

Real Estate USA

in USA - California

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RIGHTS AND REGISTRATION

Rights

What types of holding right over real estate are acknowledged by law in your state?

Real estate in California may be held by individuals, by tenants in common and by entities, including funds, joint ventures, limited partnership operating partners, publicly traded real estate investment trusts and limited liability companies.

Are rights to land and buildings on the land legally separable?

Land rights and building rights are separable.

Which parties may hold and exercise rights over real estate? Do any special rules, restrictions or requirements apply to foreign owners of property in your state?

Three main legal entities may hold real estate assets: corporations, partnerships and limited liability companies. There are limitations on ownership and sale if a foreign owner owns a controlling interest in property, as well as separate tax considerations. Thus, many foreign investors will limit their investment to a joint venture interest of no more than 49 per cent. Both seller and buyer must prove that they are in compliance with the Order of Foreign Asset Control.

Registration

Which real estate rights, interests and transactions are subject to registration in your state? What information is recorded in the relevant state and local registers?

A notarized grant deed is recorded with the County Recorder's office, typically coordinated through the title company and its escrow services. Foreign entities that own California real estate generally must be qualified to do business in California by registering with the California Secretary of State, and are required to pay an annual minimum franchise tax.

What are the procedural and documentary requirements for entry into state and local registers?
What are the legal effects of registration?

Total electronic registration is not allowed; however, many counties will permit electronic filing of originally executed transfer documents. Due to the timing of the actual filing, which in many counties happens the morning after escrow delivers the documents to the recorder, sellers will often sign a 'gap indemnity' to allow the title company to issue a title policy (a condition to the closing) prior to the actual recordation.

SALE AND PURCHASE

Due diligence

Are there any particular due diligence considerations for real estate sale contracts concluded in your state?

Buyers should review all materials necessary to understand the condition of the real property and improvements located thereon, in addition to all agreements affecting the property and income generated thereby. Accordingly, buyers should review an updated title report and all underlying recorded documents, updated survey, reports pertaining to the environmental condition of the property, entitlements, permits and governmental approvals related to the present use of the property and zoning requirements applicable to the property that could affect how the property can be modified, rebuilt or redeveloped, in addition to the property's compliance with existing zoning requirements. Additionally, with respect to the improvements located on the real property, buyers should review a property condition report, plans and specifications for such improvements, warranty information, certificates of occupancy, and permits and other governmental approvals related to the improvements. Finally, buyers want to validate the income-generating potential of the property, and should review the rent roll, all leases in effect at the property (with a specific focus on provisions that may impact the buyer's income stream or right to sell or lease the property as the new owner, including, without limitation, rights of first refusal or offer to lease or purchase, termination rights, free rent periods, abatement conditions, tenant inducement costs, landlord work obligations, etc.) and all contracts and agreements in effect at the property (including service contracts). Buyers also look for anything that would limit their ability to eventually resell the property. Additionally, the buyer will want to know if the property is in a district subject to additional taxes for neighborhood improvements, and will want to search for any liens against the property, pending litigation or bankruptcy filings against the seller that could affect the sale of the property. Due diligence regarding the physical condition of the building and other inspections may be handled by consultants or engineers, typically hired by the buyer, though sometimes hired by the buyer's law firm.

Contracts

Are sale contracts in your state subject to any formal or substantive requirements?

Obligations and liabilities

What are the seller's disclosure obligations and other liabilities, and what are the consequences of breach?

Certain California disclosure requirements are required in connection with a sale. Those can be contractually acknowledged or waived, or both, unless there is a public policy reason against it. The buyer acknowledges receipt of all seller disclosures in the purchaser agreement to document satisfaction of the obligation. There are additional obligations in condominium, residential and hospitality transactions.

If there is a breach of one or more of the representations and warranties, the buyer has several options. It can typically either terminate the purchase agreement and recover its deposit or elect instead to close over the known breach. Additionally, the buyer may be entitled to pursue additional remedies (including specific performance) if the breach also constitutes a seller default pursuant to the terms of the purchase agreement. Some parties will agree to toll the closing for a short period if the breach is curable and the delay allows time to remedy it. If a buyer first discovers a breach of a seller representation after closing, it can choose to pursue a claim against the seller, within a certain time frame, provided that the seller's liability will typically be limited as agreed upon by the parties in the purchase agreement. That window of liability is negotiated and usually spans six to 12 months.

Are there any other obligations on the buyer, aside from paying the purchase price?

Special considerations

Are there any other special considerations for real estate sale and purchase transactions in your state?

BROKERAGE

Registration

What are the registration requirements for real estate brokers in your state?

To obtain a real estate broker license, applicants must first qualify for and pass a written examination. Those who pass the examination are provided a license application that must be submitted to and approved by the California Department of Real Estate. The general requirements are as follows:

age: applicants must be 18 years of age or older to be issued a license;

residence: residency in the state is not a requirement to become licensed; however, if an applicant is not a California resident such applicant needs to comply with certain out-of-state applicant requirements;

honesty: applicants must be honest and truthful, conviction of a crime may result in the denial of a license, and failure to disclose any criminal violation or disciplinary action in an applicant's entire history may also result in the denial of a license; and

experience: a minimum of two years' full-time licensed salesperson experience within the past five years or the equivalent is required.

Regulation

How are the activities of real estate brokers regulated in your state

Activities of real estate brokers in California are regulated pursuant to various statutes and regulations including, without limitation, the California Civil Code, California Code of Civil Procedure, California Business and Professions Code, California Corporations Code, California Government Code, California Health and Safety Code, California Financial Code and the Regulations of the Real Estate Commissioner (i., Title 10, Chapter 6 of the California Code of Regulations).

LEASES

Lease agreements

Are lease agreements in your state subject to any formal requirements?

Commercial rents and lease terms are not subject to government regulation, but are dictated solely by market forces.

Do state or local laws set out any mandatory or prohibited provisions in lease agreements?

California is a contract law state. Landlords typically limit tenants to the anticipated use for which the building was intended. Covenants, conditions and restrictions will outline acceptable and prohibited uses. Some may be imposed by jurisdictions. For example, there are municipal-specific laws about the types of businesses that can be near schools. Areas zoned for office or R&D (research and development) can only be used for those specific respective purposes.

Some municipalities seeking to promote certain industries have further restrictions. For example, some areas in California are zoned and developed specifically for life sciences use.

What are the standard forms of lease agreement used in your state?

There are office, industrial and retail leases of commercial property. Office leases are the most highly complicated and thus highly negotiated leases. Industrial leases are less complicated, as the properties are used primarily for storage. Retail leases focus on terms and conditions to help maximize the retailer's ability to sell product.

Additionally, there are ground leases, master leases and space leases. Ground leases, in which a tenant leases the ground and develops the property, are typically 55 to 99 years long. Master leases, in which a tenant leases the entire building and then finds subtenants, are rare. Space leases, in which a tenant leases a particular space, are the most common.

Length of term

Are there any state or local laws regulating the terms of leases? Are long-term tenants accorded any special rights as to extension or renewal of leases?

There are various restrictions regulating the length of the term of a particular lease depending on the property type, owner and tenant. The length of a lease is usually five to 10 years, and sometimes 15 years. However, a general rule of thumb is the length of the term of a particular lease cannot exceed 99 years. Extension or renewal rights should be negotiated within the lease regardless of the length of a particular lease.

Rent and security deposits

Are there any state or local laws regulating rent increases?

Unlike with certain residential leases, there are no state or local laws regulating rent increases in commercial leases.

Are there any state or local laws governing rent security deposits?

Section 1950.7 of the California Civil Code governs rent security deposits. Among other items, this regulation (i) establishes the time frame by which a landlord must refund a security deposit under a lease, and (ii) provides that a landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by a tenant or to clean the subject premises. However, section 1950.7 of the California Civil Code can be waived, and typically is in fact waived, in commercial leases.

Can the tenant withhold rent payments on any legal grounds?

The payment of rent is typically treated as an independent covenant under a commercial lease, and as such, tenants do not have a de facto legal right to withhold rent payments under a lease. However, a tenant can negotiate a right to withhold rent payments (including the right to make repairs that are the landlord's responsibility under the lease and then deduct the cost of such repairs from the tenant's rent obligations) in any commercial lease.

Sub-letting

Under what circumstances is sub-letting allowed?

The law favors the free transfer of property, so except as otherwise set forth in a lease, a tenant may sublet its premises as it pleases. However, commercial leases typically provide for various conditions and limitations on a tenant's ability to sublet its premises, such as the requirement that such tenant obtain the landlord's consent prior to any such subletting.

Obligations and liabilities

What are the general obligations and liabilities of the landlord in respect of the property and what are the consequences of breach?

Landlords are responsible for keeping the building in good working order, and fund and supply all amenities according to the lease, such as maintenance and repair of common areas (lobby, garden, parking garage), working elevators, etc. Landlords typically provide utilities, and then bill tenants directly, unless the entire building is occupied, and then the tenant contracts with the utility company. Water, sewer and garbage are paid by the landlord and subject to reimbursement via rent. The landlord insures the base, shell and core of the building.

A landlord can terminate a lease when there is material cause. Casualty and condemnation give either party the right to terminate the lease.

What are the general obligations and liabilities of the tenant in respect of the property and what are the consequences of breach?

Tenants must limit their use of the property to that defined in the lease and make rental payments on time. Tenants pay their own telecommunications costs and repair their own premises. Landlords are responsible for all other repairs. This can be subject to negotiation, for example, whether a particular roof repair is considered building maintenance or a tenant responsibility. Aside from pre-approved cosmetic alterations, a tenant is restricted contractually from making alterations to premises without the review and consent of landlord. Reasonable changes to interior finishes are often negotiated, providing they do not affect the base, shell or core of the building.

Insurance

Are the landlord and tenant bound by any insurance requirements?

The landlord insures the base, shell and core of the building. In addition to casualty insurance and liability insurance for common areas, landlords typically carry earthquake insurance, and some carry terrorism insurance. Some landlords, as part of the purchase of a property, buy environmental liability insurance. Tenants also carry their own personal property insurance. Failing to carry such insurance or make timely payments can result in termination of the tenant's lease.

Termination and eviction

What rules and procedures govern termination of the lease by the landlord and the tenant's eviction from the property?

Subject to notice and cure provisions and unlawful detainer procedures, a landlord can force a tenant to vacate if they are in breach of their lease. The county sheriff handles the actual eviction. An uncontested unlawful detainer can typically result in a court order for eviction in 60 days, while successful contested detainers can take six months.

TAXES

Real estate transfer tax

What taxes are payable on the sale and purchase of real estate? Are any exemptions available?

Generally, California counties and most cities levy a transfer tax when a controlling interest in an entity that owns property is sold, and applies to almost every fee-title change of any real property. In most jurisdictions, sellers pay the transfer tax, which ranges from 11 to 56 basis points. These forms and taxes are typically handled in escrow. The County Recorder collects taxes when the new deed is recorded. This generally triggers a tax reassessment of the property. For income tax purposes, an IRC 1031 exchange allows an investor to defer gain recognition and taxes if the proceeds are invested into like-kind replacement property within 180 days.

To avoid state and federal tax withholding, transfers require that the seller disclose its domestic (or non-foreign status) by filing a declaration under the Foreign Investment in Real Property Tax Act (FIRPTA) and California Form 503-C.

Property tax

Briefly describe the property tax regime in your state.

Assessed values for California real estate are principally governed by Proposition 13 and Proposition 8. According to Proposition 13, property value is 'reassessed' upon a change in control – usually a 'sale'. Otherwise, they are subject to only a 2 per cent annual inflationary adjustment.

Currently, Proposition 13 treats all California property taxes the same. However, in recent years there have been efforts in the legislature and at the ballot box to exclude commercial properties from the law, which limits how much tax can be paid. This would significantly increase the amount of taxes paid on commercial properties.

Rental and other taxes

Are any taxes payable on rental income? Are any other tax regimes pertinent to the real estate sector?

Property owners pay a gross receipt tax on rent. Because Proposition 13 has kept real estate taxes artificially low, some municipalities (especially those without real estate taxes) tax the rent. These costs tend to be passed through to tenants as part of the overall cost of the lease.

FINANCE AND SECURITY

Finance providers

What are the typical sources of real estate financing in your state? Are there any restrictions on who may provide financing?

The typical real estate financing vehicle is a real property secured loan, which is secured by a first deed of trust. This is used for 95 per cent of investments. In very large acquisitions, there may also be pledges of ownership interest in the borrower. This mezzanine financing makes it easier to foreclose.

There are a numerous regulations affecting foreign lenders and foreign-chartered banks.

Security interests

What types of security interest are recognized by law in your state? Is your state a lien theory or title theory state?

California is a lien theory state in regard to mortgages but is a title theory state in regard to deeds of trust. In addition to real property security interests, there are frequently security interests in personal property. If the real estate collateral is a hotel, the investor can take a Uniform Commercial Code, security interest in the personal property and intellectual property related to the hotel.

What rules and procedures govern the creation and perfection of real estate security interests in your state?

Enforcement of security

What rules and procedures govern the enforcement of real estate security interests in your state?

There are two ways to foreclose on a deed of trust in California: judicial foreclosure, which is very rare and requires a court hearing, and a non-judicial foreclosure, which is used most often. The procedures for non-judicial foreclosure are found in the California Civil Code section 2924 et seq.

What is the typical timeframe for the enforcement of security?

After recording a notice of default, the borrower has a 90-day cure period. If defaults are not secured within the 90-day period, a notice of sale is recorded and there is another 21-day period after recording such notice of sale. Typically, the procedure takes a minimum of four months.

INVESTMENT

Investment climate

What is the general climate of real estate investment in your state?

California is the world's fifth-largest economy, has 40 million residents and one of the strongest commercial real estate

markets in the country. Experts say that California needs to double its current rate of housing production just to keep up with expected population growth.

The state and national economy is in a record recovery, and the next recession is predicted to be mild. Real employment versus headline employment is at 50-year historic lows. US and international investment is drawn to industrial properties, manufactured housing, multifamily housing, new office buildings and life sciences, particularly in the West Coast tech markets and media hubs. Growth and investment are curtailed only by available land, zoning and density rules, and significant infrastructure, particularly transit, to support large projects. The Spring/Summer 2019 Allen Matkins/UCLA Anderson Forecast California Commercial Real Estate Survey reveals a more optimistic outlook than has been observed over the past several years. Though the economy may weaken in 2020 and construction is expected to slow over the next 18 months, there are positive predictions for 2022, with developers already gearing up for the next commercial real estate expansionary cycle.

Investment structures

What legal structures are typically used to invest in real estate in your state and what are the advantages and disadvantages of each (including tax implications)? What rules and procedures govern their formation?

There are three main legal entities: corporations, partnerships and limited liability companies (LLCs). LLCs are typically the preferred entity to hold real estate.

Corporations generally are subject to double taxation – both the earnings of the corporation and dividends distributed to shareholders are taxed. There are limits on how profits can be shared. Partnerships are pass-through entities; income and earnings are passed through to the partners and are taxed at the partner level. LLCs are treated like partnerships for tax purposes (i.e., as pass-through entities), and are very flexible in that they can reflect myriad arrangements for economic, management, and exit considerations and strategies. Additionally, any liability that the LLC may incur generally stays in the LLC, shielding its members.

Partnerships and LLCs allow partners and members to move in and out of real estate investments that have appreciated with relative ease, minimizing taxation. In some jurisdictions, an LLC may be prohibited from holding a real estate license or general contractor's license, while a corporation may be permitted to do so.

Partnerships and LLCs also offer more flexibility. LLCs are useful in documenting varied economic arrangements, and are also very flexible in assigning day-to-day control, management and implementation, such as the right to sell property, refinance or change business plans or budgets. Partnerships and LLCs also allow for individually tailored partner and member exit provisions.

Corporate shareholders, like LLC members, generally are shielded from liability. In partnerships, either only the general partners or sometimes all the partners may be subject to liability. Corporations may be less costly to document than a partnership or LLC. All of the substantive terms of a partnership or LLC agreement may be subject to negotiation, which would make it more expensive to document.

Corporations require articles of incorporation filed in the state or jurisdiction where it is being formed. Incorporating in Delaware is popular because the jurisdiction allows for the waiver of fiduciary duties, which can then be defined and limited by contract.

The by-laws of a corporation set forth shareholder rights, provide for management through a board of directors and officer provisions. The board is elected by the shareholders and is responsible for setting policy. Officers implement the policies of the board of directors.

For partnerships, a partnership certificate is filed in the state in which it seeks to be governed, and then the partners enter into a partnership agreement. LLCs generally file a certificate of formation or articles of organization. LLC and partnership agreements are often very similar in substance.

LAND USE

Zoning and planning permission

Which authorities regulate real estate zoning in your state and what is the extent of their powers?

Cities and counties (local municipalities) control zoning regulations. However, there are state agencies that may also have jurisdiction, such as if construction is within the coastal zone, which is subject to regulation by the California Coastal Commission. Certain sensitive environmental parcels, such as wetlands and lands located in or adjacent to state or national parks, could also be subject to regulation by the applicable environmental authorities. All discretionary approvals are subject to California Environmental Quality Act (CEQA) regulations. In general, these agencies and the individual municipality planning commissions exercise broad powers over what can be built or redeveloped. There have been thus far unsuccessful attempts in the legislature to remove municipalities' ability to exercise discretionary review over projects near transit facilities that are authorized by the underlying zone, thereby eliminating CEQA requirements and fast-tracking development to ease California's housing crisis.

What are the eligibility, procedural and documentary requirements to obtain planning permission?

The procedures for obtaining entitlements will vary depending on the size of the project, its location, the applicable municipality, and whether more than one government agency is involved. If discretionary approvals are necessary, there will be public hearings where third parties have the right to participate and object to a project.

What is the appeal procedure for planning decisions?

Decisions by city planning commissions are typically appealed to the respective city council. County planning commission decisions are appealed to the county Board of Supervisors. With discretionary decisions, opponents may also be able to file suit under CEQA to challenge the project in court. It is relatively easy to challenge projects on environmental grounds and tie up development for years. It often makes financial sense to settle CEQA claims in some manner, before litigation is filed, rather than to fight CEQA claims.

What are the consequences of failure to comply with planning decisions or regulations?

Cities and counties can exercise their police powers and obtain injunctive relief against offending projects. Most California entities take zoning violations extremely seriously.

Historical and cultural preservation

What state and local regimes govern the protection and development of historic and cultural buildings?

Historical review and preservation of designated resources involves overlapping spheres of influence at the national, state and local levels. Cities maintain their own lists of designated historical resources, in addition to the California

Register of Historical Resources and the National Register of Historic Places. While local criteria may vary, properties generally earn recognition for an association with events or people important to local, California or national history, or information important to prehistory. Properties can also be recognized owing to their distinctive characteristics representing a type, period, region or method of construction, the work of a master architect or builder, or even high artistry. Evaluating these characteristics will often require immense amounts of background research to understand and describe the biography of a property.

Buildings, sites or districts receiving designation may trigger additional environmental review under the California Environmental Quality Act, as well as design review and other protections pursuant to local ordinances. Designated properties may also be eligible for review under the State Historical Building Code, as well as property tax reductions under the Mills Act (Government Code §§ 50280-50290).

State and local government expropriation

What laws and regulations govern the expropriation of property by state and local authorities?

In California, expropriation of property is called condemnation or eminent domain. The primary law governing eminent domain is the Eminent Domain Law, California Code of Civil Procedure sections 1230.010 et seq, and it applies to both state entities and local entities. Additionally, the Relocation Assistance Law, California Government Code, sections 7262 et seq, establishes requirements for property appraisals and for negotiations that a government entity must complete before the entity can condemn.

What is the required notice period for expropriation and how is compensation calculated?

Under California law, there are a number of steps in the process of any condemnation that require separate notices. Examples include a notice of intent to appraise (California Government Code, section 7267.1) and a notice of a hearing on a resolution of necessity (California Code of Civil Procedure, section 1245.235). Other notices are required in connection with an eminent domain lawsuit, which must be pursued to condemn. Typically, an owner receives the first notice of a step toward condemnation at least a year before the entity is able to possess the property.

Just compensation is determined by the fair market value of the property being take, per California Code of Civil Procedure section 1263.320. This is defined as the 'highest price' that would be agreed to by a willing seller and willing buyer.

ENVIRONMENTAL ISSUES

Certifications

What state and local environmental certifications are required for the development of real estate and how are they obtained?

Almost every project entitlement process in California raises concerns regarding compliance with the California Environmental Quality Act or the National Environmental Policy Act, or both, depending on which public agencies will be asked to review and approve the project in question. The development process may include selecting the appropriate avenue for compliance, identifying exemptions, working with a host of technical consultants, overseeing the preparation of an environmental document, selecting and implementing appropriate environmental mitigation

measures, and working on getting the project and the environmental review across the finish line with all of the necessary public agencies.

Disclosure obligations

What environmental disclosures in relation to real estate sales are required under state and local laws?

There are statutory disclosure requirements relating to known conditions. Sellers need to disclose any environmental issues. Buyers should do their own environmental due diligence. If there are known or suspected environmental conditions in question, environmental liability insurance should be considered. Options and costs need to be identified in the due diligence phase, if not earlier, as it will affect underwriting. Once an environmental disclosure is on the chain of title, an owner of real property is a potential defendant to subsequent environmental tort claims, whether or not the subject owner was the polluter or discharger. Owners may have exposure to liability for pre-existing conditions and events post-sale.

Clean-up

What state and local rules and procedures govern environmental clean-up of property? Which parties are responsible for clean-up and what is the extent of their liability?

A large and complex body of laws, regulations and guidelines govern environmental cleanups in California. Depending on the nature and location of the contamination, cleanup may be regulated by one or more state and local agencies, including the Department of Toxic Substances Control, the Regional Water Quality Control Boards and local agencies, such as county health departments, with delegated authority for supervising certain cleanups, such as cleanups of leaking underground storage tanks. In certain cases, cleanup is overseen by the US Environmental Protection Agency in consultation with state agencies.

Cleanup requirements vary by agency, locality or region, current and future land uses, and are continuously evolving. A wide array of laws govern which parties are responsible for, or may be held liable for, such cleanups. Among the most commonly invoked such laws are the federal Comprehensive Environmental Response Compensation and Liability Act, commonly known as the Superfund law, and its state law counterpart, the California Hazardous Substance Account Act (HSAA). With a few notable exceptions, these laws broadly hold owners and operators of the facility, persons who owned or operated the facility at the time of disposal of hazardous substances, persons who 'arranged for disposal' of hazardous substances at a facility, and persons who transport hazardous substances for disposal at a facility, strictly liable for the costs of investigation and cleanup.

Exceptions to these stringent liability provisions may apply for the benefit of, among others, qualifying secured lenders and 'bona fide prospective purchasers'. The HSAA also includes detailed provisions governing the oversight and remedy selection process to be followed by state and local agencies. Another state law, known as the Porter-Cologne Water Quality Control Act, imposes liability on dischargers of wastes to waters of the state, including groundwater, and establish, processes and standards applied by the Regional Water Quality Control Boards in their investigations and cleanups of sites under their jurisdiction.

Are there any state or local regulations or incentive schemes in place to promote energy efficiency and emissions reductions in buildings?

There are a multitude of state and local regulations and incentives. CALGreen is the name given the mandatory green building standards code that is updated regularly to help the state meet the goals of AB 32, the state's landmark greenhouse gas emissions legislation, and keep California as a leader in energy-efficient building methods.

Several cities, such as San Diego, also have Climate Action Plans that ensures new development will be compliant with the state's AB 32 goals by requiring implementation of a number of CAP Strategies, including ones tied to energy and water efficiency in residential and non-residential buildings.

Other cities have various 'green building' codes. For example, the Los Angeles Green Building Code is based on the 2013 California Green Building Standards Code that was developed and mandated by the state to reduce a building's energy and water use, waste and carbon footprint.

Additionally, many cities and some local utilities have their own energy-efficiency incentive programs. San Diego Gas and Energy offers no-cost home energy upgrades through the Energy Savings Assistance Program. It provides free energy efficient home improvements, such as attic insulation, energy-efficient lighting, caulking, replacement appliances, etc, for certain qualified homeowners and renters. There are also a variety of programs run by the California Solar Initiative, to provide incentives to adopt a wide array of solar technologies.

These are just a few examples of the scores of state and local programs aimed at reducing California's carbon footprint and emissions and improving energy efficiency.

UPDATE AND TRENDS

Recent developments and trends

Have there been any notable recent legal or regulatory developments affecting the real estate market in your state? What are the current trends in and future prospects for the real estate market in your state?

California has 40 million residents and has one of the strongest commercial real estate markets in the country, driven by explosive growth in Silicon Valley and Southern California. It also has a housing crisis. Experts say that California needs to double its current rate of housing production just to keep up with expected population growth. This would require substantial increases in infrastructure spending. Additional communities are considering residential rent control measures to prevent residents from being priced out of their homes. Some urban markets such as San Francisco are almost completely built out. Some suburban communities near transit and sprawling office parks are fighting denser 'in-fill' development, which some believe is the only way California's economy can continue to grow.

As commercial rents have increased, so have vacancies. Some cities such as Oakland and San Francisco are reviewing 'vacancy taxes' for landlords whose commercial properties remain empty.

Additionally, there are growing efforts to repeal limits on property taxes, specifically by amending Proposition 13 to remove limits on commercial property taxes, and allow them to increase more frequently.

Lastly, as the Trump administration looks at easing environmental regulations, California environmental authorities are looking to strengthen the state's environmental regulations to compensate for the loss of federal environmental protections.

That said, investors and developers remain highly optimistic about both the short-term and long-term strength of the California commercial real estate market.

LAW STATED DATE

Correct as of

Please state the date of which the law stated here is accurate.

December 20, 2019