

The Backus Bulletin

"Your Management, Your Way"

Changes in the California Residential Landlord Tenant Law

October 2019

Changes to go into effect January 1, 2020.

Much to our surprise, after being soundly defeated by the general election, the California legislature has passed a bill (AB 1482) titled "Tenant Protection Act of 2019"

Because it is the usual legal gobblety gook, I will try to simplify it for you—if you want the whole thing, just go on-line.

First: It does not affect many of our owners. If you fit in the following categories, it does not apply:

- Your property was built (received occupancy permit) after 2004. That 15 year window is a rolling number, so next year the magic year is 2005.
- Your property is a single family home, not owned by a corporation. Single family includes condos, and zero lot line homes (attached homes.)
- Properties are exempt that are held by an LLC as long as none of the owners are a corporation.
- Your property is zoned and used for commercial purposes

If this describes your property, you do not need to read any further.

If you are in the following categories, the new law does apply:

- The property is two or more units. That would include two separate buildings on the same tax lot.
- The property is owned by a corporation.

1). The important changes with the new law: Annual rent increases cannot be more than 5% plus CPI (Consumer Price Index), currently a total of about 8%. Rent increases cannot be more than once a year. As a practical matter, if your rents are at market, increases are rarely over that amount.

2). If a tenant has been in a property for more than one year, notice to vacate must be given only "for cause." More on that later.

3). A "no cause" notice can only be given if the property is undergoing substantial renovation, the owner or close relative is moving in, it is being sold, is simply being withdrawn from the rental market, or has been deemed uninhabitable by a government agency. If this "no cause" notice is given, owner must compensate tenant the equivalent of one month rent.

The real issue here is the loss of the "no cause" eviction right on behalf of the owner on properties that fall under the new law. As a practical matter, good tenants are never given a "NO CAUSE" termination. If they are good tenants and pay on time and take good care of the property, why would you want them to leave? However, the "no cause" feature has often been used in the past to be rid of tenants that we do not want to have to deal with any longer. Examples: numerous late rents. The appearance of more people in the home than on the lease. Complaints from neighbors. Failure to maintain the property to our standards. Suspicion (but not provable) of illegal activities.

In the past, it has been difficult to get neighbors to file a complaint against a

tenant for fear of retaliation, so other proof may be necessary.

Under the new law, it is still possible to evict these tenants, but we will have to be able to prove a cause. In most instances, they will be given two notices to correct the problem. Failing to do that, they can be given notice to vacate.

This puts added pressure on us to carefully screen prospective new tenants. We will probably be tightening up our criteria. You may find it takes a little longer to find an acceptable tenant.

Currently, after an annual assessment of the property, we send a letter to the tenant listing any area that they are not in compliance with the lease. The new format will be more serious notice, explaining that the failure to perform can lead to a "for cause" eviction.

Under those circumstances, I do expect more opposition from tenants and more cases that go to court.

Just to relieve you, out of 800 properties, we seldom, in the past have done more than three or four "no cause" evictions in a year.

(Continued on pg. 2)

Backus Properties

P.O. Box 1089
Salinas, CA 93902
(831) 455-2052
Fax: (831) 455-2087
info@backuspm.com

backuspm.com



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 P.O. Box 1089
 Salinas, CA 93902
 (831) 455-2052
 Fax: (831) 455-2087

Contact us:

Sally Backus, MPM
 Broker

Bill Backus
 Associate Broker
 Sales

Michele Backus
 Property Manager

Cindy Vargas
 Property Manager

Molly Scott
 Asst. Property Manager

Daisy Puente
 Asst. Property Manager

Celeste Serrano
 Administrative Asst.

Cyndie Scott
 Administrative Asst.

Daniel Pinto
 Administrative Asst.

Sally Ann Mejia
 Bookkeeper

Office Hours: Mon-Fri 9am-4:30pm
 Saturday - by appointment
 Sundays & Holidays - closed

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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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So—what will we be changing on our end? As mentioned before, we will make the criteria to rent a little more difficult. Our leases will be changed to reflect the new law. Each property will be noted (on the information sheet) as to whether or not they come under the new law. We are considering going to a 10 month initial lease instead of 12 months, because if the first evaluation of the property shows them to be less than desirable tenants, they can be given notice to vacate prior to them having lived in the property for 12 months.

On renewing rental agreement with existing tenants, they will be signing an addendum explaining the new laws.

Like all legislation, there are a lot of "if and buts" in the law, but this really covers what will affect our clients. We have had many changes in the Landlord Tenant Law in the last 40 years that I have been in the industry. When changes first come about, people always think the sky is falling, but things generally work themselves out. Don't lose any sleep over this—that is our job! Give me a call if you have any questions or additional concerns. Sally

