

ORDINANCE NO. 2006-056

Adopted by the Sacramento City Council

October 10, 2006

AN ORDINANCE AMENDING CHAPTER 18.20 OF TITLE 18 OF THE CITY CODE RELATING TO RESIDENTIAL HOTEL UNIT CONVERSION OR DEMOLITION

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO

Section 1

Chapter 18.20 of Title 18 of the City Code is amended to read as follows.

Chapter 18.20 RELOCATION BENEFITS PERTAINING TO RESIDENTIAL HOTEL UNIT CONVERSION OR DEMOLITION

18.20.010 Purpose.

It is the purpose of this chapter to mitigate the adverse effects on displaced low income, elderly and disabled persons caused by withdrawal from rent or lease of residential hotel units in the downtown area by:

- A. Regulating the withdrawal, demolition and/or conversion of those residential hotels listed in Section 18.20.040
- B. Ensuring the provision of relocation assistance to tenants, in the event of withdrawal, conversion or demolition.
- C. Ensuring the provision of replacement housing when the residential hotels listed in Section 18.20.040 are withdrawn, converted, or demolished.

18.20.020 Findings.

- A. There is a shortage of decent, safe, sanitary and affordable rental housing for very low-income persons in the city. Residential hotels have historically provided affordable rental housing of last report for those persons.
- B. In 1961, there were approximately seventy-eight (78) hotels in the downtown area. Most of these were residential hotels. Sixty-eight (68) of these hotels have been demolished or converted to commercial uses. The majority were residential hotels.

- C. In 1960, residential hotels provided three thousand five hundred fifty-eight (3,558) housing units. By 1986, there were only one thousand thirteen (1,013) of these original residential hotel units left, and by 2006 the number of residential hotel units covered by the 1986 ordinance had decreased to seven hundred twelve (712) units, distributed among ten residential hotels.
- D. Residential hotels provide permanent housing for very low-income persons, many of whom are elderly or disabled. Most of these residential hotel units are occupied by persons who are not transient; the residential hotel is their only residence.
- E. There is a mounting market pressure to demolish or convert the remaining residential hotels.
- F. Loss of the remaining residential hotel units, without relocation assistance, would have an adverse effect upon the displaced residents, most of whom have very low incomes. The costs of moving and locating comparable accommodations would be a financial hardship, increasing the chances that the displaced persons would become homeless.
- G. Low-income housing in the downtown area is a diminishing resource.
- H. It is in the public interest that demolition and/or conversion of residential hotels be regulated in order to protect the resident tenants.
- I. It is in the public interest to ensure that at least 712 residential hotel or comparable units remain within the city of Sacramento.

18.20.030 Definitions.

"Comparable unit" means a residential hotel unit, an efficiency unit, or a one-bedroom apartment that is decent, safe, and sanitary, that is similar in amount of habitable living space, and that has a listed rent that is similar to the unit being withdrawn. The Comparable Unit should also be accessible to public transit.

"Director" means executive director of the Sacramento Housing and Redevelopment Agency, or the executive director's designee.

"Efficiency unit" means efficiency unit as defined in the Sacramento City Code Sec 17.16.010.

"Just cause" means failure to pay rent after service of a three-day notice; failure to comply with reasonable terms of a lease or rental agreement; committing waste or creating a nuisance; using the premises for an illegal purpose.

"Posting." Where posting of a notice is required by this chapter, the notice shall be posted in a conspicuous location at the front desk in the lobby of the hotel, or if there is no lobby, in the primary public entrance way.

"Relocation assistance plan" means a written document that sets forth the owner's plan to accomplish the following: 1) to inform eligible tenants of the program's benefits, as provided in this chapter; 2) to meet with eligible tenants to determine any specific needs; 3) to locate Comparable Units that are available for lease; 4) to offer rental leases for up to two Comparable Units to each eligible tenant, the second unit being offered if the first is rejected; 5) to allocate relocation assistance to the owner(s) of the Comparable Units and eligible tenants, and make relocation payments, as appropriate; and 6) to provide a schedule for implementation of the plan, including the proposed date of withdrawal of the residential hotel unit.

"Residential hotel" means any building containing six or more rooms intended or designed to be used, or which are used, rented, or hired out, to be occupied, or which are occupied, for sleeping purposes by tenants, which is or may be the primary residence of such tenants, provided that a majority of these rooms are residential hotel units. Residential hotels are not buildings containing six or more guestrooms which are primarily used by transient guests who do not occupy the hotel as their primary residence. Residential hotels are also known as single room occupancy (SRO) hotels.

"Residential hotel unit" means a room in a residential hotel intended or designed to be used, or which is used, rented, or hired out, to be occupied, or which is occupied for sleeping purposes by a tenant, and which lacks either or both a self-contained kitchen or bathroom. (As of 1998, residential hotels may contain efficiency units. (Sacramento City Code Section 17.16.010.)

"Withdrawal of residential hotel unit from rent or lease" means changing the use of any residential hotel unit, whether occupied or vacant, to a use which is not a residential hotel unit; the demolition or destruction of any residential hotel unit, whether occupied or vacant; or the failure to offer publicly and in good faith a residential hotel unit for rent or lease to persons desiring to occupy the unit as a permanent residence, provided, however, that the temporary failure to offer a unit for rent or lease in order to accomplish needed maintenance or repairs shall not be considered a withdrawal.

18.20.040 Application of Chapter.

A. This chapter shall apply to the following residential hotels:

- Berry Hotel, 729 L Street
- Capital Park, 1125 9th Street
- Congress, 906 12th Street
- Golden, 1010 ½ 10th Street
- Marshall, 1122 7th Street
- Ridgeway, 914 12th Street
- Sequoia, 911 K Street
- Shasta, 1021 10th Street

Wendell, 1208 J Street
YWCA, 1122 17th Street

- B. This chapter shall apply to every residential hotel unit within a subject building.

18.20.050 Requirements upon Withdrawal.

Upon withdrawal from rent or lease of any residential hotel unit subject to this chapter, the owner shall comply with the notice requirements of Section 18.20.070 and 18.20.080 of this chapter, and the relocation benefits requirements of Section 18.20.060 of this chapter.

18.20.060 Relocation Benefits.

Upon withdrawal of one or more residential hotel units from rent or lease, the owner shall provide a Relocation Assistance Plan that includes a description of the relocation benefits provided in this section.

- A. **Eligible Tenant.** Relocation benefits shall be paid to the current occupant of each unit withdrawn if the occupant occupied the withdrawn unit, or another unit within the same building, for thirty (30) consecutive days or more immediately prior to the Notice to Tenants (Section 18.20.080). If the current occupant is not eligible, or if the unit is vacant, relocation benefits shall be paid to the most recent past eligible tenant of the unit if:
 - 1. Such tenant occupied the unit within one year prior to the withdrawal, and
 - 2. The tenancy of such tenant was terminated without Just Cause or the tenant voluntarily vacated the premises within sixty (60) days after receiving a notice of rent increase.

No relocation benefits shall be payable to any person who becomes a tenant of a unit after a Notice to Tenants required by Section 18.20.080 of this chapter is given to that unit, and if the owner personally serves a copy of the notice on the tenant prior to occupancy. The owner shall obtain written acknowledgement of service of the notice on the tenant.

- B. **Relocation Payments**
 - 1. **Amount of Payment.** The owner shall set aside a cash amount for relocation benefits to each eligible tenant in the amount of Two Thousand Four Hundred Dollars (\$2,400.00) per person, or Four Thousand Dollars (\$4,000.00) for two or more persons occupying the same room, to be divided proportionately among and between the occupants.

The amount of relocation benefits payable shall be adjusted annually by the Director by the annual average percentage increase in the consumer price index for all urban consumers, western region, all items, as published by the U.S. Bureau of Labor Statistics.

2. Purpose of Payment. Of the relocation benefit amount, the owner shall pay up to eighty (80) percent of the payment directly to the landlord of the Comparable Unit for the first and last month's rent and security deposit for the Comparable Unit accepted by the eligible tenant or tenants. The remaining twenty (20) percent of the relocation benefit amount shall be paid directly to the eligible tenant or tenants occupying one room for moving expenses and miscellaneous expenses. If less than eighty (80) percent of the relocation benefit amount is needed for the first and last months' rent and security deposit for the Comparable Unit, the balance shall be paid to the eligible tenant or tenants.
 3. Timing of Payment. Twenty (20) percent of the relocation benefit amount shall be paid to current eligible tenants at least thirty (30) days before the tenants are required to vacate the units. If there is no current tenant, payment shall be made to an eligible past tenant within thirty (30) days after the issuance of the conversion certificate.
 4. Payment to Relocation Assistance Fund. In the event that there is a tenant eligible for relocation benefits who cannot be located by the owner, a sum equal to eighty (80) percent of the relocation benefits shall be deposited with the Sacramento Housing and Redevelopment Agency. If not claimed by the eligible tenant within one year after deposit, the funds shall be deposited in the city housing trust fund.
 5. Tenant Rejection of Comparable Unit. If an eligible tenant rejects the owner's offers of Comparable Units, the owner shall request the tenant to sign a statement verifying the rejection and if the tenant refuses, the owner shall document the rejection of the offers. An eligible tenant who rejects the offers of Comparable Units shall be directly paid the full relocation benefit amount within thirty (30) days after the issuance of the conversion certificate.
 6. Adequate Guarantees. Issuance of a conversion certificate shall be conditional upon the provision of adequate guarantees for payment of all relocation benefits, such as the posting of an irrevocable letter of credit, performance bond, or comparable security.
- C. Relocation Units. Any residential hotel owner issuing a Notice to Tenants in accordance with Section 18.20.080 must locate Comparable Units that are offered for rent to eligible tenants. The Comparable Units will be offered prior to the owner's submitting an application for a

conversion certificate. That application shall include a list of units offered to each tenant, their addresses, and current rents.

1. Rejection of Comparable Units. Should a Comparable Unit be rejected by an eligible tenant, the residential hotel owner shall be obligated to locate a second Comparable Unit offered for rent to the eligible tenant. Should the second Comparable Unit be rejected by the eligible tenant, the residential hotel owner has no further obligation under this chapter with regard to the offering of Comparable Units.
2. Good Faith Effort. If the residential hotel owner has not offered Comparable Units to every eligible tenant in accordance with this subsection, the conversion certificate shall issue only upon a finding that the owner made substantial and reasonable good faith efforts to locate and offer the requisite Comparable Units. The burden shall be on the owner to demonstrate substantial and reasonable, good faith efforts, and the owner shall provide information to the Director, as part of the application for conversion certificate, regarding the number of eligible tenants to whom Comparable Units were offered, with copies of lease proposals or other documentation evidencing offers to rent; the efforts made to locate Comparable Units, including the identity of, and contact information for, persons, firms and agencies contacted; such other information as the owner deems relevant to the issue of whether the owner has made substantial and reasonable good faith efforts. The Director shall review the information and make a recommendation to the Council on whether the owner has satisfied the good faith effort obligation.

- D. Technical Relocation Assistance. At the residential hotel owner's request, the Sacramento Housing and Redevelopment Agency shall provide a list of relocation services and real estate firms or housing organizations experienced in the affordable rental market. It will also provide a list of vacant units in properties owned by the housing authority and information on public housing applications.

18.20.070 Notice of Withdrawal.

- A. Prior to withdrawing from rent or lease any residential hotel unit covered by this chapter, the owner shall give written notice of the planned withdrawal to the Director. The Notice of Withdrawal shall include the Relocation Assistance Plan and the following additional data:
1. A schedule by which the conversion steps will occur, including the delivery of the Notice to Tenants, the expected date of application for a

conversion certificate, and the expected date of withdrawal of the residential hotel units;

2. The name of the current tenant and the date of the tenant's occupancy in any room of the hotel; and, if the current tenant is not an eligible tenant, the name and last-known address of the most recent eligible tenant, the dates of occupancy, the reason for termination of the tenancy, and whether the owner had given a notice of rent increase within sixty (60) days prior to termination of the tenancy;

3. A copy of the Notice to Tenants, which shall not be posted or delivered prior to the Notice of Withdrawal; and

4. A copy of the current rent schedule for residential hotel units.

- B. The Director shall monitor the owner's compliance with the owner's Relocation Assistance Plan.
- C. The Director shall schedule a public meeting before the Sacramento Housing and Redevelopment Commission on the planned withdrawal of residential hotel units.

18.20.080 Notice to Tenants.

At least sixty (60) days prior to applying for a conversion certificate, the owner shall post in a prominent location and provide individual notices to each eligible tenant of the building, to the last eligible tenant of each vacant unit, and to each unit not occupied by an eligible tenant.

The notice shall be dated and include:

- A. A statement that the owner is applying for a conversion certificate;
- B. A statement that the tenant or former tenant may be eligible for relocation benefits pursuant to this chapter, and a description of those benefits;
- C. A statement that a tenant occupying a residential hotel unit after the issuance of the notice to tenants is not eligible for relocation benefits;
- D. The expected date that the unit will be withdrawn;
- E. A statement that tenants have the right to occupy a residential hotel unit for sixty (60) days after issuance of a conversion certificate;
- F. A statement that tenants will receive notice of the hearing on the conversion certificate to be held by the City Council and will have the right to appear at or be represented at the hearing; and
- G. A local phone number of the owner or the owner's representative.

18.20.090 Application for a Conversion Certificate.

No building permit, demolition permit, special permit or other land use entitlement which would result in withdrawal from rent or lease of one or more residential hotel units shall be issued for a building subject to this ordinance unless the city council issues a conversion certificate indicating that the owner has complied with all requirements of this chapter, or has provided satisfactory guarantees of future compliance. An owner who has demonstrated substantial and reasonable, good faith efforts within the meaning of Section 18.20.060 shall be considered to have complied with the requirements of this Chapter.

The application for conversion certificate shall be made to the Director and shall contain:

- A. A tenant list or lists, including:
 - 1. The name of each eligible tenant currently residing in the building at the time the Notice to Tenants was issued;
 - 2. A list of units not currently occupied by eligible tenants;
 - 3. A list of names and last-known addresses of the last eligible tenants to reside in each vacant unit or in a unit with an ineligible tenant, including the dates of occupancy, whether the tenancy was terminated by the owner or the tenant, the reason for termination, and whether a notice of rent increase had been given to the tenant within sixty (60) days prior to termination.
 - 4. A list of any new tenants occupying a residential hotel unit after the Notice to Tenants was issued, for whom relocation benefits are not provided.
- B. Evidence that the Notice to Tenants required by Section 18.20.080 of this chapter was given at least sixty (60) days prior to submission of the application and posted for at least sixty (60) days prior to submission of the application.
- C. A listing of the relocation benefits paid or to be paid by the owner in compliance with this chapter, indicating the recipient, amount, and date of actual or proposed payment.
- D. A list of the Comparable Units provided to each tenant.
- E. A list of tenants who have relocated.
- F. If the Owner has not offered Comparable Units as called for by this Chapter, but is claiming to have made good faith efforts pursuant to Section 18.20.060-C-2, information specified in that Section shall be provided.

The Director will review the information submitted in the application for a conversion certificate and forward the application to City Council with a recommendation on whether the owner has complied with all requirements of this chapter.

18.20.100 Consideration of Application—Issuance of Conversion Certificate.

The application shall be considered at a hearing of the city council. Notice of the hearing shall be posted by the owner for at least fifteen (15) days prior to the hearing and shall be mailed at least fifteen (15) days prior to the hearing to each tenant and former tenant to whom the Notice to Tenants was required to be given under Section 18.20.080 of this chapter. Notice of the hearing shall be mailed by the Director at least fifteen (15) days before the hearing to anyone who has submitted a written request to the Director at least twenty (20) days prior to the hearing for notices of hearings held pursuant to this section.

The council shall issue a conversion certificate if it finds that the applicant has complied with all requirements of this chapter.

A conversion certificate shall provide that tenants occupying the building on the date of issuance shall have the right to continued occupancy for at least sixty (60) days at the same rental rate in effect on the date of issuance, subject to eviction for Just Cause. The owner may withdraw a unit within this 60-day period if the tenant has relocated.

18.20.110 Effect of Noncompliance.

The failure of the owner to comply with any condition imposed upon the conversion certificate or any obligation imposed by this chapter shall be grounds for revocation, suspension, or cancellation of any permit or land use entitlement which required prior or contemporaneous issuance of a conversion certificate.

18.20.120 Preservation of Historic Structures.

This chapter does not supersede the requirements of Chapter 15.124 (Historic Preservation) of this code.

18.20.130 State and Federal Relocation Assistance

This chapter does not supersede federal and state relocation requirements or property disposition or notice requirements that pertain to any residential hotel as a result of public financing.

18.20.140 Involuntary Withdrawal or Abatement.

The requirements of this chapter shall apply to the withdrawal of units as the result of abatement by public authorities or other involuntary circumstances, unless the condition causing the withdrawal was beyond the control of the owner.

18.20.150 Complaints of Noncompliance.

The Director shall establish a procedure for accepting complaints of noncompliance with the requirements of this chapter from tenants and other interested persons.

18.20.160 Replacement Housing Plan

- A. The City shall maintain or cause to be maintained an inventory of not less than 712 residential hotel or Comparable Units; and to this end shall replace or cause to be replaced the residential hotel units subject to this chapter that are to be withdrawn, converted or demolished. The replacement units shall be provided within three years of the date that the conversion certificate is approved for the units to be replaced; provided that the time may be extended upon determination by the Council that the production of the replacement units is delayed due to the unavailability of anticipated financing or other circumstances beyond the City's control.
- B. To assist in the accomplishment of this requirement, the Director shall recommend for city approval replacement housing plans for residential hotel units regulated by this chapter that are the subject of an application for a conversion certificate. The city may replace units prior to the approval of conversion certificates.
- C. Residential hotel units may be replaced through any of the following methods:
 - 1. Construction of new housing,
 - 2. Rehabilitation of existing non-regulated property, including conversion of commercial property into residential units or residential mixed-use; and
 - 3. Acquisition or purchase of covenants of existing housing that is neither currently regulated for affordability nor regulated by this chapter.
- D. Replacement units shall meet the following requirements:
 - 1. Comparable, as defined in Section 18.20.030.
 - 2. Rental costs not exceeding forty (40) percent of the Sacramento metropolitan area median income, adjusted for household size. Project-based rental assistance shall qualify as meeting the rent affordability standard. If an entire project consists of comparable units, all units whose rents are regulated at or below fifty (50) percent of the Sacramento metropolitan area median income may count as replacement units so long as the average rents of those units does not exceed forty (40) percent of the Sacramento metropolitan area median income.
 - 3. Located in close proximity to transportation and services.

4. Recorded affordability covenants for the longest feasible time, but not less than 55 years.
- E. Within 90 days of the approval of a conversion certificate, the City shall adopt a replacement housing plan which includes the following:
1. If the units have been replaced, a description of their location, unit type(s), rent levels, occupancy income limits, and any project-based rental assistance, if available.
 2. If some or all of the units have not been replaced, the following information is required:
 - a. Description of the type of project through which the replacement units will be provided (Paragraph C. above).
 - b. A schedule for replacing the units indicating that they will be available no later than three years after the adoption of the replacement housing plan.
 - c. Proposed financing plan(s).
 - d. Location of replacement units.
 - e. Survey of rents and incomes of the Eligible Tenants in the residential hotel units being converted or withdrawn. This information may be taken from the Notice of Withdrawal (Sec. 18.20.070).
 - f. Proposed rents and occupancy limits.
 3. A draft of the City's replacement housing plan shall be made available to the general public at least 30 days prior to the City Council's adopting the replacement housing plan.
- F. The director will report yearly to the Sacramento Housing and Redevelopment Commission and City Council on the number of residential hotel units withdrawn, the number of new units expected based on approved replacement housing plans, and units constructed in anticipation of conversions or withdrawals.

Adopted by the City of Sacramento City Council on October 10, 2006 by the following vote:

Ayes: Councilmembers, Cohn, Fong, Hammond, McCarty, Sheedy, Tretheway, Waters, and Mayor Fargo.

Noes: None.

Abstain: None.

Absent: Councilmember Pannell.



Mayor, Heather Fargo

Attest:



Shirley Concolino, City Clerk

Passed for Publication September 26, 2006

Published September 29, 2006

Effective October 10, 2006