

JUL
2021



The Advocate for Berkeley's Rental Housing Providers

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Selecting the Best Tenant

Mark Tarses, President, BPOA

A lot of people assume that when a landlord decides who to rent an apartment to, he picks the applicant who makes the most money, but experienced landlords don't do that. That's for amateurs. Naturally, a landlord does want to be sure that an applicant can afford to pay the rent, but the #1 thing a competent landlord is looking for in an applicant is someone who likes the place and wants to live there. I've been a landlord for a long time. I know that if I rent an apartment to someone who hates the place, that person will be miserable living there, and he will make my life miserable too. That is why I didn't offer an apartment to the woman I called the Kitchen Crier.

The Kitchen Crier. I once rented a one-bedroom condo In Rockridge in Oakland during a particularly hot rental market. Several dozen people came to my one and only showing, and ten of them turned in applications. This condo has some very nice amenities, including a washer and dryer in the kitchen and a home office. At the end of the showing, I sat down on the living room couch to review the applications I received. I thought I was alone until I heard the sound of someone crying. I got up to investigate. To my surprise, I found a young woman sitting at the kitchen table, stooped over, crying, and holding a handkerchief over her eyes. There was a partially filled out rental application form on the table in front of her. I said: "Are you OK?" She nodded her head and said "Yes," so I went back to the living room, wondering what was going on but not knowing what to say. After a while, she came out of the kitchen. She looked around the living room, paused, and then burst into tears again. I said: "Is there anything I can do?" She shook her head and said, "No. It's just that my mother warned me that I'd wind up in a place like this, but I didn't believe her." Then she handed me her rental application form, walked out, and drove away - still crying. I decided to rent my condo to somebody else.

MEMBERS ZOOM MEETING

July Topics:

Landlord 101 Refresher Courses

Wednesday, July 14th, 4:00pm

Wednesday, July 28th, 4:00pm

Check the event calendar at bpoa.org
for information & registration

For the safety of our members, our monthly member meetings will remain online through the end of this year.

Inside this Issue

Editorial.....	Page 2
Coalition Corner	Page 3
CA: Possible Deal to Cover 100% of Back Rent....	Page 4
Ohio Proposes Replacing the term "Landlord"	Page 5
Why There Aren't Enough Homes to Buy	Page 6
Rent Board to Vote on Ethnic Cleansing Resolution ...	Page 7
How the City Spends Money	Page 8
Bay Area Rents on the Rise Again	Page 8
Monthly Event Calendar	Page 9
TOPA in Berkeley on Hold until Fall.....	Page 10
Quote of the Month.....	Page 12
Services & Businesses.....	Page 13



Editorial

Does a Wealth Tax Make Sense?

Albert Sukoff, Editor

BPOA Monthly is a regular publication of the Berkeley Property Owners Association, a trade association dedicated to assisting rental housing providers with upkeep and management of residential rental property and coping with Berkeley's rent law.

2021

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About the Newsletter

Our articles are contributed on a volunteer basis by members and other interested parties, although we do accept paid advertising. We are always happy to include material submitted by members and welcome suggestions on how to improve our publication.

All articles in this publication represent the author's viewpoint and not necessarily the position of our organization.

Direct comments and material to our Bancroft Way office or to bpoa@bpoa.org

In June of 2021, ProPublica released an investigation of the taxes paid by the richest Americans. Their report was based on the tax returns of the 25 richest taxpayers, a group with an aggregate net worth of \$1.1 trillion. It showed that the income taxes they paid represented a very small percentage of the wealth accumulated by these uber-rich. Between 2014 and 2018, this top 25 saw their net worth increase by \$401 billion while they paid \$13.6 billion in income taxes. Their aggregate income tax equaled 3.4% of the increase in their wealth.

ProPublica properly pointed out that the US government taxes income rather than wealth. The study focused on wealth. There was no illegality claimed or implied by the article. *In fact, the very point of the article was that these unfathomably rich do not pay their fair share of taxes precisely because Congress chooses to tax income and to not tax wealth.*

One reason for this — probably the main reason — is that it is easier to identify and quantify income than to do so with wealth. Some wealth is easily quantified; much is not. You can pinpoint the value of the stock in a publicly traded company but what about other major forms of wealth, particularly businesses, intellectual property, collectibles, vehicles, and real estate? Before you could tax these things, you would have to place a value on them.

Massachusetts Senator Elizabeth Warren has long advocated a wealth tax. In addition to her straightforward argument for income redistribution, she argues that wealth can justifiably be taxed because it is, to a significant degree, the product of social investment. One does not become a billionaire with tapping into the benefits of huge public expenditures in schools, courts, infrastructure, law enforcement, standardization, data collection and dissemination, etc. She has a legitimate point.

The relevant argument, however, is not whether the uber-wealthy owe something back to society but rather how much. This is both a philosophical and a pragmatic argument. Senator Warren proposes that the wealth of anyone with a net worth over \$50,000,000 should be annually taxed at two percent.

Assuming that the uber-rich can make at least five percent on their money and that the government takes two percent of their total wealth, a two percent wealth tax equals, on average, a forty percent income tax, about the same as the highest federal tax on income. The stock market has historically averaged about a ten percent annual increase in value. The Warren wealth tax on a ten percent return-on-wealth is about twenty percent.

The wisdom, fairness and feasibility of taxing wealth instead of and/or in addition to taxing income makes for an interesting debate. What is society saying when it taxes \$100,000 earned by working 2,000 hours a year and does not tax \$100,000 in increased value to a stock portfolio worth a million dollars? The increased value of the stock is only taxed if the underlying stock is sold and even then, at a lower rate than the tax rate on earned income.

A principal argument advocates for favorable treatment of wealth because a capitalistic society depends on a reliable flow of infused capital. Therefore, those with money must be encouraged to keep it in the economy and this is facilitated

continued on page 11

❖ THE COALITION CORNER ❖

By Krista Gulbransen, Executive Director

**The Berkeley Rental Housing Coalition (BRHC)
is the political and legal voice of Berkeley's rental housing providers.**

Local & State Legislative Updates

Both the local and state government legislators are set to go on summer break shortly. This is a time when many legislative policies are being rammed through at the last minute, hoping for a chance at passing. It is also a time when important legislation has been set to expire. That limits the time legislators have to make key decisions on expiring legislation.

Eviction Moratorium Update

California's Senate Bill 91 (the Eviction Moratorium) is set to expire on June 30. Our state advocacy organization (the California Rental Housing Association) has been advocating on behalf of the rent property owner industry for expiration of the moratorium. CalRHA Leadership met with the Business Consumer Services and Housing Agency and the Director of the Housing and Community Development Department in May. They are also engaged with key staff in the Governor's Office as well as other legislative leadership. Negotiations continue into the wee hours of the morning but there is largely an expectation that it will be extended through the end of September. This tracks with the time period in which the state is supposed to have distributed all of its Rent Relief funds. This will be yet another moment in which legislators have kicked the ball down the field, and only extended the pain for all.

The City of Berkeley's eviction moratorium cannot be ended by City Council until the state lifts their moratorium. This is because the state's legislation says that local jurisdictions may not modify their eviction moratoriums as long as the state one is in effect (we call this pre-emption). In some ways, that's helpful because it has prevented our City Council from trying to prevent Ellis Act evictions (the ability to take your rental units off the market for at least five years by going out of business). But in other ways, it allows them to continue the Eviction Moratorium. The big question Berkeley will face when the state's moratorium ends is whether our local legislators will be forced to end ours. Remember — the Governor gave local authorities the power to enact laws through "Emergency Powers." Those powers are coming to an end so it might be hard for City Council to argue that they can continue the moratorium indefinitely.

Rent Relief Update

On May 10, the Governor announced his revisions to the California State Budget. Fortunately, he proposed additional rent assistance as part of his California Comeback Plan. Under the plan, the state would offer the largest renter assistance package of any state in America, with billions of dollars to help low-income Californians pay back 100 percent of rent owed and includes future rent and/or overdue utility bills. This proposal was strongly supported by CalRHA and was heard by the budget committee where it passed through with flying colors. It should be signed by the Governor July 1. CalRHA continues to work with the Housing Agency and Department to ensure that they are hearing updates from the industry on the statewide and local rent relief programs. We have successfully raised areas for improvement, as well as had the Agency investigate issues that some of our members are experiencing. We know that for many, the relief has still not been distributed and the ability to get an update on applications submitted is virtually impossible. For most of us, we anticipated that this would be a poorly run distribution of money. The state's Rent Relief law provides for the money to be distributed by September 30, but although the date draws near, many of us doubt the goal will be achieved.

Tenant Opportunity to Purchase Act

The Mayor announced on June 27 that TOPA was on hold until the fall due to other priorities the city had around reopening after the pandemic. We launched Herculean efforts to spread the word to all property owners in Berkeley about the impact the legislation would have when they

continued on page 12

Tax planning and preparation for landlords

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California Passes Bill to Extend Moratorium, Improve Rent Relief

Patrick McGreevy, LA Times, June 28, 2021

California tenants will be protected from evictions for another three months, and those with low incomes will have all of their past-due rent paid by the state, under a bill signed Monday by Gov. Gavin Newsom in response to the COVID-19 pandemic.

The governor acted just hours after both houses of the Legislature approved the bill extending the eviction protections through Sept. 30. Lawmakers cited urgency stemming from the expiration of previous protections that was set for Wednesday.

“California will significantly increase cash assistance to low-income tenants and small landlords under the state’s \$5.2 billion rent relief program, making it the largest and most comprehensive COVID rental protection and rent relief program of any state in the nation,” said a statement by Newsom’s office.

The action doubles the funding of the rent relief program, allowing payment of 100% of low-income tenants’ past-due rent back to April 2020 and until the expiration of the eviction protections, as money is available.

Landlords and tenants can apply immediately for the expanded rent relief.

In addition to prohibiting eviction of tenants who pay at least 25% of their rent for another three months, the new measure blocks landlords from getting a court order for eviction before giving tenants a chance to apply for rent relief through March 2022.

Some 758,000 California households owe back rent; the average amount they are behind is \$4,700, according to research by PolicyLink and the USC Equity Research Institute.

Newsom negotiated the proposal with legislative leaders and signed the bill along with a main budget bill that had been approved by the Legislature on June 14.

The eviction bill, AB 832, was passed on a 34-0 bipartisan vote in the state Senate, although some Republicans complained that the state has mishandled distribution of rent relief funds, and the extension has unduly harmed landlords.

Sen. Patricia Bates (R-Laguna Niguel) voted for the bill after proposing, without success, that the eviction protections be extended only to those who could document financial hardship from the pandemic by showing they have applied for unemployment benefits.

“Everyone else needs to pay their rent,” Bates said. “Rental property owners have borne the weight of this Legislature’s and the governor’s actions quite long enough.”

The three-month extension was opposed by some landlord groups, including the California Rental Housing Assn.

“We have been under severe financial distress for an excess of 18 months now, and AB 832 will not help the tens of thousands of small mom and pop rental providers who are financially suffering and are struggling to continue providing affordable and safe housing for their residents,” said Christine LaMarca, the association’s president.

On Monday, the state reported that it had paid out just \$73 million of the \$1.4 billion it had made available in March, while applications have been submitted for a total of \$722 million. Counties and cities, given \$1.2 billion to distribute, are also struggling.

Democratic lawmakers said they have been assured by the Newsom administration that it is improving the distribution process.

Tenant advocates had complained that a 32-page application for rent relief made it hard for many to apply, but officials said the form has been simplified, and renters can now self-certify that they were financially burdened by the pandemic.

The approval of the bill was hailed Monday by tenant advocates including Patricia Mendoza, a renter and leader of the Alliance of Californians for Community Empowerment.

“Now I don’t have this massive financial burden on my back and my family’s stability isn’t dependent on my landlord’s participation in the rent relief program,” said Mendoza, a resident of Imperial Beach.

Assemblyman David Chiu (D-San Francisco) said his bill recognizes that the state has received \$27 billion in federal COVID-19 relief funds, some of which will finance California’s large rent relief program.

“With the available funding, ending eviction protections this week would be fumbling on the one-yard line,” Chiu told his colleagues. “It would be tragic to evict families onto the streets when we have the ability to keep them in their homes with rent relief funding.”

Ohio Proposes First-Ever Legislation to Replace the Term “Landlord”

Roger Valdez, Director, Center for Housing Economics

Opinion: ‘Landlord’ is a feudal, outdated term that helps paint housing providers as villains

First of its kind legislation has been proposed in Ohio to change references in state law from “landlord” and “tenant” to “housing provider” and “resident.”

It may seem like a small change, but the shift is tectonic for housing. Oddly, the proposal will prove controversial. It would mean feudal terminology would be replaced in order to reflect the real relationship between people who provide and who need housing.

Often, housing providers in Ohio and the United states are small family-owned businesses, not powerful land barons. Updating language is an important first step to accurately reflect this in the law, and it should lead to better policy.

According to the Department of Housing and Urban Development (HUD) “there are between 10 million and 11 million individual investor landlords managing an average of two units each, many with just one unit.”

Overall, about half of the 45 million rental units are owned and operated by individuals, ordinary people. Of those, a Harvard study found that “a decline in low-cost units brought their share of the national rental stock down from 33% in 2012 to just 25% in 2017, with decreases in all 50 states and Washington, DC.”

If you ask the people who provide these small portfolios of housing why low-cost housing options are disappearing, they will cite the swarm of rules and regulations combined with COVID-19 eviction bans encouraging residents to withhold rent.

Worse, these small businesses, many operated by people of color serving other people of color, have been made the villain in anecdotal stories about evictions. Meanwhile, providers who rent single-family homes are seeing the value of their asset skyrocket.

The pressure to simply sell a rental house to a buyer who will live in it is enormous. This is a dangerous loss of low-cost housing supply.

And eviction is a rare occurrence. In Cincinnati, for example, data from a recent analysis of eviction by The Center for Housing Economics found that the rate of actual removals — not filings — is about 1% of the more than 160,000 rental units in the city. Eviction is a costly,

lengthy and emotionally draining last resort, especially for smaller family business serving other families.

It also, fortunately, doesn’t happen very often even during the COVID-19 crisis.

Changing the term “landlord” would mean the laws in Ohio would reflect this reality; people who work hard every day to serve their customers are housing providers, not impersonal, wealthy interests bent on eviction.

The entity with the most evictions in Cincinnati is the Hamilton County Housing Authority, a government agency.

Who will oppose this?

Groups that benefit from evictions, like attorneys who represent defendants in such actions. They like the notion that their client is like a feudal “tenant,” bound to the land and subject to the whim of a lord. But if there is a power imbalance between consumers and providers of housing it isn’t the wealth and power of people who provide housing, it’s scarce housing.

More housing supply means better prices for families who need it and more choices in the market.

Ohio can lead nationally by changing this archaic terminology to reflect the reality of the housing economy. Housing providers work as hard and as close to the margin often as the families they serve.

The best way to solve housing problems is not with adversarial language in the law, but collaboratively to increase housing supply and options for all Ohioans and Americans.

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Here's Why There Aren't Enough Bay Area Homes to Buy

Louis Hansen, Area News Group, June 22, 2021

The Bay Area has one of the worst records in the country for building enough housing for its booming workforce, putting the region atop another national ranking for housing misery.

Between 2010 and 2020, the core Bay Area added roughly 6 jobs for every new home or apartment, one of the worst ratios in the country, according to a new analysis of census data by Apartment List.

The only regions with a worse ratio of job creation to housing construction were rust-belt cities — including Detroit, Cleveland, Toledo and Dayton, Ohio — where existing homes provided ample living opportunities to rebounding midwestern economies.

A healthy market should be adding a new home for every job or two, said Apartment List chief economist Igor Popov. “We’re really not building enough to keep up with job creation,” he said. “It’s a sad song we’ve sung before, but we freshen it up every once in a while.”

The analysis suggests a deeper Bay Area housing crunch, where rising prices for homes and apartments push more residents out of the region. With few homes on the market and a strong tech economy, Bay Area home prices have already hit record levels, topping a \$1 million median price for a single family home in March and April.

Although rents remain among the highest in the country, they have fallen during the pandemic, as professionals quit higher-end properties and choose cheaper, more spacious accommodations to work remotely. The outward migration has pushed Bay Area residents into less expensive regions of California, usually outer suburbs and the greater Sacramento area.

The California housing crisis has been a boon to western states, Popov said. The top five fastest-building U.S. cities during the last decade were places popular with California transplants: Provo, Utah (30% increase in homes and apartments), Austin, Texas (29.4% increase), Raleigh, N.C. (23.5%), Boise, Idaho (22.5%), and Houston (20%), according to Apartment List.

Home prices in April jumped 27% in Idaho and 18% in Utah from the previous year, according to CoreLogic. California prices grew 13%, the same as the national median.

Between 2010 and 2020, the San Jose metro area built 48,000 new homes and apartments, increasing its hous-

ing stock by 7%, according to Apartment List. At the same time, the robust South Bay economy added 280,000 jobs. About 92,600 new homes were built in San Francisco and the East Bay, a 5.3% increase. That region added 546,000 jobs, flooding more people and families into an already tight housing market.

Surveys of renters find that affordable home ownership is a top concern for residents when choosing a region, Popov said.

The imbalance between Bay Area jobs and housing might be getting worse, by some standards. A study by the Bay Area chapter of the Building Industry Association found the region grew by 4.3 jobs for every new housing unit in the shorter period between 2011 and 2017.

The pandemic has also slowed construction across the Bay Area. Residential permits for new homes plummeted by one-quarter between 2019 and 2020. Pandemic safety measures slowed construction schedules, and higher labor and material costs drove up prices by about 20%, builders said. They worry the pandemic could have a ripple affect and slow down projects in future years, as well.

Paul Getty, CEO of San Jose real estate firm First Guardian Group, said investors are continuing to take advantage of the sellers’ market and leave the Bay Area. Many of his clients are small landlords eager to cash-in on their investment.

Getty is seeing more single-family home rentals being converted into owner-occupied family homes in recent months, further reducing the supply of affordable rental housing. He said the region is clearly not addressing its housing needs, but added, “I’m not one to write off the Bay Area.”

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Berkeley Rent Board to Vote on Resolution Accusing Israel of Ethnic Cleansing

Gabriel Greschler, Jewish News of Northern California, June 15, 2021

Berkeley's Rent Stabilization Board, an elected body that regulates the residential rental market, will vote Thursday on a resolution that describes Israel's treatment of Palestinians, including the threat of evictions in East Jerusalem, as amounting to "ethnic cleansing" and "apartheid."

The resolution calls the Israeli government's activities in the neighborhood of Sheikh Jarrah "part of a pattern of violence, displacement, and dispossession by Israeli settlers." It also calls for U.S. tax dollars "to no longer fund apartheid in Israel."

The resolution's author is vice chair Soli Alpert, a Jewish member of the rent board's nine-person body since 2018. The largely symbolic resolution is something he felt obligated to write, he told J., because he opposes the Israeli government claiming to "speak for the entirety of the Jewish community" and does not want U.S. taxpayer money to support the "occupation in [the] West Bank, Gaza and East Jerusalem."

Sheikh Jarrah became a focal point of the wider conflict between Israel and Hamas in May that ended in a ceasefire. Critics claim that several Palestinian inhabitants of the neighborhood in eastern Jerusalem are being evicted

to make way for right-wing settlers so the area can become more Jewish and less Arab. Those in favor of the evictions say Jews have historical claims to the area going back to pre-state Israel.

Israel's Supreme Court is set to announce a ruling soon on a set of cases related to evictions in Sheikh Jarrah. In early June, Israel's government decided to not intervene in the cases, which experts say increases the likelihood of the Palestinian evictions.

Three others on the rent board, including chair Leah Simon-Weisberg, co-authored the resolution.

The board is tasked with regulating rent increases, protecting against "unwarranted" evictions and "providing a fair return to property owners." Alpert said that while the board routinely passes symbolic resolutions, during his tenure there has yet to be one mentioning the Israel-Palestinian conflict. As a city official with "power and privilege," he said, he feels "obligated to use those positions" to speak out about discrimination and injustice he sees.



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How the City Spends Taxpayer Money

Better Berkeley Times

It's no secret. Berkeley does not have enough housing to meet the varying socioeconomic needs of its citizens. We are woefully behind in adding new units, creating a major gap between supply and demand. For decades it has been a game of musical chairs, leaving some people unable to secure Berkeley housing. Numerous studies have shown the positive impact housing production strategies have on decreasing the displacement of community members. Unfortunately, many of these strategies take a considerable amount of time and money.

A recent publication by the Urban Displacement Project a White Paper on Anti-Displacement Strategy Effectiveness reviewed a variety of housing strategies. Authored by UC Berkeley professor Karen Chapple and Anastasia Loukaitou-Sideris of UCLA for the California Air Resource Board, they examined production, preservation, and neighborhood stabilization strategies. It determined what the state must do when funneling its funds to local jurisdictions and concluded that "the state's direct power to curb displacement lies primarily in the long-term, in how it channels its investments and disposes of its assets, i.e., public land..." It gave each strategy a rating of "low," "medium," or "high" when it came to potential prevention of displacement in cities like Berkeley.

It came as no surprise that housing production had the highest potential for displacement prevention as did rental and foreclosure assistance programs. So what ranked lowest? "Impact + Linkage Fees" (fees that cities charge on new development to account for the increased demand for governmental services), "Community Benefits Agreements" (housing units the developer sets aside for income-restricted occupants), and "Housing Rehabilitation." Strangely, Berkeley City Councilmembers regularly pursue such strategies as housing rehabilitation. Since 2019, the city has reserved almost \$1.7mm for the Bay Area Community Land Trust for the rehabilitation of 8 vacant units owned by the McGee Avenue Baptist Church. In total, the city has reserved more than \$71mm for 9 different housing projects (both rehabilitation and new construction) comprising 445 units.

What if the city took half of the \$71mm and funneled it into more effective programs like rental and foreclosure assistance? Many more community members could remain in Berkeley if taxes were used more effectively. Instead, the Mayor and Council continue to throw money at nonprofit housing organizations linked to organizations that contributed heavily to their reelection campaigns in 2018 and 2020.

Bay Area Rents On The Rise Again After Year Of Pandemic Declines

CBS SF , May 25, 2021

After more than a year of rent declines due to the COVID-19 pandemic, the cost of renting is once again on the rise in the Bay Area, according to a new report.

An analysis from real estate website Zumper found the median 1-bedroom rent in San Francisco rose 1.9% in May to \$2,650 a month, which remains the highest in the country. In Oakland, 1-bedroom rent has risen 1.5% to \$1,980 a month.

Meanwhile, San Jose had one of the highest month-over-month jumps in median rent for a 1-bedroom in the nation, up 6.6% to \$2,180 / month.

For 2-bedroom apartments, median rent in San Francisco is up 2.9% to \$3,600 a month, while in San Jose the median has risen 1.5% to \$2,700 / month. The median rent for a 2-bedroom in Oakland stayed flat at \$2,500 / month. Zumper said the rise in people being vaccinated against COVID-19, the ongoing reopening of the economy and

the return of workers back to offices are helping drive up rents once again. The company said rents could face more upward pressures due to seasonal events such as college students returning to campuses or recent grads moving for work.

"As COVID restrictions have been lifted, Bay Area markets have stabilized in 2021 after being in free fall for much of 2020," the company said in a statement.

While rents are on the rise, they remain well off their peaks before the pandemic struck in early 2020. Compared to a year ago, one bedrooms in San Francisco are down 21.1%, Oakland is down 15.7% and San Jose is down 9.9%.

Zumper said it remains an "open question" if rents will return to such highs, with tech companies likely switching to hybrid or permanent work-from-home policies as offices reopen.

BPOA & BRHC

Thanks to the extraordinary efforts of our members, our coalition partners (such as the Association of Realtors), and partners in neighboring Richmond and Oakland, we have successfully stopped the Tenant Opportunity to Purchase Act from advancing. In a time where the priority is restarting the economy, recovering from the damages of the pandemic, and moving into the next phase of operations, focusing on a policy that had little impact on the housing challenge seemed futile. We commend the Mayor for stepping back and recognizing that the Council still needs considerable “attention and time to discuss this important policy.” We agree and will continue to pressure the Mayor to bring small property owners to the legislative drafting table so that all who are impacted have the opportunity to understand what is being proposed.

Three of them in the Bay Area

CITY	RATE
SAN FRANCISCO, CA	\$2,650
New York, NY	\$2,530
Washington, DC	\$2,200
Boston, MA	\$2,180
SAN JOSE, CA	\$2,180
OAKLAND, CA	\$1,980
Los Angeles, CA	\$1,970
San Diego, CA	\$1,890
Santa Ana, CA	\$1,710
Anaheim, CA	\$1,670

*Median Rents for one-bedroom units,
May 2021*

Source: Zumper

For the safety of our members, our monthly member meetings will remain online until we are able to meet in person. Please check our website for the most current date, topics and the Zoom registration link.

<https://www.bpoa.org/eventcal.php>

DATE	TOPIC
July 14, 4:00 pm	Landlord 101: Who & What is Affected by Berkeley Regulations
July 28, 4:00 pm	Landlord 101: Planning to Rent Your Unit & Choosing the Right Tenant
August 19, 2:00 pm	Evictions & Other Traps: A Legal Discussion

Our Landlord 101 series is for new rental housing providers or members that want to brush up on the basics of being a landlord in Berkeley. Each month we take on two topics in depth, examining everything you need to know to manage your own property. Check the BPOA calendar for more details.

TOPA in Berkeley on Hold Until Fall

Supriya Yelimeli, Berkeleyside, June 27, 2021

The Tenant Opportunity to Purchase Act (TOPA) is on hold in Berkeley until at least the fall after Mayor Jesse Arreguín, who introduced the housing equity proposal last year, concluded that the concept was no longer currently feasible, or a priority for the city.

The policy allows tenants first dibs on purchasing their rented units, or homes, when the owner puts the building up for sale with a “right of first refusal.” If they want the building, they could then tap into city subsidies or nonprofit partnerships to purchase the property.

Advocates said it would prevent displacement and help people of color buy property to remain in the city, but others maintained that it would extend property sales to unwieldy timelines and overall contribute an insignificant amount of affordable (or subsidized) housing units to the market.

Arreguín championed the policy while it slowly moved through the City Council, the Land Use Committee and related city commissions over the course of the last year. It was due for a special Council meeting for followup in mid-June, and was last heard on May 20 at the Planning Commission.

Following feedback from community organizations, small property owners and real estate groups, he made several

amendments to the initial policy that added exemptions for non-corporate owned, single-family homes, homes with owner-occupied accessory dwelling units and units with five units or less when an owner has an immediate health need, among others.

“We think this could be an effective way to prevent displacement and I think, you know, help curb the exodus of Black people and other low-income communities in Berkeley,” Arreguín told Berkeleyside in early June. “This is a very bold, transformative policy.”

These changes, however, were not popular with those that advocated for TOPA. The Berkeley Tenants Union (BTU) saw the amendments as watering down the policy’s effectiveness by removing hundreds of single-family homes and de-centering tenants from the conversation.

Staff were in the process of studying the amendments, finances and more, but Arreguín ultimately decided to pull the plug on the project for the time being — despite months of community forums from City Council members, supporters, opposition and ongoing local discussions.

MEMBERS ZOOM MEETING JUNE 10TH 2:00PM

July Topics: *Landlord 101 Refresher Courses*

Wednesday, July 14th, 4:00pm

Wednesday, July 28th, 4:00pm

Check the event calendar at www.bpoa.org for information & registration

For the safety of our members, our monthly member meetings will remain online through the end of this year.

BPOA WORKSHOPS — Go Beyond the Basics

by favorable tax treatment. The reverse argument is one of fairness, that wealth accumulated by just clipping proverbial coupons should be treated equally — if not less favorably — than wealth earned by giving up half one's waking hours to do economically productive work.

With current tax policy, there already is a wealth tax. That would be the estate tax, cleverly labeled the *death tax* by the right. This tax on wealth is not collected annually but only once in a lifetime. Currently the Feds demand a marginal 40% of the net worth of individuals over \$11, 700,000 on net worth over that amount. This tax applies to relatively few people and is heavily gamed so as to be avoided by those to whom it does apply. The criticism of the estate tax is that it taxes money upon which taxes have already been paid. (In fact, most wealth at this level is likely to be asset appreciation which has not been previously taxed.) The arguments for and against the one-time estate tax are similar to those an annual wealth tax. At least this one-time big bite is easier to administer than a relatively small bite annually. Imagine assessing everything one owns every year and then arguing with the IRS about it.

There is also a fairness argument with the estate tax. While passing wealth on to one's family is admirable and generally accepted as a good thing, huge dynastic wealth is just downright distasteful for many. In the end, determining the degree to which government should tax wealth or income comes down to one's political proclivities.

Of greater consequence than source of taxes, however, is the level of taxation. How much of the peoples' wealth should be syphoned off by the government and, even more importantly, for what purpose?

The root of much political disagreement involves the fundamental role of the government. Above and beyond providing routine government functions, what else should a government do for its citizens? Government must be responsible for those things only government can provide: foreign affairs, national defense, public safety, and the administration of justice come immediately to mind. Beyond the obvious, however, the provision of goods and services by government is not a natural choice but rather an societal option.

Ultimately, what the government does is more important than how it pays for it. Whether you are taxing wealth or income, the tax burden can be light or heavy; the consequences can be expansive or constricting. Even socialist economies are dependent on investment, call it capital or not. Who controls investment controls how human needs are met. Is it a cadre of commissars, a bevy of bureaucrats, or amorphous agglomerations of free-wheeling, independent individuals? Who controls capital expenditures really matters.

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Market Metrics Table & Quote of the Month

East Bay Multi-Family Market Metrics

\$308,143 per unit **4.20% CAP RATE**

\$399,166 May 2020 no change May 2020

\$389 per sq ft **14.9 G R M**

\$436 May 2020 15.4 May 2020

Courtesy of Joey Wang, Kerry Williams Realty



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QUOTE OF THE MONTH

Defendant (having been sentenced to 15 years in jail):

Your Honor, I'm 85 years old.

I can't do 15 years.

Judge:

Just do the best you can.

BRHC Corner *continued from page 3*

went to sell their property. We feel our efforts (along with our collective partners in neighboring cities) helped bring the issue to a temporary close. The Council will resume after a summer break in mid-September and it will remain to see whether this legislation resurfaces before 2021 closes out. When it comes before Council, we will need our membership to act promptly once more! Please make sure your email address is up-to-date with us.

To lend your support to the Berkeley Rental Housing Coalition, contact Executive Director Krista Gulbransen, krista@bpoa.org or (510) 304-3575.



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MEMBERS ZOOM MEETING

July Topics: Landlord 101 Refresher Courses

Wednesday, July 14th, 4:00pm

Wednesday, July 28th, 4:00pm

*Check the event calendar at bpoa.org
for information & registration*

LANDLORD 101 SESSIONS:

Are you a new member or new to being a landlord? In 2021 we are hosting a Landlord 101 for new rental housing providers or anyone that needs to brush up on the basics of being a landlord in Berkeley. Each month we will take on a new topic in depth, examining everything you need to know to manage your own property. Check the BPOA calendar for more details.



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