

STAFF PRESENTATION

ALAMEDA CITY COUNCIL – FEBRUARY 16, 2016



RENT REVIEW ADVISORY COMMITTEE (RRAC)

- RRAC established in 1979
- Mediates rent increases
- Successful model
- Current recommendations built on RRAC process

OVERVIEW OF RENT REVIEW PROCESS

- September 2014—community-led process to address rent increases, reached points of consensus
- May 2015—Council authorized Alameda Rent Study
- September 2015—Council adopted two ordinances to strengthen RRAC
- November 2015—Council received Alameda Rent Study and adopted a moratorium on certain rent increases and “no cause” evictions
- January/February 2016 – Council direction on an ordinance regarding rent review, rent stabilization and limitations on evictions

ALAMEDA RENT STUDY

- In properties with 50+ units, rents have increased by 52% between 2011 and 2015—an average of 13% per year—and the vacancy rate is less than 3% (ending in 3rd Quarter of 2015)
- Between 2000 and 2013, the median income for Alameda renter households increased by 29% (less than the rate of inflation), while rents increased by 54% during the same period.
- A “severe” housing cost burden (housing costs exceeding 50% of the tenant household income) acutely impacts the elderly and low-income families.

PROPOSED ORDINANCE

- Provides process for mediating rent increases
- Allows “no cause” evictions, but with significant limitations
- Requires payment of relocation assistance for “no cause” and some “no fault” evictions

WHO IS COVERED BY THE ORDINANCE

- Single-family rental homes
- Multi-family rental properties
- Government-owned and government-regulated rental units/properties are exempt
- Room rentals in single-family homes are exempt

RENT INCREASES

- Rent increases limited to once per year
- No “cap” on rent increases
- Rent increases subject to the RRAC Process
 - Above 5%—housing provider must initiate RRAC process
 - 5% or less—tenant may initiate RRAC process
 - Housing provider must participate in RRAC process

RENT INCREASES

The RRAC Hearing Process

- Housing provider and tenant explain their positions
- RRAC will consider numerous factors (past rent increases amount/frequency, financial hardship, increasing costs, maintenance of unit/property, etc.) in reaching its recommendation
- If mediation is successful, parties sign an agreement

RENT INCREASES

Further Review of RRAC Decision

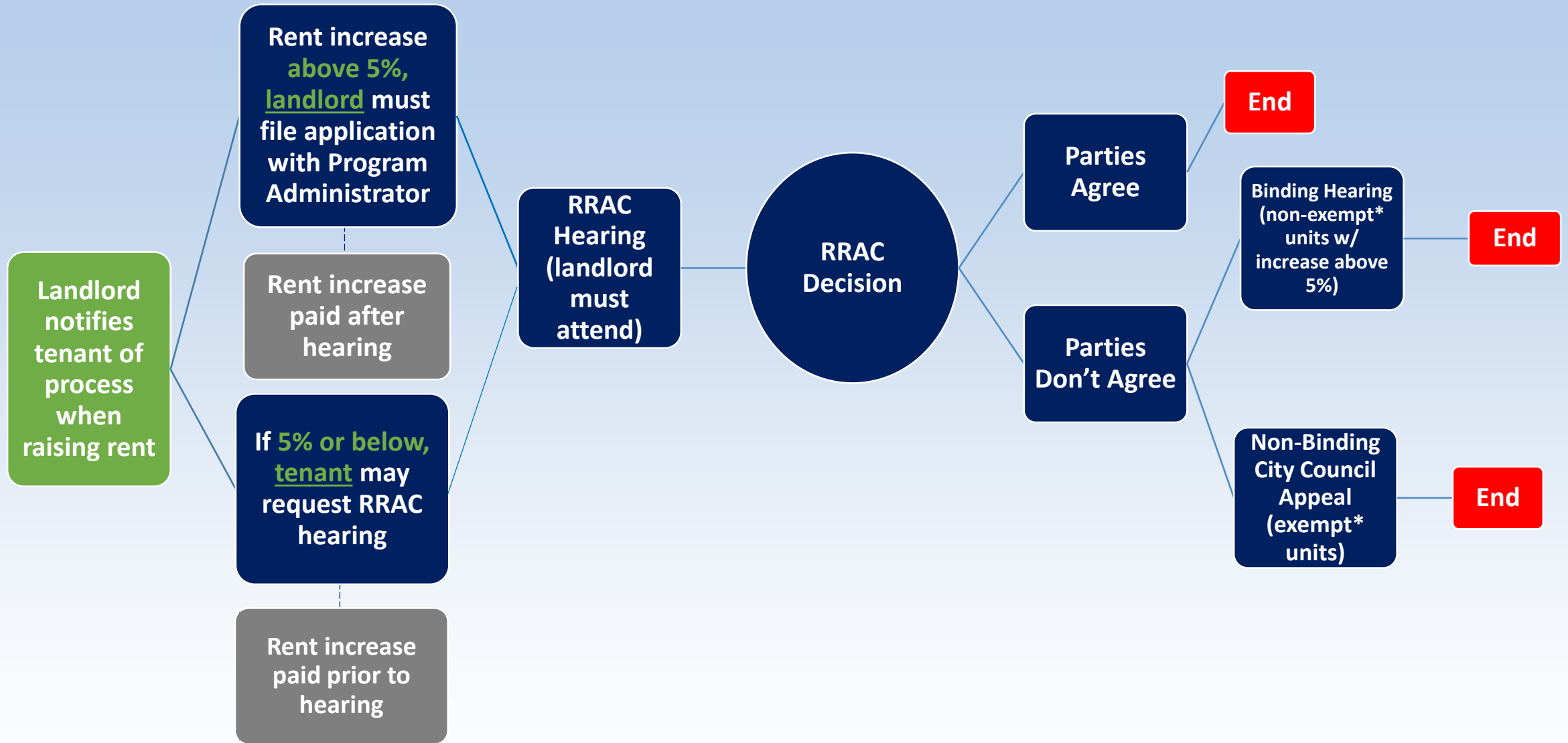
- If rent increase is above 5% for multi-family units built before February 1, 1995:
 - Party dissatisfied with RRAC decision may appeal to hearing officer
 - Hearing officer will issue a binding decision, subject to judicial review
 - If neither party appeals, RRAC decision stands

RENT INCREASES

Further Review of RRAC Decision

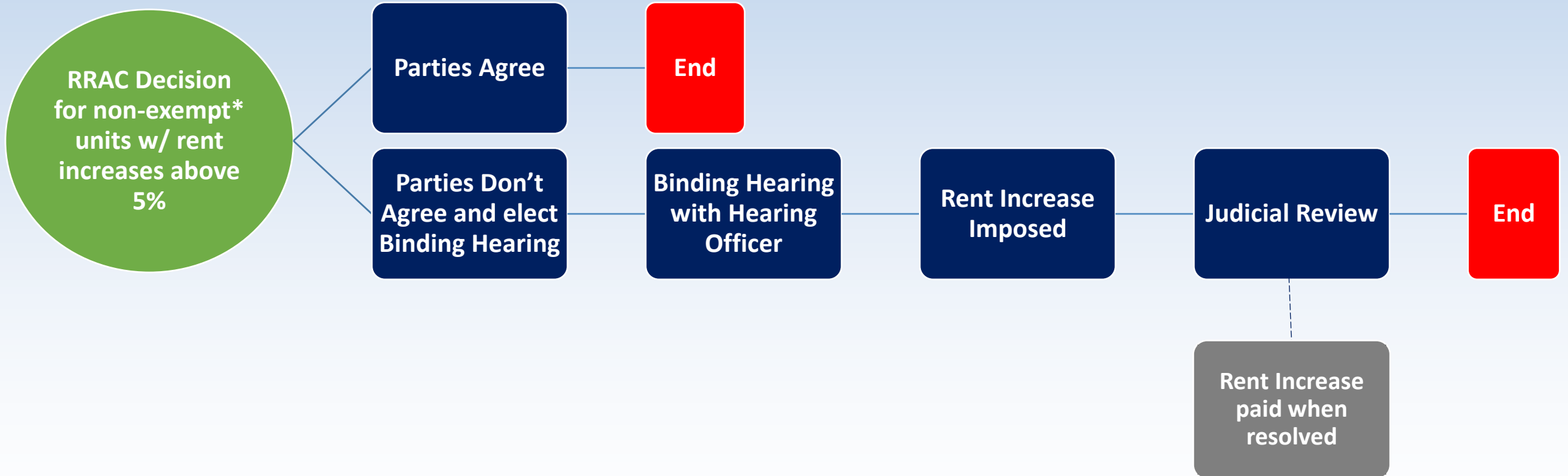
- If rent increase is above 5% for single family home or a multi-family unit built after February 1, 1995,

or
- If rent increase is 5% or less:
 - RRAC decision is non-binding
 - Housing provider may impose the proposed rent increase
 - May be appealed to the City Council for non-binding review



*Exempt or Non-Exempt from Costa-Hawkins Rental Housing Act
(<http://www.leginfo.ca.gov/cgi-bin/displaycode?section=civ&group=01001-02000&file=1954.50-1954.535>)

BINDING HEARING PROCESS



*Exempt or Non-Exempt from Costa-Hawkins Rental Housing Act
(<http://www.leginfo.ca.gov/cgi-bin/displaycode?section=civ&group=01001-02000&file=1954.50-1954.535>)

OFFER OF ONE-YEAR LEASES

- Housing provider must offer a one-time one-year lease to:
 - Any prospective tenant
 - Any tenant with an existing lease 60 days before lease expiration
 - Except tenants with fixed-term leases or notices to vacate
 - Any tenant with a month-to-month lease upon notice of a rent increase

LIMITATIONS ON EVICTIONS—APPLIES TO ALL RENTAL UNITS

- “No cause” evictions permitted
 - Must pay relocation assistance
 - Rent to new tenant no more than 5% increase from the previous rent
 - For buildings 5 units or more
 - Limited to no more than 10% of all units in a single month or 25% in a 12-month period
 - For buildings less than 5 units
 - Limited to no more than 1 unit in any 12-month period
 - Penalties for non-compliance

LIMITATIONS ON EVICTIONS—APPLIES TO ALL RENTAL UNITS

- “No fault” evictions
 - Require to pay relocation assistance
 - Includes owner move-in, demolition, government order, going out of the rental business, substantial rehabilitation
- “For cause ” evictions
 - With adequate noticing
 - Not required to pay relocation assistance
 - No limitation on amount of new rent

RELOCATION ASSISTANCE—APPLIES TO ALL RENTAL UNITS

- Required for “no cause” and “no fault” evictions
- Relocation assistance equal to one month’s rent for each year, or portion thereof, that the tenant has occupied the unit up to 4 months rent
- \$1,500 moving expense
- Tenant may choose to stay in the unit for up to 4 additional months in lieu of cash assistance of up to 4 month’s rent (except for OMIs, government orders to vacate)

	1 Full Year Tenancy	2 Full Years Tenancy	3 Full Years Tenancy	4 + Full Years Tenancy
\$1,500* plus the following accumulated benefit:	<ul style="list-style-type: none">❖ 1 month of rent <u>or</u>❖ 1 month of additional occupancy	<ul style="list-style-type: none">❖ 2 months of rent <u>or</u>❖ 2 months of additional occupancy <u>or</u>❖ a combination equaling 2 months	<ul style="list-style-type: none">❖ 3 months of rent <u>or</u>❖ 3 months of additional occupancy <u>or</u>❖ a combination equaling 3 months	<ul style="list-style-type: none">❖ 4 months of rent <u>or</u>❖ 4 months of additional occupancy <u>or</u>❖ a combination equaling 4 months

*To be adjusted annually based on the CPI.

HOUSING PROVIDER'S OBLIGATIONS

- Providing the following to existing and prospective tenants:
 - Notice that the rental unit is subject to the ordinance
 - Copy of the ordinance
 - Copy of City policies that implement the ordinance
 - Copy of any City informational brochures about the ordinance
- Disclosing to potential purchasers that the property is subject to the ordinance

HOUSING PROVIDER'S OBLIGATIONS

- Providing to the Program Administrator timely notices and other documents including but not limited to:
 - Notices of rent increase in excess of 5%
 - Petitions when the housing provider disagrees with the RRAC decision
 - Notices to terminate a tenancy, except for just cause eviction notices
 - Contact information for new tenant and amount of new and prior rent when tenancy of prior tenant has been terminated for “no cause”
 - The name and relationship of person moving in when there is a termination due to an “owner move in”
 - Documentation that the property is being removed from the rental market
 - Capital Improvement Plans
 - Documentation of relocation payments

ANNUAL REVIEW AND SUNSET PROVISION

- Annual report to City Council on the program's effectiveness
- The ordinance sunsets on December 31, 2019
- Suspend Article XIV rather than delete

CAPITAL IMPROVEMENT PLAN FOR SUBSTANTIAL REHABILITATION

- Encourages housing providers to re-invest in rental properties
- Ensures housing providers get a fair return on investment
- Provides tenants with relocation benefits if required to move

CAPITAL IMPROVEMENT PLAN

Required before increasing rents and terminating tenancies for substantial rehabilitation:

- Adding material value or prolong useful life of property
- Does not include routine repairs and maintenance
- Cost must be more than 8 times the amount of monthly rent x number of rental units being improved
- City must approve the Plan

CAPITAL IMPROVEMENT PLAN

- If a tenant decides to permanently relocate rather than paying the rent increase:
 - Receives relocation assistance
- If the tenant wants to stay and pay the rent increase, but needs to relocate during construction:
 - Housing provider must relocate the tenant to a vacant unit or
 - If no vacant unit, pay relocation assistance for permanent relocation

PROGRAM FEE

- Ordinance needs to be funded and staffed to be successful
- The proposed funding mechanism is a program fee:
- Imposed on all housing providers on a per unit basis
- One-half of the fee may be passed onto the tenant and not calculated as part of rent increase

PROGRAM FEE

- The proposed program is estimated to cost \$1.9 million annually
- \$129/unit
- Fee study required to determine program fee

PROGRAM FEE

Comparison to Other Jurisdictions:

- 50-unit property in Alameda
- \$2,152 average rent in 3Q 2015

Program Fee	Business License	Total (Program Fee + Bus. Lic.)
Berkeley (\$213/unit)	Gross Receipts x .01081	\$24,708
Oakland (\$30/unit)	Gross Receipts x .01395	\$19,512
East Palo Alto (\$234/unit)	Gross Receipts x .001	\$12,991
Alameda (est. \$129/unit)	\$20/unit	\$7,450
Los Gatos (\$22/unit)	\$7.50/unit	\$1,475
Hayward (\$1.41/unit)	For Gross Receipts \$400,000 and over, \$106.70 plus \$0.27 for each additional \$1,000 in excess of \$400,000	\$445

BUSINESS LICENSE FEE

Example:

- In 50+ unit properties, average rent is \$2,152 in 3Q in 2015

City	Fee	Fee for 50 Units
Oakland	Gross Receipt x .01395, minimum fee of \$13.95 if GR \$1000 or less	\$ 18,012
Berkeley	Gross Receipt x .01081, minimum fee of \$77	\$ 13,958
Fremont	Gross Receipt x .0013	\$ 1,679
Livermore	Gross Receipts x .0012	\$ 1,549
Emeryville	Base fee \$58 + Gross Receipts x .0010	\$ 1,349
Alameda	\$20/unit	\$ 1,000
San Leandro	Base fee \$125 + \$11.30 per unit	\$ 690
Union City	Base fee \$129 + \$11 for rental units over 4	\$ 635
Pleasanton	Gross Receipts x .0003	\$ 387
Hayward	For Gross Receipts \$400,000 and over, \$106.70 plus \$0.27 for each additional \$1,000 in excess of \$400,000	\$ 374

PROGRAM FEE

- Program Administration
 - Schedule and conducting RRAC hearings
 - Coordinate public education
 - Answer public inquiries
 - Coordinate when RRAC decision is appealed
 - Verify eviction process is followed
 - Analyze and approve CIP
 - Collect data
 - Approximately 6.75 FTEs
- Binding Hearing Process
 - Contract with hearing officers

PROGRAM FEE

- Legal Support
 - Legal advice
 - Represent the City in legal actions
 - Assist with enforcement
 - 3 FTEs
- Billing and Collection
 - Bill and collect program fee
 - Manage database
 - Answer public inquiries
 - 1 FTE

PROGRAM FEE

- General Fund Appropriation:
 - \$50,000 to conduct a fee study. Staff will return with a fee program proposed effective July 1, 2016
 - \$250,000 to fund the program through June 30, 2016

RECOMMENDATION

- Introduce the Ordinance
- Adopt a Resolution adopting the policies for the Capital Improvement Plan
- Appropriate \$300,000 from the General Fund for the fee study and cost of the rent program through June 30, 2016