



Rental Operations and Compliance Overview for California Property Owners

California owner risk rarely comes from bad intent.

It usually comes from a missed notice, an incorrect lease exemption, a deposit deduction that was not documented correctly, or a local rule the owner did not know existed.

This guide distills the rules that matter most in day-to-day ownership and highlights the local overlays that make Marin and Sonoma different from a generic California market.

It is written to help you ask better questions, spot expensive blind spots early, and understand what disciplined management should look like.

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*Informational resource prepared by Marindale Management. General information only.
Not legal advice. Laws and local ordinances may change.*

Rental Operations and Compliance Overview for California Property Owners

A practical, locally informed guide for rental property owners in Marin and Sonoma

1. Security deposits: know the cap before you advertise

What the law says

For most residential tenancies, the maximum security deposit is one month's rent. A landlord may collect up to two months' rent only if the landlord is a natural person or an LLC whose members are all natural persons, and owns no more than two residential rental properties with no more than four total dwelling units offered for rent. A family trust can still qualify through the statute's definition of natural person. The two-month deposit exception does not apply to a prospective tenant who is a service member.

Blind spot

Many owners think "small landlord" means any mom-and-pop owner. It does not. The exception depends on both ownership structure and total rental portfolio size. An owner with the wrong entity, too many units, or the wrong lease assumptions can easily over-collect.

2. Deposit returns: 21 days, but the real issue is proof

What the law says

Within 21 calendar days after the tenant vacates, the landlord must provide an itemized statement and return any remaining security deposit. When deductions are made, the landlord must provide the documentation required by law, including photographs for repair or cleaning deductions and applicable bills, invoices, receipts, or written explanations. The documentation exception for repair and cleaning deductions totaling \$125 or less does not eliminate the tenant's right to request the documentation within 14 calendar days after receiving the itemized statement.

For tenancies beginning on or after July 1, 2025, the landlord must photograph the unit immediately before or at the beginning of the tenancy. When repair or cleaning deductions will be taken, the landlord must also photograph the unit after possession is returned but before the work is performed, and again after the repairs or cleaning are completed.

When the landlord received the security deposit or rental payments electronically, current California law generally

requires the tenant to be notified of the right to receive the remaining deposit electronically and establishes procedures for electronic returns. California law also establishes specific requirements for returning a deposit when multiple adult tenants are parties to the rental agreement.

A landlord's bad-faith retention of a security deposit may result in actual damages and statutory damages of up to twice the amount of the security deposit.

Blind spot

Owners often remember the 21-day deadline but miss the pre-inspection notice, the move-in and move-out photo trail, or the need to distinguish ordinary wear from tenant damage.

Scenario

A tenant leaves scuffed paint, worn carpet paths, and two broken blinds. Charging for full repainting or carpet replacement without a condition baseline is the kind of deduction that routinely backfires.

3. Rent caps and exemptions: do not rely on assumptions

What the law says

California's Tenant Protection Act generally limits annual rent increases to 5% plus the applicable change in the cost of living, or 10%, whichever is lower, calculated from the lowest gross rental rate charged during the preceding 12 months.

Coverage and exemptions depend on the property type, certificate-of-occupancy date, ownership structure, occupancy, and other statutory requirements. The exemption for certain separately alienable single-family homes and condominiums requires the prescribed written exemption notice. Other exemptions are governed by different statutory requirements.

Blind spot

Where a particular exemption requires prescribed notice, failing to provide that notice in the required form and at the required time can prevent the owner from relying on that exemption. Other exemptions operate under different statutory conditions.

ADU example

ADU coverage must be analyzed separately under the rent-cap and just-cause provisions. The result depends on factors including the certificate-of-occupancy date, property configuration, owner occupancy, ownership structure, and the particular statutory exemption being considered. Owner occupancy alone does not establish that an ADU is exempt from every provision of the Tenant Protection Act.

4. Just cause and no-fault terminations: where owners get into real trouble

What the law says

For a tenancy covered by California's just-cause requirements, a no-fault termination generally requires the owner to provide relocation assistance equal to one month of the tenant's rent or waive the final month's rent in writing. A direct relocation payment must generally be made within 15 calendar days after service of the termination notice. Failure to strictly comply with the relocation requirements may render the termination notice void.

Blind spot

Owners sometimes believe a sale, a desire for flexibility, or a vague renovation plan is enough. It usually is not. The reason must match the statute and, in some cities, local protections may be stricter.

Scenario

A landlord decides to "take back" a unit in Petaluma to do work and re-rent later at a higher price. State law, local rules, relocation obligations, and any city-specific notices all need to line up before a notice is served.

5. Substantial remodel: cosmetic work does not qualify

What the law says

A substantial remodel must involve the replacement or substantial modification of a structural, electrical, plumbing, or mechanical system requiring a governmental permit, or the qualifying abatement of hazardous materials. The work must be of a type that cannot reasonably be completed safely while the tenant remains in the unit and must require the tenant to vacate for at least 30 consecutive days. Painting, decorating, minor repairs, and other cosmetic work do not qualify.

When substantial remodel is relied upon as the just-cause basis for terminating a covered tenancy, the termination notice must include the information and supporting permit or contractor documentation required by law. If the qualifying remodel or demolition is not commenced or completed as required, applicable statutory re-offer obligations must be followed.

Blind spot

Owners often call a turnover renovation a substantial remodel when the work is really a value-add project rather than a true vacancy-required project tied to health, safety, or substantial reconstruction.

Operational point

Do not draft this notice first and gather support later. Get the scope, contractor, permits, and timeline aligned first.

6. Screening and fair housing: California is broader than federal law

What the law says

California law protects lawful sources of income, including government rent subsidies. Financial qualification for an applicant using a government rent subsidy must be based on the portion of the rent the tenant is responsible for paying. If credit history is considered, the applicant must be offered the opportunity to provide lawful, verifiable alternative evidence of the reasonable ability to pay the tenant-responsible portion of the rent. The applicant must be given reasonable time to provide that evidence, and the evidence must be reasonably considered in place of credit history.

Blind spot

Risk often comes from informal comments rather than formal policy: “ideal for a single professional,” “no kids,” “we do not take Section 8,” or inconsistent treatment of applicants.

Best practice

Use consistent, documented screening standards and processes for applicants, while providing reasonable accommodations and other individualized treatment when required by applicable law.

7. Habitability and entry: the everyday rules that become litigation fuel

Habitability

California deems a dwelling untenantable if it substantially lacks basics such as weatherproofing, plumbing, hot and cold water, heat, electrical lighting and wiring in good working order, clean and sanitary grounds, and functioning smoke and carbon monoxide protections where required.

Entry

Except when a statutory exception applies, a landlord must provide reasonable written notice of entry stating the date, approximate time, and purpose. Twenty-four hours is generally presumed reasonable when the notice is personally delivered or properly left at the property. When the notice is mailed, mailing it at least six days before the intended entry is generally presumed reasonable. Different rules apply to emergencies, abandonment or surrender, contemporaneous tenant consent, certain agreed repairs or services, court-authorized entry, and certain showings of property offered for sale after the required written notice has been provided.

Scenario

An owner who lets a contractor in because “the tenant knew we were trying to schedule it” may think this is harmless. Tenants, judges, and city programs often do not.

8. Tenant screening: consistency is the rule that protects you

What the law says

Tenant screening must follow fair housing rules that prohibit discrimination based on protected characteristics. California law also protects source of income, which includes housing vouchers and other rental assistance programs. Owners generally may not reject an applicant simply because a portion of the rent is paid through a voucher.

Blind spot

Risk often arises when screening decisions become informal or inconsistent – approving one applicant with marginal credit but rejecting another with similar qualifications because of a voucher or subsidy.

Best practice

Apply written qualification criteria consistently, subject to reasonable-accommodation requirements and other legally required individualized considerations, and keep a record of how each application was evaluated.

9. Local overlays: Marin and Sonoma are not one legal market

What this means

Rental requirements may vary by city, town, and unincorporated area. Depending on the jurisdiction and property, additional requirements may apply to rent increases, termination notices, relocation assistance, rights of return, tenant notices, language requirements, registration, mediation, and temporary displacement.

Marindale reviews the property's jurisdiction and follows procedures designed to address the requirements applicable to the particular property and proposed action. Matters requiring legal interpretation should be reviewed by qualified California landlord-tenant counsel.

10. Documentation discipline: the invisible part of good management

Keep

Signed lease and addenda, exemption notices, screening file, notices served, proof of service, move-in photos, repair approvals, invoices, communications on habitability or access, and the full security-deposit accounting trail.

Avoid

Backdating, side deals by text, undocumented owner instructions, and legal-sounding emails written in anger.

Owner rule of thumb

If a decision matters, it belongs in the property file.

Questions About Your Property?

Rental housing in California has become increasingly complex, particularly in Marin and Sonoma counties where local regulations and evolving state law often intersect.

We would be happy to discuss your property-management and operational needs. Marindale does not provide legal advice. Matters requiring legal interpretation should be reviewed by qualified California counsel.

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Legal disclaimer

This guide is provided for general informational purposes only. It is not legal advice, does not create an attorney-client relationship, and should not be relied upon as a substitute for advice from qualified California counsel on a specific fact pattern.

Housing law in California is highly procedural, local ordinances can change quickly, and outcomes often turn on exact notice language, timing, ownership structure, and city-specific rules.

Before serving termination notices, relying on an exemption, increasing rent in a regulated jurisdiction, or making deductions from a security deposit, owners should confirm the current law and obtain legal advice where appropriate.