



Council Agenda Report

FROM: Kimberly Cole, AICP, Community Development Director

SUBJECT: Receive Reports and Provide Direction on the City's Housing Program, Legal Framework for Tenant Protections, Vacancy Tax and Rental Registry (Not a Project Under CEQA per Article 20, Section 15378 and Under General Rule Article 5, Section 15061)

RECOMMENDATION:

That the City Council receive reports and provide direction on the:

- City's housing program;
- Legal framework for tenant protections;
- Vacancy tax; and
- Rental registry.

VALUE DRIVERS:

In collaboration with our community partners, work to improve the quality of life of all of our community members by fostering diversity, equity, and inclusion; championing equitable access to affordable housing; and maintaining a safe environment.

Support efforts and policies that provide equitable access to affordable housing in Monterey and the region.

POLICY IMPLICATIONS:

A vacancy tax and rental registry would be substantial new housing programs. The rental registry would provide additional new information about the location, number, type and rent of existing rental units. Many jurisdictions establish a rental registry to develop rent control regulations.

FISCAL IMPLICATIONS:

There is no direct financial impact from receiving the update about current housing programs and the potential for a rental registry in the City of Monterey.

Currently, staff estimates that a rental registry program will require around \$400,000 annually in on-going costs. The management, administration, and maintenance of a rental registry program will require two additional full time staff members at a total estimated annual operating cost of \$275,000, plus \$25,000 for management/supervisory staff time.

Staff also estimates approximately \$100,000 in additional initial staff time to develop the program and physically confirm data before launching.

The cost for a specialized rental registry software will be around \$25,000 in start-up costs in year one plus an estimated \$30,000 annual subscription fee, for a total year one cost of \$55,000. The \$30,000 subscription fee would continue annually thereafter. Since this is a new program, the City needs to create fees to recover the costs for the program.

ENVIRONMENTAL DETERMINATION:

The City of Monterey determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA)(CCR, Title 14, Chapter 3 (“CEQA Guidelines), Article 20, Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or any reasonably foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

ALTERNATIVES CONSIDERED:

The City Council may elect not to receive the update.

DISCUSSION:

Housing Program

The City’s Housing Office currently provides a variety of ongoing housing programs with an annual Community Development Block Grant budget of approximately \$1.1 million to \$1.5 million. These funds are restricted to specific programs and income levels based on Federal regulations. On-going programs include:

Administration of the Community Development Block Grant (CDBG) Programs:

- Public Service grants to non-profits
- Home repair grants and loans to low-income homeowners
- Public infrastructure grants to repair City parks and non-profit owned public facilities

Administration of the Purchase and Resale Program for Affordable Home Ownership:

- First-time Home Buyer Program
- Down Payment Assistance Program

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Administration of the City’s Affordable Rental Housing Program

- Management of the HOME-funded Casa De Estrella Apartments

Every five years, the City Council adopts a Consolidated Plan evaluating and establishing the community’s housing priorities for low-income households. Annually, the City Council adopts an Action Plan to implement the Consolidated Plan and comply with federal regulations.

Legal Framework

The City has partnered again with Goldfarb & Lipman to provide an informational presentation about rent stabilization measures available to cities in California. The presentation will:

- Provide a legal overview
- Outline policy options:
 - Enact a rent control and just cause ordinance
 - Build upon the Tenant Protections Act of 2019
 - Pass a Tenant Relocation Assistance Ordinance
 - Provide landlord-tenant mediation

Vacancy Tax

The City Council has not previously discussed a vacancy tax. Case studies worthy of exploration include the City and County of San Francisco and City of Santa Cruz experiences.

The City and County of San Francisco's Measure M passed by 54.5%. Annual residential vacancy taxes will cost \$2,500 for units 1,000 square feet and smaller and up to \$5,000 for units exceeding 2,000 square feet in 2024. Annual revenue generated from the measure is expected to hit \$15.4 million by 2026, according to a [September report](#).

The City of Santa Cruz's Measure N failed in November 2022 with 46% in favor and 54% opposed. The measure proposed the following rates:

- \$6,000 per vacant single-family residence;
- \$6,000 per residential parcel with six or fewer units, where all units are in use less than 120 days per calendar year;
- \$3,000 per vacant residential unit of a condominium or townhome; and
- \$3,000 per vacant residential unit on residential parcels with seven or more units.

Rental Registry

The City of Salinas has pursued establishing a rental registry since 2018. The City has hosted 22 public meetings and now has a recommendation moving forward through various committees (Attachment 7).

Over the years, the City of Monterey City Council has received updates about rent stabilization measures and discussed whether to create a new program; however, no program has been initiated to date. Copies of the staff reports and minutes are attached. Key dates include:

December 1, 2020: Councilmember Williamson and Vice Mayor Haffa's Request to Agendize a Discussion about Rent Stabilization Measures

Action: Directed staff to bring an extension of the eviction moratorium before the Council within two months, prior to State's eviction moratorium

ending, and directed staff to dedicate a study session in 2021 to the issue of renter protections

September 29, 2021: Receive Presentation about Rent Control in California and Potential Rent Stabilization Measures that could be implemented in the City of Monterey and an Overview of the City's Current Housing Program

Action: Received presentation, discussed.

February 23, 2022: Receive a Report on Rent Registry Programs

Action: Received report, discussed.

Mayor Williamson has requested that this discussion be placed on an agenda for further discussion. The previous staff reports provide a starting point to understand rental registries. If the Council is interested in developing this program, staff would prepare a more extensive work program including the required start-up staffing requirements and costs.

In summary, the City Council should consider this report and provide direction where appropriate.

(KC)

Attachments:

1. February 23, 2022 City Council Staff Report
2. February 23, 2022 City Council Minutes
3. September 29, 2021 City Council Staff Report
4. September 29, 2021 City Council Minutes
5. December 1, 2020 City Council Staff Report
6. December 1, 2020 City Council Minutes
7. City of Salinas - Rental Registry Background Information
8. City and County of San Francisco - Vacancy Tax Information
9. City of Santa Cruz - Vacancy Tax Information
10. City and County of San Francisco - Vacancy Tax Newspaper Article and Lawsuit

Writings distributed for discussion or consideration on this matter within 72 hours prior to the meeting, pursuant to Government Code § 54957.5, will be made available at the following link: <https://monterey.org/Submitted-Comments>