

Management Partners



To: Mr. Chuck Regalia, Assistant City Manager
City of Santa Rosa

From: Jerry Newfarmer, President CEO
Steven Bocian, Special Advisor
Christine Butterfield, Senior Management Advisor

Subject: City of Santa Rosa Rent Stabilization Project

Date: January 12, 2016

As an outcome of the City's Rent Stabilization Subcommittee (Subcommittee) meeting on January 4, 2016, we are providing the following material to be distributed to the Santa Rosa City Council for its January 26, 2016 study session:

- A new table summarizing key components of three program options presented to the Subcommittee at its January 4, 2016 meeting (Attachment 1)
- December 4, 2016 memorandum from Jerry Newfarmer to Chuck Regalia (Attachment 2) (Note this Attachment includes a November 17, 2016 memorandum from Steven Bocian to Chuck Regalia outlining our research approach)
- December 28, 2015 memorandum from Jerry Newfarmer to Chuck Regalia (Attachment 3)
- Request for Additional Information Concerning Rent Stabilization Programs (Attachment 4)

The Subcommittee has previously reviewed Attachments 2 and 3. Attachment 4 has been prepared in response to a Subcommittee request made at its January 4, 2016 meeting.

New Table Detailing Program Options

The new table (Attachment 1) was prepared in response to the Subcommittee's request for a more comparative overview of the three program options included in our December 28, 2016 memorandum. It includes:

- A comparison of the major elements for each program option,
- Estimated costs of the three program options for the City of Santa Rosa,
- Expected program outcomes, and
- The three program goals/outcomes identified by the Subcommittee on January 4, 2016.

As we communicated during each of the Subcommittee meetings since early December, each of the three program options have a nearly endless range of elements that could be included as

part of an approved program and as such, the table should be viewed as a very general comparison. Nevertheless, it is aligned with our goal of enhancing the City Council's overall knowledge of these programs. If the City Council selects one or more of the three programs or a hybrid program for implementation, we are prepared to work with City staff to provide additional analysis and more detailed information specific to the City of Santa Rosa concerning program design, cost and outcomes.

As indicated, the revised table includes an estimated annual operating cost for each program options. To develop these estimates, we used the following methodology:

- Program Option 1. We made a reasonable estimate based on the cost of programs from the survey cities.
- Program Option 2. We identified the current cost of the City of Hayward's Rent Stabilization Ordinance, developed a per unit cost for that program, and then applied the per unit cost to applicable units in the City of Santa Rosa.
- Program Option 3. We used the same methodology as Program Option 2 but used the cost of the City of Berkeley's Rent Stabilization Program to develop a per unit cost.

The cost information represents only a general indicator of program costs based on information available from the survey cities. The information was obtained from existing published budget documentation, which does not provide detail related to internal financial policies such as charges for overhead, unrecorded services from various city departments, and/or unfunded liabilities. It does not include analysis of the City of Santa Rosa's financial policies, existing resources, start-up costs, and/or its ability to administer the programs nor does it take into consideration the willingness and capability of existing community nonprofit services and resources to contract for the services anticipated in our cost information. In addition, actual program costs will be driven, in large part, by specific program elements. As an example, if a rent mediation program provides that a tenant may pursue the mediation process when experiencing an annual rent increase of 5% rather than 10%, it is anticipated that the program will have significantly more tenant activity, which will result in increased program costs. Because of the above, additional study is necessary to determine estimated program costs based on an a full range of financial considerations, including identification of program elements and desired outcomes, City of Santa Rosa's analysis of required resources and the status of existing nonprofit agencies.

City Council Study Session Format and Outcome

At the January 26, 2016 City Council study session, we will provide a PowerPoint presentation to give the entire City Council a summary of information presented to the Subcommittee during its three meetings. We will also be available to answer questions. We will do this within an agenda format and meeting schedule as directed by City Council.

While we are not recommending specific outcomes, we anticipate that Council members will identify any gaps in our research and/or request additional material that has not yet been



researched. In addition, our understanding is that on February 23, 2016 the City Council will either identify a rent stabilization program framework, or make a decision to not pursue a rent stabilization program. Assuming this, it would be beneficial on January 26 if the Council could indicate if there is a particular program option that warrants further and more detailed study. Providing this direction would allow us to be more strategic and focused in preparing information for the February 23 meeting. However, we understand that due to the broad scope of material, additional research, including detailed discussions with staff regarding these programs, may be necessary prior to identifying a particular program option and that this, and other request research, may extend the timeline beyond February 23, 2016.



Attachment 1

SUMMARY OF KEY PROGRAM ELEMENTS FOR THREE PROGRAMS

January 12, 2016

	Program Element	Option 1 Rent Mediation/Just Cause for Eviction	Option 2 “Soft” Rent Stabilization	Option 3 Rent Stabilization
1.	Brief program description	A program providing tenants with a process for disputing rent increases above a pre-determined amount. Establishes criteria for tenant evictions.	A program limiting annual rent increases to an amount that is not in excess of a fixed percentage. The program sets unit habitability standard and criteria for tenant evictions.	A program provides for tracking of rent stabilized units along with housing services, as delineated in lease terms, and limits rent increases to an amount that is not in excess of a percentage of the annual Consumer Price Index (CPI). The program sets unit habitability standard and criteria for tenant evictions. (Tracking provides a vehicle for regular contact between the staff, tenants and landlords.)
GENERAL INFORMATION				
2	Would this program include a tenant/landlord mediation process?	Yes	Yes	Yes
3	Would this program include an arbitration provision?	No	Yes	Yes
4	Would this program include a just cause for eviction element?	Yes	Yes	Yes
5	Would this program establish an annual maximum allowable rent increase	No	Yes	Yes
6	What indicator would be used to establish the maximum allowable rent increase?	N/A	Fixed amount, typically a percentage, determined by the City	Consumer Price Index (CPI)

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7	Would the program be subject to vacancy decontrol as set forth in the Costa-Hawkins Rental Housing Act (Costa-Hawkins)	No (the program would not set rents)	Yes	Yes
8	Would this program include tenant notification requirements regarding program provisions?	Yes Landlord required to provide a copy of the ordinance to new tenants and annually with any rent adjustment.	Yes Landlord required to provide a copy of the ordinance to new tenants and annually with any rent increase.	Yes Landlord and staff provide notice of program and annually with a rent increase. Tenants may view tracked units through an online public database maintained by City/ Rent Board as well.
9	Would this program include a no retaliation provision?	Yes	Yes	Yes
10	Would this program include tracking and registering of residential units?	No	No	Yes
APPLICABILITY				
11	Could this program apply to single-family homes?	Yes	No	No
12	Could this program apply to condominiums and townhomes? ¹	Yes	No	No
13	Could this program apply to multi-family homes? ²	Yes	Yes, but only to units that received a certificate of occupancy prior to February 1, 1995	Yes, but only to units that received a certificate of occupancy prior to February 1, 1995

¹ Restrictions apply only to maximum allowable rent component. Other program elements could apply. Exemption assumed property unit has separate title.

² Ibid.

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14	What type of units do these programs typically cover?	Multi-family rental developments with more than three units	Multi-family rental developments with at least five units	Non-exempt residential rental units
15	What units are typically exempt from this program?	Hospitals, extended care units, nonprofit homes, motels, hotels, tourist housing, government financed housing, and deed restricted affordable housing	Hospitals, extended care units, nonprofit homes, motels, hotels, tourist housing, government financed housing, and deed restricted affordable housing Units that are improved by a predetermined amount are eligible for decontrol	Hospitals, extended care units, nonprofit homes, motels, hotels, tourist housing, government financed housing, and deed restricted affordable housing
PROGRAM ADMINISTRATION				
16	Would this program include a City commission or board?	Optional, but typically included	No	Yes
17	If a City board is used, would it be appointed by elected officials?	Appointed by City Council with tenant, property owner and at-large representation	N/A	Board members would be elected at large through a City general election
18	Based on community survey data, would this program be administered by a nonprofit organization contracting with the City?	Yes	No. However, the City may elect to have a contractual relationship with a service provider for mediation and arbitration.	No. However, the City may elect to have a contractual relationship with a service provider for mediation and arbitration.
19	Based on community survey data, would this program require program specific employees?	No (Typically handled with existing staffing that coordinates the nonprofit’s service contract)	Yes	Yes

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20	Based on community survey data, how many employees would be required? ³	0.4 FTE of current staffing	A portion of (between 0.20 to 0.50) of 2 FTE	22.10 FTE
21	Based on community survey data, what is a general estimate of annual program cost? ⁱⁱ⁴	\$20,000	\$27,900	\$3.7 million
22	Based on community survey data, would the program involve implementation of a new City fee?	No	Yes	Yes
23	Based on community survey data, what is a general estimate of the per unit annual program fee? ⁵	N/A	\$2.08	\$281
SUBCOMMITTEE GOALS/OUTCOMES				
24	Subcommittee Goal: Would this program balance tenant/landlord rights?	Yes. It provides tenants with a process to dispute rental increases and sets criteria for evictions. Participation in a dispute process is mandatory by both parties, but outcomes are determined through mediation.	Yes. It would provide tenants with more certainty regarding anticipated rent increases. It provides a non-judicial process to dispute rental increases and sets criteria for evictions. It also provides property owners with a decontrol process following a voluntary vacancy and based on	Yes. It provides tenants with more certainty regarding anticipated rent increases. It provides a non-judicial dispute process for rental increases and housing services, and sets criteria for evictions. However, while it offers tenants a significant benefit, property owners have

³ These numbers are based on survey data only and do not take into consideration existing staffing or availability of nonprofit agencies.

⁴ These numbers are based on survey data only and do not take into account Santa Rosa’s financial policies and staffing costs. Program design elements will affect estimated costs significantly. Additional research and analysis is required to develop cost estimates for Santa Rosa.

⁵ These numbers are based on survey data from recently adopted budgets and targets 100% program cost recovery. It does not take into account City of Santa Rosa financial policies related to overhead, cost recovery, and other matters. Additional research and analysis is required to develop Santa Rosa fee estimates.

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			a standard investment threshold for rental unit improvements.	maintained that this model shifts the balance to the tenants and limits reinvestment.
25	Subcommittee Goal: Would the program stabilize tenancy and preserve the community’s inventory or rental housing?	This program would have limited impact in tenant stabilization resulting from rent increases and no-cause evictions. Because rent adjustments are subject to only mediation, its overall impact would not be significant.	<p>This program would affect tenant stabilization resulting from predictable rent increases for a portion of the community and no-cause eviction provisions. The program incentivizes tenants to remain in stabilized units. The Costa-Hawkins and the Ellis Acts constrain overall community impact.</p> <p>The availability of decontrol encourages capital improvements that may also aid in preservation of rental housing units.</p>	This program would significantly affect tenant stabilization resulting from reasonable rent increases and no-cause eviction provisions. The program incentivizes tenants to remain in stabilized units. The Costa-Hawkins and Ellis Acts constrains overall community impact.

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26	Subcommittee Goal: How would the City measure the success of this program?	<p>Potential success measures include:</p> <ul style="list-style-type: none"> • Tenant contacts • Number of dispute requests filed • Mediation results. <p>The program would not process or track eviction activity, and as such, impact would be limited.</p>	<p>Potential success measures include:</p> <ul style="list-style-type: none"> • Tenant contacts • Number of dispute requests filed • Mediation/arbitration results • Compare maximum allowable rent increases overall with market increases • Track capital improvement to units made to obtain unit decontrol. <p>It would not track tenure of tenants to determine periods of occupancy.</p>	<p>Potential success measures include:</p> <ul style="list-style-type: none"> • Data made available regarding vacancies, rents and other activity through the tracking of units (rents and housing services) • Tenant and landlord contacts (public information outreach and training sessions) • Number of mediation and dispute requests filed • Mediation/arbitration results • Compare annual allowable rent increases overall with market increases • Overall program compliance.

ⁱ Restrictions apply only to maximum allowable rent component. Other program elements could apply. Exemption assumed property unit has separate title.



To: Chuck Regalia, Assistant City Manager, City of Santa Rosa

From: Jerry Newfarmer, President and CEO
Steven Bocian, Special Advisor

Subject: City of Santa Rose Rental Housing Programs
Preliminary Data Collection for December 7, 2015 City Council Subcommittee Meeting

Date: December 4, 2015

Project Scope – Step I

The Santa Rosa City Council has recently been discussing the issues regarding the lack of available rental housing in the city, the escalating cost of tenant rents, and the potential impacts of tenant displacement and gentrification. As such, and as a potential tactic (or strategy) for addressing these concerns within the broader context of the City's overall housing plan, it has contracted with Management Partners to obtain information to advance the City Council's knowledge of rental housing programs related to mediation and arbitration, just cause for eviction, and rent stabilization.

Because this engagement differs from many of our projects which are often directed toward addressing clearly defined issues, this project has a broader scope and therefore, we are relying on continual feedback from the City Council Subcommittee and staff to direct our attention to those areas that are deemed most critical. For the subcommittee meeting of December 7, 2015, we intend to present preliminary information summarizing our research to date while also requesting direction for moving into Step 2 of the project. Our goal continues to be meeting the Subcommittee's desired project outcomes, including addressing its key policy issues/questions.

Purpose of the Subcommittee Meeting

To assure we continue to meet Subcommittee and staff expectations, we have identified the following purposes of this meeting as follows:

- Share the data collected to date and provide preliminary answers to the questions included in our November 16 memorandum (Attachment A)
- Identify specific areas where additional study would be beneficial

- Begin the framing of program elements/features that represent opportunities and or issues for the city of Santa Rosa so that additional review can be conducted prior to preparation of our final report
- Discuss and agree on next steps, including the format for public engagement

Summary of Information Collected to Date

At this time, we have a considerable amount of information outlining program features for all of our survey cities and we intend to present those features at the December 7 meeting. Unfortunately, we have not yet been able to obtain all information from our survey cities, and therefore, some minor information gaps remain. Nevertheless, the information we have gathered does provide a good overview. We will provide additional detailed information from each surveyed city once it is available. Also, note that due to its similarity with other communities, we are not intending to include the City of Alameda in our list of rent mediation survey cities as originally anticipated since we have not identified unique features warranting this work.

While we will share high-level information about these programs, it is appropriate to provide some preliminary answers to the issues raised in the November 16, memorandum as follows:

Mediation and Arbitration

- Selection and role of the mediation/arbitration agent
With the exception of the City of Gardena, all communities are utilizing a third party to administer their programs and this seems to be an effective method of program administration. The selection of mediators is typically provided through the program administrator but programs vary. As an example, Gardena provides these services through its rent board. In addition, while arbitration is included in two of the programs, it is rarely used. This results from disputes being resolved prior to this step in the process and due to conflicts with the Costa-Hawkins Act which protects the landlord's ability to set rents for units constructed after 1995 and for single family homes and condominiums. The cities of Gardena and San Leandro have standing city commissions dedicated to their rent mediation programs and Campbell and Fremont utilize an as-needed rent fact finding committee.
- Summary of the types of problems that rent mediation/arbitration programs have addressed
Based on our preliminary review, the primary function of rent mediation/arbitration programs is to provide a vehicle for renters to address their rent dispute. Programs are generally mandatory; meaning both the landlord and tenant must participate in the process. The primary benefit is they create a path for dealing with rental disputes in a clearly defined manner. However, based on the usage data available, while program administrators may get many tenant calls inquiring about the program's process, few actually decide to take advantage of the programs. Further, we have not identified information indicating they are more effective overall than voluntary tenant protection/information programs administered for cities through local nonprofit organizations. Finally, due to the range of program features that are unique to each city, it is difficult to identify the most beneficial features.



- Feedback regarding program success

We have not found information that accurately gauges a program's success. However, program administrators have indicated that during periods of high market rent increases, service demands increase. As an example, while the City of Campbell's Fact Finding Committee has met three times in the past year, it did not meet for approximately ten years prior to this year. As indicated above, program success is also limited by the Costa-Hawkins Act. Further, we cannot quantify if mandatory programs, which require the landlord and tenant to work through the mediation process, are more effective than voluntary programs which involve informal tenant/landlord dispute resolution. Finally, we have not found information indicating these programs lead to lower community-wide rents, promote longer-term tenancy, or promote affordable housing overall.

Just Cause for Eviction

- Information on how these programs enhance tenants' rights

Just cause for eviction programs are designed to promote stability and limit the adverse impacts of forced relocation, which can be particularly difficult for individuals with limited incomes. The primary benefit of these programs is they shift the burden of proof regarding a tenant eviction from the tenant to the landlord in that failure to meet one of the allowable causes for eviction is an affirmative defense that a tenant may use to contest the eviction. In addition, the programs require tenants to be notified in writing of the reason for the eviction at the time the eviction notice is delivered which differs from state law. (Currently, state law does not require a notice stating the reasons for eviction if the tenant is on a month to month rental agreement and is provided either a 30-day notice, for tenants who have lived in the unit for less than one year, or a 60-day notice, for tenants who have lived in the unit for more than a year.) In the City of Glendale's program, a landlord offering a one-year lease agreement can be exempt from the program, which is seen as a benefit to tenants. Also, just cause for eviction programs in general, require various levels of relocation assistance, prohibit retaliation, and provide various penalties for program violations.

- Data outlining the impact these programs have on a tenant's length of occupancy

We have not identified information related to just cause for eviction program impact on the length of tenancy overall. Further, in the case of Glendale and San Diego, the just cause for eviction programs are not monitored. We have been unable to get information from the City of Oakland on program monitoring.

- Information indicating whether these program impact unit availability

We have not identified information related to the just cause for eviction program's impact on unit availability.

Rent Stabilization

- Effectiveness in addressing the availability of rental units

We have not identified information indicating that rent stabilization programs improve unit availability. This assessment is based, in part, on the information included in Attachment B, which indicates no significant change between the Santa Rosa vacancy rates and the vacancy rates in the cities we surveyed with rent stabilization programs. However, based on our interviews with staff



from the surveyed cities tenants occupying rental units in survey rent stabilization cities experience security of housing, predictability, and stability.

- Impact, if any, on new development

We have not identified information indicating the impact a rent stabilization program has on new development.

- Current or potential for inclusion of sunset clauses or triggers that begin or end rent stabilization

The Rent Stabilization Ordinances in Berkeley and Santa Monica both contain language that provides the Rent Board the discretion to implement “decontrol” if the residential rental vacancy rate exceeds five percent (5%). However, based on interviews with staff members in each organization, this action would be highly unlikely. Also, the City of Hayward Residential Rent Stabilization Ordinance allows residential rental owners the option to decontrol a rental unit, “for the purposes of both initial rent and any subsequent rent increase ...” if they satisfy four criteria, including: demonstrate a unit has been voluntarily vacated; certification that the rental unit complies with building code; invest a minimum value in rental unit improvements (tiered calculation based on the number of bedrooms); and file related documentation of these actions along with a statement that the unit meets decontrol provisions.

- Annual tenant pass-through fees and rent increases

Based on interviews with staff involved in the various rent stabilization programs, registration and enforcement fees fund the related services. Each of the jurisdictions prescribes the process to pass through a portion of the registration fee and rent increase as outlined below.

Table 1. Pass Through Fees and Rent Increases

Jurisdiction	Registration Fee	Rent Increase
Berkeley	\$213 per unit (Tenants pay the annual increase of \$6 in “full” rent control units and it is assumed that the vacancy decontrol units include the registration fee in the base rent)	65% CPI
East Palo Alto	\$234 per unit (Owners may pass along half of the registration fee to tenants in 12 equal installments of \$9.75 per month)	80% CPI
Hayward	\$1.41 per unit (annual administrative fee varies based on annual program costs) and 50% of this fee can be passed on along to tenants in rent controlled units	Rent increases are limited to 5% per year
Santa Monica	\$174.96 per unit (Owners may pass along half the fee to tenants equally over 12 months)	75% of the “change in the CPI rounded up to the nearest tenth percent”



Jurisdiction	Registration Fee	Rent Increase
West Hollywood	\$120 per unit (Owners may pass on half or \$60 to tenants on a monthly basis)	75% CPI

Some jurisdictions also provide one or more registration pass-through fee exemptions for Section 8 and senior tenants. The tenant portion of the registration fee is not required. However, owner/landlords of these exempt units generally are required to pay the remaining half.

Rent increases are prescribed by Ordinance. In addition, these Ordinances detail such items as: rent increase timeframes and effective dates; provisions that allow owners to bank “untaken” increases and apply to current or future annual rent adjustments; maximum annual allowable rent increases; and return of the annual interest earned on security deposits to tenants.

- Utilization of the Department of Housing and Urban Development (HUD) 30% rent to income ratio
The 30% rent to income ratio was implemented in 1969 by federal legislation (the “Brooke Amendment”) which capped rents in public housing at 25% of income. In 1981, the amount was increased to 30% and since that time, it has been widely used as an indicator of an “affordable” unit.

Public Outreach/Community Engagement

Management Partners has previously outlined broad concepts related to community engagement that included interviews with interest groups, presentations to City Commissions, general public meetings, and focus groups with select parties. While all of these approaches can be successful, some, like utilization of focus groups, would be more beneficial as part of a process of developing and drafting policy related to implementing rental housing programs. Others, such as the use of individual interviews, may create concern that not all parties are privy to the same information at the same time. After considering these options we think the best approach is to conduct two public meetings for the specific purpose of informing the public regarding the scope of our study, receiving public comment regarding our work, and establishing a forum for dialogue. The focus of these two meetings would be primarily informative and would be conducted in a way that assures they are not geared toward “are you in favor or opposed to these programs.” Our desired outcome would be as follows:

- Inform the public regarding the scope of our study
- Inform the public of the range of program features included in the programs we are studying
- Provide our available usage and impact data
- Seek public comment regarding this information with a focus on identifying key program features, information gaps, and program opportunities/concerns

To assure we reach the public, we propose one afternoon meeting and one evening meeting which could be held on the same or alternate days based on the City’s current practices. We



would work with the Subcommittee members regarding meeting format which could include an open house setting, breakout groups, or a presentation/response format used typically in City Council meetings. The most appropriate format may be dependent upon your estimate of the number of participants. We can discuss all of these options at the December 7 Subcommittee meeting.

Assuming there is agreement on the goals of public outreach and community engagement, we also need to determine a meeting schedule. Our recommendation is to consider holding the public meetings after or as part of our Step 2 work. Utilizing this timing assures that our research is more complete and that it includes the priorities and issues expressed by the Subcommittee.

Notwithstanding the above, we are prepared to conduct the outreach that best meets current community practices and the overall direction of the Subcommittee.

Future Options and Study Focus

As part of the November 9 meeting, the City Council Subcommittee identified specific issues related to rental housing and members expressed an interest in answering if these programs would be helpful in the following areas:

- Will and to what extent will these programs expand tenant rights?
- Will these programs affect the City's current vacancy rate?
- Can these programs be an effective component in the City's focus on expanding affordable housing?
- To what extent will the programs address tenant displacement?
- Are there efficient options for administering these programs?

While some of these questions have been addressed in a preliminary manner through the information included in this memorandum, we are intending to engage the Subcommittee in a facilitated discussion regarding specific areas where additional information would be beneficial and identification of areas of focus and program options that would be included in our final report.





Attachment A - November 16, 2015 memorandum

To: Chuck Regalia, Assistant City Manager

From: Steven Bocian, Special Advisor, Management Partners

Subject: Follow-up to November 9, 2015 City Council Subcommittee Kick-off meeting

Date: November 17, 2015

As a follow-up to our November 9th, kick-off meeting with the City Council Subcommittee (Subcommittee), I want to provide a more detailed summary of our understanding of the project, the material that we will provide at our December 9th, Subcommittee meeting and some thoughts on next steps.

Project Understanding

The City of Santa Rosa is engaged in exploring a range of programs, policies and administrative procedures related to existing and planned residential housing. As part of this process, the City Council has had discussions with City staff and the community regarding the lack of available rental housing, the escalating cost of tenant rents, and the potential impacts of tenant displacement and gentrification. As a potential tactic (or strategy) for addressing these concerns within the broader context of the City's overall housing plan, it is seeking specific information to advance the City Council's knowledge of the following rental housing related programs:

- Mediation and Arbitration Services
- Just Cause for Eviction Programs
- Rent Stabilization

In the context of our work, we will define these tactics generally as follows:

Mediation and Arbitration – A voluntary or mandatory program established by city ordinance or resolution whereby a third party meets with tenants and owners/landlords of various types of rental housing developments in an attempt to reach a nonbinding and/or binding mutually satisfactory solution regarding a rent increase. (While, mediation and arbitration programs are often included as part of a rent stabilization program, we will focus on studying those communities that utilize these programs that are not part of a rent stabilization program.)

Just Cause for Eviction – A city law establishing specific criteria upon which a property owner may evict a tenant. (Similar to the above programs, while just cause for eviction procedures are often included as part of a rent stabilization program, we will focus on studying those communities that utilize this law without it being linked to a rent stabilization program.)

Rent Stabilization – A city law establishing the allowable annual percentage rent increase for lease renewals for specific types of rental units, excluding single-family homes and condominiums. These programs typically include provisions for rent mediation/arbitration and just cause for eviction.

Summary Scope of Work for Step I

Based on our understanding that the City would benefit most from receiving information from communities similar to Santa Rosa, the table below identifies those communities that we intend to survey as part of this project. Note that due to the limited number of cities with standalone rent mediation and just cause for eviction programs; we are planning to survey all of these communities. However, due to the large number of communities with rent stabilization programs, we are intending to focus our research more narrowly. Also, because many of the cities with rent stabilization programs also have some form of arbitration/mediation and just cause for eviction, we will include basic general information about these programs within the context of the overall rent stabilization program. If you are aware of other communities that have the programs and if you would like to discuss modifications to our planned survey cities, please let me know.

Survey Cities by Program Area

Arbitration/ Mediation*	Included in Study	Just Cause Eviction	Included in Study	Rent Stabilization	Included in Study
Campbell	Yes	Glendale	Yes	Berkeley	Yes
Fremont	Yes	San Diego	Yes	Beverly Hills	No
Gardena	Yes	Oakland	Yes	East Palo Alto	Yes
San Leandro	Yes			Hayward	Yes
Alameda	Yes			Los Angeles	No
Los Gatos	Yes			Los Gatos	No
				Oakland	No
				Palm Springs	No
				San Francisco	No
				San Jose	No
				Santa Monica	Yes
				West Hollywood	Yes

*Based on our initial review, these programs are fundamentally, mediation with limited or no arbitration provisions. More detailed information will be developed during the survey.

From each of the surveyed communities, we will provide a general program overview including cost, administration, implementation date, major program features, enabling documents, and governance. In addition, based on availability, we will also provide information related to frequency of use data, utilization of third parties, pros and cons from the city staff's perspective, and overall program effectiveness. Finally, we will attempt to obtain



information intended to answer questions raised by the Subcommittee, including the following:

Mediation and Arbitration

- Selection and role of the mediation/arbitration agent
- Summary of the types of problems this service has addressed
- Feedback regarding program success and community acceptance

Just Cause for Eviction

- Information on how these programs enhance tenant's rights
- Data outlining the impact that these programs have on tenant's length of occupancy
- Information indicating whether these program impact unit availability

Rent Stabilization

- Effectiveness in addressing the availability of rental units
- Impact, if any, on new development
- Current or potential for inclusion of sunset clauses or triggers that begin or end rent stabilization
- Process of pass through costs to tenants
- Utilization of HUD's 30% rent to income ratio

Because our research will consist primarily of surveying cities where these programs are in place, we are dependent upon data that is currently available from the individual cities. As such, I will keep you informed regarding areas where data may be lacking and where we will need to explore different sources. Notwithstanding this situation, we will make every attempt to address all of these programs in a comprehensive and thorough manner and will seek out various types of existing data to meet our research needs. We will also require some specific data regarding Santa Rosa's housing types and demographics and I will discuss this with you personally.

As part of our kick-off meeting, we also addressed a few items that are outside of the scope of our current assignment and based on my review, these include the following:

- Detailed analysis regarding the economic impacts that these programs could have on the City's overall economy
- Financial information regarding the cost of displacement of tenants forced to vacate units due to rent increases
- Strategies to address the City's overall low rental housing vacancy rate.

Regarding our scheduled December 7th, Subcommittee meeting, we intend to provide a general overview of our survey results, including overall program statistics, and discuss trends and some advantages and disadvantages of these programs. As such, I anticipate our material will be primarily charts and tables rather than a draft "Step 1" report. I anticipate the Subcommittee will provide direction regarding areas where additional research is necessary and identify program elements that warrant more detailed analysis. We would also like to have a broader



discussion regarding the community outreach process, specifically focusing on the intended purpose and expected outcomes. I will send a detailed agenda prior to the meeting for your review and comment to assure it meets Subcommittee and staff expectations.

Please don't hesitate to call me if you have any questions regarding this memo.



Attachment B - Population, Vacancy Rate, and Rent Increase Tables

Table 2. Population, Number of Units, Vacancy Rates

	Pop.	Total Dwelling Units	# Occupied Rental Units Paying Rent	Percent of Rental Occupied Units to Total Units	Rental Vacancy Rate (2014)	Percent of Renters Paying 30+% of Household Income	# of Rental Units in Stabilization Program	Percent of Stabilized Units to Occupied Rental Units
Santa Rosa*	173,071	68,112	29,583	43%	1.2%	58%	n/a	n/a
Berkeley*	118,780	46,445	25,285	54%	3.1%	55%	19,000	75.1%
East Palo Alto**	29,137	7,308	4,308	59%	n/a	72%	2,325	54.0%
Hayward*	152,889	50,216	22,650	45%	1.1%	61%	11,200	49.4%
Santa Monica*	93,283	50,563	32,154	64%	0.1%	51%	28,069	87.3%
West Hollywood**	35,825	23,656	16,547	70%	n/a	54%	15,681	94.8%

* Housing data: U.S. Census 2014 1 year estimates CP04 Comparative Housing Characteristics

** Housing data: U.S. Census 2011-13 3 year estimates DP04 Selected Housing Characteristics

Population: CA Dept of Finance Jan 2015 Pop estimates

Occupied rental units include single family residences, mobile homes, and other rental units



Table 3. 2014 U.S. Census Rental Data Estimates

	Rental Vacancy Rate	Percent of Renters Paying 30+% of Household Income	Median Gross Rent
Santa Rosa	1.2%	58.2%	\$1,329
Berkeley	3.1%	57.7%	\$1,343
Hayward	1.1%	42.6%	\$1,371
Santa Monica	0.1%	48.5%	\$1,604

East Palo Alto and West Hollywood data not available for 2014.

Rental data is for all sizes of rental units, including single family houses.

Rent percent: HUD guidelines – “Families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.”

Table 4. 2011-13 U.S. Census Rental Data Average Estimates

	Rental Vacancy Rate	Percent of Renters Paying 30+% of Household Income	Median Gross Rent
Santa Rosa	4.6%	57.8%	\$1,254
Berkeley	4.3%	55.1%	\$1,305
East Palo Alto	2.9%	71.6%	\$1,238
Hayward	3.6%	60.7%	\$1,283
Santa Monica	3.5%	51.3%	\$1,534
West Hollywood	2.5%	53.8%	\$1,351



Table 5. Maximum Allowable Annual Rent Adjustments

County	City	2010	2011	2012	2013	2014	2015	2014 Gross Median Rent
Alameda	Berkeley	0.10%	0.70%	1.60%	1.70%	1.70%	2.00%	\$1,343
Alameda	Hayward	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	\$1,371
Alameda	HUD Fair Market Rent	1.16%	0.65%	-2.92%	15.94%	0.44%	-1.45%	\$1,578
Los Angeles	Santa Monica	1.00%	2.00%	3.20%	1.54%	1.00%	0.80%	\$1,604
Los Angeles	West Hollywood	1.25%	1.25%	2.25%	1.25%	0.75%	1.25%	n/a
Los Angeles	HUD Fair Market Rent	3.17%	-1.23%	-1.80%	-1.62%	1.86%	3.44%	\$1,398
San Mateo	East Palo Alto	0.00%	1.40%	2.40%	2.00%	2.00%	2.00%	n/a
San Mateo	HUD Fair Market Rent	4.15%	3.93%	-5.77%	8.97%	5.42%	9.70%	\$1,956
Sonoma	Santa Rosa	1.42%	-4.60%	6.87%	1.68%	n/a	n/a	\$1,329
Sonoma	HUD Fair Market Rent	-1.00%	-8.89%	13.07%	-6.08%	9.51%	2.04%	\$1,332

Data for cities from their websites listing their maximum annual rent adjustment limits. Santa Rosa annual rent changes calculated from U.S. Census data on gross median rent for 2010-13. HUD Fair Market Rent is by county.

2014 gross median rent data not available for smaller cities (East Palo Alto and West Hollywood).

Gross Rent: The amount of the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) and fuels (oil, coal, kerosene, wood, etc.) if these are paid for by the renter (or paid for the renter by someone else). Gross rent is intended to eliminate differentials which result from varying practices with respect to the inclusion of utilities and fuels as part of the rental payment.



HUD Fair Market Rent: Amount of money a property would rent or lease for if it was available at this time. The fair market rent is used by the Housing and Urban Development to determine how much rent should be covered through Section 8 for individuals with low income, and is sometimes used by tax appraisers to determine tax rates.

Alameda County FMR large increase in 2013 may be due to a Census change in how metropolitan areas were redefined, thus changing survey data weights.

Table 6. Market Rate Annual Changes

	2010	2011	2012	2013
Santa Rosa	1.42%	-4.60%	6.87%	1.68%
Berkeley	-8.12%	1.09%	6.26%	-2.26%
Hayward	2.88%	1.09%	1.54%	3.86%
Santa Monica	-4.47%	6.26%	-0.43%	-0.12%

Data from U.S. Census





To: Mr. Chuck Regalia, Assistant City Manager, City of Santa Rosa

From: Jerry Newfarmer, President CEO
Steven Bocian, Special Advisor
Christine Butterfield, Senior Management Advisor

Subject: City of Santa Rosa Rent Stabilization Project
Information for January 4, 2016 Subcommittee Meeting

Date: December 28, 2015

Background

The City of Santa Rosa engaged Management Partners to review and summarize rent stabilization programs in California. The City Council Subcommittee expressed that the results of this work will advance the Council's knowledge of the array of program options including mediation and arbitration services, just cause for eviction, and rent stabilization.

This memorandum provides background information for the third meeting of the City Council's Subcommittee scheduled for January 4, 2016, at 1:00 PM. In the previous two meetings, we provided an outline of our study area, (including our survey cities), detailed information highlighting the characteristics of the three types of programs (rent mediation, just cause for eviction and rent stabilization), and identified Subcommittee members' interests and goals. At the January 4 meeting, we will again be presenting information that furthers the Subcommittee's understanding of the overall range of elements for these three tenant protection programs.

Project Status

Based on Management Partners' proposal dated September 21, 2015, the project deliverables include:

- Deliverable 1—Preparation of Research Agenda
- Deliverable 2—Observations and Preliminary Ideas
- Deliverable 3—Draft Presentation to the City Council in a public work session
- Deliverable 4—Conduct additional research and analysis as identified during the City Council work session and make a second presentation to the City Council at a regular meeting or work session

To accomplish these deliverables, we agreed with City staff to separate the project into three steps as follow:

- Step 1 – Identification of survey cities and general information gathering
- Step 2 – Identification of processes, costs, and anticipated unique administrative requirements to implement these programs in Santa Rosa. This step also anticipates a decision about community outreach and an identification of research gaps and any other study areas
- Step 3 – Presentation(s) to the City Council, most likely in a study session, as outlined in the proposal

At this time, we have completed Step 1. This memorandum and the information that will be distributed at the January 4 Subcommittee meeting, the subsequent community meeting, and any required additional research, will significantly address Step 2. Based on current project status, our primary goal for the January 4 Subcommittee meeting is to obtain clear direction about the scope and range of material to be presented to the City Council at its January 26, 2016, public workshop.

Follow-up Regarding Request for Additional Information

Our December 4, 2015 memorandum and the December 7, 2016 meeting presentation materials were designed to provide the Subcommittee with a detailed overview of the 13 surveyed cities. In general, our material outlined a range of program elements, including significant program terms, eligibility, utilization of city boards/commissions, usage data, unique program characteristics, preliminary cost information, and observations related to program effectiveness. As an outcome of the December 7, 2015 Subcommittee meeting, City Council members requested follow-up on a number of questions and program details. While some of the requested information is provided below, we intended to provide additional information as part of our January 4, 2016 presentation.

Review of Subcommittee Outcomes and Questions Regarding Effectiveness

Below is a list of the specific interests and questions identified by the Subcommittee.

- To what extent will these programs expand tenant rights?
The primary expansion of tenant rights would result from enactment of a just cause for eviction ordinance that requires a landlord to have a specific “just cause” reason for pursuing an eviction. In all of the cities surveyed, the “just cause” reasons and related processes for eviction exceed those established by state law. While programs, such as rent mediation, are beneficial in that they establish a process for resolving disputes related to rent adjustments, their focus is primarily tenant protection rather than an expansion of tenant rights.
- Will these programs affect the City’s current vacancy rate?
We have not found data indicating that these programs will increase or decrease vacancy rates.



Our observation is based on conversations with representatives from the survey cities and from data presented as part of our December 4, 2015 memorandum that included the results of a questionnaire regarding vacancy rates in cities with rent stabilization programs.

- Can these programs be an effective component in the City's focus on expanding affordable housing?

Defining affordable housing is a complex matter that is beyond the scope of this memorandum and study. However, in the broadest sense, any definition of affordable housing most typically includes a link between household income and the amount of income spent on rent and/or gross housing costs. As an example, HUD generally defines housing as being affordable if a median income household is paying no more than 30% of its income on housing-related costs. While the HUD definition is commonly cited when discussing housing issues overall, a city's affordable housing program is typically geared toward the development and maintenance of subsidized rental housing that includes eligibility requirements tied to household income, most commonly to those households with an annual income less than 80% of the Area Median Income (AMI).

Assuming these two fundamental elements of affordable housing, our general observation is that the subject programs will not address the City's interest in expanding the availability of affordable housing. This observation is based on the fact that the programs we have been researching do not track renter incomes. Rather, some programs do track units and rents. As such, we have not observed any affordability monitoring or control mechanism linking rents and household income.

Notwithstanding the above, we have observed that these programs assist, with varying degrees of success, in promoting tenant stabilization by establishing a more clearly defined amount of rent adjustment and by providing an outlet for grievances related to what may be viewed as a significant rent increase. However, these benefits are applied to all households without regard to a particular household's income or the amount of household income dedicated to monthly housing costs. On a secondary level, educating tenants and landlords about tenant rights and processes for rent adjustments and/or evictions are often components of affordable housing programs. Since this would be included as part of the three program alternatives being studied, adoption of any of the three includes at least one aspect of rent stabilization.

- To what extent will the programs address tenant displacement?

Because the survey cities are not collecting data that tracks tenant displacement and/or the root cause for that displacement, which is complex, we have not found data indicating that these programs improve or worsen tenant displacement. However, our communications with cities with rent stabilization indicate that they are not maintaining data on length of tenure. However, based on general responses, no significant overall change between similar communities without tenant protection programs was identified. Notwithstanding the lack of available data, based on the anticipated impact of these programs and concerns raised recently by tenants in cities that are experiencing tenant feedback over significant rent increases, we assume that these programs would have some benefit in addressing displacement and that they could be an important



component of a multifaceted affordable housing strategy used to address this concern. As part of our discussions on this subject with City staff, it requested that we research a number of sources from outside of the survey cities. As such, we are reviewing and making contact with these additional sources. However, at this time, as noted above we cannot fully determine the impact of these programs.

- Are there efficient options for administering these programs?

Among the most effective rent mediation programs we reviewed was a contractual arrangement with a not-for-profit agency that provides program administration, reporting and application processing. In addition, some municipalities with stand-alone rent mediation programs utilize either a standing or ad hoc city commission or committee to review program elements and issues and to render decisions as a result of mediation hearings. Our observation is that a committee is needed only sporadically to render fact finding or mediation decisions during periods of significant and widespread regional and/or city rent adjustments. As such, it is not uncommon for a committee to go for a year or more between meetings.

For stand-alone just cause for eviction programs, our observation is that the most effectively administered programs are designed so that city is not an active participant in the process and in large part, the eviction processes plays out through the courts in a manner required by the state for eviction proceedings.

Program administration for rent stabilization programs varies depending on the range and type of program desired. As an example, the City of Hayward's program is administered through its City Attorney's Office and uses a portion of two full-time equivalent (FTE) employees for program administration along with contractual support for mediation and arbitration. It does not utilize a city commission or committee for program oversight. This administrative structure varies significantly from the City of Berkeley's rent stabilization program which is governed by an independent and elected Rent Stabilization Board. Berkeley employs 22.10 FTEs and spends over \$4.5 million to support the program. If the Santa Rosa City Council decides to implement a rent stabilization program, additional research will be necessary to fully identify organization design, costs and administrative policies that assure a high level of program efficiency.

In addition to decisions about the organizational structure for a rent stabilization program, the City Council will also need to consider the program adoption method. Again, this could range from an ordinance to initiating a ballot measure as part of a city general or special election. Based on the recent experience with the City of Richmond's rent stabilization program, adoption of this type of a program is likely to create considerable concern with property owners. (Richmond residents then proposed a referendum of the City Council adopted program.) As such, in addition to engaging the public as part of a program design process, it would also be advisable to solicit the input of property owners with regard to the adoption of a rent stabilization program.

- What problems would these programs tackle?

Our general observations regarding this question are as follows.



Rent Mediation

The primary problem that this program would tackle is the lack of a formal process and procedures to address tenant grievances related to significant rent increases. Because a City rent mediation program would provide readily available resources that a tenant could use to process a grievance concerning a rent increase that meets program guidelines for mediation, it addresses the issue of tenants being uninformed about how to process rent related grievances. In addition, the program would provide the resources necessary to conduct the conciliation, mediation and/or fact finding, which would be beneficial to tenants who lack the resources to carry out this process. Current state law does not include the requirements for such a process and one is not typically available to tenants.

To a lesser degree, rent mediation programs tackle the problem of mitigating financial hardship that can arise from a significant rent increase. However, because the threshold for initiating the mediation process is typically relatively high, e.g. rent adjustments ranging from 5% to 10%, the overall impact may not be significant except for periods when rents are increasing by unusually high levels. Also, because the mediation process does not typically include a tenant's ability to pay the rent, the programs are not directly related to dealing with financial hardship that may result from a significant rent increase.

Just Cause for Eviction

The primary problem that this program would tackle is mitigating the impact of state regulations that allow a landlord to terminate a month-to-month tenancy by giving the tenant a 30- or 60-day notice. A just cause for eviction ordinance differs from this practice in that, while it retains the state's noticing timelines, it requires a landlord to provide written cause for the termination and provide evidence supporting the termination action. As such, the primary benefit of these programs is that they shift the burden of proof regarding a tenant eviction from the tenant to the landlord in that failure to meet one of the allowable causes for eviction is an affirmative defense that a tenant may use to contest the eviction.

Rent Stabilization

The primary problem this program would address is the annual increase in rents. Thus, it could lead to a predictable rent increase and tenant stability. Addressing this uncertainty is accomplished through the establishment of a clearly defined and transparent indicator, such as the Consumer Price Index (CPI), that is used for the purpose of establishing a maximum annual increase to an existing rental rate. This benefit is tempered somewhat as a result of the Costa-Hawkins Rental Housing Act (AB 1164) (Costa-Hawkins) enacted in 1995, that allows, among other things, property owners to set rental rates when there is a change in unit vacancy (known as "vacancy decontrol"). In addition, Costa-Hawkins prohibits interference in a property owner's ability to set rents for any unit that received a certificate of occupancy after February 1, 1995, and any single-family home and condominium.



Some rent stabilization programs include tenant and landlord education programs regarding tenant and landlord rights. Also, all of the rent stabilization programs surveyed include rent mediation, retaliation/anti-harassment and just cause for eviction provisions that address the concerns as stated above.

Draft Summary of Options

The City Council Subcommittee requested that we provide a range of program alternatives in the form of three program options. As part of these options, we also defined program elements, administrative cost, and the advantages and disadvantages of each (included as Attachment 1). We intend to present these in detail at the January 4, 2016 Subcommittee meeting. It is important to note that these options represent a broad overview of program elements and, should the City Council decide to pursue one of these, additional research would be necessary to ensure that a program is drafted to address the unique needs, characteristics, existing resources, and goals for the City of Santa Rosa. A summary of these three program options follows.

Option 1 – A Mandatory Rent Mediation and Just Cause for Eviction Program

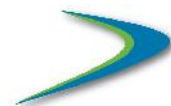
The rent mediation program would be available to tenants experiencing a monthly rent increase of 10% or more. (Programs are typically structured to include a rent increase ranging from 5% to 10 %.) The program would apply to multi-family units, most likely those with more than three units. Single-family rented homes could be included.

The program would require a landlord to notify tenants about the program and the mediation process at the time of initial tenancy and rent increases. We anticipate a local non-profit organization or local housing agency would administer the program and have responsibility for processing rent-related complaints, facilitating a tenant/landlord conciliation process, and processing tenant applications for mediation services.

The program could include a fact-finding process, which would require a city committee or commission to hear cases and render decisions. If a fact-finding process is included, commission/committee members would be appointed by the City Council from affected sectors of the community, e.g. landlord, tenants, and general public.

The mandatory nature of the program results from a requirement that landlords must participate in the process. Failure to do so would temporarily suspend the requested rent increase. The mediation process would be structured to facilitate an agreement between the two parties. If agreement is reached, it would be memorialized in a written agreement. If a fact-finding committee is utilized, its decisions would not be binding. However, like mediation, any agreement between the parties would be memorialized in writing. The program does not anticipate an arbitration process since this creates complications related to Costa-Hawkins.

We anticipate that City administrative requirements would be met through 0.4 FTE of the appropriate planning or housing classification. While we have not had contact with local agencies capable of administering the program to determine potential fees, based on our survey results, we anticipate an annual contract cost of approximately \$40,000. No fees would be



collected to support the program financially and as such, the City would need to explore the use of Community Development Block Grant eligibility, General Funds or other revenue source(s). The rent mediation program would be enacted through adoption of a City ordinance.

The just cause for eviction element of the program would establish specific criteria upon which a property owner may evict a tenant and could include components regarding requirements or incentives for landlords to offer tenants a one year lease and to include relocation assistance for an involuntary eviction, without cause. Relocation assistance could apply for specific causes of eviction such as removal of unit from the rental housing market, eviction for unit rehabilitation or occupancy of a relative, etc. The amount of relocation reimbursement could be one or two times of the average regional rental for a similar unit. The program would be structure so it does not require active City monitoring.

Both the rent mediation and just cause for eviction programs would include provisions prohibiting tenant retaliation. This program is generally structured around programs existing in our survey cities of San Leandro and Glendale.

Option 2 –“Soft” Rent Stabilization

Such a rent stabilization program may be implemented by ordinance and administered solely by staff (1 FTE) and some contractual support. A soft rent stabilization program would not include tracking of units subject to the ordinance. This eliminates significant administrative tasks that include building and maintaining an inventory of all rent-stabilized units and operating the database. Instead, landlords are required to notify and supply tenants with a copy of the program ordinance and of annual rent increases.

We observed that rent stabilization programs are designed to address the specific housing type and needs of the respective jurisdiction. If this option is selected, the City Council will need to consider the housing characteristics of Santa Rosa in the design process. For this option, owners with five or more units are subject to rent stabilization. Exempt units include single-family homes, all units constructed after 1997, hotels and motels, government-subsidized housing, hospitals, transient housing, etc. Other typical provisions include the maximum annual rent increase standards (5%), rent dispute resolution process (i.e., rent adjustments, fair return, habitability issues, unilateral lease changes, etc.) and a detailed list of cause(s) for eviction. The program would be sustained through full cost recovery and charged back to property owners. Half of the fee would be charged to tenants in addition to the rent increase.

Based on the survey data, Santa Rosa could evaluate whether to operate such a program with existing staff that have available capacity and/or secure contractual support for administration, mediation, and arbitration. (A decision on which method to be used would be based in large part on City staff reviewing available resources. This could occur after receiving comments and direction from the City Council work session on January 26, 2016.)

Hayward operates a soft rent stabilization program and this program would generally include many of its features. Its ordinance includes an additional provision to allow landlords to remove units from the rent increase provisions when a unit is voluntarily vacated, and certification that there was an investment in units ranging from \$1,000 to \$2,000 based on the



number of bedrooms. The City created the ordinance to provide short-term rent stabilization while improving housing quality. Through this process, in 2015, Hayward staff report that 3,000 rental units are subject to all provisions of the ordinance. Of the 11,000 that are subject to the rent stabilization ordinance, 8,000 are subject to the fee and cause for eviction provisions only. However, Hayward policy makers made the decision to recover 80% of the program costs through fees, rather than 100%. Using Hayward's program costs, we estimate program costs (i.e., personnel, contractual services and office supplies, postage and printing) of at least \$18,500 for Santa Rosa.

Option 3— Rent Stabilization

Finally, a traditional rent stabilization program includes the components of a "soft" rent stabilization program, plus the responsibility to register and track all rent stabilized units (i.e., rents and housing services). This means that the board or commission registers all eligible units, tracks rents, and rent history. Landlords must complete a registration form including tenant name and address, rent and summary of housing services. The program administrators send a copy of the form along with a tenant packet outlining the program. Landlords receive annual notification from the rent stabilization governing body of annual adjustments to the rent ceiling and in turn notify the tenant of the allowable increases. To implement this option, the City of Santa Rosa would create a Rent Board to administer the provisions of the ordinance. Further, the governing body establishes rules and procedures to conduct the due process provisions and operate the program.

This type of program includes residential rental dwelling units. Exemptions are similar to the Option 2. Other provisions include the annual allowable rent increase standards (percent of CPI), rent dispute resolution process (i.e., rent adjustments, fair return, habitability issues, unilateral lease changes, etc.), relocation assistance, vacancy decontrol and permanent removal, and the detailed list of good cause for eviction.

Berkeley's Rent Stabilization Program most closely mirrors this framework. The Berkeley program requires 22.10 FTEs to administer with an annual cost of about \$4.5 million. The staffing would be comparable for Santa Rosa. As noted earlier, tracking rental units along with the training required are both staff-intensive activities. Based on our survey of similar programs, we estimate the cost would be comparable based on the staff-intensive activities of registering units along with training and counseling tenants and landlords.

Community Engagement

As an outcome of the Subcommittee's December 7, 2015 meeting, staff was directed to reach out to various interests groups to distribute copies of the meeting materials presented and notify the public about the next Subcommittee meeting on January 4, 2016. Also, as a result of the outreach steps, Subcommittee members indicated they would like to see only one additional community meeting prior to the City Council's January 26, 2016 workshop.

Notwithstanding the intent to hold a community meeting prior to the City Council's January 26, 2016 workshop, the Subcommittee could consider rescheduling this meeting until after the January 26, 2016, City Council meeting. Rescheduling would potentially address two issues.



First, the Council agenda material processing and submittal schedule would not allow for printed agenda materials to include information detailing public comment from the community meeting. As such, a summary of public comments would not occur until after the January 26, 2016 City Council workshop. Second, the meeting would be held without the benefit of receiving additional direction regarding meeting goals and desired outcomes as identified from the full Council.

Regardless of when the community meeting is held, prior to or after January 26, 2016, at this time we have identified the following three approaches to secure public input.

Community Input Approach 1. A general presentation using comment cards to obtain public feedback. This approach involves a PowerPoint presentation outlining research to date, specific interests identified by the Subcommittee, and identifying the three program options included above, or as amended by the Subcommittee on January 4, 2016. The meeting would include time for public comment focused on identifying gaps or inaccuracies in information and identifying advantages and disadvantages for each of the three program options. The interest cards would be collected at the end of the meeting and would tabulate the results in time for the City Council's January 26, 2016 workshop.

Community Input Approach 2. A general workshop utilizing small breakout groups for each of the three anticipated program options. The breakout groups would be facilitated with the goal of identifying:

- The advantages and disadvantages of each of the program to landlords, tenants and the overall identification of information gaps; and
- Answer questions and provide general information concerning implementation, costs, etc.

Community Input Approach 3. Conduct individual focus groups with landlords, tenants, tenant's interest groups, and the general community. While the goals of these meetings would be similar to Approach 2 above, the dialogue would be more focused on each individual's specific interests and perspectives resulting in more specific and detailed comment reflecting each group's unique perspective.

We anticipate that Approaches 1 and 2 would be accomplished through a meeting lasting approximately 90 minutes and that Approach 3 would be scheduled so that the meetings occur during the course of one day. We would rely on City staff to provide meeting notices and logistics.

Next Steps

As we move forward with preparations for the City Council's January 26, 2016 workshop, it would be beneficial to receive any final feedback, including:

- Is there additional information that would be beneficial to the Subcommittee and the City Council, i.e. what is missing?



- Will a public meeting be held prior to the January 26, 2016 workshop and if so, what is the desired community input option? What feedback/information would be most beneficial?
- Is there specific information that should be presented at the City Council workshop?

In addition, it should be noted that due to the iterative nature of this project, we are continuing to collect data from survey cities that is needed to address specific questions raised by the City Council Subcommittee at the December 7 meeting. In addition. As mentioned previously, we are following up on potential resources recommended by City staff concerning tenant displacement and we anticipate having this information to share as part of our January 4, 2016 presentation.

Attachment 1: Matrix of three program options



Attachment 1 - Rent Stabilization Program Options

December 28, 2015

Program Features	Option I Mediation/Just Cause for Eviction (JCE)	Option II “Soft” Rent Stabilization	Option III Rent Stabilization
Units Subject to Program	Rental units with 3 or more units	Residential unit occupied by payment of rent, provided the unit is one of at least five residential units (Property owners with five or more units.)	Residential rental dwelling units.
Unit Exemptions	Hotels/motels, government-subsidized housing, hospitals, transient housing, etc.	Single family homes, all units constructed after 1997 hotels/ motels, government-subsidized housing, hospitals, transient housing, etc.	Single family homes, all units constructed after 1997 hotels/ motels, government-subsidized housing, hospitals, transient housing, etc.
Type of Program	<p>Mandatory participation through conciliation, mediation and fact finding, mediated agreements memorialized in writing, if fact-finding process is incorporated, decisions are advisory.</p> <p><i>Example of provisions that could be included are:</i></p> <ol style="list-style-type: none"> 1) <i>Must provide one or more good cause (all require property notice to tenant by landlord)</i> <ol style="list-style-type: none"> a. <i>Fails to pay rent</i> b. <i>Violates terms of rental agreement</i> c. <i>Willful damage of unit</i> d. <i>Fixed term expires and tenant refuses to sign new lease</i> e. <i>Disturbs peace</i> f. <i>Repeated denial of entry</i> g. <i>Landlord needs to bring unit into housing compliance</i> h. <i>Permit to demolish unit</i> i. <i>Owner with 50% recorded interest wishes to occupy as primary residence</i> 	<ul style="list-style-type: none"> • Programs funded through administration fees (50% passed on to tenant) • Due Process: petition process and hearing examiner • Housing quality (owner/landlord compliance) • Inclusion of just cause eviction, anti-harassment, and tenant/landlord <p><i>Voluntary vacancies trigger landlord option to remove unit from rent increases standards if they invest in units, but continue to pay fee and subject to eviction for cause (City of Hayward)</i></p>	<ul style="list-style-type: none"> • All eligible rental units are registered and tracked (i.e., rents and housing services) • Programs funded through registration (50% passed on to tenant) • Created to protect tenants from unwarranted rent increases and arbitrary, discriminatory, or retaliatory evictions • Due Process: petition process and hearing examiner • Housing quality and housing services (owner/landlord compliance) • Inclusion of just cause eviction, anti-harassment, and tenant/landlord counseling and mediation • Public outreach and training • Optional program suspension - 5% vacancy rate

Attachment 1 - Rent Stabilization Program Options

December 28, 2015

Program Features	Option I Mediation/Just Cause for Eviction (JCE)	Option II “Soft” Rent Stabilization	Option III Rent Stabilization
	<p><i>j. Owner chooses to move in (owner move in requirements)</i></p> <p><i>k. Tenant refuses temporary housing</i></p> <p><i>l. Fails to sign a lease that is identical (if landlord changes terms tenant doesn't need to sign it)</i></p> <p><i>2) Landlord must be current on all fees and in compliance with City requirements</i></p> <p><i>3) Landlord must confirm substantial compliance with habitability of unit</i></p> <p><i>Programs include damages for violations</i></p>		
Required Tenant Notification of Program Eligibility and Features	Yes, at time of initial rental, rent adjustments and notice of lease termination	Yes, rent disputes and eviction for cause provisions	Yes, rent disputes, terminate tenancy and good cause eviction provisions
Required Tenant Notification of Rent Increases and Rent Increase Thresholds	Consistent with state law. Rent increases greater than 10% trigger mediation.	<ul style="list-style-type: none"> • Yes • Landlords provide notice to tenant about the ordinance and rent increase • Rents may not increase more than 5% per year and rent may not be raised more than once in 12 months 	<ul style="list-style-type: none"> • Yes • Landlords and governing body provide notice of program and rents • Rents can only be increased by the Annual General Adjustment (AGA) based on a standard percentage or percent of CPI as published by the governing body once each year
Mediation	Yes, (Does not apply to JCE)	Yes	Yes, staff provides counseling and mediation
Arbitration	No	Yes, decision is final.	Yes, hearing examiner decision is final unless appealed to the Rent Board.
Program Administration	Contractor/non-profit agency	City staff or contractor	Independent Rent Board and staff
City Commission/Rent Board	Yes, if program includes fact-finding process	No	Yes
Decision Referral	No	No	Yes, if appeal or at the election of the Rent Board

Attachment 1 - Rent Stabilization Program Options

December 28, 2015

Program Features	Option I Mediation/Just Cause for Eviction (JCE)	Option II “Soft” Rent Stabilization	Option III Rent Stabilization
Staff	0.25 FTE planner or housing specialist	0.20 - 0.50 FTE of two staff (attorney and legal secretary)	22.10 FTE (administration, law, hearing, registration and public information and IT)
Contract Services	No specific services other than overall program administration	Mediation and arbitration services provider (unit based charges \$600 per mediation and \$1,200 per arbitration)	\$300,000 for various professional services
Program Fees	N/A	2015 Annual Fee: \$1.41 per residential unit \$1.24 per mobile home space	Current Annual Fee: \$213 per residential unit \$50 per unit for summer fraternity rentals
Annual Program Cost	\$20,000 to \$30,000	\$16,587.66 (<i>City of Hayward recovers 80% of program costs of previous years charges, including staff time, supplies and contract services</i>)	\$4.5 million
ANTICIPATED OUTCOMES			
Expansion of Tenant Rights	Yes, through JCE	Yes	Yes
Impact on Vacancy Rate	No	No data available. Program promotes reinvestment in rental units and stabilizes rents by setting a predictable increase.	No data available. Program stabilizes rents by setting a predictable increase.
Expansion of Affordable Housing	No, however, will include some related components including JCE and tenant notification requirements	Program stabilizes rents in the short run by setting a maximum allowable increase. For the time period that the units are included in the program, it creates a greater incentive for tenants to remain in rental unit	Program stabilizes rents of program units by setting annual allowable rent increase. Program creates a greater incentive for tenants to remain in rental unit.
Effect on Tenant Displacement	No data identified supporting impact on displacement. However, JCE should have some impact	No data available. Program stabilizes rents for a period of time.	No data available. Program tracks units, not tenants and stabilizes rents. As such, tenants see reasonable annual increases in rents.
Primary Problems Tackled	<ul style="list-style-type: none"> Lack of formal process to address tenant grievances concerning significant rent increases 	<ul style="list-style-type: none"> Establishes reasonable annual rent adjustments in the short run Units comply with code (habitability) 	<ul style="list-style-type: none"> Establishes reasonable annual rent adjustments Units comply with code (habitability)

Attachment 1 - Rent Stabilization Program Options

December 28, 2015

Program Features	Option I Mediation/Just Cause for Eviction (JCE)	Option II “Soft” Rent Stabilization	Option III Rent Stabilization
	<ul style="list-style-type: none"> • Some impact on mitigating financial hardship resulting from significant rent increases • Mitigating the impact of state law that allows a landlord to terminate month-to-month leases without justification with 30- and 60-day notices. 	<ul style="list-style-type: none"> • Efficient and low cost method to deal with tenant/landlord disputes 	<ul style="list-style-type: none"> • Efficient and low cost method to deal with tenant/landlord disputes • Registration and tracking of rent stabilized units: a) identify, inform, and engage landlords and tenant, and b) educates tenants about rights
Program Advantages	<ul style="list-style-type: none"> • Creates and effective vehicle for addressing tenant grievances regarding significant rent increases • Promotes tenant stability regarding lease terminations • Improves landlord/tenant communication and creates a formal process for addressing grievances • Reinforces non-retaliation provisions • Some just cause for eviction programs include tenant relocation expenses and potentially, one year leases • Represents a positive step in assisting tenant concerns regarding the disruptions caused from evictions and significant rent increases 	<ul style="list-style-type: none"> • Stabilizes rent increases • Units comply with code (habitability) • Expands tenants’ rights • Attracts investment • Method to address landlord/tenant disputes • Fair return (and “banking”) • Facilitate rental housing reinvestment 	<ul style="list-style-type: none"> • Registration and tracking of rent stabilized units • Mechanism to identify, inform, and engage landlords and tenant • Educates tenants about rights • Provides for reasonable rent increases and stabilizes tenant population in rental units • Units comply with code (habitability) • Accessible and efficient method to address landlord/tenant disputes
Program Disadvantages	<ul style="list-style-type: none"> • Will not address concerns about affordable housing or financial hardship resulting from higher than normal rent adjustments • Data indicating impact on tenant displacement overall are not available 	<ul style="list-style-type: none"> • Affordable housing gap persists for residents at or below Area Median Income (AMI) • Neutral effect on vacancy rates in the short run • Contemplates only short-term rent stabilization. (Voluntary vacancy and landlord compliance with permanent decontrol removes unit from program and rent increase limits.) 	<ul style="list-style-type: none"> • Affordable housing gap persists for residents at or below Area Median Income (AMI) • Neutral effect on vacancy rates in the short run • Threat of reduction in rental units in the long run through increased condominium conversion • Vacancy decontrol prohibits comprehensive application to all

Attachment 1 - Rent Stabilization Program Options

December 28, 2015

Program Features	Option I Mediation/Just Cause for Eviction (JCE)	Option II “Soft” Rent Stabilization	Option III Rent Stabilization
		<ul style="list-style-type: none"> • Program designed to encourage reinvestment • Vacancy decontrol prohibits comprehensive application to all rental units (only units built before 1995 can be “controlled”) 	rental units (only units built before 1995 can be “controlled”)

Note: Communities surveyed (Berkeley, East Palo Alto, Hayward, Santa Monica) administer other City programs to address housing quality, housing availability and affordability (rental inspection, crime-free lease certification, condo conversion, business license fees, relocation assistance, inclusionary housing programs, Ellis Act notice processes, etc.)

ATTACHMENT 4

Additional Information Concerning Mediation/Arbitration/Just Cause for Eviction Programs

- Are there laws prohibiting these programs from applying to single-family rental units?
Based on our research, these programs may be enacted to apply to single-family homes, as is the case in the cities of Fremont, Gardena, San Diego and Oakland. We recommend the City's legal staff provide additional information if necessary.
- Provide some examples of mediation outcomes. Have *decisions* favored tenants or landlords?
 - *San Leandro. Approximately 57 applications were filed and 21 were heard by the Rent Board. The significant majority of these resulted in a rent increase less than initially made by the landlord and/or some additional/modified services or improvements.*
 - *Fremont. Approximately 30 cases were filed and 19 cases went to mediation. Eleven of the 19 cases were resolved meaning there was agreement between the parties on a modified rent increase or modified service/improvement.*
- What is the current role of Legal Aid of Sonoma County and Petaluma People Services Center in providing these services?
As it relates to this subject, the primary role of Legal Aide of Sonoma County is working with tenants to address issues related to evictions. The majority of its clients reside in Santa Rosa. Petaluma People Services Center focuses on fair housing and assisting with a range of tenant issues such as return of security deposits, maintenance issues, etc. Based on our brief review, both agencies could potentially play an expanded role in addressing tenant concerns with Legal Aid of Sonoma County fully versed in eviction issues, which is of concern to the Subcommittee.
- What documentation is required to evict in accordance with the state's three-day notice provisions?
Based on general discussions with agencies, the vast majority of three-day notices involve nonpayment of rent. For other matters, documentation may include police reports, evidence of property damage, or actions leading to the eviction action. We recommend the City's legal staff provide additional information if necessary.
- What evidence is required to evict with just cause for eviction ordinance?
See above. Neither Glendale nor San Diego have a city commission or board that plays a role in this process and therefore, the matter is determined through the courts.

- Obtain information that may shed light on why programs are not used more often.
Based on discussions from two survey cities, reasons include:
 - *Fear of some form of retaliation,*
 - *Unfamiliarity with process,*
 - *There's no guarantee that going through the process will result in a significant rent reduction*
 - *Many tenants contact the services and want to know their options but elect to pay the requested rent increase rather than go through the process.*

- Is arbitration subject to the Costa-Hawkins Act?
If program sets a rent amount, including an allowable increase, then it would be subject to the Costa-Hawkins Act

- How is enforcement of “tenant right to know” provisions conducted?
Cities use a variety of options including mailings, general publications, workshops, and complaint response.

- What is the standard used for determining “fair return” for survey cities mediation process?
Based on responses received, this criterion is rarely utilized as part of a mediation process. Submitted material most typically includes history of rent increases, current market conditions, and capital improvements.

Request for Additional Information Concerning Rent Stabilization

- When was the last time Santa Rosa had a 5% vacancy rate?
This question is being researched by City staff and additional information will be provided at the January 26, 2016 City Council study session.

- Is there data indicating that these programs address tenant displacement?
Because our survey cities are not collecting data that tracks tenant displacement and/or the root cause for that displacement, which is complex, we have not found data indicating that rent mediation, just cause for eviction and rent stabilization programs improve or worsen tenant displacement or extend the length of tenancy. This lack of information has also not allowed us to fully analyze if there are significant differences between cities with these programs and those without them.

Notwithstanding the lack of data, based on the anticipated impact of these programs and public comments made by tenants experiencing significant rent increases, we assume that a combination of rent mediation, just cause for eviction, and rent stabilization programs would have some benefit in addressing tenant displacement when it is related to rent increases and no cause evictions. In addition, staff involved in administering the rent stabilization programs that we surveyed reported that they incentivize tenants to remain in rent stabilized units. Staff from the other programs also indicate that they can be beneficial in addressing individual cases. However, as mentioned above, at this time, we cannot fully determine their impact on tenant displacement.

To better identify a program's impact on displacement would involve further study, including data from other communities that were not included as one of our survey cities, a better understanding on the causes and extent of displacement in the City of Santa Rosa, and a further refinement of goals related to program outcomes. However, based on data obtained, any of the three programs we have studied could be an important component of a multifaceted affordable housing strategy used to address displacement and the unique challenges and characteristics of a community's affordable housing needs.

As part of our discussions with the Subcommittee, City staff requested we make contact with a number of displacement sources in addition to our survey cities. As such, we have contacted Mariam Zuk, Project Director at UC Berkeley's Urban Displacement Project; Daniel Saver, Community Legal Services in East Palo Alto, and Carol Lamont, former employee involved with the cities of Fremont and East Palo Alto's programs. As we collect data from these and other sources, we will share it with the City.

- **What is a standard cap rate for real estate investment?**
Based on a response from Mallori Spilker, Executive Director, North Coast California Apartment Association: in Sonoma County the cap rate ranges from 4.5% to 6%. The leveraged rate of return on investment ranges from 4% to 7% at this time.
- **Determine if rent stabilization encourages or discourages the development of new residential multifamily housing.**
We have not identified data that address this question.
- **Regarding the City of Hayward's program, determine if the voluntary vacancy decontrol exemption requires a fee payment after the exemption is approved.**
All units subject to the eviction for cause provision are subject to the fee. This means that units subject to rent stabilization provisions and those exempted through the vacancy decontrol process all pay the fee.
- **Is a nexus study required prior to adopting rent stabilization program fees?**
Our understanding is that a nexus study would be required. Additional research would occur if the City expresses an interest in a fee-based program.