

APARTMENT **Operating Expense Guide 2023**

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INTRODUCTION

This operating expense guide provides general guidelines as to the likely expenses that would be expected to be incurred in the operation of small to mid-size apartment complexes in Southern California. It should be used as an adjunct to consideration of prevailing and historical expenses for a given apartment property. No liability is assumed by Gregory P. Wingerd for the accuracy or applicability of the information provided herein. The guidelines provided herein are based upon observation of actual expenses incurred at numerous apartment complexes in Southern California based on profit and loss/expense information provided by owners for years 2020, 2021 and 2022. In addition to expense guidelines, this guide provides insight as to various methods of estimating operating expenses as a result of cumulative knowledge gleaned from the appraisal of apartment complexes, augmented by periodic interviews with market participants in the multifamily sector of the Southern California real estate market.

OPERATING EXPENSES DEFINED

Briefly stated, *operating expenses* are the periodic expenditures necessary to maintain property and to continue the production of income. Unlike for accounting purposes, for valuation purposes, expenses do not include debt service payments and peripheral items that are not specifically needed for the continued operation of a property.

BASIC APPLICABILITY OF EXPENSE GUIDE

This guide is basically targeted toward providing operating expense guidelines applicable for common small- to mid-size apartment complexes in the range of five (5) to fifty (50) units. This size range primarily encompasses one- to three-story complexes of so-called walk-up style, center hall design, and to a lesser extent, elevator-served apartment properties. While expenses can be categorized as fixed and variable, it is not a necessity in the expense estimation process. The expense guidelines set forth herein are intended for use relative to apartment complexes located in Southern California, and may or not may be meaningful relative to apartment properties located outside the region.

RESEARCH AND STUDY PROCEDURES

Operating expenses of apartment complexes procured during the course of appraisal assignments during the years 2020, 2021 & 2022 were compiled and analyzed (with partial year 2022 data annualized). Extremes were discarded from the compiled expense history sampling and the guidelines provided herein were developed based on an analysis of the remaining expense data. The properties were located throughout Southern California in the Counties of Los Angeles, Orange, Riverside, San Bernardino, and San Diego, and ranged in size from approximately five to fifty units (with the majority of the data set relating to apartments in Los Angeles & Orange Counties). The compiled expense information was grouped into the following main categories:

<i>Real Estate Taxes</i>	<i>Supplies (often included in Maintenance)</i>
<i>Insurance</i>	<i>Elevator Maintenance</i>
<i>Licenses</i>	<i>Pool Maintenance</i>
<i>Natural Gas</i>	<i>Gardening/Landscape Maintenance</i>
<i>Electricity</i>	<i>Non-resident Management</i>
<i>Water & Sewer</i>	<i>Resident Management</i>
<i>Trash Removal</i>	<i>Advertising</i>
<i>Pest Control</i>	<i>Telephone</i>
<i>Building Maintenance & Repairs</i>	<i>Legal & Audit</i>
<i>Interior & Exterior Decorating</i>	<i>Miscellaneous</i>
<i>Cleaning Expenses</i>	<i>Replacement Reserves</i>

The foregoing expense categories are representative of the most common basic categories encountered in the Southern California apartment market; although in some cases categories are combined (for example, supplies is often included within estimates for Repairs and Cleaning). Some categories are applicable only in some cases (elevator maintenance and pool maintenance are obviously not needed relative to complexes without an elevator or pool). In addition, for small complexes (5 to 15 units), dedicated expenses for some of the minor categories such as advertising, telephone, and legal and accounting may not be necessary (these may be needed only sporadically or not at all for operation of very small apartment complexes, and the cost of same can often be reasonably covered via a Miscellaneous expense). With respect to real estate taxes, expenses observed for comparable properties are not judged meaningful due

to Proposition 13 in California which dictates establishment of new tax liability upon sale (with the exception of some leasehold situations). As such, an analysis of tax liability of comparable properties does not serve as a reliable indication of tax liability to a new owner. Although real estate taxes were not considered in the analysis, insight as to the estimation of same is provided herein. Tax liability for valuation purposes should be based on an hypothetical sale as of the valuation date in keeping with the definition of *Market Value* which states that:

“...implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer ...”.

APPLICATION OF GUIDELINES

The application of most of the guidelines herein pertain to expenses on a per unit, per month, or per square foot of gross building area basis and same is clarified within each expense category section (or is self-evident).

EXPENSE GUIDELINES

Real Estate Taxes

As indicated previously herein, Proposition 13 in California stipulates that a transfer of fee/leased fee title triggers establishment of a new tax base. Real estate tax liability for a new owner will be re-established upon title transfer, likely reflecting a basis on sale/purchase price, but not necessarily. As such, tax liability for valuation purposes must be based on an hypothetical sale as of the valuation date in keeping with the definition of Market Value.

Estimation of tax liability is commonly done by one of two methods. One method involves loading and unloading the capitalization rate with the tax rate. The other method consists of an iterative, circular-mathematics process, typically using computer spreadsheet software, with the tax rate, direct assessments, the other estimated expenses, and resulting implied value in order to discern tax liability to a new owner.

As implied in the first procedure, all expenses except real estate taxes are deducted from effective gross income in order to develop a *temporary* net income figure (although Direct/Special Assessments associated with real estate taxes should be deducted as well). The temporary net income figure is capitalized by loading the selected capitalization rate with the tax rate (that is, adding the tax rate to the selected capitalization rate). For example if the selected capitalization rate is 4.5% and the tax rate is 1.055, the income would be initially capitalized at 5.555% (that is, 0.05555). The

tax rate is then applied to the resulting value indication to glean tax liability. The analysis is then recalculated using the implied tax liability and the initially selected cap rate (4.5% in the foregoing sample). It is important to ensure that any Special/Direct Assessments are also deducted along with the other expenses prior to the loading procedure. Special/Direct Assessments for a property can be determined by contacting the appropriate governing agency, examining a recent tax bill, or can be deduced by observing the disparity between taxes charged vs base taxes due relative to the tax rate. The tax rate area and tax rate can be obtained from government records (web sites and in person) and via many subscription sources. In our judgment, this is a rather primitive method of estimating tax liability and fails to make use of modern technology. However, if conducted properly it is a reliable procedure.

In the second procedure, spreadsheet software is used. With iteration set on, an income/expense analysis is developed with all expenses entered into the analysis on a per category basis, except that the cell for real estate taxes is set to calculate as a percentage of the implied value cell, plus special/direct assessments. Thus, taxes are automatically calculated.

The following insert portrays a sample of one way of developing the expense estimate (in an actual spreadsheet, an equals sign would proceed entries in each calculation cell).

Spreadsheet Example Portraying Calculation of Real Estate Taxes

	G	H	I	J	K	L	M
1							
2		Potential Gross Income	208,860				
3		Less Vacancy & Col. Loss	10,443	0.05*I2			
4		Effective Gross Income	198,417	I2-I3			
5		Less Estimated Operating Expenses					
6		Taxes	27,563	(M6*I22)+M7		Tax Rate	0.013049
7		Insurance	4,275			Special/Direct	2743
8		Natural Gas	900				
9		Electricity	1,800				
10		Water & Sewer	6,300				
11		Trash Removal	1,500				
12		Pest Control	720				
13		Maintenance/Repairs	4,500				
14		Interior Painting/Cleaning	1,500				
15		Off-site Management	9,920				
16		On-site Management	5,100				
17		Landscape Maintenance	900				
18		Miscellaneous	1,000				
19		Reserves	4,050				
20		Total	70,028	SUM(I6:I19)			
21		Net Income Expectancy	128,389	I4-I20			
22		Implied Value	1,902,059	I21/0.0675			

Insurance

This expense category basically covers common property (fire, theft, wind damage, etc.) and liability coverage. This easiest method to estimate this expense is based on premium cost *per square foot* of gross building area (while alternative methods exist, such as using composite rates in conjunction with replacement cost, it requires peripheral calculations and estimates that can contribute to errors).

Observed insurance expenses were in the broad range of roughly \$0.30 to \$1.20 per square foot of gross building area, per year, although the majority of properties had expenses in the narrower vicinity of \$0.40 to \$0.80 per square foot. Older-vintage buildings typically exhibited the highest expenses per square foot. Apartment complexes equipped with sprinklers for fire protection generally exhibited expenses toward the low end of the observed range. Overall, there has been an increasing trend with respect to insurance costs over the past few years. Following are the typical observed ranges for properties of varying vintage, excluding extremes:

<i>Buildings of pre-1940s vintage:</i>	<i>\$0.50 to \$0.80 Per Square Foot</i>
<i>Buildings of 1940s to 1950s vintage</i>	<i>\$0.45 to \$0.75 Per Square Foot</i>
<i>Buildings of 1960s to 1970s vintage:</i>	<i>\$0.40 to \$0.70 Per Square Foot</i>
<i>Buildings of 1980s to 1990s vintage:</i>	<i>\$0.35 to \$0.60 Per Square Foot</i>
<i>Buildings of 2000s and newer vintage</i>	<i>\$0.30 to \$0.45 Per Square Foot</i>

Other areas of insurance coverage include **Flood** and **Earthquake**. When reported historical expenses for insurance for a given property are well in excess of about \$0.80 per square foot of building area, same is often indicative of being inclusive of flood and/or earthquake coverage. Flood insurance depends upon the flood zone in which a property is located. Flood zones are land areas identified by the Federal Emergency Management Agency (FEMA). Each flood zone describes the land area in terms of its risk of flooding. Flood Zones B, C, X, and X500 are areas outside the 1% annual chance of floodplain, sheet flow flooding, etc., and insurance is not required. Mandatory purchase of flood insurance applies to all A zones. Flood insurance costs are best estimated based on a property's historical expenses for same and obtaining a quote from an insurance agent. Additional information can be obtained online from FEMA at www.floodsmart.gov and <https://msc.fema.gov/portal>. Observed flood insurance costs among the few comparables in the sampling situated within flood zones were generally in the range of \$0.30 to \$0.50 per square foot of building area (which is in addition to the expense for general property/liability insurance). Total insurance costs for complexes in flood zones (for both common property/liability coverage and flood coverage) were often within the range of \$0.90 to \$1.10 per square foot of gross

building area. Earthquake coverage is generally less costly, and can add \$0.15 to \$0.30 per square foot to the insurance cost (can be higher for so-called soft-story wood frame buildings that have not been seismically retrofitted).

When insurance costs reported are high and not due to flood or earthquake coverage, same may be due to inclusion of other types of insurance, such as worker's compensation insurance. This is not a common expense for small apartment complexes, but may be applicable to larger complexes with salaried maintenance staff.

Licenses

This category basically pertains to a city business license for which the fee varies from city to city. Typically, cities have a base fee and an additional fee per unit, or have a fee schedule based on gross income. Some cities do not require a license (uncommon however). Historical expenditures for this category are logically a reliable herald of future expense liability. Generally, this expense is not a significant percentage of the total operating expenses for a property. A reasonably safe rule-of-thumb is about \$25 to \$30 per unit for many smaller cities, although this can be higher in some cities. For example, cities having rent control (such as Los Angeles, Santa Monica, and West Hollywood) have additional recurring fees beyond a business license—for registration of rent-controlled units—which can be substantial, although the cost can often be at least partially passed along to tenants.

For properties within the City of Los Angeles, the business license fee for 2022 is \$1.32 per \$1,000 of gross receipts. In addition, apartment owners are required to pay annual SCEP fees (Systematic Code Enforcement Program) and, if applicable, rent control registration fees (applies only to apartments in Los Angeles that were issued an original certificate of occupancy prior to October 1, 1978—newer complexes that are exempt from the local Rent Stabilization Ordinance are not subject to the associated registration fees). As of late 2022, the rent control registration fee was \$38.75 per unit and the SCEP fee was \$67.94 per unit. If certain requirements are met, 1/2 of the rent control registration fee and SCEP fee can be passed along to tenants as rental surcharges, although it has been our observation that relatively few owners/operators of small apartment complexes do so. Total annual expenses for licenses and fees for complexes within the City of Los Angeles are often in the vicinity of \$120 to \$130. per unit if fees are not passed along to tenants.

Following is a summary of actual business license costs for some of the larger cities in the greater Los Angeles area as of 2022.

Business License Costs & City Fees for 2022/2023

City of Los Angeles	\$1.32 per \$1,000 of gross receipts. In addition, there is a \$38.75 per unit rent control registration fee and \$67.94 per unit SCEP fee. Half of the rent control registration and SCEP fee can be passed to tenants.
Los Angeles County	Flat fee of \$185 for 5-10 units, \$200 for 11-15 units, and \$223 for over 15 units (business license renewal fees, applicable in unincorporated areas only; new license fees are slightly higher at \$259, \$282, and \$340 for the three size categories referenced). There is also a \$90 per unit rent control registration fee.
Long Beach	\$89.08 base fee + \$39.11 for each additional unit
Beverly Hills	\$0.012 per \$1 of gross receipts for business license, no fee for rent control registration
Santa Monica	\$79 base fee + \$1.25 per \$1,000 of gross receipts over \$60,000 plus \$228 per unit for rent control registration
West Hollywood	\$72 base fee + \$1.44 per \$1,000 of gross receipts plus \$144 per unit for rent control registration
Santa Ana	\$105 in base fees + \$13 per unit (business license). The City of Santa Ana recently enacted local rent control, but has not implemented any registration fee associated with same.
Anaheim	\$39 base fee + \$5 per unit
Riverside	Minimum tax of \$65.00 for the first \$25,000.00 of gross receipts and in addition thereto, the sum of \$0.44 per year for each additional \$1,000.00 of gross receipts or fractional part thereof in excess of \$25,000.00 but less than \$500,000.00 and in addition thereof, the sum of \$0.11 per year for each additional \$1,000.00 of gross receipts or fractional part thereof in excess of \$500,000.00.
San Diego	\$50 base fee + \$5 per unit (for complexes with 2 to 10 units) \$57 base fee + \$9 per unit (for complexes with 11 to 100 units) \$150 base fee + \$8 per unit (for complexes with over 100 units)

Information for cities not listed can be obtained from appropriate municipal entities, either online or via telephone. As previously mentioned, some jurisdictions do not require a business license, such as unincorporated areas of San Diego and San Bernardino Counties. In many smaller cities not listed herein, license fees are often relatively limited, and for small apartment complexes business license costs could reasonably be covered by a *Miscellaneous* expense.

Natural Gas

This expense category can vary significantly depending upon whether units are individually metered and with respect to the quantity of common gas fixtures, such as water heaters and dryers. Master-metered buildings obviously incur the highest expenditures. For individually metered complexes, the lowest expenses are associated with complexes that have individual water heaters metered to the units. Higher expenses are associated with complexes that have a central water heater and a laundry facility that uses natural gas, and particularly complexes having a heated pool. For all utility expense categories, it is important to consider any available historical expense information for a given a property. Investors/owners have little control over costs in this area, and thus typically emphasize actual in-project expenses.

For *master-metered buildings*, with heating, cooking, and hot water paid by the owner, the expense can range from \$200 to \$500 per unit, with about \$300 to \$400 per unit being common. With any master-metered property, it is important to carefully consider historical expenses, preferably over a period of two or more years. Obtaining copies of recent gas bills may be helpful if historical costs are atypical or erratic, although it should be recognized that costs can vary throughout the year.

For *individually metered buildings with a common water heater*, which is the most common configuration for small apartment complexes in southern California, this expense was commonly observed in the range of \$150 to \$350 per unit, with the high end associated with complexes with a unit mix with high bedroom counts (such as a preponderance of two and three bedroom units). Buildings with mostly singles/studio units exhibit the lowest expense per unit.

For *individually metered buildings with individual in-unit water heaters*, this expense can be substantially lower, as natural gas usage billed to ownership is often limited to only that associated with a laundry room, and other common area use, if applicable (such as a heating for a pool or spa, or barbecues available for tenant use). Observed expenses generally ranged from approximately \$50 to \$200 per month, dependent upon complex size and the number of laundry machines. For complexes with no common laundry room or gas requirements, this expense can be zero (so-called Medallion buildings for example, are all-electric, with no gas service).

When a complex has a heated pool, the gas expense can increase substantially. To heat a common size pool to 78 degrees, it is not unusual to see an expense of \$300 to \$400 per month during summer months. To heat a pool during winter months, costs can range as high as \$800 to \$1,000 per month depending upon pool size/water capacity. It is important to carefully consider historical costs with respect to any complex having a heated pool or spa.

Electricity

Observed electricity expenses for the compiled expense comparables were in the range of approximately \$100 to \$300 per unit for individually metered buildings (most commonly within the lower half of said range). When a building has minimal common electric fixtures (such as lights and laundry plugs), the expense is toward or even slightly below the low end of the range (or zero when absolutely no common fixtures exist, although this is uncommon). The expense is toward the high end of the range when numerous common fixtures exist, such as extensive lighting, laundry room(s) with numerous plugs, a recreation room with lighting and plugs, electric security gates, etc.. Approximately \$125 to \$150 per unit is common for typical small apartment complexes with one laundry room and adequate exterior lighting (with walk-up configuration and units accessible from the exterior). Center hall buildings with more extensive common areas tend to have higher costs, especially if the building is equipped with an elevator (elevator-served buildings in the data set typically had expenses of around \$200 per unit or higher).

For *master-metered* buildings, including some all-electric buildings of the latter 1950s and early 1960s, the electricity expense often runs in the range of \$400 to \$800 per unit dependent upon unit mix and intensity of occupancy. Expenses can be even higher if a master-metered property has air-conditioning (though this is rare). It is important to carefully consider historical expenses with respect to master-metered buildings—obtaining copies of recent utility bills may be helpful.

In some areas, reported historical expenses for electricity may be combined with water/sewer costs (for example, service for both electricity and water for much of the City of Los Angeles is provided by LADWP, and typically billed jointly). In our experience, combined expenses for electricity and water/sewer for small apartment complexes in Los Angeles are often in the range of \$500 to \$800 per unit.

Water and Sewer

Water and sewer is typically the largest individual utility expense for apartment complexes, often representing about half of a given property's total utility costs. Typical water and sewer costs observed in the compiled expense data ranged from about \$300 to \$700 per unit, per year, with properties in the City of Los Angeles often having costs in the narrower vicinity of \$450 to \$700 per unit. In rare cases, I have observed higher expenses. As with other utilities, this expense is sensitive to the unit mix and intensity of occupancy, with a preponderance of studio/single types obviously being at the low end of the range while complexes with many two and three bedroom unit types (or larger, which is rather uncommon) being toward the high end of the range. Historical expenses should carefully be considered in forecasting this expense.

Water/sewer costs can vary somewhat substantially by location/jurisdiction. In the City of Long Beach for example, the City itself is the service provider for gas, water, and trash removal, and overall utility costs are often notably lower than Los Angeles (with utility costs in Long Beach commonly being about 2/3 of what would be expected in Los Angeles). It should be noted that in some jurisdictions, including much of Orange County, sewer may be charged (partly or wholly) via a real estate taxes as direct/special assessments. This posture can be discerned by examining a recent tax bill. In such cities/areas, the cost for this category thus relates to water alone and is often lower (in some cases as low as \$250 per unit, with \$300 to \$350 per unit being more common). Atypically high historical expenses (such as \$1,000 per unit or more) may be a signal as to possible leaks with respect to concealed or underground piping, and/or inoperable plumbing fixtures (for example, faucets that will not shut off). Although not often, I occasionally inspect apartment complexes and observe running water in tubs or sinks, with tenants that fail to report same to landlords.

Complexes with individual water meters can have greatly reduced expenses. This is rather uncommon, but is occasionally encountered with respect to very new apartment buildings and/or complexes that were originally constructed as condos meant for individual sale. Local trends and market practices should be considered in expense estimation. I have occasionally observed complexes which, despite having individual water meters, had all water/sewer service paid for by ownership of the property due to market trends/tenant expectations (in many areas, property owners commonly pay for water/sewer service and trash removal and tenants have come to anticipate same).

There has been a trend since the late 2000s (which has intensified over the past several years) for some apartment complexes to use a so-called Ratio Utility Billing System (RUBS) to bill tenants for water/sewer use in the absence of individual metering. The system may be used to bill for other non-submetered utilities and services as well, such as gas, trash removal, etc.. Such systems typically allocate costs using a formula based on number of occupants, unit type/size, or some other measure. RUBS programs have become ubiquitous at larger apartment complexes in southern California (complexes of 100+ units, commonly owned by REITs or institutional investors), and use of such programs has been increasing at mid-size and smaller complexes as well. Use of RUBS is most commonly observed relative to recent vintage or newly renovated buildings, particularly those in affluent submarkets. When a RUBS system is in-place at a property under examination, it is generally appropriate to estimate operating expenses for utilities as normal, with any RUBS reimbursements added beforehand to a property's gross income. It would also be important to determine whether use of a RUBS arrangement is reasonable and market-supported for the property question. I have observed RUBS reimbursement income ranging broadly from about \$30 to \$120 per unit, per month, with \$50 to \$90 per unit being common. Collections can vary

somewhat substantially, dependent upon the utilities the program is applied to and the level of reimbursements sought. I have observed some property owners implement a quasi-RUBS like system wherein tenants are simply charged a monthly flat fee as a contribution toward utility costs.

In some cases, reported historical utility expenses for a given property may be commingled into just one category, identified simply as utilities (which depending on ownership bookkeeping practices, may or may not include trash removal). In our experience, the combined cost for all utilities for small apartment complexes can range broadly from about \$700 to \$1,500 per unit, with approximately \$1,000 to \$1,250 per unit being rather common (if trash removal is included). Where trash removal is considered separately, total utility costs in the vicinity of \$800 to \$1,000 per unit are more common. Costs can of course be higher for master-metered properties, and can occasionally be lower for certain properties (We have rarely observed utility costs as low as \$500 to \$700 per unit for apartment complexes in Long Beach with mostly single/studio units). As described previously, to the extent possible it is always important to carefully consider actual recent in-project expenses when estimating utility costs. Owners have limited control over costs in this category, and prospective buyers accordingly emphasize consideration of actual expenses over market guidelines.

Trash Removal

Needless to say, this expense category is closely dependent upon complex size and volume, as well as location. In Southern California, the expense tends to be the highest in the City of Los Angeles, and within some cities of Orange County. Trash removal costs within the City of Los Angeles commonly range from \$300 to \$500 per unit, per year. For many other jurisdictions in Los Angeles County, lower costs in the range of \$200 to \$350 per unit are common. The City of Long Beach had the lowest observed trash removal expenses, ranging from about \$120 to \$250 per unit, per year. In Orange County, costs vary by location but are often in the \$200 to \$400 per unit range (lower than the City of L.A. but higher than most other Los Angeles County jurisdictions).

Historical expense information, if available, should be closely considered when forecasting trash removal expenses and, on a per unit basis, it should be noted that the cost tends to decline as complex size increases.

A recent issue with respect to trash removal service is that some jurisdictions have implemented programs allowing tenants to be billed directly by the City for trash removal service. I have encountered this being sporadically available in Los Angeles, Long Beach, and Anaheim (may only be available in certain areas). In Los Angeles and Long Beach, *if this billing method is in place*, tenants will typically have individual trash

cans that they are responsible for bringing to the curb to each week (tenants are billed direct by the City). In such cases, it may be appropriate not to forecast any trash removal expense, if same is sufficiently supported by local market trends (although depending on complex size, there may be one or more cans or bins to service common areas that are still billed to property ownership).

As noted previously, in some cases trash removal costs may be commingled into a general Utilities category on an operating history. When examining a property's expense history for appraisal or underwriting purposes, if no historical trash expenses are reported it should be discerned whether this is due to trash costs being included in another category, or rather if same is due to trash being paid by tenants.

Pest Control

Observed pest control expenses on the compiled expense comparables were in the range of \$40 to \$125 per unit, with an expense of about \$50 to \$70 per unit being common. In numerous cases however, comparable expense histories failed to include this category. When reported historical expenses for a given property exceed the foregoing range, same is most likely due to one-time services performed during that expense year (such as for termite treatment). Consistently high expenses over a multi-year period may be suggestive of a pervasive termite or rodent problem. For normal preventative service, an expense of \$50 to \$70 per unit is suggested. An expense in the \$80 to \$120 per unit range may be more appropriate if a property has a recent history of needing repeat pest control service.

Building Maintenance and Repairs

This category provides for general maintenance and repair expenditures. Based on our examination of the compiled data, costs for this category have been stable to modestly increasing over the past couple years. This expense is dependent upon the condition of a property. Obviously, new and recent-vintage buildings are likely to have the least demanding needs while older-vintage buildings in fair condition will generally have higher repair/maintenance expenses. Significant recent renovation work will tend to reduce near-future operating costs for maintenance.

The expense also tends to be influenced by turnover rate, with properties experiencing high turnover typically exhibiting higher expenses (many maintenance costs to ownership are incurred in preparing units for rental upon being vacated). Unit mix is also a meaningful factor. Complexes with mostly singles/bachelors often have lower costs on a per-unit basis, while those with all two and three bedrooms tend to have higher costs (at the higher end of the ranges stated herein).

Following are suggested expense ranges based on the costs I have observed, excluding extremes, listed by building vintage:

<i>Buildings of 1900s through 1940s vintage:</i>	<i>\$500 to \$1,000 Per Unit</i>
<i>Buildings of 1950s through 1960s vintage:</i>	<i>\$400 to \$800 Per Unit</i>
<i>Buildings of 1970s through 1980s vintage:</i>	<i>\$350 to \$750 Per Unit</i>
<i>Buildings of 1990s and newer vintage:</i>	<i>\$300 to \$600 Per Unit</i>

For complexes of any age in substantially below average condition or experiencing atypically high turnover, the above costs can be increased by \$100 to \$150 per unit (or more in very extreme cases). Newer and renovated buildings incorporating extensive use of luxury-oriented materials can occasionally have higher than anticipated costs due to the expense involved in repairing or replacing such materials when damage occurs. The expense ranges stated herein are inclusive of associated supply and labor costs (although for larger complexes, such as around 100 units or more, it may be appropriate to make separate provision for one or more on-site maintenance workers).

When examining historical maintenance and repairs costs for a given property, it is important to be cognizant of what same includes. For example, if no separate costs are reported for painting/decorating, cleaning, gardening/site maintenance, or replacement reserves, it should be suspected that the reported maintenance and repairs expense may include some costs that would be better associated with said categories. It is also important to distinguish between normal recurring maintenance needs and optional upgrades/capital improvements. If an expense far beyond the ranges stated herein is reported for maintenance (such as over \$1,000 per unit), it should be investigated whether this includes expenses that would traditionally be forecast separately for appraisal purposes, and/or whether the figure includes optional upgrades or significant one-time work (such as extensive renovation of multiple unit interiors, roof replacement, etc.). For informational insight, some of the compiled data did indeed initially reveal maintenance and repairs costs in the range of as much as \$1,000 to \$4,000 per unit, however, further investigation typically revealed that same was inclusive of some capital improvements and/or items better assigned to other categories (such as Interior/Exterior Decorating or Replacement Reserves).

In terms of total combined costs observed for all maintenance-related categories (consisting of maintenance & repairs, painting & decorating, cleaning & supplies, gardening/site maintenance, and replacement reserves), it is common for same to be in the vicinity of \$1,000 to \$1,500 per unit overall. If historical expenditures total much over \$1,500 per unit it should be investigated/considered whether same are inclusive of other costs or one-time expenses.

As a side comment, the typical costs for modest interior restoration/renovation of apartment buildings is often in the range of \$10,000 to \$15,000 per unit dependent upon quality of materials utilized. At this level of expenditure renovation efforts are often partial, consisting of new paint and flooring throughout, and often new fixtures, appliances and countertops (existing cabinets are likely to be retained but perhaps refinished). Costs for a full luxury-oriented interior renovation (including custom cabinetry with granite or quartz counters in kitchens and bathrooms, new high-end appliances and fixtures, quality flooring, etc.) can range as high as \$40,000 per unit (though \$25,000 to \$30,000 is often sufficient for a rather good quality interior renovation). These figures do not include exterior/building wide improvements that are often conducted in conjunction with interior renovations.

Interior and Exterior Decorating

While the title of this expense category is rather vague, it basically relates to the preparation costs for re-rental/re-leasing a unit upon vacancy, such as painting (Painting and Decorating is an alternate name for this category). The expense should be tempered by expected turnover. Additionally, the expense varies relative to unit mix and unit sizes. Large units, such as two and three bedroom units, are obviously more expensive to paint than small units such as single/studios and one bedroom units. In the observed expense information, this expense category is sometimes included in Maintenance and Repairs.

A reasonable guide for this expense is \$300 for bachelor and studio/single units, \$400 for one bedroom units, \$500 for two bedroom units, and \$600 for three bedroom units multiplied by the expected turnover rate.. Expenses can be higher for complexes with atypically large units. An annual turnover rate of 20% to 30% is rather common, although in areas subject rent control, it's generally lower. In coastal tourist type areas, turnover is often high. The expense often equates to about \$100 to \$200 per unit overall, though I have periodically observed higher costs. As with the general repairs and maintenance category, it should be recognized that in some cases property owners may report one-time capital improvement costs within this category.

Cleaning

This category basically pertains to preparatory work to re-rent/re-lease a unit (interior and carpet cleaning, removal and disposal of any debris left by former tenancy, etc.). It has been our observation that this expense is often in the range of \$100 to \$200 per unit cleaned depending on unit mix of the complex and unit sizes. A reasonable rule-of-thumb is \$150 per unit multiplied by the expected turnover rate. An annual turnover rate of 20% to 30% is rather common, although is often lower in areas subject to local

rent control. In coastal tourist type areas, turnover is often high. The overall annual expense often equates to around \$50 per unit, per year for common small apartment complexes. On historical operating expense documents, this expense is sometimes combined with Interior and Exterior Decorating.

Supplies

This expense category tends to be best supported for larger complexes in that normally it is included in the categories of maintenance, repairs, and/or cleaning. For most small complexes, this category is not required as a separate expense (the expenses cited previously are inclusive of associated supplies). For mid-size and larger complexes with a consistent history of non-trivial costs for supplies, it may be appropriate to include a provision for this category (generally no more than \$50 to \$100 per unit, informed by consideration of actual costs).

Elevator Maintenance

Elevator maintenance generally runs in the range of \$200 to \$300 per month for a full service contract (for a building with one elevator). Also, an annual inspection and permit often runs \$225 to \$350. Reported historical expenses should be carefully considered. Although there were relatively few elevator-served buildings among the compiled data, total expenses for this category have been relatively stable over the past couple years, often totaling about \$250 to \$350 per month overall.

In cases where reported historical expenses for this category exceed about \$5,000 for a given year, same is likely due to major service or one-time repairs (which represent a capital expense versus a conventional recurring operating expense). As always, it is ideal to examine at least two to three years of historical operating expenses.

Pool Maintenance

This expense is typically in the range of \$200 to \$300 per month for cleaning and maintenance of a typical apartment pool. Costs can be higher for larger complexes with more than pool. For complexes with a spa only, it may not be necessary to include a dedicated expense for this category (spa maintenance and cleaning can generally be considered covered by normal maintenance).

Gardening/Landscape Maintenance

This expense varies relative to the amount of plant life landscaping. For small complexes that have land that is largely paved for driveways and parking, this expense is toward the low end and often pertains to sweeping such areas (even where no significant landscaping exists, it is often appropriate to have at least a minor provision for site cleaning). For complexes with extensive lawn areas and decorative plant life, the expense is generally toward the upper end of the observed range. The observed range for this expense is roughly \$100 to \$200 per month for apartments of 5 to 15 units; \$200 to \$500 per month for complexes of about 16 to 30 units; and \$300 to \$750 per month for complexes up to 50 units. Observed costs for this category have been mostly stable over the past couple years. If historical expenses for a given property are observed to be well in excess of the stated ranges, same may be indicative of additional services beyond normal maintenance, such as installation of new trees/plants or extensive tree trimming. In rare cases an expense of zero may be appropriate (such as older-vintage center hall-style buildings with nominal landscaping or parking, where the building occupies nearly the entire site).

Non-resident Management

This expense, also as *off-site management*, provides for a fee for a professional off-site management service. It has been our observation that many owners of apartment complexes with 15 or fewer units rely solely on professional off-site management, we have observed management fees equating to between 3.5% to 8% of effective gross income, though the majority of properties had costs in the narrower vicinity of 4% to 6% of effective gross income. Costs tend to be in the lower area of the range for well-located properties in prime submarkets, such as beach cities. The percentage charged tends to decline in conjunction with increasing complex size as well. In practice, owners of some small apartment complexes may elect to self-manage (and thus may not report any historical expense for this category), although for appraisal and underwriting purposes it is still appropriate to include a reasonable provision for property management (and indeed it should be recognized that a small property owner's self-management is not free, but represents at least a time cost). Since management is a service that can be freely changed at will, it is generally appropriate to utilize a market expense for this category, as opposed to emphasizing historical costs (prospective buyers would likely be desirous of selecting their own preferred management company, particularly in cases where reported historical costs are high for the area). For complexes with 16 or more units that also require resident management, a slightly reduced expense (by 0.5% or 1% of EGI) may be appropriate to account for the fact that some duties would be shared with the resident manager.

Resident Management

Also known as on-site management, this expense pertains to an on-site manager and sometimes an assistant manager (the latter for larger complexes). An on-site manager is responsible for daily operations for a property. On-site management routinely inspects a property to see if any repairs are needed, then makes arrangements to fix the problem. Generally, they collect rents, keep account of transactions and submit regular reports to owners showing income, expenses, and vacancies. Managers are generally expected to enforce rules and regulations and to investigate and handle resident complaints. In California, an on-site manager is required for apartment complexes with 16 or more units. For complexes with 15 or fewer units, an onsite manager is generally not necessary (even if such a complex has a resident manager in place, it may not be necessary to forecast an expense for this category assuming appropriate provision has been made for professional off-site management, as operating expenses should be forecast from the perspective of a prudent prospective buyer, who would likely not anticipate continued use of a resident manager when not required).

The fee for on-site management is generally an allowance of one-half to full monthly rent depending upon complex size, manager duties, and the type of unit provided. If the unit provided to the manager is expected to serve a dual purpose as a residence/management office, an expense toward the higher end of the range is likely appropriate. If the unit is simply the manager's residence, and required duties are basically limited to acceptance of rent and occasional cooperation with the owner or a professional off-site management service to arrange for showing of vacant units, a lower expense may be reasonable. For complexes of 16 to 25 units, one-half free rent for a typical unit is a good rule-of-thumb (although in some cases can be less—as little as a \$250 to \$500 monthly rental discount—if duties are minimal and the manager's unit does not double as a tenant-accessible management office). For larger complexes up to 50 units, full free rent is often reasonable. For complexes larger than 50 units, a salary is often included (this is also typical for complexes of any size that have an on-site leasing office, if ownership desires that same be kept staffed during normal business hours).

On-site management does not necessarily replace off-site management, although the presence of an on-site manager may allow for a reduced off-site management expense. Typically expenses for both on- and off-site management should be anticipated for complexes with 16 or more units.

Advertising

This category was more commonly used historically, and even then typically for mid-size and larger complexes. For small complexes this expense category is often not pertinent, although a small figure can be used depending on prevailing trends and market conditions. The ability to list units for lease via various on-line rental sites at little or no cost has significantly reduced the need for advertising. The expense tends to increase in markets where rents have peaked and supply is greater than demand (generally not applicable to much of greater Los Angeles). This expense can range from nothing to about \$75 per unit, per year, with \$30 to \$50 per unit being common for a mixture of on-line and limited local advertising. For large complexes, beyond the scope of this expense guide, the expense can be more significant (particularly if a dedicated website is to be created and maintained).

Telephone/Internet

This category covers telephone service for the leasing office or resident manager, if either exists, and in some cases internet service for same as well. This is generally not a necessary expense for most complexes of 15 units or fewer, but may be appropriate for larger complexes. Observed expenses mostly ranged from about \$50 to \$150 per month. In cases where a higher historical expense is reported, this may be due to other items or services being included, such as a monitored alarm service.

Legal and Audit

For small complexes in the 5 to 50 unit size range, most accounting needs can be adequately handled by property management, so this category primarily relates to legal costs. This expense tends to rise during difficult market conditions where rents have peaked and evictions become more common. I have observed that this expense can range from nothing to \$150 per unit, per year. A reasonable rule-of-thumb is \$25 to \$50 per unit for complexes of 20 units and larger and nothing for smaller complexes unless market conditions and/or recent in-project performance suggests a chronic problem.

Miscellaneous

This category is catch all for various things not covered in the other categories and/or as a contingency figure for potential errors in same. It can be influenced by the confidence level as to the accuracy of the other expense estimates. For rather small

complexes, an expense in the range of \$50 to \$100 per unit is often appropriate, although consideration of any historical costs that fall within this category is prudent. In examining provided historical expense information for a given property, it should be recognized that some costs may occasionally be reported that are not truly pertinent for apartment operations, such as expenses for “auto & travel”, “entertainment” or other such items. Such costs should typically be excluded from consideration for appraisal and underwriting purposes if the majority of market participants would not view the expenses as relevant to normal operation of an apartment complex.

Replacement Reserves

This category is rather hypothetical in character in that with the exception of large complexes, we rarely see apartment owners actually make periodic deposits into a fund for reserves. Instead, most owners of small- to mid-size complexes deal with replacements on an as needed, as they occur basis (for such things as a roof, water heaters, kitchen equipment, carpet, etc.). Nevertheless, replacement expenditures periodically occur. This category can be treated as percentage of income or on a per unit basis. While a detailed analysis leading to a per unit basis can be conducted, a reasonable rule-of-thumb is that an expense in the range of \$225 to \$300 per unit is generally appropriate. Alternatively, this category can be forecast as a percentage of effective gross income—typically 1% to 2%. In most cases, either method should result in a similar overall expense. The level of reserves is obviously dictated by the age and condition of a complex, as well as consideration of unit mix and unit sizes. A new or relatively new complex is obviously warranted as having low reserve requirements while an aging complex may have numerous near future replacement needs.

When examining provided historical expense information, in many cases same will not include any figure for reserves, but may include various replacement costs and capital expenses. Such costs may have substantial overlap with reserves and may help to provide an indication of an appropriate reserves expense for a given property, though in some cases reported costs may be more representative of optional upgrades versus replacements. Expenses can vary from year-to-year as well—considering the average spent on replacements over a three-year period may be more meaningful than simply considering the expense for the most recent year, if multiple years of historical expense information are available.

FINAL COMMENTS

Due to Proposition 13 in California, together with the influence of statewide rent control (as well as more restrictive rent control regulations of some local jurisdictions such as Los Angeles, West Hollywood, and Santa Monica), expenses viewed as a percentage of effective gross income can vary. However, as a general rule-of-thumb, it is somewhat common for older-vintage apartment complexes in Southern California, such as those of 1900s through 1940s vintage that are individually metered, to have expenses in the range of 38% to 42% of effective gross income. For complexes of the 1950s to 1970s era, it is common to see expenses at 36% to 40% to effective gross income. For complexes of the 1980s through 1990s vintage, an expense in the range of 35% to 38% is rather common. For newer complexes (2000s vintage or newer), expenses totaling 32% to 36% of EGI should be expected. Some new complexes, particularly those built as condos with separate water meters, may have slightly lower costs, and use of RUBS utility billing can tend to reduce costs as well. As a result of apartment rents in much of the greater Los Angeles area having increased at a slightly faster rate than operating costs over the past several years, observed expense ratios as a percentage of gross income have actually fallen modestly overall from a few years ago. Again, this varies significantly in that high value properties with resultant high real estate tax obligations, such as in coastal cities and in cities/communities such as Beverly Hills, West Hollywood, Beverly Hills adjacent, Century City, etc., can have higher than typical expenses as a percentage of EGI. Likewise, properties that are operating with rents well below market can have high expenses when viewed on a percentage of effective gross income basis depending upon the disparity between actual rent and market rent. Furthermore, apartment complexes that are master-metered for electricity generally have high percentage expenses, often in the vicinity of 42% to 45% of EGI (master-metered posture for gas tends to have less influence, with overall expenses for such properties often falling within the normal range, though toward the higher end thereof).

It should be recognized that this guide is primarily based on observations from documentation collected during the appraisal of a broad variety of apartment types within Los Angeles, Orange, Riverside, San Bernardino, and San Diego Counties (primarily Los Angeles and Orange Counties). This guide is intended to provide reasonable rules-of-thumb as to likely expenses that would be incurred in the operation of common low-rise walk-up and center hall type apartment complexes and, to a lesser degree, elevator-served apartment complexes. No guarantee as to the accuracy, reliability, or applicability of the expenses herein is implied or expressly made. Users should carefully consider historical expenses of properties in attempting to forecast future expense obligations, particularly with regard to expense categories

over which owners would have little control, such as utility costs. In cases where actual/historical costs are inconsistent with market trends, reliance on reasonable market expenses is generally most appropriate for categories where a prospective buyer could readily procure new service, such as for insurance or management.

The following subsections provide brief insight regarding costs for seismic retrofitting and renovation of small apartment complexes (which do not represent on-going operating expenses, but rather are significant one-time costs that may be incurred as a part of apartment ownership, particularly in the aftermath of a new acquisition). In addition, though not related to expenses, insight has been included regarding California AB 1482 (statewide rent control), as same has affected apartment operations throughout the state.

SOFT-STORY RETROFITTING

There has been a trend in southern California over the past several years for some local governments to require seismic retrofitting of wood-frame apartment buildings that incorporate tuck-under parking or garages with dwelling units above (mainly within Los Angeles County). Wood frame buildings constructed in said style prior to approximately 1978-1980 are often described as so-called “soft-story” construction, and perceived as being subject to increased risk of damage or collapse in the event of an earthquake.

In southern California, the cities of Los Angeles, West Hollywood, Santa Monica, Beverly Hills, Culver City, and Pasadena currently require seismic retrofitting for soft-story apartment buildings, and some other cities/jurisdictions are examining the issue. Long Beach has a voluntary program at present, and is working on developing a broader Building Resiliency Program that will address the issue. Torrance is in the process of developing a program as well. In Orange, Riverside, San Bernardino, and San Diego Counties, no cities have instituted mandatory retrofitting requirements for wood frame apartments, though some are currently considering the issue or have small voluntary programs to encourage retrofitting.

The City of Los Angeles maintains records on-line identifying properties that require retrofitting, via the Los Angeles Department of Building & Safety website. The On-line Services section allows access to a Parcel Profile Report, which contains various information on properties within the City, including whether or not same are subject to mandatory seismic retrofitting. The following web address provides access to same:

<https://www.ladbsservices2.lacity.org/OnlineServices/>

The City of Los Angeles began sending out Notices to Comply in 2016 and by 2018 most apartment owners had been notified. From the date of being served with notice, Los Angeles apartment owners have 2 years to submit plans for retrofitting (or proof of prior retrofit), 3.5 years to pull permits to begin work, and a total of 7 years to complete all required retrofitting work. As such, many owners of small apartments have already had plans developed and submitted, though some have not yet conducted the actual retrofitting work. This is a substantial one-time expense that may be incurred by buyers upon purchase if retrofitting had not yet been completed. In summary, for any pre-1980s vintage wood frame apartment complex in Los Angeles, West Hollywood, Santa Monica, Beverly Hills, Pasadena, or Culver City that has tuck-under parking or garages with dwelling units above, the likely need for retrofitting should be investigated. For apartments in other jurisdictions, retrofitting is likely not necessary at this time but could potentially be required in the future.

Based on our experience examining both estimates for soft-story retrofitting work as well as budgets/statements associated with completed retrofitting projects, a standard rule-of thumb is that the cost is likely to be in the vicinity of \$10,000 per garage or tuck-under parking stall. Multiple factors can influence the cost, including ease of accessibility, extent of tuck-under or garage parking, and locations within the complex (with buildings having multiple separate tuck-under parking areas likely to have higher costs than those with tuck-under parking along just the rear for example). The cost on a per-stall basis tends to decline as the number of tuck-under stalls to be retrofitted rises (costs can be closer to \$7,500 per stall for projects with 20+ tuck-under spaces).

RENOVATION COSTS

During the course of our appraisal practice, we have regularly reviewed operating budgets and statements associated with planned, on-going, or recently completed renovation efforts. Brief insight regarding same was shared in discussing Maintenance & Repairs expenses previously herein. Over the past several years of strong prevailing market conditions within the apartment sector, there has been a trend toward buyers purchasing older-vintage buildings in average conditions and conducting renovation work in effort to maximize rent and value. Rent control in areas such as Los Angeles, West Hollywood, and Santa Monica has historically complicated such efforts, often requiring tenant buyouts to make way for renovations, and/or resulting in only partial renovation efforts where some units remain occupied by long-term tenancy and non-renovated. It remains too soon to tell how much influence the recent enactment of statewide rent control in California will have upon this trend. Regardless, for informational purposes I have included insight herein regarding observed renovation costs for small apartment complexes in Los Angeles and Orange counties during 2019 through the third quarter of 2022.

Based on our recent experience, the typical costs for modest interior restoration or partial renovation of apartment buildings is often in the range of \$10,000 to \$20,000 per unit dependent upon quality of materials utilized. Limited renovation efforts often include new flooring throughout the units, new paint, and often new countertops in kitchens and bathrooms, though typically in conjunction with the mere painting or refinishing of existing cabinetry (and in some cases including minor upgrades such as new hardware or new cabinet doors). New appliances such as a stove and refrigerator may also be provided.

More thorough interior renovation efforts will often include the foregoing improvements together with new cabinetry and fixtures within the kitchens and bathrooms. Other bathroom remodeling work may also be conducted (new wainscots or new walk-in showers). New windows may be installed, and other upgrades may be conducted such as installation of new air-conditioning and heating units—typically wall units for lower to middle budget projects. The cost for full interior renovations is often in the vicinity of \$25,000 to \$30,000 for a reasonably good quality project, while costs for higher end and luxury-oriented renovation can be in the range of \$40,000 to \$50,000 per unit (or even higher, in rare cases). Luxury renovations typically utilize costly materials, high-end single family residential grade appliances, and often other upgrades such as the installation of new stacked washer/dryers, new tankless water heaters, and retrofitting of older buildings to accommodate central air-conditioning.

The cost ranges described herein are basically for interior renovations. It is common for some level of exterior improvement work to be conducted as well, such as new exterior paint and stucco work to accommodate same, new landscaping and hardscape work, and new paving for driveway and parking areas. Other improvements such as roof replacements may be conducted as well. I have observed costs ranging from approximately \$50,000 to \$250,000 for exterior/building-wide renovation work for small apartment complexes in the 5 to 25 unit size range, with about \$100,000 to \$150,000 typically being sufficient for a rather comprehensive exterior renovation.

INFLUENCE OF RENOVATION ON RENTS & VALUE

It has been our observation that partial and limited renovation efforts can result in increased market rent potential by up to about 10% (as contrasted to like-kind units in average condition), though same varies dependent upon local market trends and the character of market demand. Full interior renovations may support rental increases in the 10% to 20% range, dependent upon the quality of work conducted. Very high-end luxury renovations in affluent submarkets may result in increased rent potential by over 20% in some cases. Note that in many cases, the level of upside achieved relative to prior in-place rents may often be higher for recently acquired and newly renovated

properties, as in-place rents at the time of purchase are often below market. With respect to property value, as evidenced by examination of pre-renovation and post-renovation sale prices, it is not uncommon to observe an increase in sale price/property value in the 10-20% range for a partial to modest renovation effort, while more complete renovations may result in increased sale prices/property values by as much as 20% to 40%. For high-end luxury-oriented renovations I have occasionally observed in improvements in sale price/property value as high as 50% to 70% relative to the pre-renovation purchase price (in some cases however, original purchase prices may have been below market due to the purchases having occurred off-market).

CALIFORNIA AB 1482

Though not specifically impacting operating expenses, statewide rent control enacted via California AB 1482 has had a significant impact on apartment operations statewide. Following is general information regarding same for reference purposes.

Statewide rent control has been in effect in California since January 1, 2020 (after being enacted via AB 1482, the *Tenant Protection Act of 2019*). The law will remain in effect for ten years, and automatically repeals thereafter unless extended by future action of the legislature. The law affects apartment and condo rentals in buildings greater than 15 years of age (the age limit is not tied to a fixed date, such that additional buildings become subject to the law each year as they age—apartments built prior to 2007 are currently affected). Buildings newer than same and single family dwellings are exempt. There are a few other limited exemptions, such as for deed-restricted low-income properties, and duplexes where the owner resides in one of the two units, but otherwise most apartments statewide are affected. The bill includes a clause stating that properties subject to more restrictive rent control systems and tenant protections at the municipal or county level shall remain subject to the requirements of same (the bill does not override local rent control in cities such as Los Angeles that have same).

The bill limits rent increases to 5% per year *plus* the actual annual change in the consumer price index for the area, up to an absolute maximum of 10%. The CPI change is to be measured from April of the previous year to April of the current year. For the Los Angeles/Long Beach/Anaheim metropolitan statistical area, the annual CPI change as of April 2023 was 3.8% (all urban consumers). As such, a maximum annual increase of **8.8%** is currently permitted for apartments in Orange and Los Angeles Counties that are subject to state rent control (the base increase of 5% plus the actual CPI change of 3.8% equates to a total increase of 8.8%). The bill stipulates that any rental increase enforced in a one-year period must be implemented in no more than two increments.

It should be noted that the law did not create any overseeing agency or enforcement mechanism, nor did it grant such authority to any existing state agency. As such, any violations of the law must effectively be enforced by tenants themselves via the legal system. In addition to establishing rent limits, the law establishes criteria for evictions, requiring just cause. Allowable causes for eviction are broken down into at-fault and no-fault categories. Tenants evicted for no-fault just causes are entitled to a one-time payment of one month's rent relocation assistance. Alternatively, landlords can waive collection of the final month's rent. Eviction for purpose of renovation is only permissible if the work to be conducted requires permits to be pulled for plumbing, structural, or electrical work and necessitates the unit being vacated for at least 30 days (tenants cannot be evicted for the purpose of making cosmetic upgrades only). Nevertheless, apartment owners intent on conducting major renovations can legally evict tenants for purposes of same, provided the foregoing criteria are met in terms of permits being pulled and time needed to complete the work (with only one month's rent required to be paid as compensation).

The full text of California Assembly Bill 1482 can be viewed on-line:

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB1482

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