



Monthly Newsletter

October/November 2024

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More regulatory obligations will apply starting in January 2025.

The complexity and number of legal obligations that California property owners must comply with is skyrocketing. Here are some of the new laws for 2025:

Tenant Screening Fees. 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 is approved for tenancy. Alternatively, landlords may charge screening fees but must return the fees to applicants who are not approved.

Security Deposits. 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.

Rent Reporting. AB 2747 requires that any landlord who owns more than one building or more than 15 units in one building must offer tenants the option to report positive rental payment information to at least one nationwide consumer reporting agency. This offer must be made annually and tenants may opt out of having their rental information reported, which is a right that must also be disclosed to them annually.

Balcony Inspections. AB 2579 extends the deadline to inspect balconies from January 1, 2025 to January 1, 2026.

Evictions. AB 2347 extends the deadline by which a tenant must answer an eviction complaint from five days to ten days. It also shortens the time for hearing on various motions.

Ultimately, the monetary cost of complying with all these new laws is far less than the cost that arises from adding complexity to a process that is already complex.

We are in the process of evaluating these new rules and coming up with systems and procedures to maximize the likelihood that our clients remain in compliance with all applicable laws.

A few notes from our accounting team.

Here are a few notes from our accounting team:

- The November owner draws happened earlier this month than normal due to the Thanksgiving holiday.
- December owner draws will happen like normal but monthly statements will not be sent until early January. As always, the December statement includes financial activity through the end of the year. A typical monthly statement is prepared a few days before the end of the month, so does not include full month activity. The reason for the change in December is so the statements may be used by our clients when preparing their tax returns.
- 1099's will go out in January 2025, as early as possible.

Comments on new laws regarding security deposit and tenant screening fees.

As noted above, there are new laws that limit the extent to which landlords may charge screening fees and what a landlord must do before deducting a charge from a security deposit.

One issue with taking photos before occupancy, before repair, and after repair is that each trip to take photographs costs time and money. Traditionally, we have included the cost of taking basic photographs as part of our standard management fee and we find that doing so does help us resolve security deposit disputes in the vast majority of circumstances. However, for smaller repairs the cost of taking three sets of photographs often exceeds the cost of a repair itself. Imposing photo taking responsibilities on vendors who make repairs may be the way to go, and would of course have benefits beyond legal compliance, but making that a requirement of doing work for us will reduce the number of vendors who care to perform work and will ultimately drive up their costs.

An issue with the new screening fee law is that a "first come, first approved" strategy to rental screening is not ideal for landlords. The better approach is to approve the most qualified applicant, who is not necessarily the first applicant who meets certain minimum criteria. Also, the idea of coming up with a formulaic approval criteria is unavoidably problematic. An applicant may have strong credit history and references but be light on income. Or vice versa. Realistically, intelligent screening relies on a list of factors, rather than on a mathematical formula. To make a good decision, you have to weigh the different factors and there is no way to come up with and articulate a set of screening criteria, as envisioned by the new law.

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The bottom line is that we will keep our clients posted as we work through the logistics of complying with these new laws.