



SUMMER 2019

REALSMART

Newsletter

A QUARTERLY JOURNAL OF REALSMART IDEAS

CALIFORNIA'S RENT CONTROL BATTLE LIKELY TO RESUME 2020

Buckle up everyone! It's looking increasingly likely that the 2020 election will bring with it another heated rent control battle in California. The sponsor of last year's failed rent control measure, Prop 10, was recently cleared to begin collecting signatures for a new ballot measure. Should they succeed in collecting the 623,212 signatures required to get it on the ballot, you can expect the fight we saw from both sides in 2018 to be revived in a big way.

To refresh your memory, 2018's Prop 10, which was soundly defeated by a 60% NO vote, would have repealed the Costa Hawkins Act and opened the door for city governments to establish rent control with no limitations. Currently, under the Costa Hawkins Act, cities are prevented from imposing rent control on units constructed after 1995, as well as any single-family homes and condominiums.

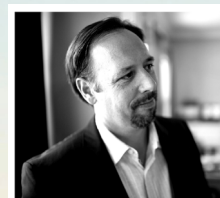
This new initiative, backed by the Los Angeles-based AIDS Healthcare Foundation, would similarly allow cities and counties to implement stricter rent control policies than currently allowed under the Costa Hawkins Act, though there would be some key differences. Unlike the 2018 ballot measure, 2020's measure wouldn't repeal Costa Hawkins, but instead, it would modify it by allowing cities to opt into a rent control regime that would apply to all housing that is more than 15 years old. The rules would also require cities to limit how much a landlord could increase rents when a new tenant moves in, provided that it's at least 15% over a 3-year period. Lastly, property owners renting out two or fewer homes would be exempt, which seems to be a concession to those who argue that rent control unfairly punishes "mom and pop landlords" who make a modest living from their

rental property, and are especially vulnerable in the event of a market downturn.

If passed, cities with existing rent control ordinances would switch over to the new system automatically. For example, rent control in San Francisco would immediately apply to all housing built in 2006 or earlier, rather than in 1979 or earlier as it does today.

A combined \$100 million was spent fighting for and against Prop 10 in 2018, and both sides are already prepping for similar efforts this go around. Last week, the AIDS Healthcare Foundation contributed \$400,000 to a campaign account for the initiative. And Deb Carlton, Senior VP of the California Apartment Association, one of the biggest fundraisers against the measure, assured that "we will wage the same level of opposition that we did before. We think the voters get it, and they'll get it again."

Depending on how closely you follow our newsletter, you might already be familiar with where we stand on the issue. If not, you can read an elaboration on our argument against rent control at: www.realsmartgroup.com/rentcontrol



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REALSMART FUND UPDATE: TWO NEW RWC PROPERTIES

Exciting news to report as the RealSmart Fund has acquired two new properties in Redwood City since our last newsletter! One on Arlington Road just down the street from our office in Edgewood Park, and the other on Kansas in the Woodside Plaza neighborhood.

Both of these properties offer great bones (cliché, I know) in two of our favorite Redwood City neighborhoods. Arlington was purchased earlier, so the renovation is a little further along. Framing, roofing and new windows are already complete, and much more is underway. This will also be the site of our next Fixer Mixer - stay tuned for further details! Demo is underway at Kansas, and the final design draft is currently on our engineer's desk for review.

For more info on RealSmart projects or general inquiries about our fund, call (650) 363-2808.



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REDWOOD CITY MOST EXPENSIVE IN COUNTRY TO RENT A STUDIO



In a recent Apartment Guide (apartmentguide.com) report, which analyzed May 2019 rental inventory, Redwood City ranked as the most expensive city in the country to rent a studio apartment, and among the top 5 most expensive cities for a 1 or 2 bedroom.

Yes, you read that correctly... it costs more to rent a studio apartment in Redwood City than similar apartments in San Francisco or New York City. Even historically pricier Peninsula cities like Palo Alto and Menlo Park trail Redwood City on these lists.

The report shows that an average studio apartment in Redwood City runs \$3,361.65, ahead of 2nd place San Francisco by about \$6. For a 1-bedroom home, Redwood City is ranked as the 4th most expensive

city, at \$3,794.36. And for a 2-bedroom, 5th place, at \$4,784.86.

Interestingly, after registering among the top 5 in the category of most expensive cities for studio, 1-bed and 2-bed apartments, Redwood City failed to crack the top 50 for 3-bedroom apartments.

Headlines like this show just how much growth we have seen in this town over a relatively short period of time. While all cities across Silicon Valley and the greater Bay Area have seen huge jumps in rent/s/home prices over the past several years, Redwood City's growth has definitely stood out. This is largely due to the 2011 Downtown Precise Plan, which fast-tracked a tidal wave of commercial and residential development in the downtown area, forever changing the identity of this traditionally blue-collar suburban community. Now, just eight short years later, we're one of the top five most expensive cities in the country.

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HOME RENOVATION CORNER

REFRESHING OLD HOMES WITH NEW LIGHTS



There are lots of small and inexpensive improvements you can make in order to refresh your older home to make it feel less dated to buyers at open houses. First impressions are key, so even if you can't afford a major remodel, you can take small steps to brighten up your home.

Deciding which improvements are right for each specific property is largely guided by budget and prioritizing which areas of the home need the most attention. However, one improvement we almost always recommend to clients selling older homes is replacing outdated light fixtures. It's a very cost-effective way to brighten up a living space (literally), and adds a tasteful modern touch to an older home.

Popular lighting styles have shifted so much over the years, and as a result lights tend to be some of the more obviously dated features in an older home. Unlike hardwood floors, which can still look gorgeous in original condition if properly maintained, lights from the 1950's don't generally age well. It's best to swap them out, even if it's just for a cheap contemporary. That being said, not all new lights are improvements! Stick with something simple, clean, and understated. Avoid lights with lots of points and edges, or lights made with multiple colors or finishes.

Pictured to the right are some examples of lights we've recently had installed at clients homes. If you're interested in swapping out

lights in your own home, give us a call and we'd be happy to offer some recommendations!



MORTGAGE UPDATE

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DESPITE GROWING EQUITY, FEWER HOMEOWNERS CHOOSE TO TAP INTO IT

Building equity is a key goal for most homeowners, as it provides financial flexibility, peace of mind and something to pass down to your children. Fortunately for most Bay Area homeowners, this hasn't exactly been difficult to do in recent years. According to MLS Listings housing data, average single-family home prices have increased by over \$1,000,000 here in San Mateo County since 2011. And while the nationwide growth hasn't been nearly as dramatic, it has been steady. So, if equity is growing, why are fewer homeowners choosing to tap into it?

According to a recent report from the National Association of Home Builders, the amount of available revolving credit in home equity has grown to \$530 billion, up \$10 billion from the previous quarter. Despite this, home equity balances and the number of revolving home equity accounts both dropped significantly.

Considering how well home values have done in the Bay Area, it's hard to fault anyone for leaving their money in their home and letting it continue to build wealth. But nationwide, where price growth has been more modest, perhaps people are just being cautious. Prior to 2007, many people treated their homes as piggy banks, which ultimately left them vulnerable when the market crashed. Holding on to a healthy buffer of equity certainly helps protect you in the event of a downturn.

Still, given the right circumstances, accessing your equity for home renovations to pay off high-interest loans or to reinvest the money elsewhere can be a sound financial decision. If you've thought about taking out a home equity loan to accomplish certain goals, we'd be happy to talk you through some options, as well as pros and cons. Feel free to reach out any time.

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FEATURED LISTING

SANTA CLARA AVE
REDWOOD CITY



BRAND NEW HOME IN RWC

This gorgeous brand new 5 bedroom, 4.5 bathroom home is in the finishing stages of construction. Featuring massive great room, fully loaded gourmet kitchen, top of the line finishes and stunning architectural details - keep an eye out for this home in the coming months.