICINITY

This property is presently located in the vicinity of an airport, within what is known as an airport influence area. For that reason, the property may be subject to some of the annoyances or inconveniences associated with proximity to airport operations (for example: noise, vibration, or odors). Individual sensitivities to those annoyances can vary from person to person. You may wish to consider what airport annoyances, if any, are associated with the property before you complete your purchase and determine whether they are acceptable to you.

SEC. 5. Section 1353 of the Civil Code is amended to read:

1353. (a) (1) A declaration, recorded on or after January 1, 1986, shall contain a legal description of the common interest development, and a statement that the common interest development is a community apartment project, condominium project, planned development, stock cooperative, or combination thereof. The declaration shall additionally set forth the name of the association and the restrictions on the use or enjoyment of any portion of the common interest development that are intended to be enforceable equitable servitudes. If the property is located within an airport influence area, a declaration, recorded after January 1, 2004, shall contain the following statement:

## NOTICE OF AIRPORT IN VICINITY

This property is presently located in the vicinity of an airport, within what is known as an airport influence area. For that reason, the property may be subject to some of the annoyances or inconveniences associated with proximity to airport operations (for example: noise, vibration, or odors). Individual sensitivities to those annoyances can vary from person to person. You may wish to consider what airport annoyances, if any, are associated with the property before you complete your purchase and determine whether they are acceptable to you.

(2) For purposes of this section, an “airport influence area,” also known as an “airport referral area,” is the area in which current or future airport-related noise, overflight, safety, or airspace protection factors may significantly affect land uses or necessitate restrictions on those uses as determined by an airport land use commission.



(3) The statement in a declaration acknowledging that a property is located in an airport influence area does not constitute a title defect, lien, or encumbrance.

(b) The declaration may contain any other matters the original signator of the declaration or the owners consider appropriate.

SEC. 6. This act shall become operative on January 1, 2004.

