

City of Sacramento

Legislation Text

File #: 2019-01852, **Version:** 1

Title:

Ordinance Amending Section 5.156.050 of the Sacramento City Code Regarding Annual Rent Adjustment and Declaring the Ordinance to be an Emergency Measure [Two-Thirds Vote Required] {To be published in its entirety upon adoption}

File ID: 2019-01852

Location: Citywide

Recommendation:

Adopt an Ordinance by two-thirds vote: 1) amending section 5.156.050 of the Sacramento City Code to reduce the annual rent adjustment; and 2) declaring the Ordinance to be an emergency measure to take effect immediately.

Contact: Tina Lee-Vogt, Program Manager, (916) 808-2679, Community Development Department

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Ordinance

Description/Analysis

Issue Detail: AB 1482 (Chui) (Chapter 597, Statutes of 2019) enacted the Tenant Protection Act of 2019. This new state law established an upper limit of 5% plus inflation (not to exceed 10%) on annual rent increases for rental units that are 15 years and older. This law was passed at the end of the legislative session and was amended on September 5, 2019 to reduce the rent cap from 7% to 5%. This new law became effective on January 1, 2020.

On August 13, 2019, the City Council enacted the Tenant Protection and Relief Act which established a rent limit of 6% plus inflation (not to exceed 10%). Due to the Costa Hawkins Act limitations, the City's ordinance applies to rental units that are 25 years and older (i.e., built on or before February 1, 1995).

The cost of living consumer price index included in AB 1482 differed from the index in the City's ordinance, although both were based on All Urban Consumers for All Items. The City's index further relied on Selected Areas, the western region cities with a population under 2.5 million (Size Class B/C). The difference as of October 2019 (compared to October 2018) was 1.8% under AB 1482 and 2.5% under the City's ordinance. There isn't a regional index for Sacramento. The closest region is San Francisco-Oakland with a current rate of 3%.

To avoid confusion and ensure consistency with the state rent cap limit, staff is recommending that the City Council amend the Tenant Protection and Relief Act to reduce the annual rent adjustment from 6% to 5% and utilize the same cost of living adjustment as AB 1482.

Policy Considerations: Increasing in rental rates have resulted in the need for a program to protect renters from excessive rent increases and unwarranted evictions. Staff recommends that City Council adopt the attached ordinance related to the tenant protection program.

Economic Impacts: Academic studies have shown that regulation of rental units provides stability for renters, particularly those with lower incomes. Also, rent-burdened households experience higher rates of homelessness. A rent cap of 5% plus CPI still provides landlords with a reasonable rate of return on their investments.

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: Not applicable.

Rationale for Recommendation: City Council action is recommended 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 arbitrarily restricted along with providing other incentives. The Tenant Protection Program strikes a balance between the interests of landlords and tenants. The emergency in enactment is recommended so that the City's rent cap is consistent with state law which became effective on January 1, 2020.

Financial Considerations: Not applicable. Program fees offset the operational and administrative costs.

Local Business Enterprise (LBE): Not applicable.