



CITY COUNCIL AGENDA REPORT

DATE: August 31, 2018

AGENDA OF: September 11, 2018

DEPARTMENT: Planning and Community Development

SUBJECT: Relocation Assistance For Displaced Tenants Ordinance Amendment and Update (PL)

RECOMMENDATION: Introduce for publication an ordinance to amend Chapter 21.03 of the Santa Cruz Municipal Code, Relocation Assistance for Displaced Tenants, to require relocation assistance for tenants displaced due to a large rent increase.

BACKGROUND: Over the past year, the City Council has taken steps to increase protections for residential tenants in response to citizen concerns regarding the high cost and scarcity of rental housing units in Santa Cruz. On February 13, 2018, the City Council adopted two interim emergency ordinances (Ordinance No. 2018-02 and 2018-04) on rent increases over two-percent and requiring just cause for tenant evictions within the City of Santa Cruz. To address the City's housing crisis, following many months of community outreach, issue identification, and solution prioritization, the Council's Housing Blueprint Subcommittee (HBS) presented recommendations to the full City Council on June 12, 2018. The Council approved the Subcommittee recommendations at that meeting, including the following recommendation in the HBS' report (from page 12, item 8):

“Direct staff to conduct community outreach and return to Council in August/September 2018 with a draft City Ordinance stipulating that a rent increase of more than 10% in one year or more than 15% in any two consecutive years will trigger relocation assistance for tenants should they choose to leave their home rather than accept the rent increase above the set thresholds. Such ordinance would be set to go into effect only if the November 2018 rent control and just cause eviction ballot measure does not meet the required vote for passage. Review in a year, considering fluctuation in Consumer Price Index.”

This report, as a follow up to the above City Council direction, proposes revisions to the City Municipal Code, Chapter 21.03, Relocation Assistance for Displaced Tenants, to require that rental property owners provide tenant relocation assistance to tenants in cases where a tenant leaves their home (rental unit) rather than accept a large rent increase.

This same Municipal Code section was also amended on February 13, 2018, when the City Council adopted Ordinance No. 2018-03. This amendment clarified and codified relocation assistance payment requirements when there are unsafe or hazardous living conditions discovered at a rental unit. The revisions specified the timeframe when the relocation payment would be due, clarified the administrative penalty of \$2,500 per day for each day the owner fails

to provide the relocation assistance, and added a provision allowing for private right of action through civil court.

City Council requested that Code Compliance staff provide a follow-up report following six-months of implementation on the effect of these code amendments. The requested six-month follow-up report is also included in this report and may be found below in the Discussion section.

DISCUSSION: The proposed revisions to Chapter 21.03 include the recommendations made by HBS, outlined above, as well as additional refinements recommended as a result of input received during the community outreach process. The proposed Municipal Code revisions are reflected in the draft ordinance (Attachment 1).

The proposed ordinance amendment stipulates that a rent increase of more than ten-percent (10%) in one year or more than 15.5-percent (15.5%) in any two consecutive years will trigger relocation assistance for tenants should they leave their home rather than accept a rent increase above the set thresholds. The 15.5-percent two-year threshold allows for compound interest to be calculated based on a maximum ten-percent increase in one year followed by a five-percent increase in the following year. Of note, two consecutive years of 7.5% rent increases would, as a result of compounding interest, result in a rent increase of 15.56% over two years, meaning that said tenants would be eligible for relocation assistance. See Attachment 3 for a chart with examples showing this.

Community Outreach

Focus Groups: In advance of a Citywide community meeting that was held on July 17, 2018, Planning Department staff invited representatives from both tenant and landlord interest groups to meet to discuss proposed ordinance revisions. On July 12, 2018, staff met with representatives from Santa Cruz Together, a local group opposing the rent control ballot measure. A representative from the California Apartment Association was also in attendance. Attendees were generally supportive of the City Council's direction as cited in the HBS's report, suggesting that the proposed ordinance revisions remain simple and not be complicated with additional provisions. There was consensus among those in attendance that requiring two months relocation assistance was a balanced approach to providing relocation assistance while not being punitive toward property owners. The group also recommended that the assistance should be based on the actual monthly rent paid by the tenant, rather than the "market rate" which does not account for variables such as location, age, size and features of a rental unit. These standards are proposed as part of the draft ordinance.

Representatives of Movement for Housing Justice declined to meet, stating that they were focusing their efforts on promoting passage of the ballot initiative.

Community Meeting: On July 17, 2018 a community-wide meeting was held at the Police Department Community Room to receive public input on the proposed ordinance revisions. Several other topics were discussed at the meeting as well, including potential revisions to the City's Cannabis Ordinance and presentation of a proposed Community Outreach Policy. Staff also gave a State legislative update on the status of pending Accessory Dwelling Unit legislation. Over 70 people were in attendance at the meeting. Comments received during the community meeting included concern that the terms "exorbitant" and "inordinate" were subjective, judgmental, and not necessarily an accurate reflection of the actual rent or rent increase being proposed. In response, the proposal was modified to reference a "large" rent increase.

Community meeting participants also expressed confusion regarding the relationship of this ordinance revision to the rent control ballot initiative and to potential changes to Costa-Hawkins legislation at the State level. Several individuals believed that the City was the proponent the rent control initiative on the November ballot as opposed to the Movement for Housing Justice group, and staff clarified this misunderstanding.

A summary of the comments received at this community meeting are included in this report as Attachment 2.

Correspondence: Staff received a public comment from one individual requesting that an appeal process be considered in cases where the owner can justify a rent increase beyond the specified thresholds such that relocation assistance should not be required. City Council did not provide direction to include such a process in the ordinance, and staff does not believe that an appeal process is necessary with this ordinance amendment, as owners are not prohibited from raising rent to larger amounts. Rather, landlords may just be subject to relocation payments if their tenants elect to leave following a large rent increase.

Status Report on Previous Revisions to Chapter 21.03:

As stated above, on February 13, 2018, City Council adopted revisions to Chapter 21.03, Relocation Assistance for Displaced Tenants, to clarify and strengthen provisions pertaining to the payment of relocation assistance to tenants who are displaced due to unsafe or hazardous living conditions. Included in the changes was an increase of one additional month's rent as payment required to tenants when they are forced to leave due to the criteria specified in the ordinance, namely health and safety violations and/or illegal dwelling units. At that time City Council directed staff to return with a report on the impact of the revisions, following six months of implementation.

Code Enforcement staff reports only one incident in the past six months where tenants were displaced due to unsafe building conditions. A notice to vacate a ten-unit property was issued on May 31, 2018 for life and safety conditions. The same day the building was posted with a notice to vacate, the property owner relocated all of the tenants of all ten units.

All tenants were temporarily housed at an alternative location at the property owner's expense while repairs were made. Tenants of five second-floor units were able to return to their apartments on June 11, 2018 after that floor was isolated from a gas leak resulting from unpermitted construction on the ground floor. Due to the substantial and substandard work performed without permits, the tenants of the five ground-floor units will not be able to return to their apartments for the foreseeable future.

As required by the ordinance, these ground-floor tenants were provided with relocation assistance comparable to four months' rent. Actual payment of relocation assistance occurred within two weeks of the tenants being displaced; however, as the landlord did immediately provide alternate, albeit temporary housing for all effected tenants, he was determined to be in substantial compliance with the intent of the ordinance.

The property owner is currently working on building repairs. Staff is not aware of any civil actions against the property owner by a tenant as a result of the relocation.

Staff are evaluating this example and will continue to monitor similar incidents to determine if implementation guidelines or further revisions to Chapter 21.03 are necessary to meet the intent of the ordinance.

SUMMARY AND RECOMMENDATION: The draft ordinance included in this report as Attachment 1 is based on direction provided by the City Council and reflects input from community-wide outreach efforts. The proposed revisions would only take effect if the Santa Cruz Rent Control and Tenant Protection Act ballot measure fails this November. Should the Santa Cruz Rent Control and Tenant Protection Act pass on the November ballot, the provisions for said measure will address rent increases through separate regulations, and this ordinance change will become null and void and will not take effect.

It is recommended that the City Council introduce for publication an ordinance to amend Chapter 21.03 of Title 21 of the Santa Cruz Municipal Code regarding Relocation Assistance for Displaced Tenants and acknowledge the Statutory and Categorical Exemptions under the California Environmental Quality Act.

ENVIRONMENTAL REVIEW: The proposed ordinance amendment qualifies under the “general rule” or “common sense” CEQA Statutory exemption pursuant to CEQA Guidelines Section 15061(b)(3). This section provides that, where it can be seen with certainty that there is no possibility that a project may have a significant effect on the environment, the project is not subject to CEQA.

The proposed amendment pertaining to tenant relocation assistance does not propose development or alterations to the built environment, but instead creates a regulatory standard to govern tenant relocation assistance within existing rental units. CEQA only applies to projects that have the potential for causing a significant effect on the environment, either through a direct impact or reasonably foreseeable indirect impact. The proposed ordinance does not have that possibility and is therefore exempt from CEQA.

In addition, the proposed ordinance is exempt from CEQA pursuant to Categorical Exemption Section 15301, Existing Facilities, in that the proposed ordinance does not propose development or alterations to the built environment, but instead establishes a regulatory standard pertaining to tenant relocation assistance limited to permitting, leasing and licensing of existing private facilities (residences) involving negligible or no expansion of use beyond that existing at the time of lead agency’s determination. Therefore, the project is exempt from CEQA.

FISCAL IMPACT: None. If these proposed ordinance revisions become effective potential impact to City resources would be limited to negligible staff time expended answering questions and preparing materials to explain the ordinance revision, which is a part of core services offered by the Department.

Prepared by:

Scott Harriman
Special Projects Planner

Submitted by:

Lee Butler
Director of Planning and
Community Development

Approved by:

Martín Bernal
City Manager

ATTACHMENTS:

Ordinance amendment – Chapter 21.03 (clean)

Ordinance Amendment – Chapter 21.03 (redline)

Summary of public comments received at the July 17, 2018 community meeting

Table depicting examples of compound rent increase thresholds