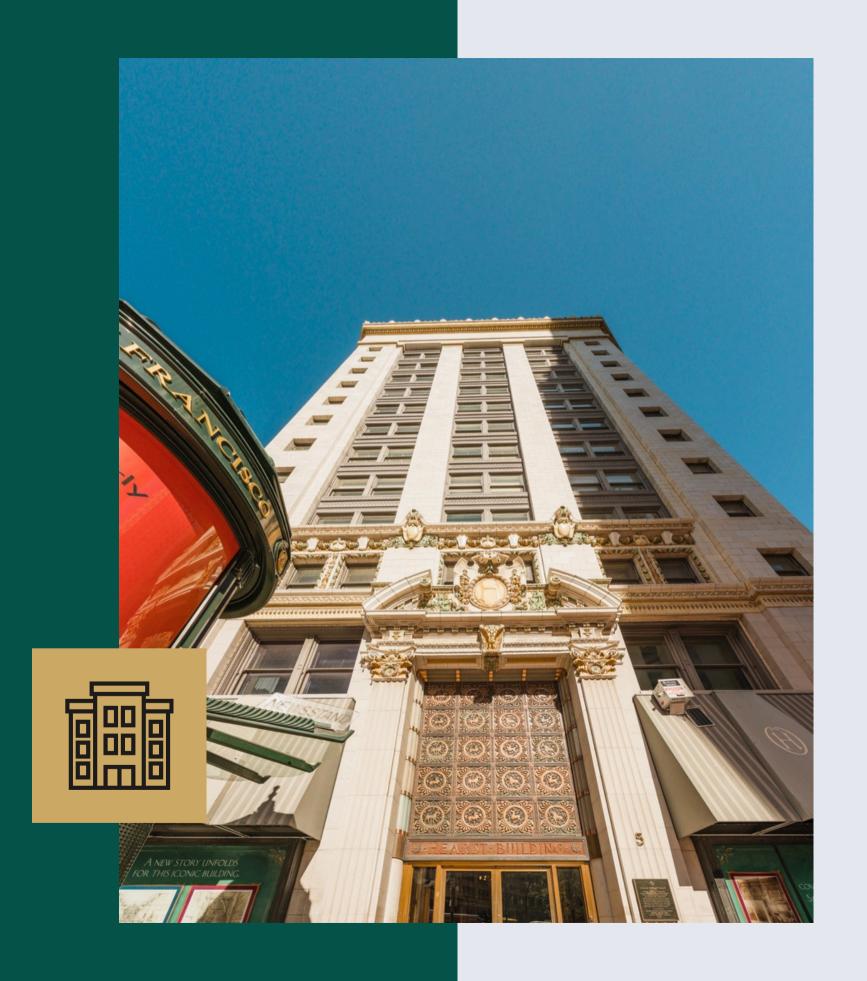


BERKELEY PROPERTY OWNERS ASSOCIATION

RENTAL HOUSING REGULATIONS FOR 2025

Krista Gulbransen, Executive & **Government Affairs Director**





2025 RENTAL LAW IN BERKELEY

TODAY'S AGENDA

- 1. State Laws & Effective Dates
- 2.Local Law Impact of Measure BB
- 3. Frequently Asked Questions
- 4. Resources & Documents

Let's Get Started!









APPLICATION FEES

New requirements for taking an application fee for prospective tenants.

In order to take an application fee you must:

Establish clear **rental criteria** and implement a **first-come**, **first-serve** process for tenant selection;

OR

Refund the application fee to any qualified applicant not offered the rental.

You are required to provide applicants with a copy of their credit report if obtained during the application process, whether they request it or not.

IMPORTANT INFORMATION



What to Know

You must meet one of the two conditions in order to charge an application fee.



What to Do to Prepare

- Establish your rental criteria.
- Prepare it in a written format.
- Decide whether you will take a fee or not.
- Decide which rule you will follow.



Who is Exempt?

All rental housing providers are subject. However, if you do not charge an application fee, then the law would not apply.

Effective January 1, 2025





QUESTIONS - APPLICATION FEES

HOW DOES FIRST-IN-TIME WORK?

"Completed applications are considered in the order in which the completed applications were received" and "the first applicant who meets the landlord's established screening criteria is approved for tenancy."

WHAT IF I HAVE A GROUP OF TENANTS, LIKE ROOMMATES?

The application is assumed to be considered "completed" only when all roommates have submitted the required documents.

WHAT IF I SPENT MONEY TO OBTAIN A CREDIT REPORT, BUT THEN DIDN'T RENT TO THEM?

You must refund the full application fee to any qualified applicant who is not selected, regardless of any expenses incurred.

WHAT IF THE TENANT PAID THE APPLICATION FEE TO A THIRD PARTY, AM I STILL SUBJECT TO THIS LAW?

We are awaiting legal guidance on that scenario.

WHAT IF I USUALLY ONLY TAKE ONE APPLICATION FEE AT A TIME?

You can still operate that way, but you are still required to commit to one of the two requirements.



ASSEMBLY BILL 2747

POSITIVE RENTAL CREDIT REPORTING

New requirement and process where you must offer tenants the opportunity to have their positive rental payment history reported to at least one credit agency.



If you use property management software, check with your provider to see if they offer positive rental payment reporting.

BPOA will be providing an opt in document that will be a part of the addenda package.

Effective April 1, 2025







What to Know

Effective date has two components. For leases created prior to April 1, 2025, owners must offer tenants the option of reporting their positive payments to a credit agency, by no later than April 1, 2025.

For leases created after March 31, 2025, the option to report their positive payments to a credit agency must be provided at the inception of the lease.



Applicability

Any rental housing provider owning more than one parcel of rental property, regardless of the number of units, IF they are a REIT, corporation or LLC in which at least one member is a corporation. And any building with more than 15 units.

Who is Exempt?

Any rental housing provider owning only one parcel of residential rental property comprised of 15 units or fewer.



QUESTIONS - POSITIVE RENTAL PAYMENT REPORTING

WHAT IF I OWN A DUPLEX & A SINGLE FAMILY HOME AS MY RENTALS?

If held in a REIT, corporation, or LLC in which at least one of the members is a corporation, this law <u>will</u> <u>apply.</u>

WHAT IF I OWN ONLY A DUPLEX?

Then this law will not apply to you because the property is on one parcel and is fewer than 16 units.

HOW DO I REPORT POSITIVE RENTAL PAYMENT IF MY TENANTS WANT ME TO?

You will have to find a product that allows you to do so. BPOA is currently researching products that will work for anyone subject to this law.

CAN I REPORT WHEN THEY DON'T PAY RENT?

No, this law is designed to help tenants build credit by reporting positive rental payment history. Delinquencies and late payments cannot be reported.

WHAT IF IT COSTS ME MONEY TO REPORT TO THE CREDIT AGENCY?

You may charge tenants the actual cost to you for providing the service, with a max cap of \$10 per tenant, per month. So if the service costs you \$3, then you may only charge \$3. If it costs you \$15, you may only charge \$10.





SECURITY DEPOSIT ACCOUNTING

Changes the way in which you document condition of unit prior to tenant taking possession, how you will make those repairs, and how to account for the repairs when deducting from the security deposit.

Primary changes include:

- Security deposit deductions must be limited to a "reasonable amount necessary" to restore premises back to original condition.
- Photos/videos must be provided to the tenant at the start of the tenancy.
- Upon move-out, landlord must photograph prior to making repairs <u>and</u> after the repairs are completed.

Effective April 1, 2025 and July 1, 2025



IMPORTANT INFORMATION



What to Know

By April 1, 2025 owners must take and provide pictures within a "reasonable time" after the tenant has taken possession of the unit.

After July 1, 2025 owners must take and provide pictures immediately before or at the inception of the tenancy.



What to Do to Prepare

- Get right with technology!
- Invest in what you need to comply
- Practice!



This law applies to all rental units including rooms where an owner shares a kitchen and/or bath with the tenant from whom they've collected a deposit.



QUESTIONS - SECURITY DEPOSIT ACCOUNTING

WHAT IF I DON'T HAVE THE TECHNOLOGY DO ALL THIS?

You've got three months to learn how! BPOA will help with products and guidance you can use.

CAN I STILL CHARGE A CLEANING FEE OR CARPET CLEANING FEE?

Only if either of those are "reasonably necessary" to return the premises to the condition it was, less standard wear and tear. No more carpet cleaning fees just because you want them cleaned.

CAN I STILL CHARGE FOR DAMAGES THE TENANT MADE?

Yes, general assessment of damage still applies. But it must be outside of "standard wear and tear."

WHAT IF I DIDN'T TAKE PICTURES BEFORE THE TENANT MOVES IN?

Then presumably you would not be in compliance with the law and therefore unable to reasonably deduct for any repairs necessary.



Don't treat this as a bad law! It's a best a practice that every rental housing provider should already be following. This requirement strengthens documentation, making it easier to prove damages and justify necessary repairs.



STRETCH BREAK!

Let's Pause Here for Any Questions



CHANGES TO THE RENT STABILIZATION ORDINANCE

MEASURE BB

The Cities' Wealth

The social housing bible in which landlords are made to pay to house anyone and everyone that wants to live in Berkeley!

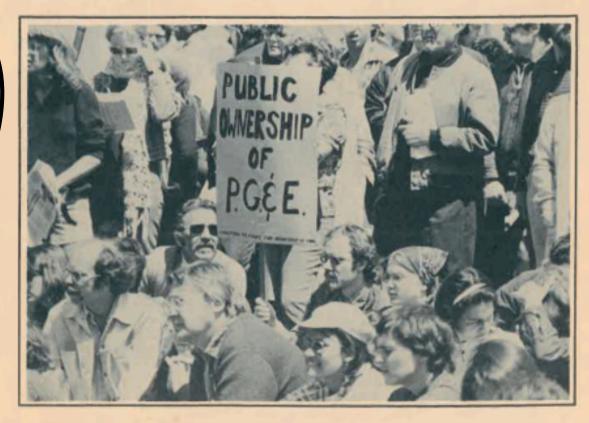
Effective December 20, 2024





The CITIES' WEALTH

PROGRAMS FOR COMMUNITY ECONOMIC CONTROL IN BERKELEY, CALIFORNIA



Written by the Community

CONFERENCE/Alternative State and Institute for Policy Studies Local Public Policies
Washington D.C., 20009

Ownership Organizing Project



MADE CHANGES TO THE RENT STABILIZATION ORDINANCE

Effective December 20, 2024





Good Cause for Eviction

Changed reasons and requirements to proceed on a good cause to evict.



Compliance with Rent Board

Changed the compliance requirements for units and introduced new requirements for previously exempt units.



Lease & Addendum Modifications

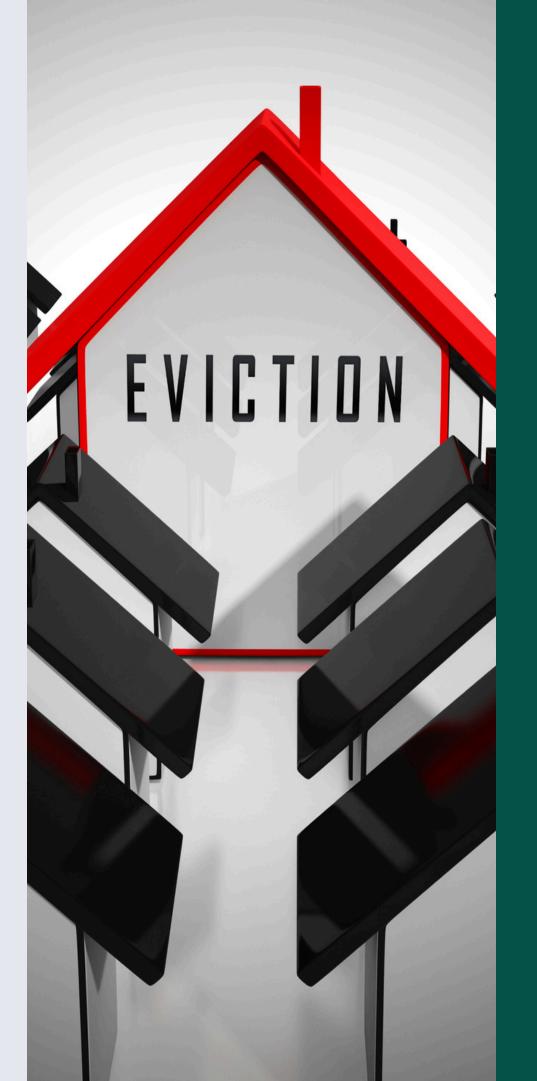
New notice to tenants and modifications to the lease to comply with new laws.



3 CHANGES

Effective Now





NONPAYMENT OF RENT

HUD Fair Market Rate

Rent in arrears must now be equivalent to HUD Fair Market Rate for comparable unit.

MATERIAL VIOLATION OF LEASE TERM

Harm to the Owner

Must cause "substantial and actual harm to the owner". Must demonstrate tenant's behavior was unreasonable. Must be clearly conveyed to tenant.

SUBSTANTIALLY SIMILIAR LEASE

Failure to Sign Upon Renewal

No longer a good cause for eviction.



QUESTIONS - NONPAYMENT OF RENT

WHO IS EXEMPT FROM THESE REQUIREMENTS?

If your tenant does *not* have eviction protections (e.g. Golden Duplex), this does not apply.

WHAT IF MY TENANT'S RENT IS BELOW HUD FAIR MARKET?

You will be required to wait until the rent in arrears is equal to the HUD Fair Market Rate.

WHAT IS HUD FAIR MARKET RIGHT NOW?

Final FY 2025 & Final FY 2024 FMRs By Unit Bedrooms					
Year	<u>Efficiency</u>	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
FY 2025 FMR	\$1,937	\$2,201	\$2,682	\$3,432	\$4,077
FY 2024 FMR	\$1,825	\$2,131	\$2,590	\$3,342	\$3,954



Don't let your tenant get continually behind on rent. Establish clear expectations and proactive management practices.





QUESTIONS - MATERIAL VIOLATION OF LEASE TERM

WHO IS EXEMPT FROM THESE REQUIREMENTS?

If your tenant does *not* have eviction protections (e.g. Golden Duplex), these do not apply.

WHAT DOES "ACTUAL AND SUBSTANTIAL HARM" MEAN?

There is no specific definition. Ultimately, the court would make that decision. Presumably the addition of a pet in a "no pets" property will no longer rise to the occasion of substantial harm.

WHAT IF THEIR LEASE VIOLATION HARMS ANOTHER TENANT, BUT NOT ME?

Only the lawyers and courts will be able to advise as to whether that meets the requirement that it has caused "actual harm" to the owner.





Regularly document in writing and clear terms, any violation of the lease. When documenting the violation, speak to specific terms of the lease that are being violated.



QUESTIONS - FAILURE TO SIGN SUBSTANTIALLY SIMILAR LEASE

WHO IS EXEMPT FROM THESE REQUIREMENTS?

If your tenant does *not* have eviction protections (e.g. Golden Duplex), these do not apply.

I DON'T GET IT, WHAT DOES THIS MEAN?

If a tenant does not want to renew a lease on a similar term (e.g. transitioning from a 12-month lease to another 12-month lease) you cannot "evict" them for declining to do so.

BUT I WASN'T GOING TO EVICT THEM ANYWAY. I JUST WANT THEM TO SIGN ANOTHER ONE YEAR LEASE.

Previously you could inform a tenant that if they didn't agree to renew for another fixed term, they would have to vacate at the end of the term. This allowed you to plan accordingly, including showing the unit. You can no longer make that statement. A tenant can choose to continue on a month-to-month basis until you have a legal reason to terminate the tenancy.

BUT IF MY TENANT WON'T TELL ME WHETHER THEY WILL RENEW OR NOT?

Your lease will still require at least a 30-day notice for non-renewal. If that deadline passes without notice from the tenant, you'll need to decide how to proceed. You can either assume they are leaving or assume they are staying and take action accordingly.

CAN I DO AN AUTOMATIC RENEWAL CLAUSE IN THE LEASE?

The law does not prohibit that, but there are some risks. We will advise in future communications.





Put into place a policy and process for communicating with tenants ahead of the end of the lease term if you want a renewed term.



COMPLIANCE CHANGES & NEW REQUIRED NOTICE

Effective Now





PARTIALLY EXEMPT UNITS

New Requirement for Reporting

Single family homes/condos must now report any new tenancy. Section 8 units must now pay registration fees and report tenancies.

FINANCIAL PENALTIES

New Penalties for Not Reporting

Rent Board has authority to levy financial penalties for failure to report new tenancies within 15 days of the start of the tenancy.

NEW NOTICE REQUIREMENT

Notice Required to Tenant

New Notice of Rent Program from Rent Board for all tenancies. If common area exists, must post.



QUESTIONS - NEW COMPLIANCE & NOTICING REQUIREMENTS

WHO IS EXEMPT FROM THESE REQUIREMENTS?

The only units that are exempt are those units which are "fully exempt" (no eviction protections or rent control, such as Golden Duplexes).

WHAT EXACTLY IS THE CHANGE FOR PARTIALLY EXEMPT UNITS?

Partially exempt units (anyone whose tenants have eviction protections but do not have rent control) are now required to report any new tenant information to the Rent Board.

WHAT EXACTLY IS THE CHANGE FOR SECTION 8 OR SUBSIDIZED UNITS?

You are now required to pay a registration fee and report your tenancies to the Rent Board. Some units will have rent control even if the rent is subsidized by the Housing Authority.

DO I HAVE TO GIVE THE NOTICE OF TENANT RIGHTS TO MY SITTING TENANTS?

While the law does not specifically require you to do so, we are going to recommend that all owners provide the notice to tenants. All *new tenancies* must receive the notice within 15 days of the start date of the tenancy.

All owners of properties with an interior common area, such as a lobby or laundry room, should post the notice immediately.





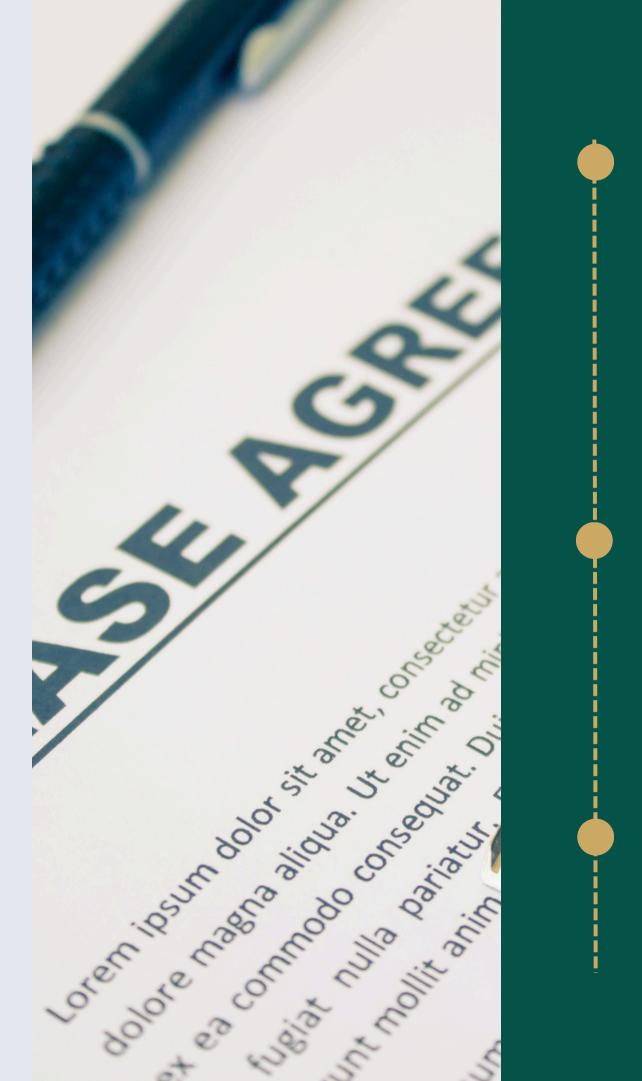
Eviction notices have new language requirements.
Eviction Notices & Unlawful Detainers must now be filed within 3 business days of tenant being served.



CHANGES TO THE WRITTEN LEASE

Effective for Any Lease Written After Feb 6, 2024





UTILITY CHARGES

Must Be Included in Base Rent

If you use Ratio Utility Billing System: (RUBS), or any method to allocate utility costs due to a shared meter, you can no longer charge tenants for the utility outside of the cost of rent.

If the utility is not:

- 1. Separately metered **AND**
- 2. Cannot be put into the name of the tenant.

Then you **may not** charge for the utility outside of the base rent.

You will need to include the estimated monthly cost of utilities in the base rent, which can only be adjusted according to the Annual General Adjustment (AGA).



QUESTIONS - LEASE CHANGES

WHO IS EXEMPT FROM THESE REQUIREMENTS?

The only units that are exempt are those units which are "fully exempt" or "partially exempt" where the unit does *not have rent control.*

WHAT IF I WROTE (OR ARE WRITING) A LEASE AFTER FEBRUARY 6, 2024?

If the lease has the tenant paying for a utility that is not separately metered (such as water), and the tenant is required to pay that charge outside of the base rent, you must stop collecting that payment as of December 20, 2024.

WHAT I LIVE ON SITE WITH MY TENANT AND THERE IS ONLY ONE METER FOR BOTH UNITS?

If your tenant's unit is rent-controlled, you can no longer allocate utility costs separately and outside of the monthly base rent. Instead, you must factor estimated monthly costs into the base rent. That cost can rise according to the Annual General Adjustment (AGA).

IS GARBAGE OR INTERNET A UTILITY?

Garbage yes. Internet no. (This has been confirmed with Rent Board legal counsel).

WHAT IF THE LEASE WAS WRITTEN BEFORE FEBRUARY 6, 2024?

The lease must explicitly state that the tenant is responsible for the utility in order to continue charging and collecting payment for that utility.





If you typically charge for utilities separate, start getting an understanding of what the average monthly cost is for the utility so that you can include it in the base rent with a new lease. Price your rent at market upon vacancy.



TENANT RIGHT TO ORGANIZE & CAPITAL IMPROVEMENTS

Effective Now





TENANTS RIGHT TO ORGANIZE

Requirements to Meet with Tenants

If at least 50% of tenants want to organize and confer with the owner, the owner or property manager must comply.

CAPITAL IMPROVEMENT PETITIONS

Petition Must be Submitted Afterwards

Capital Improvement rent increase petitions must now be filed *after* the actual capital improvement is completed.



Do not ignore a tenant (s) request to meet and confer on an issue.



REPEAT OF THIS WEBINAR

- Friday, January 10 at 12:00 pm
- Tuesday, January 14 at 5:00 pm

NEW LEASE BEING RELEASED!

W Next week - stay tuned for emails





WE BRING CLIENT THE TRUE LAW FOR JUSTICE

Our Title Name Here

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