

SACRAMENTO REPORT: Governor Throws Down The Gauntlet by Greg McConnell, Legislative Advocate

You may not believe in global warming theories, but believe this, there will be no winter in Sacramento this year. It is hot, hot, hot!

Governor Schwarzenegger has thrown down the gauntlet. He plans to balance the budget by “starving the monster,” the state’s bloated bureaucracy, that is. He has taken on the unions that represent public employees, teachers and others that he calls special interests groups. He called the Attorney General, the Treasurer, and the Schools Superintendent the Three Stooges, for their biting attacks on his budget plans. And, he has made it loud and clear that if the Legislature does not go along with his plans, he will take the fight directly to the voters.

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The one thing that everyone agrees upon is that California is in a financial crisis and that strong action is necessary to fix our many woes. However, there is little agreement on solutions. Some Democrats look to new tax increases on the “rich.” To that the Governor says no, no, no! Taxing the private sector, he says, will discourage the investment that is needed to bring jobs and new revenues to the state. The Governor’s vision is to control spending and attract new money by promoting a pro-business agenda.

So nasty has it become, that in recent news articles, several liberal legislators have said that the Governor does not keep his word and that they will not be able to trust him in negotiations. The Governor responded that his commitment is to the people of California, not a few special interests that want to maintain the status quo of spending more money than the state takes in.

Some pundits think the state is headed for tough times and counsel both sides to tone down the rhetoric. Others say this is just what we need. Bring on the fight. Hold no punches. It is time to get to the root of our problems and if we need to have a war lets have it and get it over with.

For political junkies this is great sport. However, the question that truly emerges is how the Democratic controlled Legislature and the Republican Governor will work together on any major issues in this climate. We will watch and report.

New Tenant Legislation Sixty-Day Notices

As I previously reported, we were confident that the tenant lobby would introduce legislation to make the 60-day notice for termination of tenancy a permanent fixture in California. State Senator Sheila Kuehl did not let us down. On January 10, she introduced SB 51. The bill is sponsored by The Western Center for Law and Poverty.

When the 60-day notice was introduced on trial basis a few years ago, the tenant lobby argued that in the heated markets of Northern California, 30 days notice did not give tenants adequate time to find replacement housing. Since that time, those markets have melted down. In fact, many owners who responded to my last report stated that they are not evicting tenants. To the contrary, under threat that they would move out, tenants are taking advantage of the high vacancy rates and increased competition by demanding and getting rent reductions. The point here is that is that the extended notice was created to deal with market conditions that no longer exist. So, why extend the life of the law?

One interesting feature of SB 51 is that while owners would be required to give tenants a 60-day notice, tenants would only be required to give a 30-day notice. How is that fair?

We urge owners to oppose SB 51.

Revisions to the Ellis Act

In cities that have rent and eviction controls, owners find themselves in the double whammy of being prevented from adjusting rents to market and being forced to continue renting to tenants

as long as the tenant chooses to remain. Some relief was provided when the legislature passed the Ellis Act and granted owners the right to evict all of the tenants in a building if they wanted to get out of the rental business.

In recent years a growing number of renters have approached owners about selling their small buildings to them for Tenant in Common ownership or potential conversion to Condominiums. The buyers purchase the buildings and then use the Ellis Act to evict the tenants.

With the rising costs of single-family homes, the Ellis option has become increasingly attractive to owners who no longer wish to do business in an excessive regulatory climate and to moderate-income people who want to own their own homes. The tenant lobby sees it otherwise.

The proposed legislation would prevent Ellis Act evictions unless the owner has owned the property for at least five years. Therefore, a group of moderate income people, usually renters, who want to purchase a small building for their occupancy would not be able to evict the tenants for five years from the purchase date. The effect of this would be to bring the process of acquiring small properties for ownership occupancy to a halt.

It should be noted that the Ellis Act has strong protections for tenants. They get expanded notice, relocation benefits, and there are strong sanctions against owners who evict and then try to re-rent.

We will have to wait to see the actual bill; as of this writing it has not been introduced. But one question that we already have is this. What public policy position makes it a better idea to give tenants the right to live in a rent-restricted apartment forever, than to allow tenants to purchase and occupy their own homes?

Homeownership has historically been viewed as a good thing. Here in California we seem to have gotten this all twisted.

We will report on more tenant bills next month.

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.themcconnellgroup.com. © This article is copyrighted and cannot be republished without the consent of the author.