

# rental HOUSING

EAST BAY RENTAL HOUSING ASSOCIATION | MAY/JUNE 2021 | \$9.95

## Tax Tips

1031 EXCHANGES  
& DON'T-MISS  
DEDUCTIONS

## What Renters Want

SURVEY SAYS ...

## Power Palettes

PAINT SCHEMES  
WITH PUNCH

buy,  
sell,  
hold?



**EBRHA**  
EAST BAY RENTAL  
HOUSING ASSOCIATION

SERVING ALAMEDA AND CONTRA COSTA COUNTIES



# LOCAL KNOWLEDGE, LOCAL ADVOCACY, LOCAL SUPPORT, **WHEN YOU NEED IT.**

**EAST BAY RENTAL HOUSING ASSOCIATION (EBRHA)** is a nonprofit trade organization representing owners and managers of apartments, condominiums, duplexes, single-family homes and other types of rental housing. EBRHA members range in size from small investors with just one property to large property management companies that own or manage hundreds of units.

Our membership consists of more than 1,500 rental housing owners, property managers, attorneys and other service contractors. Altogether, EBRHA represents over 30,000 rental units and serves over **25 cities throughout Alameda and Contra Costa counties.**

## INTRODUCING NEW **EBRHA MEMBERSHIP LEVELS**

EBRHA is thrilled to present new membership levels tailored to your specific needs!

- **Starter: Tier 1**  
(0-3 Units, First-Time Buyer)
- **Intermediate Provider: Tier 2**  
(4-20 Units, up to 3 properties)
- **Advanced Provider: Tier 3**  
(21-50 Units, up to 10 Properties)
- **Enterprise Pro: Tier 4**  
(51+ Units, over 10 Properties)

*More information on our expanded suite of member benefits and services coming soon!*

**Questions? Contact [sales@ebrha.com](mailto:sales@ebrha.com).**

## **MEMBERSHIP BENEFITS**

- Property management advice by phone or in person
- Renter screening service  
(application/report fees apply)
- Annually updated legal forms, including forms online 24/7
- Monthly workshops on new laws, rental agreements, security deposits, legal notices, fair housing, rent control and more
- Vendor directory of local businesses that offer exclusive member discounts
- Annual Trade Expo and monthly networking mixers
- Monthly educational membership meetings
- Community outreach and education
- Local and state lobbying
- An active and growing Legal Action Fund and Political Action Committee
- Subscription to *Rental Housing* and *Units*
- Membership with the National Apartment Association and CalRHA



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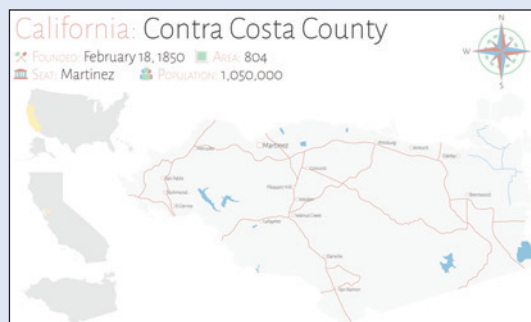
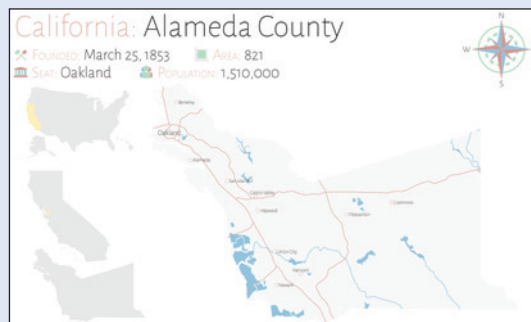
# WHY SHOULD YOU RENEW YOUR EBRHA MEMBERSHIP? ASK YOURSELF:

1. Has managing rental property expectations/relationships been a challenge in recent months?
2. Are there unit vacancies you need to fill right now?
3. Is it difficult to constantly navigate all the housing legislative changes?
4. Are you worried about the protection of your property rights?
5. Do you have at-risk renters who have been paying rent reliably this year?
6. Have any of your renters not paid rent OR are they paying reduced rent?
7. Are you unsure who's defending your business interests?
8. Are you concerned about the health of your rental housing business in 2021?

If you answered **“YES”** to any of the questions above, then EBRHA is a partner you can't afford to be without. Membership provides these benefits:

- ✓ Helps you navigate complex housing laws to ensure you're on the right path.
- ✓ Provides the latest forms and information for legal compliance and risk mitigation.
- ✓ Stays on top of relief resources and programs to help your business remain viable.
- ✓ Amplifies your voice and stories when it matters the most.
- ✓ Educates members and the community on rental housing best practices.
- ✓ Helps you keep long-term residents happy and safe through uncertain times.
- ✓ Bridges the gap between housing providers and policymakers.
- ✓ Advocates as a community for property owner rights.
- ✓ Offers on-call support and monthly events to help you succeed, one step at a time.

## DID YOU KNOW? EBRHA SERVES ALAMEDA AND CONTRA COSTA COUNTIES



EBRHA IS RIGHT BY YOUR SIDE. RENEW YOUR MEMBERSHIP  
ONLINE AT [EBRHA.COM](https://EBRHA.COM) -> MEMBER PORTAL OR CONTACT [MEMBERSHIP@EBRHA.COM](mailto:MEMBERSHIP@EBRHA.COM)

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NANCY BENTLEY/UNSPASH. ON THE COVER: UNEDITED IMAGE BY KIRK FISHER/ADOBE STOCK





## STAY CONNECTED WITH EBRHA

Call: 510.893.9873

Membership Questions: [membership@ebrha.com](mailto:membership@ebrha.com)

Visit: [ebrha.com](http://ebrha.com)

Share Your Feedback: [editor@ebrha.com](mailto:editor@ebrha.com)

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Read: [issuu.com/rentalhousing](http://issuu.com/rentalhousing)

Learn: [ebrha.com/faq](http://ebrha.com/faq)

Ask: [ebrha.com/submit-your-questions](http://ebrha.com/submit-your-questions)

Participate: [web.ebrha.com/events](http://web.ebrha.com/events)

## GET SOCIAL

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 [@EastBayRHA](https://twitter.com/EastBayRHA)

## EAST BAY RENTAL HOUSING ASSOCIATION

Volume XXI Number 15 | May/June 2021

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EAST BAY RENTAL  
HOUSING ASSOCIATION

**NAA**  
NATIONAL APARTMENT ASSOCIATION  
We Lead the Way Home

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# Members' Corner

Elliot A.

*"I love all the valuable education and support I receive when I participate in workshops presented by EBRHA leadership. I feel like I have a trusted partner. EBRHA has provided true leadership on complicated issues faced by rental property owners. EBRHA's rental housing forms are invaluable too—well worth the price of membership!"*

Ellen T.

*"I joined EBRHA due to a specific COVID-era challenge. I appreciate the organization's legal knowledge and legislative advocacy. I also got good leads from their Supplier Directory's law office list. EBRHA feels like a friendly, evenhanded and supportive organization. I would recommend the association to any property owner looking for information and resources."*

Kit C.

*"I find the rental housing forms and political advocacy support provided by EBRHA highly valuable."*

Mary S.C.

*"I greatly appreciate the rental housing advice, educational workshops, and opportunities to hear from other rental property owners, especially from the Roundtable hosted by EBRHA Board President Wayne Rowland. EBRHA staff members are very helpful! I will continue to recommend EBRHA to other housing providers—it's a great way to stay updated on Oakland's complex rental housing policies."*

Tomoko N.

*"Member Services staff are knowledgeable—they help educate new members like me with kindness and patience."*

Bill M.

*"I find EBRHA's rental housing forms and timely updates very helpful. The association has added value to my property ownership journey by fighting for my interests as a housing provider."*

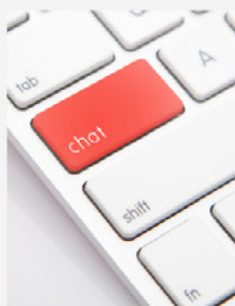
Lawrence B.

*"As an EBRHA member, I get important information regarding rental matters without delay, especially in the current climate. The association helps me manage my rental property ownership as a business."*



**EBRHA**  
EAST BAY RENTAL  
HOUSING ASSOCIATION

**CHECK OUT OUR LATEST WEBSITE  
UPDATES ON EBRHA.COM!**



**NEW CHAT  
FEATURE!**  
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# Welcome

A LETTER FROM THE CEO OF EBRHA



Dear Members,

One fundamental question many of our members are asking themselves these days is, “Have we turned the corner yet in this recovery?” While we continue to regain lost ground from the challenges of 2020, the housing market continues to gain strength in many California territories. However, the rental housing community can be a tale of two cities; some housing providers experience continued success and unprecedented gains, while others do not.

There are opposing perspectives when analyzing the current housing market, in terms of uncertainty pushing rents lower versus speculation driving the demand for certain types of rental housing way up. But both things can be true—a hot market and lots of uncertainty. So, what’s holding us back?

A slowdown in the rollout of several well-tested COVID-19 vaccines may leave us vulnerable to the ongoing threats of the COVID-19 virus and any new strain variations. But more vaccines being administered will ensure that we are inoculated against future threats, thus minimizing the risks of losing more lives and shutting down the economy again. Getting more people vaccinated also means that we can get back to the business of property management and pre-pandemic interactions sooner.

To “inoculate” is to introduce an agent into a system that produces immunity through a response against a disease. Beyond the world of medicine, an “agent” can be a metaphor for many things, and so can “disease.” More broadly put, the “agent” could be information, knowledge, activity or resources. What if the “disease” was a damaging mindset like lack of empathy, exclusion, inhumanity, racism, injustice or a scarcity mentality? All of these things impede progress, building durable rental housing businesses and a growing housing market.

In this issue, we ask the experts to help our members find ways to inoculate themselves against market uncertainties, pressures and instability. Today, savvy rental property owners/operators need real-time market analysis for good decision-making, access to expertise for managing their business and wealth, and strategic competitive advantages to distinguish their properties from all the rest.

EBRHA’s mission is to find those “agents” that inoculate housing providers against dangerous diseases while ridding the body of underlying symptoms: lost revenue and property, high market risk, nonperforming rental portfolios, low rents, high vacancies and bad legislative policy.

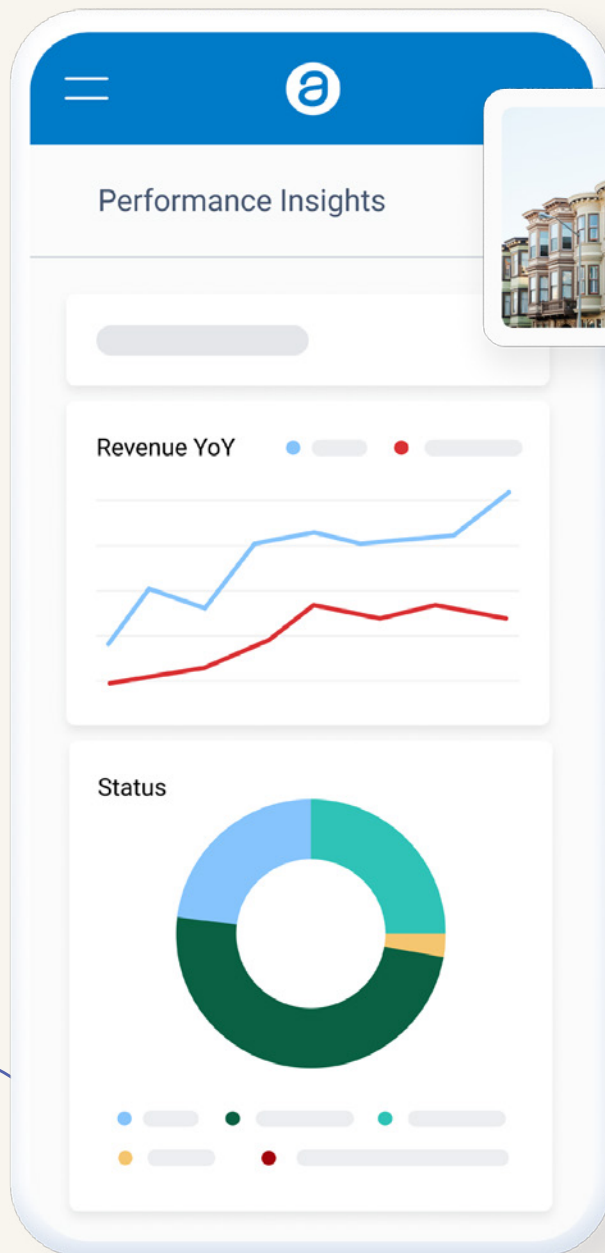
California is poised to come back stronger than ever, and Alameda and Contra Costa counties are leading the way with immeasurable opportunities for housing providers to thrive in a new and different world in the wake of COVID-19. EBRHA will be there, right by your side.


Derek Barnes, CEO of EBRHA



A handwritten signature in black ink, appearing to read 'D Barnes'.



## Modernize your business with one powerful platform



	SQ Ft	Rent	Available
	900	\$2300	<input type="checkbox"/>
<a href="#">Post Listing</a>			

- • Hi! It's John from Mission Property Management, reminding you of upcoming maintenance next Wednesday at 11am. 
- •
- •
- •
- • Great, thank you for confirming! 
- •
- •
- •
- •

Finally, property management software that gives you the clarity to focus on what matters most. Intuitively designed to delight your residents and staff. Smartly automated so you have the time to run your business and scale your vision.

[appfolio.com](https://appfolio.com)

Celebrate Mother's  
Day on May 9



As we commemorate history in May and June, let's gather to learn, share and celebrate as a community.

Visit [web.ebrha.com/events](http://web.ebrha.com/events) for calendar updates and to register for EBRHA events.

**MAY 4-27**  
(T & TH, IN-PERSON;  
WED, VIRTUAL)  
**TIMES VARY**  
SB 91 Rent Repayment  
Application Assistance

**MAY 7**  
**2-3:30 PM**  
Update on SB 91:  
Where Are We Now  
presented by attorney  
Charles Alfonso

\* **MAY 9**  
Mother's Day

**MAY 11 2-3:30 PM;**  
**JUNE 8 10-11:30 AM**  
The Roundtable  
presented by EBRHA board  
president Wayne Rowland

\* **MAY 12**  
**10-11:30 AM**  
Rent Board Registration 101/  
Registering Your Berkeley  
Rental Property Webinar pre-  
sented by the Berkeley Rent  
Stabilization Board  
[cityofberkeley.info/](http://cityofberkeley.info/)

[rent\\_stabilization\\_board/  
home/landlord\\_and\\_tenant\\_  
workshops—  
seminars.aspx](http://rent_stabilization_board/home/landlord_and_tenant_workshops_seminars.aspx)

\* **MAY 12**  
**5:30-7 PM**  
Security Deposits Workshop  
for Property Owners  
presented by the City of  
Oakland Rent Adjustment  
Program  
[tinyurl.com/rapworkshop7](http://tinyurl.com/rapworkshop7)

\* **MAY 13 & JUNE 10**  
**2-4 PM; MAY 27 &**  
**JUNE 24 6-8 PM**

Online Informational Work-  
shop presented by the City of  
Alameda Rent Program  
[alamedarentprogram.org/  
workshops-clinics](http://alamedarentprogram.org/workshops-clinics)

\* **MAY 17**  
**TAX FILING DEADLINE**  
(Moved from April 15)



**MAY 19**

**2-3:30 PM**

*ADU Series Part 2:  
Feasibility & Installation  
presented by Erik Preston of  
Habitat ADU*

**MAY 21**

**10 AM-NOON**

*Member Meeting  
presented by Daniel Winkler  
of Daniel Winkler &  
Associates*

**\* MAY 21, JUNE 25**

**4-6 PM**

*Resolving Landlord/  
Tenant Disputes During the  
COVID-19 Pandemic  
presented by the Richmond  
Rent Program (June 25  
workshop is Spanish-only)  
[ci.richmond.ca.us/3541/  
workshops](http://ci.richmond.ca.us/3541/workshops)*

**\* MAY 25-26**

*Technology and Innovation  
in Multifamily Development  
virtual event  
sponsored by MFE Proptech  
[mfeconference.com/events/  
mfe-proptech](http://mfeconference.com/events/mfe-proptech)*

**MAY 27**

**2-3:30 PM**

*Avoiding Inadvertent  
Discrimination in Renting  
Property presented by  
attorney Brent Kernan*

**\* MAY 31**

**MEMORIAL DAY**

**JUNE 3**

**2-3:30 PM**

*Legal Structures for Property  
& Related Tax Impact  
presented by attorney  
Brad Barth*

**\* JUNE 9**

**4-6 PM**

*Lease-Breaking Webinar  
presented by the Berkeley  
Rent Stabilization Board  
[cityofberkeley.info/rent\\_stabilization\\_board/home/  
landlord\\_and\\_tenant\\_workshops\\_\\_\\_\\_seminars.aspx](http://cityofberkeley.info/rent_stabilization_board/home/landlord_and_tenant_workshops_seminars.aspx)*

**JUNE 18**

**10 AM-NOON**

*1031 Exchanges  
presented by Susan Burns of  
JLM Corporation*

**\*JUNE 19**

**JUNETEENTH**

**\*JUNE 20**

**SUMMER SOLSTICE  
AND FATHER'S DAY**

**JUNE 24**

**2-3:30 PM**

*Owner: When to Acquire/  
Sell/Hold presented by inves-  
tor/writer Dan Lieberman*

**JUNE 29**

**2-3:30 PM**

*Rental Property Manage-  
ment 103 presented by  
EBRHA board member  
Joshua Polston*

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TO PITCH AN EVENT FOR OUR CALENDAR,  
EMAIL US AT **EDITOR@EBRHA.COM**





# Inform

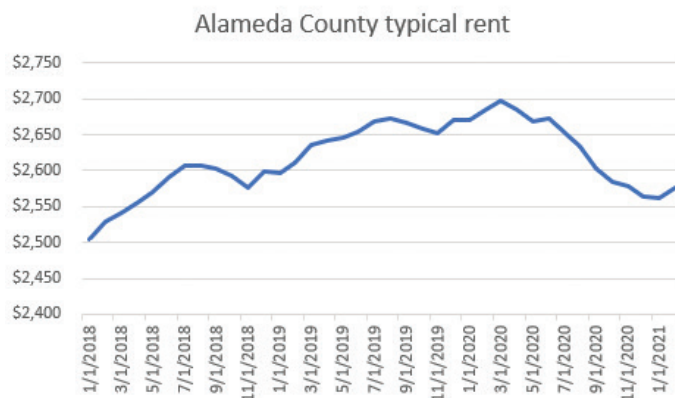
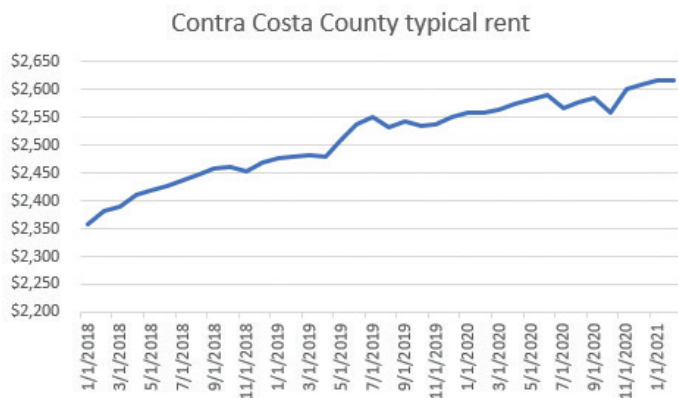
INDUSTRY NEWS & MARKET TRENDS

Head online to manage your  
properties and stay informed.



KETUT SEBIYANTO/PEXELS. OPPOSITE, COURTESY OF ZILLOW





## THE DOWNLOAD ON EMERGING INDUSTRY THREATS AND POLICIES

The National Apartment Association has a new resource for NAA members and affiliates interested in learning about the legislative and regulatory issues most affecting the rental housing industry nationwide: the (NAA) Policy Outlook report. According to the NAA, this comprehensive, monthly update focuses on operational issues that could hurt your ability to successfully manage your business, lead to compliance-related challenges or increase your legal risk.

Among the topics covered by the NAA policy team in the April edition, for example, are rent collections amid pandemic-related stress; distribution of emergency rental assistance; the threat of rent control; the possibility of increased Fair Housing Act enforcement; and efforts to remove resident screening.

*Look for a new update every month in the Apartment Advocate on the NAA website, [naahq.org](http://naahq.org).*

## TALKING SHOP WITH ZILLOW

With feet in both the rental and for-sale markets, real estate website Zillow keeps a close watch on housing dynamics in communities nationwide. Case in point: Check out its graphs above, which show median rental price over time in Alameda and Contra Costa counties.

*Rental Housing* hopped on a call with Zillow Senior Economist Joshua Clark to get his take on the changing East Bay rental housing landscape and how Zillow can help providers navigate it.

### What can these graphs tell us?

What we're seeing across the country is that [rents in] high-density places have been much more affected by the toll of the pandemic than in low-density places, and you're seeing this happen across the Bay Area. If you're looking

at the more densely populated Alameda County, you have actually seen negative rent growth. They're down to negative 4% right now. Meanwhile, Contra Costa County didn't do nearly as badly. ... [Fortunately,] I really do think we're at a bottom right now. You should expect to see demand for rentals take off again as we start to return to normal, especially as vaccine distribution picks up. I think there's some evidence in the data that that's the case, even in the harder-hit Alameda County.

### If you were going to invest in East Bay rental housing, what and where would you buy?

There's been so much focus on increasing density in the East Bay, especially around train stations. I think that could be an incredibly fruitful area. It's just so politically fraught that dealing with [developing those areas] can be really difficult. Another [trend I'm] seeing is the emergence of new-construction homes that are being built to rent. That's telling me that there's a demand for single-family homes for rentals. I [also] think that it could be a really great way to introduce new rental inventory.

### What resources does Zillow offer to rental property owners and investors?

On our website, we provide a large tool set, especially for mom-and-pop rental property owners, to see, 'OK, these are similarly priced homes—what are other places renting for?' Zillow also offers a way to sign your lease and to submit applications, and you can have Zillow Rental Manager deal with all the payments. So, Zillow Rental Suite is actually pretty awesome because it puts all the information into one spot.

*Find Zillow market reports and learn more about its products at [zillow.com](http://zillow.com).*

*Continued on page 12*

## URBAN MIGRATION: NOT SO FAST

-Courtesy of NAA

The narrative of an urban exodus has been a major talking point throughout the pandemic, but new data shows that it might not be the whole story.

People have been moving, or have at least been searching for their next place to live, since the COVID-19 pandemic began. New data from Apartment List shows the transitions have been more of a shuffle, rather than a complete exodus from America's urban cores. Apartment List cites USPS data analyzed by the National Association of Realtors, which states roughly 94,000 more moves happened between March and October 2020 than during the same period in 2019.

As residents left larger cities like New York and San Francisco, rent prices declined, making way for inbound residents to fill those vacancies. And, Apartment List data supports the theory that not everyone was looking to leave their urban locations or their hometowns.

"Out-of-town" searches—users in one city but searching for apartment homes in another—made up 62% of Apartment List searches. This is down slightly from pre-pandemic numbers. And users searching for new cities are actually looking for *more* density. During the first quarter of 2020, out-of-town searches of cities that are at least 25% more dense than the user's city reached 41.3%. However, one year

later, that has increased to 44%. Meanwhile, searches of less dense cities (at least 25% less dense) went from 32% in the first quarter of 2020 to 30% in 2021.

Residents in principal cities, those with higher density and urban cores, have slowed their searches for new homes in secondary cities from the first quarter of 2020 to the first quarter of 2021. The opposite has happened for residents of secondary cities—their searches for homes in principal cities increased.

The demand for shorter leasing times also increased. About 9% of all users requested leases of six months or fewer prior to the pandemic. The requests increased as the pandemic began, with a sharp increase for users searching in different metros—jumping from over 10% to more than 15% in a matter of months. This cooled slightly in the fall and winter, but the increases began again in the early part of 2021.

"We also see a big jump in short-term lease demand among those looking to move to lower-density cities," according to Apartment List's report. "These trends may signal that the pandemic changed some renters' location preferences, but only temporarily." This trend also shows some residents moved to "wait out" the pandemic before moving back once it was safer.

Originally published 4/12/21 at [naahq.org/news-publications/urban-migration-not-so-fast](http://naahq.org/news-publications/urban-migration-not-so-fast).

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# Educate

TIPS & HOW-TOS



## Utilities Not Included

by Emily Landes

Utility costs are rising without any sign of slowing down. In that lies an opportunity for rental housing providers not to bear the burden alone, and to educate and empower renters to conserve.

### SHARED ACCOUNTABILITY WITH RUBS

Ratio Utility Billing System (RUBS) is a method of passing on the costs of utilities to renters using an allocation that is formula-based, typically relying on occupancy, square footage and/or a combination of other factors. These can include building amenities such as number of bathrooms, laundry units, landscaping requirements and more.

The State of California has no laws for or against the use of RUBS because the California Public Utilities Commission (CPUC) determined that housing providers are not selling a utility. RUBS is merely a vehicle to tie



consumption to the user. An increasing number of housing providers are adopting billing programs, and renters are becoming more accustomed to paying for their own usage. These programs can be implemented in multifamily buildings, HOAs/condominiums, commercial buildings and mixed-use buildings alike.

A well-designed RUBS program can be an effective way to recover utility costs, which increases the value of the asset and also serves as a platform to build community around resource conservation. Renters gain visibility into month-over-month utility costs and trends, and can make informed decisions about reducing their consumption, and in turn, their living expenses.

### BOTTOM LINE

Housing providers have a responsibility to teach renters that their consumption impacts the environment, as

well as their wallet, and that they have some control of the outcome. Housing providers are positioned to hold renters accountable, allowing them to make a positive impact on the environment in a resource-constrained state. This also opens up the opportunity to build stronger relationships with renters, as they collectively work towards a common goal. Knowledge is power, and the more we know, the more we can change.

**Emily Landes** is the content director for Livable. For over a decade, Livable has been helping multifamily rental property owners recover utility costs and increase the value of their investments through conservation.

Visit [blog.livable.com](http://blog.livable.com) to stay up to date on industry trends. Housing providers can visit [livable.com/EBRHA](http://livable.com/EBRHA) for more information.



# Property Swap

JLM Corporation Exchange Officer Susan Burns explains the whats, hows and whys of 1031 exchanges.



FROM LEFT: MAURO ARRUE/UNSPLASH; ALEX MCCARTHY/UNSPLASH



### ***What is a 1031 exchange?***

Section 1031 of the Internal Revenue Code allows a party in a qualified transaction to sell real property held for business, trade or investment purposes to defer capital gains taxes by purchasing a “like-kind” property within the applicable time frames

### ***What are the advantages?***

A 1031 exchange allows the taxpayer to leverage dollars otherwise spent on taxes and increase the value of their investment.

### ***What are the different kinds of exchanges?***

A forward exchange is the most commonly used product, whereby the exchanger closes on their relinquished property before closing on their replacement property. Reverse exchanges give the exchanger the ability to close on their replacement property prior to the closing of the sale of their relinquished property. There are some challenges to reverse exchanges, as you must have the funds to pay for the property before receiving proceeds from your replacement property. Construction exchanges allow the exchanger to purchase a lower priced property and use the remainder of the funds to make improvements. If entering into an exchange, it is always recommended that the taxpayer seek the advice of their tax adviser or legal counsel.

### ***What are the time constraints?***

The exchange period is 180 days from the recording date of relinquished property transfer deed. Within that 180 days, the first 45 days are the identification period. The exchanger has 45 days to identify potential replacement properties. No changes may be made after this period expires.

### ***What are the financial requirements?***

To be fully tax-deferred, the exchange must be of equal or greater value than

relinquished property. The IRS does not allow for debt relief.

### ***Who qualifies?***

Any taxpayer selling an investment property with the intention of using those funds to purchase a new investment property qualifies.

### ***What does and doesn't qualify as “like-kind”?***

Qualified like-kind property is any real property. Simply put, the purchase must have a legal description and parcel number. Property that does not qualify would be replacing investment property with a primary residence, vacation home (not a rental vacation property) or second home.

### ***What about these scenarios:***

- ***Could a multifamily residence (the “relinquished property”) be exchanged for a single-family rental (the “replacement property”)?***  
Yes.

- ***What if the proposed replacement property were an ADU on the property of their primary residence?***

The taxpayer may not purchase a property already on their primary residence or that they plan to build, even if they use it for rental purposes.

- ***And what if it were a vacation property intended to be used as a short-term rental?***

The taxpayer may purchase a property used as short-term rental, however if that is the intent, they should always check with the city to ensure that short-term rentals are allowed. Many cities are moving to ban short-term rentals.

### ***Can you give an example of a way that a 1031 exchange could benefit a rental property owner in today's market?***

A 1031 exchange allows the taxpayer to sell a rental property that is non-performing and exchange that property for one that will provide solid rental income.

### ***What are the basics steps in a 1031 exchange?***

The taxpayer should consult with their tax adviser to determine whether a 1031 exchange is right for them. Once they decide to participate in 1031 exchange, they will need to choose an accommodator. They should choose an accommodator that is well versed in 1031 exchange procedures, is licensed, bonded, insured and has a history of successful accommodations.

### ***At what point does the property owner have to pay the deferred tax on the relinquished property, and how is it computed?***

If the taxpayer sells the exchanged property and chooses to no longer invest in another investment property, taxes will be assessed. The taxpayer should always consult their tax adviser regarding tax liability they may face.

### ***Are there any risks?***

There is always the risk of not finding a replacement property within the 180-day exchange period. In a challenging market, where inventory is low, the taxpayer may choose to go under contract with their replacement property prior to closing on their relinquished property, ensuring a successful exchange.

### ***Who can help property owners navigate a 1031 exchange?***

A taxpayer would need the assistance of a 1031 accommodator, also known as a qualified intermediary. A good accommodator will make the taxpayer aware of the rules and remind them of any upcoming deadlines. The accommodator will also work with escrow, title and their professional advisers.

*Susan Burns has been involved in some capacity of the lending industry since 1988, and she's been with JLM Corporation since October 2019 in the capacity of Exchange Officer. In that time, she has successfully accommodated over 200 exchanges.*

# Advocate

LEGISLATION & POLICY UPDATES

CalRHA's efforts help to ease restrictions on ADUs, like this unit from Abodu.



## EBRHA and CalRHA Win Big

Thanks to EBRHA and CalRHA's advocacy efforts, two bills that would have significantly impacted property owners were pulled from the Assembly Housing and Community Development Committee hearing on April 15.

AB 854 by Assemblymember Alex Lee, D-San Jose (District 25), would have prevented rental property owners from withdrawing their rental units from the market unless they had

owned the property for a minimum of five consecutive years. It is now a two-year bill, which means there will be no legislative action this year.

AB 1188 by Assemblymember Buffy Wicks, D-Oakland (District 15), would have required every city and county to create a publicly accessible registry where rental property owners must report comprehensive and intrusive data on their units, renters and themselves. The bill was not heard on April 15; instead, Assemblymember Wicks will be working on amendments. EBRHA will keep its members updated on this bill as it receives more information.

According to CalRHA's April Public Policy Update, the association also successfully negotiated with the Housing Committee and various housing advocates, including the Casita Coalition and California Yimby, to amend AB 916, introduced by Assemblymember Rudy Salas, D-Bakersfield (District 32). The amended ADU and Bedroom Streamlining bill ensures that bedroom additions can be done in any unit; changes the height limitation to 18 feet for ADUs on parcels that have multiunit, multistory housing; and deletes the definition of "detached" and instead inserts that the ADUs can be attached in certain instances.





## Breaking Down the American Jobs Plan

In April, the NAA (of which EBRHA is an affiliate) posted an article on its website breaking down what President Joe Biden's \$2 trillion American Jobs Plan could mean for the housing industry. Provided by the National Multifamily Housing Council (NMHC) as part of the NAA/NMHC Joint Legislative Program, the article explores how specific provisions in the current infrastructure proposal, which calls for a \$213 billion investment in housing-specific provisions, align with multifamily industry priorities.

Below, we've excerpted two provisions particularly relevant to East Bay housing issues, as well as the NAA/NMHC's takes on them.

### AFFORDABLE HOUSING

**The Plan:** The proposal calls for producing, preserving and retrofitting more than a million affordable housing units through "targeted tax credits, formula funding, grants, and project-based rental assistance."

**NAA/NMHC Viewpoint:** We

strongly believe that public-private partnership is paramount to creating and preserving affordable rental housing. Specifically, we believe that it is crucial to not only invest in rehabilitating existing communities, but also promote improvements in affordable housing and stimulate new affordable development through density bonuses, fast-track review and by-right development.

### ZONING AND LAND USE

**The Plan:** To support the creation of more equitable communities, Biden is calling for an end to harmful exclusionary zoning and land use policies. He is urging Congress to eliminate minimum lot size provisions, mandatory parking requirements and prohibitions on multifamily housing, which "have inflated housing and construction costs and locked families out of areas with more opportunities." To accomplish these goals, the administration is proposing a new, competitive grant program that would award funding to jurisdictions "that take concrete steps to eliminate such needless barriers to

producing affordable housing."

**NAA/NMHC Viewpoint:** Exclusionary zoning policies are misguided, discriminatory policies that further promote segregated, inequitable communities. And, in doing so, they only exacerbate our nation's worsening housing affordability crisis. In addition, overly burdensome regulations—like the examples provided in Biden's proposal—account for **an average of 32.1 percent of multifamily development costs**. We are in agreement with this portion of Biden's proposal and have long advocated that policymakers must ease regulatory barriers to apartment construction and provide the resources necessary to update zoning laws, eliminate counterproductive land use restrictions, right-size parking requirements and streamline permitting. In order to support affordable, equitable communities, it is critical that lawmakers break down regulatory barriers and leverage federal funding.

*Read the full article at [naahq.org/news-publications/what-2-trillion-american-jobs-plan-could-mean-housing](http://naahq.org/news-publications/what-2-trillion-american-jobs-plan-could-mean-housing).*

# Connect

COMMUNITY RESOURCES & OUTREACH



## The Road to Success

*Meet Dan Lieberman, author, real estate investor, consultant and EBRHA member.*

Dan Lieberman's journey from being a struggling handyman to co-owning nearly 500 apartment units to today isn't a linear "rags-to-riches" tale. However, thanks to those bumps and twists along the road, the EBRHA member has amassed a wealth of experience that he's more than happy to share.

Raised in a small suburb outside of New York, Lieberman got off to an auspicious start: He went to MIT in Boston as an undergraduate, and then made his way west to study architecture at the UC Berkeley College of Environmental Design. But when he graduated in 1983, on the heels of a recession, there wasn't an architecture job to be found.

"I started doing odd jobs as a handyman to pay the rent and ended up

working for some guy who was fixing up houses for realtors to get them ready for sale," he recounts. "Eventually I started doing that myself."

He soon burned out from just doing physical labor, though, telling his then-girlfriend, "I will do anything but this." Serendipitously, her brother worked at a commercial real estate firm, where Lieberman got a job working for two brokers who specialized in apartment building sales. In this new environment, he spotted an opportunity to combine what he'd learned in real estate, construction and architecture, and turn it into a career.

In 1984, Lieberman purchased an old, run-down Victorian in the Western Addition in San Francisco that had been chopped up into six rental units. Needing only a small down payment, he borrowed \$12,000 from his dad, with whom he agreed to split the profits. By improving curb appeal and adding expensive-looking architectural touches and two-tone paint schemes, Lieberman was able to increase rents, managing the whole operation by himself. Then he sold the building.

"I made nearly \$100,000, which was more money than I'd ever seen in my life," he says. The market was hot, so he did it again, then again, going bigger and bigger with each investment. He'd made over half a million dollars by the time he was 27 years old.

"Then the market crashed, and I lost everything," Lieberman says with a sigh.

By 1991, he was below zero in net worth. He started managing other people's apartment buildings, attracting his first few clients by promising that he'd raise their incomes within a year, or else they wouldn't have to pay him.

As his property management company flourished, he started rebuilding his investment portfolio. This time around, he was able to buy entire apartment communities—nearly 500 units in partnerships at his peak. Ranging from Class A to Class D, the buildings were all in Alameda, Contra Costa and Southern Solano counties, where he could get more for his money than he could in San Francisco and be closer to his home in Berkeley, to boot.

He was in the middle of several renovation projects when the financial crisis of 2007-2008 hit. Lines of credit were reduced or closed, and many residents lost their jobs and stopped paying rent. He was forced to sell some buildings just to keep things going.

What did he learn from having his business crash down not once, but twice?

"I learned about the importance of having adequate reserves and about the importance of strong cash flow," he says. "I didn't think about scenarios like what would happen if 20% of the residents couldn't pay the rent. I always thought that in the worst case, if I ever got into a financial squeeze, I could just sell a property. However, when everything went down in value at the same time, that plan didn't work so well!"

"I also learned that you needed to really be at your buildings," he continues. "Frankly, I started being the manager for a day or two just to actually see what was going on, and I learned a lot doing that. When you're running 25 buildings, you can't be every place, and I, unfortunately, I was like the shoemaker whose kids don't have shoes—I was focused on my clients and was not as focused on my own properties."

In the good times, though, Lieberman



*“I really love making apartments better places to live, and therefore making them more valuable. It’s a hobby that’s a profession too.”*

learned a lot about what *does* work.

“I was looking for properties that I could add value to. I didn’t want to rely on the market going up,” he says of his strategy. “Another basic premise is, no two units are the same. I go to a lot of buildings, especially buildings that are 30 or 40 units, and all the one bedrooms are a certain price, and all the two bedrooms are a certain price. But the truth is, the one bedroom that has the view of the dumpster is different from the one bedroom that has the view of the park. I found that by dropping the rent on the dumpster unit and raising the rent on the one with the view of the park, the overall rent roll actually tends to go up. Not only that, the units rent faster because they’re appropriately priced for what they are.”

Other opportunities are less obvious.

“I had one building where we took a big walk-in closet and put in nice closet organizers, and people fell in love with it,” he recalls. “Sometimes, it’s some technology thing—little gizmos, like locks that your phone can unlock,” he continues. “But a lot of times it’s the basics: curb appeal, paint and signage that makes a place feel more valuable.”

He sums it up like this: “I admit that no Motel 6 will ever be a Ritz-Carlton, but what elements can I take that will make them closer, that will change the perception? Usually it has to do with making things feel lighter, making things feel bigger. Also, consciously walking through what I call the resident experience. When they arrive at the property, what do they see? What are they experiencing?”

Lieberman becomes increasingly animated as he talks about fixing up properties. “I really love making apartments better places to live, and there-

fore making them more valuable. It’s a hobby that’s a profession too.”

So it’s unsurprising that he’s looking to expand yet again. He still owns one of his early apartment communities near Lake Merritt, and he’s put in a few offers on buildings recently. With the changing housing landscape and government regulations, however, his strategy has shifted.

“I think real estate is a good investment overall, but it is kind of a scary time because major changes are happening. I’m seeing how people fled the cities and went to the suburbs in the 1950s and 1960s, and I’m thinking, there are a lot of similar things going on now because people don’t need to be where they work. I used to go into transitional areas, but when things turn, transitional areas get hit. So, at this point in my life, I’m looking at more core areas, like Berkeley, not too far from the campus, Lake Merritt, the Adams Point area, places like that.”

His perspective has shifted, too. “The first time when things went bad, I took a while to build back up. That’s when I started doing property management until I had earned enough money to start investing again,” he explains. “The second time, my focus has been doing some other things and trying to share what I’ve learned.”

He’s been very involved with industry groups throughout, serving as president of both the Rental Housing Association of Southern Alameda County and the California Apartment Association, and being an active member of EBRHA, which he recommends to anyone in the business. “The associations are great resources because you get to meet people who have a lot of experience in different

areas, and it’s also a great network,” he says. “EBRHA is just good overall for keeping on top of things, especially now. Last year, it seemed like every week there was a new law! How’s an owner to stay on top of that without help? Whether it’s the magazine, whether it’s going to meetings, whether it’s attending webinars or seminars, membership is very valuable.”

On top of his association involvement, Lieberman is on the board of Living Unlimited, a nonprofit that is trying to develop housing for adults with developmental disabilities. “It’s hard enough to find housing in the Bay Area, but if you’re special needs, it’s even harder,” he says. He also writes and does some consulting.

“People are always focused on the bottom line; we all are,” he acknowledges. “We all want to do well with real estate. But there’s a lot more to life than that.”

## SHARE YOUR STORY!

With more than 1,500 members and 100 vendor members, EBRHA is a vibrant and diverse community of people with a shared focus on the rental housing industry. Whether you just bought your first property or your 500<sup>th</sup>, we want to get to know you and learn from your experience—and your fellow EBRHA members do too. Email [editor@ebrha.com](mailto:editor@ebrha.com) with a brief bio, including a few words about how EBRHA has helped you on your journey, and we’ll reach out to discuss a potential profile or a member testimonial for a future issue.

# Inspire

DESIGN TRENDS

Naval SW 6244, Sherwin-Williams  
2020 Color of the Year, adds  
drama to interior walls.



## Palette Power

If you're trying to attract renters or you're planning to sell your building, you probably know that applying a fresh coat of interior or exterior paint is a cost-effective way to increase visual appeal. In fact, a 2015 study by agent referral site HomeGain reported a 109% return on investment (ROI) for painting a home's interior and a 51% ROI for painting its exterior. But did you know that in addition to boosting sales price, your color choice can also convey feelings like comfort and joy? Katie Martin, interior designer at Sherwin-Williams, shares her tips for picking the right palette in today's market.



### ***What are the trending color schemes for 2021, and why?***

Based on global, social trends and more, Sherwin-Williams is predicting four key trend palettes inspired by its 2021 Colormix® Forecast. This year's selections for the multifamily market consist of four palettes—Encounter, Continuum, Tapestry and Sanctuary—each designed to help property managers in creating balanced environments for their residents.

- The Sanctuary palette is inspired by the principles of biophilia, with natural and muted tones like Sherwin-Williams 2021 Color of the Year, Urbane Bronze SW 7048, and can be used on a building's facade or interior to convey a sense of wellness.
- The Tapestry palette uses bright color such as Enjoyable Yellow SW 6666 to tap into our emotions and creative expression. The collection also includes colors like Greek Villa SW 7551, which can inspire a joyful feeling in residents.
- The Encounter palette focuses on rich earth tones, like Hardware SW 6172 or Java SW 6090. These colors work well for exteriors and interiors and can be tailored for residents seeking comfort from familiar tones—but with a modern twist.
- The Continuum palette is inspired by forward-thinking colors like Moonraker SW 6701 that bring innovation and optimism to small spaces.

### ***What factors should property owners keep in mind when selecting paint and color schemes for their buildings?***

Property managers should keep in mind different demographics, locations or types of rooms when selecting colors and also ensure these colors create a welcoming environment that makes residents feel at home. For instance, an apartment with a warm gray or neutral wall color could help a space be more inviting. In addition, property managers can consider community spaces with a fun and lively feel by adding an accent or feature wall. For example, Naval SW 6244, a deep navy and the Sherwin-Williams 2020 Color of the Year, remains one of the most requested colors for multifamily feature walls.

### ***What kinds of resources and products does Sherwin-Williams tailor to property managers of multifamily housing?***

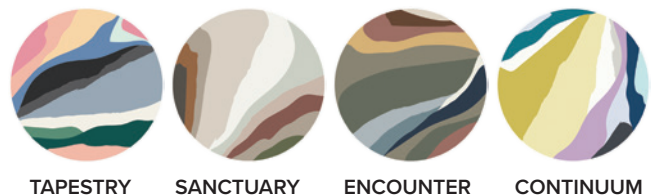
As a leader in coatings and color, Sherwin-Williams can



Above: A multifamily building featuring Sherwin-Williams' Colormix Color Forecast 2021: Sanctuary palette (SW 7005 Pure White, SW 7632 Modern Gray, SW 7048 Urbane Bronze and SW 6180 Oakmoss). Below, Sherwin-Williams' four 2021 Colormix Forecast palettes

help property managers make fast and confident color selections, as well as provide product recommendations, online resources and flooring solutions to help properties stand out from the competition.

#### **SW COLORMIX COLOR COLLECTIONS**



## **THE COLOR OF MONEY**

Before you pick up that can of crimson paint, be warned that the wrong choice can actually deter buyers. According to Zillow's 2018 Paint Color Analysis, which looked at more than 135,000 photos from sold homes around the country to see how certain paint colors impacted sale price, homes with yellow exteriors sold for \$3,408 less than similar homes, whereas homes with black or charcoal front doors sold for \$6,271 more than expected. Likewise, homes with periwinkle bathrooms achieved a \$2,786 bump, whereas brick red kitchens knocked sales prices down \$2,310. Find the original press release at [zillow.mediaroom.com](https://www.zillow.com/mediaroom.com), and keep an eye out for an updated analysis this spring.

# buy, sell, hold?



Wouldn't it be nice to have a crystal ball that revealed the future of East Bay rental housing? Well, we can offer the next-best thing. *Rental Housing* asked top real estate agents with expertise in Alameda and Contra Costa counties to share their insights into today's—and tomorrow's—markets. Heed their advice, and you just might make your own fortune.





*Renters need housing providers, and housing providers need renters ... it should be a win-win!*

*—Georgia W. Richardson*

Georgia W. Richardson, broker associate at Berkshire Hathaway HomeServices, Drysdale Properties, in Oakland, is a 37-year veteran in the real estate industry. She has built a solid foundation in Oakland as a real estate professional and is committed to serving her clients and the community. She has served in leadership capacities in both the local and state realtor and realtor associations and owned and operated her independent brokerage, Richardson Real Estate Services, for 15 years. Richardson is also a rental property owner and a member of EBRHA.

***How would you summarize the health of the rental housing market in Alameda and Contra Costa counties right now, and what do you forecast for the year(-plus) ahead?***

I would say, from a health perspective, the rental housing market is still ailing and will hopefully be in the process of recovery by the end of this year. The combination of rent control laws and COVID-19 financial burdens have both rental property owners and renters at odds, when they could be collaborating to get through these difficult and unprecedented times. Renters need housing providers, and housing providers need renters ... it should be a win-win!

***What factors should an investor consider when deciding to buy, sell, or hold residential rental properties in the current market?***

Savvy investors know exactly what to look for: primarily, distressed properties with upside potential that will give them an ROI. They know when to hold them and when to fold them. It is the small rental property owners who may be confused as to what to do. My suggestion is to hold on to rental property if it is financially possible. If you are financially burdened, then cash out while the market is hot, but reinvest in real estate outside the Bay Area where there are less restrictive laws.

***What are the top criteria that prospective investors should consider when choosing where to purchase rental properties?***

In my opinion, the mantra is still 'Location, Location, Location!' There are, of course, opportunities in areas that are being gentrified and redeveloped, so you look at trends and

who is buying, redeveloping areas and rehabbing homes. Again, savvy investors know how to evaluate the trends and decide where to invest their dollars. It still primarily comes down to location as it relates to transportation, shopping, restaurants, schools, services, etc.

***Which neighborhoods/cities in Alameda and Contra Costa counties are promising areas for investment, which would you avoid, and why?***

I do not believe there are any bad areas for investment for the long term. Areas that were once deemed undesirable by some, have become opportunities to get your foot in the door of homeownership and investment. Because of the shortage in housing in both counties and lack of affordable housing, I see all areas as promising. Some more imminent than others for now, but other areas/neighborhoods have opportunities for wealth building through equity growth over time.

***Which East Bay neighborhoods/cities are the least and most restrictive/friendly to rental property owners?***

Oakland, Berkeley and Richmond seem to me to be the most restrictive for rental housing providers. As a result, many of the smaller rental property owners, and especially owner occupants like me, may be forced to sell after the COVID-19 moratorium is lifted and back mortgage payments become due, or rents remain too low to cover maintenance cost. I do not see that the government will subsidize owners enough to recover loss in rents and back mortgage payments.

***What kinds of rental properties would you recommend investing in given current market conditions, and why?***

I am seeing consistent multiple offers on rental income properties, whether they be estate sales, regular sales or owners who are fed up with rent control [and other] restrictive laws, like me! Clearly these are investors who are doing 1031 exchanges, portfolio investors, small investors getting their feet wet in the market or owner occupants who need the additional rental income from rental units to qualify for a purchase. Despite the negative press on rental housing, multiple units are selling like hotcakes even when the numbers do not make sense! Makes me go, 'Hmmm?'



### ***What are your top tips for building a real estate portfolio?***

I am a four-unit building owner and far from being a savvy investor, but here is what I would recommend: Do your research, read real estate investment-related books, and, if possible, talk to a successful investor whom you know or can trust and get their advice.

If you are not fortunate enough to inherit property, sacrifice and save up enough money for a down payment and closing cost, limit your debt, and pay your bills on time. Start with one property at a time, and build from there. If you are a first-time buyer, look for programs that can assist you in the purchase of your first home. Own a home before purchasing investment properties.

If you have limited funds, buy during times when property sales are suppressed (a buyer's market), and either hold on to your property, and over time leverage your equity to buy more properties or sell when it is a seller's market, and reinvest and branch out into other real estate sectors like multifamily, commercial or real estate investment trusts (REITs).

### ***Anything else you'd like to share with our readers?***

As a 37-year veteran in the real estate business in Oakland, I have experienced three or more downturns in the real estate market. I watched the real estate market bounce back and values exceed the last threshold of property values. I had never experienced in my lifetime an event (COVID-19) that continues to impact and devastate lives the way this pandemic has over the past year. It did not discriminate; everyone is vulnerable, but the effects long-term during any national crisis usually impact underserved communities most. Through all of this, real estate continues to be an essential part of the economy. Interest rates reaching their lowest, money flowing among investors and venture capitalists, gentrification, remote working environments, lack of inventory, etc. have resulted in homes in the East Bay selling for unprecedented prices—selling well over the asking prices. So, I would say, no matter what, real estate is a great investment! You must be able to ride the waves of change in the market.

*Georgia W. Richardson, 510.999.2797, [georgiaw.richardson@bhhsdrysdale.com](mailto:georgiaw.richardson@bhhsdrysdale.com); [bhhsdrysdale.com](http://bhhsdrysdale.com); [georgiawrichardson.bhhsdrysdale.com](http://georgiawrichardson.bhhsdrysdale.com)*



## **ASK THE EXPERT SCOTT ISACKSEN**

### ***What maintenance/structural “red flags” should I look out for when purchasing a property?***

An investor looking at rental property should always do due diligence and have inspections on the property. However, even a seasoned inspector may miss deeper problems. Lack of maintenance records is a big red flag that a property may have hidden damage.

The seller should have dates of painting and roofing and equipment replacements, as well as a general log of problems that needed maintenance response. Lack of those items means the property and equipment may have suffered additional damage that will come back as large repair costs when the hidden damage is found. A professional management company (for small- and mid-sized buildings) handles daily requests but does not track big items like roofing and equipment age.

*Scott Isacksen has been working with multifamily facilities for over 12 years. He runs Tci Building Services, which sets buildings up with the needed tracking and maintenance routines to protect from long-term damage.*





*Do your due diligence, use a great agent who will help you find the best values on the market and get in the market any way you can. —Scott Vaupen*

During Scott Vaupen's 32-year professional career, the Bay Area native has successfully structured, negotiated and, most importantly, closed a multitude of complex deals. The bulk of that career has been spent in the tech world, where he licensed cutting-edge technologies. During that time, he developed a passion for real estate by buying and selling his own properties. Over the past six years, he has committed full time to that passion, becoming an expert in the San Francisco and East Bay Area real estate markets. He's currently affiliated with Compass.

***How would you summarize the health of the rental housing market in Alameda and Contra Costa counties right now, and what do you forecast for the year(-plus) ahead?***

It depends on what you consider a healthy market. Whether you're buying a rental home or a home to live in, the current market in both Alameda and Contra Costa counties is hypercompetitive. We are experiencing the lowest inventory levels in history. This makes it extremely difficult for buyers to get in because the demand is so great. For sellers, it is fantastic. Prices in Alameda and Contra Costa counties have increased by double digits within the last two months!

***What factors should an investor consider when deciding to buy, sell, or hold residential rental properties in the current market?***

The reality in this market is that it will be very difficult to have positive cash flow unless you put down a very large deposit. If you are simply putting down 25%, you will be hard-pressed to find anything that will cover your PITI costs. I still believe there will be price appreciation over the next few years, so if you can hold onto the property for a while, you will probably make good money. I don't see demand slowing down much over the next several years. A winning offer in Alameda and Contra Costa usually is one with a lot of cash down or an all-cash offer with no contingencies.

***What are the top criteria that prospective investors should consider when choosing where to purchase rental properties?***

Location.

***Which neighborhoods/cities in Alameda and Contra Costa counties are promising areas for investment, which would you avoid, and why?***

There aren't too many areas that would make a bad investment in Alameda or Contra Costa. It seems like everything that is priced correctly sells almost immediately with multiple offers.

***Which East Bay neighborhoods/cities are the least and most restrictive/friendly to rental property owners?***

Cities like San Francisco, Berkeley, Oakland and Alameda are generally more renter-friendly. Otherwise, it really doesn't matter much in other cities. The entire state is under rent control.

***What kinds of rental properties would you recommend investing in given current market conditions, and why?***

I'm a big proponent of single-family, detached homes. I have invested in those myself. I like them because they are highly desirable by renters and they are the easiest to sell when it comes time to liquidate. They also have either very low or no HOA fees.

***What are your top tips for building a real estate portfolio?***

Do your due diligence, use a great agent who will help you find the best values on the market, and get in the market any way you can. Once you are in the market, you can build equity and use your real estate to leverage other properties if need be.

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*The day you close as a buyer is also the day you become the seller, so have a short-term and long-term strategy in place, and don't go in blindly.*

*—Jennifer and Jillian Loh*

Jillian and Jennifer Loh (above, from left) of the LOH SISTERS Multifamily Team are the East Bay's triple-designated CCIM CPM® broker associates with LOH Realty & Investments and Wellington Property Company, a \$500M property management firm specializing in multifamily and commercial assets. As credentialed multifamily specialists, their advisory spans all phases of multifamily ownership: acquisition, holding period, disposition and beyond. Their all-in-one investment solution optimizes decision-making, performance and profitability for valued clients. LOH's average client relationship spans 20-plus years, and they take great pride as trusted partners of individuals and families who build legacy through East Bay multifamily real estate.

***How would you summarize the health of the rental housing market in Alameda and Contra Costa counties right now, and what do you forecast for the year(-plus) ahead?***

Where we are today feels drastically different than where we were one year ago. Initially, the biggest fear was the likely scenario of renters hiding behind the eviction moratorium to evade rent collection. There was also heightened uncertainty caused by media coverage regarding out-migration trends—people leaving the Bay Area and California in droves.

Today, the majority of multifamily investors are optimistic, driven by the fact that our worst-case scenarios failed to actualize; rent collection exceeded expectations; and market fundamentals are trending positive toward pre-pandemic levels. East Bay markets outperformed San Francisco and San Mateo counties, with a significant percentage of their renter population moving to Alameda and Contra Costa counties in search of affordability and space. And while there is a significant amount of vacancies and movement within Bay Area markets, much of it is inner-market movement, not necessarily people leaving the Bay Area or California as predicted.

From a leasing perspective, we see many renters coming from San Francisco in search of less dense living conditions and lifestyles, lower rents, more space and better weather for outdoor activities. We also see a large Oakland population coming to property showings, sizing up the market and looking for alternatives to their current rentals. Many of them are looking for a second bedroom or transitioning from

apartment to single-family homes. Some are in current negotiations with owners for rent reductions and credits, and are actively looking for comps to use as leverage.

“Stabilization” is the theme for the upcoming year. Oakland will continue to remain desirable—both in the minds of investors and renters—but supply pressures will continue to challenge submarkets, especially those closer to downtown where rent concessions are all but standardized to secure new leases. Berkeley's rebound will closely correlate to the reopening of in-person classes at the university. Students and professors will return to the area for on-campus and off-campus living accommodations, which will drastically bring an influx of people back to the area, and rents will increase as a result. Walnut Creek and Concord will continue as they are—stable with gradual growth. Suburban areas like Pittsburg and Antioch, which saw dramatic rises in demand during 2020, will see growth level out and stabilize.

***What factors should an investor consider when deciding to buy, sell, or hold residential rental properties in the current market?***

Post-COVID, anyone who owns multifamily assets should start by evaluating investment performance. How well did the asset perform through the pandemic? Did renters pay rent on time and in full? Did vacancies leave an impact? Were there management challenges with rent reductions and concessions, or was there minimal impact and an overall sense of cooperation? Most of our clients, predominantly individual and family-owned portfolios, see 2020 as a blip on the radar and escaped without major implications, but the answers to these questions will help guide holding and disposition decisions.

We also recommend revisiting your overall investment strategy by working with a qualified broker to run comprehensive financial analysis like the CCIM model. (The CCIM designation, which stands for “Certified Commercial Investment Member,” is regarded as the most distinguished industry certification in commercial real estate.) This exercise will help to determine the value of your asset today, and provide valuable insights to create and drive value.

With interest rates historically low, many of our clients are capitalizing on built-up appreciation and leveraging portfolio



lios—either by considering 1031 exchanges or refinancing to purchase additional assets.

***What are the top criteria that prospective investors should consider when choosing where to purchase rental properties?***

Location is the most obvious. Savvy investors look for economic and job growth, which drive population and housing demands to an area. Beyond this, many investors overlook the importance of drilling down on renter demographics. Analyzing numbers only gets you so far. When you have a comprehensive understanding of renter segments, psychographics and patterns, your projections will be far more accurate in determining cash-flow and asset performance.

Investors should also consider their risk tolerance along with their holding strategy. Some investors aggressively seek properties with below-market rents and offer renters cash for keys for immediate value-add and hold short-term, three to five years. These housing providers are comfortable operating in markets like Oakland and Berkeley, where rents are significantly higher, appreciation grows faster, and returns are far greater. Others prefer a safe investment with stable income in less stringent rent control jurisdictions and hold for decades. The important takeaway is: The day you close as a buyer is also the day you become the seller, so have a short-term and long-term strategy in place, and don't go in blindly.

***Which East Bay neighborhoods/cities in Alameda and Contra Costa counties are promising areas for investment, which would you avoid, and why?***

Oakland will remain desirable for working professionals with permanent and hybrid work-from-home schedules post-

COVID. Proximity to transportation linkages, either by public transportation or private car, and semblance and accessibility to urban/city life will continue to make Oakland an attractive option. Within Oakland, Rockridge, Lakeshore and Piedmont Avenue, submarkets will see an uptick in demand—these were neighborhoods impacted by the luxury living developments over the past 3-4 years when renters prioritized Downtown convenience and amenities. The competitive advantages these smaller buildings offer are larger units in quiet and safe neighborhoods. This will remain a trend for several more years, if not long-term, depending on whether companies will continue being flexible.

Areas closer to Lake Merritt and Downtown Oakland will, near-future, continue to be doubly impacted by high vacancies and supply pressures from the new, amenity-driven developments. Leasing activity will remain challenging here, with concessions bringing a fierce competitive element to attract renters.

Neighborhoods within walking distance of BART, like Temescal, will continue to attract demand from younger working professionals.

Berkeley assets will also remain desirable. With minimal development and supply pressure, and an influx of people returning to the area, rents will see a significant rebound. Many assets will do very well for years to come.

Certain areas in Lafayette and Walnut Creek remain interesting, especially for properties located close to BART stations, but investors should understand growth takes a bit longer there than in areas in Oakland and Berkeley. These are “safer” investments where rent restrictions are less stringent, but rents are softer, and appreciation will take longer to achieve.



A LOH SISTERS listing  
in Oakland

***Which East Bay neighborhoods/cities are the least and most restrictive/friendly to rental property owners?***

Oakland and Berkeley are notorious for complex rent control markets. But if you understand how to navigate the challenges, or if you have a strong management partner, investors do very well. We had a client who avoided Oakland and Berkeley for years, simply because of rent control laws. After January 2020 and with the passing of AB 1482 (statewide rent control), we found an off-market trophy property to add as a diversification piece. ... By identifying an asset with strong in-place rents, in an incredibly desirable location, his rent control concerns are no longer prohibiting him from investing.

***What kinds of rental properties would you recommend investing in given current market conditions, and why?***

Multifamily real estate, hands down. As an asset class, multifamily has historically performed extremely well throughout the Bay Area, simply because housing demand is so strong. Affordability makes homeownership challenging for a large segment of the population who want to be here, which drives demand for multifamily. ...

Single-family homes typically generate higher rents, but the overhead costs and wear and tear are higher, and renters demand more from owners. You are either 100% occupied or 100% vacant, which poses cash-flow risks for an investor.

In comparison, any time you have the opportunity to invest in assets with multiple revenue streams, the better. The more doors, the better. This is why multifamily is much more attractive. If one renter leaves, an investor can still rely on 75% of the income any given month. The cash-flow implications are more insulated and protected.

Two- to 4-unit [properties] still fall under the category of residential lending, and with interest rates so low, it is far easier to make investments here.

Depending on unit mix, most renters won't stay long-term, giving owners the opportunity to bring rents to market.

***What are your top tips for building a real estate portfolio?***

As a new investor, start with residential income and aim for 3-4 units. Lenders typically require 20-25% down, with some programs requiring as little as 5% down. A great option is to owner-occupy: Collect rent and let your renters pay down your mortgage.

For established East Bay investors, use the tools to your advantage! Capitalize on appreciation, depreciation, tax benefits, refinance and uplegs. Once you add value and stabilize the cash flow in one asset, look to another submarket to diversify. The savviest investors are always growing their portfolios to accumulate wealth for themselves and future generations.

Do not hold longer than 10-15 years. Once your 27.5 years of depreciation expires, upleg.

Last but not least, have a succession plan in place. Involve your heirs before inheritance as to avoid any familial

disputes. We see this happen far too often. Multifamily real estate is a gift and an incredible investment vehicle—make sure you use it wisely.

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*Fortune favors the bold, and it is especially true in real estate.*

*—Steven Pinza, Esq.*

Steven Pinza, Esq., is a licensed real estate broker and attorney specializing in the disposition and acquisition of multifamily properties in the East Bay.

He's also president of the Pinza Group, the top apartment sales brokerage in the East Bay (according to CoStar), and the sole owner of over 150 apartment units in the region. Widely considered one of the most successful real estate brokers and investors in the San Francisco Bay Area under the age of 40, Pinza has sold nearly \$1B worth of investment properties to date.

***How would you summarize the health of the rental housing market in Alameda and Contra Costa counties right now, and what do you forecast for the year(-plus) ahead?***

What you'll find in these counties varies widely based on the city and neighborhoods you're looking at. Typical student housing in Berkeley has suffered for example, as have more speculative "up-and-coming" neighborhoods such as Fruitvale and West Oakland. Signs point toward a cautious, but steady, recovery in the East Bay as things open back up, but I suspect we will see the housing landscape continue to shift in the aftermath with policy change and Biden's proposed changes.

***What factors should an investor consider when deciding to buy, sell, or hold residential rental properties in the current market?***

Investment goals can vary widely, and making changes or adding to one's portfolio requires careful consideration. With interest rates at historical lows and so much liquidity in the market, this has been more of a "seller's market" even during the pandemic. Cap rates have actually compressed further on turnkey assets in [tier-] A locations other than Berkeley, Oak-



land and San Francisco. A seller's investment and retirement goals aside, one might consider selling a property where rents are at market value and future growth may be limited to the growth of the location of the property. That seller could cash out at record high sales prices or consider taking advantage of the section 1031 tax-deferred exchange and buy a larger asset with growth potential to expand their portfolio.

In terms of buying, one should consider whether their investment has room to grow. Are the rents at or below market? Is the location one that is likely to flourish or be the first to take a hit during economic strife? Does governmental policy in that location artificially limit growth?

***What are the top criteria that prospective investors should consider when choosing where to purchase rental properties?***

There are many investment perspectives, especially in the Bay Area where the market is constantly evolving. Historically, policy change and a large concentration of companies providing jobs or leaving the Bay Area have had the largest impact on housing, and subsequently, investment opportunity. We have noticed investors taking advantage of unique opportunities that arose in the past year. Criteria that our investors typically look for are current cash flow, upside potential and specific opportunities that combat restrictive policies, such as rent control, or use them to their advantage, such as the new rules for building accessory dwelling units (ADUs).

***Which neighborhoods/cities in Alameda and Contra Costa counties are promising areas for investment, which would you avoid, and why?***

I tell everyone that every single city in the United States of America is a great place to invest, and I mean that. It's deal-specific compared to city-specific. Anyone who chases a certain city compared to a certain investment is likely doing it because their portfolio is concentrated there, which is fine. But if that's not the case, a new investor should look anywhere that there is a good deal.

***What kinds of rental properties would you recommend investing in given current market conditions, and why?***

Any property with an element of housing is safe. Someone will always need a roof over their head, but not everyone needs a physical office to work [in], a warehouse for operations, etc. Plus, when you have a vacancy in residential, you don't feel it as much as you do with other facets of commercial real estate, so your cash flow is a bit more steady.

***What are your top tips for building a real estate portfolio?***

Be aggressive. This isn't rocket science. Fortune favors the bold, and it is especially true in real estate.

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## ASK THE EXPERT BRENT KERNAN

***What do I need to know about buying an occupied rental property in the East Bay—especially in the time of COVID-19?***

From the legal perspective, you need to be aware of your rights as the property owner and your obligations as a housing provider.

Your rights (that is, your ability to control the property you own) stem from the existing rental agreements and from the laws affecting your property. Before you buy, you should be very careful to gain full knowledge of the rental agreements with the existing renters. Check the estoppel certificates, and request to see the tenancy files of the current renters. A strong rental agreement is one that clearly and exhaustively defines the obligations of the renter and the reserved rights of the housing provider. When a rental agreement is brief, unclear or nonexistent, all deficiencies will likely create serious problems for the housing provider and be interpreted to the benefit of the renter. In my experience, most new owners of rental property (especially small properties) face their most serious renter difficulties because of the lack of clearly defined obligations of the renter and the housing provider. What may seem like common sense rarely matters unless it is defined in writing somewhere.

Your obligation is to provide safe, clean housing that complies with the various state and local codes related to habitable rental property. Be aware that there is no shortcutting this obligation. In my experience, anyone who tries ends up in a bad situation. Unpermitted work will almost always be discovered eventually. Ineffective repairs will always need to be remedied. Either you are capable of professional repairs and maintenance, or you will have to hire such professionals. But you will not succeed as an amateur trying to save money by doing it yourself—unless you know what you are doing.

The laws affecting rental property in the East Bay are diverse and always changing. Over time, they have taken away many rights of housing providers to control their rental property. The trend will likely continue. ... You must be able to emotionally distance yourself from the difficulties related to working in such a politically challenging environment as the East Bay. If you cannot, you will likely face real anguish.

*Brent Kernan is a real estate property lawyer representing rental property owners and managers in the Bay Area. He has practiced this area of law for over 20 years. He is also an EBRHA board member and a rental property owner himself.*

# *what renters* **WANT**





# Renters' preferences are changing one year into the pandemic.

*By Erica Rascón, courtesy of Yardi*

More than a year has passed since Yardi Systems' RENTCafe.com first issued a survey to understand renters' responses to the pandemic. A new survey reveals surprising ways that renters' preferences have changed, and which preferences remain the same.

## WHAT RENTERS WANTED

The March 2020 renter survey issued by RENTCafe.com gave analysts an understanding of renters' expectations and concerns at the beginning of quarantine in the U.S.

About 45% of respondents had no concerns in particular. About 18% of renters were concerned if it was safe to move during that time, and 13% were concerned that they would not be able to pay rent in the near future.

Concerns aside, 56% of renters intended to move as scheduled. (About 18% had a lease that expired, and they needed to move.) Only 8% were postponing their move because of the pandemic and putting the selection process on hold.

Of renters who were actively searching, 28% sought a unit that was cheaper than their current home. About 5% wanted a floor plan that facilitated roommates so that they could save money.

## WHAT RENTERS WANT NOW

More than 10,600 people participated in the March 2021 survey. Survey questions aimed to reveal:

- how renters' preferences had changed after a year of shelter-in-place practices
- their biggest concerns regarding their upcoming move
- how the pandemic impacted their rental selection

More than 50% of renters listed the pandemic as a trigger in their decision to move. Many renters relocated to create a better financial outlook: The top reason for relocation was to save money. Nearly 30% of participants who are in the process of moving sought a better deal.

A quarter of participants needed a change of scenery after several months in quarantine, but they didn't seek a massive change. About 48% of renters preferred to remain in the same city. A noteworthy 90% of respondents sought long-term rentals, which could mean that even those seeking a change in scenery wanted a sense of stability. Others

may simply want to lock in a lower rate for longer.

Lifestyle improvements ranked third and fourth on renters' lists. More than 20% of renters searched for open-air amenities, and 20% desired more space.

## SAFETY LESS OF A PRIORITY ACROSS THE BOARD, YET SOLO LIVING IS ON THE RISE?

Have renters relinquished their safety concerns? Concerns still linger, though they're nearly half as prevalent as before.

In 2020, 18% of renters were concerned about whether it was safe to move during a pandemic. Exactly 9% are currently concerned about safety. Last year, about 15% of renters were concerned about the hygiene standards of their community. This year, only about 9% listed hygiene as a concern.

Interestingly, 4% of respondents were so concerned about health and safety that they sought to live alone in 2020. Fast-forward one year, and that number has risen to 8%. So while trends suggest that health and safety are not as important to renters as they were last year, the [number] of renters seeking solitude for safety has increased.

## DOES THE PANDEMIC STILL INFLUENCE RENTER RELOCATION?

Recent survey participants stated that the pandemic had little influence on whether they move now or later. About 67% of renters currently seeking an apartment are committed to relocating now.

As before, necessity motivates most moves today. For 32% of respondents, one of their biggest concerns was if they would be able to pay their rent. Even more renters (34%) are seeking a cheaper unit now that their previous lease has ended.

In short, more renters are relocating due to the effects of the virus rather than the virus itself. In 2020, a considerable number of people relocated to avoid exposure. The 2021 survey suggests that an even larger chunk of people relocated due to lease expirations and the desire for greater financial savings during uncertain times.

Learn more about what renters want on the RENTCafe.com blog.

*This article originally appeared April 8, 2021, at [yardi.com/blog/news/renters-changing-preferences/28760.html](https://yardi.com/blog/news/renters-changing-preferences/28760.html).*

# Tax Talk

10 DON'T-MISS TAX DEDUCTIONS *Courtesy of Mynd*

**W**hen filing their tax returns, most rental property owners write off standard tax deductions like mortgage interest, insurance and ordinary maintenance and repairs. But there are many other tax deductions that rental property owners frequently miss.

The IRS extended this year's federal income tax filing due date for individuals for the 2020 tax year from April 15, 2021, to May 17, 2021. Before you file, you should know about these 10 often-overlooked tax deductions.

## 1. BUSINESS STARTUP COSTS

If you're just starting your rental property business, you might be able to deduct a portion of your startup costs. Common startup costs include accounting fees and training for new employees. Although most startup costs are considered capital expenditures, you may be able to deduct up to \$5,000 of those costs if your total startup costs exceed \$50,000. The remaining costs must be amortized over a period of time.

## 2. COSTS INCURRED WHILE LOOKING FOR NEW PROPERTY

The costs of your hotel, airfare, rental car, meals and other travel expenses incurred while looking for a new rental property are fully tax-deductible if they are ordinary and necessary. To qualify, at least half of the time you spent away on travel must have been spent on doing business, and the primary reason for travel must have been for business.

## 3. ORDINARY AND NECESSARY ADVERTISING EXPENSES

Rental property owners can write off any costs incurred while advertising

their business and/or a rental unit. Typical expenses include classified ads and signs. You can even deduct the costs of building a new website.

## 4. UTILITIES PAID BY THE RENTAL PROPERTY OWNER

Owners often pay for common area lighting and security systems. But did you know that they can also write off expenses like heating, water, sewer and gas? The costs of utilities used by renters are fully deductible, even if your renter reimburses you later—just be sure to claim those reimbursements as income.

## 5. PROPERTY MAINTENANCE

Property maintenance costs, whether frequent or infrequent, are all deductible maintenance expenses. Examples include pest control, HVAC servicing and landscaping.

## 6. PROPERTY MANAGEMENT COMPANY FEES

Property management fees are considered administrative expenses and can be written off in full. If you self-manage your rental properties, don't forget to write off ordinary maintenance costs (like yearly fall maintenance), screening prospective renters and advertising.

## 7. HOA DUES

If you belong to a homeowners' association, you have to pay dues. Since they're a necessary expense, they are deductible against your rental income.

## 8. LEGAL FEES FOR AN EVICTION

One of the real costs of eviction is legal fees. You can deduct court fees and legal fees.

## 9. ENERGY EFFICIENCY

If you upgrade your property to be more energy-efficient, you might qualify for a partial deduction. For example, replacing an HVAC that's 10 years old or replacing a 15-year-old water heater. For a list of qualifying upgrades, consult the IRS.

## 10. INSURANCE

You can deduct your rental property insurance, which is 15% to 25% more than homeowners insurance for owner-occupied properties. If you work out of a home office, you can also deduct a part of your primary residence insurance.

Time's a tickin'! Schedule a meeting with your accountant, tax attorney or property manager ASAP to be sure you're taking full advantage of all possible deductions.

*Adapted from "31 Tax Deductions Often Overlooked by Landlords," updated April 19, 2021, at [mynd.co/knowledge-center/10-tax-deductions-of-ten-overlooked-by](https://mynd.co/knowledge-center/10-tax-deductions-of-ten-overlooked-by)*

**Mynd serves the single-family residential real estate sector with a combination of on-the-ground experts and innovative technology. The company manages approximately 8,000 units in 16 markets nationwide (including the East Bay) and plans to expand into additional markets so investors, regardless of their geographic location, can expand their investment portfolios. Learn more at [mynd.co](https://mynd.co).**

*Disclaimer: This article is intended as informational only and shouldn't be relied on as tax or legal advice.*



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### West Coast Premier Construction, Inc.

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### West Coast Premier Construction, Inc.

Homy Sikaroudi | 510.271.0950  
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# Last Look

SUN'S OUT, FUN'S OUT



Skies are blue, people are itching to mingle, and the popularity of indoor-outdoor living shows no sign of waning. Is your outdoor furniture up to the task? (Hint: That rickety patio set from the big-box store won't cut it.) If the answer is no, it's time to upgrade—but first, be sure to take into consideration how residents are using outdoor space. “When selecting pieces to include in the outdoor common area, you will want to consider shade requirements to enhance dining and lounge clusters,” says Lindsay Kissel, vice president of business development for TUUCI, a leading manufacturer of shade products for outdoor commercial and hospitality environments. “The recent trends have focused on a smaller, more intimate gathering space for groups of two to six people and generally include a cushioned deep seating set or a few club chairs. Choosing a complementary shade device of a cabana, cantilever umbrella or classic umbrella will only help heighten the experience and allow for total outdoor enjoyment.” For a long-lasting shade solution that will enhance your property and protect your residents in style, consider the Ocean Master MAX F-1 (pictured above): TUUCI's most durable and wind-resistant design. Bonus: It's available in multiple finishes, two shapes and every color under the sun.

*Available at Dunkirk, 101 Henry Adams St., Suite 270, San Francisco. Visit [tuuci.com](http://tuuci.com) for additional products and information.*



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