



CITY OF CLEARLAKE

City Council

STAFF REPORT

SUBJECT: Second Reading of Ordinance 289-2026 Adding Article 9-5 (Supplemental Real Property Transfer Disclosures) to Chapter IX (Building and Housing) of the Clearlake Municipal Code

MEETING DATE:

September 3,
2026

SUBMITTED BY: Alan D. Flora, City Manager
Scott Drexel, City Attorney

PURPOSE OF REPORT: ☐ Information only ☐ Discussion ☒ Action Item

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to hold the second reading of Ordinance No. 289 by title only, waive further reading, and adopt the ordinance. The proposed ordinance would add Article 9-5 (Supplemental Real Property Transfer Disclosures) to Chapter IX (Building and Housing) of the Clearlake Municipal Code, requiring sellers of residential real property in the City to provide buyers with a supplemental disclosure statement addressing several matters that frequently affect Clearlake buyers: (1) the City's mandatory solid waste (garbage) collection service; (2) the regulation and permitting of short-term vacation rentals; (3) the existence of private roads not maintained by the City; (4) the requirement for rental properties to be registered and inspected; and (5) the existence of multiple independent utility companies providing water and sewer service within the City.

BACKGROUND/ DISCUSSION:

California law generally requires the seller of residential real property containing one to four dwelling units to provide the buyer with a Real Estate Transfer Disclosure Statement ("TDS") under Civil Code Sections 1102 through 1102.19. Civil Code Section 1102.6a expressly authorizes any city to require disclosures in addition to those on the state form, and to use addenda to facilitate those disclosures. The proposed ordinance exercises that authority as a disclosure-only measure: it requires no inspection, repair, retrofit, permit, or certificate as a condition of any transfer, and a failure to comply does not invalidate a transfer or cloud title.

At its regular meeting of August 6, 2026, the City Council considered the introduction and first reading of Ordinance No. 289-2026 (Agenda Item 7). As presented, the ordinance addressed three disclosure categories: mandatory solid waste collection service, short-term vacation rental (STVR) permitting and the expiration of STVR permits upon transfer, and private roads not maintained by the City. Following discussion, the Council did not introduce the ordinance and instead directed staff to amend it to add a

fourth disclosure category addressing renters — that is, tenant occupancy and existing tenancies affecting the property at the time of sale — and to return the amended ordinance for introduction and first reading. Staff and the City Attorney have amended the ordinance as directed. The first reading of the Ordinance was then held on August 20, 2026.

Buyers of tenant-occupied property in Clearlake are often unaware that, under California law, existing leases and rental agreements generally survive the sale and bind the new owner; that responsibility for tenants' security deposits transfers with ownership (Civil Code Section 1950.5(h)); and that many tenancies are subject to statewide rent-increase limitations and "just cause" termination requirements (Civil Code Sections 1946.2 and 1947.12). The amended ordinance requires the seller to disclose, to the seller's actual knowledge: whether the property is tenant-occupied; the basic terms of each tenancy (written or oral, month-to-month or fixed term, current rent, and deposits held); whether any tenancy is subsidized (e.g., Section 8); whether any termination notice, rent-increase notice, or eviction proceeding has occurred within the preceding 12 months; and any unresolved habitability complaint or code enforcement action involving a tenant-occupied unit. The disclosure form may not request tenant names or other personal identifying information.

The specific amendments are: (1) a new recital regarding tenant occupancy; (2) revision of the purpose statement (Section 9-5.020) from three to four disclosure categories; (3) a new definition of "Existing tenancy" (Section 9-5.040(h)), which excludes short-term transient stays already covered by the vacation rental provisions; (4) a new subsection (d) in Section 9-5.090 setting out the tenant-occupancy disclosure contents; and (5) a new Section 4 (Tenant Occupancy and Existing Tenancies), including a buyer acknowledgment, in the Exhibit A disclosure form, with the former Section 4 (Other Locally Significant Conditions) renumbered as Section 5.

The amendment is consistent with the approach of other California jurisdictions. The Town of Mammoth Lakes uses the Civil Code Section 1102.6a "local option" disclosure statement to inform buyers of locally significant rental-use restrictions at the time of sale. The City of Los Angeles requires sellers to obtain and deliver a Residential Property Report before sale (LAMC Section 96.300), which discloses matters a buyer inherits with the property, and the City of San Francisco requires disclosures concerning tenants' rights when rental property is sold. Rent board guidance in cities such as Berkeley confirms the underlying rule the disclosure communicates: tenancy terms transfer to the new owner, and the sale itself is not a basis for terminating a tenancy. The proposed ordinance remains less burdensome than the Los Angeles and San Francisco models because it requires only a seller disclosure based on actual knowledge, not a city-issued report or a condition of closing.

Because the ordinance was not introduced on August 6, the amended ordinance is before the Council for introduction and first reading. If introduced, the second reading and adoption would be set for the next regular Council meeting, and the ordinance would take effect 30 days after adoption. Following adoption, staff would finalize the Exhibit A disclosure form and coordinate outreach to local real estate professionals so the form is in circulation by the effective date.

OPTIONS:

1. Hold the second reading of Ordinance No. 289-2026 by title only, waive further reading, and adopt the Ordinance.

FISCAL IMPACT:

☒ None ☐ \$ Budgeted Item? ☐ Yes ☐ No

Budget Adjustment Needed? ☐ Yes ☒ No If yes, amount of appropriation increase: \$

Affected fund(s): ☐ General Fund ☐ Measure P Fund ☐ Measure V Fund ☐ Other:

Comments: Adoption of the ordinance itself has no direct fiscal impact. Ongoing administration would consist of the City Manager's finalization and periodic revision of the disclosure form and posting it on the City's website. Should the Council determine to recover administrative costs, Section 9-5.120 authorizes a fee resolution; no fee is proposed at this stage. Publication of the ordinance summary in a newspaper of general circulation is expected to be a nominal City Clerk cost within existing operating budget.

STRATEGIC PLAN IMPACT:

- ☐ Goal #1: Economic Development
- ☐ Goal #2: Public Facilities and Infrastructure
- ☐ Goal #3: Celebrate Clearlake
- ☒ Goal #4: Clean
- ☒ Goal #5: Fiscal Sustainability
- ☒ Goal #6: Safe

SUGGESTED MOTIONS:

"I move that the City Council hold the second reading of Ordinance No. 289-2026; that the ordinance be read by title only; that further reading be waived; and that the ordinance be adopted."

- ☒ **Attachments:** 1. Draft municipal code amendment – Real Estate Disclosures