Rent Stabilization Program
Annual Report
About the Rent Stabilization Program (RSP)

The Rent Stabilization Program provides services to owners, managers and tenants of apartments and mobilehomes. The services include:

- **Staffing information lines**, responding to general inquiries, and meeting with owners and tenants to discuss issues, provide answers and offer solutions to problems;
- **Developing and implementing policies**;
- **Managing submissions of notices of termination of tenancy**, including reviewing submitted notices for accuracy and analyzing trends;
- **Managing tenant and owner petitions**, and scheduling mediations and administrative hearings;
- **Engaging with, and educating, community members**, via mailings, presentations to community groups, site visits to apartment complexes and mobilehome communities, fact sheets and brochures, website updates, and multilingual workshops.
Message from Housing Director

The Rent Stabilization Program Annual Report for 2018–2019 summarizes the program team’s work and presents a wide range of housing data collected during one of the most consequential year’s in the program’s history. Over the past year, the program team rolled out the Rent Registry, implemented significant changes to both the Apartment Rent Ordinance and Tenant Protection Ordinance, processed Ratio Utility Billing Systems petitions for over 6,000 apartments, and responded to nearly 5,000 inquiries from owners and tenants.

The program team’s work during the past year has laid the foundation for important advances in 2019–2020, including proactive enforcement of key provisions in the Apartment Rent Ordinance, and increased automation in the collection of rental housing data. The Rent Stabilization Program continues to play a critical role in stabilizing San José’s rental housing market, and has become an invaluable resource for tenants and owners seeking assistance in understanding their rights.

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EXECUTIVE SUMMARY

Annual Report 2018–2019

Span of Responsibility

38,867
RENT STABILIZED APARTMENTS

49,133
NON-RENT STABILIZED APARTMENTS

59
MOBILEHOME PARKS

10,840
MOBILEHOME SPACES

Rent Registry Data

Rent Stabilized Apartments

Landlords

38,867
Total Rent Stabilized Apartments

3,042
Total Unique Owners

29,387
Total Registered Apartments

1,989
Total Registered Owners

Average Rent for Rent Stabilized Apartments

$1,357
Studio

$1,652
1 Bed

$1,979
2 Bed

$2,354
3 Bed

$2,856
4 Bed

Tenant Buyouts

12

$29,050
Average Tenant Buyout per Household

Rent Stabilized Apartments in Rent Registry

29,387*

*Information for 36 apartments not included due to pending review.

Owner and Tenant Petitions Filed from 2014–2019

2014-2015
300

2015-2016
415

2016-2017
375

2017-2018
162

2018-2019
263
**EXECUTIVE SUMMARY**

**Annual Report 2018–2019**

**Termination of Tenancy Notices**

- **9,081** Nonpayment of Rent
- **415** Material or Habitual Violation of Lease
- **220** Other Reasons

**Workload Summary**

- **263** PETITIONS PROCESSED
- **4,905** INQUIRIES ADDRESSED including 558 in non-English languages
- **8** PUBLIC MEETINGS on ordinance changes and program updates
- **47** COMMUNITY EVENTS 5 hosted by council offices, 4 hosted for owners, 4 hosted for tenants

**130 Ratio Utility Billing System (RUBS) petitions submitted, impacting 6,480 apartments**

- **101** petitions approved through administrative decisions, impacting 5,613 apartments
- **22** petitions ineligible, impacting 784 apartments
- **3** petitions approved through hearing decisions, impacting 48 apartments
- **4** petitions pending hearings, impacting 35 apartments
- **$70.09** average increase in rent

**Unique Owners/Property Managers**

- **47** unique owners/property managers
In 2018–2019, the Rent Stabilization Program processed 263 petitions. Details regarding outcomes can be found on page 15.

Of the 4,905 inquiries handled, the team addressed 404 inquiries in Spanish, 133 in Vietnamese, and 21 in other languages.

The Rent Stabilization Program’s 75 public events included community meetings for public outreach, mobilehome meetings, and outreach meetings hosted by our partners through our Legal Services Grant. The outreach meetings included four for tenants, four for owners, five hosted by City Council members, and 34 for the general public.

The Rent Stabilization Program produced 18 informational videos—six each in English, Spanish and Vietnamese. The videos are accessible on the City’s website and the Housing Department’s YouTube channel.
To better understand the needs of San José residents, the Rent Stabilization Program researches housing data for rent stabilized properties, which are apartment buildings with three or more apartments, built before September 7, 1979.

Implemented this year, the Rent Registry allows owners to register their rent stabilized apartments online via the Rent Registry portal. San José’s Rent Registry collects information relating to rent increases, security deposits, vacancy reasons, and tenant names, and helps ensure San José tenants’ rights are protected.
Section 8 Voucher Assistance

Section 8 vouchers provide financial assistance to very low-income families, the elderly, and the disabled to help them afford housing in the private market, not limited to apartments in subsidized housing developments. In 2018–2019, there were 1,424 apartments in the Rent Registry for which tenants received voucher assistance.
Apartments — Tenant Buy Outs

A tenant buy-out occurs when the owner wants the lease of an existing tenant to be terminated early. The owner essentially pays the tenant to leave. Buy-outs are one way owners and tenants can make a mutual agreement to end a lease.

![Tenant Buyouts](image)

**Average Tenant Buyout per Household**

$29,050

Apartment Relocation Assistance

Under the Tenant Protection Ordinance, relocation benefits must be paid when a tenant is removed from an apartment for certain reasons. An owner must also provide tenants the opportunity to return to the apartment under specific circumstances when an owner terminates a lease under the Ellis Act Ordinance.

<table>
<thead>
<tr>
<th>Unpermitted Apartments</th>
<th>Fire</th>
<th>Ellis Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>Received relocation assistance</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Relocated to another apartment by same owner</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Received legal assistance</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Moved elsewhere in San José no assistance</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>At fault; No assistance</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Cases</strong></td>
<td><strong>8</strong></td>
<td><strong>7</strong></td>
</tr>
</tbody>
</table>
In 1979, the City Council created the Rental Dispute Mediation and Arbitration Ordinance, codified under San José Municipal Code Chapter 17.23, in order to address the “substantial upward pressure on residential rents.” Commonly known as the Apartment Rent Ordinance (ARO), the program’s public policy purposes are further clarified in the Ordinance’s statement:

- the prevention of excessive and unreasonable rent increases;
- the alleviation of undue hardship upon individual tenants; and
- the assurance to owners of a fair and reasonable return on the value of their property.

**Change to the Apartment Rent Ordinance**

- **April 24, 2018**: Revised Apartment Rent Ordinance to no longer allow utilities to be passed through to tenants. *Effective July 5, 2018.*

**Changes to the Tenant Protection Ordinance**

- **April 24, 2018**: Revised Tenant Protection Ordinance to prohibit disclosure of immigration status; included criminal activity as an additional Just Cause for eviction; added “opportunity to cure” causes for eviction. *Effective July 5, 2018.*

- **December 11, 2018**: Revised Tenant Protection Ordinance to amend Just Cause for criminal activity, add protections for victims of domestic violence, and add additional noticing requirements.
The “criminal activity” Just Cause was amended stating:

- If the tenant is acquitted of the criminal charges, the tenant is permitted to return to the apartment if the tenant household still resides in the apartment and consents to the return.

**RENT REGISTRY**

The Rent Registry website went live in August 2018. The launch of the Rent Registry marked the beginning of the first registration period, which ended on March 1, 2019. As of June 1, 2019, there were approximately 28,800 apartments registered out of the total 38,867 apartments subject to the Apartment Rent Ordinance. That is a compliance rate of 74%. By comparison, Los Angeles established a Rent Registry in 2016, and after one year of implementation, it had a compliance rate of 65%. City Council directed Housing staff to implement the Rent Registry to facilitate enforcement of the Apartment Rent Ordinance (ARO). The registry requires owners to submit specific housing and tenancy information regarding each apartment subject to the ARO. The information collected includes rent amounts and increases, security deposits, vacancy reasons, and tenant names.

The steps taken by the Rent Stabilization Program to ensure a successful launch of the Rent Registry included:

- **Three** mailers to owners
- **Seven** Rent Registry workshops
- **Three** email blasts
- **User guide produced in three languages**
- **Paper registration forms** for owners who prefer not to submit information electronically
- **Phone, email, and in-person technical support**

Data from the Rent Registry has proven to be valuable in helping the staff understand and analyze the ARO market. For example, staff now has visibility into apartment sizes and average rents charged for ARO apartments (see page 8). The focus for staff during 2018–2019 was informing owners about the Rent Registry, educating them about their obligations, and providing technical assistance throughout the registration process. While most properties were registered online, **360 properties** were registered by paper forms. **Ten tenant petitions** were filed regarding service reductions at unregistered ARO properties. Staff followed up with those owners to get their properties registered. During 2019–2020, staff’s focus will shift to tenant validation of rental data through a tenant portal that will be added to the Rent Registry.
POLICY CHANGES

The Rent Registry is an essential tool in the prevention of unpermitted rent increases, overcharging, and unlawful evictions and vacancies. The registry gives the Housing Department the ability to proactively monitor and enforce by: 1) analyzing data on current rents; 2) automatically calculating maximum allowable rent increases; 3) documenting instances of improper rent increases.

Information collected in the Rent Registry has already been proven useful. For example, average and median rents for one- and two-bedroom apartments subject to the ARO were compared to Class A, B and C market-rate apartment rents. Through this comparison it was determined that one- and two-bedroom ARO apartment rents were lower than Class A, B and C rents.

RATIO UTILITY BILLING SYSTEM (RUBS) PETITIONS

The Apartment Rent Ordinance was amended on May 22, 2018 to allow owners to petition for a one-time rent increase to offset the cost of utilities. An “Offset” petition must have been filed between July 5, 2018, and October 31, 2018. Owners with written utility pass-through contracts for water, sewer and/or garbage in place prior to January 1, 2018, could file a petition. The Rent Stabilization Program received 130 RUBS petitions.

Challenges the staff faced when administering the RUBS petitions included having to process a much larger volume of paperwork than anticipated to verify utility billings for each apartment, and being overwhelmed by the number of submissions. Staff received 130 petitions, covering more than 6,000 apartments. Petitions ranged from a few pages for small apartment buildings, to boxes of paperwork for large apartment complexes. To address this heavy workload, temporary staff was added to the Rent Stabilization Program for the sole purpose of reviewing RUBS petitions.

Of the 130 petitions impacting 6,480 apartments:

- 101 petitions approved through administrative decisions, impacting 5,613 apartments
- 22 petitions ineligible, impacting 784 apartments
- 3 petitions approved through hearing decisions, impacting 48 apartments
- 4 pending hearings, impacting 35 apartments
- Average increase in rent: $70.09
- 47 unique owners/property managers
Summary of Activity Related to Ellis Act Ordinance

To date, two property owners have issued notices to withdraw their apartments from the rental market. This amounts to nine apartments. One property is a four-apartment rent-stabilized apartment complex proposing to build 285 apartments. All impacted tenants have successfully relocated.

The second property is a five-unit apartment complex built in 2008 and not subject to the Apartment Rent Ordinance. This property is proposing to build 249 apartments. It is projected to remain as rental housing and subject to the Tenant Protection Ordinance and limited provisions of the Ellis Act Ordinance.

Both properties mentioned above have paid the City fees, tenants were properly noticed, and the City’s contracted relocation specialist assisted impacted tenants. Program staff continue to receive inquiries from property owners and developers regarding the Ellis Act Ordinance.

On February 5, 2019, staff received direction from City Council to conduct additional analysis of the re-control provisions in the Ellis Act Ordinance and return with a verbal update. Staff conducted interviews with developers, lenders and tenants. As of the printing of this report, the staff analysis is tentatively scheduled for City Council in November 2019.
The Rent Stabilization Program handles tenant and owner-initiated petitions. Through its hearing officers, the Program conducts mediations and administrative hearings to assist in resolving rental issues.

Mediations are held to settle disputes without the need for a more formal hearing. Participation in a mediation is voluntary. Administrative hearings are held for cases not resolved through mediation. At these hearings, the hearing officer reviews evidence and hears testimony from the parties. After the administrative hearing process, the hearing officer issues a detailed written decision. Most petitions filed are resolved through mutual agreement.

Summary of Petitions filed from 2014-2019

The data to the right represents figures over a five-year period from 2014–2019. There have been 1,515 petitions filed with the Rent Stabilization Program, with 263 being submitted in the last year. The 2018–2019 fiscal year was the first time staff administered petition decisions.
Resolution of Petitions

<table>
<thead>
<tr>
<th>Decision</th>
<th>Non-RUBS</th>
<th>RUBS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary</td>
<td>28</td>
<td>0</td>
<td>28</td>
</tr>
<tr>
<td>Hearing Officer</td>
<td>19</td>
<td>3</td>
<td>22</td>
</tr>
<tr>
<td>Administrative</td>
<td>54</td>
<td>101</td>
<td>155</td>
</tr>
<tr>
<td>Pending</td>
<td>20</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td>Ineligible</td>
<td>7</td>
<td>22</td>
<td>29</td>
</tr>
<tr>
<td>Withdrawn</td>
<td>5</td>
<td>0</td>
<td>5</td>
</tr>
</tbody>
</table>
Just Cause Notices Received

The Tenant Protection Ordinance requires all notices of termination to state a “just cause.” This applies to tenants living in apartment buildings with three or more apartments, including voucher holders. Under the Tenant Protection Ordinance, owners must submit copies of any notices of termination to the City.

From July 1, 2018 through June 30, 2019, the City received 9,716 notices for Just Cause terminations.
Under the Tenant Protection Ordinance, there are 13 Just Causes. Certain causes require the owner to provide relocation assistance to the tenant. The following reasons no longer constitute cause for termination of a tenancy: change in ownership, foreclosure of property, and expiration of a fixed-term lease.

The table below illustrates the number of each type of termination of tenancy notice filed with the Rent Stabilization Program during this time period.

<table>
<thead>
<tr>
<th>Just Cause Submissions 2018–2019</th>
<th>Total</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Nonpayment of rent</td>
<td>9,081</td>
<td>93.46%</td>
</tr>
<tr>
<td>2 Material or habitual violation of tenancy</td>
<td>415</td>
<td>4.27%</td>
</tr>
<tr>
<td>3 Substantial damage to the rental apartment</td>
<td>12</td>
<td>0.12%</td>
</tr>
<tr>
<td>4 Refusal to agree to a like or new rental agreement</td>
<td>6</td>
<td>0.06%</td>
</tr>
<tr>
<td>5 Nuisance behavior</td>
<td>100</td>
<td>1.03%</td>
</tr>
<tr>
<td>6 Refusing access to the apartment</td>
<td>1</td>
<td>0.01%</td>
</tr>
<tr>
<td>7 Unapproved holdover subtenant</td>
<td>17</td>
<td>0.17%</td>
</tr>
<tr>
<td>8 Criminal activity</td>
<td>15</td>
<td>0.15%</td>
</tr>
<tr>
<td>9 Substantial rehabilitation of the apartment</td>
<td>13</td>
<td>0.13%</td>
</tr>
<tr>
<td>10 Ellis Act Removal</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>11 Owner move-in</td>
<td>4</td>
<td>0.04%</td>
</tr>
<tr>
<td>12 Order to vacate</td>
<td>4</td>
<td>0.04%</td>
</tr>
<tr>
<td>13 Vacation of unpermitted apartment</td>
<td>1</td>
<td>0.01%</td>
</tr>
<tr>
<td>No reason listed</td>
<td>21</td>
<td>0.22%</td>
</tr>
<tr>
<td>TPO exemptions</td>
<td>26</td>
<td>0.27%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,716</td>
<td></td>
</tr>
</tbody>
</table>

Approximately 93% of termination of tenancy notices served in fiscal year 2018-2019 were for nonpayment of rent. There were approximately 1,763 notices or 18% that were submitted by five large corporate owners.

There were approximately 705 unlawful detainer notices submitted. An unlawful detainer is filed with the Santa Clara County Court to initiate an eviction process. Only 7% of termination of tenancy cases went to court through the Unlawful Detainer process.
Legal Services for Low Income Tenants and Owners

San José Housing Consortium (comprised of Law Foundation, Bay Area Legal Aid, Senior Adults Legal Assistance, Asian Law Alliance, and Project Sentinel), was awarded a $500,000 contract to provide legal education and services to tenants and owners beginning fall 2018.

The goal of the program is to increase housing stability by providing free owner/tenant counseling, education, referrals, and legal assistance to low-income tenants and owners. These services also include outreach and education to low-income tenants and owners citywide. This year, legal services held a total of 16 outreach and educational meetings: three for owners, nine for tenants, and four for both owners and tenants.
Legal Services Client Data by Income

<table>
<thead>
<tr>
<th>Client Data</th>
<th>Q1 390 Clients</th>
<th>Q2 375 Clients</th>
<th>Q3 364 Clients</th>
<th>Q4 421 Clients</th>
<th>Total 1,550 Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low Below 30% of Median Family Income</td>
<td>235</td>
<td>277</td>
<td>252</td>
<td>297</td>
<td>1,061</td>
</tr>
<tr>
<td>Very Low 30%–50% of Median Family Income</td>
<td>47</td>
<td>45</td>
<td>55</td>
<td>47</td>
<td>194</td>
</tr>
<tr>
<td>Low/Moderate 50%–80% of Median Family Income</td>
<td>30</td>
<td>38</td>
<td>48</td>
<td>53</td>
<td>169</td>
</tr>
<tr>
<td>Moderate</td>
<td>10</td>
<td>15</td>
<td>9</td>
<td>24</td>
<td>58</td>
</tr>
<tr>
<td>Total</td>
<td>322</td>
<td>375</td>
<td>364</td>
<td>421</td>
<td>1,482*</td>
</tr>
</tbody>
</table>

*Not all 1,550 clients served provided information

Race & Ethnicity

- Hispanic/Latinx
- White
- Black/African American
- Asian
- Other/Decline to State
- American Indian/Alaska Native
- Native Hawaiian/Other Pacific Islander

Annual Report 2018–2019
Mobilehome Rent Ordinance

The Rent Stabilization Program provides services to mobilehome owners, park owners, park managers, and park residents. There are 59 mobile home parks in San José that are home to approximately 35,000 residents. The City is home to the largest number of mobilehome households in California.

The Mobilehome Rent Ordinance covers 59 mobilehome parks and approximately 10,840 mobilehome spaces. 12 mobilehome parks are age-restricted communities, serving individuals fifty-five years and older, many of whom live on fixed incomes. The Mobilehome Rent Ordinance allows annual mobilehome space rent increases equal to 75% of the regional Consumer Price Index increase, with a minimum increase of 3% and a maximum of 7%. During each of the past 10 years, the rent increase has remained at the minimum 3%.

- **59** Mobilehome Parks
- **10,840** Mobilehome Spaces
- **12** Age Restricted Parks (Ages 55+)
- **47** Family Parks
Summary of Mobilehome Issues

The Rent Stabilization Program received 306 inquiries from the mobilehome community during 2018–2019. The types of inquiries are explained below. Due to restrictions in State law, the Rent Stabilization Program has limited authority to respond to many mobilehome issues.

Inquiries from mobilehome residents included:

- 90 resident referrals and inquiries about renters’ rights
- 76 requests for information and clarification about ordinances
- 44 code, maintenance, and service calls
- 38 questions about rent increases
- 17 questions about evictions
- 14 inquiries about fees, lease disputes, and deposits
- 27 questions about miscellaneous topics
Program and Policy Priorities 2019–2020

Looking ahead to 2019-2020, the Rent Stabilization Program will continue to oversee the Apartment Rent Ordinance, Tenant Protection Ordinance, Ellis Act Ordinance, and Mobilehome Rent Ordinance, and conduct community education, policy analysis, and implementation of various housing programs.

PROGRAMS

• Establish an annual public education program

• Maintain monthly reportable statistics of program activity

• Develop a Citywide Disaster Recovery Planning Tool to focus on fires

• Continue to educate tenants, owners, and members of the public about the Rent Stabilization Program

• Expand the use of innovative outreach tools, including informational videos and infographics, and establish a larger social media presence

• Work collaboratively with other City departments to improve housing inspection options and strengthen housing policy
• Review and modify relocation benefits and ordinances in the City of San José
• Implement administrative citations for the Apartment Rent Ordinance, Tenant Protection Ordinance, and Ellis Act Ordinance

RENT REGISTRY
• Monitor and enforce compliance
• Implement Phase Two to increase participation and enable tenant validation of apartment information
• Create a system to update the Rent Registry when ownership changes occur and notify new owners of their responsibilities

POLICY RESEARCH
• Implement the Housing Payment Equality Ordinance (HPEO), develop compliance procedures, and collaborate with the Santa Clara County Housing Authority on outreach efforts
• Collaborate with the Planning, Building and Code Enforcement Department to develop a program to retrofit rent-stabilized buildings for earthquake/seismic safety
• Conduct outreach and implement possible changes to the Ellis Act Ordinance
• Continue efforts related to community development and legal representation for mobilehome residents