

BESSA PROPERTIES · FOR LA OWNERS

The 2026 LA Property Owner Playbook

*Compliance, Strategy & Operational Decisions for the Los Angeles
Landlord*

Distilled from 25+ years managing single-family, multifamily, commercial, and short-term rentals across Los Angeles County. Every section is a decision an LA owner faces in 2026 — and the specific way we think about it.

Bessa Properties Inc.
2664 S La Cienega Blvd, Los Angeles, CA 90034
(310) 272-9847 · bessaproperties.com

The Ten Decisions

Every LA owner makes the same handful of decisions over and over. Get these right and the rest follows.

- 01 Security Deposits in the AB 12 / AB 2801 Era

- 02 Rent Increases: RSO, AB 1482, and the Notice Trap

- 03 Insuring an LA Rental in the Hard Market

- 04 Eviction Reality Check

- 05 Pricing for Peak Leasing Season

- 06 The Section 8 Voucher Decision

- 07 Pet Policies That Hold Up

- 08 Move-Out Documentation That Survives Small Claims

- 09 The Self-Manage vs. Hire-a-Manager Math

- 10 When to Sell, Refi, or 1031

A note on usage

This playbook is general information for LA rental property owners. It is not legal, tax, or insurance advice. California law and LA city regulations change. Where the stakes are high — eviction, RSO compliance, rent increases, deposit returns — always confirm with a California real estate attorney before acting.

01 Security Deposits in the AB 12 / AB 2801 Era

California has rewritten security deposit law twice in the last three years. AB 12 (effective July 2024) capped the deposit at **one month's rent** — regardless of furnished/unfurnished status, pet status, or perceived risk. AB 2801 (phased through 2025) added **photo documentation requirements** for any move-out deduction.

The current rules

- **One month maximum** total deposit. Includes pet deposit, cleaning deposit, key deposit. They all count toward the same cap.
- **Small landlord exception:** natural-person owners (or all-natural-person LLCs) with no more than two residential properties totaling no more than four units may collect two months. Exception does NOT apply to service members.
- **Move-in photos** are required for tenancies starting July 1, 2025 or later. Without a baseline, your move-out deductions are nearly impossible to defend.
- **Move-out photos** are required for any deduction. Wide shot + close-up with scale reference. Keep original EXIF data — don't crop or re-export.
- **Post-repair photos** are required if you repair a deducted item.
- **21-day clock** still controls. Return the deposit OR send an itemized statement (with photos) within 21 calendar days of move-out.

Where owners lose money: Not over the size of a deduction. Over the deadline and the documentation. A reasonable \$1,800 carpet charge with photos and a receipt, sent on day 19, holds up. A vague “cleaning and damages — \$1,800” with no photos, sent on day 28, is a refund waiting to happen.

The owner's deposit checklist

- Cap the deposit at one month's rent at every new lease signing.
- Take move-in photos of every room before keys change hands. Have tenant sign a move-in inspection form.
- Keep photo and lease files for 4+ years after each tenancy ends.
- Within 21 days of move-out: send the itemized statement with photo set and receipts.
- If a repair will exceed \$125 and can't be completed in 21 days: send a good-faith estimate, follow up with invoice within 14 days of completion.

02 Rent Increases: RSO, AB 1482, and the Notice Trap

Most LA owners don't lose rent-increase fights because the number is wrong. They lose because the **notice** is wrong.

Which framework applies to your unit

LA Rent Stabilization Ordinance (RSO) — most LA multifamily built on or before Oct 1, 1978. Lowest allowable increases (typically CPI-tied, currently in the 3-4% range). Verify current published rate from LAHD each year.

AB 1482 — California statewide cap. Most multifamily 15+ years old not under stricter local control. Cap = 5% + local CPI, max 10%. For LA, typical year is 7-9%.

Exempt — most SFR and condos owned by individuals (not LLCs). BUT: exemption requires the AB 1482 disclosure notice in the lease. Without it, you're capped anyway.

The notice rule that gets owners

California Civil Code §827(b): **30 days' notice** for increases up to 10%, **90 days' notice** for more than 10%. The percentage is calculated against the **lowest rent at any time in the prior 12 months** — not against current rent. Stacking two increases in a year can push you over 10% even when each is small.

How to serve the notice

- **Personal service** — handed to tenant. Counts as served same day.
- **Substituted service** — left with another adult at the property AND mailed.
- **Mail** — counts as served, but add 5 calendar days for mailing. A 30-day notice mailed on June 1 is effective July 6, not July 1.
- **Email/text alone is NOT legally sufficient.** Backup at best.

The mistake we see most: Texting “rent is going up \$200 on July 1” and considering that notice. It isn't. If the tenant doesn't pay, you'll have to restart the 30-day clock from scratch when you finally serve a proper notice.

03 Insuring an LA Rental in the Hard Market

After the January 2025 Palisades and Eaton fires, every LA owner is operating in a fire economy. Insurance is no longer a routine renewal — it's a strategic posture.

The 2026 baseline

- Multiple major carriers continue to limit or non-renew California writings.
- **FAIR Plan + DIC wrap** is the new default for fire-exposed buildings.
- Typical LA premium increases at renewal are running 25-45% year over year.
- CalFire's revised hazard zones moved many "city" properties into the high-risk category. Check your specific address.

What every LA owner needs

- **Primary property coverage** — admitted carrier if you can still get one, otherwise FAIR Plan as fire-only base.
- **DIC wrap** (Difference In Conditions) — covers what FAIR Plan doesn't: liability, water damage, theft, vandalism, and most non-fire perils.
- **Loss-of-rents coverage** — minimum 12 months. If your unit is uninhabitable for 8 months while you rebuild, this is what pays your mortgage.
- **Required tenant renter's insurance** — minimum \$100K personal liability + additional living expense. \$12-25/month for the tenant. Reduces your liability exposure.
- **Insure to rebuild cost**, not market value. LA replacement cost is ~\$400-650/sq ft for typical multifamily.

Defensible space that matters

Zone 0 (first 5 feet around the structure): zero combustibles. Remove bark mulch, dry vegetation, stored items, propane tanks. Replace with gravel or inorganic ground cover. This is the single highest-impact mitigation an LA owner can do. Insurance underwriters increasingly check.

04 Eviction Reality Check

LA is one of the most tenant-protective markets in the United States. Evictions take longer here than nearly anywhere else, and a single defective notice resets the clock by months. Plan accordingly.

What you actually need

- **Legally-recognized just cause.** For RSO and AB 1482 units, “I want them out” isn’t grounds. Non-payment, lease violation, no-fault grounds (with relocation), and a few others.
- **No-fault terminations require relocation payments.** Roughly \$9K-23K+ per tenancy depending on length, unit size, tenant status.
- **Only the Sheriff can remove a tenant.** Never you, never a locksmith, never a vendor. Self-help eviction is a fast path to massive civil liability.

Realistic timeline

From the first day of non-payment to a Sheriff lockout in LA: 3-6 months in a clean case, 9-15+ months if the tenant contests, has counsel, or raises habitability defenses. Plus your unpaid rent during that window. Plus legal fees (\$3K-10K+).

The cheaper alternative: In many cases, a written buyout (with proper LAHD TBNAP disclosure) costs less than an eviction — both in absolute dollars and in time. Don’t default to eviction; calculate both paths.

05 Pricing for Peak Leasing Season

More than half of LA leases turn over between mid-May and mid-August. Pricing decisions made in June compound across the rest of the year.

The 2026 picture

- Year-over-year LA rents are roughly flat (up 1-2% in most submarkets).
- Days-on-market widened to 28-45 days. The cost of overpricing has gone up.
- Concessions (one month free, etc.) are showing up at the luxury and Class A unit level.

The list-strong, hold-one-week rule

List at a defensible market number on day one. Hold that number for one full week. If you've had fewer than two qualified inquiries by day 7, drop 2-3% and hold for another week. Repeat if needed. The mistake is sitting on a wrong price for three weeks waiting for "the right tenant."

The vacancy math

At a \$4,000/mo unit, every extra week of vacancy is ~\$920 in lost rent. Chasing an extra \$300/mo for 42 days of vacancy nets you negative \$2,000. Honest pricing beats hopeful pricing.

06 The Section 8 Voucher Decision

Since SB 329 took effect, source of income (including HCV / Section 8) is a protected class under California fair housing law. You cannot reject an applicant just because they have a voucher.

The legal floor

- Cannot advertise “no Section 8.” That listing language alone is a fair-housing violation.
- Cannot apply different screening criteria to voucher applicants.
- CAN still set rent at your normal market rate; you're not required to drop to the HACLA Payment Standard.
- CAN apply standard screening (credit, rental history, income) — as long as it's applied evenly. Apply 3x rent test to the **tenant's portion**, not the full rent.

Pros and cons

Pros: Guaranteed monthly payment from HACLA on the voucher portion. Annual habitability inspections. Lower turnover in most markets. **Cons:** 2-6 weeks of lease-up time for HQS inspection + HAP contract processing. Annual rent increases require HACLA approval. Paperwork overhead at lease, recertification, and any rent change.

07 Pet Policies That Hold Up

Pets in LA rentals are no longer a simple yes/no. AB 12 collapsed pet deposits into the one-month cap. ADA/FEHA continue to make service animals and ESAs effectively non-negotiable. AB 468 tightened ESA documentation rules in 2022.

Service animals vs. ESAs vs. pets

- **Service animals** (ADA): trained for a disability-related task. No deposit, no pet rent, no breed restriction. You may ask only two questions.
- **Emotional Support Animals** (FEHA): no specific training required. No deposit, no pet rent, no breed restriction. CA AB 468 requires letter from a CA-licensed provider with 30+ day therapeutic relationship.
- **Regular pets**: you have broad latitude. Pet rent (\$25-50/mo per pet is market). No separate pet deposit (rolled into the AB 12 one-month cap).

Where insurance complicates things

Some landlord insurance policies exclude certain dog breeds (pit-bull-type, Rottweiler, etc.). Insurance breed exclusions can apply to regular pets. They do NOT override the ADA/FEHA for service animals or ESAs — you still must accommodate, and you'll need umbrella liability or other carrier conversations.

08 Move-Out Documentation That Survives Small Claims

AB 2801's photo requirements have changed the math on every LA move-out. Without the matched before/after photo set, your deductions don't hold.

The three documentation moments

- **Move-in inspection** with signed checklist + photos before tenant takes possession.
- **Pre-move-out inspection** (offered to tenant per CC §1950.5(f); they decide whether to take it). Best risk-reduction tool you have.
- **Move-out inspection** after tenant vacates. AB 2801 photo set required for any deduction. Post-repair photos required if work is done.

The 21-day packet

- Itemized list of deductions, plain language.
- AB 2801 photo set per deduction (wide + close-up with scale).
- Receipts/invoices for third-party work.
- Good-faith estimates + 14-day invoice follow-up if repair exceeds \$125 and can't complete in 21 days.
- Check (or other return) for any balance owed.

Pricing deductions honestly

Carpet, paint, and fixtures must be pro-rated against useful life. A 4-year-old carpet replaced because of pet damage gets a partial charge, not full replacement. Routine painting between tenancies is owner cost, not a tenant deduction. Nail holes, minor scuffs, normal wear: NOT chargeable.

09 The Self-Manage vs. Hire-a-Manager Math

The management fee owners think they're saving rarely covers what self-managing actually costs. Run the math honestly before you decide.

The honest comparison (one \$4,000/mo LA unit, one year)

	Self-managed	Professionally managed
Management fee	\$0	\$3,840 (8%)
Owner time (50-110 hrs at \$100/hr)	\$5,000-11,000	\$0-1,500
Vacancy slippage (20-day delta)	\$2,640	\$0
Vendor markup (25% above rate)	\$375	\$0
Legal/compliance risk	\$500-3,500	\$0-500
Accounting / refi prep drag	\$300-1,200	\$0
Realistic total	\$8,800-18,700	\$3,840-5,840

When self-managing makes sense anyway

- You live on-site (duplex, ADU).
- You're already a licensed real estate professional.
- Brand-new building, single long-term tenant, low operational load.
- Testing the business for a year before scaling.

10 When to Sell, Refi, or 1031

Most LA owners face this decision at least once per cycle: do I keep, refi, or exit? Here's the practical framework.

Hold

Default when you have a low-rate loan (sub-5%), cash flow covers costs, and the property is well-located. Holding compounds equity and depreciation benefits.

Refinance (cash-out)

Makes sense if you have a specific use for capital (next acquisition, improvements) and current cash flow supports the new debt service. In 2026, investor rates are running 6.5-7.5%. Run actual numbers — don't refi just because rates dropped a quarter point.

Sell + 1031 Exchange

Strong play when: (a) you've held 10+ years and gain is material, (b) you want to consolidate or diversify the portfolio, (c) you want to upgrade asset class, or (d) you're shifting geography. 1031 defers 20-30%+ of capital gains tax — you reinvest 100% of equity into the replacement.

Sell + pay the tax

Makes sense if you're getting out of real estate entirely, if your tax bracket is unusually low, or if the replacement market is overpriced relative to your sale market.

1031 timing reality: From close of sale, you have 45 calendar days to identify replacement property in writing, and 180 days total to close. No extensions. Start the replacement hunt BEFORE you list the relinquished property.

If we can help, we'd like to.

We're a boutique LA property management firm — 25+ years managing single-family, multifamily, commercial, and short-term rentals across LA County. Owner-aligned: no vendor markups, transparent reporting on the 1st of every month, full RSO and AB 1482 compliance built into how we operate.

If anything in this playbook surfaced a question — about your specific building, your tenancy, your insurance posture, or whether self-managing still pencils for you — book a free 30-minute consultation. We'll walk your property, benchmark your rent against current LA comps, and tell you exactly what we'd do.

Want a personal review of YOUR LA property?

Get a free 30-minute owner consultation. We'll walk your building, benchmark your rent against current comps, and tell you exactly what we'd do — no obligation, no follow-up sequence.

Phone: (310) 272-9847 · **Email:** info@bessaproperties.com · **Web:** bessaproperties.com

Office: 2664 S La Cienega Blvd, Los Angeles, CA 90034

***Disclaimer:** This playbook is general information for California rental property owners and is not legal, tax, financial, or insurance advice. California real estate law (Civil Code §1950.5, §827(b), AB 12, AB 2801, AB 1482, SB 329, AB 468), the Los Angeles Rent Stabilization Ordinance, LA Housing Department procedures, HACLA rules, federal Fair Housing Act, ADA, FEHA, and California insurance regulations are detailed and change over time. How they apply depends on your specific property and circumstances. Always consult a qualified California real estate attorney, your CPA, your insurance broker, and a licensed property manager before making decisions about your building.*

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