



Subject: SB 1191 (Simitian); Foreclosure: Landlord-tenant relations
Recommend Position: Support

CITY COUNCIL ACTION REQUEST

<u>Department:</u> Housing	<u>CEQA:</u> N/A	<u>Coordination:</u> City Mgr/City Atty/ Legis. Rep in Sacramento	CMO Approval: /s/ Norberto Duenas
			Dept. Approval: /s/ Leslye Corsiglia

RECOMMENDED ACTION:

1. Pursuant to the City's streamlined bill process for responding quickly to legislative proposals, approve support for SB 1191 (Simitian) – a tenant protection bill.
2. Recommend a one-week turnaround to the City Council so that the City's Legislative Advocate in Sacramento can indicate timely the City's support for SB 1191 (Simitian).

BILL SYNOPSIS:

SB 1191 would require a landlord of a residential property with four or fewer units to disclose in writing to a prospective tenant, prior to executing a lease, if they have received a notice of default. Violation of the requirement would allow the prospective tenant to void the rental contract and would entitle the resident to receive from the landlord all prepaid rent and twice the monthly rent or twice the damages, whichever is greater, in addition to any other available legal remedies. The tenant could also maintain the lease and apply the penalty payment towards future rent.

IMPACTS TO CITY OF SAN JOSE:

San José has experienced significant foreclosures in recent years. In 2010, San José had 10,500 foreclosure filings, compared to only 2,000 in 2006. Although many of the foreclosed homes are owner-occupied, some are rental properties. Staff has received informal complaints from tenants who executed lease agreements for a property that was later foreclosed upon, leading to eviction notices and lost rent payments. The *Mercury News* recently published an article about a homeowner whose home had already been lost to foreclosure who had rented out rooms in her house to tenants.

(http://www.mercurynews.com/business/ci_20175628/foreclosure-upscale-san-jose-neighborhoodtenants?IADID=Search-www.mercurynews.com-www.mercurynews.com)

Given the high rents in San José—a 3BR/2BA home is renting for over \$2,300 per month, according to new data from RealFacts—the losses to tenants in defaulting properties could be thousands of dollars. Although losses and penalties might be difficult to recover from insolvent landlords undergoing foreclosure, having the penalties written into law should give tenants a legal basis on which to seek compensation if needed. Further, the notification requirement could help to avoid some losses altogether. Since foreclosures are expected to continue, this bill would help to protect San José residents who are living in affected properties.

POLICY ALIGNMENT:

This bill aligns with the Council-approved *2012 Legislative Guiding Principles and Priorities* to support efforts that prevent foreclosures. Specifically, SB 1191 would help to protect tenants from evictions.

SUPPORTERS/OPPONENTS:

Supporters: Neighborhood Housing Services of Silicon Valley; Nonprofit Housing Association of Northern California; EAH Housing; MidPen Housing; Eden Housing; Palo Alto Housing Corporation, Law Foundation of Silicon Valley.

Opponents: None on file

STATUS OF BILL:

The bill is scheduled for hearing in the Senate Judiciary Committee on May 1st.

FOR QUESTIONS CONTACT: LESLYE CORSIGLIA, 408-535-3851