



2011

LEGISLATIVE YEAR IN REVIEW



The Apartment Association of Orange County (AAOC) has a proven track record of protecting private property rights and 2011 was another successful year. From detrimental bills being proposed in Sacramento to local fees in Orange County, we are constantly tracking new legislation and agenda items and taking the proper steps to solve the problem, whether it be killing a bill or working with staff to amend an ordinance.



With the help of the National Apartment Association (NAA) and other associations throughout the state, the AAOC, now more than ever, is involved in every aspect of government whether it is at the federal, state, or local levels. In March, members of the AAOC staff were able to attend the NAA Capitol Conference in Washington D.C. where we met with Members of Congress to lobby on behalf of the industry. In April of this year AAOC along with the Apartment Association, California Southern Cities (AACSC), Apartment Association of Greater Los Angeles (AAGLA), San Diego County Apartment Association (SDCAA) and the Nor Cal Rental Property Association (NCRPA) headed to Sacramento for a Legislative Day. This gave us the chance to meet with elected officials from across the state as a united body. Together we met with over 55% of the California State Legislature in one day. We will continue to work with these associations and others to protect all rental property owners in California.



2012 will be an even bigger year for our legislative activity. Many bills that were defeated in 2011 will be back in the Legislature. In addition there are many issues on the horizon locally in which we will play an active role. Fire-safety, smoking bans and water rate structures are just a few of the challenges we will face in the upcoming year.

The 2012 election will also be an exciting time for the AAOC and the AAOC PAC. Redistricting has led to new districts being formed in the County, and in some races incumbents will now be running against each other. It is imperative the AAOC remains active in shaping political policy in Orange County and Sacramento by helping elect candidates who share the same beliefs of private property rights and a strong business community that we do.



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Email: membership@aaoc.com • www.AAOC.com

SACRAMENTO REPORT 2011

Working Hard in Sacramento to Protect Your Rights!

Every year the AAOC reviews thousands of bills and works to either defeat or amend those that are harmful to the property industry. In 2011 over 70 anti-landlord bills were introduced in the State Legislature. Never before has our industry faced such a high number of threatening legislation. With Jon Smock, our Legislative Advocate in Sacramento, and other rental property associations throughout the state, we were able to defeat three major bills that would have been detrimental to

our industry and amend or delay votes on many more. While we consider 2011 to be an extremely successful year in Sacramento, some bills will be returning in 2012. Thus, it is important for the AAOC to maintain an active presence in the State Legislature. Here are some key bills of 2011:



BILL #	(AUTHOR) DESCRIPTION
AB 265	<p>(Ammiano) — This bill would require a court to grant a tenant the right to remain in the rental unit or the right to regain possession of the rental unit if the tenant pays back rent due and pays nominal legal costs up to and including “lock-out.” This means tenants will be permitted to pay rent much later than the day it’s due. It would increase unlawful detainer actions, thus deterring landlords from entering into a lease with a new tenant in a timely manner because they would not know the status of the current unit.</p> <p>Outcome: Moved to inactive file. Returning in 2012</p>
AB 934	<p>(Feuer) — This bill would vastly expand a tenant’s right to sue their landlord. It encourages local government to enact and enforce laws relating to tenant harassment, eviction, termination of tenancy and rent control. It will also greatly expand city and county rights to adopt different and conflicting landlord and tenant law.</p> <p>Outcome: Died on the Assembly floor. Returning in 2012.</p>
SB 184	<p>(Leno) — This bill would allow state-wide rent control on new construction. Every local government could enact and enforce residential rent control on newly constructed units and prohibit property owners from suing a city or county for violation of law.</p> <p>Outcome: Died on the Senate floor. Returning in 2012.</p>
SB 337	<p>(Kehoe) — The bills original language would have removed a landlord’s ability to prohibit a tenant from posting or displaying any noncommercial signs, posters, flags or banners on or within any portion of a dwelling unit leased by the tenant, unless the posting violated a local state or federal law. However after vigorously opposing the bill, it was amended to apply only to political signs that are election related. Landlords can prohibit signs if it’s greater than a certain size and, if there are no local ordinances dictating time limits, landlords can also establish reasonable ones themselves.</p> <p>Outcome: Signed into law.</p>

ORANGE COUNTY LEGISLATIVE WATCH

Working Hard in Orange County to Protect Your Greatest Investments!



Newport Beach Unruly Gathering Ordinance — This year the City of Newport Beach passed a Loud and Unruly Gatherings Ordinance to help control large parties that have become a problem for the City. The original language of the ordinance would have included owners in the definition of the “Responsible Party” even when not on the property. It also defined the entire



complex as one property, which could cause a problem as fines increased based on how many times a property had unruly gatherings in a specific time period. After working with the City and other concerned owners, AAOC was able to remove owners from the “Responsible Party” definition unless they were in attendance and also redefined a property as an individual dwelling unit. Finally we were able to tighten the notification process so owners would be aware of what occurred on their property as soon as possible.

Water rates — Water rates continue to be a major issue in Orange County and throughout the state. Rates are constantly on the rise for numerous reasons. While it is difficult to stop these increases, as sometimes they are necessary, it is the rate structures in local cities that



have us concerned. One example is in the City of Orange where a tiered rate structure is used. Currently multi-family properties are allocated the same amount of water as a single-family for the entire complex. For example, a 30 unit complex

and a 2 bedroom house are allotted the same amount of water for a Tier One rate. We believe this is unfair to multi-family owners. The allocation should be per dwelling unit, not per property. We expressed our concerns to the Council and staff was directed to work on a new rate structure with our organization. We will be working on this project into 2012.

Costa Mesa Garage Inspection Program — This year the City of Costa Mesa experienced a tragedy when a young boy was killed in a garage fire at an apartment community. It was thought that the garage may have been turned into an illegal unit. As illegal units and utilizing garages for reasons other than parking has been a long time problem in Costa Mesa, the City’s staff was looking for ways to resolve the issue. One proposal



was a Mandatory Self-Certification Program in which owners or property managers would inspect their own garages once a year. While AAOC could potentially support a self-certification program, one major concern was the fact

that this proposal would have prohibited garages in new apartment construction or converts. As garages can be a huge commodity when leasing, we felt this was a drastic and unnecessary measure. We sent a letter to the Planning Commission and spoke to several commissioners to express our concerns and the proposal was voted down. However, AAOC will continue to work with the City of Costa Mesa to help solve the problem of illegal garage use.



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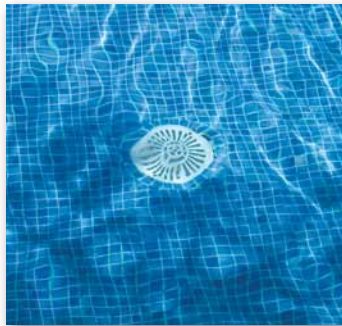
Federal Issues:

Being a member of the National Apartment Association (NAA) has given AAOC access to information at the federal level that would otherwise be difficult to obtain. It also means we have advocates on Capitol Hill who are fighting to protect the apartment industry nationwide. Here are just a few of the issues NAA has worked on in 2011:

1099 Reporting Requirements — In 2010 President Obama signed H.R. 3590 The Patient Protection and Affordable Care Act, also known as the Health Care Reform bill. A part of this law required additional 1099 reporting requirements beginning in 2012. This law would have required businesses to file a 1099 report to every business in which it purchases more than \$600 of services AND goods. Current law requires reporting when only a service is purchased for \$600 or more, not goods. It also would require corporations to be included on the reporting requirements, as they now are exempt. This would mean that if you bought a computer for your company from Best Buy, you would be required to file a 1099 for them. Many industries were vehemently opposed to this change as the amount of time and paper work required would be extremely unreasonable. On behalf of the apartment industry, NAA aggressively opposed the new changes and pushed for it to be repealed. In April 2011, the President signed the repeal of the expanded 1099 requirements.



Virginia Graeme Baker Pool and Spa Safety Act Changes — In 2008 President Bush signed the Virginia Graeme Baker Pool and Spa Safety Act into law which required public pools to have certain anti-entrapment devices on their pool or spa drains. This included unblockable drain covers over small, blockable, drain suction outlets, eliminating the requirement of a secondary backup system. In September 2011 the Consumer Product Safety Commission (CPSC) voted 3-2 to change this interpretation and now is requiring a back up system or device on single main drains that are blockable (smaller than 18" by 23"). As many of our members and public pools across the nation have already spent thousands of dollars complying with the original language, we feel the change is an unnecessary burden to apartment communities. NAA will be gathering information from associations throughout the country and working with the Commission into 2012 to try and resolve this costly problem.



Questions, Comments or Concerns

If you have any questions or comments concerning state or local legislation, please be sure to call the AAOC Public Affairs Department at 714-638-5550 or email Emily Osterberg, Director of Public Affairs, at eosterberg@aaoc.com.

Please also visit AAOC's website at: www.AAOC.com



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