



## CITY COUNCIL AGENDA REPORT

DATE: March 17, 2020

AGENDA OF: March 24, 2020

DEPARTMENT: City Council

SUBJECT: Emergency Ordinance Preventing Residential or Commercial Evictions for Non-Payment of Rent as a Result of Economic Losses Related to the Coronavirus Pandemic (CN)

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RECOMMENDATION: Motion to:

- (1) Adopt an emergency ordinance to protect the health, safety, and welfare of the larger community by preventing residential or commercial evictions for non-payment of rent as a result of economic losses related to the coronavirus pandemic to avoid further homelessness and loss of jobs and employment opportunities within the community.
- (2) Encourage banks and other financial institutions to halt foreclosures and related evictions resulting from not providing mortgage payments as a result of economic losses related to the coronavirus pandemic to avoid further homelessness and loss of jobs and employment opportunities within the community.

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BACKGROUND: On December 31, 2019, Chinese authorities reported an outbreak of unusual pneumonia cases to the World Health Organization (WHO). These cases were linked to a novel coronavirus, now known as COVID-19 which causes flu-like symptoms and spread rapidly in China. Within two months COVID-19 spread throughout the world and is now found on every continent except Antarctica.

The disease caused by COVID-19 has a variety of health outcomes ranging from mild symptoms to death. Because some people with the disease are asymptomatic, they can infect others without knowing they carry the disease. People over 60, anyone with heart and lung conditions, and those with a suppressed immune system are particularly vulnerable to die if infected. As a novel coronavirus, COVID-19 is a significant healthcare challenge. Because the disease spreads rapidly and only supportive treatments are currently available, the healthcare system could be overwhelmed if the spread of COVID-19 is not slowed.

1. On March 16<sup>th</sup>, the Santa Cruz County Public Health Officer issued an order to shelter in place (the "Order") to slow the spread of the novel coronavirus. The Order requires all individuals living in the county to shelter at their place of residence except to provide or receive essential services. The Order also directs businesses and governmental agencies to cease non-essential operations at physical locations in the county, prohibits all non-essential gatherings of any number of individuals, and orders the cessation of all non-essential travel.

2. Also on March 16<sup>th</sup>, Governor Newsom issued Executive Order N-28-20 acknowledging the financial hardships brought on by government efforts to slow the spread of COVID-19, waived or suspended provisions of state law to make it easier for local governments to craft policies to prevent further homelessness related to the inability to pay rent these financial hardships, and authorizes local jurisdictions to determine the measures necessary to promote housing security, stability among commercial tenancies, and access to basic utilities.
3. Communities in the county and throughout the Bay Area are working on ordinances to address social stability in the rapidly changing context of the COVID-19 pandemic. Some of the items being considered include:
  - a. Additional funding for existing homelessness prevention programs
  - b. Residential eviction moratoria
  - c. Commercial eviction moratoria
  - d. Rent, food, and utility subsidies
  - e. No interest loan programs
  - f. Six month rent repayment period on loans and back rent
  - g. No interest or penalty on back rent payments
  - h. Relaxed proof of need for existing and developing homelessness prevention and food security programs
4. All of the programs reviewed are quick to point out that an eviction moratorium would not excuse non-payment of rent by tenants.

DISCUSSION: Given the economic hardships resulting from the Order, many individuals in the community may be unable to pay commercial or residential rents. To avoid further homelessness and loss of jobs and employment opportunities within the community, a draft ordinance that would prevent residential or commercial evictions for non-payment of rent as a result of economic losses related to the coronavirus pandemic is attached hereto for Council's review and discussion. Additionally, the Council should make the community aware that the City will maintain its rental assistance programs with the Santa Cruz County Housing Authority including \$100,000 in available funding for income qualified tenants for rental assistance. The City of Santa Cruz Economic Development Department will also continue to deploy housing assistance and referrals for city residents during this time.

The City further recognizes the relationship between rent payments and sustainability for mortgage payments by property owners. The City cannot mandate the decisions of banks and other financial institutions that are considering foreclosures and associated evictions. However, the same circumstances affecting renters' inability to pay rents during the coronavirus pandemic also affect the ability of individuals to pay mortgages. Since it cannot be mandated in an ordinance, the recommendation contained herein includes a formal motion whereby the Council formally encourages banks and other financial institutions to halt foreclosures and related evictions resulting from not providing mortgage payments as a result of economic losses related to the coronavirus pandemic. Discussions with federal representatives over the past week indicate that actions regarding foreclosures related to COVID-19 may be addressed in upcoming federal relief packages. The City will continue to monitor the development of these protections.

ENVIRONMENTAL REVIEW: The adoption and implementation of this Ordinance are exempt from the provisions of the California Environmental Quality Act under section 15061(b)(3) in that the implementation of this Ordinance would not result in any physical changes to the

environmental and therefore would not have significant effects on the environment.

**FISCAL IMPACT:** Costs of a rental eviction moratorium would initially be borne mostly by rental property owners, many of whom rely on rent to pay mortgages and support the needs of daily life. In the short term, rental property owners could be substantially affected if tenants were unable to pay rent for a sustained period of time. Foreclosures could result through sustained non-payment of rent and routine maintenance could be neglected resulting health and safety violations should the COVID-19 pandemic extend indefinitely. Such secondary impacts could create fiscal costs to the City, though the extent of those costs is unknown.

Submitted by:

Justin Cummings  
Mayor

Donna Meyers  
Vice-Mayor

**ATTACHMENTS:**

Ordinance

Santa Cruz County Health Officer – Shelter in Place Order

Governor Newsom Executive Order – N-28-20