

COLLEGE OF SAN MATEO
REAL ESTATE ADVISORY BOARD
MINUTES/UPDATE REPORT
January 9, 2025

AGENDA / MAIN TOPICS:

1. Covid, New Public Health Concerns, and Real Estate (RE)
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 Preemption of Local Communities' Real Estate Planning, Land Use, and Building Oversight
8. Changes in the legal structure/ operations of the RE industry
9. SMCCCD "Free College" Program Success
10. CSM Real Estate Program Updates, Success

MINUTES/ NOTES:

Attendees - Contributors:

Donna Marie Baldwin, Real Estate Salesperson with Compass Premier Realty, Burlingame, California. Ms. Baldwin is a California Real Estate success story in her own right. She has, through diligent efforts, developed an extensive clientele and an even wider public following. Her reputation for effective RE representation, integrity, and high quality of client services is among the top tier in the state. 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.

Compass is America's largest independent RE brokerage firm with over 18,000 agents and valuation of approximately \$7 Billion USD. Mrs. Baldwin completed her qualifying RE education with 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 has assisted several new agents in building their sales volumes and proceeding to their desired specialty niches in the real estate trade. He served honorably with the United States Marine Corps. And, 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. Having been a founding partner in his office's predecessor brokerage some 45+ years ago, Mr. Franzella grew the operation into 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 as a leader in both California real estate and in the community. He has been active in civic affairs including a ten year stint as mayor of San Bruno. Mr. Franzella completed his qualifying RE education with CSM.

Professor Marc Gottlieb, College of San Mateo. Prof. Gottlieb has over a Half Century of successful teaching experience. He has taught real estate, law, real estate, business, management, engineering, and additional courses with several universities, colleges. He has been on faculty with CSM for over 50 of these years. He also functions as the RE department chair, and he has taught RE classes across the curriculum. Prof. Gottlieb serves as the college liaison with the State of California, with the statewide Real Estate educator's association, and with the realty industry. Marc 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 a Juris Doctor Magna Cum Laude (with numerous top student honors) from the University of San Francisco Kendrick School of Law. Professor Gottlieb is a licensed attorney with both the California and United States courts.

Notes:

1. COVID, New Public Health Concerns, and Real Estate (RE)

The COVID legal restrictions on the RE industry have essentially dissipated. However, some public health concerns remain. For example, San Mateo County has experienced an outbreak of whopping cough and there have been reported monkey pox and influenza cases in the region.

Some of the COVID-era adaptations continue as effective business practices. These include the use of the internet for some initial home showings or tours, many client communications, and the expanded electronic transmission of various legal documents:

a. Increased Use of the Internet

The recently- increased use of the internet to make basic listings (property availability) information available for the public is now a fixture of the industry. This is being done both by the realty trade association and several private corporations. The internet is also being used for some (initial) remote video property and neighborhood, community tours. All of these changes are already included in the classwork. They are being further emphasized in light of their apparent permanence. That is, these electronic adaptations will continue as desired RE trade practices and as effective marketing tools.

b. The recently- increased use of electronic distribution of inspection reports, various disclosure documents, and more, together with more electronic approvals of some legal documents, are also now fixtures of the industry. These have been included in the coursework given their apparent permanency, state law having opened this door.

Comment: The computerization, electronic-ization of so many steps and documents involved in the real estate industry tends to favor those (generally larger) brokerages that can adapt, support and staff these modalities.

2. Market Conditions and Trends:

The San Mateo Peninsula area realty markets remain among the strongest in America.

This is being buffeted by federal policies, California state legislation of various kinds, and changes in the lending, insurance, and taxation 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 (and/ driving its costs up to the higher price ranges).
- b. Supply of available traditional houses on sale may grow somewhat as sellers prepare their properties for the annual Spring selling season.
- c. The physical supply of **condominium units** (especially on the north Peninsula and in San Francisco) is noticeably greater due to the recent construction of a number of condo projects (Redwood City also), (see also the State preemption section, *infra*).
- d. The supply of condo units on sale has grown not only due to the new construction but also because of the rather large layoffs of people who reside in existing condo units (ref: contraction of the computer programming industry in San Francisco, etc.)

2.2 Demand

- a. **Economic demand for traditional “single family” houses continues strong.**

Layoffs.

Yes, there are layoffs. The layoffs include many folks who are not extensive participants in the local housing market. Most local employees are already priced out of this realty market. (Note: recent data finds that it takes an annual income of \$513,200 in San Mateo County and \$487,600 in Santa Clara County to qualify to purchase a median-priced house). So, if 5,000 people are laid off perhaps only 3- or 400 had the incomes (or wealth equivalents) necessary to purchased houses in this high-priced area. And, many of those already own houses or are just 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, apparently-long term structural change from market conditions of some time back. Then, our region's 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 quickly or as pervasively as in previous times.

- b. Demand for (less expensive) condominium apartments (“condos”) has been more noticeably impacted.

This is particularly visible in San Francisco (with the nearby northern Peninsula region) and Oakland and other areas suffering layoffs, additional community problems, and crime issues.

The economic demand base in San Francisco for condo units was heavily focused on new tech hires coming to The City. There had been a movement of some tech firms into SF for perhaps 4 or 5 years. The firms hired mostly younger individuals starting out on their careers with engineering or computer degrees. Condos near their employers were convenient and more affordable than traditional houses some miles away.

Now that there are significant layoffs and several of these tech companies are closing or moving out of San Francisco, the City's condo market is in a dip. This is having a noticeable impact also on condos on the northern Peninsula, San Francisco's immediate commuter shed. (Oakland's economy began this cycle weaker than San Francisco's or the Peninsula's.)

- c. There is a visible demand among some buyers for 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 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, some fearing catching illnesses in offices and/or being unable to afford the increased costs of commuting. Others having home or family or care-giving responsibilities. Thus, there are a variety of factors at play.

Overall, there has been a net shift to internet-based work since the pre-COVID days. 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.

d. Lending Standards Restrictions:

FannieMae and FreddieMac (federal RE loan standards-setting organizations) are now "pulling" (refusing) loan approvals for entire condominium buildings (which may have dozens of units) whenever a single balcony/ deck doesn't pass inspection. Further, all of the building's balconies are then required to be inspected and brought into compliance with lending standards. Therefore, some retail banks, lenders will not now accept loan applications on some condo complexes. (While this is restricting overall availability of condo listings, there are still more condos on the market than ready purchasers due to the other market factors discussed herein.)

2.3 Overall Housing Market (Summary):

The Peninsula's traditional- housing market remains quite strong. The condo housing market is more variegated, with more weakness on the northern peninsula (and in San Francisco) and more strength in the more southerly Palo Alto suburban area.

Compared to most of the USA, the Peninsula is one of America's (very) strongest of Real Estate markets. As an experienced local agent put it, "things are moving," that is: houses are selling quite well, rapidly. And some attract multiple offers.

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.** (This is due in major part to our high price levels. Most commissions are based on percentages of realized sales prices).

3. Rapidly-changing Legal and Market Conditions

Legal and market conditions are still in a state of "rapid flux." Some of the most recent changes or proposed changes are discussed below.

3a. Real Estate and Laws:

There are very **rapid and substantial changes in RE and related laws** (including landlord-tenant, land use controls and zoning, financing and lending, tax laws, proposals seeking to impact the legal structure of the realty industry and its practices, etcetera). These 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, the organized lobby groups (real estate, banking/ lending, insurance, construction trades, escrow, and the rental properties sectors all have very active lobbyists, MG), and the recent heightened “social welfare concerns” with housing matters, “homelessness,” “affordability,” etc).

The many legal and market changes result in our living in a proverbial “very interesting time.”

Reference: the flux in Homeowner's Insurance, Financing, Taxation, State Preemption of local Communities' Land Use and Building Oversight, and changes in some laws relating to the leasing, renting of real estate (Sections 4, 5, 6,7, and 8, infra).

4. Insurance Industry involving Real Estate:

New homeowner (fire and liability) insurance policies are now 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 withdraw entirely 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. For example, many Pacific Palisades (Los Angeles) homeowner insurance policies were canceled, refused renewal, in 2024 (a fire zone now).
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 or earthquake-damage-prone sites (thinking: coastside, hillside, liquification/ high damage zones/fill dirt areas like, say, Foster City and the Redwood Shores district of Redwood City, etcetera).
8. demanding that some balconies, decks be rebuilt (including in some large condo projects).

Real Estate brokers and agents still 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 priced many more people out of the real estate purchase market. For credit-dependent (many of our local) buyers, the monthly payment on a typical used tract house in San Mateo has increased from the \$6-7,000 range near the low 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 (thus, reducing the monthly payment levels) remain able to qualify for acquisition loans and purchase.

Our region continues to see a substantial number of **all-cash sales**. 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 California. Reports of foreign money (largely from China but from a wide range of countries) continuing to enter our local realty markets. It plays a substantial role in maintaining them at their high price levels, too.

6. Taxes Involved in Real Estate

There are a number of proposals to raise property taxes or make hiking them easier (like, repealing or amending California's Proposition XIII property tax limitation in various ways).

There are proposals to shift property tax burdens from some groups of owners to others. There are proposals to impose new fees on various types of ownership uses or, in some instances, non-uses. Several cities have adopted or are considering extra taxes on properties that the cities believe is not “adequately utilized” (vacant units, etc.). 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 2025 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 the above (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 many of these to keep the RE courses as up-to-date as possible. (Even the very best textbooks can only be revised with new editions every 3 to 5 years so that there are a lot of updates required.)

This year may see renewed efforts at

- (1) raising the federal capital gains exemption on home sales,
- (2) raising the (again, federal) deduction limitation on home loan interest,
- (3) modifying certain California tax laws or practices including the recent inherited property law changes,
- (4) possible further local tax levies or penalties on empty properties,
- (5) possible further local documentary property tax increases (on sales), and
- (6) possibly more?

7. State Preemption 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 state law favors even more dense developments on selected sites (such as on parcels within walking distance of transit meeting certain complex criteria, etcetera).

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. This is sometimes referred to as the “builder's remedy.” Thus, we have proposals for 50-plus story apartment towers 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, their impacts, the responses to these new laws and their impacts, and their possible futures.

These new laws are controversial as evinced by the many editorials and public statements, community group activities, and local city officials' concerns. The chief concerns include inadequate and outdated community infrastructure, insufficient public facilities and services, foreseeable necessary tax increases, traffic, congestion, and quality of life issues. In brief, these high density projects create a number of externalized (and often initially-hidden) costs, costs largely to be borne by the local public directly or in future years. These concerns are discussed in the RE coursework to provide a balanced perspective capable of supporting informed foresight of likely RE and community futures. (Note: Ballot measures to modify or repeal these laws are reportedly forthcoming in the foreseeable future and these will be watched closely and integrated into the RE coursework as necessary/ appropriate.)

8. Changes in the legal structure or operations of the RE industry

8a. Settlement in the National Association of Realtors litigation and its impacts on commission arrangements with clients.

From judicial cases to legislative proposals, the Real Estate industry is receiving considerable attention. This year saw a settlement of the litigation against the National Association of Realtors regarding commissions and their Multiple Listing Services. There were thoughts that perhaps the Multiple Listing Systems may have had some “anti-competitive” aspects. The settlement contains a number of provisions that, basically, have resulted in realty shoppers now being asked to sign buyer representation agreements. Also, NAR's Multiple Listing Systems may no longer require listing brokers to split commissions automatically with selling brokers. Instead, these arrangements will need to be negotiated on a transaction-by-transaction basis.

8b. “Professional Realtor” versus “just a realty sales agent?”

Some (mostly new or younger) real estate licensees are now opting to not join their local realty boards (and thus, also not becoming members of either the California or the National Associations of Realtors). In former years, membership was often a requirement to access the local and regional NAR- affiliated Multiple Listing Services. However, today it is possible to just pay an “access fee” to the MLS without joining the real estate board or the state or national associations.

Reported concerns include:

1. “lessened professionalism,” as the realty boards sponsor many training seminars, continuing education topics, and incentive activities promoting professional practices among their memberships. They also sponsor a considerable amount of public information and assistance resources, and more.
2. Lessened support, resources for the CAR and NAR's lobbying and publicity work on behalf of the realty trade and,
3. Lessened industry resources for measures or campaigns that also benefit the general public (Example:

NAR's active lobbying in Congress is partially credited for "saving" the home interest deduction on federal income taxes, albeit at a reduced level from its previously-unlimited character).

These matters are being watched by the realty associations, some of their local members, and Prof. G to see how widespread they may become and how significant their impacts may be.

(Comment: These trends appear similar to the trend of many younger people nowadays to not join or participate in community, civic, fraternal, religious, or charitable organizations. Some of these long-standing service groups or groups are now mere shells of their former selves, consisting largely of only their long-standing, elderly members. Their social, community, charitable, and other activities are being reduced as their memberships decline. It is not clear that the very popular electronic "social media" is a full or adequate substitute, MG.)

8c. Independent Contractor or Employee Legal Status?

The proposals of some (such as segments of organized labor outside of the realty trade) that the longstanding custom of realty sales agents working as "independent contractors" might be changed over to legal "employee" status were defeated in the California Legislature this last year. (This, after a local San Diego County judge issued a ruling in an unconnected proceeding that might have led to the contrary result.)

A transformation to employee status would have some significant impacts including the loss of the substantial "business expenses deductions" currently enjoyed by realty sales agents. This would lower their net incomes. Thus, the opposition to proposed change from within the realty trade.

The reclassification to employee status proposal could arise again in some manner. (Note: Employees may legally be "organized" into unions while independent contractors may not, per the National Labor Relations Act and etcetera, MG.) This important issue is already addressed in the coursework and Professor G is monitoring for any possible necessary additional class updates.

8d. Conclusion on Legal and Operational Changes and Proposals

Prof. G continues to monitor these matters and incorporates key considerations in the RE courses as appropriate. The students are alerted and kept updated as to current and possible changes in, or impacting the realty trade.

(For example, the significant changes resulting from the NAR case settlement were promptly and successfully incorporated in the pertinent real estate courses. This, even though most textbook publishers won't get them into print for another year or more.)

9. SMCCCD "Free College" Program Success

The San Mateo County Community College District's new "Free College" program for most San Mateo County residents (and some additional people) have strengthened overall CSM enrollments. (It has had less impact on Professor G's enrollments since his classes have always been very popular and fill up rapidly anyway. Full classes are full classes.)

The “Free College” program publicity calls attention to the availability of a wide range of CSM classes. 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, appear to now be enrolling. In this, the program appears to be successful in making CSM into an even-more “community-wide-service college” than before.

10. CSM RE Program Updates, Success

a. CSM has been providing RE education for over half a century.

b. CSM is a traditional key source of new agents for the RE industry. Brokerages remain desirous of hiring CSM graduates as new sales agents.

As a leading broker puts it, “Your (Profesor G's) students get a much more complete picture of what real estate is all about than they get at other schools.” This broker has interviewed, hired our graduates and looks forward to continuing to do so.

c. CSM continues to offer the classes necessary to qualify for the California state Sales Agent licensure examination and successful entry into the RE industry.

d. Prof. Gottlieb provides the students with a **strong legal, business, and ethical (including non-discrimination and anti-bias) framework** for their success in the industry. His regular online schedule assignments include RE100 Principles and RE110 Practice three times a year and RE121 Law/Legal Aspects every Fall and Spring. Completion of this coordinated 3-course sequence will fully qualify the student in meeting the academic requirement to sit for the California state RE sales agent license examination. All CSM class offerings in all subject matter areas (including Accounting, Business, Computers, English, Psychology, RE, and many more) are published for each semester by the college at the CSM Schedules of Classes page online.

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

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 all RE courses to the internet. (The college was already strongly encouraging moving classes to the web prior to COVID.) Student support and enrollments favor this convenient scheduling for its practicality, cost savings, availability, physical accessibility including for persons with disabilities, personal health, family care-giving needs at home, commute or work conflicts, transportation difficulties, and any continuing health/ infection concerns.

g. Prof. G also continues his “almost 24/7 study assistance” and support for his students. (Comment: this especially helps students who have to study at “odd hours” or during the nighttime or on weekends.)

h. 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.

- I. 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 legal basics but to help them realize and develop the positive character traits, ethics, and behaviors enabling of genuine career (and life) success.

j. The recent changes in California state law mandating inclusion of specified anti-discrimination/ anti-bias “Fair Housing” course content have been fully implemented. Prof. G has also secured the necessary state approval. Thus, the students are now assured that the classwork is officially “Green to Go” for California state licensure purposes. (These are also fully=accredited college courses and they will normally transfer to all 23 California State University campuses and most other colleges.)

k. Professor Gottlieb is adding video lecture segments to all of his courses. While the courses were complete and very popular without videos, their addition should be helpful for some students. (Comment: different students tend to learn better by different means, many are great with text while others may do even better now with these added visual communications, MG.)

l. ALL people are welcome to enroll in CSM courses. (We are an Open-Door, Non-discriminatory, public Community College.) We offer classes in a wide range of 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. (If your query is outside of Real Estate, we will be happy to refer you to those fine CSM people who know the information and/or how to assist you.)

Respectfully submitted,
Professor Marc Gottlieb
 (“Half a Century Helping Nice Students SUCCEED!”)