



# CALIFORNIA APARTMENT ASSOCIATION Industry Insights

## AB 1482 (Chiu) – Rent Caps & Just Cause Eviction Overview

AB 1482 was signed by the Governor on October 8, 2019. It will take effect on January 1, 2020. As outlined below, this new law imposes rent caps on some residential rental properties in California. It also imposes “just cause” eviction requirements that apply after tenants have occupied the unit for a certain period of time. In cities that already have a rent control ordinance in place (under the Costa-Hawkins Rental Housing Act), AB 1482 extends rent caps to some additional housing that is otherwise not covered under the existing local ordinance. The law exempts certain properties from the rent caps and just-cause requirements, including (1) most single-family homes and condominiums, and (2) housing built within the last 15 years.

### Rent Cap: 5% + CPI

As outlined below, in any 12-month period, a property owner can increase the rent up to 5 percent plus the regional percentage change in the cost of living (CPI)<sup>1</sup>, or 10 percent, whichever is lower.<sup>2</sup> In certain circumstances, two increases within a 12-month period may be allowed, so long as together those increases don't exceed the rent cap.

The law applies to all rent increases occurring on or after March 15, 2019. If the owner increases the rent by more than the permissible amount between March 15, 2019, and January 1, 2020, both of the following apply:

- The rent on January 1, 2020, must be rolled back to the rent as of March 15, 2019, plus the maximum permissible increase allowed under AB 1482.
- The landlord, however, is not required to refund any rent paid between March 15, 2019, and January 1, 2020, that exceeded the allowed increase.

### Vacancy Decontrol

For a new tenancy in which no tenant from the prior tenancy remains in lawful possession of the residential real property, the owner can establish the new rent at any amount. The 5 percent plus CPI cap applies to all increases for that new tenancy thereafter.

### Required Disclosure – Properties Subject to the Law

AB 1482 requires the following specific notice to be provided (in no less than 12-point type) to (1) all new and renewed tenants (in the lease or separately) starting July 1, 2020, and (2) existing tenants no later than August 1, 2020:

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



## Exemptions from the Rent Cap

AB 1482 rent caps do not apply to:

- **Affordable Housing:** Housing restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for person 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.
- **New Construction:** Housing that has been issued a certificate of occupancy within the previous **15 years**. This means that some housing that was previously exempt as “new construction” under local Costa-Hawkins rent control ordinances (e.g., post-1978 or post-1995) will be subject to the rent cap in AB1482.
- **Single-Family Homes and Condos:** Housing that is **alienable separate from the title** to any other dwelling unit (e.g., **single-family homes and condominiums**) provided:
  - The owner is not:
    - ✓ A real estate investment trust, as defined in Section 856 of the Internal Revenue Code.
    - ✓ A corporation.
    - ✓ A limited liability corporation, in which at least one member is a corporation.
  - **AND** the owner provides the tenant with a written notice that the property is exempt from this section using the following statement:

“This property is not subject to the rent limits imposed by Section 1947.12 of the Civil Code and is not subject to the just cause requirements of Section 1946.2 of the Civil Code. This property meets the requirements of Sections 1947.12(d)(5) and 1946.2(e)(8) of the Civil Code and the owner is not any of the following: (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.”<sup>3</sup>

- **Owner-Occupied Duplexes:** A duplex in which the owner occupied one of the units as the owner’s principal place of residence at the beginning of the tenancy, so long as the owner continues in occupancy.
- **Costa-Hawkins:** The rent caps also do not apply to units that are subject to local rent or price controls, consistent with the state’s Costa-Hawkins provisions if those local rent or price controls impose a lower cap.
- **Dormitories** constructed and maintained in connection with any higher education institution within the state for use and occupancy by students in attendance at the institution.

## Just-Cause Eviction

AB 1482’s just-cause provisions prohibit a landlord from (1) terminating a month-to-month tenancy or (2) choosing not to renew a fixed term lease, without providing an allowed reason for termination. **The provisions do not apply until the end of the first 12 months of tenancy or 24 months, as outlined below.** During this time, the landlord’s ability to terminate the tenancy or to decline to renew a lease are unchanged from preexisting law.

## Exemptions from Just Cause

Properties exempt from the rent caps under AB 1482 are also exempt from its just-cause provisions (as well as the relocation payment requirements, as outlined below).

Additional owner-occupied properties are also exempt (accommodations in which the tenant shares bathroom or kitchen facilities with the owner and also single-family owner-occupied residences, including a residence in which the owner occupant rents or leases no more than two units or bedrooms, including, but not limited to, an accessory dwelling unit or junior accessory dwelling unit).<sup>4</sup> With respect to local just-cause ordinances, AB 1482 does not apply if the property is already subject to an ordinance enacted on or before September 1, 2019. Later enacted local just-cause ordinances control if they provide greater protections to the tenant.



## Application of Just Cause

AB 1482's just-cause requirements apply after a tenant has continuously and lawfully occupied the unit for 12 months. If any additional adult tenants are added to the lease before an existing tenant has continuously and lawfully occupied the unit for 24 months, then just cause applies if either of the following are satisfied:

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

There are two categories of just cause:

- At-fault just cause (where the tenant did something wrong); and
- No-fault just cause.

**At-Fault Just Cause** includes all of the following:

- Default in the payment of rent.
- A breach of a material term of the lease, as defined.
- Maintaining, committing, or permitting a nuisance, as defined.
- Committing waste, as defined.
- The tenant had a written lease that terminates on or after January 1, 2020, and after a written request or demand from the owner, the tenant has refused to execute a written extension or renewal of the lease for an additional term of similar duration with similar provisions.
- Criminal activity by the tenant on the residential rental property, including any common areas, or any criminal activity or criminal threat, on or off the residential rental property, that is directed at any owner or agent of the owner of the property.
- Assigning or subletting the premises in violation of the tenant's lease.
- Refusal to allow the owner to enter the unit as authorized under the law, as defined.
- Using the premises for an unlawful purpose, as defined.
- An employee's failure to vacate the unit after the employee has been terminated.
- When a tenant fails to deliver possession of the unit after providing the owner written notice of his or her intention to terminate the lease, which the owner has accepted in writing.

**No-Fault Just Cause** includes any of the following:

- **An owner's intent to occupy** the unit, including the owner's spouse, domestic partner, children, grandchildren, parents, or grandparents.
  - For leases entered into on or after July 1, 2020, the owner can use this cause only if the tenant agrees in writing to the termination **or** if a specific provision is included in the lease. (An owner may add this language to the lease.)
- **Withdrawal** of the residential property from the rental market.
- An order relating to **habitability** that necessitates vacating the property, an order issued by a government agency or court to vacate the property, or a local ordinance that necessitates vacating the property.
- Intent to **demolish or to substantially remodel**<sup>5</sup> the residential real property.

## Relocation Disclosure and Payment for No-Fault Termination

AB 1482 requires the landlord to make a relocation payment to the tenant if the termination is for a "no-fault just cause." The landlord must do one of the following:

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

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



## Relocation Payment Not Required

Relocation assistance is not required when:

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

## Sunset Date

The rent caps and just-cause provisions remain in effect until January 1, 2030.

### Applicability of AB 1482

(See below re: overlap with local rent control and just cause ordinances)

Type of Property	Covered by CA Rent Control <sup>6</sup>	Covered by CA Just Cause	Exempt from State Law <sup>7</sup>
<b>Built within Last 15 years (any type)</b>			
			X
<b>Affordable Housing (any type of property, see definition<sup>8</sup>)</b>			
			X
<b>Single-Family Home or Condo<sup>9</sup></b>			
Owned by REIT, Corporation or LLC with corporation as member	X	X	
Other ownership			X (if notice provided to tenants)
<b>Two Units on a Parcel (Duplex, SFH and ADU, etc)</b>			
One unit occupied by the owner			Exempt from just cause, some units exempt from rent control. <sup>10</sup>
Neither unit occupied by the owner	X	X	
<b>Three Units or More, not affordable, not built within last 15 years</b>			
	X	X	

### Applicability of Local Rent Control and Just Cause Ordinances:

- If a property is subject to BOTH a local rent control ordinance AND AB 1482's rent cap, the local rent ordinance will control if the allowed rent increase under the local ordinance is lower than the 5% + CPI allowed by AB 1482.
- If a property is subject to BOTH a local just cause ordinance and AB 1482's just cause provisions, the local just cause ordinance will apply if (1) it was enacted prior to September 1, 2019, or (2) if it is more protective than AB 1482 and the local government made certain findings.



<sup>1</sup> 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** CPI 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 CPI for All Urban Consumers for all items, as determined by the Department of Industrial Relations, must be used.

<sup>2</sup> In determining rent on March 1, 2019, rent discounts, incentives, concessions, or credits accepted by the tenant are excluded from the rent increase calculation if those items are separately listed and identified in the rental agreement or amendments to the agreement.

<sup>3</sup> For any tenancy existing **prior to July 1, 2020**, the notice required may, but is not required, to be provided in the rental agreement. For any tenancy commenced or renewed on or **after July 1, 2020**, the notice must be provided in the rental agreement.

<sup>4</sup> The just cause provisions of AB 1482 also specifically exempt transient and tourist hotel occupancy, as defined, and housing accommodations in a nonprofit hospital, religious facility, or extended care facility, as specified.

<sup>5</sup> 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.

<sup>6</sup> Regardless of whether a property is subject to or exempt from AB 1482 or a local rent control ordinance, it may be subject to the state’s anti-price gouging law. That law is triggered when a state of emergency is declared by the Governor or local officials and prohibits increasing rents more than 10% cumulatively over the entire period that the emergency stays in effect, which could be for as little as 30 days or may last for more than a year. The Attorney General has stated that the anti-price gouging law applies in any county in which there is “increased demand” as a result of the state of emergency. For more information, see [/kb/anti-price-gouging-laws-states-emergency/](#).

<sup>7</sup> See note 6.

<sup>8</sup> The rent cap and just provisions of AB 1482 do not apply to 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.

<sup>9</sup> Residential real property that is alienable separate from the title to any other dwelling unit.

<sup>10</sup> The just cause provisions of AB 1482 do not apply to any of the following: (1) a single-family owner-occupied residence, 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, (2) 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, or (3) housing accommodations in which the tenant shares bathroom or kitchen facilities with the owner who maintains their principal residence at the residential real property. The rent cap provisions of AB 1482 do not apply to 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.

