

# AB 1482

## (Statewide Rent Control)

# Information

**C.A.R. Rent Cap and Just Cause Eviction Law (Rent Control, AB 1482)** ..... pages 1 – 20  
(Source: <https://www.car.org/en/riskmanagement/ga/landlord-tenant-folder/Rent-Cap-and-Just-Cause-Eviction-Law>)

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**AB-1482 Tenant Protection Act of 2019: tenancy: rent caps.** ..... pages 25 – 39  
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## **Rent Cap and Just Cause Eviction Law (Rent Control, AB 1482)**

### **Member Legal Services**

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September 30, 2019 (revised)

**Assembly Bill 1482 has been passed by the California legislature. It is not yet law, but Governor Newsom has signaled his approval of the bill and is expected to sign it.**

### **Quick Summary of the law and C.A.R.'s Lease Addendum**

#### **Rent Cap**

Rent increases are capped at 5 percent plus inflation, or up to a hard cap of 10 percent, whichever is lower.

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.

#### **Just Cause**

Landlords may only evict for “just cause.” There is a list of 15 reasons.

The just cause reasons are divided into two categories:

“At fault” termination of tenancy is generally based upon a tenant’s breach of the lease, among other reasons, and *does not require* the payment of relocation assistance.

“At fault” reasons include non-payment of rent, nuisance, criminal activity, refusal to allow entry, and breach of a material term of the lease.

“No fault” termination of tenancy is allowed when the tenant has not breached the lease and *will require* the landlord to pay one month’s rent in relocation assistance.

“No fault” reasons include owner occupancy, withdrawal from the rental market, substantial remodeling and compliance with government order to vacate the property,

Just cause eviction only applies to tenants who have been continuously and lawfully occupying the property for 12 months.

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### **Exemptions**

Exempts single family properties and condos if:

- Notice of the exemption is provided to the tenants and;
- The owner is not a REIT, a corporation, or an LLC where an owner is a corporation

Other exemptions include:

- Housing that has been issued a certificate of occupancy within previous last 15 years
- Owner occupied duplexes
- Owner occupied single-family properties renting no more than two bedrooms including Accessory Dwelling Units (“ADU”s). (This exemption applies only to just cause but not the rent cap).

### **CAR’s Rent Cap and Just Cause Addendum (Form RCJC)**

#### **What do I need to provide to my tenants?**

CAR’s new “Rent Cap and Just Cause Addendum” (Form RCJC) – available in December pending approval of the Standard Forms Advisory Committee.

#### **When do I provide it?**

It needs to be provided by January 1, 2020.

#### **My tenant is month to month. Does that matter?**

Yes. 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).

#### **What about leases?**

If your tenant is on a lease, then you’ll provide the addendum as a stand-alone notice.

#### **What needs to be done for new or renewed tenants?**

For all tenants signing a new lease or rental agreement or a renewed lease or rental agreement after

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January 1, 2020, the addendum must be included.

### **What if the tenant whose lease has expired refuses to sign a new rental agreement with the addendum?**

If the lease has expired after January 1, 2020, the owner may choose to evict on this basis. Or the owner may simply allow the tenant to go month to month and then incorporate the addendum into the rental agreement by delivery of a notice to change terms of tenancy (Form CTT). Do not, however, sign a new or renewed lease of rental agreement without the addendum.

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### **I. Important Dates**

#### **Q: When does this law go into effect?**

A: January 1, 2020.

#### **Q: Can landlords increase the rent right now before January 1, 2020?**

A: Yes. But they might be required to lower the rent at the first of the year if they exceeded the maximum rent increase. And any rent increase now may affect the amount of future rent increases. See the next two questions.

#### **Q: Do rent increases after March 15, 2019 but before January 1, 2020 count toward the permissible maximum rental rate?**

A: Yes. All rent increases beginning from March 15, 2019 count toward the maximum rental rate. A

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landlord who increased the rent on or after March 15, 2019, but prior to January 1, 2020, cannot increase the rent beyond the maximum rental rate within any 12-month period.

### **Q: Is there is a rent roll back provision?**

A: Yes. A landlord who increased the rent on or after March 15, 2019, but prior to January 1, 2020, beyond the maximum rental rate would be required to roll back the rent. The rent reduction would be effective January 1, 2020.

### **Q: Should a landlord provide any notice to the tenant before January 1, 2020?**

A: Yes. In order for a landlord to take advantage of certain exemptions, written notices to the tenant or new lease provisions will be necessary. C.A.R.'s Rent Cap and Just Cause Addendum (RCJC) should be provided to all tenants before January 1, 2020.

If the tenant is a month to month tenant, then the addendum should be incorporated into the rental agreement by changing the terms of tenancy. Form "Notice of Change in Terms of Tenancy" (Form CTT) may be used for this purpose. If the tenant is on a fixed term lease, then the addendum can be given to the tenant as a stand-alone notice.

For any new or renewed leases or rental agreements, **do not sign any without the addendum.**

See "C.A.R.'s Rent Cap and Just Cause Addendum (Form RCJC)" above.

### **Q: Is there a sunset date?**

A: Yes. This law sunsets after ten years (January 1, 2030).

## **II. Rent Cap**

### **Q: Does this law apply to commercial property?**

A: No. It's covers only residential property.

### **Q: How much can a landlord raise the rent?**

A: 5% of the lowest gross rent charged during the previous 12-month period plus cost of living, or 10%, whichever is lower.

### **Q: Do rent increases from 2019 count as "during any 12-month period?"**

A: Yes. All rent increases beginning from March 15, 2019 count toward the rent cap. A landlord who increased the rent on or after March 15, 2019, but prior to January 1, 2020, cannot increase the rent beyond the maximum rental rate within any 12-month period. A landlord is permitted to increase the rent two times within 12 months of March 15, 2019, but must still remain within the overall rent cap.

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### **Q: Which cost of living index is used?**

A: The regional Consumer Price Index published by the United States Bureau of Labor Statistics (using the 12-month period from April to April). See this

link: <https://www.bls.gov/regions/subjects/consumer-price-indexes.htm#CA>

If the regional index is not available, then the California Consumer Price Index for All Urban Consumers, as determined by the California Department of Industrial Relations, shall apply. See this link: <https://www.dir.ca.gov/OPRL/CPI/EntireCCPI.PDF>

### **Q: What does “lowest gross rent” mean?**

A: The “lowest gross rent” is the lowest gross rental rate charged for the dwelling unit at any time during the 12 months prior to the effective date of the increase. However, it excludes any rent discounts, incentives, concessions, or credits offered by the owner of such unit of residential real property and accepted by the tenant.

For example, if a 12-month lease stated the monthly rent was \$1000.00 but the landlord offered a \$200.00 incentive for the first month, the “lowest gross rent” for that period would still be 1,000.00 not \$800.00.

Some landlords may be tempted to create artificial concessions which are continuously granted.

Landlords who do employ some such scheme do so at their own risk since the “{L}aw respects form less than substance.” (Civil Code § 3528).

### **Q: Should a landlord specify the gross rent and any discounts in the lease?**

Yes. The gross per-month rental rate and any owner-offered discounts, incentives, concessions, or credits must be separately listed and identified in the lease or rental agreement or any amendments to an existing lease or rental agreement.

### **Q: What about storage, parking or pet rent? Can they be included in “gross rent?”**

A: Nothing in the definition of “gross rent” would prohibit a landlord from including other charges as part of gross rent. However, gross rent must be separately listed and identified in the lease.

Otherwise it is unclear whether these other charges could be included in a rent increase calculation.

### **Q: Can an owner “bank” a rent increase? In other words, if an owner does not increase the rent at all in one year, can the rent then be increased by double the permissible amount in the next?**

A: No. An owner is limited to the rent cap maximum for any 12-month period. This 12-month period includes any rent increase beginning from March 15, 2019.

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**Q: Can a landlord increase the rent as often as they like as long as the total rent increase is not more than the rent cap?**

A: No. A landlord can increase the rent no more than two times during any 12-month period.

**Q: What if a new tenant is added? Can the landlord then increase the rent by any amount?**

A: No. As long as a previous tenant continues to occupy the property, adding a tenant does not permit a rent increase beyond the maximum. The only difference adding a tenant would make is that the landlord would be permitted two more rent increases during a 12 month period as long as they comply with the overall restrictions governing gross rental rate increases.

**Q: Does this law permit vacancy decontrol?**

A: Yes. For a new tenancy in which no tenant from the prior tenancy remains in lawful possession of the residential real property, the owner may establish the initial rental rate.

**Q: I'm considering charging a tenant a very low rent on condition that the tenants waive their rights under this law. Is such an agreement enforceable?**

A: No. Neither the rent cap nor just cause eviction portions of the law are waivable. This type of rental agreement would be "void as contrary to public policy." (Civil Code §§ 1946.2(h) and 1947.12(i)).

**Q: If a landlord is exempt from this law, is the landlord then permitted to increase rent by any amount?**

A: It depends. First, an owner may be subject to a local rent control law. But even if no local rent control law is in place, a landlord may still be subject to the anti-price gouging law based upon declared states of emergency which will restrict rent increases of more than 10% for properties located in counties affected by declared states of emergency. Finally, even if no such rent limitations apply, the owner must still abide by the 30 and 60-day notice rules for raising rent.

**Q: I am the owner of a property under "Section 8," and the property is therefore exempt from the rent cap (and just cause, too). How much rent may I charge on my property if I exit the Section 8 program?**

A: The owner may establish the initial rental rate for that tenant or a new tenant, but going forward will be subject to both the rent cap and the just cause eviction rules. (Civil Code §1947.13).

## **III. Rent Roll Back**

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### **Q: Can a landlord increase the rent before January 1, 2020, by any amount?**

A: Yes. Under AB 1482 there is no restriction against the landlord increasing the rent by any amount for a month to month tenant with proper notice. But the owner might have to lower the rent on the first of the year if the total rent increase exceeds the maximum permissible increase. And rent increases made now may affect the amount of future rent increases. See the following questions.

### **Q: Does the rent cap law apply *only* to rent increases after January 1, 2020?**

A: No. The rent cap law applies to all rent increases occurring on or after March 15, 2019.

### **Q: What is a rent roll back?**

A: It's a requirement that a landlord reduce rent. A landlord who increased the rent on or after March 15, 2019, but prior to January 1, 2020, beyond the maximum rental rate would be required to roll back the rent. The rent reduction would be effective January 1, 2020.

### **Q: How much would the landlord be required to roll back the rent?**

A: By any amount above the maximum rental rate. On January 1, 2020, the applicable rent must be rolled back to no more than the rent as of March 15, 2019 plus the maximum permissible increase.

### **Q: What about rent collected before January 1, 2020, which would have otherwise been too high under the rent cap law? Does an "overpayment" have to be returned?**

A: No. The landlord may keep any overpayment.

### **Q: What if the rent is increased between March 15, 2019 and January 1, 2020, but not by more than the permissible rental increase? Does that restrict the ability of the landlord to raise the rent in the future?**

A: Yes. All rent increases beginning from March 15, 2019 count toward the maximum rental rate. A landlord who increased the rent on or after March 15, 2019, but prior to January 1, 2020, cannot increase the rent beyond the maximum rental rate within any 12-month period.

### **Q: What if a lease had been signed? Is a roll back provision that impairs a lease even constitutional?**

A: It is constitutional. An initial rollback of rents is not an unlawful impairment of contracts under the U.S. Constitution and need not be based on market value – even where there is an existing lease. (See *Berman v Downing* (1986) which involved a one-year written lease entered into four months before enactment of a rent control law; and *Rue-Eli v City of Berkeley* (1983) which involved a reduction in rents in existing leases).

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### IV. Exemptions from the Rent Cap

#### Q: What types of properties are exempt from the rent cap?

1. Residential real property that is alienable separate from the title to any other dwelling unit. This generally means single-family residences and condominiums. However the exemption is only available if:

One, a notice of the exemption is given to the tenants (and after July 1, 2020, is provided in the rental agreement) and

Two, the owner is not a:

- i) Real estate investment trust;
- ii) Corporation; or
- iii) Limited liability company in which at least one member is a corporation.

2. Housing that has been issued a certificate of occupancy within the previous 15 years;

3. A duplex in which the owner occupies one of the units as his/her primary residence at the beginning of the tenancy so long as the owner continues in occupancy;

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 constructed and maintained in connection with any higher education institution within the state for use and occupancy by students in attendance at the institution;

6. Housing subject to any form of rent or price control through a public entity's valid exercise of its police power that restricts annual increases in the rental rate to an amount less than that provided above (that is, housing already subject to a local rent control ordinance).

#### Q: The first exemption is for “residential real property that is alienable separate from the title to any other dwelling unit.” What does that mean? Does it include coops?

A: It is the language drawn from Costa-Hawkins and refers generally to single family properties and

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condominiums. However, Costa-Hawkins additionally includes stock cooperatives, limited-equity housing cooperatives and community apartment projects as exclusions. Because these references are absent as exclusions here, coops and TICs are likely subject to the rent cap law (and the just cause portion, too, since its exclusion is identical).

**Q: In order to claim the exemption for single-family or condos a notice is required to be given to the tenant. What kind of notice is required?**

A: The notice is statutory as follows:

*“This property is not subject to the rent limits imposed by Section 1947.12 of the Civil Code and is not subject to the just cause requirements of Section 1946.2 of the Civil Code. This property meets the requirements of Sections 1947.12 (c)(5) and 1946.2 (e)(7) of the Civil Code and the owner is not any of the following: (1) a real estate investment trust, as defined by Section 856 of the Internal Revenue Code; (2) a corporation; or (3) a limited liability company in which at least one member is a corporation.”*

**Q: When must this notice be provided?**

A: It should be provided by January 1, 2020.

**Q: What happens if it isn't provided?**

A: Then the landlord is not eligible for the exemption until it is provided.

**Q: Must it be added to the lease or rental agreement?**

A: It depends. Before July 1, 2020, no. But after that date, yes. As a best practice, C.A.R. is advising that it be provided by January 1, 2020. See the next question on how to do this.

**Q: How should the notice be provided?**

A: If the tenant is a month to month tenant, then the addendum should be incorporated into the rental agreement by changing the terms of tenancy. Form “Notice of Change in Terms of Tenancy” (Form CTT) may be used for this purpose. For a month to month tenant this effectively will add this provision to the lease entitling the owner to the exemption. (Civil Code § 827).

If the tenant is in a fixed term lease, then the addendum can be given to the tenant as a stand-alone notice. For any new or renewed leases or rental agreements, the best practice is not to sign any without the addendum. See “C.A.R.’s Rent Cap and Just Cause Addendum” (Form RCJC) above.

**Q: I am a landlord. I have a tenant on a lease which will expire after July 1, 2020. I would like to have the tenant sign a new lease at that time. What should be included in it?**

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A: All leases signed or renewed after July 1, 2020, must have the rent cap addendum. If the tenant refuses to sign, a landlord may accept rent after expiration of the lease and allow the tenant to go month to month but must deliver a change in the terms of tenancy (Form CTT) to include the addendum.

For leases that expired after January 1, 2020, the landlord also has the option of demanding that the tenant sign a new lease of similar duration with similar terms to include the addendum (provided that the terms do not violate the just cause eviction law or any other law) and threatening to evict if the tenant fails to do so.

**Q: If the law requires that the notice be added to the lease or rental agreement after July 1, 2020, how does providing the notice as a change in terms of tenancy constitute “addition of [the] provision” to the agreement?**

A: For a month to month tenant, a landlord may change the terms of a tenancy upon notice per Civil Code § 827. This code section states:

*“The notice, when served upon the tenant, shall in and of itself operate and be effectual to create and establish, as a part of the lease, the terms, rents, and conditions specified in the notice, if the tenant shall continue to hold the premises after the notice takes effect.”*

In other words, 30 days after a notice to change of terms of tenancy is served and after acceptance of rent, the terms in the notice will then be treated as “part of the lease.”

**Q: I thought that there was a limit of 10 single family properties that a person could own above which they no longer qualified for the exemption.**

A: That provision was struck from the final bill. There is no numerical limit to the number of single-family properties you can own and still qualify for the exemption.

**Q: What exactly is a REIT?**

A Real Estate Investment Trust (“REIT”) is defined in Internal Revenue Code § 856. Technically a REIT can be either a corporation, trust or association. However formal qualification as a REIT requires that it must have “transferable shares”; it must be otherwise taxable as a domestic corporation; and for each year it must file with its tax return an election to be treated as a REIT.

**Q: Does a single-family property with a detached grandmother unit qualify for the “duplex” exemption as long as the landlord occupies one of the units?**

A: There is no clear definition of “duplex.” But commonly a “duplex” means a single structure divided into two units on a single lot. So, it is not clear that a single-family property with a detached

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grandmother unit would qualify for the exemption. However, the just cause portion of the law has broader exclusions, so this type of owner-occupied property could still be exempt from just cause eviction.

**Q: I own a duplex and rent out both units. If I decide to occupy one of them, is the other one now exempt?**

A: No. The exemption applies only to a duplex in which the owner occupied the property at the beginning of the tenancy.

**Q: Are Section 8 properties exempt from the rent cap law?**

A: Likely yes. The fourth exemption (as indicated in the list above) is not entirely clear, but it would seem to include housing that is subject to an agreement to provide subsidized housing for low income persons even if it is not “deed restricted.”

**Q: Does the rent cap law preempt more restrictive local rent control laws?**

A: No. A landlord must comply with the local rent control ordinance if it is more restrictive. If the state rent cap law is more restrictive, then the landlord must comply with the state law. A landlord must comply with whichever law results in lower permissible rents.

For example, the city of Los Angeles has a rent control ordinance that applies roughly to properties built before 1979. The city issues annually a notice indicating by how much rent may be increased. This year it was 4%. So owners of property subject to the Los Angeles rent control law must abide by the 4% increase maximum.

However, properties not subject to Los Angeles rent control would come within the state law rent cap.

**Q: Are the exemptions in the rent cap portion of the law different from those in the just cause portion?**

A: Yes and no. The exemptions in the rent cap portion for new construction, owner-occupied duplexes, condos and single-family properties, and government subsidized housing are identical with the just cause portion.

However, the just cause portion contains a few exemptions which are simply not present in the rent cap. Most significantly, the just cause portion exempts a single-family property that is owner-occupied but rents out up to two units or bedrooms even including ADUs or junior accessory units; and exempts housing accommodations in which the tenant shares bathroom or kitchen facilities with the owner occupant.

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### **V. Just Cause**

**Q: Does this law apply to commercial property?**

A: No. It covers only residential property.

**Q: On what basis can a landlord evict?**

A: A landlord can no longer terminate a tenancy “at will” or without cause. Under AB 1482, a landlord must have “just cause.”

**Q: Does just cause apply to all tenants?**

A: No. It applies only to tenants who have been continuously and lawfully occupying the property for 12 months or more.

**Q: What if an additional tenant is added before 24 months? Does just cause still apply?**

A: It depends. Just cause will 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.

**Q: I have a month to month tenant that has been occupying the property for 10 months. Can I simply terminate this tenant by providing a 30-day notice without cause?**

A: Yes. The just cause portion of the law does not apply to this tenant. It is not necessary to state a reason for the termination. The tenancy may be terminated for no cause or any cause but not for an illegal cause. An owner may use a 30-day notice of termination for this purpose. (“Notice to Terminate Tenancy” C.A.R. form NTT).

**Q: I have a month to month tenant that I terminated after 10 months, but the tenant is still there, and it’s been over a year now. I haven’t accepted rent for any period beyond the notice termination date. Is the tenant now subject to just cause eviction?**

A: No. Assuming your notice of termination was proper, the tenant was never “continuously and lawfully” occupying the property for 12 months.

**Q: What constitutes just cause under AB 1482?**

A: The law provides a list of 15 separate reasons which constitute just cause. Any termination of tenancy must be based on one of those 15 reasons.

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### Q: What are the just cause reasons?

A: The just cause reasons are divided into two categories: “At fault” and “No fault.”

• “At fault” evictions are allowed when a tenant has breached their lease and *do not* require the payment of relocation assistance. “At fault” reasons include:

- Non-payment of rent
- A breach of a material term of the lease after being given notice to correct the violation
- Nuisance
- Using the property for an unlawful purpose
- Criminal activity on the property or common areas or criminal threats against the owner or agent on or off the property
- Refusal to allow entry
- “Waste” – meaning damage to the property. (By case law, this requires a showing of substantial or permanent diminishment or depreciation in the market value of the property. (Rowe v. Well Fargo (1985))
- Assigning or subletting the property in violation of the lease
- The tenant had a written lease that terminated on or after January 1, 2020, and after a written request or demand from the owner, the tenant has refused to execute a written extension or renewal for an additional term of similar duration with similar provisions, provided that those terms do not violate the just cause law or any other law.
- Failure of an employee or agent to vacate after termination of employment
- When the tenant fails to vacate after providing the owner with their own termination notice or after an agreed upon surrender.

• “No fault” evictions are allowed when the tenant has not breached the lease and *will* require the landlord to pay one month’s rent in relocation assistance. “No fault” reasons include:

- “Owner occupancy” where the owner, or the spouse, domestic partner, children, grandchildren, parents or grandparents of the owner, decide to occupy the property, assuming there is a lease provision permitting it.
- Withdrawal from the rental market
- Substantial remodeling or demolition of the property
- Compliance with a government order to vacate the property

**Q: If a landlord terminates a tenancy for one of the 15 reasons, is it necessary to state the reason in the notice?**

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A: Yes. (Civil Code § 1946.2(a)). The cause must be stated in every notice to terminate, and the stated reason must be one of the 15 specified reasons.

### **Q: Are the notice of termination time periods different from current law?**

A: Generally no, with one major exception. In general, the notice of termination time periods are the same as, and rely upon, existing law.

The major exception is for a 3-day notice to perform covenant or quit. This notice alone cannot result in a termination of tenancy. But if the tenant fails to cure, the owner could issue a 3-day notice that could then include a termination of tenancy. The latter notice could at the owner's option be non-curable.

Additionally, under at fault terminations, there is an entirely new basis for eviction involving a tenant's failure to renew a lease upon demand. This does not have a stated time period.

### **Q: Could you remind me what does current law require in terms of the time periods necessary to terminate a tenancy and which type of notice to use?**

A: It depends on the reason and the type of tenancy.

- For non-payment of rent --- a 3-day notice to pay rent or quit.
- For nuisance, using the property for an unlawful purpose, waste, or improper assigning or subletting – a 3-day notice to quit. This type of notice is non-curable: that is, the tenant has no option to perform, but must simply quit after three days or face the possibility of a suit for unlawful detainer.
- For failure of an employee or agent to vacate after termination of employment. There is no notice required after termination of employment.
- For failure of a tenant to vacate after providing the owner with their own termination notice or after an agreed upon surrender – no further notice is required. This is exactly how the current law works. Currently a landlord can rely on a tenant's written notice to vacate and bring a suit for unlawful detainer when a tenant does not vacate after expiration of the notice.
- For "owner occupancy" where the owner, or the owner's spouse, domestic partner, children, grandchildren, parents or grandparents decide to occupy the property, assuming there is a

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lease provision permitting it – a 60-day notice for a month to month tenant who has occupied the property for more than a year.

- For withdrawal from the rental market -- a 60-day notice for a month to month tenant who has occupied the property for more than a year.
- For substantial remodeling or demolition of the property -- a 60-day notice for a month to month tenant who has occupied the property for more than a year

### **Q: Is an owner automatically entitled to terminate a tenancy based upon owner or family member occupancy?**

A: No. The “Rent Cap and Just Cause Addendum” (Form RCJC) will need to be provided. For month to month tenants, this can be incorporated into the lease with a notice of change in terms of tenancy (C.A.R. form CTT). C.A.R. recommends doing this by January 1, 2020. For tenants on a fixed term lease, it should be provided as a stand-alone notice.

As a technical matter, the requirement of adding the owner move-in provision only applies to leases entered into on or after July 1, 2020. Therefore, a landlord is not required to include this as part of the lease or rental agreement until July 1, 2020, and then only after a lease has expired and a new one is being entered into.

However, as a best practice, C.A.R. recommends that the addendum be incorporated into the lease at the first opportunity. This means that for any new or renewed lease or rental agreement signed after January 1, 2020, the addendum must be used. And for month to month tenancies, the addendum should be incorporated by January 1, 2020 by using a notice to change terms of tenancy.

### **Q: I am terminating a tenancy so that my daughter may move in. How long does she have to live there?**

A: The law is silent on how much time is necessary for an owner or family member occupant to remain in the property after move in. In any case, under no circumstances should an owner terminate a tenancy on the basis of an owner move-in without intending to in fact occupy the property. Doing so is a type of fraud. Although not directly applicable to the state-wide just cause requirement, Civil Code 1947.10 sets a minimum occupancy of six months for local rent control laws.

### **Q: How much notice must an owner provide to terminate a tenancy for the purpose of withdrawing the property from the rental market?**

A: 60 days for a month to month tenant. The Ellis Act, which sets permissible notice time periods by

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a locality, or even the state, still requires adoption of these extra notice periods by the locality. AB 1482 has not adopted these permissible Ellis Act rules, so the termination notice period is simply 60 days for any tenant that has occupied the property for more than a year.

### **Q: What does it mean to “substantially remodel” the property?**

A: “Substantially remodel” means the replacement or substantial modification of any structural, electrical, plumbing, or mechanical system that requires a permit from a governmental agency, or the abatement of hazardous materials, including lead-based paint, mold, or asbestos, in accordance with applicable federal, state, and local laws, that cannot be reasonably accomplished in a safe manner with the tenant in place and that requires the tenant to vacate the residential real property for at least 30 days. Cosmetic improvements alone, including painting, decorating, and minor repairs, or other work that can be performed safely without having the residential real property vacated, do not qualify as substantial rehabilitation.

## **VI. Relocation Assistance**

### **Q: When is relocation assistance required?**

A: Whenever a tenancy is terminated based on a no-fault reason.

### **Q: My tenant makes over \$200,000 a year. Am I still required to pay relocation assistance?**

A: Yes. There is nothing in this law that varies the amount of relocation assistance based on any characteristic personal to the tenant.

### **Q: How much is the relocation assistance?**

A: One month of rent as of the time the termination notice was issued.

### **Q: What are the owner’s options for how this amount is to be paid?**

A: The owner has two options:

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.

## **Rent Cap and Just Cause Eviction Law (Rent Control, AB 1482)**

### **Q: What happens if I do not pay the relocation assistance?**

A: The notice of termination will be rendered “void.” In fact, the law states that any failure of the owner to “strictly comply” with the relocation assistance rules will render the termination notice void.

### **Q: What happens if the tenant fails to vacate after expiration of the notice?**

A: Then the actual amount of the relocation assistance or rent waiver can be recouped as damages as part of an unlawful detainer action.

## **VII. Exemptions from Just Cause**

### **Q: What types of properties are exempt from the just cause eviction law?**

A: 1. Residential real property that is alienable separate from the title to any other dwelling unit. This means primarily single-family residences and condominiums. However the exemption is only available if:

One, a notice of the exemption is given to the tenants (and after July 1, 2020, is provided in the rental agreement) and

Two, the owner is not a:

- i) Real estate investment trust;
- ii) Corporation; or
- iii) Limited liability company in which at least one member is a corporation.

2. Housing that has been issued a certificate of occupancy within the previous 15 years;

3. A duplex in which the owner occupies one of the units as his/her primary residence at the beginning of the tenancy so long as the owner continues in occupancy; and

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.

Notice that these first four exemptions are identical to the exemptions from the rent cap portion of AB 1482. Additional exemptions include:

5. Housing accommodations where the tenant shares bathroom or kitchen facilities with an owner occupant (must be principal residence).

## **Rent Cap and Just Cause Eviction Law (Rent Control, AB 1482)**

6. Single-family owner-occupied properties where up to two units or bedrooms are rented out. These can include an ADU or a junior ADU.

7. Vacation rentals, meaning properties that are rented out for 30 days or less.

8. School dormitories, non-profit hospitals, religious facilities, and licensed residential care facilities, among others.

### **Q: If a property is exempt from just cause, can owner evict without cause?**

A: Yes. If exempted from the just cause eviction law, then no cause is required. A termination of tenancy can be based on no cause or any cause, but not an illegal cause, and the cause need not be stated in the notice. A standard 30 or 60-day notice may be used to terminate a tenancy.

### **Q: What is the effect of a property being subject to the rent cap but being excluded from just cause?**

A: Exemptions listed as #5 and #6 on the above list allow for the possibility that the owner may be exempt from the just cause portion of the law while still being subject to the rent limitations.

For example, an owner may own and live in a single-family property with a detached ADU which is rented out. This arrangement would mean that while the owner could evict the tenant in the ADU without cause, rents charged to the tenant would still be limited by the rent cap. If the owner did evict, no relocation assistance would be required to be paid.

## **VIII. Preemption of Just Cause**

### **Q: Does a local just cause eviction ordinance preempt the state law?**

A: It depends. For any real property that is subject to a local ordinance requiring just cause, that local ordinance will preempt AB 1482 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 1482 applies, unless the amendment is “more protective.” (See below as to what “more protective” means).

For example, if a city has a weak just cause eviction law that was already in place before September 1, 2019, that weak local law will preempt AB 1482 even though AB 1482 might offer stronger protections to a tenant.

## **Rent Cap and Just Cause Eviction Law (Rent Control, AB 1482)**

**Q: Does a local just cause eviction law adopted or amended after September 1, 2019, preempt the state law?**

A: Not necessarily. Any local just cause eviction law adopted or amended after September 1, 2019, will only preempt AB 1482 if it is “more protective” of tenant rights.

**Q: What does “more protective” mean?**

A: 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.”

**Q: Can a property be subject to both a local just cause ordinance and AB 1482?**

A: No. It’s one or the other.

**Q: If a local just cause ordinance is adopted after September 1, 2019 that is “less protective” than AB 1482, can it be enforced?**

A: No.

**Q: Where can I get additional legal information?**

A: This legal article is just one of the many legal publications and services offered by C.A.R. to its members. For a complete listing of C.A.R.'s legal products and services, please visit [C.A.R. Member Legal Services](#).

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## **Rent Cap and Just Cause Eviction Law (Rent Control, AB 1482)**

the Member Legal Hotline by visiting Legal Hotline on car.org.

Written correspondence should be addressed to:

CALIFORNIA ASSOCIATION OF REALTORS®

Member Legal Services

525 South Virgil Avenue

Los Angeles, CA 90020.

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The information contained herein is believed accurate as of September 30, 2019. It is intended to provide general answers to general questions and is not intended as a substitute for individual legal advice. Advice in specific situations may differ depending upon a wide variety of factors. Therefore, readers with specific legal questions should seek the advice of an attorney. Written and revised by Robert Bloom, Esq.

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# Consumer Price Index, San Francisco Area — August 2019

**Area prices were up 0.1 percent over the past two months, up 2.7 percent from a year ago**

Prices in the San Francisco area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), inched up 0.1 percent for the two months ending in August 2019, the U.S. Bureau of Labor Statistics reported today. (See [table A.](#)) Assistant Commissioner for Regional Operations Richard Holden noted that the August increase was influenced by higher prices for all items less food and energy. (Data in this report are not seasonally adjusted. Accordingly, month-to-month changes may reflect seasonal influences.)

Over the last 12 months, the CPI-U increased 2.7 percent. (See [chart 1](#) and [table A.](#)) The index for all items less food and energy advanced 2.8 percent over the year. Food prices increased 3.7 percent. Energy prices decreased 0.9 percent, largely the result of a decrease in the price of gasoline. (See [table 1.](#))

### News Release Information

19-1634-SAN  
Thursday, September 12, 2019

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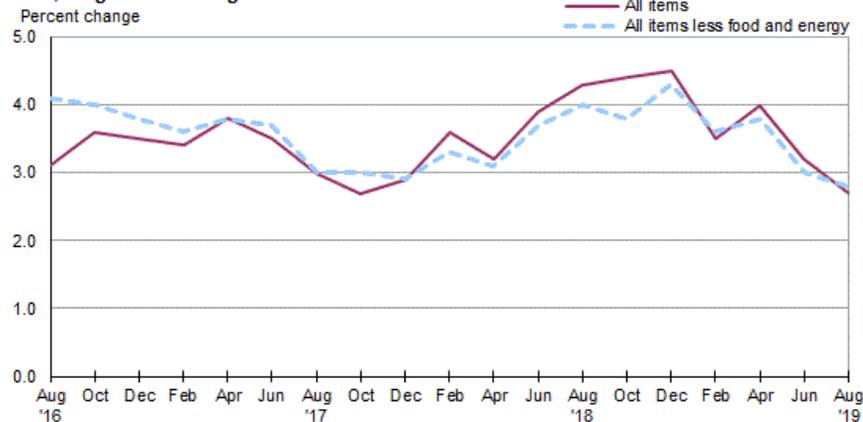
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**Chart 1. Over-the-year percent change in CPI-U, San Francisco-Oakland-Hayward, CA, August 2016–August 2019**



Source: U.S. Bureau of Labor Statistics.

### Food

Food prices inched down 0.1 percent for the two months ending in August. (See [table 1.](#)) Prices for food at home decreased 1.7 percent, but prices for food away from home rose 1.2 percent for the same period.

Over the year, food prices increased 3.7 percent. Prices for food away from home rose 5.9 percent since a year ago, and prices for food at from home advanced 1.0 percent.

### Energy

The energy index decreased 3.3 percent for the two months ending in August. The decrease was mainly due to lower prices for gasoline (-5.9 percent). Prices for natural gas service advanced 3.4 percent, and prices for electricity increased 0.4 percent for the same period.

Energy prices decreased 0.9 percent over the year, largely due to lower prices for gasoline (-3.6 percent). Prices paid for natural gas service decreased 0.4 percent, but prices for electricity increased 5.3 percent during the past year.

### All items less food and energy

The index for all items less food and energy advanced 0.3 percent in the latest two-month period. Higher prices for apparel (3.1 percent) and shelter (0.3 percent) were partially offset by lower prices for household furnishings and operations (-1.9 percent) and education and communication (-1.5 percent).

Over the year, the index for all items less food and energy advanced 2.8 percent. Components contributing to the increase included apparel (4.1 percent) and shelter (2.5 percent).

**Table A. San Francisco-Oakland-Hayward, CA, CPI-U 2-month and 12-month percent changes, all items index, not seasonally adjusted**

Month	2015		2016		2017		2018		2019	
	2-month	12-month								
February	1.0	2.5	0.9	3.0	0.8	3.4	1.4	3.6	0.5	3.5
April	1.1	2.4	0.7	2.7	1.1	3.8	0.8	3.2	1.2	4.0
June	0.6	2.3	0.6	2.7	0.3	3.5	0.9	3.9	0.2	3.2
August	0.3	2.6	0.7	3.1	0.2	3.0	0.6	4.3	0.1	2.7
October	0.4	2.6	0.9	3.6	0.6	2.7	0.7	4.4		
December	-0.3	3.2	-0.3	3.5	-0.1	2.9	0.1	4.5		

The October 2019 Consumer Price Index for the San Francisco area is scheduled to be released on November 13, 2019.

### Consumer Price Index Geographic Revision for 2018

In January 2018, BLS introduced a new geographic area sample for the Consumer Price Index (CPI). As part of the new sample, the index for this area was renamed. Additional information on the geographic revision is available at: [www.bls.gov/cpi/additional-resources/geographic-revision-2018.htm](http://www.bls.gov/cpi/additional-resources/geographic-revision-2018.htm).

### Technical Note

The Consumer Price Index (CPI) is a measure of the average change in prices over time in a fixed market basket of goods and services. The Bureau of Labor Statistics publishes CPIs for two population groups: (1) a CPI for All Urban Consumers (CPI-U) which covers approximately 94 percent of the total population and (2) a CPI for Urban Wage Earners and Clerical Workers (CPI-W) which covers 28 percent of the total population. The CPI-U includes, in addition to wage earners and clerical workers, groups such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services that people buy for day-to-day living. Each month, prices are collected in 75 urban areas across the country from about 5,000 housing units and approximately 22,000 retail establishments—department stores, supermarkets, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase and use of items are included in the index.

The index measures price changes from a designated reference date (1982-84) that equals 100.0. An increase of 16.5 percent, for example, is shown as 116.5. This change can also be expressed in dollars as follows: the price of a base period "market basket" of goods and services in the CPI has risen from \$10 in 1982-84 to \$11.65. For further details see the CPI home page on the Internet at [www.bls.gov/cpi](http://www.bls.gov/cpi) and the BLS Handbook of Methods, Chapter 17, The Consumer Price Index, available on the Internet at [www.bls.gov/opub/hom/homch17\\_a.htm](http://www.bls.gov/opub/hom/homch17_a.htm).

In calculating the index, price changes for the various items in each location are averaged together with weights that represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. Because the sample size of a local area is smaller, the local area index is subject to substantially more sampling and other measurement error than the national index. In addition, local indexes are not adjusted for seasonal influences. As a result, local area indexes show greater volatility than the national index, although their long-term trends are quite similar. **NOTE: Area indexes do not measure differences in the level of prices between cities; they only measure the average change in prices for each area since the base period.**

The San Francisco-Oakland-Hayward, CA, metropolitan area covered in this release is comprised of Alameda, Contra Costa, Marin, San Francisco, San Mateo Counties in the State of California.

Information in this release will be made available to sensory impaired individuals upon request. Voice phone: (202) 691-5200; Federal Relay Service: (800) 877-8339.

**Table 1. Consumer Price Index for All Urban Consumers (CPI-U): Indexes and percent changes for selected periods**

**San Francisco-Oakland-Hayward, CA (1982-84=100 unless otherwise noted)**

Item and Group	Indexes			Percent change from-		
	Jun. 2019	Jul. 2019	Aug. 2019	Aug. 2018	Jun. 2019	Jul. 2019

Item and Group	Indexes			Percent change from-		
	Jun. 2019	Jul. 2019	Aug. 2019	Aug. 2018	Jun. 2019	Jul. 2019
<b>Expenditure category</b>						
<b>All items</b>	295.259	-	295.490	2.7	0.1	-
<b>All items (1967=100)</b>	907.709	-	908.420	-	-	-
<b>Food and beverages</b>	290.452	-	290.673	3.7	0.1	-
<b>Food</b>	288.914	-	288.638	3.7	-0.1	-
<b>Food at home</b>	257.789	254.721	253.359	1.0	-1.7	-0.5
<b>Cereals and bakery products</b>	259.205	-	261.829	0.9	1.0	-
<b>Meats, poultry, fish, and eggs</b>	258.545	-	250.662	1.3	-3.0	-
<b>Dairy and related products</b>	264.976	-	271.079	1.3	2.3	-
<b>Fruits and vegetables</b>	347.822	-	342.240	5.1	-1.6	-
<b>Nonalcoholic beverages and beverage materials<sup>(1)</sup></b>	200.398	-	199.640	0.6	-0.4	-
<b>Other food at home</b>	226.017	-	216.868	-2.3	-4.0	-
<b>Food away from home</b>	325.183	-	329.247	5.9	1.2	-
<b>Food away from home</b>	325.183	-	329.247	5.9	1.2	-
<b>Alcoholic beverages</b>	311.910	-	316.323	3.9	1.4	-
<b>Housing</b>	347.397	-	348.154	2.5	0.2	-
<b>Shelter</b>	396.831	397.806	397.988	2.5	0.3	0.0
<b>Rent of primary residence<sup>(2)</sup></b>	452.744	453.451	454.868	2.8	0.5	0.3
<b>Owners' equiv. rent of residences<sup>(2)(3)</sup></b>	425.284	425.957	426.454	2.4	0.3	0.1
<b>Owners' equiv. rent of primary residence<sup>(1)(2)</sup></b>	425.284	425.957	426.454	2.4	0.3	0.1
<b>Fuels and utilities</b>	419.833	-	426.666	5.6	1.6	-
<b>Household energy</b>	365.063	370.941	369.296	3.7	1.2	-0.4
<b>Energy services<sup>(2)</sup></b>	366.460	372.221	370.673	3.8	1.1	-0.4
<b>Electricity<sup>(2)</sup></b>	391.199	392.850	392.850	5.3	0.4	0.0
<b>Utility (piped) gas service<sup>(2)</sup></b>	300.392	315.590	310.473	-0.4	3.4	-1.6
<b>Household furnishings and operations</b>	139.650	-	136.999	0.7	-1.9	-
<b>Apparel</b>	114.989	-	118.582	4.1	3.1	-
<b>Transportation</b>	210.896	-	207.444	1.4	-1.6	-
<b>Private transportation</b>	203.699	-	200.963	0.9	-1.3	-
<b>New and used motor vehicles<sup>(4)</sup></b>	95.053	-	96.228	0.1	1.2	-
<b>New vehicles<sup>(1)</sup></b>	159.898	-	158.619	-0.5	-0.8	-
<b>Used cars and trucks<sup>(1)</sup></b>	253.982	-	260.588	1.5	2.6	-
<b>Motor fuel</b>	280.364	272.104	263.865	-3.6	-5.9	-3.0
<b>Gasoline (all types)</b>	279.331	271.055	262.782	-3.6	-5.9	-3.1
<b>Gasoline, unleaded regular<sup>(4)</sup></b>	279.819	271.245	262.722	-3.7	-6.1	-3.1
<b>Gasoline, unleaded midgrade<sup>(4)(5)</sup></b>	259.713	252.717	246.406	-3.0	-5.1	-2.5
<b>Gasoline, unleaded premium<sup>(4)</sup></b>	262.894	256.158	249.142	-3.5	-5.2	-2.7
<b>Motor vehicle insurance<sup>(1)</sup></b>	516.426	-	516.426	3.2	0.0	-
<b>Medical care</b>	538.854	-	-	-	-	-
<b>Recreation<sup>(6)</sup></b>	116.648	-	117.507	1.2	0.7	-
<b>Education and communication<sup>(6)</sup></b>	151.694	-	149.395	0.5	-1.5	-
<b>Tuition, other school fees, and child care<sup>(1)</sup></b>	1,836.560	-	1,786.057	-0.1	-2.7	-
<b>Other goods and services</b>	499.018	-	501.868	1.6	0.6	-
<b>Commodity and service group</b>						
<b>All items</b>	295.259	-	295.490	2.7	0.1	-
<b>Commodities</b>	194.969	-	194.205	1.6	-0.4	-
<b>Commodities less food &amp; beverages</b>	143.834	-	142.625	-0.4	-0.8	-
<b>Nondurables less food &amp; beverages</b>	191.919	-	190.355	-0.2	-0.8	-
<b>Durables</b>	97.689	-	96.825	-0.6	-0.9	-
<b>Services</b>	378.743	-	379.781	3.2	0.3	-
<b>Special aggregate indexes</b>						
<b>All items less medical care</b>	285.329	-	285.206	2.4	0.0	-
<b>Footnotes</b>						
(1) Indexes on a December 1977=100 base.						
(2) This index series was calculated using a Laspeyres estimator. All other item stratum index series were calculated using a geometric means estimator.						
(3) Indexes on a December 1982=100 base.						
(4) Special index based on a substantially smaller sample.						
(5) Indexes on a December 1993=100 base.						
(6) Indexes on a December 1997=100 base.						
- Data not available						
NOTE: Index applies to a month as a whole, not to any specific date.						

Item and Group	Indexes			Percent change from-		
	Jun. 2019	Jul. 2019	Aug. 2019	Aug. 2018	Jun. 2019	Jul. 2019
All items less shelter	253.308	-	253.102	2.9	-0.1	-
Commodities less food	150.931	-	149.998	0.0	-0.6	-
Nondurables	242.507	-	241.832	2.1	-0.3	-
Nondurables less food	201.051	-	200.071	0.4	-0.5	-
Services less rent of shelter <sup>(3)</sup>	372.718	-	373.629	4.3	0.2	-
Services less medical care services	368.418	-	368.836	2.7	0.1	-
Energy	317.453	313.440	307.026	-0.9	-3.3	-2.0
All items less energy	297.776	-	298.519	2.9	0.2	-
All items less food and energy	299.981	-	300.891	2.8	0.3	-

**Footnotes**  
 (1) Indexes on a December 1977=100 base.  
 (2) This index series was calculated using a Laspeyres estimator. All other item stratum index series were calculated using a geometric means estimator.  
 (3) Indexes on a December 1982=100 base.  
 (4) Special index based on a substantially smaller sample.  
 (5) Indexes on a December 1993=100 base.  
 (6) Indexes on a December 1997=100 base.

- Data not available  
 NOTE: Index applies to a month as a whole, not to any specific date.

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## CHAPTER \_\_\_\_\_

An act to add and repeal Sections 1946.2, 1947.12, and 1947.13 of the Civil Code, relating to tenancy.

## LEGISLATIVE COUNSEL'S DIGEST

AB 1482, Chiu. Tenant Protection Act of 2019: tenancy: rent caps.

Existing law specifies that a hiring of residential real property, for a term not specified by the parties, is deemed to be renewed at the end of the term implied by law unless one of the parties gives written notice to the other of that party's intention to terminate. Existing law requires an owner of a residential dwelling to give notice at least 60 days prior to the proposed date of termination, or at least 30 days prior to the proposed date of termination if any tenant or resident has resided in the dwelling for less than one year, as specified. Existing law requires any notice given by an owner to be given in a prescribed manner, to contain certain information, and to be formatted, as specified.

This bill would, with certain exceptions, prohibit an owner, as defined, of residential real property from terminating a tenancy without just cause, as defined, which the bill would require to be stated in the written notice to terminate tenancy when the tenant has continuously and lawfully occupied the residential real property for 12 months, except as provided. The bill would require, for certain just cause terminations that are curable, that the owner give a notice of violation and an opportunity to cure the violation prior to issuing the notice of termination. The bill, if the violation is not cured within the time period set forth in the notice, would authorize a 3-day notice to quit without an opportunity to cure to be served to terminate the tenancy. The bill would require, for no-fault just cause terminations, as specified, that the owner, at the owner's option, either assist certain tenants to relocate, regardless of the tenant's income, by providing a direct payment of one month's rent to the tenant, as specified, or waive in writing the payment of rent for the final month of the tenancy, prior to the rent becoming due. The bill would require the actual amount of relocation assistance or rent waiver provided to a tenant that fails to vacate

after the expiration of the notice to terminate the tenancy to be recoverable as damages in an action to recover possession. The bill would provide that if the owner does not provide relocation assistance, the notice of termination is void. The bill would except certain properties and circumstances from the application of its provisions. The bill would require an owner of residential property to provide prescribed notice to a tenant of the tenant's rights under these provisions. The bill would not apply to residential real property subject to a local ordinance requiring just cause for termination adopted on or before September 1, 2019, or to residential real property subject to a local ordinance requiring just cause for termination adopted or amended after September 1, 2019, that is more protective than these provisions, as defined. The bill would void any waiver of the rights under these provisions. The bill would repeal these provisions as of January 1, 2030.

Existing law governs the hiring of residential dwelling units and requires a landlord to provide specified notice to tenants prior to an increase in rent. Existing law, the Costa-Hawkins Rental Housing Act, prescribes statewide limits on the application of local rent control with regard to certain properties. That act, among other things, authorizes an owner of residential real property to establish the initial and all subsequent rental rates for a dwelling or unit that meets specified criteria, subject to certain limitations.

This bill would, until January 1, 2030, prohibit an owner of residential real property from, over the course of any 12-month period, increasing the gross rental rate for a dwelling or unit more than 5% plus the percentage change in the cost of living, as defined, or 10%, whichever is lower, of the lowest gross rental rate charged for the immediately preceding 12 months, subject to specified conditions. The bill would prohibit an owner of a unit of residential real property from increasing the gross rental rate for the unit in more than 2 increments over a 12-month period, after the tenant remains in occupancy of the unit over a 12-month period. The bill would exempt certain properties from these provisions. The bill would require the Legislative Analyst's Office to submit a report, on or before January 1, 2030, to the Legislature regarding the effectiveness of these provisions. The bill would provide that these provisions apply to all rent increases occurring on or after March 15, 2019. The bill would provide that in the event that an owner increased the rent by more than the amount specified above

between March 15, 2019, and January 1, 2020, the applicable rent on January 1, 2020, shall be the rent as of March 15, 2019, plus the maximum permissible increase, and the owner shall not be liable to the tenant for any corresponding rent overpayment. The bill would authorize an owner who increased the rent by less than the amount specified above between March 15, 2019, and January 1, 2020, to increase the rent twice within 12 months of March 15, 2019, but not by more than the amount specified above. The bill would void any waiver of the rights under these provisions.

The Planning and Zoning Law requires the owner of an assisted housing development in which there will be an expiration of rental restrictions to, among other things, provide notice of the proposed change to each affected tenant household residing in the assisted housing development subject to specified procedures and requirements, and to also provide specified entities notice and an opportunity to submit an offer to purchase the development prior to the expiration of the rental restrictions.

This bill would authorize an owner of an assisted housing development, who demonstrates, under penalty of perjury, compliance with the provisions described above with regard to the expiration of rental restrictions, to establish the initial unassisted rental rate for units without regard to the cap on rent increases discussed above, but would require the owner to comply with the above cap on rent increases for subsequent rent increases in the development. The bill would authorize an owner of a deed-restricted affordable housing unit or an affordable housing unit subject to a regulatory restriction contained in an agreement with a government agency limiting rental rates that is not within an assisted housing development to establish the initial rental rate for the unit upon the expiration of the restriction, but would require the owner to comply with the above cap on rent increases for subsequent rent increases for the unit. The bill would repeal these provisions on January 1, 2030. The bill would void any waiver of the rights under these provisions. By requiring an owner of an assisted housing development to demonstrate compliance with specified provisions under penalty of perjury, this bill would expand the existing crime of perjury and thus would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the

state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

*The people of the State of California do enact as follows:*

SECTION 1. This act shall be known, and may be cited, as the Tenant Protection Act of 2019.

SEC. 2. Section 1946.2 is added to the Civil Code, to read:

1946.2. (a) Notwithstanding any other law, after a tenant has continuously and lawfully occupied a residential real property for 12 months, the owner of the residential real property shall not terminate the tenancy without just cause, which shall be stated in the written notice to terminate tenancy. If any additional adult tenants are added to the lease before an existing tenant has continuously and lawfully occupied the residential real property for 24 months, then this subdivision shall only apply if either of the following are satisfied:

(1) All of the tenants have continuously and lawfully occupied the residential real property for 12 months or more.

(2) One or more tenants have continuously and lawfully occupied the residential real property for 24 months or more.

(b) For purposes of this section, “just cause” includes either of the following:

(1) At-fault just cause, which is any of the following:

(A) Default in the payment of rent.

(B) A breach of a material term of the lease, as described in paragraph (3) of Section 1161 of the Code of Civil Procedure, including, but not limited to, violation of a provision of the lease after being issued a written notice to correct the violation.

(C) Maintaining, committing, or permitting the maintenance or commission of a nuisance as described in paragraph (4) of Section 1161 of the Code of Civil Procedure.

(D) Committing waste as described in paragraph (4) of Section 1161 of the Code of Civil Procedure.

(E) The tenant had a written lease that terminated on or after January 1, 2020, and after a written request or demand from the owner, the tenant has refused to execute a written extension or renewal of the lease for an additional term of similar duration with

similar provisions, provided that those terms do not violate this section or any other provision of law.

(F) Criminal activity by the tenant on the residential real property, including any common areas, or any criminal activity or criminal threat, as defined in subdivision (a) of Section 422 of the Penal Code, on or off the residential real property, that is directed at any owner or agent of the owner of the residential real property.

(G) Assigning or subletting the premises in violation of the tenant's lease, as described in paragraph (4) of Section 1161 of the Code of Civil Procedure.

(H) The tenant's refusal to allow the owner to enter the residential real property as authorized by Sections 1101.5 and 1954 of this code, and Sections 13113.7 and 17926.1 of the Health and Safety Code.

(I) Using the premises for an unlawful purpose as described in paragraph (4) of Section 1161 of the Code of Civil Procedure.

(J) The employee, agent, or licensee's failure to vacate after their termination as an employee, agent, or a licensee as described in paragraph (1) of Section 1161 of the Code of Civil Procedure.

(K) When the tenant fails to deliver possession of the residential real property after providing the owner written notice as provided in Section 1946 of the tenant's intention to terminate the hiring of the real property, or makes a written offer to surrender that is accepted in writing by the landlord, but fails to deliver possession at the time specified in that written notice as described in paragraph (5) of Section 1161 of the Code of Civil Procedure.

(2) No-fault just cause, which includes any of the following:

(A) (i) Intent to occupy the residential real property by the owner or their spouse, domestic partner, children, grandchildren, parents, or grandparents.

(ii) For leases entered into on or after July 1, 2020, clause (i) shall apply only if the tenant agrees, in writing, to the termination, or if a provision of the lease allows the owner to terminate the lease if the owner, or their spouse, domestic partner, children, grandchildren, parents, or grandparents, unilaterally decides to occupy the residential real property. Addition of a provision allowing the owner to terminate the lease as described in this clause to a new or renewed rental agreement or fixed-term lease constitutes a similar provision for the purposes of subparagraph (E) of paragraph (1).

(B) Withdrawal of the residential real property from the rental market.

(C) (i) The owner complying with any of the following:

(I) An order issued by a government agency or court relating to habitability that necessitates vacating the residential real property.

(II) An order issued by a government agency or court to vacate the residential real property.

(III) A local ordinance that necessitates vacating the residential real property.

(ii) If it is determined by any government agency or court that the tenant is at fault for the condition or conditions triggering the order or need to vacate under clause (i), the tenant shall not be entitled to relocation assistance as outlined in paragraph (3) of subdivision (d).

(D) (i) Intent to demolish or to substantially remodel the residential real property.

(ii) For purposes of this subparagraph, “substantially remodel” means the replacement or substantial modification of any structural, electrical, plumbing, or mechanical system that requires a permit from a governmental agency, or the abatement of hazardous materials, including lead-based paint, mold, or asbestos, in accordance with applicable federal, state, and local laws, that cannot be reasonably accomplished in a safe manner with the tenant in place and that requires the tenant to vacate the residential real property for at least 30 days. Cosmetic improvements alone, including painting, decorating, and minor repairs, or other work that can be performed safely without having the residential real property vacated, do not qualify as substantial rehabilitation.

(c) Before an owner of residential real property issues a notice to terminate a tenancy for just cause that is a curable lease violation, the owner shall first give notice of the violation to the tenant with an opportunity to cure the violation pursuant to paragraph (3) of Section 1161 of the Code of Civil Procedure. If the violation is not cured within the time period set forth in the notice, a three-day notice to quit without an opportunity to cure may thereafter be served to terminate the tenancy.

(d) (1) For a tenancy for which just cause is required to terminate the tenancy under subdivision (a), if an owner of residential real property issues a termination notice based on a

no-fault just cause described in paragraph (2) of subdivision (b), the owner shall, regardless of the tenant's income, at the owner's option, do one of the following:

(A) Assist the tenant to relocate by providing a direct payment to the tenant as described in paragraph (3).

(B) Waive in writing the payment of rent for the final month of the tenancy, prior to the rent becoming due.

(2) If an owner issues a notice to terminate a tenancy for no-fault just cause, the owner shall notify the tenant of the tenant's right to relocation assistance or rent waiver pursuant to this section. If the owner elects to waive the rent for the final month of the tenancy as provided in subparagraph (B) of paragraph (1), the notice shall state the amount of rent waived and that no rent is due for the final month of the tenancy.

(3) (A) The amount of relocation assistance or rent waiver shall be equal to one month of the tenant's rent that was in effect when the owner issued the notice to terminate the tenancy. Any relocation assistance shall be provided within 15 calendar days of service of the notice.

(B) If a tenant fails to vacate after the expiration of the notice to terminate the tenancy, the actual amount of any relocation assistance or rent waiver provided pursuant to this subdivision shall be recoverable as damages in an action to recover possession.

(C) The relocation assistance or rent waiver required by this subdivision shall be credited against any other relocation assistance required by any other law.

(4) An owner's failure to strictly comply with this subdivision shall render the notice of termination void.

(e) This section shall not apply to the following types of residential real properties or residential circumstances:

(1) Transient and tourist hotel occupancy as defined in subdivision (b) of Section 1940.

(2) Housing accommodations in a nonprofit hospital, religious facility, extended care facility, licensed residential care facility for the elderly, as defined in Section 1569.2 of the Health and Safety Code, or an adult residential facility, as defined in Chapter 6 of Division 6 of Title 22 of the Manual of Policies and Procedures published by the State Department of Social Services.

(3) Dormitories owned and operated by an institution of higher education or a kindergarten and grades 1 to 12, inclusive, school.

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

(5) Single-family owner-occupied residences, including a residence in which the owner-occupant rents or leases no more than two units or bedrooms, including, but not limited to, an accessory dwelling unit or a junior accessory dwelling unit.

(6) A duplex in which the owner occupied one of the units as the owner's principal place of residence at the beginning of the tenancy, so long as the owner continues in occupancy.

(7) Housing that has been issued a certificate of occupancy within the previous 15 years.

(8) Residential real property that is alienable separate from the title to any other dwelling unit, provided that both of the following apply:

(A) The owner is not any of the following:

(i) A real estate investment trust, as defined in Section 856 of the Internal Revenue Code.

(ii) A corporation.

(iii) A limited liability company in which at least one member is a corporation.

(B) (i) The tenants have been provided written notice that the residential property is exempt from this section using the following statement:

“This property is not subject to the rent limits imposed by Section 1947.12 of the Civil Code and is not subject to the just cause requirements of Section 1946.2 of the Civil Code. This property meets the requirements of Sections 1947.12 (d)(5) and 1946.2 (e)(8) of the Civil Code and the owner is not any of the following: (1) a real estate investment trust, as defined by Section 856 of the Internal Revenue Code; (2) a corporation; or (3) a limited liability company in which at least one member is a corporation.”

(ii) For a tenancy existing before July 1, 2020, the notice required under clause (i) may, but is not required to, be provided in the rental agreement.

(iii) For any tenancy commenced or renewed on or after July 1, 2020, the notice required under clause (i) must be provided in the rental agreement.

(iv) Addition of a provision containing the notice required under clause (i) to any new or renewed rental agreement or fixed-term lease constitutes a similar provision for the purposes of subparagraph (E) of paragraph (1) of subdivision (b).

(9) Housing restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code, or subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code or comparable federal statutes.

(f) An owner of residential real property subject to this section shall provide notice to the tenant as follows:

(1) 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) For a tenancy existing prior to July 1, 2020, by written notice to the tenant no later than August 1, 2020, or as an addendum to the lease or rental agreement.

(3) The notification or lease provision shall be in no less than 12-point type, and shall include the following:

“California law limits the amount your rent can be increased. See Section 1947.12 of the Civil Code for more information. California law also provides that after all of the tenants have continuously and lawfully occupied the property for 12 months or more or at least one of the tenants has continuously and lawfully occupied the property for 24 months or more, a landlord must provide a statement of cause in any notice to terminate a tenancy. See Section 1946.2 of the Civil Code for more information.”

The provision of the notice shall be subject to Section 1632.

(g) (1) This section does not apply to the following residential real property:

(A) Residential real property subject to a local ordinance requiring just cause for termination of a residential tenancy adopted on or before September 1, 2019, in which case the local ordinance shall apply.

(B) Residential real property subject to a local ordinance requiring just cause for termination of a residential tenancy adopted or amended after September 1, 2019, that is more protective than this section, in which case the local ordinance shall apply. For purposes of this subparagraph, an ordinance is “more protective” if it meets all of the following criteria:

(i) The just cause for termination of a residential tenancy under the local ordinance is consistent with this section.

(ii) The ordinance further limits the reasons for termination of a residential tenancy, provides for higher relocation assistance amounts, or provides additional tenant protections that are not prohibited by any other provision of law.

(iii) The local government has made a binding finding within their local ordinance that the ordinance is more protective than the provisions of this section.

(2) A residential real property shall not be subject to both a local ordinance requiring just cause for termination of a residential tenancy and this section.

(3) A local ordinance adopted after September 1, 2019, that is less protective than this section shall not be enforced unless this section is repealed.

(h) Any waiver of the rights under this section shall be void as contrary to public policy.

(i) For the purposes of this section, the following definitions shall apply:

(1) “Owner” and “residential real property” have the same meaning as those terms are defined in Section 1954.51.

(2) “Tenancy” means the lawful occupation of residential real property and includes a lease or sublease.

(j) This section shall remain in effect only until January 1, 2030, and as of that date is repealed.

SEC. 3. Section 1947.12 is added to the Civil Code, to read:

1947.12. (a) (1) Subject to subdivision (b), an owner of residential real property shall not, over the course of any 12-month period, increase the gross rental rate for a dwelling or a unit more than 5 percent plus the percentage change in the cost of living, or 10 percent, whichever is lower, of the lowest gross rental rate charged for that dwelling or unit at any time during the 12 months prior to the effective date of the increase. In determining the lowest gross rental amount pursuant to this section, any rent discounts,

incentives, concessions, or credits offered by the owner of such unit of residential real property and accepted by the tenant shall be excluded. The gross per-month rental rate and any owner-offered discounts, incentives, concessions, or credits shall be separately listed and identified in the lease or rental agreement or any amendments to an existing lease or rental agreement.

(2) If the same tenant remains in occupancy of a unit of residential real property over any 12-month period, the gross rental rate for the unit of residential real property shall not be increased in more than two increments over that 12-month period, subject to the other restrictions of this subdivision governing gross rental rate increase.

(b) For a new tenancy in which no tenant from the prior tenancy remains in lawful possession of the residential real property, the owner may establish the initial rental rate not subject to subdivision (a). Subdivision (a) is only applicable to subsequent increases after that initial rental rate has been established.

(c) A tenant of residential real property subject to this section shall not enter into a sublease that results in a total rent for the premises that exceeds the allowable rental rate authorized by subdivision (a). Nothing in this subdivision authorizes a tenant to sublet or assign the tenant's interest where otherwise prohibited.

(d) This section shall not apply to the following residential real properties:

(1) Housing restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code, or subject to an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code or comparable federal statutes.

(2) Dormitories constructed and maintained in connection with any higher education institution within the state for use and occupancy by students in attendance at the institution.

(3) Housing subject to rent or price control through a public entity's valid exercise of its police power consistent with Chapter 2.7 (commencing with Section 1954.50) that restricts annual increases in the rental rate to an amount less than that provided in subdivision (a).

(4) Housing that has been issued a certificate of occupancy within the previous 15 years.

(5) Residential real property that is alienable separate from the title to any other dwelling unit, provided that both of the following apply:

(A) The owner is not any of the following:

(i) A real estate investment trust, as defined in Section 856 of the Internal Revenue Code.

(ii) A corporation.

(iii) A limited liability company in which at least one member is a corporation.

(B) (i) The tenants have been provided written notice that the residential real property is exempt from this section using the following statement:

“This property is not subject to the rent limits imposed by Section 1947.12 of the Civil Code and is not subject to the just cause requirements of Section 1946.2 of the Civil Code. This property meets the requirements of Sections 1947.12 (c)(5) and 1946.2 (e)(7) of the Civil Code and the owner is not any of the following: (1) a real estate investment trust, as defined by Section 856 of the Internal Revenue Code; (2) a corporation; or (3) a limited liability company in which at least one member is a corporation.”

(ii) For a tenancy existing before July 1, 2020, the notice required under clause (i) may, but is not required to, be provided in the rental agreement.

(iii) For a tenancy commenced or renewed on or after July 1, 2020, the notice required under clause (i) must be provided in the rental agreement.

(iv) Addition of a provision containing the notice required under clause (i) to any new or renewed rental agreement or fixed-term lease constitutes a similar provision for the purposes of subparagraph (E) of paragraph (1) of subdivision (b) of Section 1946.2.

(6) A duplex in which the owner occupied one of the units as the owner’s principal place of residence at the beginning of the tenancy, so long as the owner continues in occupancy.

(e) An owner shall provide notice of any increase in the rental rate, pursuant to subdivision (a), to each tenant in accordance with Section 827.

(f) (1) On or before January 1, 2030, the Legislative Analyst's Office shall report to the Legislature regarding the effectiveness of this section and Section 1947.13. The report shall include, but not be limited to, the impact of the rental rate cap pursuant to subdivision (a) on the housing market within the state.

(2) The report required by paragraph (1) shall be submitted in compliance with Section 9795 of the Government Code.

(g) For the purposes of this section, the following definitions shall apply:

(1) "Owner" and "residential real property" shall have the same meaning as those terms are defined in Section 1954.51.

(2) "Percentage change in the cost of living" means the percentage change from April 1 of the prior year to April 1 of the current year in the regional Consumer Price Index for the region where the residential real property is located, as published by the United States Bureau of Labor Statistics. If a regional index is not available, the California Consumer Price Index for All Urban Consumers for all items, as determined by the Department of Industrial Relations, shall apply.

(3) "Tenancy" means the lawful occupation of residential real property and includes a lease or sublease.

(h) (1) This section shall apply to all rent increases subject to subdivision (a) occurring on or after March 15, 2019. This section shall become operative January 1, 2020.

(2) In the event that an owner has increased the rent by more than the amount permissible under subdivision (a) between March 15, 2019, and January 1, 2020, both of the following shall apply:

(A) The applicable rent on January 1, 2020, shall be the rent as of March 15, 2019, plus the maximum permissible increase under subdivision (a).

(B) An owner shall not be liable to the tenant for any corresponding rent overpayment.

(3) An owner of residential real property subject to subdivision (a) who increased the rental rate on that residential real property on or after March 15, 2019, but prior to January 1, 2020, by an amount less than the rental rate increase permitted by subdivision (a) shall be allowed to increase the rental rate twice, as provided

in paragraph (2) of subdivision (a), within 12 months of March 15, 2019, but in no event shall that rental rate increase exceed the maximum rental rate increase permitted by subdivision (a).

(i) Any waiver of the rights under this section shall be void as contrary to public policy.

(j) This section shall remain in effect until January 1, 2030, and as of that date is repealed.

(k) (1) The Legislature finds and declares that the unique circumstances of the current housing crisis require a statewide response to address rent gouging by establishing statewide limitations on gross rental rate increases.

(2) It is the intent of the Legislature that this section should apply only for the limited time needed to address the current statewide housing crisis, as described in paragraph (1). This section is not intended to expand or limit the authority of local governments to establish local policies regulating rents consistent with Chapter 2.7 (commencing with Section 1954.50), nor is it a statement regarding the appropriate, allowable rental rate increase when a local government adopts a policy regulating rent that is otherwise consistent with Chapter 2.7 (commencing with Section 1954.50).

(3) Nothing in this section authorizes a local government to establish limitations on any rental rate increases not otherwise permissible under Chapter 2.7 (commencing with Section 1954.50), or affects the existing authority of a local government to adopt or maintain rent controls or price controls consistent with that chapter.

SEC. 4. Section 1947.13 is added to the Civil Code, to read:

1947.13. (a) Notwithstanding Section 1947.12, upon the expiration of rental restrictions, the following shall apply:

(1) The owner of an assisted housing development who demonstrates, under penalty of perjury, compliance with all applicable provisions of Sections 65863.10, 65863.11, and 65863.13 of the Government Code and any other applicable law or regulation intended to promote the preservation of assisted housing, may establish the initial unassisted rental rate for units in the applicable housing development. Any subsequent rent increase in the development shall be subject to Section 1947.12.

(2) The owner of a deed-restricted affordable housing unit or an affordable housing unit subject to a regulatory restriction contained in an agreement with a government agency limiting

rental rates that is not within an assisted housing development may establish the initial rental rate for the unit upon the expiration of the restriction. Any subsequent rent increase for the unit shall be subject to Section 1947.12.

(b) For purposes of this section:

(1) "Assisted housing development" has the same meaning as defined in paragraph (3) of subdivision (a) of Section 65863.10 of the Government Code.

(2) "Expiration of rental restrictions" has the same meaning as defined in paragraph (5) of subdivision (a) of Section 65863.10 of the Government Code.

(c) This section shall remain in effect until January 1, 2030, and as of that date is repealed.

(d) Any waiver of the rights under this section shall be void as contrary to public policy.

SEC. 5. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.