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TENANT PROTECTION ACT OF 2019 ASSEMBLY BILL 1482

Codified at California Civil Code Section 1946.2 and 1947.12.

Effective January 1, 2020, the State of California has enacted state-wide rent control and tenant protection measures. The new law includes two tenant protective measures: Rent control cap, which limits the amount of rent that can be increased on an annual basis subject to several exemptions, and just cause eviction controls, subject to local ordinance controls. Local jurisdictions: County of Marin, San Rafael and Fairfax have enacted just cause eviction controls and those local ordinances prevail over the state law. Rent caps apply to all jurisdictions.

NEW STATE LAW

Rent Control Cap

Civil Code Section 1947.12 prohibits an owner of residential real property over the course of any 12 month period from increasing the “gross rental rate” charged for a dwelling unit by more than five percent on an annual basis, plus the posted Consumer Price Index prepared by the Bureau of Labor Statistics for the metropolitan area where the rental is located, but in no event can exceed 10 percent. CPI increase means the percentage change from April 1 of the prior year to April 1 of the current year. The BLS link to the CPI for the San Francisco Bay Area is:

https://www.bls.gov/regions/west/data/consumerpriceindex_sanfrancisco_table.pdf

Further there can be no more than two incremental increases over that 12-month period. The rent increase cap does not apply to the establishment of the initial rental rate for a new tenancy in which no tenant from a prior tenancy remains in lawful possession. The definition of the term “gross rental rate” is ambiguously defined and will likely lead to future disputes as to what costs and pass-throughs are to be included, e.g. utilities or other services.

Exceptions to the Rent Control Cap.

The rent control cap does not apply to:

- (i) Housing restricted as affordable housing,
- (ii) Dormitories,

- (iii) New housing defined as housing that has been issued a certificate of occupancy within the previous 15 years, meaning properties completed 2005 or newer are exempt and the following year, 2006 or newer, etc.
- (iv) Single family residences provided the tenants are properly noticed of the exemption and the property is not owned by a corporation, limited liability company (where at least one member is a corporation) or a real estate investment trust or
- (v) Duplexes in which the owner occupies one of the units.
- (vi) Existing rent control laws would remain in effect, e.g. San Francisco, Berkeley, Oakland, San Jose, etc. Marin County has no local rent control laws, except for mobile homes.

Potential Reduction of Rent on January 1, 2020. The rent control cap applies retroactively to March 15, 2019. In the event an owner has increased the rent by more than the amount permissible between March 15, 2019 and January 1, 2020, then the applicable rent on January 1, 2020 equal be the rent as of March 15, 2019 plus the maximum permissible increase.

Potential Increase of Rent on January 1, 2020. An owner of property who increased the rent on or after March 15, 2019, but prior to January 1, 2020, by an amount less than the permitted increase shall be entitled to increase the rental rate but not exceed the rental cap amount.

Mandatory Notice in All Exempt Single-Family Rentals. Tenants of single-family residences are to be provided written notice if the property occupied is exempt from the rent control cap law, and for tenancies commenced or renewed after July 1, 2020, the required notice must be included in the rental agreement.

USE THE BELOW PROVISION FOR ALL EXEMPT PROPERTY RENTALS AGREEMENTS in 12-point type. Use in all new applicable rental agreements and serve by 30-day written notice to applicable exempt rentals.

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."

Any notice of rent increase must comply with the requirements of Civil Code Section 827, which requires minimum 30 days written notice for month to month tenancies.

Just Cause Termination Requirements

Civil Code Section 1946.2 prohibits an owner of residential real property from terminating a tenancy without "just cause," where the tenant has continuously and lawfully occupied the property for 12 months, or in the event of an addition of an adult tenant before the existing tenant

has occupied for 24 months, the requirement for occupancy is extended to 24 continuous months for at least one of the tenants or 12 continuous months for all the tenants.

Grounds for At-Fault Evictions:

- (i) Default in payment or rent;
- (ii) Breach of “material” term of lease;
- (iii) Tenant-created nuisance or waste;
- (iv) Use of the premises for unlawful purposes or commercial activity by tenant;
- (v) Tenant refusal to permit the owner lawful entry; or
- (vi) Tenant’s refusal at end of lease term to sign an extension or renewal of the lease on similar terms, subject to compliance with the requirements of this new law.

Grounds for No-Fault Evictions:

- (i) Owner Move-In situations where the owner or owner’s family (spouse, domestic partner, children, grandchildren, parents or grandparents) intends to occupy the property. However, if the lease is entered into after July 1, 2020, then owner move in evictions may only be effected if either the tenant agrees to vacate or there is a provision in the lease that allows the owner to terminate in such situation. The following provision should be added to all covered properties:

USE NOTICE BELOW FOR ALL RENTAL AGREEMENTS in 12-point type.

“The owner/landlord/lessor reserves the right to terminate the tenancy on a no-fault basis if the owner/landlord/lessor, or their spouse, domestic partner, children, grandchildren, parents, or grandparents unilaterally decide to occupy the subject residential property. Cal. Civ. Code Sec. 1946.2, subd. (b)(2)(A)(i), and (ii).”

- (ii) Withdrawal of the property from the rental market.
- (iii) Compliance with a governmental agency habitability order.
- (iv) Intent to demolish or substantially remodel the unit, which means: substantially remodel” means the replacement or substantial modification of any structural, electrical, plumbing, or mechanical system that requires a permit from a governmental agency, or the abatement of hazardous materials, including lead-based paint, mold, or asbestos, in accordance with applicable federal, state, and local laws, that 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. Cosmetic improvements alone, 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.

Exemptions from Just Cause Eviction Requirements.

- (i) Housing restricted as affordable housing,
- (ii) dormitories,
- (iii) new housing defined as housing that has been issued a certificate of occupancy within the previous 15 years, meaning properties completed 2005 or newer are exempt and the following year, 2006 or newer, etc.
- (iv) Single family residences
 - a. Provided the tenants are properly noticed of the exemption and the property is not owned by a corporation, limited liability company (where at least one member is a corporation) or a real estate investment trust.
 - b. Single family, owner occupied properties in which no more than two bedrooms/units are rented,
 - c. Accessory dwelling units;
 - d. Owner occupied dwellings if the owner and tenant share a bathroom or kitchen.
- (v) Duplexes in which the owner occupies one of the units.
- (vi) Transient and tourist hotel occupancy,
- (vii) Housing accommodations in a nonprofit hospital,
- (viii) religious facility
- (ix) Extended care, elderly or adult residential facilities;
- (x) Residential real property subject to a local ordinance requiring just cause for termination adopted on or before September 1, 2019, and if adopted after that date, which is more protective, in which case the local ordinance will apply.

No Fault Relocation Assistance.

- (i) One-month's rent paid directly to tenant;
- (ii) Waive payment of the last month.