

OVERVIEW & DISCUSSION OF CITY RENT REVIEW PROGRAM

City Council
April 20, 2015

City Council Goal

- 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

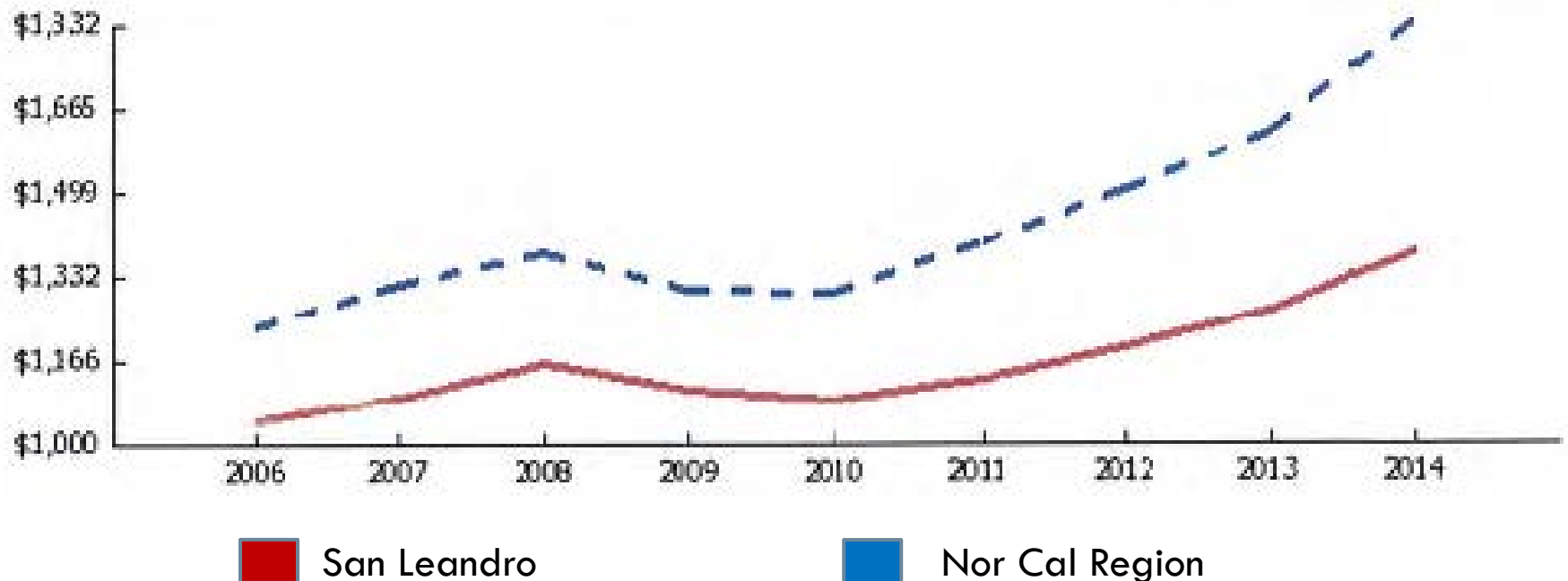
Overview



- Current Rental Market in San Leandro
- Rent Review Program Background
- Discussion of Updates to the Rent Review Ordinance

Current Rental Market

- Rising rents in San Leandro and Bay Area
- 32.4 % increase from 2006-2014 (Annualized average rent increase of 4%)



Source: RealFacts, March 2015

Economic Factors Impacting Rents

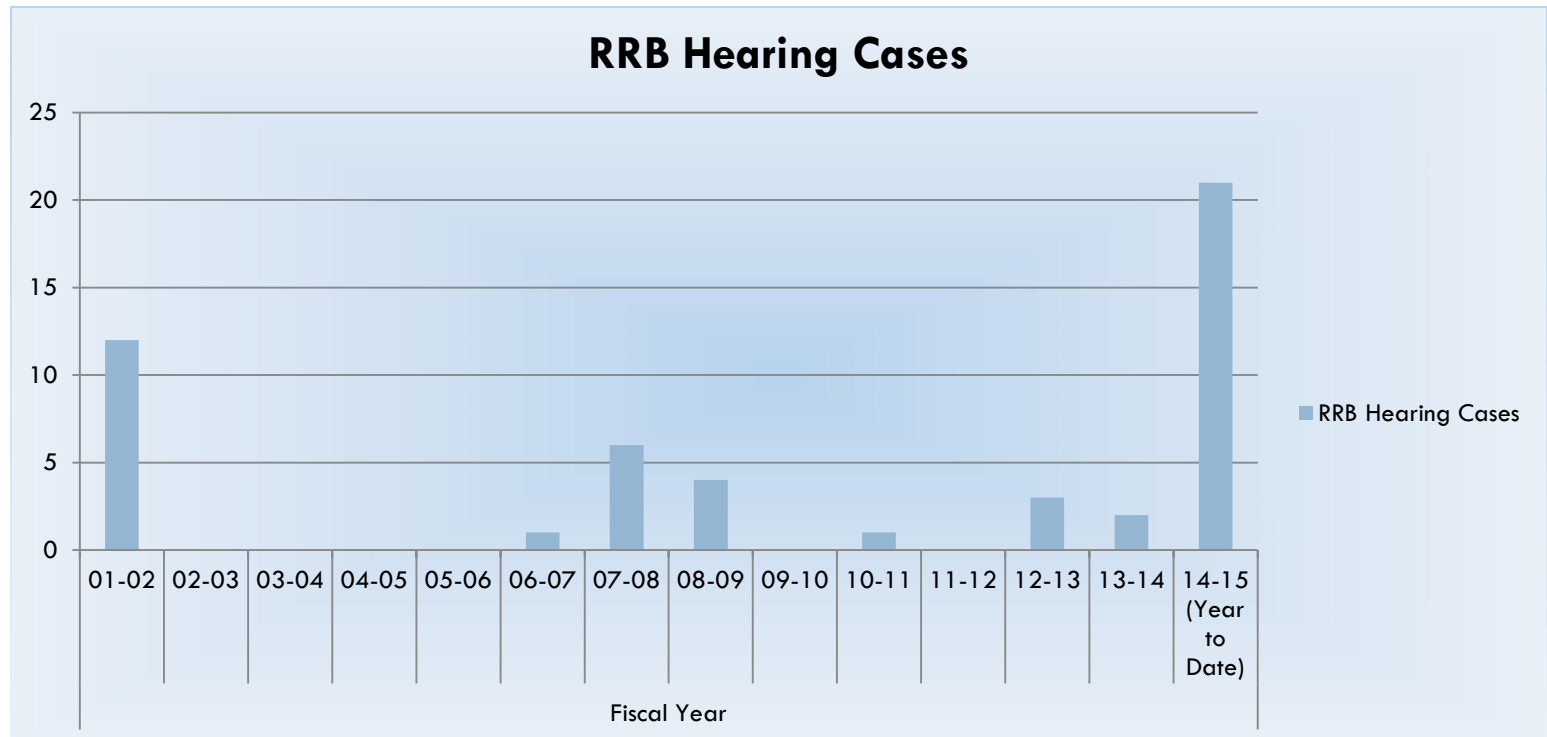
- Under supply of new housing construction
- High construction costs
- Spillover of renters from higher cost housing markets
- Landlords have been making up for negligible or reduced rent growth in past years
 - ▣ Need to keep up with operations/maintenance costs inflation,
 - ▣ Qualify for refinancing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

Affordability and Turnover

- San Leandro average rents have been well below the Bay Area region
 - ▣ In 4th quarter 2014, the City had the lowest rent growth rate (8.2%) in Alameda County
- San Leandro has high apartment occupancy rates which may reflect lower turnover
 - ▣ In 4th quarter 2014, the City's 98.7% occupancy rate was the highest in Alameda County

Rent Review Board Historical Activity

- Hearing activity has been long periods of inactivity and occasional increases in caseload
- FY 2014-15 has been an exception (21 cases from 10 properties)



Rent Review Board: Background

- In 2001, the City adopted the Rent Review Program Ordinance to create a public forum for tenant/landlord rent disputes
- RRB consists of 2 tenants, 2 landlords & 1 non-landlord/non-tenant
- The Ordinance was created to balance the needs of renters and landlords with an emphasis on a mutually satisfactory outcome
- RRB does not make binding and enforceable decisions, but tries to assist both parties reach a mutual settlement
- Historically, most cases have been mutually resolved prior to the start of the RRB hearing

Rent Review Board: How It Works

- To be eligible for a hearing, rent increase must
 - 1) exceed \$75,
 - 2) exceed 10% of current rent, or
 - 3) occur twice within 12 months
- Both tenant and landlord present their cases to the RRB, which uses a wide range of criteria to evaluate, such as economic hardship, prior rent increases, mortgage and operations/maintenance costs, and reasonable rate of return
- Hearing may be continued for up to one month or request City Council review the dispute
- Staff provides an annual report to the RRB and City Council on current rental and RRB trends and to assess program effectiveness

Proposed Changes to the Ordinance

- Increase existing \$75 threshold to \$100 and adjust for annual Consumer Price Index
- Clarify when rent increases take effect if cases are pending
- Streamline the application process for renters when a landlord re-submits a previously incorrect rent increase notice
- Increase the number of days to schedule a RRB hearing
- Refer unresolved cases to City Manager instead of City Council
- Assess eligibility of Ratio Utility Billing System (RUBS) charges for review by the RRB

Next Steps

- Seek City Council direction tonight regarding proposed Ordinance amendments
- Seek input in the next few months from tenant and landlord stakeholders
- Present formal amendments for Council to review by Fall 2015