



# Monthly Newsletter

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## Maximum rent increases are now 8.8% for non-exempt properties in San Luis Obispo and Santa Barbara Counties.

As we have discussed in prior years, the maximum amount that landlords may raise rents annually on tenants of non-exempt residential units in California is five percent plus the relevant consumer price index (CPI), but never to exceed ten percent. Relevant CPI for San Luis Obispo and Santa Barbara Counties is currently 3.8 percent, which means that the maximum increase is 8.8 percent starting on August 1, 2024. Previously, the limit was 9.2 percent and historically it has been as follows:

Effective Date of Rent Increase	Maximum Increase
8/1/2024 - 7/31/2025	8.8%
8/1/2023 - 7/31/2024	9.2%
8/1/2022 - 7/31/2023	10.0% (inflation exceeded 5%)
8/1/2021 - 7/31/2022	9.0%
8/1/2020 - 7/31/2021	6.0%
1/1/2020 - 7/31/2020	8.34%
Prior to 2020	Unlimited

An important caveat to all this is that it only applies to non-exempt residential properties. Generally speaking, exempt properties include any “separately alienable dwelling unit” that is owned by an individual, a trust, or a limited liability company with no corporate member. Properties owned by corporations, whether directly or indirectly through a limited liability company, are not exempt from rent control. There are other available exemptions but they are few and very specific and it really requires an attorney who specializes in this area to determine whether a property is exempt.

One important detail to note is that landlords must include very specific language in their leases and rental agreements to perfect the “separately alienable dwelling unit.” When taking over management of new properties, we often come across leases and rental agreements that lack this necessary wording.

## How to calculate maximum rent increase amounts.

Calculating relevant CPI depends on where you own rental property in California. State law sets a maximum amount, but there are also additional limits set by various local municipalities. Whichever rule is more restrictive against landlords is the rule that applies.

Fortunately for us at California West, we do not manage properties in any areas where the local municipalities have imposed rent control, so all we have to focus on is the statewide rules.

In San Luis Obispo and Santa Barbara Counties, the relevant CPI is determined by the consumer price index for all urban consumers in California, as published by the Department of Industrial Relations. Major metropolitan areas, such as San Francisco and Los Angeles, have their own measures of inflation and those are what is used to calculate relevant CPI in those areas, notwithstanding more restrictive local ordinances.

Regardless of county, the index is the April to April change in the index, which gets reported in mid-June every year. The change then takes effect in August of that year and is in place for the following 12 months.

The April 2024 index for all urban consumers in California was 342.734 and that gets compared with the 2023 figure of 330.049. The difference of 3.8 percent  $[(342.734 - 330.049) / 330.049 = 3.8 \text{ percent}]$  then gets added to five percent, which gives us a maximum increase of 8.8 percent. The index numbers are reported on the Department of Industrial Relations website at:

<https://www.dir.ca.gov/oprl/CPI/PresentCCPI.PDF>

If the index increases by more than 5.0 percent then the maximum rental increase amount is capped at 10.0 percent. We saw this happen one time, when the change in the index from April 2021 to April 2022 was 7.7 percent, and so rent increases were capped at 10.0 percent.

## How to raise rent on rent controlled housing in California.

Raising rent on a non-exempt property in California requires serving a thirty day notice for month to month tenancies and may be done no more than twice every twelve months.

If a landlord chooses to split a rent increase in two, such as by increasing rent now and again in six months, then the total increase still may not exceed the annual limit, which is 8.8% starting on August 1, 2024, as described above.

Leases may be increased upon expiration of the lease but, again, may not exceed the maximum allowable amount.

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