

The Backus Bulletin

"Your Management, Your Way"

What can YOU do about rent control?

June 2018

I am going to summarize what is currently happening on the legal and legislation fronts on this very important issue.

In November there will be an proposition on the ballot to repeal the Costa-Hawkins bill that was passed in 1994. This bill prohibited municipalities from instituting rent control or similar laws on properties four units and under or built after 1994. Municipalities have been able to enact rent control and related processes on multiunit buildings and properties built before 1994. The reasoning for this split was that being assured of no rent control would encourage construction of new multifamily housing units and that owners of small rentals (single family up to fourplex) were more likely to be individual owners, not large companies.

The repeal of Costa-Hawkins would not immediately change anything. However, it would encourage municipalities that have rent control on multiunits to now include all rentals. In a very tight housing market, it would also discourage the building of multiunit buildings.

What makes me nervous: California now has more renters than home owners. If the log starts rolling down the hill (more inclusive rent control for cities that

already have statutes, the cities where rent control possibilities are already a big issue going forward) and the issue comes up for a general vote, the majority of voters may be renters. Renters, in general, see landlords as making a great deal of money off people who cannot afford to buy. We all know that is not true.

With rent control comes a bunch of other issues. The requirement for "For Cause" evictions (also called "just cause") seems reasonable and is almost always a part of the legislation. Should not people be given a reason for why they are being evicted? Truthfully, there is always a reason, but perhaps one you cannot prove. If the neighbors tell you your tenants have a large number of visitors between midnight and 5:00 AM, it is pretty clear something is going on. If the neighbors are not willing to testify (for fear of reprisal) you may not be able to evict the tenant. Courts have regularly shown that non-payment of rent or proof of illegal activity on the property are the only sure grounds for eviction. What if the tenant is late every month? What if the tenant has done substantial damage to the property? What if you are paying for excessive repairs because the tenant is not taking care of the property? What if the yard has gone to ruin and the tenants will not pay for yard care? What if you think the tenant has moved in a bunch of other people? What if the tenant is refusing to have an inspection? All of

these situation have been seen by the court system as damages to be taken from security deposit but not grounds for eviction. You can understand the security deposit could be used up pretty quick.

We seldom have cause to evict tenants, but when we do it always is for actions contrary to the lease agreement. A "just cause" eviction would require the proof of that transgression and would likely take several months to get to court.

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Backus Properties

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Announcements & Services

THINKING OF SELLING?

We hate to see you go, but please give us a call if you are considering this possibility. Although we do not solicit listings for sale, we have been very successful at accommodating our clients. This last year we have sold 27 properties in Monterey, Salinas, Highway 68 and throughout Monterey County ranging in price from upper \$300,000's to \$1.2 Million. Because we know the properties for sale, and have a relationship with the tenants in place, the disclosures and inspections are handled smoothly and accurately.

We can also easily give you an idea of current value if you are considering the possibility, but need more information to make a decision.

Some of the properties sold in the last year are:

- 21445 Riverview Ct., Salinas, CA 93908
- 336 Cayuga St., Salinas, CA 93901
- 54 Chestnut St., Salinas, CA 93901
- 40 West St., Salinas, CA 93901

WHAT CAN WE DO TO MAKE OWNING A RENTAL PROPERTY EASIER FOR YOU?

We won't know unless you tell us! Don't forget we have an "Eviction Protection" plan for \$20.00 per month that covers the \$1,000-\$1500 attorney fees if you have to evict a tenant. We also have "Rent Protection" at 2% additional management fee that means we will pay the rent if the tenant does not pay on time or not at all. Call or email our office: info@backuspm.com or 831-455-2052.



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The last item that has been jumping up is requiring owners to pay relocation costs on evictions, generally \$3000-\$5000. This is on top of whatever damage has been done and attorney fees.

So what can you do?

1. Allow us to increase rents as needed to stay close to market rent. If rent control hits, at least we will not be starting behind.
2. Vote NO on the elimination of Costa Hawkins. As soon as we know the proposition number, we will be sending that information to all owners.

If the proposition passes, I would estimate that rent control and attendant legislation would reach Monterey county within three years. We need to be prepared now.

Any comments or questions? Give me a call or email: sbackus@backuspm.com