



Monthly Newsletter

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Under a new ordinance, rental property owners must register with the City of San Luis Obispo and pay new annual fees.

New San Luis Obispo ordinance mandates an inspection program for rental housing.

On May 5, 2015, the San Luis Obispo city Council voted 3-2 to approve a new rental inspection ordinance.

This new ordinance applies to R-1 and R-2 housing, which includes single family homes and duplexes. The ordinance does not apply to owner occupied housing or larger apartment buildings.

Under the new ordinance, owners of single family homes and duplexes must register with the City of San Luis Obispo within 60 days of January 1, 2016, or within 30 days from the time a rental unit is acquired.

Once registered, those properties will then be subject to inspection for code violations. According to The Tribune newspaper, City staff indicate that the inspections could be funded by fees imposed on property owners.

Those fees include a \$65 annual fee, a \$185 inspection fee, and a \$65 re-inspection fee. There is also the possibility of a self-certification program for \$65 per cycle for property owners who have a history of properly maintaining their properties.

Estimates indicate that the total cost of this new program is \$256,861 for the first year of the program, and \$483,553 for the second year, including staffing.

At California West, our approach to this new program will be to work with property owners and with the City to ensure full compliance while minimizing expense and inconvenience.

We do not welcome the additional work that this ordinance will create, nor do we like the additional overhead expense that the ordinance creates. That said, our business of managing properties is still the same. That includes working with the City to ensure that all of the housing which we manage is safely and adequately maintained.

Freshly renovated units demand premium prices.

At California West, we are finding that freshly renovated homes are easier to rent at premium prices.

The investment decision of whether it makes sense to renovate comes down to the numbers, so here are some examples to consider:

Freshly renovated homes are easier to rent at premium prices.

Example 1: In an ongoing rehabilitation project of a seven unit apartment building in downtown San Luis Obispo, some one bedroom units were getting \$1,250 per month and are now getting \$1,400 with multiple applications. With this project, as we continue the process, the next couple units will be offered to new tenants at \$1,450 per month because of the strong demand that we have seen so far. The cost to remodel these units has averaged \$8,000 - \$12,000 per unit. The improvements to these units include new laminate counters, new vinyl plank floors, new panel doors, and fresh paint. With the hard surface floors and a small patio space, we are also making these units pet friendly which is helping their marketability.

Example 2: We have a couple of identical nicely remodeled two bedroom, one bath condominiums in San Luis Obispo that are getting \$1,650 and \$1,695. One of these condos was owner occupied and the other is newly remodeled with granite kitchen counters, tile plank floors in the downstairs, and a new bathroom. The previously owner occupied unit has nice floors as was well and generally looks as if it was owner occupied. Both these condos have nicely landscaped back yards. A unit with an identical floor plan in the same condo complex is currently struggling to rent for \$1,500 per month. So, the return on this investment is approximately \$150 - \$200 per month per unit.

Example 3: A two bedroom, one bath duplex in Grover Beach that was flooded and gutted to the studs is receiving \$1,500 per month. The identical unit next door gets \$1,060 per month, which is probably under market. We are offering a similar un-renovated duplex on the same street for \$1,300 per month. The cost of this remodel was approximately \$25,000 and included drywall, a new tub enclosure, new vinyl plank flooring, new cabinets in kitchen and bath with granite counters, new panel doors throughout, and new paint throughout. Again, the return on investment is approximately \$200 per month per unit.

San Luis Obispo Office
1380 Broad Street #1
San Luis Obispo, CA 93401
Ph: (805) 543-9119
E-mail: slo@calwest.com

Arroyo Grande Office
145 S. Halcyon #H
Arroyo Grande, CA 93420
Ph: (805) 489-9400
E-mail: ag@calwest.com

www.california-west.com

CalBRE Lic. No. 00528841
Contractor Lic. No.: 985262