



## CITY OF MOUNTAIN VIEW

### MEMORANDUM

CSFRA, Community Development Department

**DATE:** January 28, 2019

**TO:** Rental Housing Committee

**FROM:** Anky van Deursen, CSFRA Program Manager

**SUBJECT:** Tenant Protections for Buyout Agreements

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#### RECOMMENDATION

Provide direction to staff regarding potential regulation of tenant protections when consideration is offered to tenants who agree to vacate a rental unit.

#### 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). Many rent stabilized jurisdictions in California have sought to understand the magnitude and potentially regulate these buyout agreements to ensure that tenants are aware of their rights prior to signing such an agreement.

#### ANALYSIS

The CSFRA does not provide for specific tenant protections in case a tenant is offered a buyout agreement, an offer from the landlord to the tenant, also known as a “Cash for Keys” agreement, to encourage a tenant to vacate the rental unit instead of the landlord having to follow the CSFRA and TRAO regulations to evict a tenant for any of the

specific CSFRA just causes. Buyout agreements are a tool used by landlords to obtain possession of a rental unit, in order to re-rent the unit at market rate or sell the property vacant, without having to comply with termination requirements or tenant relocation payments. Tenants may be enticed to accept a monetary package, without fully understanding their rights under the CSFRA and TRAO. Currently such voluntary agreements are unregulated in the City of Mountain View. A policy could establish certain requirements, such as:

- providing specific information to tenants prior to offering them cash for keys,
- minimum monetary compensation amounts in exchange for voluntary vacancy, or
- filing of notices with the RHC for monitoring and data collection purposes.

The following rent stabilized jurisdictions have buyout ordinances: San Jose, Berkeley, Santa Monica, Los Angeles, Oakland, and San Francisco. The following is a summary of requirements in these rent stabilized jurisdictions when a landlord wishes to offer a tenant compensation to vacate their rental unit:

**Table 1: Comparison buyout requirements in other rent stabilized jurisdictions**

	San Jose	San Francisco	Oakland	Berkeley	Santa Monica	Los Angeles
Fully and partially Covered Rental Units subject to this Policy	Yes	Yes	Yes	Yes	Yes	Yes
Written disclosure of tenants' rights before entering into an agreement	Yes	Yes	Yes	Yes	Yes	Yes
Copy of Notice to Rent Board	Yes	Yes	No	No	No	Yes
Copy of Agreement to Rent Board	Within 30 days	Within 60 days	Within 45 days	Within 60 days	Within 60 days	Within 60 days
Tenant right to rescind buy-out agreement after execution of agreement	45 days	45 days	25 days	30 days	45 days	30 days
Minimum Payout requirement	No	No	No less than local, state or federal law	No	No	No
Administrative Enforcement	Copies retained	Data public information	Data public information	Data public information	Data public information	Copies retained

Key Components of Policy:

1. Both fully and partially covered rental units are subject to regulations.
2. Written Disclosure Form of tenants' rights before entering in an agreement:  
Possible content of Disclosure Form:
  - City contact information
  - Right to a translation of a written agreement in the primary language of the tenant
  - Right to consult an attorney and contact the RHC before signing
  - Statement that the rental unit is subject to the CSFRA and TRAO and that the tenant might be eligible for relocation assistance payments under the CSFRA and TRAO
  - Statement that market rate rents in area may be significantly higher than tenant's current rent
  - Statement that payout may be subject to taxation
3. *copy of the Disclosure Form, and/or copy of the signed Agreement needs to be filed with the City within 40/45/60 days of finalizing an agreement?, and a complete signed copy needs to be provided to the tenant*
4. Right to rescind: within 25/30/45? day of execution of agreement and at any time if Agreement does not comply with the regulation; landlords cannot demand a written notice of intent to vacate the unit from the tenant
5. Minimum Buyout payment: *No minimum required or payments must be equal to or higher than TRAO payment?*
6. Administrative Enforcement: *Statement that these documents may be subject to public disclosure, after having redacted certain personal information or copies are retained by RHC?*

QUESTION

Does the RHC wish to regulate Tenant Buyout Agreements and if yes, what requirements would the RHC like to incorporate?

**NEXT STEPS**

If the RHC directs staff to prepare Tenant Buyout Regulations, a proposed draft regulation could be presented in one of the upcoming meetings.

**FISCAL IMPACT**

The adoption of this policy is anticipated to require some additional staff time, which may increase costs to the Rental Housing Committee.

**PUBLIC NOTICING** – Agenda posting.