

An aerial photograph of a densely packed residential neighborhood, likely San Francisco's 'Painted Ladies' row. The houses are multi-story, colorful (in shades of blue, yellow, white, and purple), and built on a steep hillside. The houses are closely packed together, with some featuring prominent gables and bay windows. The background shows more houses extending up the hillside under a clear sky.

Tenant Buyout Agreements and the Eviction Process

Let's discuss how to effectuate a vacancy to transition tenants out of the rental unit to accomplish the goals of finding more ideal tenants, raise rents to market level, and maximize the upside potential of a property.



Introduction



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BORNSTEIN LAW
BAY AREA REAL ESTATE ATTORNEYS



Not just “cash for keys.”

The tenant agrees to release all legal claims arising from the tenancy, including those claims they know about, and those claims they do not know about.

Example: Tenant develops a respiratory condition months later from an alleged mold infestation.

In certain rent control jurisdictions, owners are left with few other options to effectuate a vacancy, other than a buyout agreement.

Free from the obligations of a no-fault eviction, the owner has maximum flexibility to use their property as they wish when the tenant voluntarily vacates.





Why else are properly prepared buyout agreements attractive?

Upside potential of the property

We know that when properly staged, a vacant building will sell for more than a tenant-occupied building.

The optics of a “meeting of the minds”

When a tenant voluntarily vacates, they are hard-pressed to claim that the removal was retaliatory or that they were coerced to leave.

Less expensive than a protracted eviction process

Although it may be emotionally painful to pay a problematic tenant to vacate, it may make economic sense to avoid a costly lawsuit.

Avoid disputes with tenants housed in illegal units

With tens of thousands of illegal units in the Bay Area, it may be preferable to buy the tenant out rather than getting mired into a battle with a tenant housed in a rogue unit.



Potential downsides to tenant buyout agreements

Voluntary means voluntary: While a dialogue can be started with a tenant, the conversation can be quickly shut down by a tenant who is content to stay in the rental unit. Absent a “just cause” reason for eviction, they can stay in place and refuse entreaties to vacate in exchange for compensation.

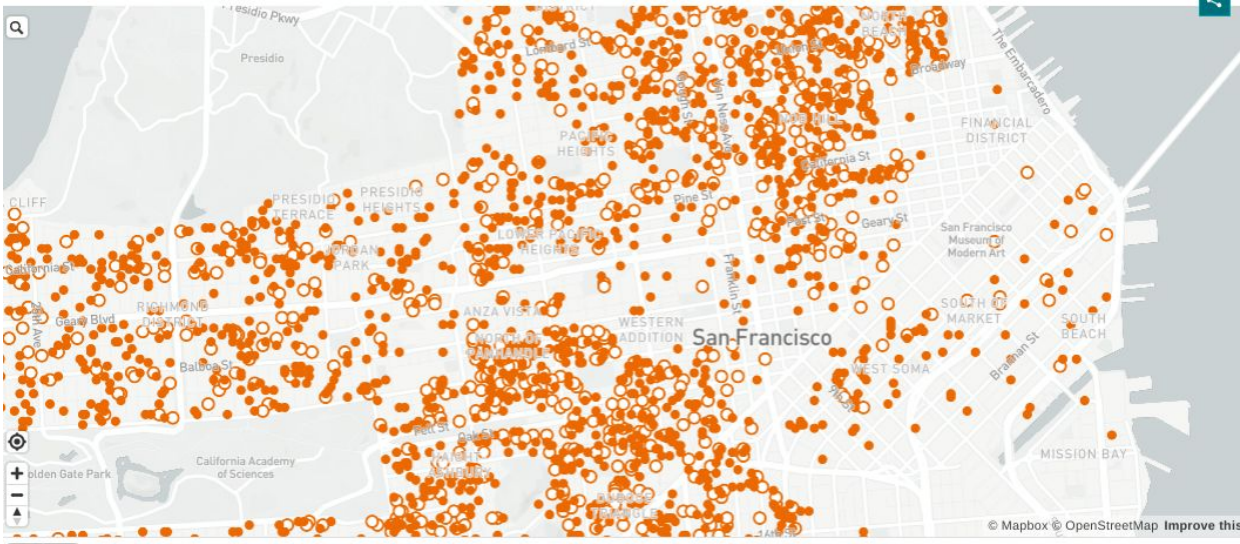
Requested payout may be cost-prohibitive: Sometimes, the tenant wants an astronomical amount to move out, especially when consulting a tenant’s attorney who is aware of the relocation payments required in a no-fault eviction.

Highly regulated in some jurisdictions: Rent boards want to be privy to buyout discussions, and even after the tenant agrees to vacate, they can marinate on the offer and later back out of the agreement. Bornstein Law can ensure that all procedural requirements are followed to the letter.



Let's talk about negotiating buyout agreements and having a leveraged discussion.

- Our strong preference is to have owners negotiate buyouts as Bornstein Law provides coaching behind the scenes; we don't want to escalate the matter by getting attorneys involved.
- If a less-than-ideal tenant is engaging in potential lease violations, it can be used as leverage in a buyout discussion by reminding them that they risk eviction.
- A change of ownership may open the door to a discussion about a change in the status quo of the building. "Good cop vs. bad cop."
- We like compliance, not enforcement. For this reason, it may be prudent to pay money upfront to emotionally lock the tenant into the agreement and incentivize them to find another place to rent.
- Ask an open-ended question to the tenant: What do you need to vacate? This question may be prudent because the tenant may be willing to leave for a lower dollar amount than the landlord is willing to pay.



How much money does a landlord have to pay to entice a tenant to vacate?

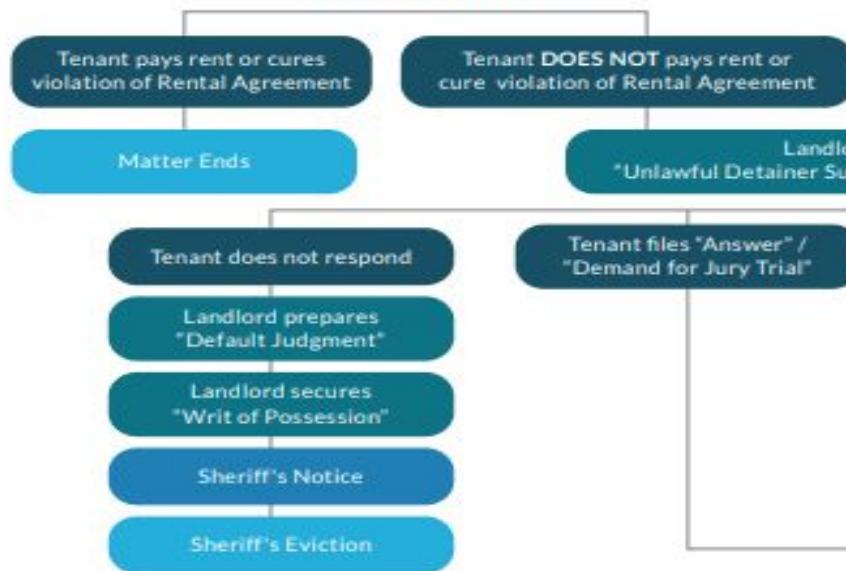
It ranges all across the board. We've been involved in buyouts as low as a rent waiver and a return of the security deposit, and as high as six-figure payouts.

Our office is happy to evaluate the economics of the proposed buyout given the unique composition of tenants and the upside potential of the property.

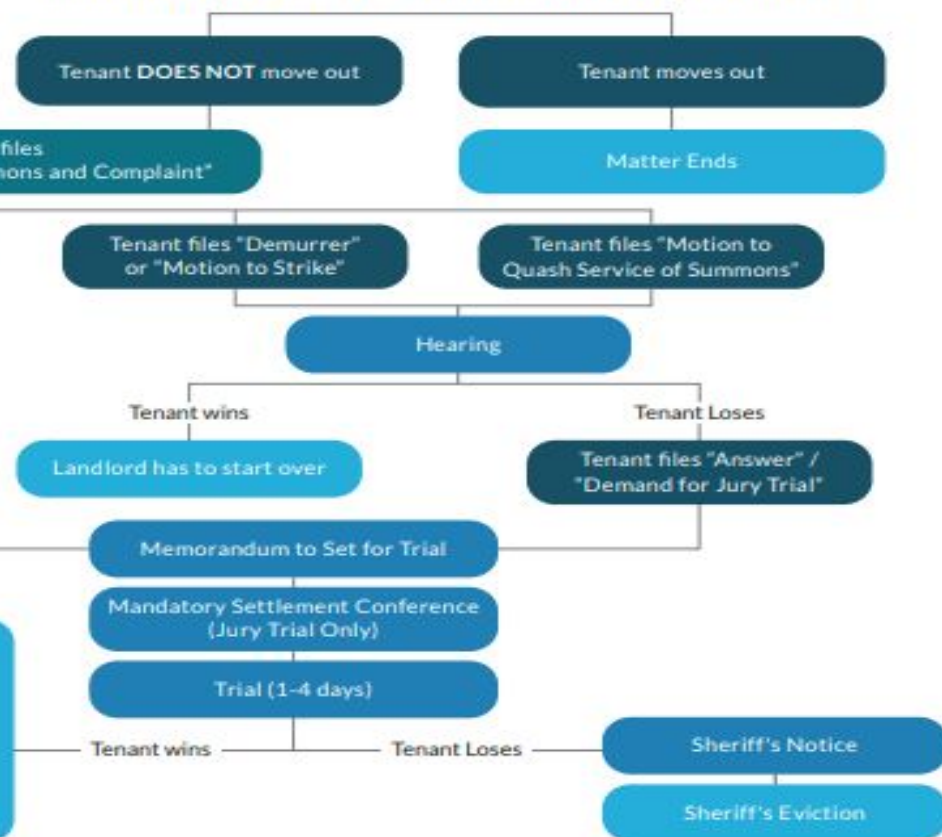
Fundamentally, the eviction process hasn't changed. We are, however, concerned about an extended 10-day period for tenants to respond to unlawful detainer actions.

THE EVICTION PROCESS[©]

3-DAY NOTICE



30/60/90-DAY NOTICE TERMINATING TENANCY





Thank you



Questions? Email daniel@bornstein.law