

City of Sacramento

Legislation Text

File #: 2019-01101, **Version:** 1

Title:

Ordinance Adding Chapter 5.156 to the Sacramento City Code Relating to Tenant Protection and Relief Act [To be published in its entirety per City Charter Section 32(d)]

File ID: 2019-01101

Location: Citywide

Recommendation:

1) Adopt an Ordinance adding Chapter 5.156 to the Sacramento City Code relating to Tenant Protection and Relief Act; 2) because of the urgency to address rent gouging and provide tenant protections, publish the ordinance in its entirety per City Charter section 32(d) in lieu of pass for publication; and 3) direct the City Manager to return to Council within 30 days to set the program fee, re-set budget authority, and required expenditures for implementation consistent with this report.

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Presenter: Michael Jasso, Assistant City Manager, (916) 808-1380, Office of the City Manager

Attachments:

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

Description/Analysis

Issue Detail: On April 23, 2019, the City Council continued an item regarding a proposed Residential Rent Mediation Ordinance to allow time for outreach to stakeholders.. As a result, Council Members Guerra, Hansen, and Jennings are recommending that the City Council adopt a Tenant Protection and Relief Program to prevent rent gouging by limiting annual rent increases, provides protection from eviction for long-term tenants, and provides funding for renter assistance through Sacramento Self-Help Housing.

Over the past year, the City Council has explored different means 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 and 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, many landlords legitimately have increasing costs to maintain, operate, and develop rental units.

The proposed Tenant Protection and Relief Act strikes a balance between tenant and landlord interests by limiting the program to only rental units (excluding single family homes) built before February 1, 1995 per the Costa-Hawkins Rental Housing Act limitation, the annual rent increase is limited to 6% plus CPI but not to exceed 10%, and protections for tenants from unwarranted eviction will vest after the tenant has resided in a regulated unit for over 12 months. Landlords will still be able to set the rental rate for new tenants, determine the length of the rental housing agreement, and before the agreement expires after the first 12 months decide whether to renew the agreement for an existing tenant. Landlords can also petition for a higher rent increase if justified by costs incurred as determined by a hearing examiner appointed by the City Council.

Tenant eviction protection involves imposing restrictions on the ability of a landlord to terminate or not renew a rental housing agreement. Terminating an agreement would only be allowed in response to tenant's behavior when the tenant has failed to pay rent, breached the lease, engaged in criminal or nuisance activity, or failed to provide access. Also a landlord could terminate the agreement for "no fault" of the tenant if necessary to undertake substantial repairs necessary for health and safety, or for owner move-in or withdrawal of the unit from the rental market, but only after providing the tenant with 120 day's prior notice. These agreement termination restrictions would only be imposed on a landlord-tenant relationship that extends for longer than 12 months. A tenant could petition for a hearing by a hearing examiner if they disagree as to whether the landlord has one of these reasons to terminate the agreement.

The ordinance effective date is 60 days after enactment; however, the base rent is still measured as of what the landlord charged on July 1, 2019. More time will be needed to hire staff and develop program guidelines and hearing procedures before the ordinance can be implemented. Also, there would need to be a period for landlord education before fines for violation would be imposed. It is expected that Self Help Housing would assist the City in educating tenants about the program, which is one of the reason why a \$100,000 grant is proposed to help this organization expand its outreach efforts to assist tenants.

The ordinance would sunset on December 31, 2024, with the expectation that the housing market will become more stable and rents will decrease as more housing units are developed. However, before the ordinance expires, Council would review a staff report on housing affordability and availability to determine if the sunset date should be extended.

Aligning with their work in enforcing the Rental Housing Inspection Program, the Community Development Department Code Compliance Division would develop a rental registry and administer the Tenant Protection and Relief Act. Complaints will be fielded by staff, with the expectation of a quick response, and administrative penalties can be imposed for violations. Landlord and tenant petitions would be heard by an independent hearing examiner. To pay for the program, landlords would be subject to a program fee per rental unit for recovery of the administrative costs. Staff will return with a resolution that establishes the program fee, along with a budget allocation and a staffing plan.

Staff and representatives from Council offices met with representatives from SEIU, Sacramento Housing Alliance, Housing for Sacramento, Legal Services of Northern California, the California Apartment Association, Region Builders, the Sacramento-Sierra Building Trades Council, the Sacramento Realtors Association, and among other stakeholders. Additionally, the McGeorge School of Law, the Sacramento Housing and Redevelopment Agency, and other municipalities were consulted to share information on policies related to tenant protection.

Policy Considerations:

Local Policy

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 rent gouging and to spur construction of new rental units and affordable housing. The other long-term relief elements of the policy include a Catalytic Affordable Housing Fund to direct existing and future housing dollars for project gap-financing and development of shovel-ready housing for seniors, veterans, and formerly homeless individuals, with a preference for disadvantaged communities. The Catalytic Affordable Housing Fund will use revenues from SB2 (2017) and the City’s first Affordable Housing Bond, discussed during 2019-2020 budget negotiations. Other City Affordable Housing Initiatives proposed by the Tenant Protection and Relief Program include:

- Elimination of City fees for affordable housing (already implemented);
- Development of a cross-discipline team of City staff to study building affordable housing in existing commercial corridors (budget for increased staffing approved);
- Elimination of administrative barriers that keep locally subsidized affordable housing developments from participating in state loan programs (on-going); and
- Development of City staff capacity to direct and implement housing policies and manage financial assistance and programs like the Tenant Protection Program (on-going).

State Policy

Rental regulation has been the subject of recent ballot initiatives and many varying legislative efforts.

The pending state legislation (as of July 11) AB 1482 (Chiu) imposes a 7% plus CPI not to exceed 10% rent cap and “just cause” eviction protections, allowing for local ordinances that provides more significant tenant protections. This bill would apply to rental units that are older than 10 years, versus 24 years under Costa Hawkins, and exempt landlords who own 10 or fewer single family rental units. If this state law is changed such that provisions of the proposed ordinance require updating, staff will return to Council for direction.

Economic Impacts: Academic studies show that rental regulation of units in a city can provide neighborhood stability for renters, particularly a city’s lowest-income residents. Concerns over the chilling of housing production can be reduced by restricting regulation to older units. Older units are one of our City’s most important housing types serving lower-income residents. The approach outlined in the Tenant Protection and Relief Program will provide accountability and a check on rental increases around the City, without impacting the economics of new construction.

Environmental Considerations: The ordinance regulates rents for existing rental units and its adoption is an administrative activity that does not result in a direct or indirect physical change to the environment. Therefore, this action is exempt from environmental review under CEQA per the CEQA Guidelines section 15378(b)(5).

Sustainability: Not applicable.

Commission/Committee Action: On September 4, 2018 the City Council held a workshop and reviewed numerous policies related to rent regulation, discussing various approaches to reigning in rental costs and protecting tenants from egregious rental increases.

On October 23, 2018, the Law and Legislation Committee reviewed the Residential Rent Mediation Ordinance and passed a motion forwarding it to the City Council for adoption.

On April 23, 2019, the Residential Rent Mediation Ordinance was on the City Council agenda for consideration, but the matter was continued to allow time for increased outreach and engagement with stakeholders to explore alternatives.

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 encourage new housing production by assuring housing developers that rents for new housing developments will not be restricted. The proposed Tenant Protection and Relief Program strikes a balance between the interests of landlords and tenants.

Financial Considerations: Fees would be imposed to cover the program costs. Staff will return to City Council to establish program fees, add staff, and adopt program operating and revenue budgets. Funding for Self Help Housing would also be approved at a subsequent meeting as part of establishing the program budget and cost allocation.

Local Business Enterprise (LBE): Not Applicable.