

INVESTORS AND PROPERTY OWNERS PLANNING TO REMOVE OCCUPANTS TO REMODEL OR MOVE INTO THE PROPERTY NEED TO UNDERSTAND CALIFORNIA'S RECENTLY PASSED SENATE BILL NO. 567 BEFORE JUMPING INTO THE FIRE

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SB 567 directly impacts two sets of property owners – Fix and Flip investors planning to substantially remodel or rebuild a property for resale AND property owners planning to move into an occupied property either themselves or by a family member.

To Understand the New Laws, We Must Understand the Old Laws!

Civil Code § 1946.2 prohibits a property owner from removing a tenant who has continuously lived in the property for 12 months without just cause. “Just cause” is broken into two groups – “at-fault just cause” and “no-fault just cause.” As you can imagine, “at-fault just cause” generally involves a tenant’s failure to pay rent, breach of lease, waste, running a meth lab or other criminal activity. For our purposes, we are focused on the “no-fault just cause” grounds to remove occupants, which include: (i) the property owner or family member moving into the property; (ii) completely removing the property from the rental market; (iii) complying with certain government orders, e.g., code violations; or (iv) substantially remodeling the property.

Beginning April 1, 2024, SB 567 will add a significant hurdle to any “no-fault just cause” eviction where the property owner (or the owner’s direct relative) desires to occupy the residential real property or an investor seeks to displace the tenant for a substantial remodel.

New Rules for Property Owners Planning to Move Into the Property

It is very common for prospective owners to buy rental property with the goal of moving in or for existing property owners to remove occupants to move their children or parents into the property. Historically, this was a fairly easy process with no restrictions or guidelines on when the owner must occupy the property or for how long. Effective April 1, 2024, SB 567 will require that the property owner or family member (spouse, domestic partner, parent, child, grandchild, grandparent) actually move into the property within 90 days AND continuously occupy the property as their primary residence for at least 12 months. In other words, property owners cannot just use the “move in” provision as an excuse to get rid of a tenant they do not like or to increase the rent.

In addition to the new requirements in SB 567, property owners should also pay close attention to City and County restrictions on asking tenants to move out so you or your family can move in. Many Cities and Counties have conflicting or more restrictive requirements. Before buying a property with the plan to remove the occupants and move in or before acting to move your family into one of your rental properties, we suggest contacting your attorney to understand all applicable laws. See below for what happens if you get it wrong!

New Rules for Investors Planning to Tear Down and Rebuild

Previously, investors could relatively easily remove occupants by citing the “substantial remodel” grounds of the “no-fault just cause” grounds. Starting April 1, 2024, those same investors will have to jump through several more hoops before they can remove the tenants. Specifically, SB 567 will require the investor to provide the tenant with written notice, which includes a description of the substantial remodel to be completed and the expected duration of the repairs, or the expected date by which the property will be demolished, and a copy of permits required to undertake the substantial remodel or demolition. The Bill further requires that the remodel or demolition actually be done.

Again, please keep in mind that some Cities and Counties have different and often more restrictive requirements when removing tenants to demo or substantially remodel the property.

What Happens if You Get it Wrong?

SB 567 gives wrongfully displaced tenants the right to sue property owners for violating either of the above provisions. In addition to recovering actual damages, the wrongfully displaced tenant can recover punitive damages, treble

damages (i.e., triple actual damages) and attorneys' fees and costs. On top of that, a property owner who wrongfully displaces a tenant to demo or substantially remodel the property, must also offer the property back to the displaced tenant at the same rent and lease terms along with reimbursement for reasonable moving expenses. And, if that's not enough, the Attorney General could also sue you for the same violations!

And Don't Forget!

When using any of the "no-fault just cause" grounds for removal, the tenants are entitled to relocation costs equal to one month's rent. And, you guessed it – many Cities and Counties require more substantial relocation costs. Lastly, don't forget to check to see if there are any local rent control restrictions!

Do the New Laws Mean That Property Owners Can Never Move In or Remodel Their Property?

No. SB 567 is not so onerous that it prevents property owners from moving their kids into a rental property or investors from remodeling and reselling property. Nor does it make the process so complicated that it is no longer cost-effective to do so. SB 567 merely changes the rules by which property owners may remove tenants. If done properly, investors and property owners can still take advantage of these "no fault" grounds to get possession. But, if not done properly, SB 567 creates significant financial exposure for these property owners and investors. To reduce that risk, we recommend consulting with your counsel prior to venturing down either path to remove occupants.

If you have any questions regarding Senate Bill 567 or need help navigating the various State, City or County regulations, please feel free to contact Todd Chvat at tchvat@wrightlegal.net.



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