



Monthly Newsletter

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- **California just passed a statewide rent control law that also regulates how landlords may evict bad tenants.**

Most of the single family homes and condominiums that California West manages are most likely exempt from new rent control and just cause eviction laws.

California just passed a statewide rent control law that also regulates how landlords may evict bad tenants.

California just passed a complicated set of laws that: 1) imposes rent control statewide; 2) requires landlords to prove that they have “just cause” if they wish to terminate a tenancy and under some circumstances requires landlords to provide relocation assistance to tenants; but 3) exempts all homes built within the past 15 years and many landlords who own single family dwellings.

The new law does not apply to single family dwellings, including condominiums, if title to the property is held by an individual or partnership, in the name of a trust, or by a limited liability company with no corporate members. In practical terms, this means that the law probably will not apply to any of the single family homes or condominiums that California West manages though we will of course have to confirm this with each of our clients. Also, for properties that are exempt we will have to provide tenants with a specific notice of the exemption when entering into a lease or rental agreement.

Regarding the “just cause” requirement, the law lists a variety of reasons that will support terminating a tenancy and these are divided into two categories: reasons where a tenant is “at-fault” and reasons where there is “no-fault.”

“At-fault” reasons include: default in the payment of rent, breach of a material term of the lease after being issued a written notice to correct the violation, committing nuisance, committing waste, refusing to sign a lawful renewal offer, criminal activity, assigning or subletting the premises in violation of a lease, refusing lawful entry to the property, using the property for an unlawful purpose, and more.

In addition to these “at-fault” reasons, there is also a list of “no-fault” reasons for terminating a tenancy that include: an intent to occupy the property by the owner or a close family member if there is a provision in the lease that specifically allows for this, withdrawal of the property from the rental market, complying with a government order, or intent to demolish or substantially remodel the property.

If the property owner is using a “no-fault” reason to terminate a tenancy then the tenant’s final month of rent generally must be waived as a form of relocation assistance.

The biggest impact from this "just cause" requirement is that it shifts the burden of proof at an eviction trial from the tenant to the landlord. Previously, to successfully defend against an eviction lawsuit the tenant had to prove that the landlord's reason for evicting was unlawful. This was hard for tenants to prove and was usually easy for landlords to rebut. Now, though, the landlord must affirmatively prove that the reason for terminating the tenancy is legitimate. This means that we must be extra careful in documenting our decisions and the actions leading up to an eviction. In close cases, it also means that the tie goes to the tenant, so to speak, whereas before it would go to the landlord.

The new law caps rent increases at no more than twice per year and increases may not exceed 5% plus inflation in any 12 month period of time and never more than 10% regardless of inflation.

Regarding the rent control part of this new law, it caps rent increases at no more than twice per year and increases may not exceed 5% plus inflation in any 12 month period of time and never more than 10% regardless of inflation. In addition, the law is in some ways retroactive. It is retroactive in the sense that if an owner has increased rent by more than the allowed amount between March 15, 2019 and January 1, 2020 then the rent will be reduced on January 1, 2020 to what it was on March 15, 2019 plus the maximum permissible increase.

Frankly, on an editorial note, this new law is complicated and will not improve California's housing shortage but it is also unlikely to cause any significant disruption for professional management companies, as we will simply adjust our policies to comply with the new requirements. The stories about extreme housing shortages in rent controlled areas and crazy low rents for a fortunate few are less likely to happen under this law than under other more severe price control systems like those in cities such as San Francisco and New York City where rent control has exacerbated already tough housing problems. This law at least allows for annual rent increases at greater than the rate of inflation, so it is possible to bring under-market rents up to market rate over time.

Also, the "just cause" eviction requirements will require greater effort and care by landlords when getting rid of bad tenants but landlords should still be able to get rid of bad tenants if they are careful and maintain appropriate documentation for all problems that arise. Going forward, good management practices will be far more important to avoid allowing disruptive tenants to unjustly take advantage of a system that is now stacked more in their favor.

That said, we sincerely hope that this new law is not just a starting point for something more burdensome in the future. We do not want the horror stories of extreme housing shortages, dilapidated housing inventory, and being unable to get rid of drug dealers and other bad people because of unreasonably onerous "just cause" eviction requirements to become an everyday reality in all parts of California, as has happened in cities where strict rent control has been tried.

With all that in mind, hopefully the politicians in Sacramento will pat themselves on the back for a job supposedly well done and move on to some other pressing issue where the consequences of poor policy are less impactful, like perhaps banning plastic straws.

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