

Assembly Bill 1482 (Chiu, D-San Francisco)

Rent “Caps” and Just Cause Eviction

A Brief Overview

IF signed by Governor Newsom, Assembly Bill 1482 would become effective January 1, 2020. As outlined below, the bill would impose rent limitations or “caps” on certain residential rental properties in California **NOT** currently covered by more restrictive rent control. It would also impose “just cause” eviction rules once a tenant has lived in a rental unit for 12 months (or 24 months if a new, additional renter moves into the same unit). The bill would also extend rent “caps” to rental housing that is currently exempt by existing local ordinances.

The bill exempts the following properties from the rent caps and “Just Cause” requirements: (i) most single-family homes and condominiums, and (ii) rental housing built within the last 15 years.

Rent “Cap”: 5% Plus Change in Consumer Price Index (CPI)

In any 12-month period, a property owner can increase the rent up to 5 percent plus the percentage change in the regional Consumer Price Index (a/k/a, “CPI”), or 10 percent, whichever is lower of the lowest gross rental rate charged for that dwelling unit at any time during the 12 months prior to the effective date of the increase.

Percentage change in the Consumer Price Index or “CPI” would mean the percentage change from April 1 of the prior year to March 31 of the current year in the regional CPI for the region where the residential real property is located (*as published by the United States Bureau of Labor Statistics, or if a regional index is not available, the California CPI for All Urban Consumers for all items, as determined by the Department of Industrial Relations, would be used*). Additionally, in certain circumstances, two increases within a 12-month period may be permitted, but so long as together those increases do not exceed the allowable rent “cap.”

If passed, the law would apply to all rent increases occurring on or after March 15, 2019. If the owner increases the rent by more than the permissible amount between March 15, 2019, and January 1, 2020, each of the following would be applicable:

- The rent on January 1, 2020, would be rolled back to the rent as of March 15, 2019, **plus** the maximum permissible increase allowed under Assembly Bill 1482 (which is 5% plus the change in CPI, but no more than 10%);
- The landlord, however, would not be required to refund any rent paid between March 15, 2019, and January 1, 2020, that exceeded the allowed increase.

(Note: In determining rent on March 15, 2019, rent discounts, incentives, concessions, or credits accepted by the tenant would be excluded from the rent increase calculation if those items are separately listed and identified in the rental agreement or amendments to the agreement.)

Vacancy Decontrol – a/k/a, Raising Rent to Market Upon Vacancy

When a rental unit becomes vacant, or for a new tenancy where no tenant from the prior tenancy remains in the unit, the owner can establish the new rent at any amount. The 5 percent plus CPI “cap” will then only apply to all future increases for that new tenancy thereafter.

Required Disclosure – Properties Subject to the Law

Assembly Bill 1482 requires the following notice to be provided (in no less than 12-point type) to (i) all new and renewed tenants (as part of the lease or in a separate document) starting July 1, 2020, and (ii) existing tenants no later than 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.“ (The Apartment Association of Greater Los Angeles is updating its lease forms for this new notice requirement.)

Exemptions From the Rent “Cap”

Assembly Bill 1482’s Rent “Cap” **DOES NOT** apply in the following circumstances:

- Housing restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for very low, low, or moderate income persons and families.
- New construction that has been issued a certificate of occupancy within the previous 15 years. This means that some housing that was previously exempt as “new construction” under local Costa-Hawkins rent control ordinances (e.g., post-1978 or post-1995) will be subject to the rent “cap” in Assembly Bill 1482, or to the 5% plus CPI or no more than 10%.
 - Single-family homes and condominiums that are separate from the title to any other dwelling unit (e.g., single-family homes and condominiums) provided that the owner is not:
 - A real estate investment trust;
 - A corporation;
 - A limited liability corporation, in which at least one member is a corporation; and
 - The owner provides the tenant with a written notice that the 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: (i) a real estate investment trust, as defined by Section 856 of the Internal Revenue Code; (ii) a corporation; or (iii) a limited liability company in which at least one member is a corporation.”***
- Owner-Occupied Duplexes (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.
- The rent “caps” also would not apply to units that are subject to local rent or price controls, consistent with the state’s Costa-Hawkins’ provisions **ONLY IF** those local rent or price controls impose a lower “cap.”
- 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.

“Just Cause” Eviction

Assembly Bill 1482’s “Just Cause” provisions would prohibit a landlord from (i) terminating a month-to-month tenancy or (ii) choosing not to renew a fixed term lease, without providing one of the reasons for termination provided by the new law. The provisions would not apply until the end of the first 12 months of tenancy or 24 months, as outlined below (See “Application of Just Cause” below). During this time, the landlord’s ability to terminate the tenancy or to decline to a renew a lease would be unchanged from existing law.

Exemptions from “Just Cause”

Properties exempt from the rent “caps” under Assembly Bill 1482 would also be exempt from its “Just Cause” provisions (as well as the relocation payment requirements outlined below). Additional owner-occupied properties would also be exempt (e.g., instances where a tenant shares bathroom or kitchen facilities with the owner and also 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 junior accessory dwelling unit).

Assembly Bill 1482 would not apply if the property is already subject to an ordinance enacted on or before September 1, 2019. However, later enacted local “Just Cause” ordinances would control if they provide greater protections to the tenant.

Application of “Just Cause”

Assembly Bill 1482’s “Just Cause” requirements would apply when (i) all the tenants have continuously and lawfully occupied the unit for 12 months or more or (ii) one or more tenants in the unit has continuously and lawfully occupied the unit for 24 months or more. There are two categories of just cause: “no fault” and “at fault” just cause.

- No-fault just cause. No-Fault Just Cause, would include any of the following:
 - An owner’s intent to occupy the unit, including the owner’s spouse, domestic partner, children, grandchildren, parents, or grandparents. For leases entered on or after July 1, 2020, the owner’s ability to occupy the unit would be allowed only if the tenant agrees in writing to the termination or if a specific provision is included in the lease. *(An owner may add this language to the lease.)*
 - Withdrawal of the residential property from the rental market.
 - An order relating to habitability that necessitates vacating the property, an order issued by a government agency or court to vacate the property, or a local ordinance that necessitates vacating the property.
 - Intent to demolish or to substantially remodel the residential real property. “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.
 - Relocation Disclosure and Payment for No-Fault Termination
- At-fault just cause (where the tenant did something wrong). At-Fault Just Cause includes all the following instances:
 - Default in the payment of rent.
 - A breach of a material term of the lease, as defined.
 - Maintaining, committing, or permitting a nuisance, as defined.
 - Committing waste, as defined.
 - The tenant had a written lease that terminates on or after January 1, 2020, and after a written request or demand from the owner, the tenant has refused to execute a written extension or renewal of the lease for an additional term of similar duration with similar provisions.
 - Criminal activity by the tenant on the residential rental property, including any common areas, or any criminal activity or criminal threat, on or off the residential rental property, that is directed at any owner or agent of the owner of the property.
 - Assigning or subletting the premises in violation of the tenant’s lease.
 - Refusal to allow the owner to enter the unit as authorized under the law, as defined.
 - Using the premises for an unlawful purpose, as defined.
 - An employee’s failure to vacate the unit after the employee has been terminated.

- When a tenant fails to deliver possession of the unit after providing the owner written notice of his or her intention to terminate the lease, which the owner has accepted in writing.

(Note: the just cause provisions of Assembly Bill 1482 also specifically exempt transient and tourist hotel occupancy, as defined, and housing accommodations in a nonprofit hospital, religious facility, or extended care facility, as specified.)

Relocation Payment Required

Assembly Bill 1482 would require the landlord to make a relocation payment to the tenant if the termination is for a “no-fault just cause.” The landlord would be able to do one of the following:

- Make a direct payment to the tenant equal to one month of the tenant’s rent (in effect when the notice of termination is issued), within fifteen calendar days of service of the notice; or
- Waive in writing the payment of rent for the final month of the tenancy, prior to the rent becoming due.

The owner would be required to notify the tenant of the tenant’s right to a relocation payment or rent waiver. If the owner elects to waive the rent for the final month of the tenancy, the notice would need to state the amount of rent waived and that no rent is due for the final month of the tenancy.

Relocation Payment Not Required

Relocation assistance would not be required when:

- It is determined by any government agency or court that the tenant is at fault for the condition that triggered the order or need to vacate.
- The tenant fails to vacate after the expiration of the no-fault notice to terminate the tenancy. Any payments already provided to the tenant would be recoverable as damages in an action to recover possession.

Sunset Date - Expiration

The rent caps and “Just Cause” provisions would remain in effect until January 1, 2030.

Questions? For More Information:

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