



Monthly Newsletter

September 2024

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Demand for student housing in San Luis Obispo may soften, as Cal State officials are projecting a 2025-26 budget hole of about \$400 million to \$800 million.

Issues with the budget process in Sacramento may mean softening of rents in San Luis Obispo.

Historically, the biggest driver of rents in San Luis Obispo has been demand by students for rental housing near the campus. Supply and demand for rental housing in San Luis Obispo has historically gone through through two major cycles.

The first cycle is where the University is increasing enrollment in anticipation of building new dormitories. This cycle lasts for however long it takes between the announcement of new dormitories and the final construction of those dormitories, which is usually around 5-7 years. The impact on rental prices is a gradual run-up in prices as demand exceeds supply, which pushes students to live further away from campus and increases prices for housing adjacent to campus. Once the new dormitories are built, then there is a sudden softening in rental prices as new dormitory beds become available, which increases the supply of housing.

The other major cycle has to do with state budget cuts. Cal Poly loses money for every in-state student who they enroll. This means that California taxpayers must subsidize those losses. Out-of-state students are profitable, but there's very little political appetite for allowing out-of-state students to enroll at Cal Poly because California taxpayers subsidize the University.

On September 24, the Cal State's Board of Trustees heard a grim fiscal outlook at a public meeting, where they were presented with figures that show a 2025-26 budget hole of about \$400 million to \$800 million — a sizable chunk of Cal State's estimated operating budget of \$8.3 billion next year

What we have seen in previous times when California has had budget problems is that the University reduces enrollment and that has a softening effect on rents.

We will be monitoring this closely and advising caution when setting rents for next academic year.

Proposition 33, on the November ballot, seeks to authorize additional rent control in California.

Proposition 33 is the latest attempt by rent control advocate Michael Weinstein to impose extreme rent control in California. This latest proposition is Weinstein's third attempt to prevent landlords from raising rents to market rates when a rental unit becomes vacant.

If voters adopt Proposition 33, it will repeal the Costa-Hawkins Rental Housing Act, which prohibits cities from imposing local rent control on certain housing and it will authorize cities to impose permanent price controls on single-family homes, condominiums, and apartments.

Enacted in 1995, Costa-Hawkins provides exemptions from rent control for specific properties, like single-family homes and apartments built after February 1995. In cities with a rent control ordinance that existed prior to Costa-Hawkins, it prohibits rent control on any apartments built after the date of the original local rent control law. Additionally, it safeguards vacancy decontrol, allowing landlords to adjust rents to market rates after a tenant vacates.

Proposition 33 seeks to repeal Costa-Hawkins entirely, allowing for strict rent control on all types of housing, including single-family homes and all apartments in California, no matter the age of the building.

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Property tax bills will be arriving shortly.

Property tax bills will be available soon. If you are having your bills sent to California West then we will pay them from your trust account. That said, we strongly encourage our clients to read their financial statements and make sure that the property tax bills get posted and paid if that is what you are expecting. You can see unpaid bills on your Owner Statement, so if we receive them next month and do not yet have adequate funds to pay the bill then you will still see it as an unpaid bill. If we do have funds then we will pay from those funds.

If you receive your property tax bill directly and wish to forward it to us for payment from your trust account then we can do that as well.

If you wish to look up payment status with the County or download duplicate bills, you can do that on the County Tax Collector websites.

San Luis Obispo County: services.slocountytax.org

Santa Barbara County: mytaxes.sbtaxes.org

As always, the first installment is due November 1 and late after December 10. Second installments are due on February 1 and late after April 10.