



REVISION OF POLICY CONCERNING RENT  
STABILIZATION – CAPITAL IMPROVEMENT PLANS  
(RS-CIP) TO INCLUDE DEMOLITION OF RENTAL  
UNITS AND IMMEDIATE RECONSTRUCTION OF  
RENTAL UNITS ON THE SAME PROPERTY AND TO  
CLARIFY WORDING IN THE POLICY CONCERNING  
THE PROGRAM ADMINISTRATORS CALCULATION OF  
AN ASSUMED INTEREST RATE FOR RENT  
STABILIZATION—CAPTIAL IMPROVEMENTS

City Council Meeting  
September 20, 2016

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# BACKGROUND

- On August 16, 2016, City Council passed resolution No. 28844, adopting a Policy Concerning Rent Stabilization – Capital Improvement Plans.
- On August 30, 2016, City Council adopted Ordinance No. 4072, adding Chapter 6-90 to the City Code, the City of Santa Rosa Residential Rent Stabilization and Other Tenant Protections Ordinance.
- At that time, City Council raised the question relating to demolition of rental units and immediate construction of new rental units.

# PROPOSED RS-CIP REVISIONS

1. Demolition of one or more rental units and immediate reconstruction of new rental unit(s) on property reflected as a Capital Improvement and included in RS-CIP Policy (Section 2,3,4).
2. Program Administrator (PA) shall calculate rent increases for Capital Improvements by amortizing the cost of the improvement, including one-half of the sum of an assumed interest rate of the Wall Street Journal's prime rate (Western Edition) plus one percent, over 20 years (Section 5).

# PROPOSED RS-CIP REVISIONS

3. Landlord must file an RS-CIP with the PA when proposing Demolition Followed by Immediate Reconstruction. Applicable permits and timeline required (Section 12-A).

4. PA review to determine whether documentation is adequate and sufficient. Tenant has opportunity to review documents before decision is made. Provides for notification process to Landlord and Tenant regarding PA decision (Section 12-B).

# PROPOSED RS-CIP REVISIONS

5. If RS-CIP approved, landlord may take action to terminate tenancy as provided by law. Provide at least 120 days to vacate.

Notice to terminate tenancy shall provide that: tenant entitled to relocation payment as provided under Rent Stabilization Ordinance; tenant has right of first refusal to rent new unit once built; tenant has right to damages if landlord does not demolish and immediately construct new rental units; landlord shall provide PA with a copy of notice (Section 12-C).

# PROPOSED RS-CIP REVISIONS

6. When tenant vacates rental unit, the landlord must obtain from each tenant contact information (email, phone, etc.) (Section 12-D).

7. Landlord to notify PA when all units are vacant. Demolition must begin 60 days thereafter. Must begin construction of new rental units within 90 days following demolition and diligently complete construction of new rental units (Section 12-E).

8. Newly constructed units (as provided under Section 12-E) shall be considered exempt under Ordinance. Landlord to provide displaced tenants with first refusal right. Displaced tenants must notify landlord within 30 days whether to rent the new rental unit (Section 12-F)

# PROPOSED RS-CIP REVISIONS

9. If landlord has not started demolition on rental units within 60 days of units being vacated, the RS-CIP shall be null and void. Rental units shall continue to be subject to Ordinance. Displaced tenants have right of first refusal at lawful rent at time of displacement. Displaced tenants shall notify landlord within 30 days whether to rent unit. Landlord shall be liable to the tenant for any reasonable costs incurred in the tenants re-renting the unit, notwithstanding earlier relocation payments. Landlord shall not submit another RS-CIP based on demolition/reconstruction for 12 months (Section 12-G).

# PROPOSED RS-CIP REVISIONS

10. If landlord has demolished units, but has not started and/or completed construction of new rental units (as provided in 12-E), the RS-CIP shall be null and void. New rental units (if constructed) will not be exempt under Ordinance. Landlord to offer units to tenants on first refusal basis, at rent at time of displacement, plus any allowable adjustments. Notification and associated costs same as in Section 12-G. Additionally, nothing in this subsection shall preclude a tenant from pursuing any additional or alternative remedy available under law; action must be brought within three years of displacement (Section 12-H).



# PROPOSED RS-CIP REVISIONS

11. The landlord shall notify the PA of the names and contact information of all tenants to whom the right of first refusal was offered and whether such tenant exercised such right (Section 12-I).

12. If there are more tenants who choose to exercise their right of first refusal than there are new rental units, the landlord shall notify the Program Administrator who will determine by lottery which tenants may rent the new rental units (Section 12-J)

# RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Council, by resolution, approve and adopt the revision of the Policy Concerning Rent Stabilization – Capital Improvement Plans (RS-CIP) to include demolition of rental units and immediate reconstruction of rental units on the same property and to clarify wording in the Policy concerning the Program Administrator's calculation of an assumed interest rate for Rent Stabilization—Capital Improvements.