



Monthly Newsletter

April 2023

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California West is beginning to schedule deck inspections for multi-unit properties, as required by SB 721.

Under new California law, every six years multi-unit properties with decks or other raised structures must be inspected by a properly licensed architect, engineer, or contractor. The first inspections must be completed no later than December 31, 2024.

California West was recently contacted by an out-of-area vendor who is properly licensed and who specializes in performing these new inspections. We have been testing this vendor at some of our properties and so far are satisfied with the results.

The inspection findings are not reported to any public agency, but if health and safety defects are found then it will be a property owners' responsibility to promptly make necessary repairs. Obviously, failing to address a known safety hazard is unacceptable and will subject a property owner to significant additional liability if an accident ever results from such negligence.

Only buildings with 3 or more units that have any of the following are required to comply with this new law:

- Balconies, decks, porches, stairways, walkways, and entry structures that extend beyond exterior walls of the building and that rely in whole or in substantial part on wood or wood-based products for structural support or stability; and
- A walking surface that is elevated more than 6 feet above the ground level; and
- Balconies designed for human occupancy or use.

Of the properties that we have had inspected so far, we have received no recommendations for repair. The inspections to date include one four-plex, an 8-unit property, a 20-unit property, and a 35-unit property. We are waiting for reports back from the inspection of a 49-unit property and a 62-unit property.

Our plan is to schedule as many inspections as possible on a single day or series of days in the best way possible to maximize efficiencies for the contractor who will be performing the inspections. This will result in better pricing for our clients, whom we will be contacting at an appropriate time to discuss pricing and to obtain approval to schedule the required inspection.

Rent growth on the Central Coast remains strong.

Over the past six months, gross rents collected at each of California West's three office locations have increased by approximately five percent.

Our Lompoc office is collecting 5.3% higher rents than it was on September 1, 2022. Arroyo Grande is collecting 4.8% higher rents, and San Luis Obispo is collecting 5.3% higher rents.

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What this means for property owners is that if you did not raise rents significantly over the past two years then there is probably still some room for improvement. The maximum rate increases under current California law is ten percent except for properties that are exempt from rent control. Many of our clients have been opting for lower rate increases to existing residents, with a plan to eventually catch up to market over time.

When there is some turnover, then we have been seeing our clients raise rents to market and this generally our recommendation as well. We like to see rents slightly below market for good tenants but if you keep rates too far below market then it creates long term problems and misaligned expectations. Tenants do not fully appreciate the "gift" they are receiving from well-below market rents and landlords are often upset by a lack of gratitude when circumstances change. Overall, with rare exception, we recommend keeping rents slightly below market to discourage turnover but not so low that you feel like you are "gifting" a tenant a remarkable deal.

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Understand your insurance policy before it is an issue.

Here are some important questions to ask your insurance agent before you need to make a potential claim:

- Is it possible to obtain coverage for mold damage and, if so, does my policy cover that and what is the additional cost for such coverage?
- Do I have a policy that covers earthquake damage?
- Do I have a policy that provides legal defense for claims that I am violating fair housing law (even when I am not)?
- Does my policy reimburse me for lost rental income if there is a property damage claim and it takes months to repair?

Understanding your insurance coverage before it becomes an issue is much better than hoping for the best after the fact.