

CSM Real Estate Advisory Board
Agenda-Main Topics
February 2024

AGENDA – Main Topics

1. COVID, Influenza, and Real Estate.
2. RE market conditions and trends.
3. Rapidly changing new legal and market environments
 4. Insurance involved in Real Estate
 5. Financing involved in Real Estate
 6. Taxes involved in Real Estate
 7. State Pre-emption of Local Communities' Real Estate Land Use, Building Oversight
8. Pending or proposed changes in the legal structure or operations of the RE industry
9. SMCCD/ CSM “Free College” Program
10. CSM Real Estate Program Success

COLLEGE OF SAN MATEO
REAL ESTATE ADVISORY BOARD
February 2024 Report Attendees- Contributors

Attendees/Contributors::

Donna Marie Baldwin, Real Estate Salesperson with Compass Premier Realty, Burlingame, California
Compass is America's largest independent RE brokerage firm with over 18,000 agents and valuation of approximately \$7 Billion USD. Mrs. Baldwin has been one of America's leading sales people for many years and has ranked at least as high as Number 9 nationally in annual sales. Mrs. Baldwin completed her qualifying RE education with us here at CSM.

Robert Pedro, Owner and Broker of Signature Real Estate, Redwood City and Foster City, California
Mr. Pedro runs a highly respected local brokerage in San Mateo County and has been voted “Realtor of the Year for Outstanding Service and Contributions to the Real Estate Profession.” He is preparing to open his third Peninsula Real Estate office. He has also managed and increased the sales for a highly-respected local “boutique” brokerage office for another firm. He is very active contributing a great deal of time and assistance to local community, church, and charitable causes.

Larry Franzella, Managing Partner and Broker, Intero Real Estate, San Bruno, California.
Mr. Franzella manages the largest RE brokerage office in San Mateo County. Intero is a key component of the Berkshire-Hathaway HomeServices of America Corporation. HSA has over 1600 staff and earns over \$2 Billion of revenue each year. Mr. Franzella is highly respected in both his business and the community. He has been active in civil affairs including a ten year stint as mayor of San Bruno. Mr. Franzella completed his qualifying RE education with us here at CSM.
(Supplementary contributions)

Professor Marc Gottlieb, College of San Mateo. Prof. Gottlieb has over a half century of teaching experience at a number of California colleges and universities. He has taught real estate, law, business, management, engineering, and additional courses. He has been on faculty with CSM for 50 of these years and has taught RE classes across the curriculum. Prof. Gottlieb has been awarded a number of teaching, academic, and community service awards. He completed his BS and MS at Stanford with University Distinction and national honors. He also holds an MBA (Honors), MPA (national honors), and the Juris Doctor Magna Cum Laude degree (with numerous honors) from the University of San Francisco Kendrick School of Law.

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MINUTES/UPDATE REPORT
February 2024

MINUTES

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MINUTES/ Notes

1. COVID, Influenza, and Real Estate

The COVID legal restrictions on the RE industry mostly eased in this last year as regards client meeting and home showings practices. However, the medical community is reporting a resurgence of Covid (a new “higher-infectivity” variety or strain) and other illnesses, including influenza (flu), Mpox (formerly known as monkey pox, it can cause blindness and severe scarring), and respiratory syncytial virus (“RSV” can be dangerous for children and older adults). The United States Centers for Disease Control and Prevention has recently (15 January 2024) cited the possibility of “more severe disease and increased healthcare capacity strain” from respiratory illnesses. And, a number of Bay Area hospitals and some schools are already requiring or considering re-masking (with health care personnel in the lead).

a. Increased Use of the Internet

The recent increased use of remote **video tours** is already included in the classwork but is being further emphasized in light of its apparent permanence. That is, the use of the Internet including video property tours will continue as a desired business practice, an effective marketing adjunct, if and when COVID and other health concerns finally goes away.

b. The recent use of more **electronic “signing” of legal documents** has been included in

coursework given its apparent permanency. State law has opened this door. It was already underway pre-COVID and will clearly continue as a convenient alternate to in-person endorsements after COVID.

2. Market Conditions and Trends:

Local RE market conditions have been fluctuating from a mixture of factors. Overall, the San Mateo Peninsula area realty markets remain among the strongest in America while being buffeted by the federal administration's monetary policies, California state legislation of various kinds, and developments in the important lending, insurance, and taxation law arenas. A few details follow.

2.1 Supply

a. The overall physical single-family housing supply remains constricted by California's legal restraints and regulations preventing most new development (or driving its costs up to the higher price ranges).

b. Supply of available houses on sale is further limited at this present time due to several identifiable factors, including:

b1. Home-owners are “hunkering down” in this higher interest rate environment hoping to realize higher sales prices when and if purchase money becomes more affordable again, and for employment concerns

b2. Some home-owners are considering additions to their properties (adding a room or two) instead of moving to larger homes as they may have otherwise done. This has been substantially enabled by new laws that significantly preempt or overrule local community controls over adding space (including “ADU's, aka auxiliary dwelling units, usually in back yards. While these can be rented out they are often utilized as simple additions to the owner's own living and working space). This is a mixed factor in that it appears to be limiting the number of homes on offer while also contributing somewhat to the supply of rental housing.)

b3. There is an interest in more space of almost any variety due to the need of so many owners working from home now (an apparently long-term shift in the very structure of the “workplace,” namely returning many people's workplaces to their homes where-from they originated long ago). The new technologies (such as email, the world wide web, etc.) are enabling this. Several corporations have found that employees

working from home reduces corporate overhead costs. Some companies have tried to return some of their staff to corporate offices with varying degrees of success. Many of the workers just say no, fearing catching illnesses in offices and/or being unable to afford the increased costs of commuting. Thus, there are a variety of factors at work, some in one situation and some in another. Overall, there has been a net shift to internet-based work. This is especially noticeable here in the Bay Area with its concentration of high technology businesses where the use of computer and communications technologies reflect this region's substantial involvement in the creation and development of same.

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2.2 Demand

a. Economic demand for traditional single family houses continues strong. Yes, there are layoffs. Although the increasing number of layoffs is causing many people distress, the layoffs appear to be concentrated mostly in income levels that were mostly not extensive participants in the local housing market in the first place. Most local employees are already priced out of this realty market. So, if 5,000 people are laid off perhaps only 3- or 500 could have purchased houses here with our high price levels. And, many of those already own houses or are not interested in acquiring, purchasing houses. Thus, a large layoff here does not result in an equally large decrease in economic demand for buying local houses. (Nor does it result in a very large increase in the number of houses on offer, for sale, as many of the laid-off workers did not own houses to begin with). This is a substantial structural change from market conditions of some time back. Then, our cyclical layoffs led to rapid declines in housing demand (and a fast, visible spike in the quantity of houses put up for sale). Layoffs still impact the market for sure but just not as proportionately/ greatly as in previous times.

b. Demand for (less expensive) condominium apartments (“condos”) has been more noticeably impacted. This is particularly visible in San Francisco and Oakland and other areas suffering from additional community and crime issues. The economic demand base in San Francisco for these units was heavily focused on new tech hires coming to The City. Now that there are significant layoffs there and companies moving out of San Francisco, the City's condo market is in a dip. And, Oakland's economy began this cycle weaker than San Francisco's or the Peninsula's.

2.3 Overall Traditional Housing Market (Summary):

The Peninsula traditional housing market remains strong, with some visible increase in Days on Market (time it takes a sales agent to sell a listing) and some softening in some price levels. **Compared to most of the USA, this area remains one of the (very) strongest of Real Estate markets.** The Peninsula market for less expensive condo units

is also still strong, but with some visible easing. As an experienced local agent put it, “things are moving,” that is: houses are selling. All in all, the Peninsula (CSM's primary service area) remains one of America's best places for a realty sales agent to work with relatively strong sales and very high commission income potential (due in major part to our high price levels, since most commissions are based on percentages of realized sales prices).

4. Rapidly-changing Legal and Market Conditions

Legal and market conditions are in a state of “rapid flux.” Some of the most recent changes or proposed changes are discussed below. Thus far the real estate trade remains quite good with many very successful agents able to sell properties more rapidly here than in most parts of the United States.

The very **rapid and substantial changes in RE law** (including landlord-tenant, land use controls and zoning, financing and lending, tax laws, proposals seeking to impact the legal structure of the RE industry and its practices, etc.) are being successfully incorporated into the coursework as Prof. G continuously updates his classes. California continues to have one of the most “active” legislatures in America and real estate is one of its chief areas of interest (in view of the money that can be made, organized lobby groups, and the recent heightened “social welfare concerns” with housing matters, “homelessness,” etc).

The many legal and market changes result in our living in “interesting time,” as per the examples of Insurance, Financing, Taxation, and State Pre-emption of local Communities' Land Use and Building Oversight (Sections 4, 5, 6, and 7 below):

4. Insurance Industry involving Real Estate:

New homeowner (fire and liability) insurance policies have recently become a “tight” market in California. The insurance industry is not happy with the type of “regulation” it receives from the political administration in the State Capitol (Sacramento). Several carriers have withdrawn from issuing new policies in California while others are imposing new restrictions. The restrictions vary from carrier to carrier and are still developing as this report is being written. Thus far, they reportedly may include:

1. requiring new electrical wiring if a house is over 20 years old
2. requiring automatic water line shutoff valves
3. requiring automatic gas line shutoff valves
4. requiring new plumbing if a house is over 20 years old
5. refusing to issue new policies in certain areas (fire danger zones, etcetera) where risk is perceived to exceed acceptable levels
6. refusing to issue policies for some structural designs (thinking: “earthquake pancake” units with parking underneath, houses supported by poles, etc.)
7. refusing to issue new policies for some properties located in geologically-risky sites (thinking: coastside, hillside, liquefaction/ high damage zones/fill dirt, etc.)

Real Estate brokers and agents report being able to help find coverage for most house purchasers but that it can be “a challenge” at times.

5. Financing Industry involving Real Estate:

The hikes in “mortgage” interest rates this last year or two has priced many people out of the real estate purchase market. For credit-dependent (most local) buyers, the recent the monthly payment on a typical used tract house in San Mateo has increased from the \$6-7,000 range to around \$10,000 to \$14,000, plus or minus. However, some credit-dependent buyers in the higher-income brackets and/or with substantial down payments remain able to purchase.

The supply of foreign capital buying local properties on an “all cash” basis continues despite public statements from Communist China that that country's regime is trying again to reduce its capital flight. Money is fungible and there are a number of ways, channels that it can move from China or other nations to the California real estate marketplace. Reports of foreign money (largely but from a wide range of countries not exclusively from China) continuing to enter our local realty markets. It plays a substantial role in maintaining them at their current very high price levels. The all-cash purchases continue to play a significant market role.

6. Taxes Involved in Real Estate

The reader is complimented for having persevered this far. However, it would be beyond most people's endurance to discuss all of the current tax proposals at federal, state, and some local levels. There are a number of proposals to raise property taxes or make hiking them easier (like, repealing or amending California Proposition XIII in various ways). There are proposals to shift property tax burdens from one group of owners to others. There are proposals to impose new fees on various types of ownership uses or, in some instances, non-uses. There are some proposals to hike real estate transfer taxes. And there are proposals to reduce some of the income tax subsidies for some or all property owners (plus, yes, a couple of proposals to increase same). There are proposals relating to the extension, modification, or scheduled expiry of the “SALT” state and local taxes deduction on federal income tax filings. There are also proposals to increase the income tax capital gains exemption on resale of appreciated primary-residence houses. Of these (and more), the highest-profile proposals include those to increase property taxes or make raising them easier – Proposition XIII, and the proposals relating to the federal income tax SALT deduction. Prof. G monitors as many of these as feasible to keep the courses as up-to-date as possible (Even the very best textbooks are only revised with new editions every 3 to 5 years.)

7. State Pre- Emption of Local Communities' Land Use, Building Oversight:

a. The state legislature's recent enactments included edicts, in essence, that local towns permit extra units to be constructed on single-family lots. So it is said that traditional “single family zoning is a thing of the past.” Plus, the new law favors even more dense developments on selected sites (such as on parcels within walking distance of transit meeting certain complex criteria, etc.) If the state believes a local town is not “compliant” with the state's demands for the housing component of its general plan, the law now gives developers the right to bypass local control. Thus, we have proposals for 50-plus story apartment blocks and other high-density projects in what have been relatively quiet single-family housing neighborhoods (San Francisco Sunset District, Menlo Park, Palo Alto, etcetera). Prof G has added class discussion of these new laws, the responses to these new laws, and their possible futures.

These new laws are controversial as noted from the many editorials and public statements, community group activities, and local city officials. The chief concerns include inadequate and outdated infrastructure, insufficient public facilities and services, foreseeable necessary tax increases, traffic, congestion, and quality of life issues. These concerns are also discussed to provide a balanced perspective capable of supporting

informed foresight of likely RE and community futures. Ballot measures to modify or repeal these laws are reportedly forthcoming in the foreseeable future.

8. Pending or proposed changes in the legal structure or operations of the RE industry

From judicial cases to legislative proposals, the way the Real Estate industry works is receiving some attention. There are thoughts that perhaps the Multiple Listing System may have some anti-competitive aspects. There is some thinking that the longstanding custom of sales agents working as independent contractors might be changed over to employee status. Prof. G continues to monitor these matters and incorporates some of the key considerations under discussion in the RE courses as appropriate so that students are alerted and kept updated as to possible changes in the realty trade.

9. SMCCCD “Free College” Program

The San Mateo County Community College District's new “Free College” program for most San Mateo County residents appears to strengthening overall CSM enrollments. (Less impact on Professor G's enrollments since his classes have proven to be very popular anyway over the course of many years. Full classes are full classes, regardless of whether any fees are being assessed.) The “Free College” program publicity may serve to call attention to the availability of a wide range of CSM classes among some residents who may not have previously considered signing up for college classes or who may not have realized that CSM exists, or who may not have known that they are welcome to study with CSM.

10. CSM RE Program and Success

a. CSM has been providing RE education for over half a century. While the college has decided to suspend offering the Real Estate AA degree program and one of the advanced RE Certificates of Achievement, the other Certificate of Achievement and the popular Certificate of Specialization in Real Estate will continue. **CSM is a traditional key source of new agents for the RE industry. Brokerages remain desirous of hiring CSM graduates as new sales agents.**

b. CSM continues to offer the classes necessary to qualify for the California state

Sales Agent licensure examination and successful entry into the RE industry.

c. Prof. Gottlieb provides the students with a strong legal, business, and ethical framework for their success in the industry. His regular online schedule includes RE100 Principles and RE110 Practice three times a year and RE121 Law/Legal Aspects every Fall and Spring. These and any additional offerings are always published in the college's Schedules of Classes.

d. The RE Program remains successful in helping students prepare themselves for RE career entry.

e. RE Brokerages, both large and small, regard CSM Real Estate graduates as worthy candidates for their career path opportunities.

f. To maintain the availability of high quality RE instruction during the COVID campus lockdown, Professor Gottlieb succeeded in transferring courses to the internet. (The college was already strongly encouraging moving classes to the web prior to COVID.) He has also carried over his “almost 24/7 study assistance” from his previous campus-based classes to Distance Education (internet/Canvas course platform). Student support and enrollments favor this positioning for convenience, cost, scheduling availability, physical accessibility including for persons with disabilities, personal health reasons, family care-giving needs at home, and continuing health/ infection concerns.

g. The recent college shift to accelerated instructional scheduling (8 week classes in all three terms instead of the former 8 weeks in summers and 17 weeks in fall and spring) has been successfully implemented. While the faster pace poses pedagogic challenges for some students, it is supported and/or accepted by others.

h. Prof. Gottlieb continues to emphasize strong business ethics, integrity, reputation, top quality client service, non-discrimination/ fair housing, anti-bias, diligence, community/civic/charitable service, and excellent long-term client relationships as valuable student success factors for entering and prospering in the RE industry. The goal is not only to “train” students in the basics but to help them realize and develop the positive character traits and personal skills enabling of genuine career success.

I. The recent change in California State Law mandating inclusion of specified anti-discrimination/ anti-bias “Fair Housing” course content has been fully implemented. Prof. G secured state approval and the students are now assured that the germane classwork here is officially “Green to Go” for California state licensure purposes.

j. Further developments will, as always, depend on resource availability.

k. All are welcome in CSM classes (We are an Open-Door Non-discriminatory Public Community College!). We offer classes in a wide range of study subject matter areas including Accountancy, Business, Computers, English, English as a Second Language, Psychology, Sciences, Maths, Nursing, Cosmetology, Fire-fighting, Real Estate, and many more. Inquires are most welcome.

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