



CITY OF SANTA ROSA RESIDENTIAL RENT STABILIZATION AND OTHER TENANT PROTECTIONS ORDINANCE

City Council Meeting
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PROPOSED

Consideration for adoption of an Ordinance of the City of Santa Rosa adding Chapter 6-90 to the Santa Rosa Municipal Code regarding:

1. Residential rent stabilization and other tenant protections for certain rental units within the City of Santa Rosa;
2. A resolution adopting a policy concerning Capital Improvement Plans for certain rental units within the City of Santa Rosa;
3. Review of preliminary cost estimates for program administration through June 30, 2017.

BACKGROUND

- **May 3, 2016** – City Council directed staff to prepare legislation that would limit annual rent increases and limit termination of tenancies for “just cause.”
- **May 17, 2016** – City Council adopted interim Ordinance No. 4063, imposing a 45 day moratorium on rent increases within the City of Santa Rosa, and directed staff to draft a comprehensive rent stabilization program.

BACKGROUND CONT.

- **July 07, 2016** – City Council adopted Ordinance No. 4067, an urgency ordinance enacting a further 90 day moratorium on certain residential rent increases within the City of Santa Rosa, that superseded Ordinance No. 4063.
- **July 19, 2016** – City Council adopted Ordinance No. 4069, an urgency ordinance correcting certain clerical errors in Ordinance No. 4067

PROPOSED ORDINANCE

- Rolls back rents to January, 2016
- Allows rent increases no greater than 3%, beginning 01/01/2017
- Creates a process to allow a greater increase
- Allows termination of tenancies only for just cause
- Requires relocation payments for “no fault” tenancy terminations
- Exempts many rental units—single family, duplexes, certain tri-plexes

WHAT RENTAL UNITS ARE COVERED BY THE ORDINANCE?

- Multi-family rental units built before February 1995, other than duplexes and tri-plexes where the owner resides in one of the units as the owner's principal residence

WHAT RENTAL UNITS ARE EXEMPTED FROM THE ORDINANCE?

- Single family homes and condominiums
- Duplexes and tri-plexes where the owner resides in one of the units as the owner's principal residence
- Multi-family units built after February 1995
- Units regulated by a governmental agency or by an agreement
- Rooms in a single family home

RENT INCREASES

- Rents rolled back to January 1, 2016
- Annual allowable adjustments of no more than 3%
- First increase no earlier than 01/01/2017
- Rent increases limited to one a year
- Process for landlords to obtain a rent increase greater than 3%

PROCESS TO OBTAIN A RENT INCREASE GREATER THAN 3% BUT NOT CONNECTED WITH A CAPITAL IMPROVEMENT PLAN

- Landlord file request with Program Administrator
- Program Administrator evaluates and makes a decision
- If no agreement, landlord may file a petition for a neutral hearing officer to hear matter
- The Program Administrator and the landlord are the “parties” at the hearing
- Hearing Officer’s decision is final and binding, subject to judicial review

PROCESS TO OBTAIN A RENT INCREASE GREATER THAN 3% IN CONNECTION WITH A CAPITAL IMPROVEMENT PLAN

- Landlord submits a Capital Improvement Plan
- Program Administrator applies a mechanical formula to determine the rent increase – cost of the improvements divided by 15, then divided by the number of units improved.

CAPITAL IMPROVEMENT PLAN

- Encourages landlords to re-invest in rental properties
- Ensures landlords to receive a fair return on investment
- Provides tenants with relocation benefits if required to vacate

CAPITAL IMPROVEMENT PLAN CRITERIA

- Adds material value to or prolongs the useful life of the property
- Does not include routine repairs and maintenance
- Cost must be at least eight (8) times the amount of the monthly rent multiplied by the number of rental units being improved

PROCESS FOR A TENANT TO OBTAIN A RENT ADJUSTMENT

- Tenant may request a rent adjustment based on the miscalculation of rent or reduction in housing services
- Program Administrator evaluates and makes a decision
- If either tenant or landlord disagrees, either may file a petition for a neutral hearing officer to hear the matter
- Hearing Officer's decision is final and binding, subject to judicial review

LIMITATIONS OF TERMINATING TENANCIES

- “No cause” evictions prohibited
- For cause evictions permitted: failure to pay rent, habitually late, breach of lease, nuisance, failure to provide reasonable access
- “No fault” evictions permitted: owner move-in, demolition, substantial rehabilitation, going out of the rental business and governmental order

RELOCATION ASSISTANCE

- Applies only to no fault evictions
- Equivalent of up to two months' rent plus \$1500
- One half of the payment made up front

LANDLORD'S OBLIGATIONS TO TENANTS AND PURCHASERS

- Provide to existing and prospective tenants:
 - ✓ Notice the rental unit is subject to the Ordinance
 - ✓ Copy of the Ordinance
 - ✓ Copy of City Policies that implement the Ordinance
 - ✓ Copy of any City informational brochures about the Ordinance
- Disclose to potential purchasers the property is subject to the Ordinance

LANDLORD'S OBLIGATIONS TO FILE DOCUMENTS WITH THE PROGRAM ADMINISTRATOR

- Notices of rent increases greater than 3%
- Capital Improvement Plans
- Petitions when landlord disagrees with the Program Administrator's decision
- Notices to terminate tenancies for “no fault”
- Name and relationship of person for owner move-in
- Documentation that property is being removed from the rental market
- Documentation of relocation payments

ANNUAL REVIEW AND REVIEW WHEN VACANCY RATE IS ABOVE 5%

- Annual report to City Council on the program's effectiveness
- City Council review when vacancy rate is above 5% for 12 months

PROGRAM FEE

- General Funds or impose Program Fee on affected housing units
- Annual Program estimate: \$1.1M to \$1.4M
- One half of the fee may be passed on to the tenants and not included in the rent increase
- Per Unit estimate: \$102 to \$125
- Est. Current Fiscal Year Cost \$744,000

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Council, by ordinance, 1) add Chapter 6-90 to the Santa Rosa Municipal Code regarding residential rent stabilization and other tenant protections for certain rental units within the City of Santa Rosa, 2) adopt a resolution concerning a capital improvement plans policy for certain rental units within the City of Santa Rosa, and 3) review preliminary cost estimates to administer the rent stabilization program through June 30, 2017.

QUESTIONS?