

The West LA 1031 Playbook

A Guide for Santa Monica, Brentwood, Mar Vista, Palms, Culver City, and Venice Landlords Deciding Whether to Sell, Hold, or Exchange in 2026

BOOK Your FREE West LA Cash-Flow Audit [HERE](#)

FOR THE EQUITY-RICH, MANAGEMENT-TIRED WESTSIDE LANDLORD

"The Tax You Don't Pay Is the Biggest Check You'll Ever Write Yourself."

A West LA Landlord's Guide to 1031 Exchanges, Measure ULA, DSTs, and the Real Math Behind the "Sell or Hold" Decision.

A Note From the Author - Ryan Kleczynski

This guide was written for one specific person: a Westside landlord who has quietly asked their CPA "should I just sell?" at least once in the past six months.

If that's you, this guide is for you. It's not for someone looking to buy their first investment property. It's not for a developer or a flipper. It's for the person who built something real over decades and now wonders whether the asset is still working as hard as they are — or harder than they want it to.

Every exchange is different. Every tax situation is unique. This guide is educational, not tax or legal advice. Before acting on anything here, coordinate with a CPA, a Qualified Intermediary, and an estate planning attorney.

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Who this is for

Equity-rich West LA landlords

Why West LA Landlords Are Trapped in 2026

Most West LA landlords don't have a real estate problem. They have a trap: high equity, high tax exposure, and a growing sense that the math doesn't work anymore.

The Four Forces Trapping You

Force 1 — Measure ULA

The City of LA's additional transfer tax kicks in at \$5.15M (4%) and \$10.3M (5.5%). A \$6M sale inside City of LA triggers roughly **~\$240K in additional transfer tax** before capital gains are even calculated.

Force 2 — Rent Control Ceiling

AB 1482 caps annual increases at 5% + CPI (max 10%). Santa Monica and West Hollywood go further. Long-tenured tenants lock rents at **40–60% of market** with no legal path to close the gap.

Force 3 — Rate Reset

Commercial and multifamily loans maturing in 2026–2027 are resetting at **2–3× the original rate**. DSCR often doesn't pencil. Refinancing is either impossible or requires a large cash-in.

Force 4 — The Step-Up Assumption

Holding until death for a tax-free basis step-up remains powerful, but it assumes your heirs want the asset and that you're willing to manage it for **10–20 more years**. For many 60+ landlords, one of those assumptions has quietly become false.

i The West LA Landlord Math

1. What is my current net monthly cash flow, after tax?
2. What is my gross yield on equity (net annual income ÷ current equity)?
3. How much would I keep after all five tax layers if I sold today?
4. What could that after-tax number produce in a better-structured replacement?

If you can't answer three of these from memory, you don't have a plan.

"Book a FREE Westside Cash-Flow Audit to see how these four forces play out for your specific property — with real numbers, not hypotheticals. 30 minutes. Confidential."

BOOK Your FREE West LA Cash-Flow Audit

1031 Exchange, Explained Like You Own 10 Units, Not 10 Law Degrees

You've heard "1031" a hundred times - from your CPA, from a neighbor, in a newsletter. But if you had to explain it at a dinner party, you'd get stuck at "something about taxes being deferred." You're not alone. Most landlords who've owned investment property for 25 years could not, with confidence, name the 45-day deadline. This section is the explainer you've been meaning to ask for.

The Mechanics

1 What 1031 Actually Says

If you sell investment real estate and buy other investment real estate through a Qualified Intermediary within strict deadlines you defer capital gains and depreciation recapture.

2 The Three Hard Rules

(a) Same taxpayer in and out.

(b) "Like-kind": both properties must be real estate held for investment.

(c) 45 days to identify replacements; 180 days total to close.

3 What a QI Actually Does

You cannot touch the money. The Qualified Intermediary holds proceeds between sale and purchase. Without a QI, there is no exchange. Period.

4 What "Boot" Means

Any cash or debt relief you extract is taxable. Sell for \$2.1M, buy for \$1.9M - the \$200K "boot" is fully taxable in the year of sale.

The 3 Identification Methods

3-Property Rule

Identify up to 3 properties. Best for most landlords with clear replacement clarity.

200% Rule

Identify any number, but total FMV cannot exceed **200%** of what you sold.

95% Rule

Identify any number, any value - but you must acquire 95% by value. Rarely used.

The Four Common Variations

- **Delayed** - most common; sell first, then buy
- **Simultaneous** - rare; both close same day
- **Reverse** - buy first, then sell within 180 days
- **Improvement/Construction** - use proceeds to improve the replacement

Federal + California + Recapture + NIIT + ULA

You know a straight sale will "cost a lot in taxes." You probably don't know the number. Most audit clients guess their exposure at 20–25%. It's almost always higher (often **37–42% of total gain** once every layer is added up).

The Five Layers of Tax on a West LA Investment Sale



Straight Sale vs. 1031 Exchange

Item	Straight Sale	1031 Exchange
Sale price	\$2,100,000	\$2,100,000
Cost basis (after depreciation)	(\$180,000)	—
Gain subject to tax	\$1,920,000	\$0 (deferred)
Federal cap gains (20%)	\$288,000	\$0
Depreciation recapture (25% × ~\$400K)	\$100,000	\$0
CA state tax (~11%)	\$211,200	\$0
NIIT (3.8%)	\$72,960	\$0
Transfer tax (under \$5.15M ULA threshold)	~\$9,600	~\$9,600
Total tax	~\$681,760	~\$9,600
Net proceeds to redeploy	~\$1,238,240	~\$1,910,400

The Invisible Check: ~\$672,000

That is the dollar difference between a straight sale and a properly executed 1031 exchange on this property.

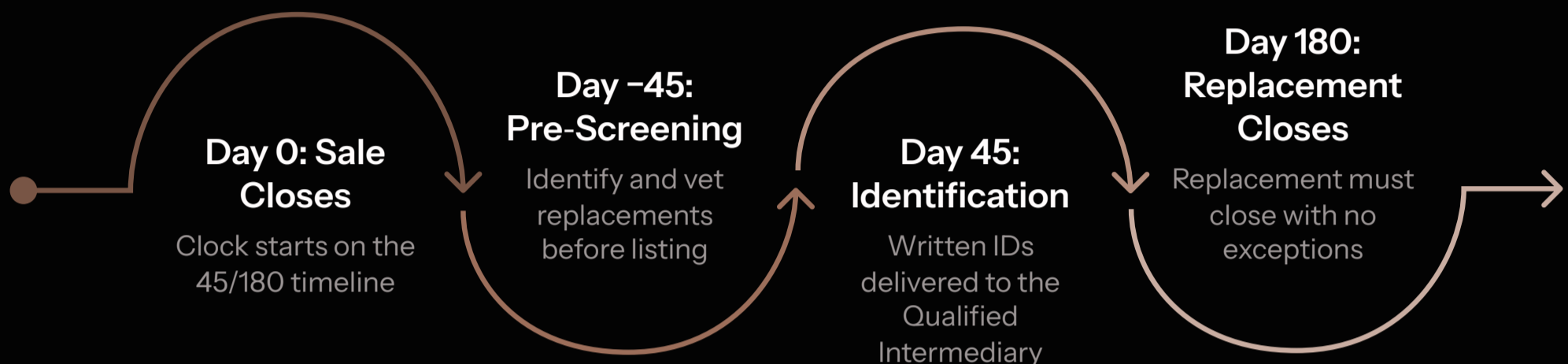
The Five-Minute Tax Math

1. Estimate current property value.
2. Subtract adjusted basis (purchase + improvements – depreciation).
3. Multiply gain × ~42% (federal + CA + NIIT + recapture, blended).
4. Add ULA if your property is in City of LA over \$5.15M.
5. That's your walk-away tax bill. Is it bigger than you thought?

If yes — you need to see the Audit numbers before you decide anything.

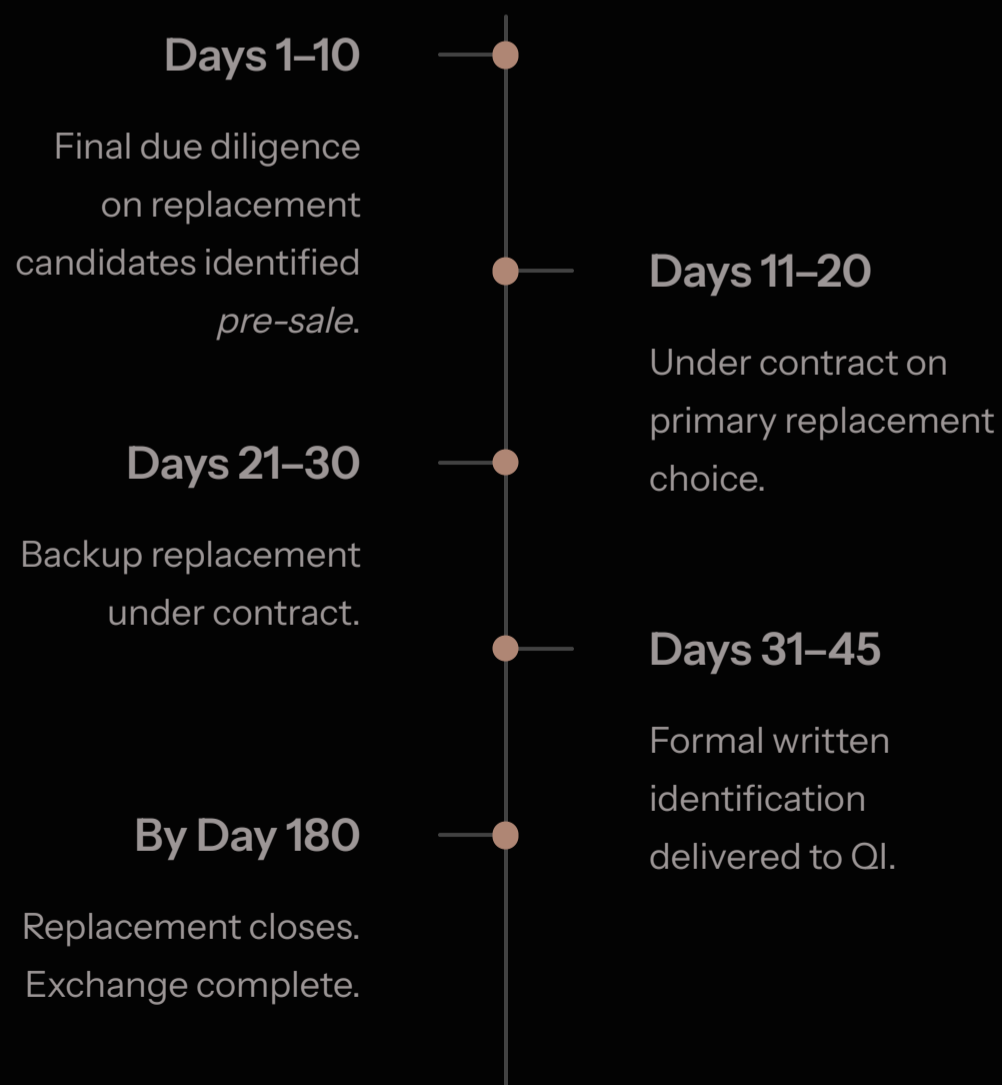
The 45/180 Clock: What Starts It, How to Work It, What Kills It

A client called last November, excited about a clean \$1.8M sale of her Palms fourplex. She called to ask about a replacement. We asked when she closed. "Forty-one days ago." She had four days to identify a replacement. She lost the exchange, paid roughly \$540K in tax, and still thinks about that four-day window every time she files her return. The 45/180 clock is not a guideline. It is a statutory deadline — and it starts earlier than most landlords think.



The critical insight: the real work happens *before* Day 0. Pre-screening replacements before your property hits MLS is the single biggest process improvement most landlords can make.

The 10-10-10-15 Working Framework



What Kills the Exchange

- **Touching the money** — even briefly. The QI must hold proceeds uninterrupted.
- **Missing Day 45 by one day.** There are no extensions, no exceptions, no appeals.
- **Informal identification** — a text to your agent doesn't count. Must be in writing to your QI.
- **Changing the taxpayer** — sold in your name, buying in an LLC with a different EIN requires advance planning.
- **Related-party trades** without navigating the 2-year holding requirement.

✓ The Reverse Exchange Escape Hatch

If you find the right replacement *before* you're ready to sell your current property, a Reverse 1031 lets you buy first and sell within 180 days. It's more expensive — the QI holds title to one property.

The Five Replacement Paths

"OK, I'll exchange. Into what?" There are five credible paths, and each fits a different kind of client with a different definition of the good outcome.



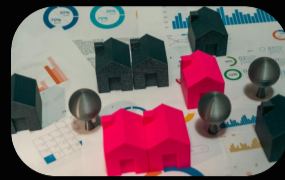
Path 1 — Direct Exchange

Sell a tired duplex, buy a newer asset in a stronger cash-flow market. You stay a hands-on landlord with a better property and 1.5–3× the cash-on-cash return. Same job, better tool.



Path 2 — Upsize to Larger Asset

Move from a \$2M fourplex to a \$4–6M, 10–20 unit building in Long Beach, Phoenix, or Las Vegas. Use accumulated equity as the down payment. More scale — and more complexity.



Path 3 — Diversified Split

Trade one \$2M West LA duplex into two or three smaller properties in different markets — Sunbelt multifamily, NNN retail, a residential rental near family. Risk reduction without exiting real estate.



Path 4 — Delaware Statutory Trust (DST)

Exchange into a fractional interest in a large, professionally managed property. You are no longer a landlord — you are a passive beneficial owner collecting 4.5–6% distributions. Zero management.



Path 5 — Triple-Net (NNN) Commercial

Exchange into a credit-tenant retail property where the tenant pays rent, taxes, insurance, and maintenance. Mailbox money. A clear 10–15 year lease. Minimal oversight required.

The Five-Path Comparison: \$1.9M Exchange

Path	Typical Cash-on-Cash	Mgmt Hours/Mo	10-Yr IRR Range	Liquidity
1 — Direct Exchange	4.5–6.5%	6–10 hrs	7–11%	Normal sale
2 — Upsize Asset	5–7%	10–20 hrs	8–13%	Normal sale
3 — Diversified Split	5.5–7%	4–8 hrs	7–12%	Normal sale
4 — DST	4.5–6%	0 hrs	6–9%	Illiquid
5 — NNN Retail	5.5–7.5%	0–1 hrs	6–10%	Normal sale

❑ Why the DST Path Is Underused

Most realtors never mention DSTs because there's no commission. Most CPAs mention them incorrectly — either too skeptically or too enthusiastically. The truth: for a 65-year-old Mar Vista landlord who wants out of management but doesn't want a \$600K tax bill, a well-chosen DST portfolio is often the single highest-quality outcome available.

"The Audit is the only time most Westside landlords ever see all five paths modeled side-by-side for their specific situation. Most clients are genuinely surprised by which path wins — and by how much. Book yours — 60 minutes, confidential, no cost."

[Book the Free 60-Min Audit — See All Five Paths for Your Property.](#)

When NOT to Exchange: The Case for Hold-for-Step-Up — and When It's Wrong

When Hold-for-Step-Up Is the Right Answer ✓

- You are in your late 70s or 80s, in good health, and the property is low-drama
- Your heirs *actually want* the asset and are equipped to manage it
- You don't need the cash flow or the simplification
- Your estate is under the federal lifetime exemption (~\$13M+ per individual)
- Your trust and title structures are already in place and current

When Hold-for-Step-Up Becomes the Wrong Answer ☐

- The property is actively eroding your quality of life
- Your heirs don't want it — sell after death creates the same cap gains problem for them
- You need income now, not deferred
- The asset is fundamentally impaired: deferred maintenance, location, rent control compression
- You are divorcing, restructuring, or facing a forced sale regardless

The Hold Cost Formula

Annual hold cost = (After-tax opportunity cost of trapped equity) + (Cash-flow gap vs. optimized replacement) + (Quality-of-life cost of active management)

🔍 The Two Questions:

1. If I died tomorrow, would my spouse and heirs be grateful for this asset — or burdened by it?
2. If I had the cash equivalent of this property's equity in a brokerage account, would I buy this exact property today?

Two yeses = hold. Two nos = exchange. One of each = the Audit is the cheapest way to break the tie.

How a Duplex Became \$11K/mo Net Cash Flow in 147 Days

The Starting Numbers

\$2.15M

Property Value

\$175K

Adjusted Basis

\$625K

Straight-Sale Tax Exposure

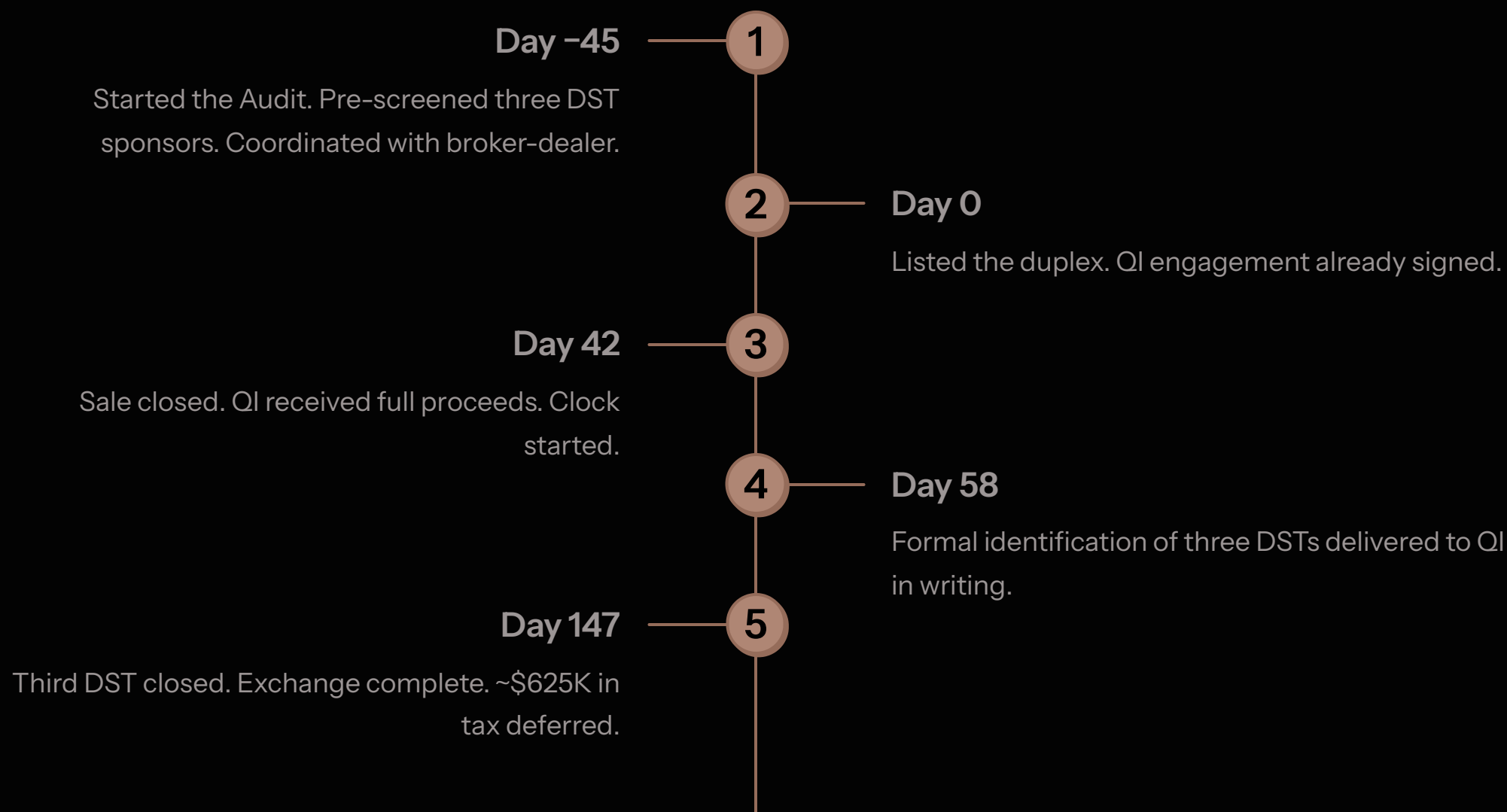
\$672K

Exchange Advantage (Delta)

The Five Options We Modeled

	Option	Projected Cash Flow	Management	10-Yr IRR
A	Hold as-is	~\$2,400/mo net	8-12 hrs/mo	~5.8%
B	Direct exchange → Long Beach fourplex	~\$5,800/mo	6-10 hrs/mo	~7.2%
C	Split: Phoenix multifamily + Texas NNN	~\$7,200/mo	3-5 hrs/mo	~8.1%
D	Full DST exchange (3 sponsors)	~\$11,200/mo	0 hrs/mo	~7.8%
E	Do nothing	~\$2,400/mo net	8-12 hrs/mo	~5.8%

Timeline: 147 Days to Complete



The Result

- Monthly distributions: **~\$11,200** (vs. \$2,400 before)
- Tax deferred: **~\$625,000**
- Active management hours/month: **0** (vs. 8-12)

What We'd Do Differently

- Started pre-screening DSTs one month earlier
- Had him meet the broker-dealer before listing, not after
- Would have explored a reverse exchange if the right DST allocation had been available first

✔ Option D produced the highest cash flow and the lowest management burden. For David, the right answer wasn't the highest IRR — it was the best life outcome.

The 10-Point Pre-Flight Checklist Before You List

1

Know Your Adjusted Basis

Purchase price + capital improvements – accumulated depreciation. Get this from your CPA before anything else moves.

2

Have a Current Tax-Impact Estimate

What does a straight sale actually cost across all five tax layers? Not a guess — a number.

3

Select Your QI Before Listing

QI engagement must be signed before the listing agreement. Not after. Not during escrow.

4

Pre-Screen 3–5 Replacement Candidates

Not "I'll look at the market in 45 days." Actual properties with actual numbers, reviewed before you list.

5

Confirm CPA Alignment

Your CPA has reviewed the exchange structure and signed off. Misalignment here is expensive and late-breaking.

1

Understand Replacement Financing

Pre-qualified with the right lender for the replacement asset type — before your sale closes.

2

Get an Estate-Impact Read

How does this exchange affect your trust, your heirs, and your Prop 19 basis transfer? An estate attorney should weigh in.

3

Consider the Reverse Exchange Option

If timing is tight and you've found your replacement, is a reverse structure cleaner for your situation?

4

Know Your Exit Path on the Replacement

When and how do you exit the replacement asset? Especially critical for DSTs where the sponsor controls the exit timeline.

5

Have a Fallback Plan

What happens on Day 46 if nothing qualifies? Answer: this is why you had 3–5 candidates, not 1.

What the Audit Actually Delivers

Current-State Snapshot

P&L analysis of your specific property — actual numbers, not averages.

Pro-Forma Comparison

2–3 replacement paths modeled side-by-side with real return projections.

Full Tax Matrix

All five layers plus ULA. Built from your actual basis, debt, and location.

Vetted Introductions

QI, CPA, broker-dealer, estate attorney — wherever gaps exist in your advisor roster.

"If you're within 12 months of selling a West LA investment property — or if you've been avoiding the decision for years — the Westside Cash-Flow Audit is the cheapest, lowest-risk way to find out what your real options are. 60 minutes. Confidential. No cost. It's the single thing that separates the landlords who leave \$600K on the table from the ones who don't."

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