

April 17, 2023

Petaluma City Council
11 English Street
Petaluma, CA 94952



RE: Residential Tenancy Protections

Members of the Petaluma City Council,

Thank you for allowing us to provide comment and recommendations on the revised ordinance. On behalf of the North Bay Association of REALTORS®, we again are reaching out to urge the City Council to seriously consider the efficacy and consequences of trying to resolve affordability issues via penalties on local housing providers. **As written, the revised ordinance would severely limit the ability of a homeowner to leave the rental business for any reason, and could compromise Petaluma's rental housing space. To delay or penalize owners for needing to remove a unit from the market to retire, move in, or house family conflicts with the spirit of the Ellis Act and has consequences for homeowners, tenants, and the overall viability of the local rental housing economy.**

Everyone deserves a safe, secure, affordable place to live. Our housing supply crisis is rooted in decades of under-development, a weak safety net, and other systemic forces that have resulted in a complicated dynamic that wrongly pits tenant against housing provider. Eager to ease this tension, governments have adopted sweeping restrictions and mandates on housing providers that further compromise the stability of rental housing supply. **These deficits have been shifted to mom-and-pop landlords who had no role in the lack of supply – and who cannot offset decades of systemic issues.**

WE URGE THE COUNCIL'S ACTION ON THE FOLLOWING

1. **Tenant Protections to align with the TPA (AB 1482):** This ordinance selectively aligns with the TPA in some areas, but not others. We urge you to align with tenant protections beginning at 12 months. For both parties, there are a multitude of reasons why a new tenant/housing provider relationship may not work out in the beginning of the lease and housing providers must have the ability to rectify issues quickly.
2. **Relocation Assistance: Create a means test at 80% AMI** to ensure that the most financially vulnerable tenants are those receiving the assistance. Tenants earning high annual salaries should not be entitled relocation assistance.
3. **Exempt New Construction:** The City is already finding it difficult to attract new housing developers, by putting restrictions on new development (homes built within the last 15 years), the City will make it that much harder and discourage new development moving forward.
4. **Make Significant Progress on Supply:** Dramatically improve supply across a variety of income-levels, densities, and neighborhoods by reducing the cost/uncertainty of housing development and combating NIMBY-ism and anti-housing sentiment.
5. **Establish a Rental Housing Taskforce:** The rental housing economy is diverse, complex, and deserving of a transparent process. Engaging a limited number of stakeholders for over two years prior to publicly proposing this ordinance did not result in a just or effective process or proposal. Housing providers, tenants, managers, and program staff should be invited to a transparent discussion on policy development.

We need your leadership – government must be the entity that hears stakeholders, overcomes rhetoric, and makes data-driven decisions that prevent unintended consequences. Creating legislation from the perspective that any population or industry is ill-intentioned is unjust, inaccurate, and ineffective, and will negatively affect Petaluma's rental housing. To this end, we urge the Council to protect Petaluma's housing economy – tenants, housing providers, supply, public health and safety.

- Trying to resolve these challenges by altering legal contracts, requiring payments when housing providers need/choose to leave the business, or to operate in the face of lease violations – is counterproductive to housing affordability and stability.

- **People need to sell property for many reasons** – to move out of state, take a new job, liquidate assets, death of the owner, etc. The inability to sell a rental can compromise the financial future of independent/small owners and those that depend on them.
- **Please consider a future in which, if you needed to sell your own property, you couldn't without facing additional regulations, timelines, payments/rent losses, and monitoring.** Owners need to be able to sell their property utilizing the only legal process afforded to them.
- A viable rental housing market cannot function in an environment of supreme risk. Years of punitive mandates have impacted owners' ability to retain their properties and remain in business.
 - **The cost of ownership has risen dramatically** – permitting, maintenance, renovation, repair, appliances, etc. As the cost and risk of providing rental housing increases, so does the likelihood that owners will leave the business altogether – leaving even fewer rentals.

Data

A sustainable housing economy requires a healthy rental market. Our Santa Rosa analysis found that, in 2020, at least 44+ tenant-occupied units + 28 non-owner-occupied LLCs were sold to owner-occupiers (lost rental units).

- In mid-2022, completed evictions in Petaluma were at an all-time low (59 since January 2020) – and since early 2020, only the most egregious offenses and lease violations were legally actionable.
 - 2020: 24 evictions
 - 2021: 23 evictions = 5% of the countywide total
 - 2022 (through July): 7 residential evictions = 4.7% of the countywide total
- **The landscape of local rental housing data is limited; preliminary data and reporting point to the loss of rental units amid escalating demand and an uncertain rental housing economy.**
 - Over 75% of Petaluma's units are 1-unit dwellings; 82% are in structures with <4 units
 - The majority of local housing providers are mom and pops, carrying a mortgage.
 - 72% of owner-occupiers carry a mortgage (Petaluma)
 - 56% of homeowners have monthly costs of over \$2500 (Petaluma)
 - 34% of homeowners' monthly costs exceed 30% of their income (Petaluma)

Engagement & Decision-Making

- Following the Council goal setting session, very little engagement was completed with the housing provider or homeowner community – language was drafted with no notice or involvement by directly impacted stakeholders – those that own, manage, and provide rental housing. And now the Council considers extending these provisions – extending punitive mandates on housing providers.
- Does data tell the City that this is needed? What complaints have occurred? What units or housing providers have presented such an issue that a full extension is warranted?
 - The City surveyed over 900 community members in February 2023 and found that 73% of respondents are opposed to expanding the tenant protections beyond what is provided in California's Tenant Protection Act.

Thank you for allowing us to comment, and your consideration. We remain eager to serve as a resource and partner for a sustainable Petaluma housing economy. **Please contact Joe Schneider, Public Affairs Director, with any questions or opportunities for engagement at 707-888-2459 or joe@nba.realtor.**

Respectfully,



Carol A. Lexa, Past-President
Local Government Relations Committee, Chair