



POTENTIAL TERMINATION OF THE CITY'S TEMPORARY PROHIBITION ON RENTAL HOUSING PRICE GOUGING THROUGH REPEAL OF CHAPTER 10-44 OF THE CITY CODE

City Council Meeting
December 10, 2019

Sue Gallagher, City Attorney

Scheduled Review Of Price Gouging Ordinance

- ❖ In the immediate aftermath of the 2017 wildfires, the Council adopted a temporary prohibition on rental housing price gouging.
- ❖ Last year, in November, 2018, Council extended the price gouging ordinance to “at least October 9, 2019, at which time it shall be subject to review by the City Council at a regularly scheduled Council meeting.”
- ❖ This item provides the opportunity for that review.

Background

- ❖ The October 2017 wildfires destroyed approximately 3000 homes in Santa Rosa alone.
- ❖ The destruction exacerbated an already severe shortage of rental housing.
- ❖ Council and staff soon were alerted to potential price gouging in the City's rental housing market.

Adoption of Urgency Ordinance

- ❖ On October 24, 2017, Council adopted an Urgency Ordinance, adding Chapter 10-44 to the City Code.
- ❖ Prohibits any landlord from increasing residential rents to more than 10% above the price charged immediately prior to October 9, 2017, the date of the City's proclamation of local emergency.
- ❖ Prohibits any landlord from evicting an existing tenant and subsequently renting the same unit for more than 10% above the price charged in the 30 days immediately preceding October 9, 2017.

Penal Code Section 396

- ❖ The new Chapter 10-44 generally mirrored Penal Code Section 396.
- ❖ Section 396 prohibits landlords from increasing residential rents more than 10% during the 30 days after the declaration of an emergency and for any period in which the declaration is extended.
- ❖ Section 396 prohibits landlords from evicting an existing tenant and renting the same unit to another person at a price greater than that allowed under the statute.
- ❖ Section 396 applies only to those units with an initial lease term of one year or less.

Extensions – Chapter 10-44

- ❖ By its initial term, the City’s price gouging ordinance was to remain in effect until April 18, 2018.
- ❖ On May 8, 2018, Council, by urgency ordinance, extended the term to December 4, 2018 or for so long as the State Declaration of Emergency remained in effect.
- ❖ On November 27, 2018, Council, by urgency ordinance, further extended the term to “at least October 9, 2019.”
- ❖ The price gouging ordinance remains in effect at this time.

Extensions – Section 396

- ❖ Soon after the 2017 wildfires, the Governor extended the prohibitions of Section 396 in Sonoma County to April 18, 2018.
- ❖ The Governor subsequently extended the applicability of Section 396 relative to the 2017 fires three additional times.
- ❖ Under those extensions, Section 396 remains in effect in Sonoma County through December 31, 2019.

Continue or Terminate?

- ❖ State of reconstruction and recovery
 - ❖ Substantial reconstruction underway, but still far from completed
 - ❖ Rental market remains significantly constrained
- ❖ Passage of time
 - ❖ Chapter 10-44 sets a baseline of October 9, 2017
 - ❖ Prevents increases of more than 10% above that baseline for the duration of the ordinance
- ❖ Availability of State protections
 - ❖ Penal Code Section 396
 - ❖ Tenant Protection Act of 2019 (AB 1482)

Tenant Protection Act of 2019

- ❖ AB 1482, effective January 1, 2020.
- ❖ Applies to rental housing units 15 years and older.
- ❖ Excludes single family homes unless owned by certain types of trusts or corporations.
- ❖ Limits annual rent increases to 5% plus CPI or 10%, whichever is less (Note: Annual cap reaches back to March 15, 2019).
- ❖ Prohibits eviction of tenants without just cause.

Recommendation

Pursuant to Council request, it is recommended by the City Attorney that the Council consider whether to repeal Chapter 10-44 of the Santa Rosa City Code.

Repeal of Chapter 10-44 would terminate the City's temporary prohibition on rental housing price gouging and associated temporary limitations on tenant evictions, originally adopted following the 2017 wildfires.

QUESTIONS?