

WALT ELLER COMPANY

Real Estate Development

CORPORATE OFFICE:

3912 PORTOLA DRIVE, SUITE 4, SANTA CRUZ, CA 95062

PH. 831-475-0460 • FAX NO. 831.475.0189

February 25, 2020

Santa Cruz Board Of Supervisors
701 Ocean Street, Room 500
Santa Cruz, Ca 95060

Attention: Supervisor, John Leopold-1st District
Supervisor, Zach Friend----2nd District
Supervisor Ryan Coonerty-3rd District
Supervisor Grey Caput-4th District
Supervisor Bruce McPherson -5th District

Re: Possible ordinance being considered-Proposed by Supervisor Ryan Coonerty
Tenants have two move in choices-The first give tenant option to pay the full amount of the security deposit. The Second Option would allow a Tenant to purchase renters insurance as a form of a security deposit.

"Our Letter Of Opposition"

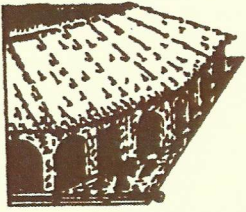
Dear Supervisors,

This letter shall voice our opposition to the above possible ordinance being considered. This proposal would definitely create a further housing crisis and barrier to Rental Housing. Property Owners/Landlords owning rental property will put same on the market for Sale. It is not feasible for landlord to continue to own and operate rental property, when their property rights are being taken away from them, and they are being subjected to economic losses.

A security deposit will covers the following items:

1. Unpaid rent under a rental contract.
2. Unpaid Utilities. (In rental units where Landlord bills Tenant from a sub-meter).
2. Resident Responsible cleaning upon vacating the unit.
3. Resident abandoned items in unit, with no value. Hauling same away.
4. In the event of litigation, just cause eviction or non-payment of rent-unlawful detainer action, judgement amount for rent due by Tenant & Landlord attorney fees.

It is our understanding that a Renters Insurance Policy, DOES NOT cover, any of the items listed in the above #1-#4.



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In the case, where tenant optioned for a renters policy, What would be the motivation for a Tenant to vacate a rental unit and leave it clean ? (No security deposit was paid and renters insurance does not cover cleaning of a unit, only covers tenant damage).

Landlords will not wish to stay in The Housing Provider Industry, with no security deposit in place. It would not be economically feasible for them to bare the increased costs of all of the items listed in above #1-#4, page #1.

In addition, for larger landlords providing Housing, would create a huge administrative burden in administrating all of the rental policies, and if there were tenant caused damages, a lot of time must go into filing an insurance claim. This would be new costs to the landlords, and thus, rents would have to be increased to cover all of the new administrative costs.

We value all of our tenants whom rent from our company, we keep rental increases at a fair, reasonable, minium sum. Some years we do not even raise rents. However, the continued California State & local laws, reducing landlord property rights & creating more administrative tasks and increasing economic loss and risks to the landlord, results in increased costs of doing business. Which will then result in definite yearly rental rate increases.

This in turn will result in unnecessary additional increased rental costs to residents. This could have been avoided absent of new legislation, such as this possible ordinance being considered.

In addition, landlords will simply sell their properties and exit the Housing Provider market Vs having to deal with continual legislation changes in the rental housing industry. Which results in an escalated housing crisis as rental housing inventory is reduced , which in turns drives up rental rates up do to low inventory.

Our company has provided rental housing in Santa Cruz County for approximately Forty (40) years, we strongly oppose this possible proposed ordinance.

Please kindly re-consider this matter.

Respectively submitted,

Walt Eller Company

Patti Eller Robb

Patti Eller Robb,
Senior Vice President.

PER/wcr



California Apartment Association

1530 The Alameda, Suite 100
San Jose, CA 95126
408.342.3500 • caanet.org

February 25, 2020

Housing Advisory Commission
County of Santa Cruz
701 Ocean Street,
4th Floor
Santa Cruz, CA 95060

Dear Chair Geisreiter,

The California Apartment Association (CAA), who represents the owners and property managers of multi-family properties, would like to express our concern over the proposal to accept insurance in lieu of security deposits. Recently the Board of Supervisors tasked your commission to establish an ad-hoc subcommittee to develop a proposal that would require landlords to accept insurance in lieu of security deposits. At the root of our concern is the ability of an insurance product to successfully perform the same way a security deposit would function.

Security deposits provide immediate relief for damages caused by the tenant, unpaid fees or missed rent payments. The deposits are required to be paid upfront so that upon the end of a lease, a property owner has the necessary funds to remedy any damages or fulfill any financial obligations due by the tenant. Any funds that are not used towards these purposes are required, by law, to be returned to the tenant within 21 days of the termination of the lease.

In evaluating this issue and the limited data from Cincinnati, since they only approved this policy in January of this year, CAA would like to point out several areas where questions about this proposal remain unanswered. The Commission should strive to answering them before forming a recommendation:

Claims Process:

- Can an insurance provider process a claim for damages or missed rent payments? If so, how quickly are they able to process the claim?
- What level of proof would the insurance companies require to pay the claim? And could they deny a claim which would further delay the turnover of a unit?
- What happens if the tenant ceases their policy payments, would the company cancel the policy?

Provider Stability

- How stable are the insurance companies that provide this niche product? And why aren't the more established insurance companies providing this product?
- How would the County evaluate a company who offers this type of insurance product? And if they don't meet some basic level of stability, could they refuse to let that company operate within Santa Cruz County?

- What happens if the company ceases operations? Who would be responsible for the insurance policy?

Exemptions

- Should an exemption be created for properties that offer a reduced security deposit since that would lower the barrier to entry for potential tenants?
- Should an exemption be created for property owners who lease to someone with a credit below what they would accept?
- Should an exemption be created for properties below a certain unit threshold as smaller properties carry greater risk due to fewer unit?

As you can see, there are many more questions than answers on the impact of this proposal. Recommending this policy move forward would place the County in uncharted waters without the benefit of another jurisdiction to learn from as Cincinnati does not have enough of a history with this issue to assist the County from avoiding potential pitfalls.

While CAA has yet to form an official position on this nascent issue, we would strongly urge the commission to consider these questions prior to forming a recommendation.

Sincerely,

A handwritten signature in black ink, appearing to read 'ABabbar'.

Anil Babbar
Vice President of Public Affairs

Stanley M. Sokolow
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February 28, 2020

Suzanne Isé, AICP
Principal Planner, Housing Division
Staff Liaison to the HAC
County of Santa Cruz Planning Dept.
701 Ocean St., Room 418
Santa Cruz, CA 95060

Via email to: Suzanne Ise <Suzanne.Ise@santacruzcounty.us>

Re: Item 6 on HAC Agenda of Mar 4 – A housing policy item related to security deposit insurance options for residential rentals.

Position: Oppose

Dear Ms. Ise and HAC members:

I have a prior commitment that doesn't allow me to attend the Mar 4 meeting, so please accept this letter in lieu of my comments there.

I firmly believe that the County does not have the authority to require that landlords accept any form of insurance or surety as the security deposit on a residential rental unit. As noted in your report, California statute 1950.5 of the Civil Code lays out a thorough set of rules for security deposits. It says "(d) Any security **shall be held by the landlord** for the tenant who is party to the lease or agreement." [Emphasis added.] It does not say that the security may be held by a 3rd party, such as an insurance company under contract with the tenant, nor that an insurance policy shall constitute lawful security. I believe that the state has fully occupied the field of security deposits on residential residential units. The code section does not say that a local jurisdiction may mandate other means of providing landlords with security.

I agree fully with the 2 prior letters you have received, from Walt Eller Company and from the California Apartment Association.

The County already has security deposit assistance programs. The Housing Authority administers several Security Deposit Programs for jurisdiction in Santa Cruz County. These Security Deposit Programs offer eligible individuals and families assistance with a portion of their security deposit. <https://www.hacosantacruz.org/security-deposit-program/> If the Board of Supervisors wishes to provide greater assistance to more tenants, it should expand the eligibility for those programs and adequately fund them.

I reside in the County and am an owner of a house in unincorporated Santa Cruz County which I rent out to tenants. I, like other landlords, would be harmed by the proposed ordinance mandating landlords to accept insurance contracts between the tenant and an insurance or surety company as security, in lieu of the security deposit described and authorized by the Civil Code. If such a measure were adopted by the Board of Supervisors, I would participate as a plaintiff in an action brought to court for a writ of mandate declaring the ordinance to be in conflict with the statute and therefore null and void.

Sincerely yours,

Stanley M. Sokolow