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Franco Simone, Esq.
3702 4th Ave.
San Diego, CA 92103
(619) 235-6180 Telephone
(619) 235-6392 Facsimile



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“Tenant Protection Act of 2019”

AB 1482

Franco Simone, Esq.
3702 4th Ave.
San Diego, CA 92103
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(619) 235-6392 Facsimile



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Overview

Civil Code § 1947.12: Rent Cap

- Sets a “rent cap” on annual rent increases at 5% plus the change in cost of living for all rent increases occurring on or after March 15, 2019.

Civil Code § 1946.2: Just-Cause & Relocation Benefits

- Creates a “just cause” requirement for termination of a tenancy of 12 months or more.
- Requires a rent waiver or payment of relocation benefits for tenancies terminated for “no-fault just cause”

*certain properties are exempt from rent cap and just cause rules.

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Exemptions From Rent Cap & Just Cause Terminations

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Exemptions

Just Cause and Rent Caps do NOT apply to:

- Housing built within the last 15 years
- A duplex in which the owner occupies one of the units at the commencement of and throughout the tenancy;

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Exemptions

Just Cause and Rent Caps do NOT apply to:

- A single-family residential property IF:
 - The owner* is not a corporation, not an LLC with at least one owner who is a corporation, and not a real estate investment trust (REIT); AND
 - The owner gives the tenant a legally required notice of exemption.

**Ownership by individuals, partnerships, individual co-owners, trusts, and LLCs with no corporate owners, all qualify for the exemption.*

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Exemptions | Notice

What do I need to do to claim exemption?

You must provide a written notice:

- For tenancy existing before July 1, 2020:
 - Notice may, but is not required to, be provided in the rental agreement.
- For tenancy commenced or renewed on or after July 1, 2020:
 - Notice *must* be provided in rental agreement.
 - If an owner fails to provide required notice, then single-family home or condominium is *not* exempt from regulations.

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Exemptions | Notice

Exemption notice must read: *“This property is not subject to the rent limits imposed by Section 1947.12 of the Civil Code and is not subject to the just cause requirements of Section 1946.2 of the Civil Code. This property meets the requirements of Sections 1947.12 (d)(5) and 1946.2 (e)(8) of the Civil Code and the owner is not any of the following: (1) a real estate investment trust, as defined by Section 856 of the Internal Revenue Code; (2) a corporation; or (3) a limited liability company in which at least one member is a corporation.”*

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Civil Code § 1947.12

California Rent Cap

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“Rent Cap” | Annual Rent Increase Limit

Maximum Rent Increase Per Year:

- 5% + CPI: Each year, landlords may raise the rent by up to 5% plus the applicable Consumer Price Index (CPI) percentage or 10%, whichever is lower.

How do you Calculate the CPI?

- CPI percentage is the change from April 1 of the prior year, to March 31st of the current year for the region in which the rental is located.

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CPI Confusion

- Law states CPI should be taken from “region”
- It appears the lawmakers meant to use the term “area”
- Author of the law has published conflicting information on his website about CPI
- What is a Landlord to do?

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Consumer Price Index Information



<https://www.dir.ca.gov/OPRL/CAPriceIndex.htm>

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“Rent Cap” | Annual Rent Increase Limit

Rent Cap Applies to Tenancies of 12 Months or More:

- For tenants who have lived in the unit for more than 12 months, landlords may increase the rent up to two times within that period, but the increase CANNOT exceed the rent cap.

When can I increase the rent to fair market value?

- Once a tenant vacates the unit, you may raise the rent to market. Future increases on that new market rent will be subject to the rent cap.

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Rent Increases Made Before January 1, 2020

Rent Increase Prior to March 15, 2019:

- If you raised the rent by more than 5% plus CPI prior to March 15, 2019, that rent remains in effect.

Rent Increase Between March 15, 2019 & January 1, 2020:

- If you raised the rent by more than 5% plus CPI after March 15, 2019, you will need to retroactively reduce the rent.
- The reduced rent is the amount charged on March 15, 2019 plus the allowable rent increase (5% plus CPI or 10%, whichever is less).

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Rent Increases Made Before January 1, 2020

What if I charged too much rent between March 15, 2019 & January 1, 2020?

- You can keep it! Tenants are not entitled to a refund for rent charged above the rent cap that was collected from March 15, 2019 to January 1, 2020.

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Civil Code § 1946.2

Just Cause Terminations

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Just Cause | Applicable Tenancies

- As of January 1, 2020, this requirement applies to tenants who have continuously resided in the unit for 12 months or more.
- If another tenant is added to the unit, “just cause” requirement does not apply until all tenants have continuously resided in the unit for 12 months or more, *or* at least one tenant has continuously resided in the unit for 24 months or more.

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Just Cause Termination

Terminating Tenancies 12 Months or More:

- Tenants in a property 12 months or more are entitled to at least 60 Days Notice to Quit with “just cause”

What is “just cause”?

- “Just cause” is a specific reason to terminate that must be included on the notice to quit

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Just Cause Termination

Two categories of “just cause” termination:

1. At-Fault: The tenant did something to justify termination
2. No-Fault: The tenant did not do anything to justify termination and is entitled to relocation benefits

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At-Fault | Just Cause Termination

Civil Code § 1946.2: The at-fault just cause reasons are:

1. Failure to pay rent;
2. Breach of a material lease term;
3. Maintaining, committing, or permitting the maintenance or commission of a nuisance, as defined by the law;
4. Committing waste;
5. Written lease terminated on or after January 1, 2020 and tenant refuses to execute a written extension or renewal of the lease based on similar terms;
6. Criminal activity by the tenant on the property;

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At-Fault | Just Cause Termination

Civil Code § 1946.2: The at-fault just cause reasons are:

7. Assigning or subletting in violation of the lease;
8. Refusing owner access to the unit as authorized by law;
9. Using premises for unlawful purposes
10. Resident manager's failure to vacate after termination;
11. Failure to deliver possession of the unit following written notice to the landlord of tenant's intention to terminate the lease.

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No-Fault | Just Cause Evictions

Civil Code § 1946.2 provides 4 no-fault reasons a tenancy may be terminated. The no-fault just cause reasons are:

1. Intent by the owner or owner-relative to occupy the unit; (only includes spouse, domestic partner, children, grandchildren, parents or grandparents.)
2. Withdrawal of the rental property from the rental market;
3. Intent to demolish or substantially remodel* the unit;
4. Owner is complying with a local ordinance, court order, or other government entity resulting in the need to vacate the property.

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No-Fault | Just Cause Evictions

Just Cause Does NOT include:

- Sale of property;
- Moving a resident manager into a unit.

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No-Fault | Just Cause Evictions

What does it mean to “substantially remodel” the unit?

- The replacement or substantial modification of any structural, electrical, plumbing, or mechanical system
- Requires a permit from a governmental agency

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No-Fault | Just Cause Evictions

What does it mean to “substantially remodel” the unit?

- Abatement of hazardous materials, including lead-based paint, mold, or asbestos, in accordance with applicable federal, state, and local laws
- Cannot be reasonably accomplished in a safe manner with the tenant in place and that requires the tenant to vacate the residential real property for at least 30 days.

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No-Fault | Just Cause Evictions

“Substantially remodel” does NOT mean:

- Cosmetic improvements, including painting, decorating, and minor repairs, or other work that can be performed safely without having the residential real property vacated, do not qualify as substantial rehabilitation.

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Relocation Benefits for No-Fault Just Cause

If you terminate for No-Fault Just Cause, you must pay relocation benefits

How do I pay relocation benefits?

- **Rent Waiver**
 - Equal to one month of the rent in effect on the date of the notice of termination.
 - Written waiver of payment must be provided to tenant prior to the rent due date.
 - Notice of termination should provide the amount of the rent waiver and state that no rent is due for the last month of tenancy.
- **Pay Relocation Benefits**
 - Equal to one month of the rent in effect on the date of the notice of termination.
 - Must be paid to tenant within 15 calendar days of the service of notice of termination.

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Relocation Benefits for No-Fault Just Cause

What happens if I do not pay relocation benefits?

- Failure to pay relocation benefits or provide a rent waiver will void the notice of termination of tenancy.

What does this mean?

- The tenants do NOT have to move!

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Notice Requirements

Termination notice must explain the “just cause” and rent cap protections.

- Tenancy existed prior to July 1, 2020:
 - Written notice provided no later than August 1, 2020, or
 - An addendum to the lease or rental agreement.
- Tenancy commenced or renewed on or after July 1, 2020:
 - Notice must be provided as an addendum to the lease or rental agreement, or
 - Written notice signed by the tenant with a copy provided to the tenant.

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Notice Requirements

Notice Must state: *“California law limits the amount your rent can be increased. See Section 1947.12 of the Civil Code for more information. California law also provides that after all of the tenants have continuously and lawfully occupied the property for 12 months or more or at least one of the tenants has continuously and lawfully occupied the property for 24 months or more, a landlord must provide a statement of cause in any notice to terminate a tenancy. See Section 1946.2 of the Civil Code for more information.”*

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Questions

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