



Memorandum

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Councilmember Johnny Khamis
Councilmember Dev Davis
Councilmember Pam Foley

SUBJECT: AGENDA ITEM 8.1 -
RENT FREEZE

DATE: April 13, 2020

Approved

Date 04/13/2020



RECOMMENDATION

Adopt the actions contained in the Staff memorandum dated April 10, 2020 with the following adjustments:

- (1) Enact a freeze on any rent increases for a period that would run parallel to the eviction moratorium for nonpayment of rent adopted on April 14, 2020. Exclude from the rent freeze lease renewals already covered by the Apartment Rent Ordinance or agreements already signed, but not yet effective, as to avoid impairment of existing contracts, unless the tenant is financially impacted by COVID-19.
- (2) Apply freeze only to tenants who experienced an income loss or disruption resulting from the COVID-19 crisis, consistent with the eviction moratorium.
- (3) Encourage property owners to allow for a temporary reduction in rents by not impacting the original rent level for the purposes of calculating future rent increases.
- (4) Establish a program that incentivizes rental housing providers to reduce rents by reserving the increase for 2020 to be used in later years.
- (5) Deny tenant petitions for rent decreases for service reductions related to the elimination of common area amenities such as pools, gyms, etc., if these amenities were closed in order to comply with County or State public health orders related to COVID-19.

BACKGROUND

The COVID pandemic has certainly worsened the already-existing housing crisis. We are experiencing a nightmare; an occurrence that - until now - was something we read about in history books. Our City, County, State, and Federal Governments are all working together to beat this novel virus. As local elected officials, it's important we do all we can to assist housing providers and those who need housing during this time.

HONORABLE MAYOR & CITY COUNCIL

File: 20-464

Item: 8.1

Subject: RENT FREEZE

The goal of our memo is to help ease the regulatory hurdles that can prevent a property owner from assisting their residents. Most owners are looking for ways to help their renters, not to raise their rents in a crisis, and it's important to note that these proposed regulations will only apply to owners of rent-controlled units.

For renters who have lost their income because of the pandemic struggling to pay their existing rent, a rent increase would not be sustainable. Until the shelter-in-place order ends and the City lifts its own emergency declaration, tenants who have suffered COVID-related income loss could benefit from a freeze on rent increases. This would provide them with much-needed stability during a tumultuous time.

Property owners are also being faced with challenges that place them in financial uncertainty, and they need stability, as well. Many property owners have rent controlled apartments and are already working with their tenants in many ways, including renegotiating rents not only during the pandemic but for the long term. More regulations could slow down or impair these helpful negotiations.

Property owners also experience income loss when their renters cannot pay the rent and owners may have increased maintenance and utility costs as their units see added wear-and-tear resulting from the shelter-in-place order. For some landlords, rent from a rental is a sole source of income. The CARES Act can provide some relief, but its application isn't consistent, and receipt of a loan is not guaranteed for all who apply, as the money for this assistance is expected to quickly run out. Additionally, mortgage loan forbearance, a temporary pause in mortgage payments, isn't being offered to all property owners and does not waive the mortgage holder's obligation to repay any amount deferred – with interest.

While the biggest share of easing the financial burden rests with the actions of financial institutions and the federal government, the City can assist by enacting a rent freeze to provide renters with some certainty while, at the same time, ensuring that rental property owners have some certainty and relief from some of its existing requirements, until that time our community begins to recover from this extraordinary situation.