

Principles of Agreement Concerning a Proposed Rent Stabilization and Tenant Protection Ordinance

Set forth below is staff's understanding of the City Council's Principles of Agreement concerning a proposed Rent Stabilization and Tenant Protection Ordinance that staff will use as a roadmap for the Ordinance that will be presented to the City Council at its February 16, 2016 meeting.

Rent Increases

1. *Offer of One-Year Leases.* Housing Provider must offer a one-year lease to any prospective tenant.
2. *Frequency of Rent Increases.* Housing Provider shall not increase rents more than once every 12 months.
3. *No Cap on Maximum Allowable Increase.* There is no cap on an annual maximum allowable rental increase above which a housing provider may be granted a higher increase through an administrative hearing process (i.e., no "traditional" rent stabilization)
4. *Rent Increase Process.* A housing provider may propose to raise rents to whatever amount the housing provider believes is warranted assuming the following processes are followed:

Notice of the Availability of a Rent Review Process.

- If a Housing Provider intends to increase rents by 5% or less, Housing Provider must notify the tenant of the availability of a rent review process through the RACC.
- The rent increase goes into effect prior to completion of the rent review process.
- If Housing Provider fails to provide proper notice to tenant, the rent increase is void but Housing Provider may re-notice.

Housing Provider to File a Notice of Rent Increase with the Housing Authority.

- If a Housing Provider intends to increase rents by more than 5%, the Housing Provider must (a) notify the Housing Authority who will schedule a RACC hearing and (b) notify the tenant that the rent increase will be reviewed by the RACC.

- Rent increase will not go into effect until rent review process has been completed.
- If Housing Provider fails to notify the Housing Authority/tenant, rent increase is null and void and no rent increase is allowed for 12 months.

5. *RACC Process.*

- A person with an ownership interest in the property must attend the hearing (tenant- or landlord-initiated); if not, the rent increase is void and no rent increase for 12 months.
- The Committee may take into consideration such factors as the hardship to the tenant, the frequency and amount of prior rent increases, the housing provider's costs of operation, and providing the housing provider with a fair return on the property.
- The Committee may recommend whatever rent increase it believes is fair.
- If the housing provider does not agree with the Committee's decision, unless the rental unit is exempt under Costa Hawkins (e.g., a single-family residence) the housing provider must file a petition to have a neutral hearing officer consider the rent increase. If the housing provider does not file such petition, the rent increase is void and no rent increase is permitted for 12 months.
- If the rental unit is exempt under Costa Hawkins, the Committee's recommendation is non-binding. There may be an appeal to the City Council but its recommendation is likewise non-binding.
- If the tenant does not agree with the Committee's recommendation, unless the rental unit is exempt under Costa Hawkins, the tenant must file a petition to have a neutral hearing officer consider the rent increase. If the tenant does not file such a petition, the rent increase shall be as recommended by the Committee
- If the rental unit is exempt under Costa Hawkins, the Committee's recommendation is non-binding but the tenant may appeal to the City Council but the Council's recommendation is likewise non-binding.

6. *Binding Arbitration.* Any appeal of a RRAC recommendation will be subject to binding arbitration by a hearing officer for units subject to Costa Hawkins. The

hearing officer will conduct an administrative hearing concerning the rent increase taking into consideration similar factors as did the Committee. The hearing officer will issue a binding decision, subject only to judicial review.

Limitations on Evictions—Applicable to All Rental Units

“No cause” evictions. A housing provider may evict for “no cause” subject to:

- payment of relocation benefits (described below)
- limitation on rent increase for new tenant
- limitation on the number of “no cause” evictions permitted per year

For cause evictions. A housing provider may evict “for cause”—failure to pay rent, breach of lease, nuisance, failure to give access, etc. No relocation assistance and no limitation on rent for new tenant.

No fault evictions. A housing provider may evict for “no fault” (of the tenant)—owner move in, demolition, substantial rehabilitation subject to approved Capital Improvement Plan, withdrawal from the rental market and compliance with governmental order to vacate the building—subject to paying relocation assistance as set forth below.

Relocation Assistance—Applicable to All Rental Units

Housing provider to pay one month’s rent that the tenant was paying for each year (or portion thereof) that the tenant occupied the rental unit up to four months’ rent, plus \$1500 moving expense.

Except for owner move in evictions, tenant may choose to remain in the unit an additional month for every year (or portion thereof)—up to a maximum of four months—but the housing provider’s obligation to pay relocation assistance will be reduced by one month’s rent for each additional month the tenant remains in the unit.

Monetary Penalties/Enforcement

- Significant fines and penalties can be imposed against a housing provider who violates the Ordinance, including misdemeanor charges for illegal behavior that is ongoing or egregious.
- Housing providers are prohibited from retaliating against a tenant who has exercised his/her rights under the Ordinance.

- Tenants can recover actual and punitive damages against any housing provider who engages in an unlawful eviction process.
- The City can enforce the Ordinance, including asking the court to assess penalties up to \$10,000 per violation.

Annual Review/Sunset Provision

Staff to provide an annual review highlighting the effectiveness of the program and data on the rental housing market (average rent increases, type and frequency of notices of termination, RRAC outcomes, number of binding arbitration cases, etc.) to the City Council. The ordinance will sunset on December 31, 2019, unless the Council affirmatively acts to retain some, or all, of the provisions.