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Real Estate Services

*** Listings * Sales * Rentals**

*** Property Management**

2020 New Laws Affecting Real Estate

Below is a list of many of the new important laws regulating to California real estate for 2020. They have been summarized by the California Association of Realtors® and relate to: Landlord/Tenant, Insurance, Lead Based Paint, Mobile Home, TDS/NHD/AD, Tax, Recording Fees, Utilities, changes in Financing and Common Area Interest subdivision laws. They are not listed in any particular order but those new laws that I feel may directly impact specifically the area of property management have been highlighted in yellow.

Regards,

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Landlord/Tenant: $20 million budgeted toward legal services for eviction defense	**The budget provides $20 million for legal services for renters facing eviction** The "Budget Act of 2019" allocates $20 million to be distributed by the Judicial Council through the State Bar of California pursuant to qualified legal service projects and support centers to provide eviction defense or other tenant defense assistance in landlord-tenant rental disputes, including pre-eviction and eviction legal services, counseling, advice and consultation, mediation, training, renter education, and representation, and legal services improve habitability, increasing affordable housing, ensuring receipt of eligible income or benefits to improve housing stability, and homelessness prevention. Assembly Bill 74 is an act making appropriations for the support of the government of the State of California and for several public purposes in accordance with the provisions of Section 12 of Article IV of the Constitution of the State of California, relating to the state budget, to take effect immediately, budget bill.

Landlord/Tenant: **Discrimination on the basis of source of income**	**"Discrimination" on the basis of "source of income" has been expanded to include a refusal to rent to a tenant based on the tenant's receipt of federal, state or local housing subsidies including "Section 8** This law expands the definition of "source of income" in regard to housing discrimination to mean "income" paid to a housing owner or landlord on behalf of a tenant, including federal , state, or local public assistance, and federal, state, or local housing subsidies, including but not limited to, federal housing assistance vouchers issued under Section 8 of the US Housing Act of 1937. "Discrimination" includes: • refusal to sell, rent, or lease housing accommodations; • refusal to negotiate for the sale, rental, or lease of housing accommodations; • representation that a housing accommodation is not available for inspection, sale, or rental when that housing accommodation is in fact so available and; • any other denial or withholding of housing accommodations. "Discrimination" also includes: • provision of inferior terms, conditions, privileges, facilities, or services in connection with those housing accommodations; • harassment in connection with those housing accommodations; • the cancellation or termination of a sale or rental agreement; and • the provision of segregated or separated housing accommodations. **Senate Bill 329** codified as Government Code §§12927 and 12955. Effective January 1, 2020.
Landlord/Tenant: **Discrimination on the basis of military or veteran status**	**Discrimination in housing on the basis of veteran or military status is now unlawful under the Fair Employment and Housing Act.**

	Senate Bill 222 is codified as Government Code §§ 12920, 12921, 12927, 12930, 12931, 12955, 12955.8, 12956.1, and 12956.2.
Landlord/Tenant: Ellis Act	**Makes changes to the Ellis Act to: 1) clarify that owners may not pay prior tenants liquidated damages in lieu of offering them the opportunity to re-rent their former unit; and, 2) clarify that the date on which the accommodations are deemed to have been withdrawn from the rental market is the date on which the final tenancy among all tenants is terminated.** **Background** The Ellis Act only applies when an owner seeks to remove all the units within a building or all units on a property within a building containing three or fewer units from the market. The Act authorizes local governments to place restrictions on how property owners can "Ellis" a property and exit the rental property market. An owner can be required to give tenants 120 days' notice that the property is being withdrawn from the rental market. Tenants who are over 62 or disabled must receive one year's notice, provided they have lived in the accommodations for at least one year. A number of restrictions apply to situations where owners offer units for rent within certain time frames (two years, five years, and 10 years) after removing a property from the rental market pursuant to the Act. For example, owners are required to re-rent a unit at the rent control amount at the time the unit was withdrawn, if they offer it for rent within five years of filing to withdraw or withdrawing the property. (1) Existing law authorizes a public entity acting pursuant to the Ellis Act to require an owner who offers accommodations for rent or lease within a period not exceeding 10 years from the date on which they were withdrawn, as specified, to first offer the unit to the tenant or lessee displaced from that unit by the withdrawal, subject to certain requirements. If the owner fails to comply with this requirement, the owner is liable to a displaced tenant or lessee for punitive damages not to exceed 6 months' rent.

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	This law prohibits a payment of the above-described punitive damages from being construed to extinguish the owner's obligation to offer the accommodations to a prior tenant or lessee, as described above. (2)Existing law qualifies the Ellis Act prohibition on compelling owners to offer or to continue to offer accommodations by, among other things, permitting a public entity to require an owner to provide notice that the owner has initiated actions to terminate tenancies and, in this situation, the date of withdrawal of accommodations would be 120 days from the delivery of the notice. Existing law extends the term for the withdrawal of accommodations, in this context, to one year if the tenant or lessee is 62 years of age or older, or disabled, and other conditions are met. This law, with regard to the withdrawal of accommodations and the extension of tenancies, as described above, requires the date of withdrawal for the accommodations as a whole to be the latest termination date among all tenants within the accommodations for purposes of calculating specified time periods. It makes conforming changes to clarify the application of these provisions with respect to accommodations with multiple units and with respect to requirements to give notice to public entities and tenants with extended tenancies. It also conform a statement of legislative intent relating to the Ellis Act to specify that it is not intended to permit an owner to return to the rental market with less than all of the accommodations, among other things. **Assembly Bill 1399** is codified as Government Code §§ 7060.2, 7060.4, and 7060.7. Effective January 1, 2020.

Landlord/Tenant: Reduced security deposit for service members	**Landlord may only collect one month security for unfurnished unit, or two months for furnished units, from a service member who resides on the property.** Prohibits a landlord from demanding or receiving security from a service member who rents residential property in which the service member will reside in an amount or value in excess of an amount equal to one months' rent, in the case of unfurnished residential property, or in excess of an amount equal to 2 months' rent, in the case of furnished residential property, as specified. It also prohibits a landlord from refusing to enter into a rental agreement for residential property with a prospective tenant who is a service member because this provision prohibits the landlord from demanding a greater amount of security. If the tenant has a history of poor credit or of causing damage to the rental property or its furnishings, the landlord may collect security deposit as normal. These rules also do not apply if the property is rented to a group of individuals and one or more of whom is not the service member's spouse, parent, domestic partner, or dependent. "Service member" means (1) A member of an active or reserve component of the Armed Forces who is ordered into active duty pursuant to federal law. Or (2) A member of the militia called or ordered into active state or federal service. **Senate Bill 644** is codified as Civil Code 1950.5. Effective January 1, 2020.

Landlord/Tenant: Rent Increases above 10% requires 90-day notice	**The notice period for increasing rent above 10% in any 12-month period is 90 days. Previously, it was 60 days.** If a proposed rent increase for a tenant is greater than 10 percent of the rental amount charged to that tenant at any time during the 12 months before the effective date of the increase, either in and of itself or when combined with any other rent increases for the 12 months before the effective date of the increase, the notice shall be delivered at least 90 days before the effective date of the increase. The notice period for rent increases of 10% or less (combining all prior rent increases within 12-months before effective date of increase) remains 30 days. **For Increases that result from recertification:** However, if the proposed rent increase for a tenant is caused by a change in a tenant's income or family composition as determined by a recertification required by statute or regulation, the notice shall be delivered at least 30 days before the effective date of the increaseregardless of the percentage increase. **Assembly Bill 1110** is codified as Civil Code 827. Effective January 1, 2020.
Landlord/Tenant: Statewide rent caps and just cause eviction	**Imposes statewide rent caps of 5% plus inflation and just cause eviction requirements on rental properties. Various exemptions apply including single family homes and condos (not owned by a corporation or REIT) and properties where a certificate of occupancy has been issued within the past 15 years.** **Rent Cap:** • Rent increases are capped at 5 percent plus inflation, or up to a hard cap of 10 percent, whichever is lower. • A landlord is permitted to increase the rent twice within any 12-month period but cannot increase the rent beyond the maximum rental rate.

- All rent increases since **March 15, 2019** will count toward the rent cap, and if above the permissible rent cap, will have to be rolled back effective January 1, 2020.
- Owners may retain any "overpayment" if roll back is required

Just Cause:

Just cause applies only to tenants who have been continuously and lawfully occupying the property for 12 months or more. **If an additional tenant is added before 24 months,** just cause will the apply only if:

- All of the tenants have occupied the property continuously and lawfully for 12 months or more or
- One or more of the tenants has continuously and lawfully occupied the property for 24 months or more.

Landlords may only evict for "just cause." There is a list of 15 reasons. The just cause reasons are divided into two categories of "at fault" and "no fault." A landlord who evicts for a no fault reason will owe a relocation fee of one month's rent.

There are **11 at fault reasons** as follows:

1. A default in the payment of rent
2. Nuisance
3. Use the property for an unlawful purpose
4. Waste
5. Refusal to allow entry
6. Breach of a material term of the lease after notice to cure
7. Refusal to sign new lease of similar terms and duration when tenant had a previous lease that terminated after January 1, 2020
8. Assigning or subletting in violation of the lease
9. Failure to vacate after termination after the employment of a tenant/employee was terminated
10. Criminal activity by the tenant on the property or common areas or any criminal threat involving "great bodily injury" whether made on or off the property directed at the agent or owner
11. When the tenant fails to deliver possession of the property after providing the owner their own termination notice or makes a written offer to surrender that is accepted in writing by the landlord.

Additionally, there are **four no fault reasons** as follows:

12. Withdrawal of the property from the rental market
13. Compliance with a government order to vacate the property
14. Intent to demolish or to substantially remodel the property
15. If the owner, or their spouse, domestic partner, children, grandchildren, parents, or grandparent, decides to occupy the property. But only if a provision of the rental agreement permits such.

To evict for just cause, the reason must be stated on the termination notice, and it must be one of the 15 specified reasons.

Exemptions from both rent cap and just cause:

1. Residential property alienable separate from the title to any other dwelling unit (which includes single family properties and condos) if:

- Notice of the exemption is provided to the tenants (and after July 1, 2020, is provided in the rental agreement) and;
- The owner is not a REIT, a corporation, or an LLC where an owner is a corporation

2. New construction where certificate of occupancy was issued within the last 15 years

3. Owner occupied duplexes where the owner occupied the property at the beginning of the tenancy and continues to do so

4. Housing restricted by deed for persons and families of very low, low, or moderate income, as defined, or subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income;

5. Dormitories in connection with higher education for use and occupancy by students are exempt from rent cap; and dormitories owned and operated by an institution of higher education or a kindergarten and grades 1 to 12 inclusive are exempt from just cause;

6. Housing subject to a local rent control law that restricts rental increase to less than this state law (exemption from rent cap alone)

Exemption from just cause but not rent cap:

7. Owner occupied single-family properties renting no more than two bedrooms including Accessory Dwelling Units ("ADU"s) or junior accessory dwelling units;

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

9. Vacation rentals of 30 days or fewer

Relocation Fee

Whenever a tenancy is terminated based on a no-fault reason, relocation assistance must be paid in the amount of one month's rent as of the time the termination notice was issued.

The owner has two options for how this amount is to be paid.

1. The relocation assistance amount may be provided as a direct payment to the tenant with 15 calendar days of serving the termination notice. In this case, the notice of termination must notify the tenant of the tenant's right to relocation assistance. Or,
2. The owner may notify the tenant in writing that the payment of rent for the final month of the tenancy is waived, prior to it becoming due. In this case, the notice of termination must state the amount of rent waived and that no rent is due for the final month.

If the requirements of paying the relocation fee is not strictly complied with then the notice of termination will be rendered void.

Just Cause Preemption

A local just cause eviction ordinance will preempt this state law as long as it was adopted on or before September 1, 2019. This is true even if the local law is less protective than AB 1482. However, a later amendment to the ordinance may mean that AB 1482 applies, unless the amendment is "more protective."

In order for a local just cause eviction law to be more protective it must meet three criteria: 1. The local law must be "consistent" with AB 1482. 2. The local law must provide higher relocation assistance or provide additional protections. 3. The local government has made a binding finding that their local ordinance is "more protective."

A property cannot be subject to both the state and a local just cause ordinance, and a just cause ordinance adopted or amended after September 1, 2019, that is "less protective" is unenforceable.

Three Lease Provisions:

AB 1482 has three separate lease provisions which are to be added to any rental agreement or noticed to the tenant depending on which one and when it is being given.

1. **General information.** Tenants must be provided with a notice or lease provision in no less than 12-point type which provides the tenant with general information pertaining to their rights under AB 1482. This may be provided by notice prior to August 1, 2020 for any tenancy existing prior to July 1, 2020. For any tenancy commenced or renewed on or after July 1, 2020, as an addendum to the lease or rental agreement, or as a written notice signed by the tenant, with a copy provided to the tenant.
2. **Exemption for single-family property and condos**. To obtain the exemption for property alienable separate from title to any other dwelling unit (single family or condos) the following notice explaining the exemption and that the owner is not a corporation, REIT, or LLC with a member who is a corporation. Until the notice is provided, the owner is not eligible for the exemption. This statement can be provided as a notice until July 1, 2020, but after that date must be provided "in the rental agreement."
3. **Right of owner move-in**. For an owner to have the right to evict based upon owner move-in or close relative of the owner, this right must be agreed to or as an addition of a provision in the rental agreement for all leases entered into after July 1, 2020.

C.A.R. Addendum

CAR's new "Rent Cap and Just Cause Addendum" (Form RCJC) will be available in December pending approval of the Standard Forms Advisory Committee, This will simplify the notices by providing all of the required notices on the same document. As a conservative risk management policy, it is advised that the addendum be provided by January 1, 2020 (even though portions of it may not be required to be given at that time). For month to month tenants, the addendum should be incorporated into the rental agreement by providing the notice by a change in terms of tenancy. Use Form "Notice of Change

	in Terms of Tenancy" (Form CTT). If a tenant is on a lease, it may be provided as a stand-alone notice. After January 1, 2020, do not sign a new or renewed lease or rental agreement without the addendum. **Further Information** For more information see C.A.R.'s Q&A "**Rent Cap and Just Cause Eviction Law**." **Assembly Bill 1482** is codified as Civil Code §§1946.2, 1947.12 and 1947.13. Effective January 1, 2020.
Landlord/Tenant: Religious items may be displayed on entry doors	**This law, with certain exceptions, prohibits a residential property owner and a common interest development from enforcing or adopting a restriction that prohibits the display of religious items on an entry door or entry door frame of a dwelling.** This law, with certain exceptions, prohibits a property owner of residential property from enforcing or adopting a restriction that prohibits the display of religious items on an entry door or entry door frame of a dwelling. The exceptions include religious displays that: (1)Threatens the public health or safety. (2)Hinders the opening or closing of any entry door. (3)Violates any federal, state, or local law. (4)Contains graphics, language or any display that is obscene or otherwise illegal. (5)Individually or in combination with any other religious item displayed or affixed on any entry door or door frame that has a total size greater than 36 by 12 square inches, provided it does not exceed the size of the door. This law also prohibits the governing documents of a common interest development from prohibiting the display of religious items on the entry door or entry door frame of a common interest development member's separate interest. The bill would provide an

	exception to this prohibition for maintenance, repair, or replacement of an entry door or door frame, as specified. However,if an association is performing maintenance, repair, or replacement of an entry door or door frame that serves a member's separate interest, the member may be required to remove a religious item during the time the work is being performed. After completion of the association's work, the member may again display or affix the religious item. The association shall provide individual notice to the member regarding the temporary removal of the religious item. "Religious item" means an item displayed because of sincerely held religious beliefs. **Senate Bill 652** is codified Civil Code §§1940.45 and 4706. Effective January 1, 2020.

Landlord/Tenant: Extends indefinitely a law providing various protections to tenants in foreclosed property including 90-day notice to terminate a month to month tenancy	**A law which provides various protections to tenants in foreclosed upon property has been extended indefinitely. Specifically, this new law extends indefinitely the requirement that a landlord of a foreclosed property provide a month to month tenant with a 90-day notice of termination and that existing leases must generally be honored.** Existing law requires a tenant or subtenant in possession of a rental housing unit under a month-to-month lease at the time that property is sold in foreclosure to be provided 90 days' written notice to quit before the tenant or subtenant may be removed from the property. Existing law also generally provides tenants or subtenants holding possession of a rental housing unit under a fixed-term residential lease entered into before transfer of title at the foreclosure sale the right to possession until the end of the lease term. Existing law contains a sunset provision which would effectively repeal these tenant protections as of December 31, 2019. This new law deletes the sunset provision thereby extending the operation of these provision indefinitely. **Senate Bill 18** is codified as Code of Civil Procedure § 1161b. Effective January 1, 2020.
Landlord/Tenant: Family daycare homes	**Requires large family daycare homes with up to 14 children to be treated as a residential use for purposes of all local ordinances. Clarifies that apartments may be used as family daycare homes.** Under prior law, a small family daycare home, which may provide care for up to 8 children, is considered a residential use of property for purposes of all local ordinances. Under prior law, a city or county could at their option classify a large family daycare home, which may provide care for up to 14 children, as residential use of the property or to provide a process for applying for a permit to use the property as a large family daycare home.

		This new law now requires a large family daycare home to be treated as a residential use of property for purposes of all local ordinances. This new law also clarifies that a family daycare home includes a detached single-family dwelling, a townhouse, a dwelling unit within a dwelling, or a dwelling unit within a covered multifamily dwelling. Thus, family daycare homes may operate in multi-family dwellings such as apartments. This new law strengthens legal protections for family daycare homes by prohibiting a property owner or manager from refusing to sell or rent, or refusing to negotiate for the sale or rental of, or otherwise making unavailable or denying a dwelling unit for residential use to a person because that person is a family daycare provider. It also makes void an attempt to deny, restrict, or encumber the conveyance, leasing, or mortgaging of real property for use or occupancy as a family daycare home and a restriction related to the use or occupancy of the property as a family daycare home. It further strengthens protections by clarifying that remedies under the Fair Employment and Housing Act are available to a family daycare home providers, family daycare home provider applicants, or persons who are claiming that any of these protections have been denied. **Senate Bill 234** is codified as Health and Safety Code §§1596.72, 1596.73, 1596.78, 1597.30, 1597.45, 1597.54, 1597.41, 1597.42, 1597.455, 1597.40, 1597.46, and 1597.543. Effective January 1, 2020.

Landlord/Tenant: Recycling Bins	Presently the law requires a business that generates 4 cubic yards or more of commercial solid waste or 8 cubic yards or more of organic waste per week to arrange for recycling services. However, A property owner of a multifamily residential dwelling may require tenants to source separate their recyclable materials to aid in compliance. **This new law requires a multi-family dwelling of five or more units, among other businesses, to provide customers with a recycling bin or container for a waste stream that is visible, easily accessible, adjacent to each bin or container for trash other than that recyclable waste stream (except in restrooms) and clearly marked with educational signage. The Department of Resources Recycling and Recovery will, on or before July 1, 2020, develop model signage that commercial and organic waste generators may utilize to mark the recycling bins provided to customers.** **Assembly Bill 827** codified as Public Resources Cod 42649.1, 42649.2, 42649.8 ad 42649.81. Effective January 1, 2020.

Fire Insurance: For total loss, insured is entitled to replacement cost less depreciation	**This law provides that the measure of cash recovery, less depreciation, for a structure or its contents lost under an "open" policy is the cost to repair, replace, or rebuild the structure or contents.** Existing law provides that the measure of indemnity in fire insurance under an open policy is the expense to replace the thing lost or injured in its condition at the time of the injury, with the expense computed as of the start of the fire. Existing law also provides that under an open policy that requires payment of actual cash value, the measure of the actual cash value recovery is the policy limit or the fair market value of the structure, whichever is less, in the case of a total loss to the structure. In the case of a partial loss to the structure or loss to its contents, the actual cash value recovery under existing law is the amount it would cost the insured to repair, rebuild, or replace the thing lost or injured less a fair and reasonable deduction for physical depreciation based upon its condition at the time of the injury or the policy limit, whichever is less. This new law deletes the provisions regarding the actual cash value of the claim of total loss to the structure and would instead require that the actual cash value of the claim, for either a total or partial loss to the structure or its contents, be the amount it would cost the insured to repair, rebuild, or replace the thing lost or injured less a fair and reasonable deduction for physical depreciation based upon its condition at the time of the injury or the policy limit, whichever is less. The bill would extend the restrictions that apply to a deduction for physical depreciation to a total loss to a structure. **Assembly Bill 188** is codified as Insurance Code § 2051. Effective January 1, 2020.

Insurance: 75-day notice of nonrenewal	**Requires insurers to provide at least a 75-day notice of a nonrenewal of a homeowner's policy (currently 45 days) and raises the limit on a homeowner insurance claim covered by the California Insurance Guarantee Association (CIGA) to $1 million. This law also allows insurer who voluntarily writes policies for property in high fire hazard severity zone in the state responsibility area and very high fire hazard severity zone in local responsibility areas to be proportionately relieved of their responsibility to participate in the Fair Access to Insurance Requirements (FAIR) plan.** For policies that expire on or after July 1, 2020, would require an insurer to deliver or mail the notice of nonrenewal to the named insured on or before 75 days prior to the policy expiration and, if the insurer fails to do so, would require the existing policy, with no change in its terms and conditions, to remain in effect for 75 days from the date that the notice of nonrenewal is delivered or mailed. With respect to a policy of residential property insurance, each claim for a loss under a different coverage category to be considered a separate covered claim. The limit for a covered claim for damage to, or loss of, a dwelling structure under a policy of residential property insurance is increased to $1,000,000 or the amount recoverable under the policy, whichever is less. **Assembly Bill 1816** is codified as Insurance Code §§ 678, 1063.1 and 10094.2
Landlord/Tenant: Tenant allowing occupancy of property to person at risk of homelessness	**Creates a legal framework allowing a tenant, with the written approval of the owner/landlord, to take in a "person at risk of homelessness." It includes a number of protections for both a landlord and tenant, including the ability for the tenant to remove the person at risk of homelessness on short notice with the assistance of the police.** This law authorizes a tenant to temporarily permit the occupancy of their dwelling unit by a person who is at risk of homelessness regardless of the terms of the lease or rental agreement, with the written approval of the owner or landlord of the property, and subject to extension under certain circumstances. It authorizes an owner or landlord to adjust the rent payable under the lease during

the time the person who is at risk of homelessness is occupying the dwelling unit, as compensation for the occupancy of that person, and would require the terms regarding the rent payable in those circumstances to be agreed to in writing by the owner or landlord and the tenant.

If the landlord has served the tenant with a three-day notice to cure or quit the property pursuant to paragraph (3) of Section 1161 of the Code of Civil Procedure, then the person at risk of homelessness' right to occupy shall terminate 24 hours after the tenant provides notice in writing to the person at risk of homelessness that specifies the date and time by which the person at risk of homelessness must vacate the premises. Or, the person at risk of homelessness' right to occupy the premises may be terminated immediately, without notice, if that person has engaged in criminal conduct on the premises. Upon termination of the person at risk of homelessness' right to remain in the dwelling unit, the person at risk of homelessness may be removed from the premises pursuant to Section 602.3 of the Penal Code, as though the person at risk of homelessness were a lodger.

This law establishes the rights and obligations of the person at risk of homelessness, the tenant, and the owner applicable under these circumstances. These conditions include making the tenant liable for the actions of the person at risk of homelessness to the extent those actions are subject to the terms of the lease or property agreement and requiring a written agreement between the parties.

This law requires that the landlord give 7 days' notice to the tenant in order to evict a person at risk of homelessness from the unit, unless specified exceptions apply. But it gives the tenant an opportunity to cure any violations cited by the landlord for evicting the person at risk of homelessness. Sunsets in 2024.

Senate Bill 1188 codified as Civil Code §1942.8. Effective January 1, 2020.

Lead Paint Abatement Immunity	**Grants immunity to landlords or agents who voluntarily abate lead paint hazards and provides that such efforts cannot be considered evidence of uninhabitability pursuant to certain lead paint abatement programs.** This law makes a property owner, or agent thereof, who participates in a program to abate lead-based paint created as a result of a judgment or settlement in any public nuisance or similar litigation, and all public entities, immune from liability in any lawsuit seeking to recover any cost associated with that abatement program. It prohibits participation in a lead paint abatement program from being considered as evidence that a property constitutes a nuisance, or is substandard or untenantable under Civil Code §1941.1 or Health and Safety Code §17920.3. **Assembly Bill 206** is codified as Civil Code § 3494.5. Effective January 1, 2020.
Loans: Prohibits California Financing Law licensees from receiving certain charges on a consumer loan	**Prohibits California Financing Law (CFL) licensees from receiving charges on a consumer loan at a rate exceeding 36% per annum plus the Federal Funds Rate for loans with a principal amount from $2,500 to $10,000.** **Assembly Bill 539** is codified as Financial Code §§22202, 22250, 22251, 22305, 22334, 22452, 22453, 22454, 22456, 22463, 22464, 22304.5 and 22307.5. Effective January 1, 2020.
Mobilehomes: Application process; rights of buyer and seller when selling a mobile home that will remain in the park; right of first refusal after disaster; and right to a companion	**Park Management must respond within 15 days to a seller and the prospective purchaser by providing application standards for the park where the mobilehome being sold is located and a list of necessary documentation. If buyer is rejected for financial reasons, they have a right to supply additional financial information which the park must consider. A park that fails to comply is liable for damages to the seller.** **Additionally, a homeowner has a first right of refusal when a park elects to rebuild after a disaster. A homeowner that lives alone has the right to designate one companion at a time to live with them free of charge, up to three a year.**

Application process of purchaser when selling mobilehome that will remain in the park

Current law authorizes park management to require approval of the purchaser of a mobilehome that will remain in the park and to require that the selling homeowner, or his or her agent, give notice of the sale to management before the close of the sale. Existing law prohibits management from withholding approval from a purchaser who has the financial ability to pay the rent and charges of the park, except as otherwise provided. Existing law requires management to consider the amount and source of the purchaser's gross monthly income or means of financial support when making this determination.

This new law requires a selling homeowner or their agent to provide notice to management of a sale of a mobilehome before the close of the sale. Management is required, upon receipt of that notice, to within 15 days provide a selling homeowner or prospective purchaser with the standards that management customarily utilizes to approve a tenancy application and a list of all documentation needed to determine if the prospective purchaser will qualify for tenancy in the park. Management is prohibited from withholding approval from a prospective purchaser of a mobilehome unless management reasonably determines that the purchaser will not comply with the rules and regulations of the park, the purchaser does not have the financial ability to pay the rent, estimated utilities, and other charges of the park, or the purchaser commits fraud, deceit, or concealment of material facts during the application process.

Under this new law, the purchaser is entitled to provide, and park management is required to consider, evidence of additional financial assets if an application is denied due to the inability to pay the rent, estimated utilities, and other charges, including savings accounts, certificates of deposit, stock portfolios, real property, and any other financial asset that can be liquidated or sold, when making that determination. It authorizes management to consider liabilities, as well as the additional financial assets, when determining whether the prospective purchaser has the financial ability to pay the rent, estimated utilities, and other charges.

	This law now provides that management may be held liable to a selling homeowner for failing to comply with those provisions. **First right of refusal if property is rebuilt after disaster** The new law requires management to offer the previous homeowner a right of first refusal to a renewed tenancy in the park if the park is destroyed due to a fire or other natural disaster and management elects to rebuild the park in the same location. **Person who lives alone is Permitted to Designate Companions with No Fee** Current law provides that a homeowner may be charged a fee for an individual staying with the homeowner for more than 20 consecutive days or a total of 30 days in a calendar year. It prohibits park management from charging a fee to an individual who lives alone and shares their occupancy with one other person, designated as a companion, provided that only one individual may be designated as a companion within a calendar year This new law allows an individual to designate up to 3 companions in a calendar year, but no more than one companion at a time, unless otherwise authorized by management. **Senate Bill 274** codified as Civil Code §§ 798.34, 798.74 and 798.62. Effective January 1, 2020.
Real Estate Law Cleanup: **Technical changes that confirm existing law regarding delivery of the TDS, NHD and AD** **C.A.R. Sponsored Law**	**This law clarifies and confirms existing law that delivery of the TDS and NHD is generally not required for leases of any duration, but the Agency Disclosure form is required for residential leases of more than one year.** **Confirms that there is no cancellation right for a buyer based upon delivery of the visual inspection when purchasing from an unrepresented seller.** This law clarifies that a buyer has no right to cancel based on receipt a visual inspection when the seller is unrepresented. However, if the seller is represented by an agent in the transaction then a

	cancellation can be based upon completion and delivery to the buyer or buyer's agent of the results of the seller's agent's visual inspection. This law confirms that the Transfer Disclosure Statement and Natural Hazard Disclosure Statement are not required to be delivered for a lease no matter how long the leasing period is. Except that, these documents must be provided for a lease option and for a ground lease coupled with improvements involving residential one to four property. This law confirms that the Agency Disclosure form is required to be delivered for any lease involving residential one to four property of more than one year's duration and for personal property mobile homes. This law creates a record keeping requirement for a Multiple Listing Service. Previously there was no such requirement. Now an MLS must retain and make accessible on its computer system, all listing and other information placed in the MLS by an agent or appraiser for no less than three years form the date the listing was placed. This law does not alter the obligations of a broker to retain documents for three years. **Assembly Bill 892** is codified as Civil Code §§1088,1101.4, 1102, 1102.2, 1102.3,1102.155,1102.6, 1103.1, 2079,2079.13, and 2079.14. Effective January 1, 2020.This bill was sponsored by C.A.R.

Tax: 1031 exchanges partially conforms with federal law	**California tax law is now partially conformed to federal tax law limiting 1031 exchanges to exclude recognition of gain or loss for real property only.** In 2018 the federal Tax Cuts and Jobs Act limited 1031 exchanges to real property only. Previously a 1031 exchange, allowing for non-recognition of gain or loss on the exchange of property held for productive use in a trade or business or for investment, could be used for both real property and personal property. California has now conformed its tax law to federal law in regard to corporations by limiting the non-recognition of gain or loss for corporations to the exchange of real property only. For most individuals, however, California will continue to extend non-recognition of gain or loss for exchanges of both real and personal property. That part of **Assembly Bill 91** relating to 1031 exchanges is codified as Revenue and Taxation Code §§ 18031.5 and 24941.5. These sections will apply to exchanges complete after January 10, 2019.
Tax: No conformity with Opportunity Zone tax benefits	**California did not identify Opportunity Zones (OZ) to mirror federal law which would have resulted in greater incentivization of real property investments in these areas.** Background: The 2017 federal tax changes established Opportunity Zones to increase investment in certain economically distressed areas. Generally, these are areas with relatively low median income and high levels of unemployment. In California, there are 879 census tracts which are identified as potential OZs. California has not made any conforming changes. **Assembly Bill 91** which relates to tax conformity in general.

Recording Fees: County may increase fee by $1	**Counties are authorized to increase their recording fees by $1 to defray cost of document storage.** Existing law requires the recorder of each county, upon payment of proper fees and taxes, to accept for recordation any instrument, paper, or notice that is authorized or required by law to be recorded, as specified. Existing law establishes a fee for recording documents with the county recorder at $10 for the first page and $3 for each additional page and authorizes a county recorder to assess additional specified fees, including a fee of $1 for each document filed in order to defray the cost of converting the county recorder's document storage system to micrographics. This new law, until January 1, 2026, would authorize the $1 fee to additionally be used for restoration and preservation of the county recorder's permanent archival microfilm, to implement and fund a county recorder archive program as determined by the county recorder, or to implement and maintain or utilize a trusted system for the permanent preservation of recorded document images. **Assembly Bill 212** is codified as Government Code §§ 12168.7 and 27361.4. Effective January 1, 2020. Sunsets January 1, 2026.

Utilities: Costs for extension of water and sewer services	**This law requires the estimated reasonable costs of labor and materials for installation of facilities associated with a water or sewer connection to bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the water connection or sewer connection.** Under current law, municipalities are able to charge connection fees for water and sewer connection services that represent the "proportional benefit to the person or property being charged." This law clarifies that any utility connection fee must bear a fair or reasonable relationship to the payer's burdens on, or benefits received from, the utility connection. **Senate Bill 646** codifies Government Code § 66013. Effective January 1, 2020.
Federal Laws and Regulations	
Appraisal requirements increases from $250,000 to $400,000 for certain home sales	**Certain home sales of $400,000 no longer require an appraisal as federal regulators increase the threshold at which residential home sales require an appraisal from $250,000 to $400,000. The rule will not apply to loans sold to or guaranteed to the VA, FHA, HUD, Fannie Mae or Freddie Mac. The final rule has yet to be published. But law will become effective January 1, 2020.** The FDIC, the Federal Reserve, and the Office of the Comptroller of the Currency (the Agencies) have jointly issued an amended rule (the Appraisal Rule) that increases the threshold for residential real estate transactions requiring an appraisal from $250,000 to $400,000. For transactions exempted by the $400,000 threshold, the Appraisal Rule requires an evaluation. The Appraisal Rule also incorporates the appraisal exemption for rural residential properties provided by the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRCCPA) and requires evaluations for these exempt transactions. In addition, the Appraisal Rule requires appraisals for federally related transactions to be subject to appropriate review for compliance with the Uniform Standards of Professional Appraisal Practice (USPAP).

Tax: Exemptions from Reassessment: Narrow exclusion for certain parent-child transfers of property through a corporation	**Creates a property tax change in ownership exclusion in the case of a parent to child transfer of stock in a qualified corporation following the last surviving parent's death limited in scope to the parents' residence and the parcel of land upon which the home is located provided that among other things: 1) the residence has continuously served as the child's home, and 2) the property's assessed value does not exceed $1 million.** **The comments to the bill analysis are as follows:** *What would this bill do?* This bill allows qualified property to avoid reassessment to its current market value following the death of the last surviving parent in the case where the parents had transferred the ownership of their home into a corporation that they created between Proposition 13's roll back value date of March 1, 1975 and Proposition 58's parent-child change in ownership exclusion effective date of November 6, 1986. To qualify, the home and land must have an assessed value of one million dollars or less and have continuously served as the home of a child of the parents. **According to the Author:** AB 872 protects children living on a small family farm who become owners of the farm after the death of a parent from a property tax reassessment, under limited circumstances. This bill is narrowly drafted to address an inequity in California's complicated reassessment laws. This bill supports California's policy to help protect agricultural open space and the dwindling number of family farm homesteads in the state. This bill also supports the public policy to protect a person from being unable to remain in their home due to a Proposition 13 reassessment trigger to current market value. **Assembly Bill 872** is codified as revenue and Taxation Code 62. Effective October 9, 2019.

FHA spot approvals for individual condo units	**FHA Allows approvals for Individual Condo Units even if the condominium project is not FHA approved.** The Federal Housing Administration (FHA) published final regulations allowing certain individual condominium units to be eligible for FHA mortgage insurance even if the condominium project is not FHA approved. The policy will become effective October 15, 2019. Additionally, FHA's new condo rule and the new Condominium Project Approval section of the Single-Family Housing Policy Handbook, provide a comprehensive revision to FHA condominium project approval policy. FHA's new condominium policy is part of a broader Administration objective to reduce regulatory barriers that currently restrict affordable homeownership opportunities. FHA's new rule: • Introduces a new single-unit approval process to make it easier for individual condominium units to be eligible for FHA-insured financing; • Extends the recertification requirement for approved condominium projects from two to three years; • Allows more mixed-use projects to be eligible for FHA insurance. The vast majority (84 percent) of FHA-insured condo buyers have never owned a home before. While there are more than 150,000 condominium projects in the U.S., only 6.5 percent are approved to participate in FHA's mortgage insurance programs. As a result of FHA's new policy, it is estimated that 20,000 to 60,000 condominium units could become eligible for FHA-insured financing annually. **Single Family Policy Handbook Guidance** FHA's new Single-Family Handbook sections provide the additional requirements that lenders and other industry participants need in order to implement FHA's new policy, including requirements for single-unit approvals, minimum owner occupancy requirements, and commercial/non-residential space limits. **Single-Unit Approvals** As of October 15, FHA will insure mortgages for selected condominium units in projects that are not currently approved. An individual unit may be eligible for Single-Unit Approval under the

Statement of Applicability to Institutions Under $1 Billion in Total Assets: This Financial Institution Letter applies to all FDIC-supervised institutions.

Here are the **Highlights** (in printable form):

- Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI) requires the Agencies to adopt regulations prescribing standards for appraisals used in connection with federally related transactions within the jurisdiction of each agency, and that they be performed by certified or licensed appraisers. Title XI authorizes the Agencies to establish a threshold level below which an appraisal is not required.
- The Appraisal Rule creates a new definition of, and a separate category for, residential real estate transactions and raises the threshold for requiring an appraisal for such transactions from $250,000 to $400,000.
- For transactions exempt under the applicable thresholds, the Appraisal Rule requires an appropriate evaluation of the real property collateral that is consistent with safe and sound banking practices but does not need to be performed by a licensed or certified appraiser or meet the other Title XI appraisal standards.
- The Appraisal Rule also incorporates the appraisal exemption for rural residential properties added to Title XI by Section 103 of EGRCCPA and requires evaluations for these transactions.
- Finally, the Appraisal Rule requires appraisals for federally related transactions to be subject to appropriate review for compliance with the USPAP, pursuant to Title XI, as amended
- The final rule becomes effective the first day after publication in the *Federal Register*, except for provisions related to appraisal review and the evaluation requirement related to the rural residential exemption, which become effective January 1, 2020.

Final Rule for 12 CFR Part 34. **The final rule has yet to be published. Once published the rule will be effective,** except for provisions related to appraisal review and the evaluation requirement related to the rural residential exemption, which become effective January 1, 2020.

IRS finalizes 20% qualified business income deduction: 250 hour a year safe harbor for rental real estate owners	**Individuals or entities who own rental real estate directly or through a disregarded entity may treat it as a "business" for purposes of the QBI deduction. "Management of the real estate" is considered a "rental activity."**
	
	• Owners may claim a safe harbor if rental activities total at least 250 hours:
	
	  ◦ Maintaining and repairing property;
	  ◦ Collecting rent;
	  ◦ Paying expenses;
	  ◦ Verifying information in tenant applications;
	  ◦ Purchase of materials;
	  ◦ Advertising; Supervision of employees and independent contractors; and
	  ◦ "Management of the real estate"
	• Rental activities may be performed by owners or by employees, agents and/or independent contractors of owners
	• Keep contemporaneous records, times reports, logs, etc...
	
	  ◦ 1) Hours 2) Description 3) Dates of all services performed and 4) Who performed all services
	  ◦ Separate books and records must be maintained for each "rental enterprise"
	• Triple net property is not eligible for this safe harbor
	• If an owner does not qualify for the 250 hour safe harbor it still may be possible to claim to be a "business"
	• In all cases, owners should be advised to speak with their accountants – It's complicated
	• Effective Date: The revenue procedure applies to taxable years ending after December 31, 2017.
	
	26 CFR 1.199A-1: Trade or Business; Rev. **Proc. 2019-38** was finalized on September 24, 2019. Effective date January 1, 2018.

	following conditions: • The individual condominium unit is located in a completed project that is not approved; • For condominium projects with 10 or more units, no more than 10 percent of individual condo units can be FHA-insured; and projects with fewer than 10 units may have no more than two FHA-insured units. **Minimum Owner-Occupancy Requirements** FHA will require that approved condominium projects have a minimum of 50 percent of the units occupied by owners for most projects. **FHA Insurance Concentration in Condominium Projects** FHA will only insure up to 50 percent of the total number of units in an approved condominium project. **Commercial/Nonresidential Space Limits** FHA will require that the commercial/non-residential space within an approved condominium project not exceed 35 percent of the project's total floor area. **Final Rule** for 24 CFT Parts 203, 206 and 234. Effective August 15, 2019.

VA loan limits eliminated	VA to back loans that exceed conforming loan limits
	This new law enables homebuyers using a VA loan to borrow abovethe 2019 limit of $484,350 for most counties, without any down payment. Loan limits are to be lifted for loans that are guaranteed or appraised on or after January 1, 2020, and that guidance for lenders would be coming ahead of this date, published on the **VA home loan circular page** of its website. The VA also clarified other changes that will go into effect as a result of the bill. In addition to alleviating limits for veterans looking to purchase a home, H.R. 299 temporarily increase rates for certain loans by 0.15-0.30%, the VA said. The slight bump in loan fees is intended to help finance health care costs for veterans who are suffering the effects of Agent Orange exposure as a result of their service. Additional changes to the VA's loan guaranty program include the elimination of funding fee differences for borrowers who are veterans versus those who are members of the Reserve. It also removes the loan limit for the Native American Direct Loan Program, exempts Purple Heart recipients from paying loan fees, and authorizes VA-designated appraisers to rely on third parties for appraisal-related information. The new law's passage comes after years of lobbying on behalf of numerous trade groups, including the **National Association of Realtors**, which alongside other housing industry trade groups worked to ensure veterans' health care benefits would be extended without a significant increase toVA loan fees. **H.R 299** is codified as 28 USC §§ 1116A, 1116B and 1822. Effective January 1, 2020. Guidance to be published ahead of this date.

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Topic	Description
Appraisers: Appraisers and home inspectors	**Home inspectors are prohibited from giving an opinion of valuation on a property.** **Except as required to comply with standards set forth in law or regulation, a real estate appraiser performing a real estate appraisal, shall not engage in the activity of a home inspector performing a home inspection.** **Assembly Bill 1018** codified as business and Professions Code §§7196.1 and 7195.7. Effective January 1, 2020.

Common Interest Developments: Religious items may be displayed on entry doors	**This law, with certain exceptions, prohibits property owners and common interest developments from enforcing or adopting restrictions that prohibit the display of religious items on entry doors or entry door frames of dwellings.** This law, with certain exceptions, prohibits a residential property owner from enforcing or adopting any restriction that prohibits the display of religious items on an entry door or entry door frame of a dwelling. The exceptions include religious displays that: (1)Threaten the public health or safety. (2)Hinder the opening or closing of any entry door. (3)Violate any federal, state, or local law. (4)Contain graphics, language or any display that is obscene or otherwise illegal. (5)Individually or in combination with any other religious item displayed or affixed on any entry door or door frame that has a total size greater than 36 by 12 square inches, provided it does not exceed the size of the door. This law also prohibits the governing documents of a common interest development from prohibiting the display of religious items on the entry door or entry door frame of a member's separate interest, subject to the exceptions stated above. The law provides an exception to this prohibition for maintenance, repair, or replacement of an entry door or door frame, as specified. If an association is performing maintenance, repair, or replacement of an entry door or door frame that serves a member's separate interest, the member may be required to remove a religious item during the time the work is being performed. After completion of the association's work, the member may again display or affix the religious item. The association shall provide individual notice to the member regarding the temporary removal of the religious item. "Religious item" means an item displayed because of sincerely held religious beliefs. **Senate Bill 652** is codified Civil Code §§1940.45 and 4706. Effective January 1, 2020.