



CITY OF LARKSPUR
Staff Report

July 19, 2023, City Council Meeting

DATE: July 13, 2023

TO: Honorable Mayor Paulson and the Larkspur City Council

FROM: Dan Schwarz, City Manager
Sky Woodruff, City Attorney

SUBJECT: PUBLIC HEARINGS ON RENT STABILIZATION AND EVICTION PROTECTIONS

7.2A: ORDINANCE 1068, THE LARKSPUR JUST CAUSE EVICTION AND
TENANT PROTECTIONS ORDINANCE

7.2B: ORDINANCE 1067, THE LARKSPUR RENT STABILIZATION ORDINANCE

This hearing is a follow-up to a hearing held on June 21, 2023.

ACTION REQUESTED

Conduct two public hearings.

The first hearing concerns Ordinance 1068 the *Larkspur Just Cause Eviction and Tenant Protections Ordinance*, which the Council introduced with amendments at its June 21, 2023, hearing. The ordinance with the amendments is attached and approval at the July 19, 2023, will add it to the Larkspur Municipal Code.

The second hearing concerns Ordinance 1067, the *Larkspur Rent Stabilization Ordinance*. At its June 21, 2023, public hearing, the Council discussed specific elements of this ordinance but did not move a completed version forward. The Council scheduled this public hearing to continue its discussion and deliberation. The Council can review and introduce by title only the proposed ordinance or give direction to staff about modifications.

SUMMARY

Through public workshops and ad hoc committees, the City Council has explored the concepts of rent stabilization and eviction protections since the summer months of 2022. The Council has now conducted public hearings on May 8, 2023, May 22, 2023, and June 21, 2023. Through these hearings, the Council agreed upon criteria for an eviction protections ordinance, which is attached and can be approved during

a July 19, 2023, hearing. The Council has not agreed on criteria for a rent stabilization ordinance and is continuing its discussion during a July 19, 2023, public hearing.

BACKGROUND AND DISCUSSION

All prior staff reports on these topics are incorporated by reference and should be considered as part of the record for the public hearing. These staff reports include examples of rent stabilization and eviction protection ordinances that the Council may wish to draw upon.

Eviction Protections

Eviction protections are generally viewed as a necessary complement to rent stabilization because they mitigate the incentive to evict for the purpose of increasing a unit’s rent to market rate. Some cities do choose to approve an eviction protection ordinance without a local rent stabilization ordinance.

The Tenant Protection Act of 2019 codified certain eviction protections as state law. Under the Act, there are two categories of “just cause” for eviction, “At Fault” causes and “No Fault” causes. Generally, a tenant is “at fault” when they violate the terms of the lease or prevailing law (which is often cited in the lease). A “no fault” eviction takes place when a tenant is evicted for allowable reasons that are beyond the control of the tenant.

Under the Act, the following are the enumerated “at fault” reasons why a tenant may be evicted:

- Non-payment of rent;
- Breach of a material term of the rental agreement that has not been corrected after written notice under CC §1161(3) (the new law requires the landlord to serve an additional 3-day notice to quit after the cure period is passed);
- Maintaining or committing a nuisance as described in CC §1161(4);
- Maintaining or committing waste as described in CC §1161(4);
- Termination of the rental agreement without renewal (i.e. the tenant refuses to sign a written extension or renewal after written request or demand from the owner);
- Criminal activity by the tenant;
- Unapproved subtenant;
- The tenant has refused to give the landlord access to the unit as permitted by law;
- Illegal use of the unit;
- Failure to vacate after termination of employment or agency as described in CC §1161(1); and
- Failure to deliver possession after the tenant provides written notice of intent to vacate or makes a written offer of surrender that is accepted by the landlord.

The Act lists four “no fault” reasons that a tenant can be evicted.

- The owner, spouse, domestic partner, children, grandchildren, parents or grandparents intends to occupy the unit. For new or renewed leases entered into on or after July 1, 2020, the tenant must agree to this in writing;
- Withdrawal of the unit from the rental market;
- Compliance with a government or court order or local ordinance that necessitates vacating the premises; and
- Demolition or substantial remodel of the unit.

The Act provides for relocation assistance— equal to one month of rent either paid directly to the tenant or waived by the landlord—in the event of a no fault eviction.

AGENDA ITEM 7.2

The Act's eviction protections are distinct from rent regulation in that they apply broadly to most forms of rental housing.

The ordinance before the Council creates local regulations that strengthen the Tenant Protection Act in the following ways:

- It establishes in the case of no fault, just cause evictions, that the landlord shall pay relocation assistance in the amount of three months rent or \$5,000, whichever is greater. The Tenant Protection Act requires payment of equal to one month of rent.
- It establishes that should the circumstances that justified a no fault, just cause eviction no longer exist and a landlord wishes to rent the subject unit within 12-months of the eviction, the landlord must first offer the unit to the tenant who was subjected to the eviction at the rent the tenant was paying at the time of the eviction.

The version of the ordinance before the Council includes two amendments that were approved at the June 21, 2023 public hearing. These amendments add some additional protections for tenants and members of tenant's households who are sixty-two (62) years of age or older, disabled, or certified to be terminally ill. These amendments are shown in legislative notation in the ordinance before the Council.

Rent Stabilization

During its workshops on rent stabilization, the Council expressed a desire that the ordinance it consider be as streamlined and easy to interpret and administer as possible. For the exercise of crafting the draft ordinance before the Council, staff reviewed ordinances across the state and concluded that the rent stabilization ordinance of the City of Oxnard would provide a good basis for Larkspur's draft. Oxnard's ordinance appears to have taken the general structure of the Tenant Protection Act and added the necessary elements for a local ordinance.

The draft before the Council creates local regulations that strengthen the Tenant Protection Act in the following ways:

- It establishes that in a 12-month period, rent may not be increased more than five percent (5%) plus a Consumer Price Index (CPI) or seven percent (7%), whichever is lower. The Tenant Protection Act is five percent (5%) plus the CPI or ten percent (10%).
- It establishes a process for a landlord to petition for a fair rate of return that justifies exceeding the local rent increase ceiling. Landlords cannot exceed the state rent increase ceiling under any circumstances.
- It establishes that the Council may charge a fee to administer this program. Landlords would be required to file annually and the information from those filings would be maintained in a database (a rental registry).

Additionally, the ordinance empowers the City Manager to establish an administrative process to review petitions for a rent increase above the ceiling and creates a board to consider any appeals of the administrative review. It also explicitly adds Accessory Dwelling Units (ADU) and Junior Accessory Dwelling Units (JADU).

The draft of the ordinance before the Council includes an amendment agreed upon at the June 21, 2023 public hearing. This amendment sets a "roll back date" for rent stabilization to the first public hearing held on May 8, 2023. This amendment is shown in legislative notation in the ordinance before the Council.

STAFF RECOMMENDATION

Conduct public hearings. In the first hearing, approve Ordinance 1068, the *Larkspur Just Cause Eviction and Tenant Protections Ordinance*. In the second hearing, consider whether to introduce (as presented or amended) Ordinance 1067, the *Larkspur Rent Stabilization Ordinance*.

Respectfully submitted,
Dan Schwarz, City Manager

Attachments

1. Ordinance 1068, as described
2. Ordinance 1067, as described

**CITY OF LARKSPUR
ORDINANCE 1068**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LARKSPUR AMENDING THE
LARKSPUR MUNICIPAL CODE TO ADD CHAPTER 6.30 ESTABLISHING JUST CAUSE
EVICTION AND TENANT PROTECTION REGULATIONS**

WHEREAS, beginning in the summer of 2022, the City Council began to explore the concepts of rent stabilization and eviction protections. At its meeting on March 15, 2023, the City Council decided to transition from exploring these topics to specific terms and regulations. The City Council held public hearings on May 8, 2023, and May 22, 2023, at which Council discussed specific proposals to address rent increases on residential real property and displacement. Throughout the workshops and public hearings, the City Council heard testimony from tenants and property owners regarding the scope of rent increases and resident displacement, both as a result of rent increases and aspects of eviction protections in State law;

WHEREAS, the housing shortage and rising costs of living in Marin County has detrimentally impacted a substantial number of residents in Larkspur;

WHEREAS, the housing shortage, rise in the cost of living expenses including rent, and displacement of residents constitutes a threat to public health, safety and welfare, and imposes a particular hardship on senior citizens, persons living on fixed incomes, and other vulnerable persons living in the City of Larkspur (“City”);

WHEREAS, the average household in the City has a median annual income of \$135,260, slightly above the Marin median annual income of \$131,008, and well-above the California median annual income of \$84,087;

WHEREAS, Marin County Assessor Data shows that the median home price in the City in 2022 was \$2.4 million for a single-family home and \$805,000 for a condominium, which are prices that are extremely difficult for households at or below the median income to finance;

WHEREAS, the average monthly rents in the City range from \$2,436 for a studio apartment to \$4,721 for a three bedroom apartment, and the median gross rent in Larkspur over the five years ending in 2021 was \$2,610;

WHEREAS, U.S. Census Bureau data shows that 23.0% of renters in the City spend 30-50% of their income on housing and 26.3% of renters spend 50% or more of their income on housing and are considered “severely cost burdened”;

WHEREAS, the cost burden rate in the City is sufficiently high to create anxiety about rent increases as the increasing housing rent burden and poverty faced by many residents in the City threatens the health, safety, and welfare of its residents by forcing them to choose between paying rent and providing food, clothing, and medical care for themselves and their families;

WHEREAS, the Tenant Protection Act of 2019 is a statewide law that requires a landlord to have a “just cause” in order to terminate a tenancy, and provides for a series of “at fault” and “no fault” reasons that a tenant may be evicted, and in the event of a “no fault” eviction, provides for relocation assistance equal to one month of rent;

WHEREAS, the recent and ongoing spike in the inflation rate has resulted in permissible rent increases of up to 10% under the Tenant Protection Act, which caused some residents to relocate or become fearful of needing to relocate for financial reasons;

WHEREAS, this fear of displacement has been determined to be a threat to the City's health and well-being;

WHEREAS, it is in the interest of the City, owners, residents, and the community as a whole that the City adopt eviction protections to mitigate the incentive for a landlord to evict a tenant for the purpose of increasing a unit's rent to market rate;

WHEREAS, pursuant to the City's police power, as granted broadly under Article XI, section 7 of the California Constitution, the City Council has the authority to enact and enforce ordinances and regulations for the public peace, health and safety of the City and its residents; and

WHEREAS, for the preservation of the public peace, health and safety, the City Council finds that it is necessary to adopt an ordinance adopting eviction protections that strengthen the Tenant Protection Act for the reasons set forth above, which are hereby incorporated by reference.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF LARKSPUR DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. Recitals. The above Recitals are true and correct and are incorporated herein by reference.

Section 2. Amendment of Larkspur Municipal Code to Add Chapter 6.30. The Larkspur Municipal Code is hereby amended by adding a new Chapter 6.30 to Title 6, which shall read as follows:

6.30.010 TITLE

This article shall be known as the "Just Cause Eviction and Tenant Protection Ordinance."

6.30.020 PURPOSE AND INTENT

A. It is the purpose and intent of this chapter to adopt a just cause eviction and tenant protection ordinance for the City that provides for greater certainty and protections for tenants when circumstances may allow just cause eviction.

B. The City Council finds that the provisions herein are necessary for the preservation and protection of the public health, safety and/or welfare. These provisions are within the authority conferred upon the City Council by state law and are an exercise of its police powers to enact and enforce regulations for the public health, safety and/or welfare.

6.30.030 RESTRICTIONS ON TERMINATION OF TENANCY WITHOUT JUST CAUSE.

A. Notwithstanding any other law, after a tenant has continuously and lawfully occupied a residential real property for 30 days, the owner of the residential real property shall not terminate the tenancy without just cause, which shall be stated in the written notice to terminate tenancy.

B. For purposes of this article, "just cause" includes either at-fault just cause or no-fault just cause.

6.30.040 AT-FAULT JUST CAUSE.

At-fault just cause includes any of the following:

A. Default in the payment of rent.

B. (1) A breach of a material term of the lease, as described in Cal. Code of Civil Procedure, Section 1161(3), including, but not limited to, violation of a provision of the lease after being issued a written notice to correct the violation.

(2) A "breach of a material term" shall not include:

(a) 1. The obligation to limit occupancy, provided that the additional occupant who joins the tenant of the residential real property thereby exceeding the limits on occupancy set forth in the lease is dependent under age 18, or a replacement tenant who moved in after an approved tenant vacated the residential real property, so long as the addition does not exceed the Uniform Housing Code.

2. The owner shall have the right to approve or deny the prospective additional or replacement tenant, who is not a minor dependent child, provided that the owner does not unreasonably withhold approval. If the owner fails to respond to the tenant in writing with a description of the reasons for the denial of the request within a reasonable amount of time of receipt of the tenant's written request, the tenant's request shall be deemed approved by the owner if the lease is for a period of one year or less.

(b) A change in the terms of the tenancy that is not the result of an express written agreement signed by both of the parties. An owner is not required to obtain a tenant's written consent to a change in the terms of the tenancy if the change in the terms of the tenancy is authorized by this section, or if the owner is required to change the terms of the tenancy pursuant to federal, state, or local law. Nothing in this subsection shall exempt an owner from providing legally required notice of a change in the terms of the tenancy.

C. Maintaining, committing, or permitting the maintenance or commission of a nuisance as described in Cal. Code of Civil Procedure, Section 1161(4).

D. Committing waste as described in Cal. Code of Civil Procedure, Section 1161(4).

E. The tenant had a written lease that terminated on or after the effective date of this article, and after a written request or demand from the owner, the tenant has refused to execute a written extension or renewal of the lease for an additional term of similar duration with similar provisions, provided that those terms do not violate this section or any other provision of law. If the tenant had a written lease that terminated on or after the effective date of this article, and after a written request or demand from the owner, the tenant has refused to execute a written

extension or renewal of the lease for an additional term of non-similar duration and/or with non-similar lease provisions, then the cause for eviction will be no-fault just cause under Section 6.30.050 below.

F. Criminal activity by the tenant on the residential real property, including any common areas, or any criminal activity or criminal threat, as defined in Cal. Penal Code, Section 422(a), on or off the residential real property, that is directed at any owner or agent of the owner of the residential real property or members of tenant's household or other tenants of the residential real property. This at-fault just cause provision shall apply if the owner has, within a reasonable time, reported the criminal activity to law enforcement. Further, at-fault just cause eviction of a tenant under this provision shall only apply to that tenant who committed the criminal activity described herein. If a tenant is acquitted or found not guilty of the charges giving rise to eviction, or if charges are not filed against the tenant within the applicable statute of limitations period, the tenant shall be offered the right to restore the tenancy only if the same residential real property is available.

G. (1) Assigning or subletting the premises in violation of the tenant's lease, as described in Cal. Code of Civil Procedure, Section 1161(4).

(2) Notwithstanding any contrary provision in this section, an owner shall not take any action to terminate a tenancy based on a tenant's sublease of the residential real property if all the following requirements are met:

(a) The tenant requests permission from the owner in writing to sublease the residential real property;

(b) The tenant continues to reside in the residential real property as their primary residence;

(c) The sublease replaces one or more departed tenants under the lease on a one-for-one basis; and

(d) The owner fails to respond to the tenant in writing within a reasonable amount of time of the receipt of the tenant's written request. If the owner fails to respond to the tenant's written request, the request shall be deemed approved by the owner if the lease is for a period of one year or less. An owner's reasonable refusal of the tenant's written request may be based on, but is not limited to, the ground that the total number of occupants in a residential real property exceeds the maximum number of occupants as determined under Section 503(b) of the Uniform Housing Code or successor provision.

H. The tenant's refusal to allow the owner to enter the residential real property as authorized by Cal. Civil Code, Sections 1101.5 and 1954, and Cal. Health and Safety Code, Sections 13113.7 and 17926.1.

I. Using the premises for an unlawful purpose as described in Cal. Code of Civil Procedure, Section 1161(4).

J. The employee, agent, or licensee's failure to vacate after their termination as an employee, agent, or a licensee as described in Cal. Code of Civil Procedure, Section 1161(1).

K. When the tenant fails to deliver possession of the residential real property after providing the owner written notice as provided in Cal. Civil Code, Section 1946 of the tenant's intention to terminate the hiring of the real property, or makes a written offer to surrender that is

accepted in writing by the owner but fails to deliver possession at the time specified in that written notice as described in Cal. Code of Civil Procedure, Section 1161(5).

6.30.050 NO-FAULT JUST CAUSE.

No-fault just cause includes any of the following:

A. (1) Intent to occupy the residential real property by the owner or their spouse, domestic partner, children, grandchildren, parents, or grandparents.

(2) For leases entered into on or after the effective date of this article, this subsection shall apply only if the tenant agrees, in writing, to the termination, or if a provision of the lease allows the owner to terminate the lease if the owner, or their spouse, domestic partner, children, grandchildren, parents, or grandparents unilaterally decides to occupy the residential real property for a period of at least 12 months, as affirmed by the owner in a written affidavit submitted to the city. Addition of a provision allowing the owner to terminate the lease as described in this clause to a new or renewed rental agreement or fixed-term lease constitutes a similar lease provision for the purposes of Section 6.30.040 (E).

(3) In the event the owner seeks to rent the residential real property within twelve months following eviction due to intent to occupy under this section, the evicted tenant shall have the right of first refusal to reoccupy and rent the residential real property at the monthly rental rate in effect at the time of eviction, unless the owner provides a written waiver by the tenant of their right to reoccupy the premises pursuant to this subsection.

~~B. Withdrawal of the residential real property from the rental market under, and subject to, the provisions of the Ellis Act. (1) Withdrawal of the residential real property from the rental market under, and subject to, the provisions of the Ellis Act.~~

~~(2) Tenants shall be entitled to a minimum of 120-day notice for evictions pursuant to the Ellis Act. In the case that a tenant or member of tenant's household has resided in the unit for at least twelve (12) consecutive months and is sixty-two (62) years of age or older, disabled, or certified to be terminally ill by the treating physician, tenant shall be entitled to a minimum of one-year's notice.~~

C. (1) The owner complying with an order issued by a government agency or court relating to habitability that necessitates vacating the residential real property.

(2) Exception. If it is determined by any government agency or court that the tenant is at fault for the condition or conditions triggering the order or need to vacate, then the tenant shall not be entitled to relocation assistance as outlined in Section 6.30.070 (C).

D. Intent to demolish or to substantially remodel the residential real property. For purposes of this section, "substantially remodel" means the replacement or substantial modification of any structural, electrical, plumbing, or mechanical system that requires a permit from a governmental agency, or the abatement of hazardous materials, including lead-based paint, mold, or asbestos, in accordance with applicable federal, State, and local laws, that cannot be reasonably accomplished in a safe manner with the tenant in place and that requires the tenant to vacate the residential real property for at least 30 days. Cosmetic improvements alone, including painting, decorating, and minor repairs, or other work that can be performed safely without having the residential real property vacated, do not qualify as a substantial remodel.

(1) The owner shall provide 60 days advance written notice to the tenant of the ability to reoccupy the residential real property upon completion of the repairs, or if requested by the tenant, the right of first refusal to any comparable vacant rental unit which has been offered at comparable rent owned by the owner; and

(2) In the event the owner seeks to rent the remodeled residential real property within twelve months following the completion of the remodeling work, the evicted tenant shall have the right of first refusal to reoccupy and rent the residential real property at the monthly rental rate in effect at the time of eviction, unless the owner provides a written waiver by the tenant of their right to reoccupy the premises pursuant to this subsection.

6.30.060 JUST CAUSE CURABLE LEASE VIOLATION.

A. Before an owner of residential real property issues a notice to terminate a tenancy for just cause that is a curable lease violation, the owner shall first give notice of the violation to the tenant with an opportunity to cure the violation pursuant to Cal. Code of Civil Procedure, Section 1161(3). If the violation is not cured within the time period set forth in the notice, a three-day notice to quit without an opportunity to cure may thereafter be served to terminate the tenancy.

B. Any written notice to cease or correct must:

(1) Be dated and served upon the tenant, pursuant to at least one of the methods authorized under Cal. Code of Civil Procedure, Section 1162, as may be amended;

(2) Inform the tenant that failure to cure may result in the initiation of eviction proceedings;

(3) Inform the tenant of the right to request a reasonable accommodation;

(4) Inform the tenant of the contact number for the city; and

(5) Include a specific statement of the reasons for the written notice to cease or correct with specific facts to help the tenant determine the date(s), place(s), witness(es), and/or circumstance(s) that support the reason(s) for the eviction.

6.30.070 NO-FAULT JUST CAUSE TENANT RELOCATION ASSISTANCE.

A. For a tenancy for which just cause is required to terminate the tenancy under this article, if an owner of residential real property issues a termination notice based on a no-fault just cause as defined in Section 6.30.050, the owner shall, regardless of the tenant's income, provide a direct payment to the tenant as described in subsection (C) below.

B. If an owner issues a notice to terminate a tenancy for no-fault just cause, the owner shall notify the tenant of the tenant's right to relocation assistance and all other rights pursuant to this section.

C. ~~The amount of relocation assistance shall be equal to: (i) three months of the tenant's rent that was in effect when the owner issued the notice to terminate the tenancy, or (ii) \$5,000, whichever is greater. Any relocation assistance shall be provided within 15 calendar days of service of the notice.~~ The amount of relocation assistance shall be equal to: (i) three months of the tenant's rent that was in effect when the owner issued the notice to terminate the tenancy, or

(ii) \$5,000, whichever is greater. If a tenant or member of tenant's household has resided in the unit for at least twelve (12) consecutive months and is sixty-two (62) years of age or older, disabled, or certified to be terminally ill by the treating physician, the amount of relocation assistance shall be increased by \$3,000. For the purposes of this section, the term "disabled" shall have the same meaning as that in Government Code section 12955.3, as may be amended or renumbered from time to time. Any relocation assistance shall be provided within 15 calendar days of service of the notice.

(1) If a tenant fails to vacate after the expiration of the notice to terminate the tenancy, the actual amount of any relocation assistance or rent waiver provided pursuant to this subsection shall be recoverable as damages in an action to recover possession.

(2) The relocation assistance required by this section shall be credited against any other relocation assistance required by any other law.

D. An owner's failure to strictly comply with this section shall render the notice of termination void.

6.30.080 EXEMPTIONS.

This article shall not apply to the following types of residential real properties or residential circumstances:

- A. Transient and tourist hotel occupancy as defined in Cal. Civil Code, Section 1940(b).
- B. Housing accommodations in a nonprofit hospital, religious facility, extended care facility, licensed residential care facility for the elderly, as defined in Cal. Health and Safety Code, Section 1569.2, or an adult residential facility, as defined in Chapter 6 of Division 6 of Title 22 of the Manual of Policies and Procedures published by the State Department of Social Services.
- C. Dormitories owned and operated by an institution of higher education or a kindergarten and grades 1 to 12, inclusive, school.
- D. Housing accommodations in which the tenant shares a bathroom or kitchen facilities with the owner who maintains their principal residence at the residential real property.
- E. Single-family owner-occupied residences, including a residence in which the owner-occupant rents or leases no more than two bedrooms.
- F. A duplex in which the owner occupied one of the units as the owner's principal place of residence at the beginning of the tenancy, so long as the owner continues in occupancy.
- G. (4) A unit permitted as an Accessory Dwelling Unit (ADU) or Junior Accessory Dwelling Unit (JADU).

6.30.090 DEFINITIONS.

For the purposes of this article, the following definitions shall apply:

- A. "Owner" and "residential real property" - Have the same meaning as those terms are defined in Cal. Civil Code, Section 1946.2.

B. "Tenancy" - The lawful occupation of residential real property, not including Accessory Dwelling Units, Junior Accessory Dwelling Units, mobile homes, or mobile home spaces , and includes a lease or sublease, as such may be subject to local ordinance.

6.30.100 NOTICES.

A. Notice of existence of this chapter. In addition to all other notice requirements specified elsewhere in this article, the owner of any residential real property is required to provide written notice to tenants of their rights under this article as follows:

(1) The notice required by this article must include the following information:

(a) The existence and scope of this article; and

(b) The right to relocation assistance in limited circumstances pursuant to Section 6.30.070.

(2) The owner must provide tenant with the notice upon serving any notice of change in terms of tenancy.

(3) The owner must provide the notice on or before the commencement of all tenancies initiated after the effective date of this chapter.

B. Notice of termination of tenancy. When terminating a tenancy either at-fault or no-fault, an owner must comply with all of the following:

(1) The owner must serve a written notice in accordance with Cal. Civil Code, Sections 1946 through 1946.5, to the tenant that states that, in addition to any information required by federal or State law, the owner will terminate the tenancy, and that indicates at least one at-fault or no-fault just cause reason; and

(2) The owner has not accepted and will not accept rent or any other consideration in return for the continued use of the residential property beyond the term of the terminated tenancy in compliance with Cal. Civil Code, Sections 1945 through 1946.5; and

(3) The owner qualifies the termination as at-fault or no-fault just cause; and

(4) The owner has submitted to the city, within five days after service of the notice of termination on the tenant, a true and accurate copy of the owner's written notice of termination, and proof of such service, signed by the owner under penalty of perjury, on the tenant. The owner shall maintain proof of service to the city as evidence that the owner has complied with this section.

(5) When the owner and tenant have entered into a written lease, the owner must provide the notice in the language used in the lease, in addition to English. When the owner and tenant have not entered into a written lease, the owner must provide the notice in the language that the owner and tenant used to negotiate the terms of the tenancy, in addition to English.

C. Notice as addendum to lease or rental agreement. An owner of residential real property subject to this section shall provide notice to the tenant as follows:

(1) For any tenancy commenced or renewed on or after the effective date of this article, as an addendum to the lease or rental agreement, or as a written notice signed by the tenant, with a copy provided to the tenant.

(2) The owner must provide the notice in the language that the owner and tenant used to in the lease, in addition to English.

(3) For a tenancy existing prior to the effective date of this article, by written notice to the tenant no later than 30 days after the effective date of this article, or as an addendum to the lease or rental agreement.

(4) The notification or lease provision shall be in no less than 12-point type, and shall include the following: "The Larkspur Municipal Code provides that after all of the tenants have continuously and lawfully occupied the property for at least 30 days, an owner must provide a statement of cause in any notice to terminate a tenancy. In addition, Larkspur Municipal Code provides tenants evicted for no-fault just cause with the right to relocation payments. See Chapter 6.30 of the Larkspur Municipal Code for more information."

(5) Owners must provide the notice to tenants in writing if the application and lease are processed in writing, electronically if the application or lease are processed electronically, or both if both methods are utilized. The provision of the notice shall be subject to Cal. Civil Code, Section 1632.

6.30.110 ADDITIONAL TENANT PROTECTIONS.

A. The city manager may adopt administrative procedures and regulations to implement the provisions of this article.

B. Once established by the city council, all owners with rental units shall pay the tenant protection program fee, as established by city council resolution. The tenant protection program fee is to fund the city's cost to implement and enforce the provisions of this article.

C. It is illegal for an owner or representative to retaliate against a tenant for lawfully and peaceably exercising their legal rights, including but not limited to, the right to file a complaint with code compliance. No owner may take any action increasing any rental amount, reducing any service, causing the tenant to involuntarily quit the premises, or discriminating against the tenant because of the tenant's use of any remedy provided by this article.

D. Any provision of a rental housing agreement that purports to waive any provision of this article is void as against public policy.

E. An owner's failure to comply with any requirement of this article is an affirmative defense in an unlawful detainer or other action brought by the owner to recover possession of the rental unit.

6.30.120 VIOLATIONS.

A. It shall be unlawful for any person to violate or fail to comply with any provision of this article. The violation of any provision of this chapter shall first be punished through the use of a civil citation, prior to prosecution as a misdemeanor, infraction, or civil injunction as provided in Chapter 9.24 of this Code.

B. Any person whose rights pursuant to this article have been violated shall have the right to file an action for injunctive relief and damages. Whoever is found to have violated this article shall be subject to appropriate injunctive relief and shall be liable for damages, costs, and reasonable attorney fees. Treble damages shall be awarded for willful failure to comply with the relocation payment obligations established by this article. Any action pursuant to this article shall be a civil matter and adjudicated through civil court.

6.30.130 SUNSET.

This chapter shall automatically sunset on December 31, 2030.

Section 3. Compliance with the California Environmental Quality Act. The approval of this Ordinance is exempt from the California Environmental Quality Act (Public Resources Code §§ 21000 et seq., “CEQA,” and 14 Cal. Code Reg. §§ 15000 et seq., “CEQA Guidelines”). The rent stabilization regulations imposed by the adoption of this Ordinance are to prohibit increases in excess of a certain amount of rent on an annual basis; it is not a commitment to any particular action. As such, under CEQA Guidelines section 15378(b)(4), the regulations are not a project within the meaning of CEQA because it creates a regulatory mechanism that does not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. Therefore, pursuant to CEQA Guidelines section 15060 CEQA analysis is not required.

Section 4. Severability. If any provision of this Ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the Ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

Section 5. Effective Date and Publication. This Ordinance shall become effective thirty (30) days after it is adopted and shall be posted or published as required by State law.

IT IS HEREBY CERTIFIED that the foregoing ordinance was duly introduced at a regular meeting of the Larkspur City Council held on June 21, 2023, and thereafter passed and adopted by the Larkspur City Council, subject to voter approval, on _____, 2023 by the following vote, to wit:

AYES: COUNCILMEMBER:

NOES: COUNCILMEMBER:

ABSENT: COUNCILMEMBER:

ABSTAIN: COUNCILMEMBER

Gabe Paulson, Mayor

ATTEST:

Alison Foulis, City Clerk

5389439.2

**CITY OF LARKSPUR
ORDINANCE 1067**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LARKSPUR
AMENDING THE LARKSPUR MUNICIPAL CODE TO ADD CHAPTER 6.20,
ESTABLISHING RENT STABILIZATION REGULATIONS INCLUDING
PROHIBITING RESIDENTIAL REAL PROPERTY RENTAL RATE INCREASES THAT
EXCEED FIVE PERCENT PLUS A CONSUMER PRICE INDEX OR SEVEN PERCENT,
WHICHEVER IS LOWER, IN A TWELVE-MONTH PERIOD ANNUALLY, AND
DEFINING A BASE RENT AS THE RENT IN EFFECT ON MAY 8, 2023**

WHEREAS, beginning in the summer of 2022, the City Council began to explore the concepts of rent stabilization and eviction protections. At its meeting on March 15, 2023, the City Council decided to transition from exploring these topics to specific terms and regulations. The City Council held public hearings on May 8, 2023, and May 22, 2023, at which Council discussed specific proposals to address rent increases on residential real property and displacement. Throughout the workshops and public hearings, the City Council heard testimony from tenants and property owners regarding the scope of rent increases and resident displacement, both as a result of rent increases and aspects of eviction protections in State law;

WHEREAS, the housing shortage and rising costs of living in Marin County has detrimentally impacted a substantial number of residents in Larkspur;

WHEREAS, the housing shortage, rise in cost of living expenses including rent, and displacement of residents constitutes a threat to public health, safety and welfare, and imposes a particular hardship on senior citizens, persons living on fixed incomes, and other vulnerable persons living in the City of Larkspur (“City”);

WHEREAS, the average household in the City has a median annual income of \$135,260, slightly above the Marin median annual income of \$131,008, and well-above the California median annual income of \$84,087;

WHEREAS, Marin County Assessor Data shows that the median home price in the City in 2022 was \$2.4 million for a single-family home and \$805,000 for a condominium, which are prices that are extremely difficult for households at or below the median income to finance;

WHEREAS, the average monthly rents in the City range from \$2,436 for a studio apartment to \$4,721 for a three bedroom apartment, and the median gross rent in Larkspur over the five years ending in 2021 was \$2,610;

WHEREAS, U.S. Census Bureau data shows that 23.0% of renters in the City spend 30-50% of their income on housing and 26.3% of renters spend 50% or more of their income on housing and are considered “severely cost burdened”;

WHEREAS, the cost burden rate in the City is sufficiently high to create anxiety about rent increases as the increasing housing rent burden and poverty faced by many residents in the City threatens the health, safety, and welfare of its residents by forcing them to choose between paying rent and providing food, clothing, and medical care for themselves and their families;

WHEREAS, the Tenant Protection Act of 2019 is a statewide law that limits annual rent increases to no more than five percent (5%) plus local Consumer Price Index, or ten percent (10%), whichever is lower, is not applicable to units that are more than fifteen (15) years old on a rolling basis, applies to single family homes and condominiums if those units are owned by a real estate trust or a corporation, and is set to sunset on January 1, 2030;

WHEREAS, the recent and ongoing spike in the inflation rate has resulted in permissible rent increases of up to 10% under the Tenant Protection Act, which caused some residents to relocate or become fearful of needing to relocate for financial reasons;

WHEREAS, this fear of displacement has been determined to be a threat to the City's health and well-being;

WHEREAS, it is in the interest of the City, owners, residents, and the community as a whole that the City adopt rent stabilizations regulations that establish a ceiling for how much rent may increase in a given period for residential real property in order to ensure a rental rate that tenants can still afford while still allowing for the landlord to still realize a fair rate of return;

WHEREAS, pursuant to the City's police power, as granted broadly under Article XI, section 7 of the California Constitution, the City Council has the authority to enact and enforce ordinances and regulations for the public peace, health and safety of the City and its residents; and

WHEREAS, for the preservation of the public peace, health and safety, the City Council finds that it is necessary to adopt an ordinance stabilizing rents for the reasons set forth above, which are hereby incorporated by reference.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF LARKSPUR DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. Recitals. The above Recitals are true and correct and are incorporated herein by reference.

Section 2. Amendment of Larkspur Municipal Code to Add Chapter 6.20. The Larkspur Municipal Code is hereby amended by adding a new Chapter 6.20 to Title 6, which shall read as follows:

6.20.010 Title.

 This ordinance shall be known as the Larkspur Rent Stabilization Ordinance.

6.20.020 Purpose and Intent.

 A. It is the purpose and intent of this chapter to adopt a rent stabilization ordinance for the City that ensures affordable rental rates for tenants while still allowing for landlords to realize a fair and reasonable rate of return as defined herein.

 B. The City Council finds that the prohibitions herein are necessary for the preservation and protection of the public health, safety and/or welfare. These prohibitions are within the authority conferred upon the City Council by state law and are an exercise of its police powers to enact and enforce regulations for the public health, safety and/or welfare.

6.20.030 Definitions.

A. “Base Rent” shall mean the reference point from which the lawful Rent shall be determined and adjusted in accordance with this Chapter.

(1) The Base Rent for tenancies that commenced before May 8, 2023, shall be the rent in effect on May 8, 2023.

(2) The Base Rent for tenancies that commenced on or after May 8, 2023, shall be the initial rental rate charged upon initial occupancy, provided that amount is not a violation of this Chapter or any provision of state law. The term “initial rental rate” means only the amount of Rent actually paid by the Tenant for the initial term of the tenancy.

AB. “Fair return petition” shall mean a petition made by an owner of residential real property for a rent increase in excess of that provided in Section 6.20.040 in order to obtain a fair and reasonable return on their property.

BC. “Reasonable rate of return” shall have the meaning assigned the term by California and Federal courts in precedential published opinions regarding rent stabilization ordinances for residential tenancies. Generally, within the context of a rent stabilization ordinance, the term refers to a rate of just and reasonable return on an owner’s property that is high enough to encourage and reward efficient management, discourage the flight of capital, maintain adequate services, and enable operators to maintain and support an owner’s credit status, but not so high as to defeat the purpose of curtailing excessive rents and rental increases.

CD. “Rent” shall mean all periodic payments and all nonmonetary consideration, including, but not limited to, the fair market value of goods and services rendered to or for the benefit of the owner under an agreement concerning the use or occupancy of residential real property, including, but not limited to, all payment and consideration demanded or paid for parking, pets, furniture and subletting.

6.20.040 Stabilization of Rent and Prohibited Increases.

A. Upon the effective date of this Chapter, no owner of residential real property shall charge Rent in an amount that exceeds the sum of the Base Rent plus any lawful Rent increases actually implemented pursuant to this Chapter.

B. Increases in rent on residential real property in the City in excess of five percent (5%) plus the Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-Hayward or seven percent (7%), whichever is lower, and more than one rent increase in any 12 month period, are prohibited, unless approved pursuant to a fair return petition pursuant to this Chapter or expressly exempt under the Costa Hawkins Rental Housing Act codified in Cal. Civil Code, Section 1954.50 et seq.

6.20.050 Reasonable Rate of Return.

The adjustment of residential real property rent of up to five percent (5%) plus the Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-Hayward or

seven percent (7%), whichever is lower, is found and determined to provide a just and reasonable return on an owner's property. Notwithstanding the foregoing, however, any owner of residential real property who contends that the limit on rental increases set forth in Section 6.20.040 above will prevent the owner from receiving a fair and reasonable return on their property may petition for relief from the cap set forth in Section 6.20.040 pursuant to the procedures set forth in Section 6.20.060 below.

6.20.060 Fair Return Petition for Rent Increase.

A. An owner of residential property may petition for a rent increase in excess of that provided in Section 6.20.040 in order to obtain a fair and reasonable return on their property. Such a fair return petition shall be on an application form prescribed by the City Manager and shall be decided by the City Manager, or their designee. The owner shall provide a copy of any fair return petition submitted to the City to the applicable tenant(s) and provide the City with proof of completing such service to the applicable tenant(s). The owner shall be responsible for accurately translating the return petition into the primary language(s) spoken by the applicable tenant(s). The tenant(s) will then have 30 days from the date of receiving the fair return petition to reply or provide additional materials to the City in response to the fair return petition. The owner shall bear the burden of establishing that a rate increase in excess of that provided in Section 6.20.040 is necessary to provide the owner with a fair and reasonable rate of return on their property, including by providing an independent financial report and verified financial data demonstrating that without such an increase the owner will not realize a fair and reasonable rate of return on their property.

B. The owner shall be responsible for all costs associated with the City's review of the fair return petition. Upon receipt of a fair return petition, the City Manager shall determine the anticipated costs of review and whether the employment of expert(s) will be necessary or appropriate for a proper analysis of the owner's request. If the City Manager so determines, the City Manager shall also determine the anticipated costs of employing such expert(s). The resulting figure shall be communicated to the owner, and the fair return shall not be further processed until the owner has paid to the City the estimated cost of the complete analysis. The City shall provide owner with an invoice of all costs incurred after the review of the fair return petition. Any unused portion of this advance payment for analysis shall be refunded to the owner. If additional funds are required, payment of such funds shall be required before owner receives the determination on the fair return petition from the City.

C. The factors the City Manager may consider in deciding a fair return petition may include, but not be limited to:

(1) Changes in the Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-Hayward, CA Area published by the Bureau of Labor Statistics.

(2) The length of time since the last determination by the City Manager on a rent increase application, or the last rent increase if no previous rent increase application has been made.

(3) The completion of any capital improvements or rehabilitation work related to the residential real property specified in the fair return petition, and the cost thereof, including materials, labor, construction interest, permit fees, and other items the City Manager deems appropriate.

(4) Changes in property taxes or other taxes related to the subject residential real property.

(5) Changes in the rent paid by the owner for the lease of the residential real property.

(6) Changes in the utility charges for the subject residential property paid by the owner, and the extent, if any, of reimbursement from the tenants.

(7) Changes in reasonable operating and maintenance expenses.

(8) The need for repairs caused by circumstances other than ordinary wear and tear.

(9) The amount and quality of services provided by the owner to the affected tenant(s).

D. A fair return petition shall be decided by the City Manager within 60 calendar days of the date that the application has been deemed complete, including proof of service of the fair return petition on the applicable tenant(s). The decision shall be emailed and sent by mail, with proof of mailing to the subject property owner, the owner's designated representative(s) for the fair return petition, the applicable tenant(s), and the designated representative of the tenant(s), if any. The decision shall be translated into the primary language(s) spoken by the applicable tenant(s).

E. The City Council shall appoint a five-member rent review board consisting of two owners of residential property in Larkspur who actively rent property to residential tenants, two tenants of residential real property who reside in Larkspur, and one resident who is neither an owner of residential rental property nor a tenant of residential property. Members of the rent review board shall serve four-year terms and may be reappointed by the City Council.

(1) Within 30 calendars days of the City Manager's decision on a fair return petition, the applicant or the affected tenants may file an appeal of the decision with the rent review board. A hearing on an appeal shall be held within 30 days of filing. The board may continue a hearing to obtain additional information relevant to the appeal. The board shall issue a written decision on an appeal within 30 days of closing the hearing. The decision of the City Manager shall be the final decision in the event of no appeal to the rent review board.

(2) By resolution, the City Council shall enact rules and regulations governing such appeal hearings.

(3) In deciding an appeal, the rent review board shall consider the factors listed in subsection (C) above, in addition to any others stated in the City Council resolution enacting rules and regulations for appeal hearings.

(4) On appeal, the rent review board may affirm, reverse, or modify the decision of the City Manager.

6.20.070 Exemptions.

A. Pursuant to the Costa-Hawkins Rental Housing Act, the provisions of this chapter regulating the amount of rent that a residential real property owner may charge shall not apply to the following: any residential real property that has a certificate of occupancy issued after February 1, 1995 (Cal. Civil Code, Section 1954.52(a)(1)), and any other provisions of the Costa-Hawkins Rental Housing Act addressing exemptions, as applicable.

B. Pursuant to the Tenant Protection Act of 2019, Cal. Civil Code, Section 1947.12(d), the provisions of this chapter regulating the amount of rent that a residential real property owner may charge shall not apply to the following:

(1) Housing restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for persons and families of very low, low or moderate income, as defined in Cal. Health and Safety Code, Section 50093 or comparable federal statutes.

(2) Dormitories owned and operated by an institution of higher education or a kindergarten and grades 1 to 12, inclusive, school.

(3) Residential real property that is alienable, separate from the title to any other dwelling unit, provided that both of the following apply:

(a) The owner is not any of the following:

1. A real estate investment trust, as defined in Section 856 of the Internal Revenue Code.

2. A corporation.

3. A limited liability company in which at least one member is a corporation.

(b) At the time the tenancy is created:

1. The tenants have been provided written notice that the residential real property is exempt from this section using the following statement:

“This property is not subject to the rent limits imposed by Larkspur Municipal Code Chapter 6.20, and the owner is not any of the following: (1) a real estate investment trust, as defined by Section 856 of the Internal Revenue Code; (2) a corporation; or (3) a limited liability company in which at least one member is a corporation.”

2. For a tenancy existing before the effective date of this chapter, the notice required under Subsection (1) above may, but is not required to, be provided in the rental agreement.

3. For a tenancy commenced or renewed on or after the effective date of this chapter, the notice required under Subsection (1) above must be provided in the rental agreement.

(4) A property containing two separate dwelling units within a single structure in which the owner occupied one of the units as the owner's principal place of residence at the beginning of the tenancy so long as the owner continues in occupancy, and neither unit is an accessory dwelling unit or a junior accessory dwelling unit.

C. The provisions of this chapter regulating the amount of rent that a residential real property owner may charge shall not apply to the following:

(1) A unit in a hotel, motel, inn, tourist home, or rooming and boarding house which is rented primarily to transient guests for a period of less than 30 days, and other transient occupancies as defined in Cal. Civil Code, Section 1940(b).

(2) A unit in an institutional facility, including a hospital, medical care facility, residential care facility, asylum, group home for seniors or the disabled; a rental unit in a transitional housing program that assists homeless persons as defined in Cal. Civil Code, Section 1954.12; a convent or monastery owned and operated by a religious organization; and a fraternity or sorority house affiliated with a college or university.

(3) A unit that the owner or the owner's immediate family occupied as their principal place of residence at the beginning of the tenancy so long as the owner or the owner's immediate family continues in occupancy.

(4) A unit permitted as an Accessory Dwelling Unit (ADU) or Junior Accessory Dwelling Unit (JADU).

6.20.080 Rent Increase Ineffective.

No rent increase shall be effective if the owner:

A. Fails to substantially comply with all provisions of this chapter, including but not limited to the failure to provide notices as required; or

B. Fails to maintain the residential real property in compliance with Cal. Civil Code, Sections 1941.1 et seq. and Cal. Health and Safety Code, Sections 17920.3 and 17920.10; or

C. Fails to make repairs ordered by the City or court of competent jurisdiction.

6.20.090 Notice Requirements.

A. An owner of any residential real property subject to this chapter shall, on or before the date of commencement of a tenancy, give the tenant a written notice in a form prescribed by the City which must include the following information:

(1) The existence and scope of this Chapter 6.20 of the City Code; and

(2) The tenant's right to respond to any fair return petition filed with the City by the owner pursuant to Section 6.20.060.

B. As part of any notice to increase rent, an owner must include:

(1) Notice of the existence of this Chapter 6.20 of the City Code; and

(2) The tenant's right to respond to any fair return petition filed with the City by the owner and right to appeal a City Manager decision on a reasonable fair return petition pursuant to Section 6.20.060.

(3) No rent increase shall take effect until the requirements of this chapter have been met.

C. When the owner and tenant have entered into a written lease, the owner must give notices to the tenant in the language used in the lease. When the owner and tenant have not entered into a written lease, the owner must give notices to the tenant in the language that the owner and tenant used to negotiate the terms of the tenancy. Notwithstanding the foregoing, the owner must give notices to the tenant in the primary language spoken by the tenant, if known to the owner.

6.20.100 Violations.

A. It shall be unlawful and a public nuisance for any person to violate or fail to comply with any provision of this chapter. The City may enforce and seek compliance with the provisions of this chapter using the criminal, civil, and administrative remedies set forth in Chapter 9.24 of this Code in addition to any other legal remedy available to the City. Any violation of any provision of this chapter may be subject to the criminal, civil, and administrative penalties set forth in Chapter 9.24 of this Code.

B. Any owner who intentionally demands, accepts or retains any payment in violation of the provisions of this chapter shall be liable in a civil action to the tenant from whom such payment is demanded, accepted or retained for damages in the sum of three times the amount by which the payment demanded, accepted or retained exceeds the maximum amount which could be lawfully demanded, accepted or retained together with reasonable attorneys' fees and costs as determined by the court.

6.20.110 Fees Established.

Owners subject to this chapter shall pay a rent stabilization program fee annually as established by City Council resolution. The rent stabilization program fee is to fund the City's cost to implement and enforce the provisions of this Chapter.

Section 3. Compliance with the California Environmental Quality Act. The approval of this Ordinance is exempt from the California Environmental Quality Act (Public Resources Code §§ 21000 et seq., "CEQA," and 14 Cal. Code Reg. §§ 15000 et seq., "CEQA Guidelines"). The rent stabilization regulations imposed by the adoption of this Ordinance are to prohibit increases in excess of a certain amount of rent on an annual basis; it is not a commitment to any particular action. As such, under CEQA Guidelines section 15378(b)(4), the regulations are not a project within the meaning of CEQA because it creates a regulatory mechanism that does not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. Therefore, pursuant to CEQA Guidelines section 15060 CEQA analysis is not required.

Section 4. Severability. If any provision of this Ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the Ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

Section 5. Effective Date and Publication. This Ordinance shall become effective thirty (30) days after it is adopted and shall be posted or published as required by State law.

IT IS HEREBY CERTIFIED that the foregoing ordinance was duly introduced at a regular meeting of the Larkspur City Council held on _____, and thereafter passed and adopted by the Larkspur City Council, subject to voter approval, on _____, 2023 by the following vote, to wit:

AYES: COUNCILMEMBER:

NOES: COUNCILMEMBER:

ABSENT: COUNCILMEMBER:

ABSTAIN: COUNCILMEMBER

Gabe Paulson, Mayor

ATTEST:

Alison Foulis, City Clerk
5389438.2