



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: April 19, 2022

TO: Mayor and Councilmembers

FROM: City Administrator
City Attorney

SUBJECT: Rent Stabilization Consulting Scope Of Work

RECOMMENDATION: That Council:

- A. Approve BY MOTION the Rent Stabilization Economic Impact and Feasibility Study Consulting Services Scope of Work Outline; and
- B. If desired, BY MOTION provide direction on the sequence and priority for implementation of the December 7, 2021 Council actions.

EXECUTIVE SUMMARY:

On February 1, 2022, Council directed preparation of a scope of work for consulting services related to the proposed Rental Stabilization Ordinance (RSO). The attached scope of work was developed in consultation with the Housing Authority of the City of Santa Barbara (HACSB) and Community Development Housing and Human Services staff to answer the key questions important to an RSO. Council should review and approve the scope of work, if acceptable.

On February 1, Council also engaged in considerable debate about the timing of “next steps” for an RSO. Staff’s view is that by virtue of the Tenant Protection Act of 2019, Santa Barbara is already subject to statewide rent stabilization. We believe that regardless of whether Council opts for a more stringent local rent stabilization formula, a rental registry would be required for the City to enforce state laws meant to protect Santa Barbara tenants. Without a registry, enforcement would require tenants taking action against their landlords. A rental registry would provide important, verifiable information about Santa Barbara’s rental housing market, which will supplement or potentially supplant any consulting work.

DISCUSSION:

Background

On December 7, 2021, Council heard 58 members of the public expressing their views about the possibility of a Santa Barbara Rent Stabilization Ordinance (RSO). At the conclusion of this extensive public participation, Council's deliberations resulted in three related directions:

1. Prepare a temporary RSO limiting rent increases to CPI plus 2%;
2. Create a rental registry program; and
3. Prepare an economic analysis of the longer term financial effects of a RSO, taking into account different potential limits on annual rent increases.

The City Administrator advised Council that the City would need to retain an expert economic consultant to conduct an economic analysis of long-term impacts.

On February 1, 2022, the City Attorney's Office returned to Council with a proposed budget action seeking a \$200,000 appropriation to fund the economic analysis and authorization to enter into a consulting contract for the analysis. The Council engaged in a wide ranging discussion and debate around several issues, including, notably, whether development of the RSO and rental registry program ought to be run in parallel (concurrently) with the economic analysis. The Council approved the appropriation, to be paid with American Rescue Plan Act of 2021 (ARPA) funds. Council further directed that staff return to Council with a scope of work for the economic analysis. In response to the City Administrator's questions about whether the sequencing of the temporary RSO and rental registry assignments should be framed when the scope of work returned, Council specifically directed that staff should return with the scope of work only. The intended and actual effect of that action was to leave in place the December 7, 2021, actions, pending only Council approval of the scope of work.

Rent Stabilization Economic Analysis Consulting Services Scope of Work Outline

The attached outline frames the key elements to be included in a consulting scope of work, and includes many of the suggestions made by Council Members on February 1, substantial revisions by Housing and Human Services Staff, and comments offered by the HACSB. We recommend that Council focus upon the 5 Key Rent Stabilization Policy Analysis Questions, paraphrased as follows:

1. What are appropriate Maximum Allowable Annual Rent Increases for Santa Barbara?
 - a. Assess the pros, cons, and impacts of limiting rent increases to CPI, plus 1, 2, 3, or 4 percent.
2. What are appropriate Relocation Assistance Amounts?

- a. Required by Resolution No. 20-084: “The City Administrator and the City Attorney are directed to prepare and present an annual status report on the effects of AB 1482 rent control upon the Santa Barbara rental market, focusing particularly upon the growth of differentials between contract rents and market rents in a regulated market.”
3. Should Properties with Three Units or Less be treated differently than other rentals?
 - a. Recommend appropriate exemptions and incentives for smaller properties (“Mom and Pop” landlords).
 4. What are the viable options to incentivize long-term tenant retention and increase rental housing production?
 5. How does Santa Barbara’s recent rental rate and rate increase history affect renters in view of local housing availability and local income and wage levels?
 - a. Are local renters impacted more or less severely than renters living elsewhere in California who are protected by statewide rent control under AB 1482 or local rent stabilization ordinances?

BUDGET/FINANCIAL INFORMATION:

Council has previously appropriated \$200,000 for this work, to be paid through appropriated ARPA funds. No budget has been identified for the creation of a rental registry, but based on the costs from other communities that have created a rental registry, the registry will cost several million dollars to develop and implement. Costs may be able to be recouped from fees to landlords.

ATTACHMENT(S): Rent Stabilization Economic Impact and Feasibility Study
Consulting Services Scope of Work Outline

PREPARED BY: Ariel Calonne, City Attorney

SUBMITTED BY: Rebecca Bjork, City Administrator
Ariel Calonne, City Attorney

APPROVED BY: City Administrator's Office