



Monthly Newsletter

January 2025

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Tenant screening fee changes are a work in progress.

As discussed previously, AB 2493 prohibits landlords from charging screening fees unless the landlord provides the applicant with an established screening criteria and the first applicant who meets the landlord's established screening criteria must be approved for tenancy.

This new law is requiring a significant change to operations for California West and our clients. The negative implications of not being allowed to accept the most qualified applicant coupled with the logistical near impossibility of establishing binary screening criteria where we no longer weigh various factors but instead must create an approve/deny type of outcome for all our various clients has forced us to no longer charge screening fees to applicants, which allows us to avoid these new requirements.

As a result, we are now passing along any hard costs for screening to our clients and, at least for the time being, are no longer charging anyone for the administrative work that goes into processing applications.

These new processes have also motivated us to completely revamp our application screening process. Previously, the first thing we did was run a screening report and we never relied on screening reports provided by applicants. Now, we ask applicants to self report their credit scores, if possible, and provide us with a copy of a recent credit report, if available. We still recommend that our clients pay for a report to verify this information, before approving an applicant, but self reporting helps us weed out applicants whose credit history is clearly unacceptable to our clients. We also screen for income qualification and investigate prior landlord references before asking our clients to pay for a screening report. We are in the process of learning our clients' preferences in terms of whether and to what extent they wish to be involved in the decision to run screening reports. As with approving maintenance work, this is very much a client by client sort of decision and we will do our best to learn and meet the individual preferences of each of our various clients.

Another significant change to our screening process involves accepting applications only through AppFolio, which is the software platform that we use to run many aspects of our business. This helps us track for whom we have run screening reports and stay in compliance with providing screening reports to residents after they have been run. All told, the new processes are a work in progress and we are still refining them as we go along.

1099's have been sent to our clients.

We have sent 1099's to all our clients. This year, we included a 1099 Detail report along with 1099's to help our clients better understand how we calculated the amounts being reported.

One common question that we get every year from a number of clients has to do with Prepayments From Tenants, which appears at the bottom of the Cash Flow Statement and which gets added to or subtracted from Rent when we report 1099 income. This becomes an issue when, for example, a tenant pays January rent on December 31. That income gets reported in the year received, not in the year that the charge gets posted. It can be confusing, though, because the income appears on December's Cash Flow statement at the bottom of the report, as Prepayments From Tenants, rather than at the top of the report as Rent.

The reason why we can't just book all revenue as Rent is that we do not really know how to apply a receipt until there is a charge to which we can apply the receipt. When we receive money for which there is no corresponding charge on our system, it might be a reimbursement for a tenant caused maintenance issue. Or it might be for rent. Or something else. If there is no charge on our system, as would be the case if January rent is received on December 31, then the money sits in the Prepayments account until a charge posts on our system.

Anyway, the 1099 Detail report helps explain how we calculated amounts and will hopefully cut down on some confusion this year.

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More photos by maintenance technicians as a result of legislative changes.

As discussed previously, AB 2801 prohibits landlords from deducting the cost of repairs from security deposits unless 1) photographs were taken immediately before, or at the start of the tenancy; 2) within a reasonable time after the unit is returned to the landlord, but prior to any repairs or cleaning; and 3) within a reasonable time after repairs or cleaning are completed.

In order to comply with these requirements, we are now asking our maintenance staff to take before and after photos of all the work that they do. This is no small task, as maintenance workers like to do maintenance work and are generally not great at doing paperwork. Nevertheless, our managers are impressing on them the necessity of doing this for all work orders. It's a work in progress.

We do not want to do this case by case, only for work that may get charged to tenants, because maintenance workers should be fixing things, not deciding what is a tenant charge. The decision of whether a repair should be charged back to a tenant is left to our managers, in consultation with our clients, as necessary. Having additional photos will of course make that an easier task.