

From: Agnes Veith <[REDACTED]>
Sent: Wednesday, April 5, 2023 8:40 AM
To: PlanningCommission AP; Council AnswerPoint; Ernie Defrenchi; Jenny Carloni
Subject: Protection and Right to Lease Ordinance

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5 April 2023

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Sunnyvale City Council
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cc:
Ernie DeFrenchi
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Jenny Carloni
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Hello Commissioners and Council,

Sunnyvale's Tenant Protection and Right to Lease Ordinance will provide a broader level of protection to renters than AB 1482. Staff is to be commended for suggesting these additional protections.

In the case of a no fault eviction, we agree with Staff that a landlord pay the equivalent of two months rent as relocation assistance. Livable Sunnyvale is interested in working with City Staff to implement additional renter protections as needed.

According to the Draft 2023-2031 Housing Element, between 2009 and 2019, the median rent increased by over 80 percent in Sunnyvale compared to 39.4 percent in Santa Clara County. Over time, we would like city Staff and city leadership to reconsider AB 1482 rent cap calculation. The upper limit on an annual rent increase is based on 5% plus cost-of-living inflation based on the Consumer Price Index (CPI) up to a maximum of 10% each year. Rent

increases based on this calculation will almost certainly exceed most renter's annual salary increase.

Thank you for considering our rent calculation suggestion and the work you do.

Livable Sunnyvale Board
Mike Serrone (abstain)

From: Janet Murdock <[REDACTED]>
Sent: Monday, April 10, 2023 1:37 PM
To: PlanningCommission AP
Cc: JanetOSF
Subject: Agenda item 23-0485 Tenant Protection.
Attachments: [Mom_and_Pop_on_AgendaItem_23-0485.pdf](#)

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Planning Commission Members,

Please see attached pdf file regarding tonight's agenda item 23-0485, the proposed Sunnyvale Tenant Protection ordinance. It contains the challenges that the law will impose on me as the 'mom' of a mom-and-pop 4-plex owner who already keeps rent increases low and tenants in place through boom and bust. There are, I believe, unintended consequences, especially when it comes to maintaining old buildings.

The rental market has cooled. Please take the time that the cooled market affords us and evaluate carefully the proposed laws.

Regards,

Janet Murdock

Regarding Agenda Item 23-0485
Sunnyvale Planning Commission Meeting
April 10, 2023

The Mom-and-Pop Perspective on Sunnyvale's proposed Tenant Protection Ordinance

Janet Murdock

30 years as a Bay Area renter

11 years as the 'mom' of a Sunnyvale mom-and-pop 4-plex

The Rental Market Problems of 2019 Are Gone; There's Time to Carefully Evaluate New Laws

2019 We had essentially zero vacancy and tech workers flooding to the area with large paychecks, desperately looking for a place to live.

Rent-gouging and frivolous evictions were lucrative for the unscrupulous owners who chose that path

The proposed Sunnyvale Tenant Protection Ordinance arose out of these conditions

2023 The market changed:

- Tech workers moved elsewhere and work from home permanently
- Some tech workers are being laid off
- Plenty of vacancy
- Turnover is costly, not lucrative
- Rent-gouging isn't possible

The laws changed--State Law AB 1482 enacted January of 2020:

- Imposes rent control
- Restricts evictions after one year of tenancy, requiring 'No Fault Just Cause' or 'At Fault Just Cause.
- Law doesn't apply to properties 15 years old or less, and some other exceptions

About Me and the 4 Other Mom-and-Pops I know :
We provide good deals and stable tenancies through booms and busts.

- We all have policies that result in very low rent increases for our existing tenants
 - I raised rents an average of 3% per year during the recent tech boom. I've had no turnovers in my 11 years as an owner, so my tenants now pay rents that are 30-35% below fair market
 - One Pop doesn't raise rents until the tenant asks for improvements or a remodel
 - Two Mom and Pop's don't raise rents *at all* on their existing tenants; one decided that after 10 years without turnover, a rent increase was necessary.
- Why do we keep rent increases small and turnover low?
 - To avoid spikes in workload—the time it takes from our lives matters extra cash doesn't make up for it
 - To avoid spikes in stress--turnover and the risk of getting a bad tenant are stressors
- Our low-turnover operations keep costs down
 - No maintenance and cleaning crew to handle turnovers
 - No front office staff to handle screenings and paperwork
 - No legal department to handle evictions of new tenants who turn out to be bad tenants

But the proposed Tenant Protection ordinance will force changes in how we operate

120-day Enactment Period Unfairly Penalizes *Some* Rent-Controlled (AB 1482) Properties

- California's new law, AB 1482, imposes rent caps on many properties: Rent cannot be increased more than the capped amount in *any 12-month period*.
- The date of the annual rent increase varies from property to property.
- The start date for 12-month leases mandated by the 120-day enactment period will lock in the current rent for 12 months, forcing some properties to miss their annual rent increase.
- It is unfair to arbitrarily (just by happenstance of the date of the property's last rent increase) deny some owners their annual rent increase, especially in a time when inflation is high and costs of operation are going up.

A better solution: *For properties covered by AB1482 rent control,*

- *Allow for a 4-month education period to get word out about the new law*
- *Require 12-month leases to be offered at the time of the first rent increase that occurs after the education period*
- *12-month leases must be offered in all cases no later than 16 months after the enactment*

Reminder: The rental market has calmed. Evicting tenants is not lucrative like it may have been in the tech boom. There's no need to rush a 12-month lease requirement into place to stop frivolous evictions.

The requirement that 12-month leases must be renewed forever can cause unnecessary evictions

- Buildings don't last forever
- Sunnyvale has many old buildings serving as rentals, up to ~80 years old
- Building-wide maintenance keeps old buildings functional and up-to-date
 - Earthquake retrofit
 - Slow, small, long-term water intrusion impairs structural soundness over the decades
 - Old electrical systems that can't handle the demands of an all-electric era and become safety issues
 - The wonder materials of yesteryear—Asbestos and lead have to be removed when found
- Building-wide maintenance can cause the building to be uninhabitable for a few weeks or more
- Building-wide maintenance can be accomplished under month-to-month leases without evictions
 - Coordinate with tenants' schedules: School events? Graduations? Knee-replacement surgery? Vacations?
 - If we can't leave all furniture and belongings in the units while work proceeds, I rent storage PODs
 - Make a deal with the 4-plex owner 3 doors away who runs as an Air BnB to house my tenants temporarily
 - Change the rental agreement for one month: zero rent and belongings can stay on property
 - Win-Win: My tenants keep their below-market rents and I keep my good tenants
- Under Sunnyvale's proposed forever-renewing 12-month leases, I would have no choice but to evict at the end of the leases; No consideration for tenants' school schedules or surgeries is possible

Three Alternatives to the 12-month leases forever to accommodate building-wide maintenance on old buildings

City of Sunnyvale waives of the 12-month lease on a case-by-case basis, based on:

- Owner's maintenance plan
- Tenant accommodations during maintenance
- Tenants retain the same rents after maintenance with a 12-month lease offer

Exempt buildings that are 30 years old or older from the leasing requirement

- Big maintenance starts to be necessary at about 30 years
- These buildings (including my 4-plex) are covered by AB 1482's rent control and 'No Fault Just Cause' eviction limitations already

Exempt the Mom-and-Pop Operations

- There are many 4-plexes in Sunnyvale that were built (a long time ago) for owners who live on site (in a so-called 'owners unit') and rent out the other 3 units
- Our interests are already aligned with our tenants; We keep turnover down by keeping rent increases small.
- The extra cost of the unnecessary evictions can make it cost-prohibitive for small owners to maintain old buildings

Bad Tenant Risk and Cost Increased by Sunnyvale's Proposed Ordinance

Under State Law AB 1482:

- State Law AB 1482's requirements for 'No Fault Just Cause' eviction don't apply until the tenant is been in place for 12 months
- An owner can remove a tenant on a month-to-month lease by simply giving sufficient notice.

Under Sunnyvale's Proposed Tenant Protection Ordinance:

- Starting a 12-month lease on the first day of a tenancy imposes a bigger bad-tenant risk formom-and-pops
- The only option is to hire an attorney and proceed with an unlawful detainer case (We don't have a legal department.)
- Besides high cost, this requires a lot of my time and is high-stress
- To mitigate those risks and costs, my best option is to
 1. Institute higher minimums when screening new tenants (better credit rating, rental income, and minimum income)
 2. Charge a higher deposit: Instead of the \$500-\$700 that is now customary, charge a full month's rent, so that the new tenant has some skin in the game
 3. A well-heeled tenant will eventually come along who will appreciate the good deal I can provide

Tilting the Local Rental Market against Mom-and-Pops and towards Big Players

1. It's not enough to have a lot of apartments available to keep rents moderate. There have to be a lot of owners.

After the 2008 financial crisis, Blackstone, a large Wall Street private equity firm, scooped up distressed properties (including single family homes) in the Inland Empire, east of Los Angeles. Even though there was wide-spread unemployment and vacancy, rents were increasing significantly. Why? Not enough owners. (This phenomenon was investigated by Rana Faroohar, a reporter for the Financial Times, as described in interviewed by Ezra Klein of the New York Times on June 17, 2022)

2. Mom-and-Pops are providing great deals to tenants because long-term tenancies are fundamental to our quality of life.
3. Tilting the market removes rungs from the economic ladder. It will prevent current renters from becoming the next generation of Mom-and-Pops.
 - I was a bay area renter for 30 years before becoming a 4-plex owner.
 - My next-door neighbor, also an owner who lives in his 4-plex, was a renter *in that building* prior to purchasing it from the previous owner, when that owner retired.
4. Big Players like Blackstone don't out-compete Mom-and-Pops. They wait for us to become distressed.
 - The proposed Sunnyvale Tenant Protections add complications, risks, and maintenance costs that fall heavily on the Mom-and-Pop style of operations.
 - We are likely heading into a recession in the broader economy.
 - It could be another great opportunity for private equity firms like Blackstone.

Summary: We request that Sunnyvale Planning Commission Consider Alternatives

Instead of the proposed Tenant Protection ordinance, consider instituting a law similar to the emergency ordinances used in California fire zones:

- When vacancy gets to zero (in the next tech boom)
- Impose a 10% annual across-the-board rent cap
- Turnover of any sort does not allow the rent to be raised beyond the annual cap
- It applies to ALL rentals, not just buildings older than 15 years

OR Exempt the Mom-and-Pop Operations from Sunnyvale Tenant Protection Ordinance

- There are many 4-plexes in Sunnyvale that were built (a long time ago) for owners who live on site (in a so-called 'owners unit') and rent out the other 3 units
- Our interests are already aligned with our tenants; We keep turnover down by keeping rent increases small.
- We are already under the restrictions imposed by State Law AB 1482 because we own an old building

OR Exempt Old Buildings

- A lot of the burden of Sunnyvale Tenant Protection is due to the need to do building-wide maintenance and the complications imposed by the 'forever' 12-month leases.
- This maintenance doesn't start until buildings are about 30 years old.
- Exempt buildings that are older than 30 years.