



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Raul Peralez

SUBJECT: SEE BELOW

DATE: April 24, 2018

Approved

Date

4/24/18

**AMENDMENTS TO PROCEDURES FOR REMOVAL OF RENT STABILIZED
UNITS FROM THE RENTAL MARKET (ELLIS ACT ORDINANCE)**

RECOMMENDATION

Accept staff recommendations for the Ellis Act Ordinance with the following changes:

- 1) Maintain current Ellis Act Ordinance re-control provisions of 100% of all new apartments built.
- 2) Subject re-controlled apartments to the Apartment Rental Ordinance (ARO).
- 3) Allow an exemption of re-control provisions if the number of apartments removed or 20% of new apartments constructed, whichever is greater, is deed restricted at 15% at 80% of the average median income (AMI) and 5% at 50% of AMI.

BACKGROUND

As we amend our Ellis Act ordinance, we should not facilitate displacement, but retain our current rent control stock and encourage the production of affordable housing. I thank the Housing Department for your work in finding a solution that protects our most vulnerable from being displaced while promoting the growth of development in our City. However, as the high cost of living continues to rise each day, our rent controlled units remain one of the last beacons for our low income households.

The City of San José only met 7% of its affordable housing goal since 2014. When landlords exercise their right to go out of business, we must curb the cycle of displacement at the greatest extent possible. Re-control of a newly constructed units will ensure that rent control units are not lost and still allows developers to waive the requirement by producing affordable housing units on their property. It is crucial that we look at all avenues to increase our affordable housing stock, and be cognizant that the

look at all avenues to increase our affordable housing stock, and be cognizant that the deed restrictions are reflective to the very low and extremely low level of incomes of the tenants that are displaced by these closures.

In addition, all re-controlled units should be subjected to the ARO and the rent increases set by the ARO. Re-controlled units enter at market rate, and with vacancy decontrol, owners have the right to set rent without any restrictions once a tenant leaves.

In San José, 44% of tenants' turnover rate is roughly two years, allowing property owners to have the opportunity for a fair return even as the practice encroaches on the limited stock of affordable units.

Many tenants are heavily rent burdened and work multiple jobs with homelessness becoming an uncomfortable reality. While rent controlled units were once reserved to protect those with the lowest income, it now extends to our working professionals such as our teachers and first responders as the cost of living and rent increases have skyrocketed. We must enact solutions that do not further shrink our rent control housing stock, a critical tool that houses our most vulnerable residents and in turn, protects our City's great economic and cultural diversity.