



# Monthly Newsletter

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## How will Diablo Canyon's closure impact the local rental market?

PG&E began operating two nuclear power plants at Diablo Canyon in May 1985 and March 1986. Those power plant reactors will close on Nov. 2, 2024, and Aug. 26, 2025, at which point PG&E will no longer operate the nuclear reactors.

According to The Tribune newspaper, the power plants at Diablo Canyon employ nearly 1,500 workers and contributes more than \$1 billion to the local economy and it is San Luis Obispo County's largest private industry employer, with an average annual salary of \$157,000 in 2014.

In addition, PG&E pays nearly \$26 million in annual property taxes and that amount will decrease to less than \$1 million per year after the power plant closes. PG&E will pay San Luis Obispo County nearly \$50 million to offset declining property taxes through 2025.

From a rental market perspective, the **direct** impact from the power plant's closure should be minimal because people making an average annual salary of \$157,000 do not typically rent homes in this area. We have rented to Diablo Canyon employees in the past, but it has been uncommon.

The **indirect** impacts are more worrisome.

Those people who are earning high salaries help support the local economy by eating at restaurants and by purchasing goods and services from local businesses. That is where the indirect impact will come into play. Generally speaking, the people who are renters in this area are servers at local restaurants and other service industry employees. If those people's jobs suffer as an indirect result of having fewer high wage jobs in this area then that will have a significant impact on the rental market.

Over the next ten years, the local economy will have to adjust to life without its largest industrial employer.

## **San Luis Obispo turnover season is unofficially over after Labor Day.**

We are concluding another successful (though stressful) turnover season in San Luis Obispo. Every year at California West, we do much of our annual turnover between late June and early September. The unofficial end of our season is always Labor Day weekend.

The season exists in San Luis Obispo because of Cal Poly's academic year.

Our staff works extremely hard turning over units during this time of year. A special thanks this year goes to Rosa, Silvia, and Amber who have been working overtime in the office to schedule repairs and make sure that everything is ready for new tenants.

Our maintenance crew also deserves mention for their efforts this year. Alan, Jose, and Frank have been working extremely hard. We also received some additional help from David who ordinarily works from our Arroyo Grande office and from a crew of temporary seasonal workers as well.

The summer season is definitely a team effort that includes all our employees in addition to our vendors who work hard as well.

## **Owners should not communicate directly with tenants when there is a property manager.**

Recently, we had a situation with a former tenant who we sent to collections because she and her co-signer refused to pay past due rent and a couple other small charges.

In response to being referred to collections, the tenant filed a small claims lawsuit naming California West, some of our staff, the staff of the collection agency and, the property owner as defendants. The tenant claimed, among other things, to have had conversations with the property owner directly in which the property owner supposedly told her to make repairs and deduct from their rent. Of course that never happened and we prevailed in small claims court.

The biggest take-away from this experience is to reinforce our belief that it is almost never a good idea for property owners and tenants to communicate directly. The problem is tenants hear what they want to hear and, as property managers, we are left wondering what really was said. In this instance, the tenant's version of events was so inconsistent that we easily prevailed in small claims court. However, that is not always the case.

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

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

[www.california-west.com](http://www.california-west.com)

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