

Community Stabilization and Fair Rent Act

**CHAPTER 8
TENANT BUYOUT AGREEMENTS**

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A. Purpose and Definition

1. Background.

The Community Stabilization and Fair Rent Act (CSFRA) regulates aspects of existing relations between landlords and tenants, including controls on excessive rent increases and limits of arbitrary evictions and terminations of existing tenancies in covered rental units. State law generally precludes regulation of rents for new tenancies. Together, CSFRA regulation of existing landlord-tenant relations and the unregulated creation of new tenancies can create an incentive for landlords to induce existing tenants to voluntarily vacate a tenancy, such as offering cash payments to tenants in exchange for leaving a CSFRA-regulated unit. An agreement to vacate a unit in exchange for money is often called a “Tenant Buyout Agreement.” Tenant Buyout Agreements are one means of potentially circumventing the CSFRA and other regulation of the landlord-tenant relationship, including the Tenant Relocation Assistance Ordinance. Because anecdotal evidence indicates: some Tenant Buyout Agreements are not conducted at arms-length; some landlords may use high-pressure tactics and intimidation to procure unlawful waivers by tenants of their rights; and because inadequate information exists to determine the breadth and extent of problems caused by Tenant Buyout Agreements for existing and future tenants, this Chapter regulates aspects of Tenant Buyout Agreements by informing tenants of their rights while allowing for fair, mutually beneficial, arms-length transactions.

2. Authority.

CSFRA Sections 1708(b), 1709(d)(2), and 1709(e) authorize the Rental Housing Committee (RHC) to establish rules and regulations for administration and enforcement of the CSFRA, including the adherence to the just cause for eviction protections, relocation assistance, and first right of return included in Section 1705 and the stabilization of rents included in Section 1706.

3. Tenant Buyout Agreement – Definition.

A Tenant Buyout Agreement is any agreement through which a landlord or landlord’s agent pays a tenant money or other consideration, including, but not limited to, a waiver of rent, in exchange for the tenant vacating a rental unit. An agreement to settle a pending unlawful detainer action is not a Tenant Buyout Agreement.

B. Disclosure Required

1. Mandatory Disclosure to Tenants.

Prior to executing a Tenant Buyout Agreement, the landlord must provide to each tenant in the rental unit a form disclosure regarding Tenant Buyout Agreements in substantially the same form as the form disclosure published by the RHC. The form disclosure must include the following information:

- a. A summary of tenant rights under the just cause for eviction protections under CSFRA Section 1705 for fully and partially covered rental units; and
- b. A summary of tenant rights under the stabilization of rents provisions under CSFRA Section 1706 for fully covered rental units; and
- c. A summary of the Tenant Relocation Assistance Ordinance; and
- d. A summary of the Tenant Buyout Agreement regulations, as required by this Chapter; and
- e. Contact information for the RHC helpline; and
- f. A statement verifying each party's right to consult with an attorney and/or contact the RHC prior to signing a Tenant Buyout Agreement; and
- g. A statement that market-rate rents in the area may be significantly higher than the current rent paid; and
- h. A statement that any payment received under a Tenant Buyout Agreement may be subject to taxation; and
- i. Other information as may reasonably be required in furtherance of this Chapter, as it may be updated from time to time.

2. Language of Form Disclosure.

If the tenant's rental housing agreement was negotiated or memorialized in a language other than English, then the landlord is obligated to provide an accurate translation of the form disclosure regarding Tenant Buyout Agreements, as well as the Tenant Buyout Agreement itself, in the language in which the rental housing agreement was negotiated or memorialized.

C. Content of Every Tenant Buyout Agreement

Each Tenant Buyout Agreement must be in writing and signed by the relevant parties. The Tenant Buyout Agreement must include:

1. Consideration.

The amount of money and any other consideration to which one or more tenants is entitled in exchange for vacating a rental unit, and the date when the consideration must be received by the tenant(s).

2. Date to Vacate Rental Unit.

The date when the tenant(s) must vacate in order to receive the consideration, as described in subsection C.1, above.

3. Mandatory Disclosure.

The following statement, in a size equal to at least 14-point type:

You, the tenant, have a right not to enter into this Tenant Buyout Agreement, as described in the Tenant Buyout Agreement Disclosure Form. By signing this Tenant Buyout Agreement, you, the tenant, may be waiving rights and responsibilities described in the disclosure form, such as the potential for relocation assistance (depending upon your income), the potential for additional assistance (for persons over the age of 62 and handicapped or disabled persons, and households with school-age children), and/or the ability to continue your tenancy as regulated under the CSFRA and RHC.

D. Notice to Rental Housing Committee

1. Notice Required.

A landlord must file with the RHC a copy of the disclosure form that is signed and dated by the landlord and each tenant executing a Tenant Buyout Agreement, as well as notice of execution of a Tenant Buyout Agreement

within five (15) calendar days after executing the Tenant Buyout Agreement. The notice must:

- a. Identify the landlord; and
- b. Identify each tenant who executed the agreement; and
- c. Identify the rental unit to which the agreement applies; and
- d. Identify the total amount of consideration paid to the tenant(s), or dollar equivalent, and the date when paid to the tenant(s).

2. Confidential Information.

The specific location of a rental unit subject to a Tenant Buyout Agreement shall be confidential. The total amount of consideration paid to the tenant(s), or dollar equivalent, and the date of payment shall be confidential.

E. Enforcement

1. Construction with CSFRA.

Failure to comply with this Chapter may impact the validity of, and individual rights related to, a Tenant Buyout Agreement, but shall not be considered substantial noncompliance with the CSFRA and its implementing regulations for purposes of CSFRA Section 1707(f)(1).

2. Mandatory Cooling-Off Period.

Every party to a Tenant Buyout Agreement shall have the right to rescind the Tenant Buyout Agreement for up to and including ten (10) calendar days after its execution by all parties. To rescind a Tenant Buyout Agreement, the party must, on or before the tenth (10th) calendar day following the execution of the Tenant Buyout Agreement by all parties, hand-deliver, e-mail, or place in the U.S. mail a signed statement indicating that the party has rescinded the Tenant Buyout Agreement.

3. Failure to Comply.

Any purported Tenant Buyout Agreement that fails to comply with the regulations in this Chapter, including, but not limited to, the mandatory disclosure, and the mandatory contents of the agreement, and the obligation to notify the RHC, may be rescinded by one or more tenant(s) prior to

vacating the rental unit, regardless of the number of days since the execution of the purported Tenant Buyout Agreement.

F. Partial Invalidity

If any provision of this Chapter, or the application thereof to any person or circumstance, is held invalid, this invalidity shall not affect other provisions or applications of this Chapter or these Regulations that can be given effect without the invalid provision or application, and to this end the provisions of this Regulation are declared to be severable. The Regulation shall be liberally construed to achieve the purposes of the Act.