

ORDINANCE NO. 2019-

Adopted by the Sacramento City Council

**AN ORDINANCE ADDING CHAPTER 5.156 TO THE SACRAMENTO CITY CODE
RELATING TO TENANT PROTECTION AND RELIEF ACT**

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1. Findings.

The City Council finds and declares as follows:

A. Rent payments have increased significantly over the past decade, making rental units unaffordable for a majority of tenants in the city. Rent payments have increased primarily because the city is one of the fastest growing cities in the state and construction of new rental units has not kept pace with the demand for such housing.

B. In-migration and low housing stock have contributed to the upward pressure on rent levels. According to industry sources, in 2017 the Sacramento metropolitan area experienced a median rent increase of 8.2%--the highest rent increase in the nation's 35 largest metropolitan areas. In 2018, the median rent increased again by 5.7% in the City of Sacramento and in one neighborhood the increase was 8.3% (Zillow).

C. Sacramento's 21.4% poverty rate is significantly higher than the average statewide rate of 14.3% and national rate of 12.7%. (US Census, QuickFacts). The Comprehensive Housing Affordability Strategy (CHAS) Data, 2011-2015 Five-Year Survey found that 51% of renters in Sacramento are "cost burdened" because they pay more than 30% of their income on housing.

D. Renters are being displaced because of their inability to afford excessive rent increases, contributing to an increase in the number of homeless persons and families. The 2017 Point in Time Count of homeless persons in Sacramento County found a 30% increase from the 2015 count. The 2019 Point in Time Count indicated a 19% increase in the homeless population in Sacramento County.

E. Providing tenants with protections from rent gouging and unwarranted evictions will help stabilize the rental housing market and reduce displacement and eviction rates.

F. In combination with other measures to support renter-assistance programs, streamline the permit process for construction of new housing units, and reduce costs for affordable housing projects, the increased supply of housing for all income levels will help prevent excessive rent increases in the future.

G. A program to protect renters from excessive rent increases and unwarranted evictions is needed until the expansion of rental and affordable housing units can be achieved to stabilize the rental market.

H. Nothing in this ordinance prevents landlords from receiving a fair and reasonable rate of return of their financial investment in rental units.

SECTION 2.

Chapter 5.156 is added to the Sacramento City Code to read as follows:

Chapter 5.156 TENANT PROTECTION

5.156.010 Title and purpose.

This chapter shall be known and may be cited as the “Sacramento Tenant Protection Act.” The purpose of the act is to protect tenants by establishing limits on rent increases and limitations on unwarranted evictions, while providing landlords with a fair and reasonable return on their investment.

5.156.020 Definitions.

As used in this chapter, the following words or phrases have the following meanings:

“Annual rent adjustment” means the percentage by which the rent for an existing tenancy in a rental unit may be increased within a 12-month period.

“Base rent” means the reference point from which the annual rent adjustment shall be determined. For tenancies commencing on or before the effective date of this chapter, the initial base rent is the monthly rent in effect on July 1, 2019. For tenancies commencing after July 1, 2019, the initial base rent is the monthly rent set forth in the rental housing agreement, or if there is no rental housing agreement, the amount charged by the landlord upon initial occupancy.

“Condominium” has the same meaning as in California Civil Code section 783 and section 1351, subdivision (f).

“Hearing examiner” means an official appointed by the city council to conduct an administrative hearing pursuant to this chapter.

“Housing services” means services provided by the landlord to a tenant in connection with the use and occupancy of a rental unit including, without limitation, repairs, maintenance, and painting; providing light, heat, hot and cold water; pest control; elevator service; window shades and screens; storage; kitchen, bath, and laundry facilities and privileges if not located in the rental unit; janitor services; utility charges that are paid by the landlord; refuse removal; furnishings; parking; and any

other benefit, privilege or facility connected with the use or occupancy of any rental unit. Housing services also includes the proportionate part of services provided to common facilities of the building in which the rental unit is located.

“Immediate family” means the spouse, domestic partner, parent, grandparent, brother, sister, child and grandchild, whether related by blood, birth, adoption, marriage or registered domestic partnership.

“Landlord” means a person that either has more than 50% ownership of a rental unit or is entitled to receive rent for the use and occupancy of the rental unit, and the agent or representative of the landlord.

“Notice to increase rent” means a written notice provided by a landlord to a tenant that sets forth the amount of the increase in the monthly rent.

“Rent” means the monthly monetary payment by the tenant to the landlord for the use and occupancy of a rental unit.

“Rental housing agreement” means the written, oral, or implied agreement between a landlord and a tenant for use or occupancy of a rental unit for at least 30 days.

“Rental unit” means a building, structure, or part thereof that is offered for use or occupancy for residential purposes under a rental housing agreement.

“Single dwelling unit” means one dwelling unit located on one legal lot of record.

“Stock cooperative” has the same meaning as California Civil Code section 4190.

“Tenancy” means the right or entitlement of a tenant to the use or occupancy of a rental unit under the terms of a rental housing agreement.

“Tenant” means one or more persons who are entitled under a rental housing agreement to the use or occupancy of a rental unit.

“Utility charges” means any charge for gas, electricity, water, garbage, sewer, telephone, cable, internet, or other service relating to the use and occupancy of a rental unit.

5.156.030 Exemptions.

The following rental units are exempt from the provisions of this chapter:

A. A rental unit in a hotel, motel, inn, tourist home, or rooming and boarding house which is rented primarily to transient guests for a period of less than 30

days; and other transient occupancies as defined in California Civil Code section 1940, subdivision (b).

B. A rental unit in an institutional facility, including a hospital, medical care facility, residential care facility, asylum, group home for seniors or the disabled; a rental unit in a transitional housing program that assists homeless persons as defined in CA Civil Code section 1954.12; a convent or monastery owned and operated by a religious organization; a fraternity or sorority house affiliated with a college or university; and a dormitory owned and operated by an accredited institution of higher education.

C. A rental unit that is either owned, operated, or subsidized by a government entity or subject to a covenant imposed by a government entity restricting the occupancy to families with income of 120% of the area median income or below, and the rent amount paid by a tenant is restricted based on the tenant's income.

D. A rental unit in which the tenant shares a bathroom or kitchen with the property owner.

E. A rental unit that was built after February 1, 1995, based on the date the certificate of occupancy was issued, or, if a certificate was not issued, the date of the final inspection.

F. Single dwelling units and rental units in a condominium or stock cooperative.

G. A rental unit that the landlord or the landlord's immediate family occupy as their primary residence.

5.156.040 Prohibition on rent gouging.

A. No landlord shall increase the rent for a tenancy in an amount that exceeds the annual rent adjustment unless authorized by a hearing examiner.

B. No landlord shall adjust the rent more than once in a 12-month period.

C. After a rental unit has been vacated, a landlord may establish the base rent for a tenant under a new rental housing agreement. Thereafter, any increase in the rent for that tenant must comply with the limitation set forth in subsection A.

5.156.050 Annual rent adjustment; notice of rent increase.

A. The maximum annual rent adjustment is 6% plus the percentage of the annual increase in the cost of living adjustment, if any, but not to exceed a combined total of 10%. A tenant may not waive this limitation on the increase in rent.

B. The cost of living adjustment is to be determined on April 1st of each year by reference to the U.S. Department of Labor, Bureau of Labor Statistics Consumer Price

Index for All Urban Consumers Selected Areas, All Items, West Size Class B/C (or the Sacramento area, if the index is established for the Sacramento area) for the preceding year. The percentage by which this index increased over the index for the full year immediately prior shall be the percentage used to calculate the cost of living adjustment.

C. Before a landlord can impose a rent increase that exceeds the annual rent adjustment, the landlord shall comply with section 5.156.060.

D. An increase in rent in accordance with the annual rent adjustment is not effective until the landlord provides written notice to increase rent as prescribed by law. The content of the notice to increase rent provided to a tenant shall include the information as prescribed in the tenant protection program administrative procedures.

5.156.060 Hearing on fair rate of return adjustment.

A. It is the intent of this chapter that an adjustment in rent that is higher than the annual rent adjustment be granted only when the landlord demonstrates by a preponderance of the evidence that such adjustment is necessary to provide the landlord with a fair rate of return. If a landlord is aggrieved by the limitation on the annual rent adjustment under section 5.156.050.A because the amount is less than a fair rate of return, the landlord may file a petition to seek review by a hearing examiner. The hearing examiner's decision is final unless the landlord timely seeks judicial review.

B. The hearing examiner shall consider relevant factors, including, without limitation, the following:

1. Increases or decreases in property taxes;
2. Unavoidable increases or decreases in maintenance and operating expenses;
3. The cost of planned or completed capital improvements to the rental unit, but only when necessary for compliance with the Sacramento City Code provisions affecting health and safety. Routine repair and maintenance improvements are not capital improvements. Capital costs shall be amortized over the useful life of the improvement;
4. Substantial deterioration of the rental unit, other than from normal wear and tear, that is not due to a lack of routine repair and maintenance;
5. The pattern of rent increases or decreases during the occupancy of the tenant;

6. Increases or decreases in the number of tenants occupying the rental unit;
 7. Increases or decreases in the cost of Housing Services; and
 8. Failure to comply with the rental housing agreement, provide Housing Services, or comply with applicable laws and regulations.
- C. The hearing examiner shall not consider the following factors:
1. Landlord's income taxes;
 2. The cost of debt service for the property where the rental unit is located unless there is a change in ownership;
 3. Any penalties for violation of this chapter or any other chapter of the Sacramento City Code relating to the rental unit; or
 4. Cost increases for the rental unit that arose before occupancy by the tenant.

5.156.070 Tenant protection program administrative procedures.

The city manager shall adopt administrative procedures to implement the provisions of this chapter, including, but not limited to, preparing a rental housing registry in conjunction with the Rental Housing Inspection Code, Chapter 8.120, and as directed by the city council.

5.156.080 Tenant protection program fee.

All landlords with rental units that are subject to this chapter shall pay the tenant protection program fee as established by the city council on an annual basis. The tenant protection program fee is to fund the city's cost to implement and enforce the provisions of this chapter.

5.156.090 Tenant eviction protections.

A. Once a tenant has resided in a rental unit for more than 12 months pursuant to the terms of a rental housing agreement, the landlord is prohibited from taking action including, without limitation, making a demand for possession; threatening to terminate the tenancy of that tenant, whether orally or in writing; serving any notice to quit or other eviction notice; or bringing any action to recover possession of the rental unit unless at least one of the following conditions exists:

1. Failure to pay rent. The tenant has failed, after three days from the date of receipt of a notice to quit or pay rent as provided by law, to pay rent to which the landlord is legally entitled under the rental housing agreement in compliance with this chapter and any other state or local law.

2. Breach of rental housing agreement. After the landlord has served the tenant with a written notice to cease, provided a reasonable period to cure the alleged violation of the rental housing agreement, and informed the tenant that failure to cure may result in the initiation of eviction proceedings, the tenant continues to violate any of the material terms of the rental housing agreement.

3. Criminal and nuisance activity. The tenant engages in criminal activity in the rental unit, including any common areas, in violation of a local, state, or federal criminal law; or after the landlord has served the tenant with a notice to cease, the tenant continues to engage in conduct that is so disorderly as to destroy the peace, quiet, comfort, or safety of the other tenants in violation of a local or state nuisance law.

4. Failure to give access. After the landlord has served the tenant with notice, the tenant, after receiving three dates for access, continues to refuse to allow landlord access to the rental unit pursuant to a request consistent with California Civil Code section 1954.

5. Necessary and substantial repairs requiring temporary vacancy. The landlord, after having obtained all necessary permits from the city and having provided 120 days' advance written notice to the tenant, seeks in good faith to make substantial repairs to the rental unit that are necessary to bring the rental unit into compliance with applicable local and state codes and laws affecting the health and safety of tenants of the building where the rental unit is located, provided that:

a. The repairs necessitate that the tenant vacate the rental unit because the work will make the rental unit uninhabitable for a period of not less than 30 days.

b. Before the tenant is required to vacate the rental unit, the landlord is required to offer the tenant the right to elect to: (i) reoccupy the vacated rental unit upon completion of the repairs at the rental rate that would have been in effect under the rental housing agreement if it had not been terminated; or (ii) if the landlord owns a comparable vacant rental unit, to occupy the comparable rental unit at the same rental rate as the vacated rental unit.

6. Owner move-in. After providing at least 120 days' advance written notice to the tenant, the landlord seeks to recover possession of the rental unit for use and occupancy as landlord's primary residence or the primary residence of a member of

landlord's immediate family for at least 12 months. In this case, landlord must be a natural person with at least 51% ownership of the rental unit.

7. Withdrawal of rental unit from rental market. After providing at least 120 days' advance written notice to tenant, the landlord seeks in good faith to recover possession of the rental unit to withdraw the unit and all of the rental units in the building and on the same parcel from the rental market for at least 12 months, including landlord's intent to demolish the rental units. The landlord must first file a rental unit withdrawal notice with the city in accordance with the administrative procedures and state law.

B. A tenant who is aggrieved by the action of a landlord in violation of this chapter may file a petition to seek review by a hearing examiner.

C. The notice to terminate a tenancy for any of the authorized conditions must state with specificity the subject matter and basis which justifies the landlord's action to terminate the tenant's right to occupy the rental unit.

5.156.100 Non-waiver.

Any provision of a rental housing agreement that purports to waive any provision of this chapter is void as against public policy.

5.156.110 Failure to comply.

A landlord's failure to comply with any requirement of this chapter is an affirmative defense in an unlawful detainer or other action brought by the landlord to recover possession of the rental unit.

5.156.120 Remedies.

In addition to any other remedy allowed by law, any person who violates a provision of this chapter is subject to criminal sanctions, civil actions, and administrative penalties pursuant to chapter 1.28.

5.156.130 Annual report.

The city manager shall, on an annual basis and at any other time that the city manager determines to be appropriate, provide a report that documents the level of landlord compliance with this chapter and other related rental housing matters.

At least 60 days prior to the expiration date of this ordinance, the city manager shall provide a report to city council that addresses the status of the rental housing market, including, but not limited to, the affordability and availability of rental units.

5.156.140 Effective date.

This ordinance takes effect 30 days after enactment.

5.156.150 Sunset date.

This chapter shall remain in effect until December 31, 2024 and on that date this chapter is repealed.

SECTION 3. Severability.

If any provision of this ordinance or its application to any person or circumstance is held invalid or ineffective by any court of competent jurisdiction, or by reason of any preemptive legislation, that invalidity shall not affect the validity of the remaining provisions of this ordinance. The city council declares that it would have passed this ordinance and each section, subsection, subdivision, sentence, clause and phrase, irrespective of the fact that any one or more sections, subsections, subdivisions, sentences, clauses, phrases or words be declared invalid.