



California's Statewide Rent Control Overview



—LAW OFFICE OF—
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—
A PROFESSIONAL LAW CORPORATION

New Eviction and Rent Control Law

- ▶ AB-1482 (Adds new Code Sections: Civil Code 1946.2, 1947.12 and 1947.13)
- ▶ 1947.12 Restricts Rental Increases for Specific Owners
- ▶ 1947.13 Provides Exemptions to the new 1947.12 for Owners who Provide Ultra Low Cost Housing
- ▶ All Codes are Effective January 1, 2020



1947.12 Rent Control

- ▶ Civil Code 1947.12 Applies to Most Tenancies Then the Eviction Control Statute 1946.2 as the Protections Under the Code are Much Broader and Exemptions are less than Civil Code 1946.2



1947.12 Applicability Generally Speaking

- ▶ For 1947.12 to apply to the following generally speaking:
 - ▶ Owners of Multi-family properties (Has Two or more units)
 - ▶ A Corporation, Real Estate Investment Trust (REIT) and or LLC with at least one Corporation as a member who owns any type of residential real property
 - ▶ Owners, and or Tenants who rent out rooms or units in Single Family Homes or other Residential Properties (YOU ARE NOT EXEMPT!)



1946.2 Eviction Restrictions

▶ 1947.12.Text

- ▶ (a) (1) Subject to subdivision (b), an owner of residential real property shall not, over the course of any 12-month period, increase the gross rental rate for a dwelling or a unit more than 5 percent plus the percentage change in the cost of living, or 10 percent, whichever is lower, of the lowest gross rental rate charged for that dwelling or unit at any time during the 12 months prior to the effective date of the increase. In determining the lowest gross rental amount pursuant to this section, any rent discounts, incentives, concessions, or credits offered by the owner of such unit of residential real property and accepted by the tenant shall be excluded. The gross per-month rental rate and any owner-offered discounts, incentives, concessions, or credits shall be separately listed and identified in the lease or rental agreement or any amendments to an existing lease or rental agreement.
 - ▶ (2) If the same tenant remains in occupancy of a unit of residential real property over any 12-month period, the gross rental rate for the unit of residential real property shall not be increased in more than two increments over that 12-month period, subject to the other restrictions of this subdivision governing gross rental rate increase.
 - ▶ (b) For a new tenancy in which no tenant from the prior tenancy remains in lawful possession of the residential real property, the owner may establish the initial rental rate not subject to subdivision (a). Subdivision (a) is only applicable to subsequent increases after that initial rental rate has been established.
 - ▶ (c) A tenant of residential real property subject to this section shall not enter into a sublease that results in a total rent for the premises that exceeds the allowable rental rate authorized by subdivision (a). Nothing in this subdivision authorizes a tenant to sublet or assign the tenant's interest where otherwise prohibited.
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1947.12 Restrictions Apply to More Owners Than Eviction Control

▶ Take Always

- ▶ For Non-Exempt Properties, Rent Increases Can Never Exceed 10%
 - You Only Get a 5% increase plus the change in the cost of living up to a maximum of 10% whatever is lesser
 - For Exempt Properties, Penal Code 396 (Anti-Price Gouging Statute) Still Can Apply If there is a State of Emergency. You cannot increase rent more than 10% of the lowest advertised rent/rent charged by former tenant
- ▶ Landlords get Price De-Control (Can Charge Market Rate when Unit is Vacant [Exempt in a State of Emergency])
- ▶ If Tenant has resided in unit over any 12 month period the gross rental rate cannot be increased in more than 2 increments
- ▶ Exemptions may apply for owners that fall within specific circumstances and or conditions.



1947.12 Exemptions

▶ 1947.12 Exemptions Generally

- ▶ Housing restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code, or subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code or comparable federal statutes.
- ▶ Dorms operated by any higher education institution within the state for use and occupancy by students in attendance at that institution
- ▶ Housing subject to local rent or price control that restricts annual increases in the rental rate to an amount less than the 1947.12 rate.
- ▶ Housing Built within last 15 years that (has a certificate of occupancy issued within last 15 years)
- ▶ Single Family Homes (Not owned by a Corporation, REIT or LLC with at least one member who is a Corporation)
- ▶ A Duplex where the owner resides in one unit as their principal place of residence at the beginning of the tenancy so long as the owner continues in occupancy.



1947.12 Restrictions Apply to More Owners Than Eviction Control

SEC. 3. Section 1947.12 is added to the Civil Code, to read:

1947.12. (a) (1) Subject to subdivision (b), an owner of residential real property shall not, over the course of any 12-month period, increase the gross rental rate for a dwelling or a unit more than 5 percent plus the percentage change in the cost of living, or 10 percent, whichever is lower, of the lowest gross rental rate charged for that dwelling or unit at any time during the 12 months prior to the effective date of the increase. In determining the lowest gross rental amount pursuant to this section, any rent discounts, incentives, concessions, or credits offered by the owner of such unit of residential real property and accepted by the tenant shall be excluded. The gross per-month rental rate and any owner-offered discounts, incentives, concessions, or credits shall be separately listed and identified in the lease or rental agreement or any amendments to an existing lease or rental agreement.

(2) If the same tenant remains in occupancy of a unit of residential real property over any 12-month period, the gross rental rate for the unit of residential real property shall not be increased in more than two increments over that 12-month period, subject to the other restrictions of this subdivision governing gross rental rate increase.

(b) For a new tenancy in which no tenant from the prior tenancy remains in lawful possession of the residential real property, the owner may establish the initial rental rate not subject to subdivision (a). Subdivision (a) is only applicable to subsequent increases after that initial rental rate has been established.

(c) A tenant of residential real property subject to this section shall not enter into a sublease that results in a total rent for the premises that exceeds the allowable rental rate authorized by subdivision (a). Nothing in this subdivision authorizes a tenant to sublet or assign the tenant's interest where otherwise prohibited.

(d) This section shall not apply to the following residential real properties:

(1) Housing restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code, or subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code or comparable federal statutes.

(2) Dormitories constructed and maintained in connection with any higher education institution within the state for use and occupancy by students in attendance at the institution.

(3) Housing subject to rent or price control through a public entity's valid exercise of its police power consistent with Chapter 2.7 (commencing with Section 1954.50) that restricts annual increases in the rental rate to an amount less than that provided in subdivision (a).

(4) Housing that has been issued a certificate of occupancy within the previous 15 years.

(5) Residential real property that is alienable separate from the title to any other dwelling unit, provided that both of the following apply:

(A) The owner is not any of the following:

(i) A real estate investment trust, as defined in Section 856 of the Internal Revenue Code.

(ii) A corporation.

(iii) A limited liability company in which at least one member is a corporation.

(B) (i) The tenants have been provided written notice that the residential real property is exempt from this section using the following statement:



1947.12 Restrictions Apply to More Owners Than Eviction Control

(e) This section shall not apply to the following types of residential real properties or residential circumstances:

(1) Transient and tourist hotel occupancy as defined in subdivision (b) of Section 1940.

(2) Housing accommodations in a nonprofit hospital, religious facility, extended care facility, licensed residential care facility for the elderly, as defined in Section 1569.2 of the Health and Safety Code, or an adult residential facility, as defined in Chapter 6 of Division 6 of Title 22 of the Manual of Policies and Procedures published by the State Department of Social Services.

(3) Dormitories owned and operated by an institution of higher education or a kindergarten and grades 1 to 12, inclusive, school.

(4) Housing accommodations in which the tenant shares bathroom or kitchen facilities with the owner who maintains their principal residence at the residential real property.

(5) Single-family owner-occupied residences, including a residence in which the owner-occupant rents or leases no more than two units or bedrooms, including, but not limited to, an accessory dwelling unit or a junior accessory dwelling unit.

(6) A duplex in which the owner occupied one of the units as the owner's principal place of residence at the beginning of the tenancy, so long as the owner continues in occupancy.

(7) Housing that has been issued a certificate of occupancy within the previous 15 years.

(8) Residential real property that is alienable separate from the title to any other dwelling unit, provided that both of the following apply:

(A) The owner is not any of the following:

(i) A real estate investment trust, as defined in Section 856 of the Internal Revenue Code.

(ii) A corporation.

(iii) A limited liability company in which at least one member is a corporation.

(B) (i) The tenants have been provided written notice that the residential property is exempt from this section using the following statement:

"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."



1947.12 How to Find Out How Much More You Can Increase the Rent

▶ 1947.12 (g)(2)

- ▶ “Percentage change in the cost of living” means the percentage change from April 1 of the prior year to April 1 of the current year in the regional Consumer Price Index for the region where the residential real property is located, as published by the United States Bureau of Labor Statistics. If a regional index is not available, the California Consumer Price Index for All Urban Consumers for all items, as determined by the Department of Industrial Relations, shall apply.



1947.12 How to Find Out How Much More You Can Increase the Rent

- ▶ That Means you have go to the US Bureau of Labor Statistics Every Year After April 1st to find out the Change in CPI index Number for the new year.
 - ▶ “Percentage change in the cost of living” means the percentage change from April 1 of the prior year to April 1 of the current year in the regional Consumer Price Index for the region where the residential real property is located, as published by the United States Bureau of Labor Statistics. If a regional index is not available, the California Consumer Price Index for All Urban Consumers for all items, as determined by the Department of Industrial Relations, shall apply.



1947.12 How to Find Out How Much More You Can Increase the Rent

- ▶ Steps to Calculate CPI:
- ▶ Step 1: Find Out Your Regional Metro Area where a CPI-U Index is Published.
 - ▶ For the SF Bay Area go here:
https://www.bls.gov/regions/west/ca_sanfrancisco_msa.htm
 - ▶ *Note Although the on the US BLS website they have Vallejo as a region, there is no CPI index for Vallejo, rather S.F-Oakland Hayward. What does the code say to do? Go to the CA Department of Industrial Relations Site and get use the number for our region: <https://www.dir.ca.gov/OPRL/CPI/PresentCCPI.PDF>



<http://www.dir.ca.gov/OPRI>

CONSUMER PRICE INDEX - CALIFORNIA
Los Angeles-Long Beach-Anaheim, San Francisco-Oakland-Hayward, San Diego-Carlsbad, Riverside-San Bernardino-Ontario
United States City Average, 2018-2019

All Items
1982 - 1984 = 100

Year & Month	All Urban Consumers						Urban Wage Earners and Clerical Workers					
	California ^a	Los Angeles ^b Long Beach Anaheim	San Francisco ^b Oakland Hayward	San Diego ^b Carlsbad	Riverside ^b San Bernardino Ontario	U.S. City ^b Average	California ^a	Los Angeles ^b Long Beach Anaheim	San Francisco ^b Oakland Hayward	San Diego ^b Carlsbad	Riverside ^b San Bernardino Ontario	U.S. City ^b Average
2018 January	-	261.235	-	288.331	100.916	247.867	-	251.785	-	271.120	100.944	241.919
February	269.247	263.012	281.308	-	-	248.991	259.566	253.243	275.699	-	-	242.988
March	-	264.158	-	290.810	101.897	249.554	-	254.451	-	272.813	101.909	243.463
April	271.210	265.095	283.422	-	-	250.546	261.696	255.379	278.039	-	-	244.607
May	-	266.148	-	289.243	102.929	251.588	-	256.652	-	273.534	103.025	245.770
June	272.462	265.522	286.062	-	-	251.989	263.199	256.208	280.219	-	-	246.196
July	-	266.007	-	295.185	103.139	252.006	-	256.632	-	279.145	103.181	246.155
August	273.844	266.665	287.664	-	-	252.146	264.506	257.318	281.536	-	-	246.336
September	-	268.032	-	295.883	103.241	252.439	-	258.246	-	280.827	103.109	246.565
October	275.686	269.482	289.673	-	-	252.885	266.217	259.899	283.183	-	-	247.038
November	-	268.560	-	293.858	103.616	252.038	-	259.064	-	278.473	103.737	245.933
December	274.922	267.631	289.896	-	-	251.233	265.308	258.101	283.278	-	-	244.786
Annual Average	272.510	265.962	285.550	292.547	102.732	251.107	263.048	256.415	279.572	276.353	102.761	245.146
2019 January	-	269.468	-	295.761	103.991	251.712	-	259.182	-	277.832	104.062	245.133
February	276.655	269.608	291.227	-	-	252.776	266.682	259.734	284.758	-	-	246.218
March	-	271.311	-	297.226	104.749	254.202	-	261.278	-	279.093	104.769	247.768
April	280.275	273.945	294.801	-	-	255.548	270.470	264.469	288.266	-	-	249.332
May	-	274.479	-	300.303	105.959	256.092	-	265.283	-	281.727	106.159	249.871
June	280.956	274.380	295.259	-	-	256.143	270.988	264.640	288.581	-	-	249.747
July	-	274.682	-	299.333	105.816	256.571	-	265.012	-	281.391	105.815	250.236
August	281.247	274.579	295.490	-	-	256.558	271.221	264.687	288.514	-	-	250.112
September												
October												
November												
December												
Annual Average												

^a Weighted average of the consumer price indexes for Los Angeles-Long Beach-Anaheim, San Francisco-Oakland-Hayward, San Diego-Carlsbad, and Riverside-San Bernardino-Ontario. A conversion factor has been included for comparability of 2018 data with 2017 and prior years. Computed by the Department of Industrial Relations, Office of the Director - Research Unit from indexes issued by the U.S. Department of Labor.

^b Source: U.S. Department of Labor, Bureau of Labor Statistics. Beginning with the November 2017 data, indexes for San Diego-Carlsbad will be published bi-monthly on odd months only (January, March, May, etc.). The Riverside-San Bernardino-Ontario indexes are on a December 2017 = 100 base and will be published bi-monthly on odd months only (January, March, May, etc.).

1947.12 How to Find Out How Much More You Can Increase the Rent

- ▶ Steps to Calculate CPI For a Non S.F. Oakland Hayward Property (Vallejo, Benicia etc):
 - ▶ Step 2: Take the CPI-U California Number from the weighted California Section for the most Current year that is published and April. Then subtract the CPI-U CA number from last year. You will get the difference in change of CPI-U
 - ▶ Example 2019 All CA Number was 280.275, The 2018 number was 271.210 (280.275 - 271.210 = 9.065)
 - ▶ Step 3 Divide the difference from the prior years' CPI-U
 - ▶ $9.065 / 271.210 = 0.03342428376$ or 3.34%
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1947.12 How to Find Out How Much More You Can Increase the Rent

- ▶ **Step 3 Add the Change of CPI to the 5% minimum you can increase rent per 1947.12**
 - ▶ 5.00% + 3.34% Change in 2018 CPI=8.34%
 - ▶ Thus you can only raise rent 8.34% of the base rent for a Vallejo/Benicia/Fairfield Property



1947.12 How to Find Out How Much More You Can Increase the Rent

- ▶ **Helpful Resources to Calculate CPI**

- ▶ <https://www.bls.gov/cpi/factsheets/escalation.htm>



1947.12 How to Find Out How Much More You Can Increase the Rent

▶ Base Rent Does Not Include following Incentives or Promotions:

- ▶ “Any rent discounts, incentives, concessions, or credits offered by the owner of such unit of residential real property and accepted by the tenant shall be excluded.”
- ▶ These items however must be listed and identified in the contract or addendums or documents to the rental agreement

“The gross per-month rental rate and any owner-offered discounts, incentives, concessions, or credits shall be separately listed and identified in the lease or rental agreement or any amendments to an existing lease or rental agreement.”

(1947.12(a)(1))



1947.12 How to Find Out How Much More You Can Increase the Rent

- ▶ **Helpful Resources to Calculate CPI**

- ▶ <https://www.bls.gov/cpi/factsheets/escalation.htm>



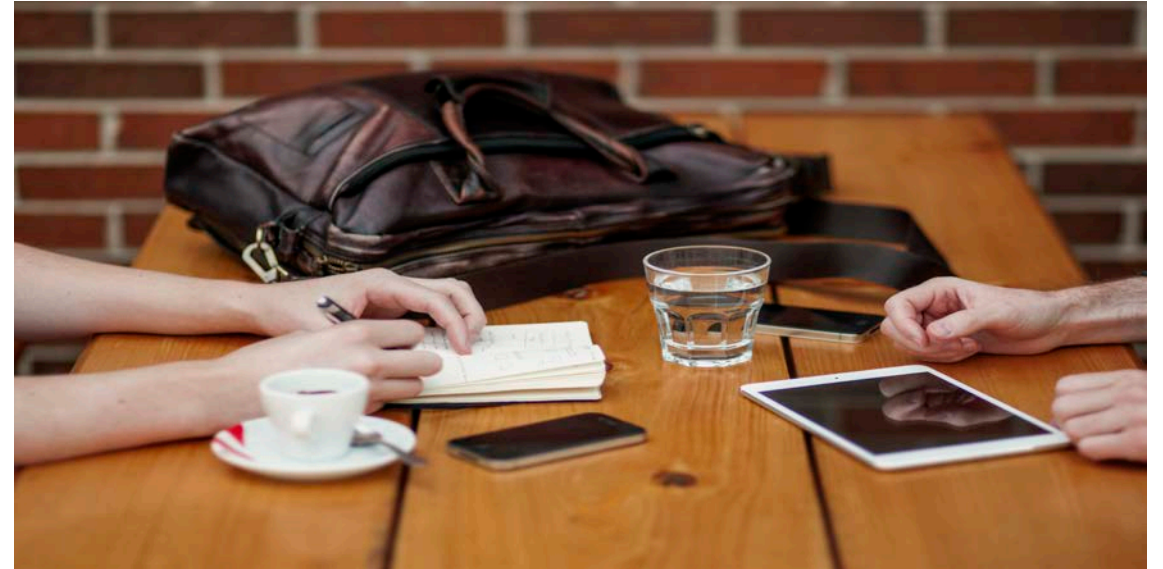
1947.12 Does Your 2019 Rental Increase Violate Civil Code 1947.12?

- ▶ **Did You Raise the Rent in 2019 between March 15, 2019 but prior to January 1, 2020?**
 - ▶ Does Civ Code 1947.12 Apply to you?
 - ▶ If you answered yes to both of these items then we must ask if the rent increase exceeded the 5.00% plus your applicable change in CPI index as the Legislature left your tenants and you a gift of a wonderful “rent claw back” provision in the new code section.
 - ▶ You are required by January 1, 2020 to get you rent in compliance with the new rules ASAP.
 - ▶ The new rent must be the rent that legally could have been as of March 15, 2019 + any new increase as allowed by the Civil Code 1947.12
 - ▶ You will be required to give notice to your tenants of the new rent in compliance with the civil code.
 - ▶ Are tenants entitled to refunds of the difference in rent charged in 2019 to January 1, 2020.
 - ▶ The legislature gave Landlords a break on the refunds; the Code states that Landlords are not liable to tenants for a refund of increased rents from March 15, 2019 to January 1, 2020.
 - ▶ However, all you price gougers from 2017 that raised rents that exceed 10% in state of emergency areas because you didn't know about Penal Code 396. The immunity is not going to apply to you.



1947.12 New Disclosures for 2020

- ▶ Landlords Must Disclose to Tenants if Landlord is subject to new Rent and Eviction Control Laws (Civil Code 1946.2 and 1947.12) or if they are Exempt



New Disclosures for 2020

- ▶ Owners Subject to the New Eviction and Rent Control Statutes (Civil Code 1946.2 and 1947.12) Must do the following:
 - ▶ For any Tenancy Entered into before July 1, 2020, or that is renewed Landlords must provide the following notice within the lease, rental agreement, addendum or give a tenant written notice of the new statute by August 1, 2020
 - ▶ “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.”



New Disclosures for 2020

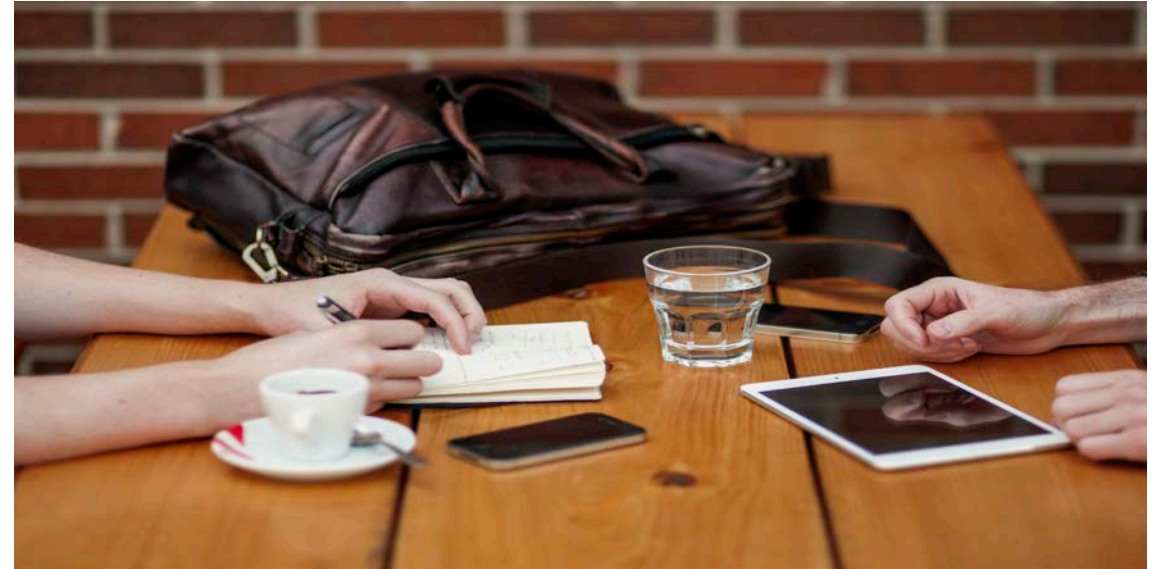
- ▶ Owners That Are Exempt From Civil Code 1947.12 must also notify their tenants that they are exempt with the following Disclosure
 - ▶ For New Tenancies entered into On or after July 1, 2020, the following disclosure must be in the rental agreement.
 - ▶ For any Tenancy Entered into before July 1, 2020, or that is renewed Landlords must provide the following notice within the lease, rental agreement, addendum or give a tenant written notice of the new statute by August 1, 2020

“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 (c)(5) and 1946.2 (e)(7) 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.”



So How Long is This Rent Control In Place?

- ▶ All These Provisions are Place until January 1, 2030 and as of that date repealed.
- ▶ *** It is this Author's Opinion that the provisions will not be repealed and in fact the legislature will probably make these provisions permanent***





Any Questions?
Please Call the Office at (707) 653-5187