

PROPOSED AMENDMENTS TO SAN LEANDRO RENT REVIEW ORDINANCE



**COMMUNITY DEVELOPMENT DEPARTMENT
HOUSING SERVICES DIVISION
CITY OF SAN LEANDRO
DECEMBER 7, 2015**

City Council Goal

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Support and implement programs, activities and strengthen communication that enhances the quality of life and wellness, celebrates the arts and diversity and promotes civic pride

Overview

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- **Rent Review Program Background**
- **Current Rental Market in San Leandro**
- **Public Outreach/Input**
- **Proposed Changes to Rent Review Ordinance**

Rent Review Ordinance: Background

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- In 2001, the City adopted the Rent Review Program Ordinance to create a public forum for tenant/landlord rent disputes
- The Ordinance was created to balance the needs of renters and landlords with an emphasis on a mutually satisfactory resolution
- An appointed Rent Review Board was established to conduct rent review hearings
- Applies to a building with 3 or more rental units

Rent Review Board: How It Works

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- Rent Review Board (RRB):
 - 2 tenants, 2 landlords, and 1 non-landlord/non-tenant
 - Assist parties in reaching a mutual settlement. Does not make binding and enforceable decisions.

- To be eligible for a hearing, a rent increase must:
 - 1) Exceed \$75,
 - 2) Exceed 10% of current rent, or
 - 3) Occur twice within 12 months

- Historically, most cases have been mutually resolved prior to the start of the rent review hearing

Rent Review Board: How It Works (cont'd)

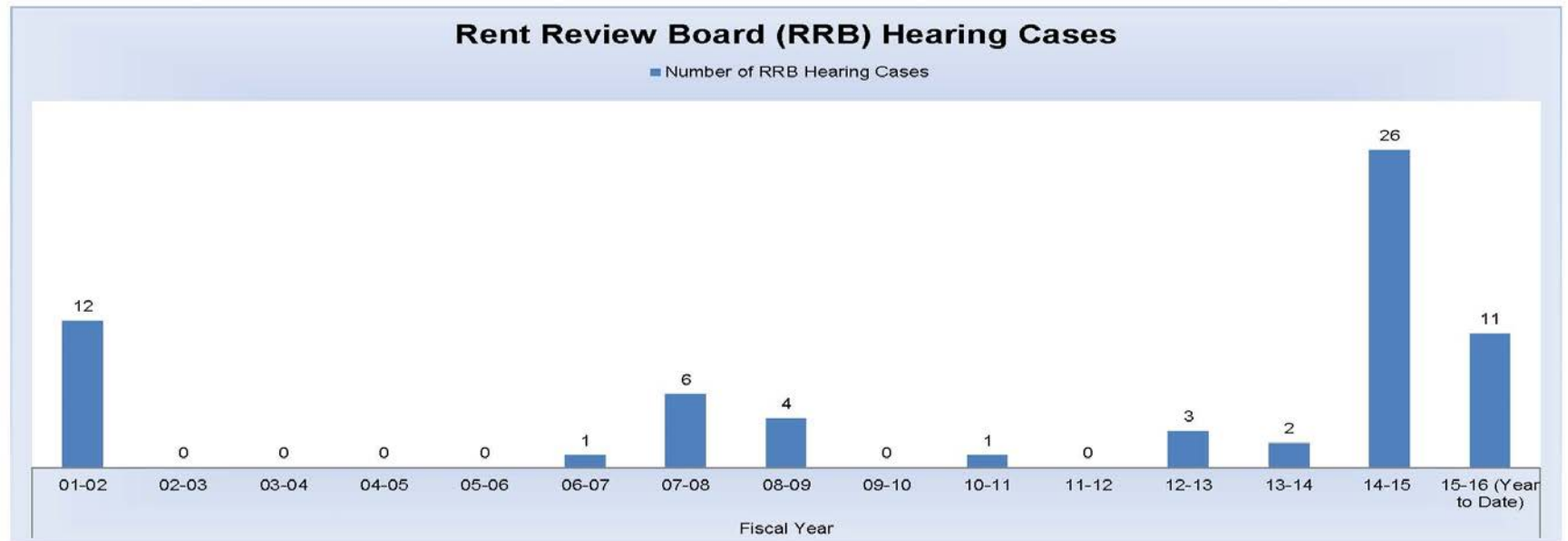
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- Tenant and landlord each present their cases to the RRB, which uses a wide range of criteria to evaluate, including economic hardship, prior rent increases, mortgage, operations/maintenance costs, and reasonable rate of return
- Hearing may be continued for up to one month *or* request City Council review the rent increase dispute
- Staff provides an annual evaluation report to the RRB and City Council on current rental market trends and an assessment of the rent review program's activities

Rent Review Board Historical Activity

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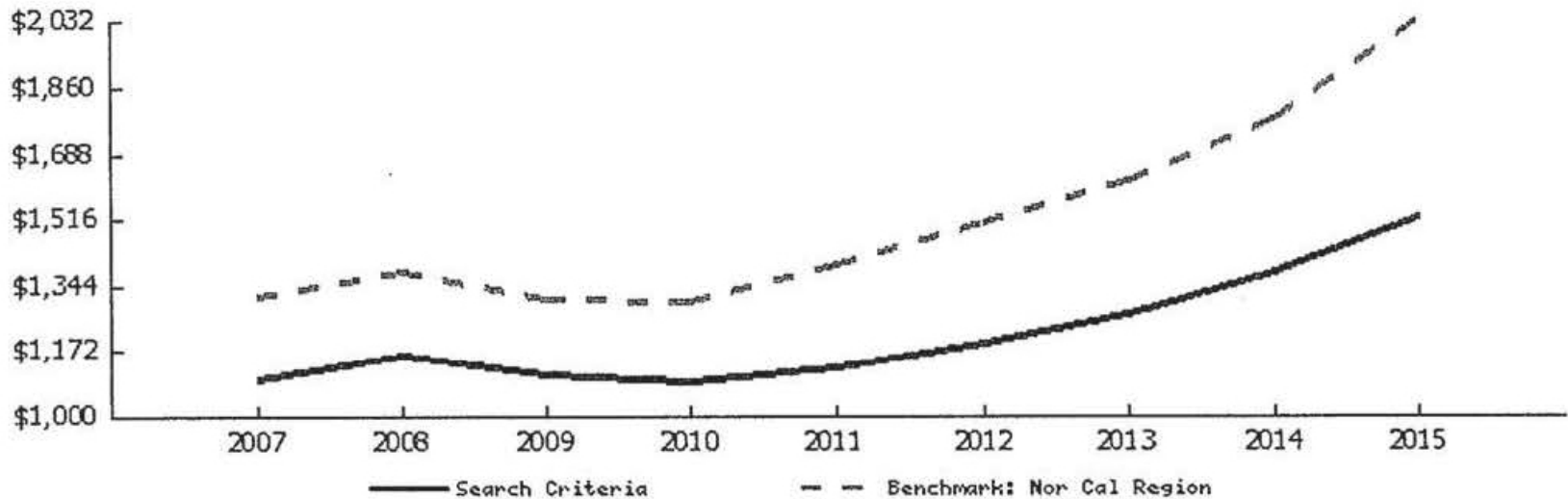
- Board activity has been characterized by long periods of inactivity and occasional increases in caseload
- The number of hearings has significantly increased beginning in FY 2014-15 (26 cases from 10 properties)



Current Rental Market

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- Rents have risen 51% in the Bay Area since 2007
- The increase in San Leandro during that time was 39%, an average annual rent increase of 4.5%



Source: RealFacts, November 2015

Economic Factors Impacting Rent

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- Under supply of new housing construction
- High construction costs
- Spillover of renters from higher cost housing markets
- Landlords have been making up for negligible or reduced rent growth in past years
 - Need to keep up with operations/maintenance costs inflation
 - Qualify for refinancing to make building improvements
 - Provide return to investors

Affordability and Turnover

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- San Leandro average rent is the lowest in Alameda County
 - In the 3rd quarter of 2015, the City's rent growth rate of 11.9% is the 9th lowest among 13 cities in Alameda County
- San Leandro has extremely high occupancy rates reflecting low turnover in the City
 - In the 3rd quarter of 2015, the City's 98.9% occupancy rate is the highest in Alameda County

Why Amend the Ordinance?

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- Update the 2001 Ordinance to address issues raised over the past 14 years and the current rental housing market
- Clarify language and procedures in the Ordinance to make it more transparent and easier to comprehend for landlords and tenants
- Encourage greater interaction between tenant and landlord to arrive at a mutually satisfactory resolution
- Streamline the Rent Review process

Public Outreach/Input

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- Conducted a community meeting on August 19th at the Senior Center to receive public input on the proposed amendments
- Tenants, landlords, other stakeholders, and Rent Review Board members also provided their comments on the proposed amendments at the August 25th, September 22nd, October 27th, and November 17th Rent Review Board meetings
- Outreach for these meetings included:
 - Flyers posted in City Hall, Main Library and other City libraries, MCC, and Senior Center (*8/19 Community Meeting only*)
 - City website postings
 - *San Leandro Times* publications
 - Notification letters and emails to key stakeholders
 - Outreach in Chinese and Spanish

Proposed Amendments

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On November 17th, RRB approved proposed amendments as part of the annual evaluation report, and specifically recommended incorporating the following amendments:

- Raise the existing \$75 rent increase threshold to \$100
 - *Staff recommends an annual CPI adjustment to keep the threshold current with the market*
- Include initial conversion to Ratio Utility Billing System (RUBS), such as garbage and water fees, as a rent increase and eligible for review
- Include duplexes as eligible residential properties for rent review

Proposed Amendments

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- Require landlords to properly re-notice if they noticed improperly
- Require tenants to submit their written rent review requests within 15 calendar days of receiving their rent increase notice
- Require landlords to submit their response forms within 10 calendar days from receipt of their tenants' request forms; otherwise increase is invalid
- Increase the number of days to schedule a rent review board hearing from 50 to 60 days

Proposed Amendments

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- Formalize that a tenant must pay his/her rent increase on its effective date if his/her case is still undergoing the rent review process
- Place the Retaliatory Eviction provisions in its own section
- Require tenants and landlords to exhaust the RRB hearing process before the Board can refer cases to the City Manager
- Refer unresolved cases to the City Manager instead of City Council

Recommendation

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Adopt Ordinance amending Title 4, Chapter 32 of the San Leandro Municipal Code relating to the Rent Review Ordinance