



DATE: June 17, 2014

CATEGORY: Public Hearing

DEPT.: Community Development

TITLE: **Potential Tenant Relocation Assistance Ordinance Amendments**

RECOMMENDATION

Introduce an Ordinance Relating to Tenant Relocation Assistance, to be read in title only, further reading waived (Attachment 1 to the Council report).

BACKGROUND

The Council adopted a Tenant Relocation Assistance Ordinance on February 9, 2010, which provides relocation assistance to tenants who are displaced due to demolition of rental units, condominium conversions, renovations, or a change to a nonresidential use. When tenants are displaced from their apartments, it is often unanticipated and involuntary. This places an especially difficult burden on lower-income households who may not have the financial resources for moving expenses, first month's rent for replacement housing, and required deposits.

At the Council's January 21, 2014 meeting, Councilmembers wanted to consider possible changes to the City's Tenant Relocation Assistance Ordinance to provide more financial assistance to displaced tenants in Mountain View. At the Council's March 25, 2014 meeting, the Council supported five main changes to the ordinance and referred the ordinance amendments to the Environmental Planning Commission (EPC) for their recommendation. The Council also requested outreach meetings with stakeholders on these ordinance changes.

Outreach meetings were held on April 23 and April 25, 2014. An EPC public hearing on the amendments was held on May 7, 2014 and the Commission recommended all five of the main changes and suggested several other amendments, as explained in the following sections. The EPC staff report is attached and contains analysis of the five major changes (Attachment 2).

ANALYSIS

Current Ordinance Provisions

The current ordinance (refer to Attachment 3) requires landlords to provide the following relocation assistance to households that earn less than 50 percent of the area median income (AMI) when four or more units are removed from the rental market:

- Full refund of a tenant's security deposit, except for funds that may be necessary to repair tenant's damage to property in units that will be reoccupied prior to undergoing renovation or demolition;
- A 60-day subscription to a rental agency; and
- The cash equivalent of two months' rent, based on the monthly rent for that unit.

Special-circumstances households are paid an additional \$2,154, which is adjusted annually based on increases in the Consumer Price Index (CPI) for the San Francisco Bay Area. A special-circumstances household is defined as having at least one person that is either over 62 years of age, handicapped, disabled, or a legally dependent minor child (less than 18 years of age).

Council-Initiated Amendments

Draft amendments to the Tenant Relocation Assistance Ordinance are shown in ~~strikeout~~ and underlined text in the attached proposed ordinance (Attachment 1). Text with a double underline or ~~strikeout~~ has not been changed but has been moved to a different location in the ordinance. In addition to the five amendments supported by Council, staff is recommending other minor changes based on experience implementing the ordinance, which are also shown in ~~strikeout~~ and underlined text. These changes are intended to clarify the definitions and the procedures. There were also changes made in response to the EPC recommendations and comments at stakeholders meetings.

General Assistance/Rent Calculations

Amendment: Provide displaced tenants the cash equivalent of three months median market-rate rent for a similar apartment instead of two months of the tenant's current rent.

Properties prime for redevelopment and renovation often have older units, less amenities, and low rents. These rents can be well below the median rent for similar sized units in Mountain View. Using the median market-rate rent to calculate assistance instead of the tenant's monthly rent will provide more funds to secure a new apartment based on rents in an apartment complex currently starting renovations. The difference in assistance is shown in Table 1. The amendment could roughly double the relocation assistance provided under the current ordinance. This would still be less than the relocation assistance provided by most of the surveyed cities shown in Attachment 4.

Table 1 – Relocation Assistance Comparison

	Monthly Rent ¹	Rent X	Total Assistance
Amendment	\$2,310	3	\$6,930
Existing Ordinance	\$1,600	2	\$3,200
Difference	\$710		\$3,730

¹ Based on two-bedroom/one-bath unit, typical rents at a 22-unit apartment currently being renovated and first-quarter rents in Mountain View, *RealFacts*, 2014.

Income Limits

Amendment: Raise the maximum eligible income level from 50 percent of the area median income (AMI) to 80 percent AMI, based on U.S. Department of Housing and Urban Development (HUD) income levels for Santa Clara County and adjusted for household size.

The 50 percent AMI income restriction has significantly limited the number of households assisted by the City's ordinance. An 80 percent AMI income limit would result in more displaced households receiving assistance. To understand the potential impact of using the 80 percent maximum income levels, staff analyzed a 22-unit apartment that is in the process of undergoing renovation and compliance with the relocation ordinance. The relocation assistance specialist has determined the eligibility of these households based on incomes and household sizes. Four households among the 14 occupied apartments were eligible for assistance under the 50 percent AMI limit in the existing ordinance. With an 80 percent AMI limit, another four households would have been eligible for assistance.

At these apartments, an 80 percent AMI income limit would have doubled the number of households that would have received assistance and made 57 percent of the households eligible for assistance. This apartment complex has small, older, one- and two-bedroom units, with two-bedroom units renting for \$1,600 per month, well below the \$2,310 per month median market-rate rents for a similar sized apartment in Mountain View. It would be expected that a much lower percentage of the tenants would be eligible for relocation assistance under the amendment in newer apartments with higher rents and more amenities.

In a May 5, 2014 letter to the EPC, the League of Women Voters recommended that the maximum eligible income be 100 percent AMI. At the EPC hearing, one person suggested there be no income limits so middle-income households would be eligible. The EPC did not recommend the higher income limit, in part because it did not have information on the potential impacts. The EPC requested that Council be given information about the impacts of the higher income limit, so the Council could consider this option. Staff was unable to get this information from the relocation assistance specialist for the 22-unit apartment. However, Table 2 shows the household incomes at 100 percent AMI and the affordable rents for those households.

Table 2 – Affordable Rents at 100% AMI

Number of Persons Per Household	1	2	3	4	5
Household Income at 100% AMI¹	\$71,350	\$81,500	\$91,700	\$101,900	\$110,050
Affordable Rent	\$1,784	\$2,037	\$2,292	\$2,547	\$2,751

¹ Based on 2014 HUD incomes.

A two-bedroom, one-bath apartment can accommodate a two- to four-person household, depending on the household composition. For example, a two-person household can be a single parent with a teenage child and a four-person household can be a couple with two minor children. The current median rent for a two-bedroom, one-bath apartment is \$2,310, which would be affordable for most of these households who earn 100 percent AMI. The current median rent for a two-bedroom apartment with two bathrooms is \$3,110, which would not be affordable to these households.

Special-Circumstances Households

Amendment: Assistance for special-circumstances households is increased from \$2,154 to \$3,000 per household, which would be adjusted annually based on increases in the CPI for this area.

The City's existing ordinance gives households with at least one person who is a minor child, senior, handicapped, or disabled an additional \$2,154 in assistance. For these households, displacement and finding replacement housing is particularly difficult, so all of the five surveyed cities provide more assistance to these households as shown on Attachment 4. Table 3 shows the total possible relocation assistance for special-circumstances households under the proposed amendments.

Table 3 – Total Assistance for Special-Circumstances Households

	Market-Rate Median Rent	3 Months Market-Rate Rent	Additional Assistance	Total Assistance
Studio	\$1,690	\$5,070	\$3,000	\$8,070
1 Bd/1 Bath	\$2,230	\$6,690	\$3,000	\$9,690
2 Bd/1 Bath	\$2,310	\$6,930	\$3,000	\$9,930
2 Bd/2 Baths	\$3,110	\$9,330	\$3,000	\$12,330
3 Bd/2 Baths	\$3,390	\$10,170	\$3,000	\$13,170

¹ Based on first-quarter rents in Mountain View, *RealFacts*, 2014.

Timing of Assistance Payments

Amendment: Require half of the relocation assistance to be paid within 15 days of a tenant's request and the remaining half paid when an eligible tenant vacates the unit.

The current ordinance requires relocation assistance be paid to tenants prior to the date to vacate or any permits being issued by the City. In this tight housing market, displaced tenants cannot wait until the last month to find and secure replacement housing. They need relocation assistance to be available when there are opportunities to rent an apartment.

The City Council previously discussed requiring payment of all required relocation assistance within 15 days of an eligible household's request to receive payment, but in no case later than the date to vacate. In response to comments at an outreach meeting, the amendment in the attached ordinance was changed slightly to address the concern

that tenants might not be incentivized to continue paying their rent if they were given all their relocation funds months before the date to vacate.

Under the City of San Francisco's relocation assistance ordinance, tenants receive half of the assistance within 15 days of submitting a request and the other half when the tenant vacates the unit. Given the proposed increases in relocation assistance, half of the relocation assistance will be sufficient for households to secure new apartments. Typically, apartment managers ask for a deposit to secure the apartment and tenants pay the first month's rent when they move in. A survey of eight apartments in Mountain View found that they all follow this practice. The deposits ranged from \$500 to \$600, except one apartment complex required a \$1,000 deposit.

Relocation Assistance Specialist

Amendment: The City hires and manages the relocation assistance specialist instead of the landlord.

The amendment still requires the landlord pay for the relocation specialist, but the City hires and manages the specialist. This would be similar to the standard practice of developers paying for environmental consultants for their projects, but the consultants are hired and managed by staff to help assure the public of an impartial analysis. This change should create an easier process for both landlords and tenants since tenants may be more likely to cooperate with a relocation assistance specialist hired by the City. It also will give tenants more assurance about the confidentiality of their financial information.

EPC-Recommended Amendments

The EPC unanimously recommended all of the Council-initiated amendments at their May hearing, with the slight modification to the timing of relocation assistance payments. As requested by Council, the EPC discussed whether a lease or rental agreement with the landlord should be required to receive relocation assistance. The Commission is also recommending a few other amendments.

There was a consensus amongst Commissioners that tenants should have a valid lease or rental agreement with the landlord to be eligible for relocation assistance. Commissioners noted it would be very difficult to enforce the ordinance if a lease or rental agreement was not required. They suggested tenants be educated that they need a lease or rental agreement to receive assistance.

The EPC unanimously requested staff develop an additional amendment to discourage apartment owners from circumventing the ordinance by displacing tenants from three apartments at a time. The current definition of displacement (Section 36.38.05.b) is “the vacating of four or more rental units by residential households upon notice from the landlord....” The Commission was concerned that landlords could sequentially displace three households at a time and under this definition, would not be required to pay relocation assistance to those households.

A one-year time frame was added to this definition to create a disincentive for sequentially evicting three households at a time. The definition of displacement in the proposed ordinance now reads “the vacating of four or more rental units by residential households within a one-year period upon notice from the landlord....” Under this revised definition, most landlords who want to renovate or redevelop their apartments would not be interested in evicting tenants from only three units a year to avoid paying relocation assistance. Landlords could still renovate an unlimited number of apartments where tenants have left voluntarily and given the landlord a 30-day notice.

Another topic discussed by the EPC was whether fourplexes should be exempted from the ordinance, just as triplexes are currently exempted based on the definition of displacement. The Commission did not make a recommendation on this issue because data was not available at the meeting. It is likely that triplexes and fourplexes are often owned by individual investors, rather than corporate investors, but data is not readily available to confirm this. Based on the City’s GIS data, there are 112 parcels with three units, 134 parcels with four units, and 58 parcels with five units. Most of the parcels with three and four units would be triplexes and fourplexes respectively. If fourplexes were exempted, this could result in over 500 households not being covered by the relocation assistance ordinance.

The Commission also recommended some clarification of the terms “applicant” and “application” and these changes have been included in the proposed ordinance.

Public Input and Outreach

Twenty-six (26) people were invited to two stakeholders meetings on the proposed amendments to the Tenant Relocation Assistance Ordinance. One person attended the first stakeholders meeting and three people attended the second meeting. In addition to changing the timing of relocation assistance payments based on input at these meetings, another change was made to Section 36.38.35.a concerning alternate mitigations. This section is amended to include the provision of permanent replacement rental units for displaced tenants as an example of alternatives to providing financial relocation assistance. A number of minor edits and corrections also were made to the ordinance.

based on comments at the meetings. One person expressed concern that the proposed ordinance would have a particularly adverse effect on small apartment owners and at the EPC hearing, another testified the ordinance will discourage renting to people who may be eligible for relocation assistance.

Letters and communications received by the Council and EPC on the proposed amendments are attached to this report (Attachment 5). These include comments from the League of Women Voters for the Los Altos-Mountain View area, Advocates for Affordable Housing, Georgia Wolf, and the California Apartment Association (CAA Tri-County). In addition to these comments, a tenant who is currently being displaced called the City to request that all special-circumstances households receive relocation assistance regardless of their income level.

If the Council adopts the ordinance amendments, a comprehensive outreach program will be undertaken to inform landlords and tenants about the ordinance changes. Information will be sent to tenants and apartment owners, two tenant/landlord workshops will be held, and an article will be placed in the City's newsletter, *The View*.

FISCAL IMPACT

Adoption of the amendments may have a small, incremental impact since more staff resources will be required to hire and manage the relocation assistance specialist. It has been found that implementation of the Tenant Relocation Assistance Ordinance has required significant staff resources at times. However, the amendments will not add appreciably to that workload and there are no direct fiscal impacts to City funds.

ALTERNATIVES

1. Make no changes to the Tenant Relocation Assistance Ordinance.
2. Delete or modify the proposed ordinance amendments shown in Attachment 1.
3. Make additional changes to the Tenant Relocation Assistance Ordinance.

PUBLIC NOTICING

The meeting agenda and Council report have been posted on the City's website and announced on Channel 26 cable television. Notices have been sent to affordable housing advocates and developers, market-rate developers, Tri-County Apartment Association, and other interested parties.

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Attachments: 1. Draft Tenant Relocation Assistance Ordinance Amendments
2. May 7, 2014 EPC Report
3. Existing Tenant Relocation Assistance Ordinance
4. Table on Cities with Relocation Assistance
5. Correspondence