



## Monthly Newsletter

July 2016

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### In this issue

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- **The strong local economy means higher rent and higher maintenance expenses.**
  - **Responding quickly to City complaints is very important and can avoid regulatory fines.**
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### **A strong local economy means higher rents and more maintenance expenses.**

As we have discussed in this newsletter in recent months, the local economy is doing very well right now. This translates into a tight rental market and more income, but it also means more maintenance expenses.

At the height of the recession in 2008-2010, one silver lining was that it became very easy to find contractors who were willing to take on new projects at a reasonable price because everybody was looking for work.

Lately, though, contractors have been far busier. It may seem simple, but just driving around the area is a good way to see how well the economy is doing. This approach reveals that people are indeed busy moving dirt and building things, especially in Santa Maria and San Luis Obispo. This is obviously good to see, but it does impact our business in ways that are not completely positive.

Finding contractors and maintenance workers in times like these is more difficult than in tougher times.

As a busy property management company, we have established vendor relationships and an in-house handyman crew that is helpful in getting things done quickly and affordably.

However, even with our in-house handyman crew and established vendor relationships we still have to work harder to get work done than in times when contractors are actively looking for work.

To keep a well-staffed maintenance crew, we are also having to pay higher wages and will therefore be increasing the rate that we charge to clients from the current \$45 per hour to \$50 per hour. This will take effect on January 1, 2017.

In addition, local contractors are charging more for their services than in recent years and that will likely continue as long as the economy continues doing well.

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## Responding quickly to City complaints is very important and can avoid regulatory fines.

At California West, we took on some new accounts from a property manager who was having some problems. For one of these accounts, we recently received a stack of papers via Fed-Ex from the former property manager with lots of unopened mail that was several months old.

The unopened mail included, among other things, several unpaid bills and an invoice from the City of Santa Maria for regulatory fines of \$1,100 as of April and notice that further fines were accruing daily to a maximum of \$3,000.

We immediately called the City to find out more information and were told that the fines had risen to the maximum of \$3,000. We also learned that the fines arose because the previous property manager failed to comply with an order to appear to explain why some required work had not been completed.

Apparently, back in 2014 there was domestic disturbance at the property that resulted in a police visit. The police noticed some exposed wiring and other obvious building code violations and contacted the City Building Department which then sent an inspector to look at the issues and write up citations.

Our new client, the property owner, was aware of problems at the house and with the previous tenants and spent approximately \$10,000 on approved repairs after the police visit. However, the owner was not aware of the domestic disturbance or that the repairs were not entirely completed to the City's satisfaction.

As a result of the incomplete repairs, and the previous manager's failure to appear to explain why the repairs were not complete, the City's staff became frustrated and the result is \$3,000 in fines to the property owner. As of right now, we have finished repairing the electrical issues, which were actually relatively simple, but are still working on removing an unpermitted structure on the property with appropriate demolition permits.

The point of this story is to point out that ignoring a city request is unwise and that promptly dealing with problems is more economical than letting them drag on unnecessarily. The repairs themselves are expensive, which is unfortunate, but the \$3,000 in regulatory fines is absurd. Simply responding in a timely manner would have avoided this expense.

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