

Social and Economic Justice Commission

Proposed Rent Increase Moratorium

**DRAFT 2.0**

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Rationale – The City Albany, like most communities in the San Francisco Bay Area, is experiencing a rapid rise in the cost of rental housing. About half of Albany residents live in rentals. Between 2000 and 2012, median rents in Albany increased by 65%. Rents increased an additional 25% between 2012 and 2014. Real median household income in the U.S. between 2007 and 2014 decreased 9.2% (Economic Policy Institute, 9/16/2015). As a result renters are paying significantly greater percentages of their household income for housing. Renters who pay more than 30% of their income on housing are considered to be “cost burdened.” Fifty-five percent of renters in Albany pay above 30% and 48% of renters pay above 35%.

About half of Albany households earn less than the local median wage of \$72,479, which is about \$20,000 less than the Bay Area regional median wage. Approximately 18% of the City’s households earn less than \$25,000. Almost all renter with incomes under \$35,000 a year are overpaying for housing. Between 2007 and 2014 there were no very low income or formally designated affordable units constructed in the City.

<b>RENTER HOUSEHOLDS</b>					
<b>Income Range</b>	<b>Total Households</b>	<b>0-20% of HH Income</b>	<b>20-29% of HH Income</b>	<b>30+% of HH Income</b>	<b>% of Households “Overpaying”</b>
Less than \$20,000	585	0	0	585	100.0%
\$20,000-34,999	601	0	13	588	97.8%
\$35,000-49,999	399	0	71	328	82.2%
\$50,000-74,999	859	77	303	479	55.8%
\$75,000 +	1,211	844	313	54	4.4%
Zero/Neg Income	30				
No cash rent	126				
<b>Subtotal</b>	<b>3,811</b>	<b>921</b>	<b>700</b>	<b>2,034</b>	<b>53.4%</b>
<b>TOTAL</b>	<b>7,301</b>	<b>2,157</b>	<b>1,483</b>	<b>3,482</b>	<b>47.7%</b>

*Source: US Census, 2007-2011 American Community Survey*

It is difficult to establish a median rent for Albany because so few rentals are listed locally. According to the Albany General Plan, Housing Element, “Rents also rose rapidly during the 1990-2010 period, reaching \$1,535 in 2012, based on American Community Survey data. However, Census data does not reflect the recent run-up in rental rates since 2012. Zillow.com indicates rents in Albany increased 25 percent between January 2012 and July 2014.” Anecdotal reports indicate continuing increases since 2014, as rents in neighboring communities continue to rise. The average apartment rent in the nine central Bay Area counties has reached \$2526, per month, up 4.3% in

2016 on top of a 10% rise in 2015. The average rent in Oakland is 2959 (San Jose Mercury News 7/21/16).

As a result of these drastic increases in rental rates at a time when income has actually declined, and as a result of Albany resident requesting relief from unaffordable increases, the Social and Economic Justice Commission has held several public meetings concerning the need for a Rent Review system in the City. Residents at the meetings reported increased of 40% or more in a single year. Some long time residents and families with children in Albany schools indicated that they cannot afford the increases nor can they find alternative affordable housing here, and may be forced to leave Albany. The Commission intends to make recommendations on possible ordinance changes to the City Council.

It is likely that Council will wish to allow ample time for citizen input, discussion and debate on a Rent Review Ordinance. If an ordinance is approved there is likely to be a period of planning for the implementation of such changes. There is a very real danger that some landlords may react to the possibility of the imposition of a Rent Review process by raising rents immediately. Some speakers at the hearings indicated that this may already be happening. Other local cities that have considered changes in rental regulation, most notably Alameda, Oakland and Santa Rosa, have responded to this danger by imposing a rental moratorium. The Social and Economic Justice Commission recommends that the City Council do likewise, enacting a time-limited but renewable moratorium with appropriate exceptions and eviction controls.

Recommended Moratorium – The Costa Hawkins Rental Housing Act of 1995 set limits on the ability of local governments to regulate rents. Under this law landlord are permitted to establish the initial rental and may adjust that rate following the vacating of the prior tenants. It also exempted single-family houses and condominiums and units with a certificate of occupancy issued after February 1, 1995 from local rent control ordinances. Therefore, these types of dwellings would be exempted from a local moratorium.

The three local moratorium ordinances mentioned differ in size and scope. In Alameda, the moratorium was imposed for 65 days on rent increases of 8 percent or more. The ordinance takes into account any previous increases within 12 months. Actions to terminate a tenancy, such as eviction, are limited to “for cause” reasons such as non-payment of rent, illegal activity, landlord or family member moving in or going out of the rental market.

Santa Rosa imposed a 45-day moratorium on rent increase above 3% within a 12-month period. Unlike Alameda and Oakland the ordinance didn’t take effect immediately. Oakland imposed a 90-day moratorium prohibiting increases above the consumer price index of 1.7% There is no exemption for buildings with extensive rehabilitation but owners may petition the Rent Program to authorize increases above the permitted amount in necessary to allow the owner to receive a fair return. The City of Berkeley has an established Rent Control policy, which limits annual rent increases to 65% of the CPI.

The Commission recommends the following actions to the Council:

1 – A rental increase moratorium shall be imposed to take effect immediately and shall last for 90 days. Council may extend the moratorium for up to an additional 60 days if necessary to complete work on a rent review ordinance and/or plan implementation of a Council approved rent review process.

2 – From the effective date of the ordinance, no owner or manager of a rental, not exempted by the Costa-Hawkins act, may impose a rent increase of more than 3% during the moratorium period. If a rent increase of 3% or more has already been imposed within the previous 12 months in accordance with legal notification requirements, no additional increase may be imposed.

3 – Landlords shall be barred during the moratorium period from undertaking eviction actions except for just cause including failure to pay rent, illegal activity and violation of the terms of an existing lease.

#### Pros and Cons

Pros - The moratorium is a time-limited action that would protect tenants from increases imposed while a rent review policy is under consideration and, if passed, is implemented.

- The 3% permitted increase exceeds the current CPI, providing landlords with some protection should their costs increase during the moratorium.

- A moratorium will allow a full discussion and debate on rent review issues, and provide City staff with time to take necessary actions to put a review process into effect, should one be passed.

- A moratorium will relieve some of the anxiety many Albany renters are now experiencing as they anticipate rent increases with no local ordinance to offer any protection.

- A moratorium may make the difference for some residents in being able to remain in Albany or being forced to leave.

- A moratorium will signal the willingness and ability of the City to take action to protect renters while permitting landlords a fair return.

- Individual homeowners who rent dwellings are exempted by Costa-Hawkins.

Cons - Some residents may object to any limitation of the freedom of landlords to impose rent increases.

- Some landlords may object on the grounds that their current rent is more than 3% below the regional market rate.

- A moratorium may briefly affect the market in Albany for rental properties.

- A moratorium could possibly impact the demand by investors for properties in Albany.