

## **The Governor Gets Busy by Greg McConnell, Esq.**

Governor Arnold Schwarzenegger has lived up to his billing as a fiscal conservative and social moderate. Over the last thirty days since the legislature closed and sent hundreds of bills to him for action, he has taken clear and consistent action. He vetoed bills that hurt the economy. On the other hand, to the chagrin of social conservatives, he signed bills that have limited economic impact but advance social concerns. He has also shown considerable support for environmental legislation and signed bills to protect green areas.

The apartment industry, of course, is most concerned about what he is doing in the area of rental housing regulation. However, because we were so successful in killing legislation that we thought harmful to the industry, the Governor did not have many controversial measures that concerned us greatly.

One of the bills vetoed by the Governor worth noting is SB 1508 (Ducheny). The following excerpts are illustrative of the Governor's thoughtful commitment to making sure that legislative efforts do not produce unintended consequences that actually hurts more than helps the goal of providing decent housing.

I am returning Senate Bill 1508 without my signature. I feel strongly that landlords should be held responsible when their properties are in disarray and tenants are subjected to conditions that pose significant safety and health risks. However, this bill does not further that result and goal. This bill prohibits certain mortgage lenders from making a loan secured by a deed of trust or mortgage on non-owner occupied residential property if there is a code violation pending. The bill specifically exempts federal lending institutions and banks chartered by the State of California through the Department of Financial Institutions. This bill creates an uneven regulatory playing field creating a hardship and competitive disadvantage for those financial institutions which are subject to the restrictions of this bill. Additionally, the requirements of this bill could result in lenders being unwilling to finance loans with code violations; increasing the likelihood code violations will go uncorrected. Finally, SB 1508 would make certain lenders de facto code enforcers, a function that should remain with the local municipality.

The McConnell Group does not advocate on behalf of slumlords. We view them as blight on the industry and have no trouble with government taking strong regulatory actions against them. Nevertheless, we have consistently argued before the Legislature that it must be careful to make sure that legislative "fixes" to the problems created by slumlords, do not have unintended consequences. It is very refreshing to see the Governor navigate through this dilemma and come to the right conclusion. The veto message in SB 1508 is indeed very welcomed.

### **FINAL STATUS ON MAJOR 2004 LEGISLATION**

The following is the final status of the major bills that we followed this year. If you would like to review the bills in their entirety, you may access copies of the bills at [www.themcconnellgroup.com](http://www.themcconnellgroup.com). Click on 2004 Legislation

#### **Bills Killed in the Legislature**

AB 1850	(Cohn)	Property Taxation: business records retention	Dead
AB 2175	(Canciamilla)	Conversion of Rental Housing	Dead
AB 2194	(Cogdill)	Prevailing wages: determinations: task force	Dead
AB 2400	(Keene)	Controlled Substances Meth Laboratories	Dead
AB 2582	(Lieber)	Tenancy: environmental hazards	Dead
AB 2583	(Lieber)	Tenancy: personal information	Dead
AB 2980	(Salinas)	Housing element: self-certification	Dead
SB 17	(Escutia)	Property Taxation - Change Of Ownership	Dead
SB 1609	(Dunn)	Housing development projects: local agencies	Dead
SB 1634	(Alarcon)	Substandard conditions	Dead

SB 1722 (Ducheny) Proposition 65: enforcement: judgments Dead

**Bills Passed by the Legislature and Signed by the Governor**

AB 2348 (Mullin) Housing element: regional housing needs Chaptered  
AB 2158 (Lowenthal) Housing Elements Chaptered  
AB 2523 (Frommer) Controlled Substances – Unlawful Detainer Chaptered  
SB 115 (Torlakson) Landlord Tenants – Payments Chaptered  
SB 1145 (Burton) Tenancy Chaptered  
SB 1404 (Soto) Multifamily improvement districts Chaptered

**Bills Passed by the Legislature and Vetoed by the Governor**

AB 1426 (Steinberg) Affordable Housing: Greater Sacramento Vetoed  
SB 1508 (Ducheny) Loans: restrictions: code violations Vetoed

**WHAT'S NEXT?**

The next legislative session, which starts up in January 2005, will be very exciting. We predict that the Governor will have a very strong pro-housing agenda. In numerous communications, administrative officials have acknowledged that the state cannot attract new businesses if there is inadequate housing for their employees. Since it is increasingly apparent that not everyone will be able to afford to purchase a home, California must have a robust rental housing industry. This bodes well for the industry.

On the other hand, it is also predictable that certain elements of the legislature will continue to advance social justice at the expense of property owners. We will fight such efforts.

**ALERT FOR RICHMOND PROPERTY OWNERS**

Reports are circulating that the City of Richmond is considering rent and eviction controls. Tenant and social justice groups are advancing rent controls that would limit rent increases to one per year and limit the amounts of such increases to a formula based upon the consumer price index. They are also considering just cause evictions that would limit the right to terminate a tenant to specified causes.

The groups who are promoting these changes say they are using Berkeley, Oakland, and San Francisco as models. Anyone who owns property in Richmond who wants to know how these laws impact their ownership should consult their colleagues in those cities. We strongly encourage interested owners to make sure that their interests are protected and their voices are heard as this process unfolds.

*Greg McConnell is a rental housing consultant and legislative advocate. He represents and advises apartment associations, property management companies, and individual owners throughout California. For more information please visit [www.themccconnellgroup.com](http://www.themccconnellgroup.com).*

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