

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: CHUCK REGALIA, ASSISTANT CITY MANAGER
CITY MANAGER'S OFFICE

SUBJECT: DIRECTION TO PREPARE RENT STABILIZATION ORDINANCE
AND ADOPTION OF AN URGENCY RENT MORATORIUM
ORDINANCE

AGENDA ACTION: COUNCIL DIRECTION TO STAFF AND POSSIBLE ADOPTION
OF URGENCY ORDINANCE

RECOMMENDATION

It is recommended by the Rent Stabilization Subcommittee of the City Council, on a 2-1 vote (Schwedhelm voting no), that the Council direct Staff to prepare a "limited" rent stabilization ordinance which would also include a "just cause for eviction" ordinance.

If a majority of the Council directs staff, by motion, to prepare such an ordinance, then the subcommittee further recommends that the Council adopt a Rent Moratorium as an urgency ordinance in order to prevent rental increases while the ordinance is being prepared. An urgency ordinance would require five (5) votes of the Council in accordance with the City Charter. If a majority of the Council votes not to move forward with a rent stabilization ordinance, there would be no need or legal basis to adopt a moratorium.

If the Council elects to direct staff to prepare a rent stabilization ordinance, Council will need to provide further direction on specific aspects of the proposed ordinance as discussed below.

The subcommittee voted 3-0 to further study the Rental Unit Inspection program, Tenant/Landlord Education and Tenant Incentive Programs. The subcommittee considered but did not recommend Arbitration/Mediation Program or Rent Stabilization.

EXECUTIVE SUMMARY

The Council has initiated a program to review and summarize rent stabilization programs in California, including options for the implementation of Mediation/

DIRECTION TO PREPARE RENT STABILIZATION ORDINANCE AND ADOPTION OF AN URGENCY RENT MORATORIUM ORDINANCE
PAGE 2 OF 7

Arbitration, Just Cause for Eviction and Rent Stabilization in Santa Rosa. A presentation of these program options was made to the Council on January 26, 2016.

On March 31, 2016, the Rent Stabilization Council Subcommittee considered six tenant protection options, eventually recommending adoption of limited rent stabilization with a companion rent moratorium. The subcommittee also discussed several options for implementation, which should be considered by the City Council.

CITY COUNCIL GOALS

This work effort is included within Council Goal #1 Create a Strong, Sustainable Economic Base, Strategic Objective #2, Evaluate Housing Initiatives.

BACKGROUND

On September 1, 2015, a City Council Study Session was conducted on Rent Stabilization. During this study session, the City Council reviewed relevant State laws, considered market information and housing data, and considered other cities rental housing programs, policy options and future implications.

On October 20, 2015, the City Council awarded a contract to Management Partners to analyze policy and management options for the implementation of Mediation/Arbitration, Just Cause for Eviction and Rent Stabilization in Santa Rosa.

The Rent Stabilization subcommittee was established to oversee this research. Members of this subcommittee include Vice Mayor Schwedhelm and Council Members Combs and Coursey. Four subcommittee meetings have been held: November 9, 2015, December 7, 2015, January 4, 2016 and March 31, 2016.

On January 26, 2016, Management Partners presented the findings of research conducted thus far.

On March 31, 2016, the Rent Stabilization subcommittee met to consider six tenant protection options and to make a recommendation to the City Council regarding the next steps.

PRIOR CITY COUNCIL REVIEW

January 26, 2016 – Study Session Rent Stabilization Options
October 20, 2015 – Contract award to Management Partners
September 1, 2015 – Study Session Rent Stabilization

ANALYSIS

At the March 31, 2016 meeting, the subcommittee reviewed the following tenant protection options and tactics. The subcommittee's recommendations are included below:

1. Rent Mediation Arbitration/Just Cause for Eviction - A program providing tenants with a process for disputing rent increases above a predetermined amount. The process could include voluntary agreements between a landlord and a tenant or arbitration which would apply to units not subject to the Costa-Hawkins Rental Housing Act. An option to just cause for eviction program (JCE) would establish criteria for tenant evictions which are broader than those included in state law.

These programs are typically administered by local nonprofit organizations and do not include a City fee to offset program costs.

2. Limited (Soft) Rent Stabilization - A program limiting annual rent increases to an amount that does not exceed a fixed percentage as established by the City. These programs typically include just cause for eviction requirements, habitability standards through a rental unit inspection program, a City fee to offset program costs, and an option to decontrol units from the rental increase maximum amounts.

These programs are typically administered by City staff and local nonprofit organizations.

3. Rent Stabilization - A program limiting annual rent increases to an amount that does not exceed a percentage of a fixed index, such as the Consumer Price Index (CPI).

These programs typically include a full array of housing programs, the tracking of covered units, just cause for eviction requirements, arbitration and a City fee to offset program costs.

These programs are typically administered by City staff, including using staff to conduct the arbitration and grievance process.

4. Rental Unit Inspection Program - Establishment of a program that involves the periodic and systematic inspection of rental units for the purpose of maintaining and preserving rental housing that is safe, decent and sanitary for renters.

DIRECTION TO PREPARE RENT STABILIZATION ORDINANCE AND ADOPTION OF AN URGENCY RENT MORATORIUM ORDINANCE
PAGE 4 OF 7

These programs typically include standards of inspection, use of City staff for inspections, enforcement provisions, and a fee to offset program costs. Some cities chose contract services for program administration, including inspections.

5. Tenant/Landlord Education Program - Development of a curriculum to educate tenants and landlord on matters related to each parties rights and obligations. These programs could also include the establishment of informal processes to address tenant grievances. Program administration would most likely be coordinated by local nonprofit organizations that would develop the curriculum and provide the education programs in cooperation with landlords.
6. Tenant Incentive Programs - This program would include incentives to landlords to implement tenant protection programs, including options for the selection of tenants with limited incomes that may otherwise be unable to afford the rental unit.

The program would be funded using City funds and it would most likely be administered by local nonprofit organizations.

7. Other Options – Moratorium on rent increases

The Subcommittee recommended on 2-1 vote (Schwedhelm voting no) to adopt a limited rent stabilization ordinance (Option 2) with a companion rent moratorium (now known as Option 7).

Limited Rent Stabilization

According to the research conducted over the past several months, a limited rent stabilization program is a program limiting annual rent increases to an amount that does not exceed a fixed percentage as established by the City. Due to state law, as previously discussed, the rent stabilization ordinance would only apply to buildings built prior to February 1995, and would not apply to single family homes and condominiums.

These programs typically include just cause for eviction requirements, habitability standards through a rental unit inspection program, a City fee to offset program costs, and an option to decontrol units from the rental increase maximum amounts.

Management Partners indicated that these programs are typically administered by City staff and local nonprofit organizations. The Council would need to decide how it wishes to administer the program.

DIRECTION TO PREPARE RENT STABILIZATION ORDINANCE AND ADOPTION OF AN URGENCY RENT MORATORIUM ORDINANCE
PAGE 5 OF 7

Ordinance Implementation and Direction

The specifics of the ordinance will require additional Council discussion and a decision on the following issues in order to draft an ordinance:

- A. Just Cause for Eviction ordinance – should the ordinance create a private right of action to be enforced by the tenant in court or should the ordinance be enforced by the City?
- B. Use of a Rent Board – who would be the body that would make determination on requests from landlords to impose a higher rent increase than allowed under the ordinance? The law requires that a landlord must have a due process right to seek a higher rent increase if the landlord can document a legitimate basis to do so, such as a major capital improvement. City Council-appointed board, use of the existing Housing Authority or City Council?
- C. Rent Increases – number permitted; variable percentage, like the CPI or a fixed percentage?
- D. Annual Review/Sunset Provision – should the ordinance have a specific sunset if the vacancy rate increases to a specific percent and/or should the Council annually review if there is a continued need for rent control?
- E. Exemptions of Unit Types – should duplexes, triplexes and/or fourplexes be exempt? Single family home and condominiums are already exempt under state law.

The subcommittee considered but did not recommend Arbitration/Mediation Program or Rent Stabilization (Options 1 and 3).

Rent Moratorium

If the Council directs staff to proceed with a rent stabilization ordinance, the subcommittee recommends adoption of a rent moratorium (on a 2-1 vote, Schwedhelm voting no) as an urgency ordinance to prevent landlords from increasing rent while an ordinance is drafted. Under the City Charter, an urgency ordinance requires a vote of five Council Members. An urgency ordinance is effective only for 45 days; however, the Council may extend the urgency ordinance at a subsequent meeting.

The moratorium provides that landlords may not impose a rent increase of more than a cumulative 3% over the past 12 months. Such a provision is required to protect the City against a claim that is taking private property. When the City of Richmond enacted a moratorium it provided for a 3% increase over 12 months. The City of Alameda moratorium provided for 8% cumulative increase.

DIRECTION TO PREPARE RENT STABILIZATION ORDINANCE AND ADOPTION OF AN URGENCY RENT MORATORIUM ORDINANCE
PAGE 6 OF 7

Additional Direction

The subcommittee also reviewed the remaining tenant protection options and tactics and recommended, by a 3-0 vote, that the Council consider further research and possible implementation of the following:

- Rental Unit Inspection Program – Council received a presentation in a Study Session on this on April 5, 2016 from Housing and Community Services and will be bringing a proposal back for Council consideration
- Tenant/Landlord Education Program
- Tenant Incentive Programs

Council should provide direction on these additional items if they would like staff to develop such programs and determine costs for such programs.

FISCAL IMPACT

If the Council directs staff to proceed with a Rent Stabilization and Just Cause for Eviction ordinance, the method of implementation will impact the costs the City will incur for the program. Once Council provides direction, staff can provide an estimate as to the costs of implementation. It should be noted however, that staff believes the cost will be significantly higher than the \$27,900, estimated by Management Partners.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

The Rent Stabilization Subcommittee recommends adopting Options 2 and 7: Limited Rent Stabilization ordinance with a companion rent moratorium.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 - City of Alameda Rent Stabilization and Limitation on Evictions

DIRECTION TO PREPARE RENT STABILIZATION ORDINANCE AND ADOPTION OF
AN URGENCY RENT MORATORIUM ORDINANCE
PAGE 7 OF 7

Ordinance information

- Ordinance

CONTACT

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