



County of Monterey

Item No.10

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: PAR 24-008

June 25, 2024

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Matter Type: Preliminary Analysis
Report

Receive a preliminary analysis report in response to Board Referral No. 2024.06 seeking to update the Monterey County Code (Chapter 18.15, Housing Code) to require payment of tenant relocation benefits directly to a County of Monterey account when tenants are displaced or subject to displacement from a residential rental unit that has an order to vacate by the County due to conditions which endanger the health and safety of the tenants.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive a preliminary report in response to Board Referral No. 2024.06 and provide direction to staff which may include:
 1. Direct staff to proceed with completion of its response to the referral as proposed in this report; or
 2. Direct staff to proceed with completion of its response to the referral based on modifications by the Board; or
 3. Rescind the referral.

SUMMARY:

On May 15, 2024, the Board of Supervisors (Board) added Supervisor Alejo's Referral No. 2024.04 (Attachment A) to the County Board of Supervisors' referral matrix. The referral seeks to amend the Monterey County Code to require that landlords or property owners pay tenant relocation fees to the County when a rental property is ordered to be vacated by the County, so that the County can track and ensure that tenants receive the relocation assistance without needing to directly interact with the landlord or property owner.

This referral was prompted by a 2023 enforcement action against a property owner in Royal Oaks who had created more the 60 unpermitted and substandard apartment units on an agricultural property. Due to the endangerment of health and safety, the County ordered that the units be vacated. Pursuant to Section 18.15.050 of the County Code (Tenant Relocation Provisions for Rental Housing), the County ordered the property owner to provide the tenant of each unit two months fair market rent. The property owner interacted directly with the tenants on this and, in some cases, the tenants either declined the assistance or could not be contacted. This referral would require that, in the future, a property owner pay the County the costs of tenant relocation assistance, and then the County can disperse the payments directly to the impacted tenants.

Proposed Project:

The Housing and Community Development Department (HCD) could prepare an ordinance to amend and structure Chapter 18.15 to allow the County of Monterey to immediately pay owed tenant relocation assistance and to require responsible landlords/property owners to reimburse the County for such payments, so that tenants do not need to interact with the landlord/property owner and the County can better track payments made to housing victims and ensure timeliness of the assistance.

Chapter 18.15

Chapter 18.15 of the Monterey County Code (**Attachment B**) is known as the Housing Code of Monterey County. The purpose of this Code is to provide minimum standards to safeguard life or limb, health, property, and public welfare by regulating and controlling the use and occupancy, location and maintenance of all residential buildings and structures within unincorporated Monterey County. HCD is responsible for enforcing Chapter 18.15 and specifically where conditions exist that are deemed hazardous to life and property, the enforcement official is authorized to abate violations of the code. Section 18.15.050 sets forth regulations for providing relocation funds to tenants impacted by conditions leading to a violation of the Housing Code that are within the control of the owner/landlord. These rules include the timeliness and amount of relocation benefits. (See §§ 18.15.050(D-E)).

The Code currently requires relocation benefits be paid by the owner or designated agent to the tenants within certain timeframes. As written, Section 18.15.050.H does allow the County to provide an “Advance of Relocation Payments”, but only, “[i]f the owner or designated agent fails, neglects, or refuses to pay required relocation payments to a displaced tenant or a tenant subject to displacement...” The County would then require the owner or agent to reimburse the County for advanced payments to tenants.

Challenges:

At times, the ability of the County to collect fines and penalties can be delayed when the property owner or landlord refuses or is unable to comply with orders to pay fines and tenant relocation assistance in a timely manner and the enforcement process takes time to complete. This has the potential to delay the provision of assistance to the impacted tenants if the funds for such assistance are contingent upon the property owner or landlord paying the funds upfront.

Also, there are limitations in state law that prevent the County from depositing money from a private source in the County treasury (Government Code section 27011). This law makes it difficult for the County to act as the intermediary for relocation assistance if the money is paid to the County for the purposes of distributing the money to the tenants.

To remain consistent with state law, the County may change its ordinance to allow the County to immediately advance payment to tenants and collect reimbursement for those amounts from the property owner through fines, legal action, liens or assessments. The money advanced to tenants would come from the County budget and the money collected by the County would be considered County funds. Staff will work with the CAO’s office to identify the proper source of County funds for advancing payment to tenants as well as review the process for authorizing payment to tenants so as not to delay the necessary assistance.

Alternatively, the County could structure the ordinance to impose a specific fine upon the responsible party for such violations. And, once levied and collected, the County could utilize those funds for the designated purpose of supporting tenants and providing relocation assistance. This arrangement shares some of the considerations and limitations outlined above with respect to the time required to collect these funds.

Staffing and Costs:

Advancing payments to tenants may impact the budget until/unless the County is able to collect the funds from the responsible party(ies). The cost would be dependent on the fair market value of two months' rent and a utility deposit at the time of the action, multiplied by the number of tenants entitled to assistance. In the Royal Oaks example, 60 substandard and unpermitted rental units were found on the property, leading to required relocation assistance of approximately \$6,000 per unit and would have been approximately \$360,000 in total payments. This is an unusually large case, and most cases involve fewer units meaning that the costs for tenant relocation assistance would be less.

The County would need to identify funding sources for tenant relocation advance payments, and, depending on the amount, the Board may need to authorize the advanced payments before they are distributed. Following advancement of payments to impacted tenants, the County would need to collect the money advanced, either as statutorily required tenant relocation assistance or as a fine/penalty from the responsible parties to recover costs. Depending on the circumstances, legal remedies for collection of funds from responsible parties could take substantial staff time from an enforcement official and the Office of the County Counsel. Staff can recover costs associated with staff time spent on enforcement in addition to other fines allowed by County Code and state law.

Additionally, staff time to prepare this ordinance would compete with other priorities assigned to HCD. If the Board desires to proceed with changes in response to this referral, HCD staff recommends that this effort be folded into the 2025 work program with a target completion date of December 2025.

OTHER AGENCY INVOLVEMENT:

This report has been prepared with assistance from the CAO's office, the Office of County Counsel, and the Treasurer/Tax Collector's Office.

FINANCE:

The cost to amend Chapter 18.15 of the existing Ordinance if prepared by staff would be included in HCD's Adopted Budget. Should a consultant be required, HCD would use available appropriations and possibly seek remedy from the Board should the Department need additional funds to complete other assigned and required work during the given fiscal year.

In order to provide advance payments to displaced tenants in need of relocation, HCD would seek funding from General Fund Contingencies, Transient Occupancy Tax, Strategic Reserve or another source recommended by the CAO's Budget Office. HCD would not be able to maintain budget obligated allocated costs such as Salary and Benefits, Insurance, Cost Plan, Internal Services and other necessary Professional Services, if directed to use current appropriations. Using the example of the Royal Oaks incident where 60 households were affected, with an estimate of \$6,000 per

household to cover two months' rent and required deposits, the cost estimate is \$360,000.

Staff time to prepare this report is included in the Adopted Budget for FY2023-24 for Appropriation Unit HCD001, Unit 8542.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The recommended action supports the Board of Supervisors' Strategic Initiatives for Public Safety and Health & Human services.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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The following attachments are on file with the Clerk of the Board:

Attachment A - Board Referral 2024.06

Attachment B - Chapter 18.15 of the County Code