



MEMORANDUM

CSFRA, Community Development Department

DATE: October 7, 2019

TO: Rental Housing Committee

FROM: Andrea Kennedy, Analyst I
Anky van Deursen, CSFRA Program Manager

SUBJECT: Tenant Buyout Agreement Process Overview

RECOMMENDATION

To receive an overview regarding the Tenant Buyout Agreement Process and notices submitted to the Rental Housing Committee.

BACKGROUND

Section 1705 of the Community Stabilization and Fair Rent Act (CSFRA) provides that a landlord can only terminate a tenancy or demand possession of a rental unit for one of the nine specified just causes. These just causes include necessary and substantial repairs, owner move-in, and withdrawal of the unit permanently from the rental market or demolition, which are highly regulated and subject to tenant relocation assistance requirements. Such restrictions may create an incentive for landlords to offer monetary compensation and/or other consideration to tenants who agree to voluntarily vacate a rental unit instead of formally terminating the tenancy, effectively circumventing the requirements of the CSFRA, the Ellis Act, and the Tenant Relocation Assistance Ordinance (TRAO). An agreement to vacate a unit in exchange for money is often called a "Tenant Buyout Agreement."

In its meeting on February 11, 2019, the Rental Housing Committee (RHC) approved a resolution adopting Chapter 8, Tenant Buyout Agreements, which regulates aspects of Tenant Buyout Agreements by informing tenants of their rights while allowing for fair, mutually beneficial, arms-length transactions. Chapter 8 requires that the landlord must provide to each tenant in the rental unit a disclosure form, published by the RHC, explaining the tenants' rights before entering into an agreement and that each Tenant Buyout Agreement be a written and signed document.

ANALYSIS

Chapter 8, Section D of the Tenant Buyout Agreement regulations require landlords to provide the RHC with a copy of the disclosure form that is signed and dated by the landlord and tenant, as well as to provide certain information to the RHC of the Tenant Buyout Agreement. The notice of the Tenant Buyout Agreement requests identification of the landlord, tenant(s), location of rental unit, and the total amount of consideration paid to the tenant(s), or dollar equivalent. Landlords must provide a copy of the disclosure form and notice of the Tenant Buyout Agreement within fifteen (15) calendar days after execution of the Tenant Buyout Agreement.

The online CSFRA Required Noticing Submittal module of the database system allows landlords to comply with their obligation to submit copies of the disclosure form and Tenant Buyout Agreement information to the RHC. Once the landlord registers a property online and uploads a notice through this module, CSFRA staff will review the information provided. Once approved, the landlord will receive a letter of acceptance via e-mail. In the event that the landlord desires to make a correction or has rescinded the notice, an option has been built into the online module to edit or withdraw such submitted notice.

To date, the RHC has received copies of five disclosure forms and notices of Tenant Buyout Agreement information. The five cases involve three properties, each consisting of 3 to 8 units. Tenant Buyout Agreements included compensation packages varying from \$10,000 up to \$40,000.

Staff will continue to monitor and gather data regarding Tenant Buyout Agreement submissions.

PUBLIC NOTICING – Agenda posting.

AK-AvD/DJ/2/RHC

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Attachments: 1. CSFRA Tenant Buyout Disclosure Form
2. Online Submittal Portal of Tenant Buyout Agreement Information