



Council Agenda Report

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SUBJECT: 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 (Not a Project under CEQA per Article 20, Section 15378 and General Rule Article 5 Section 15061)

RECOMMENDATION:

Receive Presentation about Rent Control in California and Potential Rent Stabilization Measures that could be implemented in the City of Monterey, and a general overview on the City's current housing program.

POLICY IMPLICATIONS:

Maintaining and increasing access to affordable housing supports the City's on-going housing efforts, including those intended to serve extremely low, very low and low-income residents.

FISCAL IMPLICATIONS:

There is no direct financial impact from receiving the presentation about rent control in California and the potential rent stabilization measures in the City of Monterey. It is unknown what the financial impact would be to develop and implement a rental control program within the City, although the cost would likely be substantial and require increased staff levels to manage the new program.

ENVIRONMENTAL DETERMINATION:

The City of Monterey staff 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(b)(5)). 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 is a report on PY2015-16 CDBG funded activities and this matter has 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 presentation.

DISCUSSION:

The City of Monterey currently experiences both high housing costs and a low inventory of affordable housing units. Further exasperating this condition is the Peninsula's shortage of available water for development and the restriction on California American Water's (Cal Am) ability to set new water meters.

Background

In 2019, the City prepared two housing reports that outlined some of the challenges facing the City's rental community, the Vulnerable Communities Needs Analysis and the Regional Analysis of Impediments to Fair Housing Choice.

- The majority of Monterey residents are renters, with 65.9% of housing units occupied by renters.
- Of the 65.9% of housing units occupied by renters, 35.3% are occupied by low or moderate income households.
- 50% of the City's housing units are multi-family
- 62% of multi-family housing had five or more units
- 87.6% of the City's housing stock was constructed before 1990

Data that was used to inform the Vulnerable Communities Needs Analysis and the Regional Analysis of Impediments to Fair Housing Choice showed that:

- The average rental cost for a studio was \$1,289
- The average rental cost for a 1-bedroom was \$1,734
- The average rental cost for a 2-bedroom was \$2,236
- 51.8% of renters reported experiencing housing problems, such as living in overcrowded conditions or living in substandard conditions
- 23.6% of renters were severely cost burdened by rent

According to RentCafe.com, the current average rent in Monterey is \$2,263, and rents have increased by 6% over last year. Although this is unofficial, aggregated data from an online source, it does reflect the upward trend in rents for Monterey. Forthcoming 2020 Census data will provide official data on rental rates within the City.

Presentation Overview

Based on a suggestion by Council Member Williamson, the Council tasked staff to organize and present a study session about various aspects of rent control.

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

- Provide an overview of rent control and just cause for eviction
- Provide an overview of legal landscape

- Review of city's police powers
 - Limitations on rent control ordinances
- Explain the Costa Hawkins Rental Housing Act and Ellis Act
- Explain the Tenant Protection Act of 2019
- 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
- Discuss other Rent Control considerations:
 - How to fund the program?
 - Who monitors compliance?
 - What kinds of education and outreach are provided?
- Discuss Rental Registries
 - Data required
 - Monitoring and updating

Existing Housing Programs

The City's Housing Programs Office currently provides a variety of ongoing housing programs with an annual Community Development Block Grant budget of approximately \$1.5 - \$2 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 home owners
 - 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
- Administration of the City's Affordable Rental Housing Program
- Management of the HOME funded Casa De Estrella Apartments

For decades, the City has been suggesting and implementing a variety of housing programs and measures. Similarly, in 2018, the Monterey Bay Economic Partnership addressed a multitude of housing issues and solutions. A comparative status of these efforts is outlined in Attachment 1 and reflects the decisions made by Monterey City Councils.

In addition to the regular housing programs, the Housing Programs Office has undertaken several special projects including:

- Administration of the Emergency Rental Assistance Program
- Updating the City's Housing Element by 2023
- Working with non-profit developers to redevelop four City-owned properties to provide 150 new affordable units within Downtown Monterey.

The Housing Programs Office currently has three full time employees to administer the programs and special projects. Adding a new and complicated program, such as rental stabilization regulations, would require adding additional staff to manage the new program.

Conclusion

Staff recommends that the City Council receive the presentation about rent control in California and the potential rent stabilization measures in the City of Monterey.

KC/GL

Attachment: 1. Monterey Bay Economic Partnership Recommendation and City of Monterey Policy

e: Housing Interest List
 Property Management Companies
 All Business Associations
 All Neighborhood Associations

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>.