



MEMORANDUM

CSFRA, Community Development Department

DATE: June 24, 2019

TO: Rental Housing Committee

FROM: Patricia Black, Administrative Analyst
Anky van Deursen, Program Manager

SUBJECT: City Council Study Session – Soft-Story Retrofit

RECOMMENDATION

To receive an update on the City Council’s recent discussion regarding the implementation of a soft-story retrofit program.

BACKGROUND

One of City Council’s goals for Fiscal Years 2017-19 includes the development of a soft-story seismic retrofit program. The City hired a structural engineer/earthquake policy consultant to review Mountain View’s multi-family housing stock and developed an updated estimated inventory of soft-story buildings in 2017. On September 4, 2018, the City Council received an overview of policy and program options for a possible soft-story retrofit program (Attachment 1). At the Study Session, the issue came up whether soft-story buildings in the City might also be subject to the City’s rent stabilization program under the Community Stabilization and Fair Rent Act (CSFRA). Currently, landlords of rental units under the CSFRA would be able to petition for an upward adjustment of rent to recover the costs of a seismic retrofit, but only if retrofits were necessary to bring the property into compliance with the City Code. The Council directed staff to return with options for a mandatory soft-story retrofit program, and the City Council held a Study Session on June 4, 2019 to discuss the options presented by staff (Attachment 2).

CSFRA and the Proposed Seismic Retrofit Program

As mentioned in the Background section of this memo, landlords of CSFRA units could seek to recover the seismic retrofit costs associated with a mandatory program by submitting a petition for an upward rent adjustment beyond what is allowed by the annual general adjustment of rent. The petition requires a comprehensive submittal of

documents that allows the financial performance of the property to be reviewed, including information on costs and revenues of operating the rent-stabilized property, as well as information on the specific capital improvement costs that a landlord seeks to recover. The petition process is required for all applicable capital improvement costs, not just those specific to a particular type of work such as seismic retrofits. A separate, more streamlined pass-through process for certain capital improvements is not explicitly provided under the CSFRA.

SUMMARY

At the Study Session, the City Council provided input and direction regarding the main components of a mandatory soft-story retrofit program.

The City Council provided direction to move forward with a City-initiated evaluation phase to identify the soft-story buildings in the City. This phase is expected to take at least two years to complete. While the evaluation phase is under way, the Council directed staff to do some further research regarding fees for the program and the issue of the availability of second loans raised by landlords. The Council also indicated an interest in obtaining stakeholder input. Once the evaluation is completed and the additional research and outreach are completed, staff will return to the City Council with an ordinance for the soft-story retrofit program.

While the specific issue of the process for landlords seeking to recover the expenses related to seismic retrofits was raised, no specific direction was provided. However, the Rental Housing Committee (RHC) would be interested in the two options that were presented in the Study Session memo:

1. The Council could request the RHC to consider developing regulations under the current CSFRA to allow for a capital improvement petition process to recover costs for soft-story retrofits once a mandatory seismic retrofit ordinance is adopted. The CSFRA currently does not explicitly refer to the creation of a streamlined capital improvement pass-through petition process.
2. The Council could include a streamlined petition process in any potential amendments to the CSFRA. On May 21, 2019, the Council approved its Major Goals Work Plan for Fiscal Years 2019-21, which includes the study of a 2020 ballot initiative to amend the CSFRA. Creation of a streamlined capital improvement (seismic retrofit) pass-through petition process as an amendment to the CSFRA could be included in any such measure. Adding a streamlined petition process for capital improvements to the CSFRA could include consideration of an

administrative process. This is one advantage the amendment of the CSFRA would have over the creation of regulations by the RHC.

It is expected that later in the month City Council might take an additional action that may involve this issue, by proposing to establish a subcommittee to consider a Council-initiated ballot measure to amend the CSFRA. A streamlined petition process related to capital improvements, such as a seismic retrofit program, may be an item the subcommittee, and ultimately the City Council, may consider for inclusion in any ballot measure.

PUBLIC NOTICING – Agenda posting.

PB-AVD/AK/6/CDD

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- Attachments:
1. City Council Memo, September 4, 2018
 2. City Council Soft Story Retrofit Report
 3. City Council Memo, June 4, 2019