



Large Rent Increase Ordinance Frequently Asked Questions

What is the “Large Rent Increase” Ordinance? Is it the same as the “Exorbitant Rent Increase” Ordinance or “Displaced Tenants” Ordinance?

The Large Rent Increase Ordinance amends Chapter 21.04 of the City’s Municipal Code, entitled “*Relocation Assistance for Displaced Tenants.*” In an effort to simplify things, the City and community have begun referring to this as the “Large Rent Increase Ordinance.” You may also hear some members of the community refer to it as the “Exorbitant Rent Increase Ordinance.” All these terms are referring to the same thing.

What does the Ordinance do?

The ordinance states that if a tenant needs to vacate a residence due to a large rent increase that they can’t afford, the landlord is required to provide the tenant with relocation assistance to help them move.

What is a “Large Rent Increase”?

A “large rent increase” is defined as a rent increase of more than 5% in one year or cumulatively more than 7% in any two consecutive years.

Note: 7% over two consecutive years should be calculated to include the compounding effect of the amount added in year one:

EXAMPLE: A landlord charges \$2,000/month in rent. In 2019 they raise the rent 5%, or \$100, bringing the rent to \$2,100/month. In 2020, to stay under the total 7% cap, they will want to raise the rent no more than 1.9% (approximately \$40) so that the total rent increase is 7% or less, inclusive of the year 1 increase.

Note: The 7% total increase allowed over two years increase is not required to be allocated as five 5% and 2%, but can be any combination of less than 5% in one year to a total of 7% over two years.

EXAMPLE: A landlord charges \$2,000/month in rent. In 2019 they raise the rent 3.5%, or \$70, bringing the rent to \$2,070/month. In 2020, to stay under the total 7% cap, they will want to raise the rent no more than 3.4% (approximately \$70, to a total of \$2,140) so that the total rent increase is 7% or less, inclusive of the year 1 increase.

What is “Relocation Assistance”?

Relocation assistance is a payment from the landlord to the tenant in an amount equal to two months of rent at the previous rate that the tenant had been paying before the increase.

EXAMPLE: A landlord charges \$2,000/month in rent. In 2019 they raise the rent 10%, or \$200, bringing the rent to \$2,200/month. The tenant can no longer afford the rent with the 10% increase, so they decide to find housing elsewhere. The tenant notifies the landlord of this, and the landlord provides them with \$4,000 to relocate.

How much time does a tenant have to tell the landlord that they’re initiating their right to relocation assistance? Will they eventually lose their right to assistance if they wait too long?

Tenants must notify their landlords of their intent to utilize relocation assistance within 60 calendar days of the effective date of the large rent increase. If they don’t tell the landlord that they’re seeking relocation assistance by that time, it is understood that they’ve accepted the increase.

EXAMPLE: A landlord charges \$2,000/month in rent. On July 1st the landlord tells the tenant that on August 1st they intend to raise the rent by 10%, or \$200, bringing the rent to \$2,200/month. With that increase the tenant can no longer afford the rent, so they decide to find housing elsewhere utilizing relocation assistance from the landlord. The tenant has 60 days from August 1st (the effective date of the actual increase) to notify the landlord of this intent.

If a tenant signs a lease with the landlord before or during the 60 day period, the tenant is understood to have accepted the terms of the lease and is no longer eligible for relocation assistance for the term of the lease period.

How much time does the landlord have to provide the Relocation Assistance payment to the tenant? What if the landlord and tenant agree on another arrangement?

The landlord must provide the relocation assistance payment before the tenant vacates the unit, to allow them to secure a new rental elsewhere. However, the ordinance does provide some flexibility here for both tenant and landlord.

Other arrangements of “equal benefit” which are agreeable to the tenant and property owner are also acceptable. Any alternate arrangements must be memorialized in a written agreement, which must include:

1. The address of the unit being vacated;
2. Names of the current tenant(s);
3. Who among the tenants is considered “head of household”;
4. How much relocation assistance the tenant(s) is entitled to;
5. A statement indicating that the tenant and landlord have agreed to alternate arrangements of equal benefit and describing what that arrangement is;
6. The tenants new address (if available);
7. The date of the agreement, and
8. Signatures from both tenant and landlord

Does this impact a tenant's security deposit?

No. Relocation assistance payments are a separate obligation payable to the tenant in addition to any security deposit refund and interest that may be due, pursuant to California Civil Code, Section 1950.5 and Chapter 21.02 of the Santa Cruz Municipal Code.

Is this "Rent Control"? Is the ordinance subject to the State of California Costa-Hawkins Act?

No. Since the ordinance doesn't prevent rent increases, it does not fall under the classification of rent control and is not subject to Costa-Hawkins restrictions. Instead, it provides a disincentive for landlords to increase the rent more than the stated thresholds by requiring the payment of relocation assistance if a tenant can no longer afford the rent after the large increase. It applies to all private rental units within the City.

Are there any Just Cause Eviction Protections in the Ordinance?

No, not at this time.

Where can I obtain a copy of the Ordinance?

You can find a copy of the Ordinance on the City's *Ordinance and Policy Updates* webpage, here: <http://www.cityofsantacruz.com/government/city-departments/planning-and-community-development/ordinance-policy-updates>.

When does the Ordinance take effect?

A landlord's obligation to pay relocation assistance applies to any large rent increase with an effective date on or after November 27, 2018. While the ordinance was approved by City Council after that date, there is language within the ordinance stating that it applies retroactively to November 27, 2018.

Who do I call if I have a problem with a landlord or tenant?

This information in this guide is not a substitute for legal advice. Specific questions concerning the ordinance and your individual circumstances should be directed to your own attorney.

- The Santa Cruz County Bar Association's Lawyer Referral Service can refer you to an experienced attorney for a 30-minute consultation for an administrative fee of \$50. They can be reached at (831) 425-4755
- Project Sentinel is a U.S. Department of Housing and Urban Development (HUD) approved housing counseling agency located in Santa Clara, CA. They offer free counseling and can answer questions, and discuss rights, responsibilities, and options with you. They can be reached at (650) 282-2514.