

City of Sacramento

Legislation Text

File #: 2019-00181, **Version:** 1

Title:

(Pass for Publication) Ordinance Adding Chapter 5.156 to the Sacramento City Code Relating to a Residential Rental Mediation Program

File ID: 2019-00181

Location: Citywide

Recommendation:

1) Review an Ordinance adding Chapter 5.156 to the Sacramento City Code relating to establishing a Residential Rental Mediation Program; and 2) pass for publication the ordinance title as required by Sacramento Charter section 32(c) for consideration on April 23, 2019.

Contact: Carl Simpson, Code and Housing Enforcement Chief, (916) 808-8183, Community Development Department

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Ordinance Summary
- 3-Ordinance

Description/Analysis

Issue Detail: Over the past year, the City Council has sought to address significant increases in rent levels. Sacramento is one of the fastest growing cities in the state and construction of new rental units has not kept pace with the demand. In 2017, the median rent increased by 8.2%, the highest in the nation for a metropolitan area. Over 50% of renters pay more than 30% of their income on housing. When renters are displaced due to excessive rent increases, studies show a corresponding increase in the number of people experiencing homelessness. At the same time, landlords have increasing costs to maintain, operate, and develop rental units.

To resolve landlord and tenant disputes related to rent increases, a Residential Rental Mediation

Program is proposed. The program would require landlords to participate in a mediation process with their tenants if they increase rent by more than 6% over a 12-month period. The mediation process would involve initial conciliation by phone and then in-person mediation. It is expected that the mediator would ask landlords to address why the rent needs to be increased more than 6% and tenants could negotiate for a lower rent increase. Any changes in the rent increase would be subject to a mutual agreement of the tenant and landlord. The mediation process is non-binding and the mediator cannot require the landlord to accept a different rental rate. Landlords would be required to notify the tenant of their right to request mediation with the rent increase notice. With the landlord's consent, other tenants in the same complex receiving an annual rent increase of more than 6% could participate in the mediation. The tenant(s) would not be required to pay the rent in excess of 6% until the mediation process is completed. However, the process is expected to be completed within 30 days.

Also, under the program, landlords would have to offer existing and new tenants an 18-month lease. The purpose is to provide some stability for the renter and a longer-term tenant for the landlord. The landlord could at the same time offer the tenant a shorter lease term. If the rental rate offered in an 18-month lease was fixed at not more than a 6% increase, the landlord would not be subject to mediation.

These requirements would only apply to multi-family rental units, such as apartment complexes, where there are more than five units on a lot or on contiguous lots under the same ownership.

The ordinance effective date is October 1, 2019 to allow time for education and establishment of the mediation services. The ordinance would sunset on September 30, 2022, with the expectation that within three years the housing market will become more stable as more housing units are developed.

The Community Development Department Code Compliance division would administer the Residential Rent Mediation Program. To assist with implementing the program, the City would execute an agreement with an organization experienced in mediation. The agreement scope of work would include assisting with outreach to educate landlord and tenant organizations of the program requirements and fees; addressing inquiries about the mediation process; providing referrals for tenant assistance; processing rent mediation requests; providing conciliation and mediation services; assisting with development of a rent adjustment agreement between the landlord and tenant if requested; and providing monthly and annual reports.

Landlords would be subject to payment of two program fees, one per unit for recovery of the operational and administrative costs and an additional fee if mediation services are requested.

Policy Considerations: This ordinance is part of a multifaceted effort to implement the "Sacramento Tenant Protection and Relief Act," an initiative developed by Council Members Guerra, Hansen and

Jennings to provide immediate tenant protection and long-term relief regarding excessive rent increases, and to spur construction of new rental units and affordable housing.

Economic Impacts: Numerous academic studies show that artificially restricting rents of units within a city can chill housing unit production and economic investment necessary to reducing the cost of housing. The mediation approach outlined in the Residential Rental Mediation Program ordinance will provide accountability and a check on rental increases around the City, without drastically impacting the economics of new construction.

Environmental Considerations: The ordinance adoption is an administrative activity that does not result in a direct or indirect physical change to the environment and is therefore exempt from environmental review under CEQA per the CEQA Guidelines section 15378(b)(5).

Sustainability: Not applicable.

Commission/Committee Action: On October 23, 2018, the Law and Legislation Committee reviewed the proposed ordinance and passed a motion forwarding it to the City Council for adoption.

Rationale for Recommendation: The City Council needs to act to assist renters facing excessive rent increases to minimize tenant displacement, to stabilize the rental market, and to encourage new housing production by assuring housing developers that rents for new housing developments will not be arbitrarily restricted along with providing other incentives. The proposed Residential Rental Mediation Program strikes a balance between the interests of landlords and tenants.

Financial Considerations: Fees would be utilized to recover operational and administrative costs and the mediation services. Staff will return to City Council to establish program fees and adopt program operating and revenue budgets.

Local Business Enterprise (LBE): Not applicable.