

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2023-2024 Regular Session

SB 479 (Durazo)
Version: February 29, 2024
Hearing Date: March 11, 2024
Fiscal: Yes
Urgency: Yes
ME

PURSUANT TO SENATE RULE 29.10(d)

SUBJECT

Termination of tenancy: no-fault just cause: natural person

DIGEST

This urgency bill will correct an unintended drafting error in SB 567 (Durazo, Ch. 290, Stats. 2023) regarding the definition of “natural person” in the owner move-in provisions of the no-fault just cause eviction portion of the Tenant Protection Act.

EXECUTIVE SUMMARY

Last year SB 567 (Durazo, Ch. 290, Stats. 2023) was signed into law. The bill made a series of revisions to existing statewide eviction protections and provided enforcement mechanisms for the violation of statewide restrictions on residential rent increases and statewide protections against no-fault evictions. The provisions of SB 567 take effect on April 1, 2024. Unfortunately, a drafting error occurred in the final version of SB 567 and could not be remedied ahead of the Interim Study Recess. The author agreed to fix the drafting error and filed a letter to the Senate Daily Journal on September 14, 2023 to express her intent to fix the error. The September 14, 2023 letter to the Senate Daily Journal explains:

Among other changes to the existing Tenant Protection Act, SB 567 defines which owners are authorized to evict a tenant in order to move themselves or qualifying family members into a unit pursuant to Section 1946.2 of the Civil Code. Among the authorized owners defined in SB 567 is “an owner who is a natural person that has at least a 25-percent recorded ownership interest in the property.” It was the intent of SB 567 for a natural person who is the beneficial owner of a limited liability company or partnership to also qualify for this provision, if they have at least a 25 percent ownership interest in the property. It is my intent to pursue statutory clarification of this point next session.

The bill currently before this Committee effectuates the change promised by the author in the letter to the Senate Daily Journal. This bill is supported by the sponsors of SB 567 and the California Apartment Association. The Committee received no opposition to the bill.

PROPOSED CHANGES TO THE LAW

Existing law:

- 1) Distinguishes between at-fault just cause evictions and no-fault just cause evictions and defines no-fault just cause to mean: intent to occupy the residential real property by the owner or the owner's spouse, domestic partner, children, grandchildren, parents, or grandparents, as specified; withdrawal of the residential real property from the rental market, as specified; the owner complying with specified government orders that necessitate vacating the real property; and intent to demolish or to substantially remodel the residential real property, as specified. (Civil Code § 1946.2.)
- 2) With regard to no-fault just cause evictions due to the residential real property being occupied by the owner or the owner's spouse, domestic partner, children, grandchildren, parents, or grandparents, defines "owner" to mean: a natural person who has at least a 25% recorded ownership interest in the property; a natural person who has any recorded ownership interest in the property if 100% of the recorded ownership is divided among owners who are related to each other as sibling, spouse, domestic partner, child, parent, grandparent, or grandchild; or a natural person whose recorded interest in the property is owned through a limited liability company or partnership, as specified. (Civil Code § 1946.2 (b)(2)(A).)

This bill:

- 1) Clarifies that a natural person who is a beneficial owner of a limited liability company or partnership may utilize the owner move-in no-fault eviction process if they have at least a 25% ownership interest in the property.
- 2) Contains an urgency clause.

COMMENTS

1. Author is following through with their commitment to amend a provision in SB 567 (Durazo, Ch. 290, Stats. 2023)

The Tenant Protection Act of 2019 was enacted through AB 1482 (Chiu, Ch. 597, Stats. 2019). The Tenant Protection Act (Act) established limitations on the amount that specified residential landlords can raise the rent each year and aimed to stop landlords from evicting tenants unless they have a specified legal justification. The bill sought to

shield California tenants against sudden, large rent increases and to provide responsible tenants with assurance that they will not be uprooted from their homes. SB 567 was passed to strengthen the protections under the Act and ensure that the Act's no-fault grounds for eviction cannot be easily ignored or abused. Specifically, SB 567 was intended to close loopholes in the provisions for evictions based on owner and owner family move-ins, and evictions based on demolishing or substantially remodeling a unit. SB 567 also provided mechanisms for redress of violations of these eviction provisions and violations of the Act's rent increase limitation provisions.

According to the author:

Among other changes to the no-fault just cause eviction provisions of the Tenant Protection Act of 2019, last year's SB 567 defined which owners are authorized to evict a tenant in order to move themselves or qualifying family members into a unit pursuant to Civil Code Section 1946.2.

Among the authorized owners defined in SB 567 is "an owner who is a natural person that has at least a 25-percent recorded ownership interest in the property."

It was my intent, after careful negotiation to address the concerns of the California Apartment Association, for a natural person who is the *beneficial* owner of a limited liability company or partnership to also qualify for this provision, if they have *at least* a 25 percent ownership interest in the property.

However, the last set of amendments to SB 567 inadvertently left out the words "beneficial" and "at least".

The most recent set of amendments to SB 479 delete the prior contents of that bill, correct this oversight and add an urgency so that this correction can be made prior to the provisions of SB 567 going into effect in April of this year.

This bill corrects the inadvertent drafting error by clarifying that a natural person who is a beneficial owner of a limited liability company or partnership may utilize the owner move-in no-fault eviction provisions if they have at least a 25% ownership interest in the property.

2. Support for the bill

In support of the bill, the California Apartment Association writes:

As you know, we worked in good faith last year to add tenant protections to existing law as it relates to just cause eviction. We appreciate your commitment to clarify with SB 479 that a natural person who is a beneficial owner of a limited liability company (LLC) or partnership may utilize the owner move-in

no-fault eviction process if they have at least a 25% ownership interest in the property. By adding an urgency clause, SB 479 will ensure that this language is added to the law that will take effect April 1 of this year.

A coalition of organizations which includes the Alliance of Californians for Community Empowerment, California Rural Legal Assistance Foundation, Leadership Counsel for Justice and Accountability, PICO, Public Advocates, and Western Center on Law and Poverty, write the following in support of SB 479:

On behalf of the low-income communities we serve, we are pleased to support SB 479, which address several drafting errors in last year's SB 567 (Durazo) that inadvertently change the terms under which a tenant in a unit covered by the state's Tenant Protection Act (TPA) may be evicted to allow the owner or an owner's relative to move in. Because the changes to the TPA made by SB 567 take effect on April 1 of this year, SB 479 is an urgency measure so that the necessary corrections can be made ahead of that date.

SUPPORT

Alliance of Californians for Community Empowerment
California Apartment Association
California Rural Legal Assistance Foundation
Leadership Counsel for Justice and Accountability
PICO
Public Advocates
Western Center on Law and Poverty

OPPOSITION

None received

RELATED LEGISLATION

Pending Legislation: None known.

Prior Legislation:

SB 567 (Durazo, Ch. 290, Stats. 2023) makes a series of revisions, that take effect on April 1, 2024, to existing statewide protections against eviction without just cause and provides enforcement mechanisms for the violation of statewide restrictions on residential rent increases and statewide protections against no-fault evictions.

AB 2713 (Wicks, 2022) sought to close loopholes in the Tenant Protection Act that made it possible for landlords to terminate tenancies based on owner move-ins, substantial

repairs or remodels, or removal from the rental market without actually carrying those things out. The bill died on the Assembly Floor.

AB 978 (Quirk-Silva, Ch. 125, Stats. 2021), among other things, extended the coverage of the Tenant Protection Act of 2019 to mobilehome residents who rent park-owned mobilehomes.

AB 3088 (Chiu, Ch. 37, Stats. 2020), among other things, made minor clarifying and technical revisions to the Tenant Protection Act of 2019.

AB 1482 (Chiu, Ch. 597, Stats. 2019) limited rent-gouging in California by placing an upper limit on annual rent increases: five percent plus inflation up to a maximum of 10 percent. To prevent landlords from engaging in rent-gouging by evicting tenants, AB 1482 also required landlords have and state a just cause, as specified, in order to evict tenants who have occupied the premises for at least a year. Both the rent cap and the just cause provisions are subject to exemptions including, among others: housing built in the past 15 years and single family residences unless owned by a real estate trust or a corporation.

PRIOR VOTES:

The bill was gut and amended on the Assembly Floor. Prior Committee votes are irrelevant to the current version of the bill.
