



# REALSMART

## Newsletter

A QUARTERLY JOURNAL OF REALSMART IDEAS

### TWO S.M. COUNTY CITIES TO VOTE ON RENT CONTROL

With rent control on the ballot for both Burlingame and San Mateo this November, I feel compelled to unpack my argument against it. First, let me make this clear - rapid gentrification *is* an issue that should be addressed, not just because we have a moral obligation to protect those being priced out of their homes, but also because of the economic destabilization that can occur when a region loses its low-wage workforce. With that being said, the issue should be addressed in a thoughtful and collaborative manner that takes into account 1) who should be responsible for providing housing assistance to low-income families, and 2) how to give that assistance directly to those who need it. Rent control, however, is a short-sighted approach to tackling gentrification. It puts little thought into either of these two questions, and leaves a host of new problems in its wake.

Rent control subsidizes affordable housing by placing a ceiling on how much a property owner can charge for rent. When that ceiling is below market rate, the difference essentially becomes a tax paid by landlords to their tenants. This puts a large amount of risk on landlords, as their only real insurance against losing money (when for example the rental market is down, or maintenance costs become too burdensome), is having the ability to raise rents when the market is up. This added risk is enough to scare some landlords out of the business. We've already seen this happen in Burlingame, where the owner of a 10 unit apartment complex recently served all his tenants eviction notices pending the result of the November election.

Rent control creates a welfare program, only unlike most welfare programs it isn't funded by state or federal taxes and you don't have to qualify for it. Instead, it's privately funded by landlords and all you have to do to reap the benefits is live in a rent-controlled building. This means the 26 year-old web developer living alone making

\$150,000+/year has the same access to subsidized rent as a single mother of four working two jobs to make ends meet. It also means the web developer will stay in their unit for longer than they would were their rent not subsidized, keeping that unit off the market and unavailable to those who actually need it. Once people are locked in to their rent-controlled units, they tend to stay there. This restricts the available supply of rentals and makes what is available more expensive (look to San Francisco for evidence of this trend). If that sounds counter-productive, that's because it is. Subsidizing housing costs for low-income families is fine, but do it with government money (which we all pay into), and actually give that money to low-income families through programs they apply and qualify for (i.e. Section 8). Don't hand it out to every renter regardless of their income, simply because they live in an expensive rental market.

Whether or not you agree with anything I just said, it's important to understand this - when people buy rental property, they buy it as an investment, not as a public service. If a rent control ordinance threatens to cut too deeply into profit margins, property owners will do whatever is in their power to protect their investment. This means evicting current tenants to raise rents before the ordinance is passed, or selling their units and moving the money elsewhere. Keep this in mind before casting your vote on rent control.



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## REALSMART FUND UPDATE

We completed work on RealSmart Fund Maddux in August, and the Fixer mixer was held on the 26th. For those of you who didn't have the chance to view the finished product in person, you can view a virtual tour of the property at:

[www.1450Maddux.com](http://www.1450Maddux.com)

Staying local, our next project is just a couple blocks down on Ohio Avenue in Redwood City. In fact, it is literally right next door from our first Ohio project, which we finished back in March. This time around we will stick to our preferred renovation philosophy - rework the existing square footage (rather than add any) to create a more open and modern home.

Before



After



## NEIGHBORHOOD SPOTLIGHT

### Emerald Hills

Though much of it is actually an unincorporated area of San Mateo County, Emerald Hills is better known as a highly desirable enclave of Redwood City. With a population upwards of 4,000 people, family-run restaurants, a coffee shop, grocery store, golf course, fitness center, country club, two man made lakes (one of which houses the country club) and a church, it certainly retains a community and character of its own, despite being deeply tied to the Redwood City community. Residents are served by RWC schools, and a 5 minute drive down Jefferson Avenue brings you right into the heart of the city's flourishing downtown district. Essentially, Emerald Hills gives you the best of both worlds - a close knit family oriented community, plus all the amenities, entertainment, and educational opportunities you would expect from a modern Bay Area city.

Emerald Hills as we know it today began to take form in the 1920's, when developers targeted it for its appeal to San Franciscans in search of weekend/vacation homes. They used Redwood City's "Climate Best by Government Test" slogan to market the hillside community, and even likened the weather to the eternal summer described by Lord Byron in "The Isles of Greece". By the 1950's, Emerald Hills started to fill out into

more of the traditional residential neighborhood we're familiar with now, rather than a vacation community.

Today, the homes around Upper Emerald Lake (which is privately owned by a collective of 20 homeowners) are the most highly valued in the Redwood City area. Of the 4 homes that have sold over \$4 million in the history of Redwood City real estate, 3 of them were located along the Upper Lake - one of which just recently sold for over \$5.5 million (there is also one coming soon for over \$6 million).

For Emerald Hills real estate market statistics and trends, head to:

[www.realsmartgroup.com/EmeraldHills](http://www.realsmartgroup.com/EmeraldHills)

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*Gorgeous Bay View from a home we sold on Northview Way*

# THE STATE TAKES ON AFFORDABLE HOUSING

## SB 1069 PASSES WITH BIPARTISAN SUPPORT

Lost in the noise surrounding the Bay Area's rent control debate, a bill was passed through the state legislature earlier this year which seeks to address the housing crisis in a way that benefits both renters AND homeowners. SB1069, which will take effect this coming January, will reduce many of the barriers and regulations that keep homeowners from adding accessory dwelling units (ADU's) to their property. ADU's offer a way to increase the supply of affordable housing without using any taxpayer subsidies, while also making it easier for homeowners with "too much home" to leverage that extra space for rental income.

"Removing the most egregious

obstacles to building these units will help to increase the supply of affordable housing in California and allow more people to remain in the communities they call home," said State Senator Bob Wieckowski (D-Fremont), who introduced the bill. SB 1069 will ease parking restrictions for units within 1/2 mile from public transit, eliminate excessive sprinkler requirements, limit permit processing times, and reduce utility connection fees - among other things.

Making it easier for homeowners to legally add ADU's certainly won't end the affordable housing crisis, but it does offer a creative way to add much needed rental inventory without visibly increasing density - an approach that

receives very little community pushback. It could also prove to be particularly advantageous to families looking for ways to support their elderly relatives hoping to age in place.

From the real estate investment perspective, this bill presents a great opportunity to add further resale value to your property in a time when price growth has cooled off a bit. It also significantly increases your property's rental income potential. Local governments across the state are currently working on updating their regs to reflect this new law. Once they do, ADU's will be a regular component of our real estate investment strategy.

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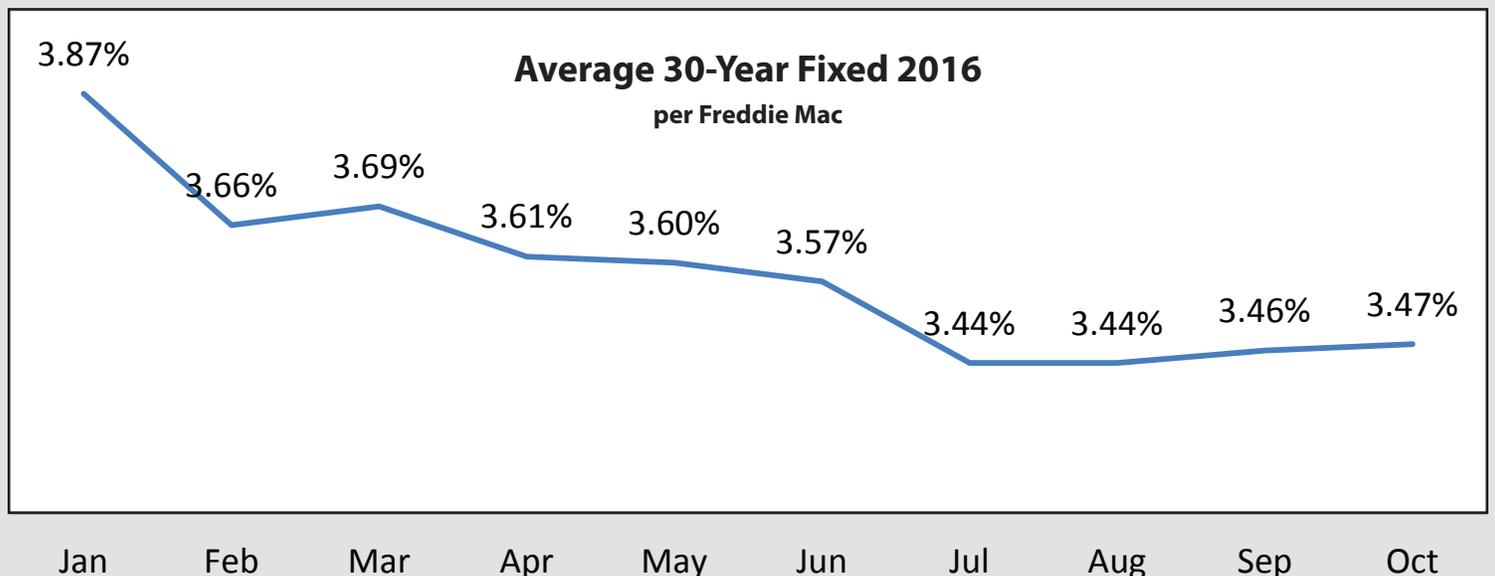
# MORTGAGE UPDATE

## Your Mortgage Team:

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Once again, the Fed failed to raise rates following their latest meeting in September, suggesting they aren't quite as confident in the economy as they had previously let on. However, they did strongly hint at a rate hike following their upcoming December meeting. It is likely that when the Fed finally does raise rates, mortgage rates will follow, so at the very least this gives you another 2 months to lock in to what continue to be historically low mortgage rates.



\*Rates reflect national averages and assume you pay roughly half a point plus closing fees

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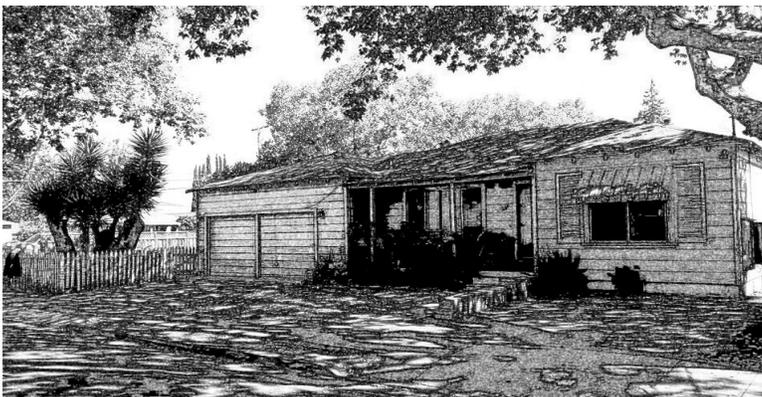
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## FEATURED LISTING

307 MADRONE STREET  
REDWOOD CITY

# COMING SOON!



## GREAT OPPORTUNITY FOR FIRST TIME BUYERS!

2 bed, 1 bath home at 1,070 square feet. 2-car garage with extra driveway parking. Walking distance to shopping and restaurants at and around the Target shopping center. For price and additional information, or to schedule a showing, please call: (650) 363-2808.