

# bae urban economics

Long-Term Rent Control Study  
Prepared for the City of Culver City  
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# EXECUTIVE SUMMARY

This Executive Summary presents BAE's key research findings on Culver City's multifamily rental market, including housing stock, demographic data, and affordability metrics such as renter cost burden. It also highlights some of the key policy considerations and program design components that have been implemented by other jurisdictions with respect to their own permanent rent control and/or tenant protection programs.

Next, this summary outlines the findings from landlord interviews that BAE conducted in Spring 2020 as a follow-up to the City's Interim Ordinance. This includes property owner feedback regarding the Interim Ordinance, as well as potential program design elements for the City's consideration based on local experience.

## Key Research Findings

### *Demographic Analysis*

- Owner households currently comprise the majority of households in Culver City, but by a slim margin: 51.1 percent of households were owner-occupied in 2019, while 48.3 percent of households were renter-occupied.
- Renter households in Culver City are generally small. One- and two-person households together accounted for nearly 70 percent of Culver City renter households in the 2014-2018 period (the most recent ACS data release). By comparison, households of those sizes constituted less than 60 percent of renter households in Los Angeles County.
- Renter households with children are considerably less common in Culver City than across the County more broadly. Just under a quarter of Culver City renter households reported having a child under 18 in their home in 2014-2018, compared to approximately 34 percent among renter households countywide.
- The median length of renter tenancy is slightly shorter in Culver City than countywide. Among Culver City renter householders, 26.1 percent moved into their unit in 2015 or later, compared to 22.1 percent of householders countywide. Renter householders who initiated their tenancy before 2000, meanwhile, comprise about 11 percent of total renters in Culver City, and 12 percent in the county.

- Over one-third of Culver City renter households had incomes of \$100,000 or more, compared to just 18.3 percent countywide. Nearly a quarter of the City's renter households, meanwhile, had incomes below \$35,000.
- A significant proportion of Culver City renters are considered to be excessively burdened by their housing costs. Forty-three percent of Culver City renter households were cost-burdened (paying more than 30 percent of household income on rent) during the most recent available data period from 2012-2016. Of these estimated 3,500 cost-burdened households, more than half were severely cost-burdened (paying more than 50 percent of household income on rent).

### ***Rental Market Inventory***

- The American Community Survey (ACS) estimates that the Culver City inventory of renter-occupied units totaled 7,555 in the 2014-2018 period. Single-family rentals comprised about one-fifth of the inventory, while duplexes, triplexes, and fourplexes contributed another 20 percent of units.
- The statewide Costa-Hawkins Rental Housing Act ("Costa-Hawkins") exempts from local rent control units constructed after February 1995, as well as any unit that could be sold separately from any other unit (e.g., single-family homes and condominiums). Based on 2014-2018 ACS data, BAE estimates that at least 2,000 renter-occupied units in Culver City are exempt from local rent control under Costa-Hawkins.
- Culver City's rental inventory is generally characterized by small- and mid-sized multifamily buildings dating to the mid-20th Century. Nearly 40 percent of units were constructed before 1960, and over 70 percent were built pre-1980.

### ***Rental Market Analysis***

- Between the first quarters of 2011 and 2020, the average asking monthly rent in the City increased from \$1,785 to \$2,580, a growth of 44.5 percent, according to CoStar.
- Average asking rents grew at an average annual rate of 4.2 percent over that period, though year-to-year growth reached as high as 8.8 percent and 6.3 percent in the middle of the decade.
- Multifamily vacancy rates have been remarkably consistent over the decade, staying within a narrow three to five percent range.



### ***Program Design Considerations***

- To explore permanent rent control and tenant protection program design options for the City, BAE surveyed permanent rent control and tenant protection policies and programs in five other jurisdictions: Beverly Hills, the City of Los Angeles, Los Angeles County, Santa Monica, and West Hollywood.
- These “comparison jurisdictions” generally take similar approaches with respect to defining their “covered rental units,” in large part due to the preemptive provisions of Costa-Hawkins. This includes exempting single-family dwellings, condominiums, townhomes, hotels and motels, and other defined uses. It also prohibits the inclusion of any rental unit that was constructed after 1995.
- Jurisdictions differ slightly with respect to exemptions from the provisions of their respective programs. Common “occupancy-based” exemptions include units that are occupied by a close relative, units that are occupied by a Section 8 voucher holder, or small buildings (e.g., duplexes and triplexes) that are owner-occupied.

### ***Annual Rent Adjustments***

- All comparison jurisdictions define a clear method by which “annual rent adjustments” are calculated each year. In all cases, such adjustments are based in part on the annual change in the Consumer Price Index (CPI) between a defined twelve-month period as outlined in the enabling legislation.
- In Santa Monica and West Hollywood, only a fraction (75 percent) of the annual change in CPI can be used to inform annual rent adjustments.
- In Los Angeles County and the cities of Los Angeles and Beverly Hills, the full change in CPI can be used to inform annual rent adjustments. In the latter two jurisdictions, a minimum “floor” for annual rent adjustments is set at three percent, irrespective of the observed 12-month change in CPI. Los Angeles County does not guarantee an annual rent increase, though it does allow adjustments to exceed change in CPI during periods of low inflation.

### ***Rent Adjustment Petitions - Landlord***

- All surveyed comparison jurisdictions allow some form of landlord petition, such as a request to increase rent above the annual rent adjustment.

- Under the “Fair and Reasonable Return” standard, landlord petitions must demonstrate that the rent ordinance will prevent them from receiving a “fair and reasonable return.” Also referred to as “Net Operating Income (NOI) testing,” this “Fair Return Standard” is typically analyzed by comparing the property’s NOI from a base year to the current year.
- Landlord petitions may also take the form of a cost recovery pass-through mechanism. In such cases, property owners can pass along the cost of certain capital improvements to their tenants without having to demonstrate financial hardship.
- West Hollywood and Santa Monica do not offer a cost recovery pass-through mechanism; landlords are only permitted to increase rents beyond the annual adjustment through a “Fair and Reasonable Return” petition. The County of Los Angeles and cities of Beverly Hills and Los Angeles offer both a cost recovery petition and a “Fair and Reasonable Return” petition.

### ***Tenant Protections***

- Most comparison jurisdictions have tenant protection laws, such as just-cause evictions and anti-harassment, that apply to all renters, and not only those who live in rent-controlled units.
- West Hollywood, Santa Monica, the City of Los Angeles, and the County of Los Angeles all include voluntary buy-out policies for tenants covered by the tenant protection policies. Beverly Hills, Culver City’s Interim Ordinance, and AB 1482<sup>1</sup> do not include voluntary buy-out policies.
- Typical “No-Fault” eviction policies include when a landlord seeks to permanently remove the unit from the rental housing market, move into the unit, move a relative into the unit, or move a building manager into the unit. No-Fault evictions can also occur when a landlord plans to demolish and/or significantly remodel a unit, or is required to comply with a government or court order.
- Comparison jurisdictions usually require mandatory relocation assistance for No-Fault evictions, although with differing formulas. Some, such as West Hollywood and Santa Monica, also require that landlords pay higher amounts of relocation assistance to

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<sup>1</sup> AB 1482, also known as the California Tenant Protection Act, is a statewide law that went into effect on January 1, 2020.

long-term and/or low-income tenants, seniors aged 62 and older, people who are disabled, or families with minor dependent children.

### ***Cost Recovery Pass-Through Analysis***

- Under cost recovery pass-through programs, property owners are eligible to recapture a portion of certain property improvement costs over a specified period, without any dedicated “NOI testing.” This method provides a clear financial incentive for the property owner to undertake building improvements.
- Each jurisdiction tailors its cost recovery pass-through program to meet its policy goals. In cities such as Beverly Hills, landlords are encouraged to invest in improvements via a simple cost recovery formula. In West Hollywood and Santa Monica, however, pass-throughs are only allowed to the extent needed to provide a fair and reasonable return.

BAE evaluated three pass-through scenarios in this Report to represent a full spectrum of potential program design options.

- A 100 percent cost recovery option permits a landlord to fully pass on costs to tenants. While a 100 percent cost recovery program maximizes the incentive for landlords to participate, the program may result in excessive rent increase for tenants. For a “mid-sized” capital improvement project costing approximately \$9,000 per unit, for example, the calculated monthly pass-through would translate into a temporary surcharge of \$152 per month over a five-year amortization period. For a tenant paying the average rent for a prototypical building (\$1,434 per month in a building with six units or fewer), this is equivalent to a 10.6 percent increase.
- A 50 percent cost recovery approach reduces the potential pass-through amount by half, and can be tailored to further benefit the tenant by increasing the amortization period from five to ten years. For the same capital improvement project described above, the calculated monthly pass-through translates into \$38 per month over a ten-year amortization period, which is equivalent to a 2.6 percent increase for a tenant paying the average rent in a prototypical building.
- A hybrid model that blends elements favorable to both property owners and tenants might include a 50 percent cost recovery option, but with a shorter amortization period of five years. In this case, the calculated monthly pass-through would translate into a temporary surcharge of \$76 per month, or 5.2 percent of the base rent.

## Key Interview Findings

BAE also conducted a series of property owner interviews to supplement those completed prior to the Interim Ordinance. Topics discussed include the property owners' experience under the Interim Ordinance, possible alignment and/or redundancy with AB 1482, as well as additional program design considerations based on the unique context of Culver City's local housing market.

### ***Alignment with AB 1482***

- AB 1482, also known as the California Tenant Protection Act, is a statewide law that went into effect on January 1, 2020. The law requires a landlord to have "just cause" prior to terminating a tenancy, and limits annual rent increases to no more than five percent above the local change in Consumer Price Index (CPI), or ten percent (whichever is lower).
- All landlords interviewed by BAE suggested that the City of Culver City look to AB 1482 for guidance on establishing tenant protections and allowable rent increases, as opposed to a more tailored permanent citywide ordinance.
- Allowable rent increases under AB 1482 are significantly higher than those allowed under both the Interim Ordinance as well as by comparison jurisdictions. AB 1482 defines a jurisdiction's allowable rent increase by measuring "the percentage change from April 1 of the prior year to April 1 of the current year" in the Consumer Price Index for the local region. Based on the most currently available change in relevant CPI (0.7 percent from April 2019 to April 2020), this would set the City's allowable rent increase at 5.7 percent initially.
- Landlords also cited a permanent ordinance's potentially high administration costs as another reason to advocate for AB 1482 alignment. This assumes that AB 1482's provisions would require less ongoing reporting and administrative overhead.
- Similarly, property owners expressed concern that a permanent ordinance would be duplicative in light of a statewide law, and that it could potentially lead to conflicting interpretations.

### ***Unintended Consequences of a Permanent Ordinance***

- Interviewees voiced concern that the establishment of a permanent ordinance might prompt more landlords to withdraw their units from the rental market pursuant to the Ellis Act.<sup>2</sup> This may be particularly true for owners who self-manage their properties, as

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<sup>2</sup> The Ellis Act is a California law that provides rental property owners with a legal means to exit the rental business.

well as those less equipped to handle the ongoing requirements of a permanent ordinance.

- Some landlords indicated that the establishment of a permanent ordinance would make them less willing to enter into long-term leases with renters who had lower incomes and credit scores, thus defeating one intent of a permanent ordinance.
- Other property owners suggested that the quality of the City's rental building stock would deteriorate if provisions were not put in place that allowed for capital improvement and other cost pass-throughs.
- Local property owners who also own properties in cities with permanent ordinances such as Los Angeles reported less turnover in their rent-controlled units on average than in their Culver City units. This allows for fewer opportunities to make needed improvements upon vacancy of a unit.

#### ***Recommendations and Suggestions for Program Design***

- All property owners supported the inclusion of a pass-through option for capital and/or legally-mandated improvements if a permanent ordinance is approved.
- In a similar vein, all property owners indicated that any rental registration fee should be allowed to be passed along to the tenant. Some landlords indicated this might also help encourage registry compliance.
- A significant number of property owners expressed concern about the lack of "means-testing" that can accompany permanent ordinances. Support for a permanent ordinance would be stronger, they argue, if it were crafted to apply to eligible renters (e.g., those earning 80 percent of Area Median Income or other benchmark) as opposed to all renters citywide.
- Other suggestions for a more tailored approach included exempting properties of a certain unit size from a permanent ordinance. For example, the Interim Study found that annual rent growth for larger buildings (e.g., 51 or more units) was markedly higher than for smaller buildings (e.g., six units or fewer).
- Some landlords advocated for the inclusion of debt service (including mortgage interest and principal payments) to be included as an operating expense for the purposes of calculating Net Operating Income (NOI). It should be noted that none of the comparison jurisdictions, however, allow this approach.

- Another property owner argued for an exception to relocation assistance provisions (including the relocation payment) if the unit were being made available to an immediate family member.
- To the extent that a landlord petition process under a permanent ordinance would require property owners to submit their financial information to an outside party, landlords urged the City to have systems in place to safeguard such data.
- The former Rental Assistance Program (RAP) was cited by several landlords as a program that yielded tangible benefits by preventing the displacement of low-income renters. Some landlords also advocated for additional funding to continue such programs, including the establishment of a Linkage Fee.

# INTRODUCTION

## Study Background

In August 2019, BAE Urban Economics, Inc. (BAE) completed a study of the policy elements and economic impacts of a potential “interim” residential rent stabilization ordinance for the City of Culver City. As part of this study, BAE analyzed the local rental market, researched rent cap urgency ordinances in other jurisdictions, and prepared financial models of multifamily rental property operations.

At its August 12, 2019 meeting, the City Council of the City of Culver City adopted an urgency Interim Ordinance establishing interim rent control and tenant protection measures for a 12-month period. The ordinance took effect immediately. During the 12-month interim period, City Council directed City staff to further study and analyze whether a permanent rent control and tenant protection program was warranted. Staff re-engaged BAE in September 2019.

This report builds upon the analysis that BAE conducted for the Interim Ordinance, and seeks to help City officials and local stakeholders critically evaluate the potential program designs and policy considerations of a permanent rent control and tenant protection program. The report is broken down into the following chapters.

- For the **Rental Market and Demographic Analysis**, BAE evaluated Culver City’s existing rental housing inventory, the demographic makeup of its renter households, as well as recent trends in the local multifamily market. Ultimately, the goal of this analysis is to help identify the extent to which rental housing affordability remains a key issue, as well as more effectively target any potential long-term ordinance.
- To help inform the **Analysis of Program Design**, BAE surveyed permanent rent control and tenant protection policies and programs in five other Los Angeles County jurisdictions: Beverly Hills, the City of Los Angeles, Los Angeles County, Santa Monica, and West Hollywood. These “comparison jurisdictions” were chosen in consultation with City staff, and represent a diversity of population sizes, administrative capacities, and approaches to structuring and administering rent control and tenant protections. BAE also evaluated provisions of the statewide Tenant Protection Act of 2019 (AB 1482) to understand how it compares, contrasts, and interacts with local policies.
- As part of this comparison jurisdiction research, BAE also surveyed a variety of **Tenant Protection Policies** incorporated into local rent control laws, such as habitability, tenant anti-harassment, evictions, relocation, and tenant buy-out procedures.

- To encourage re-investment in the local housing stock, BAE also detailed a number of **Cost Recovery Pass-Through Scenarios** that could be implemented under a permanent ordinance, whereby property owners to are eligible to recapture a portion of specified property improvement costs over a specified period.
- The **Program Administration** section summarizes key considerations that the City will need to decide upon, including the creation of a rent registry, budgets and staffing, board and commission oversight, and other issues.
- Finally, a **Policy Decisions Matrix** summarizes the key policy considerations requested by City staff for BAE analysis. The matrix is organized by “Section” in the same order as the Interim Ordinance, and is intended to serve as a guide for the City Council and other stakeholders regarding the structure of a potential permanent ordinance.

## **Limiting Conditions**

This study presents an assessment of current and potential rent cap policies and multifamily operating pro-formas, based on the identified data sources. It has been prepared to inform stakeholders on potential policies related to the City of Culver City. Because of the limitations of the scope of this study, available data including any errors by data providers, and the methodologies used, along with the uncertainty inherent in long-term versus short-term projections, actual performance may vary from what is presented here. Real estate conditions are dynamic and the analysis and findings presented in this study are subject to change at any time after the publication of this study, based on changes due to macroeconomic conditions at the national and regional level; changes in legislation, regulations, and public policy actions; and decisions by developers, investors, firms, lenders, and other parties that may impact local market conditions.



# RENTER CHARACTERISTICS

This chapter analyzes the demographic characteristics of renter households in Culver City, and includes metrics such as householder age, household incomes, housing cost burdens, and other topics. Culver City renter households are compared against renter households in Los Angeles County to identify those areas in which Culver City stands apart from the wider region, and to identify the extent to which rental housing affordability remains a key issue locally.

## Methodology

For the demographic analysis, BAE draws upon data from Esri Business Analyst, the U.S. Census Bureau's American Community Survey (ACS), and the Comprehensive Housing Affordability Strategy (CHAS) from the U.S. Department of Housing and Urban Development (HUD).

The ACS generates demographic, economic, and housing data estimates from surveys administered to a statistical sample of an area's population over a one-year or five-year period. Only five-year sample estimates are available for areas with fewer than 65,000 residents, including Culver City. ACS data in this report are five-year estimates from the most recent available release, the 2014 through 2018 survey, unless otherwise noted. Because these data reflect a five-year period, they should not be interpreted as a snapshot of present conditions but as a statistically reliable generalization of conditions over those five years.

This analysis also utilizes household income and housing cost burden estimates from CHAS, a publication of HUD. HUD produces CHAS estimates from data collected in the ACS. The most recent available CHAS estimates draw data from the 2012 through 2016 ACS. For more current estimates than those provided by the ACS, BAE utilizes Esri Business Analyst, which is benchmarked against the 2010 Census but incorporates data beyond the ACS.

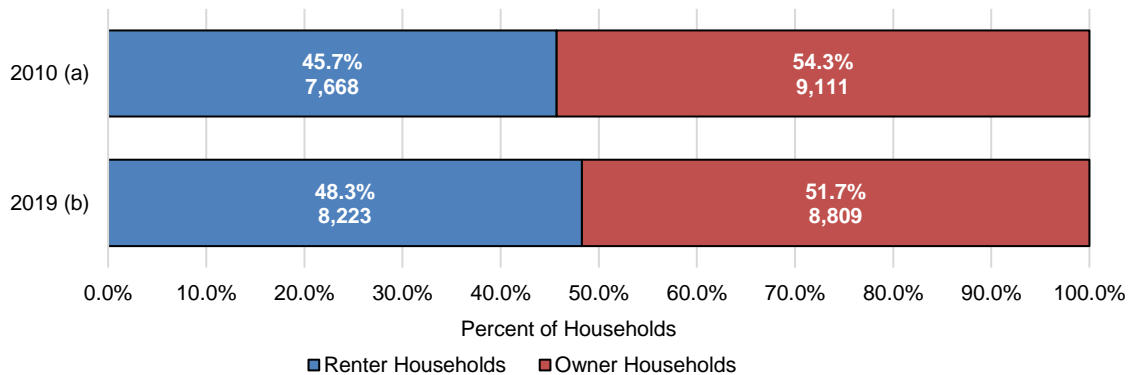
To evaluate recent trends in Culver City's multifamily rental market, BAE compiled data from CoStar, a leading commercial real estate database. CoStar reports inventory characteristics, such as the number of units and floor plans, for over 250 multifamily rental properties and 3,000 units in Culver City. The database also tracks key performance metrics, including asking rents and vacancies, for many of these properties. It is important to note that CoStar data do not reflect a full census or representative sample of rental units in Culver City. CoStar does not capture renter-occupied single-family homes and may underreport rental units in buildings of five or fewer units. CoStar still offers the most comprehensive and up-to-date rental market insights available at the local level. Detailed information about ACS and CoStar rental inventory data is provided in Appendix B.

## Renter Characteristics

### *Housing Tenure*

Owner households currently constitute the majority of Culver City’s households, though recent trends suggest renters will become the majority within the next decade. According to estimates from Esri Business Analyst, the number of renter households increased by over seven percent between 2010 and 2019, while the number of owner households declined by 3.3 percent over the same period. As a result, renter households increased their share of total households citywide from 45.7 percent to 48.3 percent, as illustrated in Figure 1. By 2019, there were approximately 8,200 renter households in Culver City. If the past decade’s trends continue at the same rate, renter households may outnumber owner households by 2026.

**Figure 1: Households by Tenure, Culver City, 2010-2019**



Notes:

(a) Sourced from the 2010 Census.

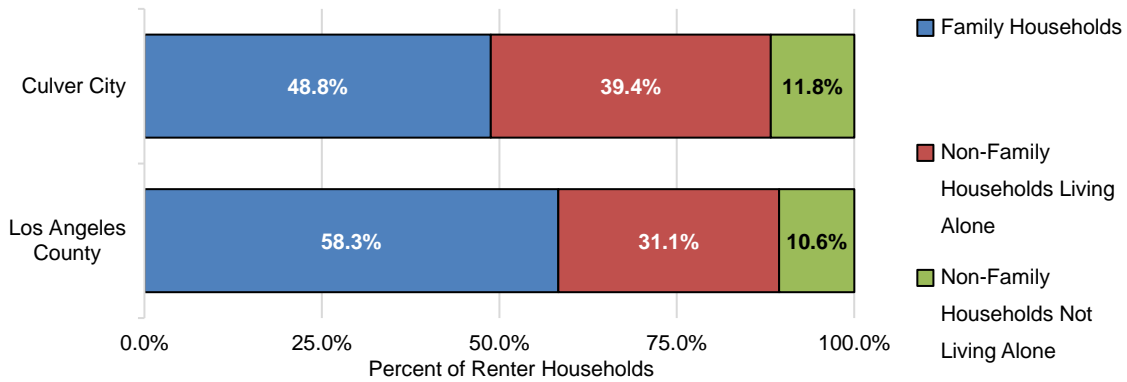
(b) Sourced from Esri Business Analyst.

Sources: U.S. Census Bureau, 2010 Decennial Census, Table H-4; Esri Business Analyst, 2019; BAE, 2010.

### *Renter Households by Family Status*

Figure 2 shows the distribution of renter households by their family status, according to 2014-2018 ACS estimates. Family households – defined by the ACS as households with at least two individuals related by birth, marriage, or adoption – comprised nearly half of renter households in the city. Countywide, family households were much more common, at 58.3 percent of renter households. Among Culver City’s non-family renter households, most were individuals living alone; these households constituted about 40 percent of renter households. Non-family households with multiple unrelated roommates accounted for the remaining approximately 12 percent of renter households.

**Figure 2: Renter Households by Family Status, Culver City and Los Angeles County, 2014-2018 Five-Year Period**

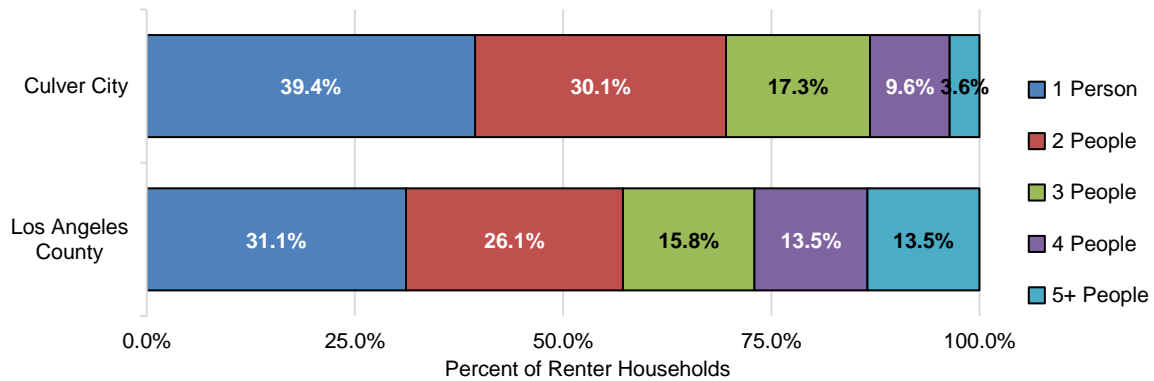


Sources: American Community Survey, 2014-2018 Five-Year Sample Data, Table B25011; BAE, 2020.

**Renter Households by Household Size**

Renter households in Culver City are generally small. As shown in Figure 3, one- and two-person households together accounted for nearly 70 percent of Culver City renter households in the 2014-2018 period. By comparison, households of those sizes constituted less than 60 percent of renter households countywide. Culver City also differed dramatically from the county in its percentage of larger households. Only 13.2 percent of Culver City rental households had four or more people, compared to 27.0 percent across the county.

**Figure 3: Renter Households by Household Size, Culver City and Los Angeles County, 2014-2018 Five-Year Period**



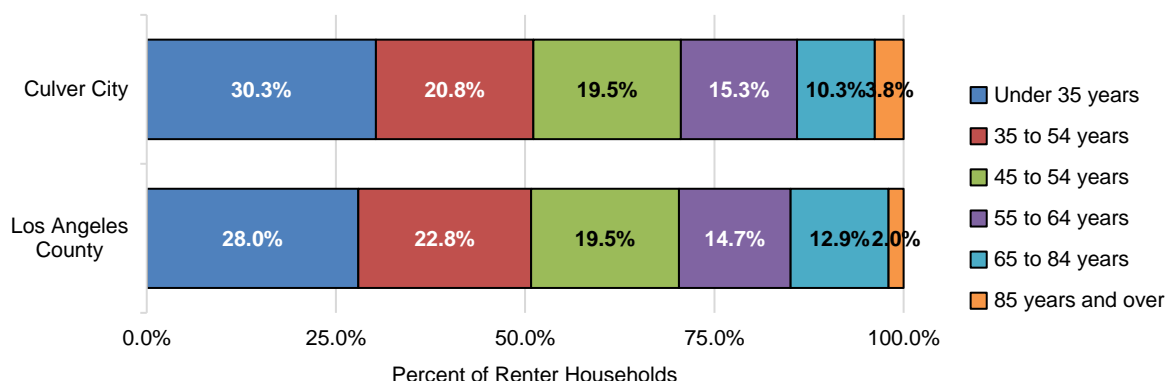
Sources: American Community Survey, 2014-2018 Five-Year Sample Data, Table B25009; BAE, 2020.

**Renter Households by Householder Age**

The age distribution for renter householders (i.e., the primary person in whose name the housing unit is rented) in Culver City is very similar to that of the county overall, as illustrated in Figure 4. During the 2014-2018 period, Culver City recorded a slightly higher percentage of

householders under the age of 35, while the county had a larger proportion in the 35-to-54 age range. Householders age 65 and older constituted 14.1 percent in both places, though this group skewed older in Culver City than countywide.

**Figure 4: Renter Households by Age of Householder, Culver City and Los Angeles County, 2014-2018 Five-Year Period**

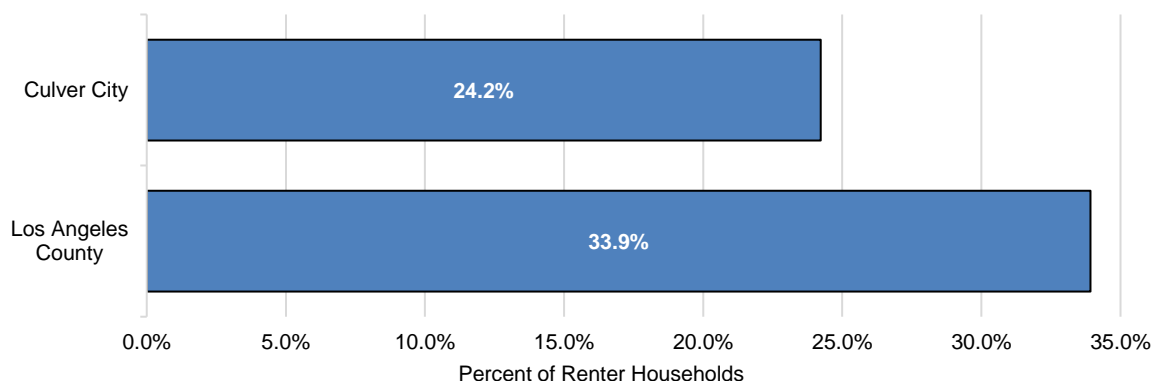


Sources: American Community Survey, 2014-2018 Five-Year Sample Data, Table S2502; BAE, 2020.

***Renter Households with Children Under 18***

As with family households, renter households with children are considerably less common in Culver City than across the county more broadly. Figure 5 presents the percentages of renter households with children under 18 during the 2014-2018 period. Just under a quarter of Culver City renter households reported having a child under 18 in their home, compared to approximately 34 percent among renter households countywide.

**Figure 5: Renter Households with Children Under 18, Culver City and Los Angeles County, 2014-2018 Five-Year Period**



Note:  
Households with children under 18 related to the householder by birth, adoption, or marriage.

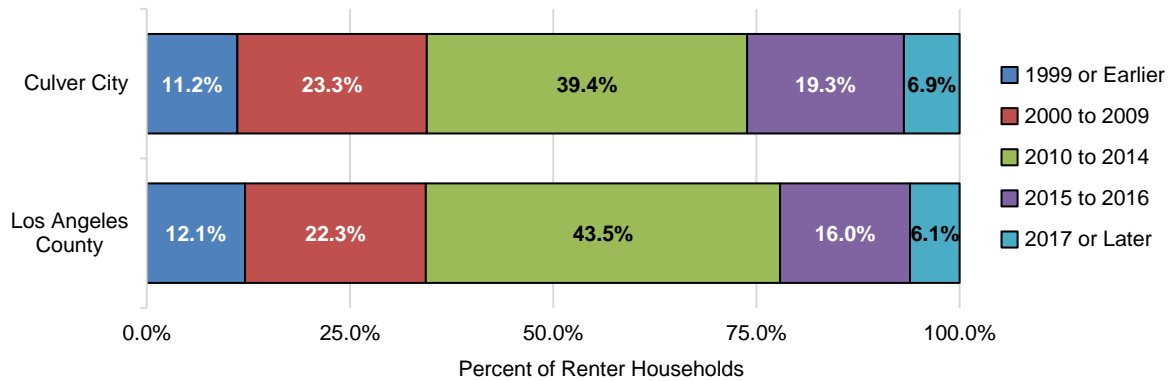
Sources: American Community Survey, 2014-2018 Five-Year Sample Data, Table B25012; BAE, 2020.

***Renter Households by Year Householder Moved In***

The median length of tenancy is slightly shorter in Culver City than countywide. Figure 6 illustrates that, among Culver City renter householders, 26.1 percent moved into their unit in 2015 or later, compared to 22.1 percent of householders countywide. Within the county a modestly higher percentage of householders moved in between 2010 and 2014.

Approximately 35 percent of householders in both Culver City and countywide moved into their unit before 2010. Householders who initiated their tenancy before 2000 comprise about 11 percent in Culver City and 12 percent in the county.

**Figure 6: Renter Households by Year Householder Moved In, Culver City and Los Angeles County, 2014-2018 Five-Year Period**



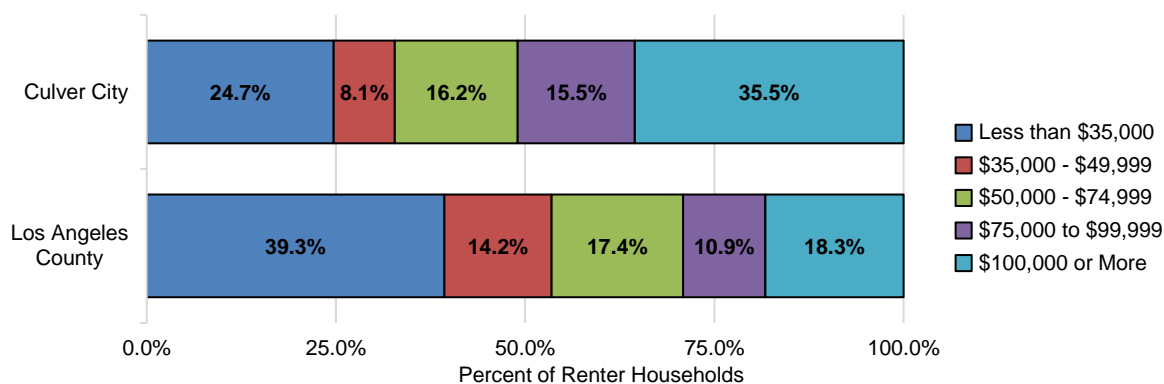
Sources: American Community Survey, 2014-2018 Five-Year Sample Data, Table S2502; BAE, 2020.

***Renter Household Incomes***

Despite recording relatively small household sizes—which sometimes correlate with lower household incomes due to there being fewer income earners in the household—Culver City’s renter households generally report much higher incomes than their counterparts countywide.

As shown in Figure 7, over one-third of Culver City renter households had annual incomes of \$100,000 or more, compared to just 18.3 percent countywide. Though Culver City has a significant proportion of higher-income renter households, the City also has a sizable share with lower incomes. Nearly a quarter of the City’s renter households had incomes below \$35,000.

**Figure 7: Renter Household Income Distribution, Culver City and Los Angeles County, 2014-2018 Five-Year Period**



Note:  
Incomes are presented in 2018 inflation-adjusted dollars.

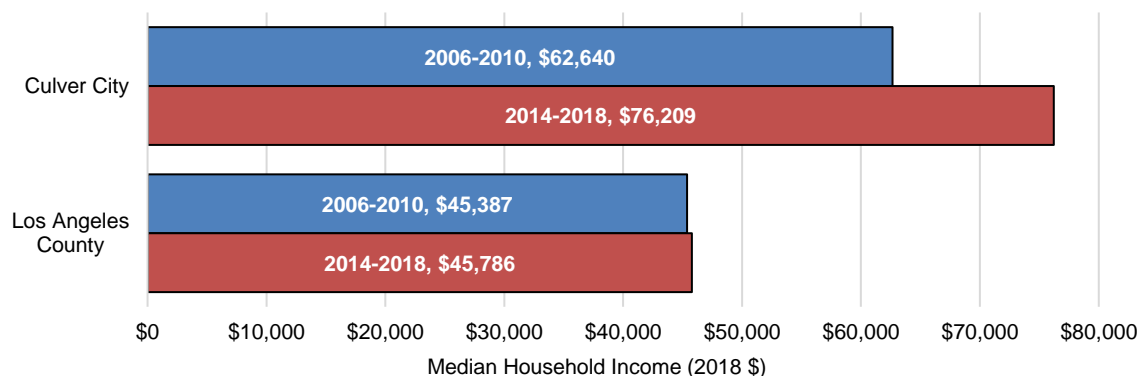
Sources: American Community Survey, 2014-2018 Five-Year Sample Data, Table B25118; BAE, 2020.

Figure 8 compares the median annual renter incomes (adjusted to 2018 dollars) in the 2006-2010 and 2014-2018 periods. During the 2014-2018 period, the median renter household income in Culver City was \$76,209. This figure is over \$30,000 higher than the countywide median during the same period, which was \$45,786. Unlike the county’s median renter income, which remained effectively unchanged from the 2006-2010 period, Culver City’s increased by approximately \$13,600, or 22 percent.

Median household incomes might be expected to increase from a period that included the Great Recession. However, the scale of Culver City’s increase, especially when compared to the anemic countywide growth, suggests that rebounding wages for incumbent renters may only be part of the explanation.

Culver City is at the epicenter of regional high-wage job growth in the entertainment and technology sectors. This job growth, as well as improved regional public transit access offered by Metro’s Expo Line light rail, have contributed to attracting more high-income households into the City. Many of these households end up in the rental market, either out of a preference for household mobility or insufficient incomes to purchase homes in an increasingly expensive real estate market. It is the addition of these households that is likely causing the City’s renter household incomes to rise more rapidly than those of renters in the rest of the county.

**Figure 8: Median Renter Household Income in 2018 Dollars, Culver City and Los Angeles County, 2006-2010 and 2014-2018 Five-Year Periods**

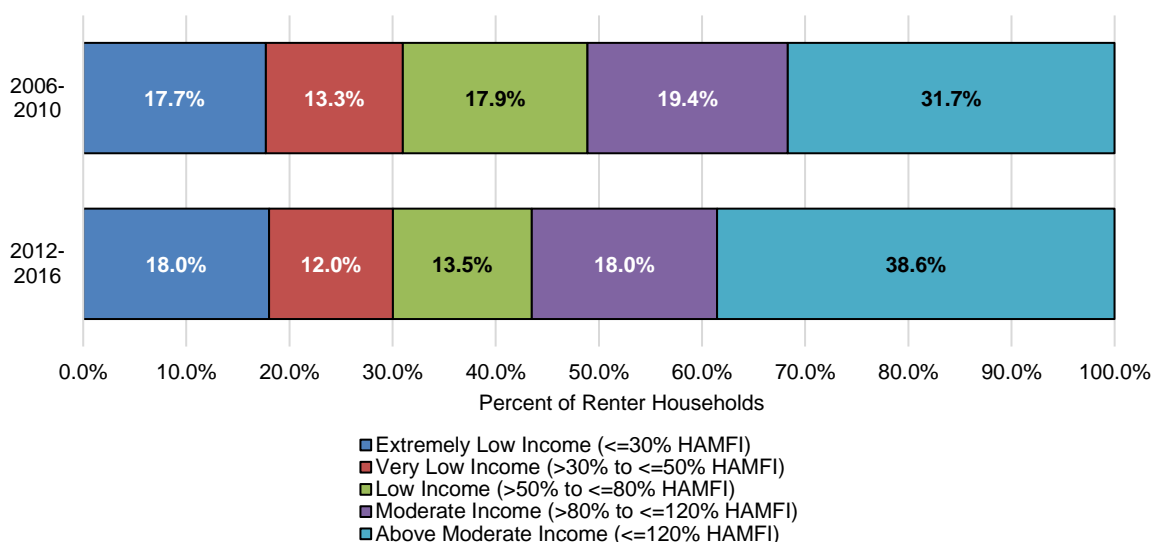


Sources: American Community Survey, 2006-2010 and 2014-2018 Five-Year Sample Data, Table B25119; Bureau of Labor Statistics, CPI-U for Los Angeles-Long Beach-Anaheim MSA, 2019; BAE, 2020.

In addition to examining the general distribution of incomes, BAE assessed household incomes using income brackets that account for differences in household sizes. A general income distribution does not account for the fact that the same income might be considered adequate for a household of one but inadequate for a family of four. For that reason, most government programs assess household incomes relative to household size. CHAS estimates, produced by HUD, distribute households into income brackets (e.g., extremely low, very low, low, moderate, and above-moderate) based on how incomes, after adjusting for household size, compare to the regional HUD Area Median Family Income (HAMFI).

Figure 9 reports Culver City's distribution of renter households by income bracket for the 2006-2010 and 2012-2016 periods. In both periods, households with above-moderate incomes constituted a sizable plurality, confirming that higher-income renters have had a significant presence in the City for some time; however, this income bracket surged from 31.7 percent to 38.6 percent between the two periods, while nearly all other brackets recorded slight-to-moderate declines.

**Figure 9: Renter Households by Income Bracket, Culver City, 2006-2010 and 2012-2016 Five-Year Periods**



Note:  
HAMFI stands for "HUD Area Median Family Income."

Sources: U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS), 2006-2010 and 2012-2016 Five-Year Sample Data; BAE, 2020.

Interestingly, the extremely low-income and very low-income brackets remained relatively steady between the two periods, while the low-income bracket declined more dramatically. One possible explanation for this trend may be that some of the City’s lowest-income households are somewhat protected from displacement by government-subsidized affordable housing and voucher assistance. Meanwhile, other low-income households may not be able to access some of these resources, requiring them to compete with higher income households for increasingly expensive market rate housing and putting them at heightened risk of displacement.

***Renter Housing Cost Burdens***

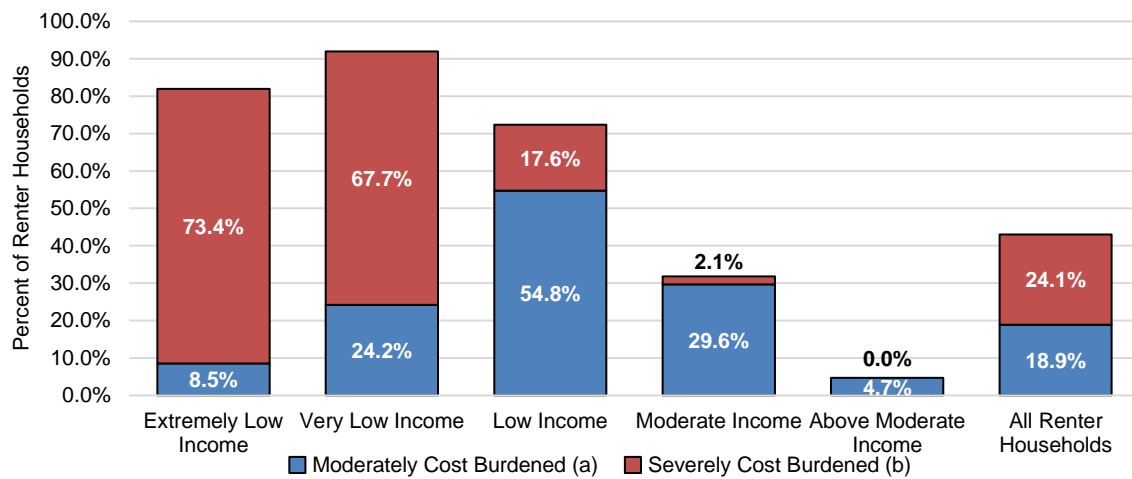
A significant proportion of Culver City renters are considered to be excessively burdened by their housing costs. HUD classifies a household as “moderately cost-burdened” if its gross housing costs (i.e., rent and utilities) consume 30 to 50 percent of its household income. If housing costs exceed 50 percent of its household income, the household is considered “severely cost-burdened.”

CHAS data indicate that during the 2012-2016 period, 43.0 percent of Culver City renter households were moderately or severely cost-burdened (see Figure 10). Of these over 3,500 cost-burdened households, more than half were severely cost-burdened. Excessive cost burden was even more common among lower-income households. Over 80 percent of extremely low-income households were excessively cost-burdened, with 73.4 percent reporting



severe cost burden. In total, about 1,000 extremely low-income households reported spending over half their incomes on housing costs. These figures suggest that sizable proportions of the City’s lowest-income households are still participating in the market without government assistance, as those with government assistance would report lower levels of cost burden. Even among moderate-income households, over 30 percent experienced some level of excessive cost-burden.

**Figure 10: Renter Housing Cost Burden by Income Bracket, Culver City, 2012-2016 Five-Year Period**



Notes:

(a) HUD defines households as "Moderately Cost Burdened" if their housing costs consume more than 30 percent but less than or equal to 50 percent of their household income.

(b) HUD defines households as "Severely Cost Burdened" if their housing costs consume more than 50 percent of their household income.

Sources: U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS), 2012-2016 Five-Year Sample Data; BAE, 2020.

# RENTAL INVENTORY OVERVIEW

Throughout this report, BAE uses both U.S. Census American Community Survey (ACS) and CoStar data to describe Culver City’s renter household characteristics, rental housing stock, and rental housing market. Neither data source, however, provides an exact match with the criteria associated with housing stock that would be subject to a permanent rent control ordinance. Most data sources, including government sources like the ACS and private sources like CoStar, can identify the units meeting *some but not all* of these criteria. This section presents the best available estimates from these sources and Appendix B describes their relative strengths and drawbacks.

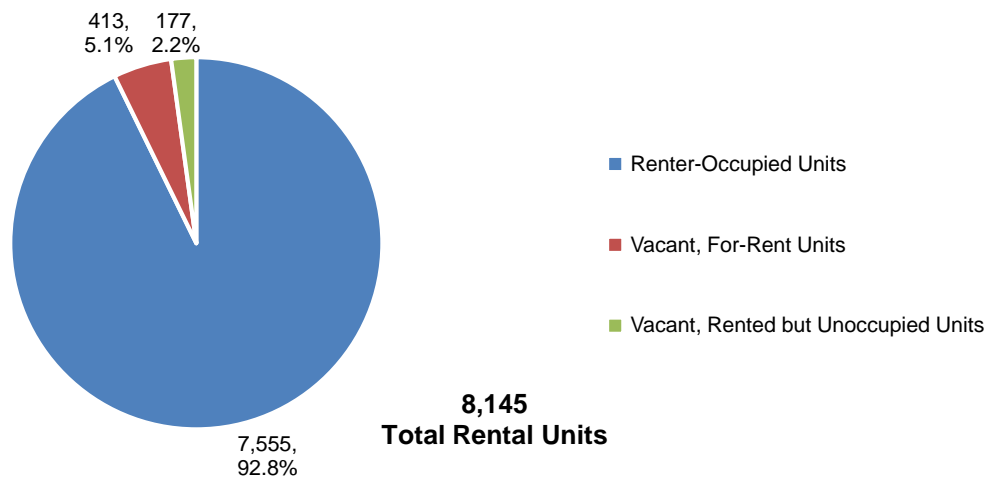
There are several parameters required for rental units to be subject to local jurisdiction rent control ordinances. Under the statewide Costa-Hawkins Rental Housing Act (“Costa-Hawkins”), local jurisdictions cannot apply rent control to units granted a Certificate of Occupancy after February 1<sup>st</sup>, 1995. Costa-Hawkins also exempts “separately alienable” units, such as single-family homes and condominiums, from rent control. In other words, a unit’s eligibility for rent control under Costa-Hawkins is a function of its tenure, age, and the number of other units on its property.

## Rental Housing Inventory

### *Rental Inventory According to the American Community Survey (ACS)*

The ACS estimates that the Culver City inventory of rental units totaled 8,145 in the 2014-2018 period. As shown in Figure 11, this inventory consisted of 7,555 occupied units, 413 for-rent units, and 177 rented-but-unoccupied units.

**Figure 11: Rental Units by Vacancy Status, Culver City, 2014-2018 Five-Year Period**



Sources: American Community Survey, 2014-2018 Five-Year Sample Data, Tables S2502 and B25004; BAE, 2020.

Culver City’s rental inventory is characterized by small- and mid-sized multifamily buildings dating to the mid-20<sup>th</sup> Century, as detailed in Table 1. Nearly 40 percent of units were constructed before 1960, and over 70 percent were built pre-1980. Single-family rentals comprised about one-fifth of the inventory, while duplexes, triplexes, and fourplexes contributed another approximately 20 percent of units. Only about 30 percent of units were in larger buildings of 20 units or more.

**Table 1: Estimated Rental Unit Inventory by Year Built and Number of Units in Structure (ACS), Culver City, 2014-2018 Five-Year Period**

Year Built	Number of Units in Structure						Total (b)	Percent
	1 Unit (a)	2-4 Units	5-19 Units	20-49 Units	50+ Units	Other		
1939 or Earlier	436	165	57	98	0	0	756	9.3%
1940-1959	793	582	634	143	183	0	2,335	28.7%
1960-1979	251	663	1,140	609	783	29	3,475	42.7%
1980-1999	142	275	277	164	278	0	1,136	13.9%
2000-2009	8	67	53	46	29	112	315	3.9%
2010 or Later	30	0	37	19	41	0	127	1.6%
<b>Total (b)</b>	<b>1,660</b>	<b>1,752</b>	<b>2,198</b>	<b>1,079</b>	<b>1,314</b>	<b>141</b>	<b>8,144</b>	<b>100.0%</b>
<b>Percent</b>	<b>20.4%</b>	<b>21.5%</b>	<b>27.0%</b>	<b>13.2%</b>	<b>16.1%</b>	<b>1.7%</b>	<b>100.0%</b>	

Notes:

These data were derived from ACS estimates for *occupied* rental units only. BAE applied an upward adjustment to account for vacant units in each category. This adjustment utilized the ACS-reported vacancy rate (which reflects both for-rent and rented-but-unoccupied units) of 7.2 percent. This one rate was applied to all categories, though, in reality, vacancy rates may vary somewhat between categories.

(a) Includes detached and attached (e.g., townhomes) single-family structures.

(b) Totals may differ slightly from totals in other tables and figures due to independent rounding.

Sources: American Community Survey, 2014-2018 Five-Year Sample Data, Table B25117 and B25004; BAE, 2020.

**Multifamily Rental Inventory According to CoStar**

As detailed in Table 2, below, CoStar reports that Culver City has 3,274 multifamily rental units in market-rate or mixed-income properties in Q1 2020. Unlike the total inventory reported in the Phase I analysis (3,437 units), this figure omits units in properties CoStar categorizes as 100-percent affordable (i.e., rents restricted to below market levels). However, it includes properties classified as mixed-income (i.e., market-rate with an affordable component).

According to CoStar, over 90 percent of units were constructed before 1980, with the majority built in the 1960s and 1970s. CoStar also indicates that the small number of multifamily units built in the 1980s and 1990s were all built prior to 1995. According to CoStar, 3,008 units, approximately 92 percent of the multifamily rental inventory, were constructed before 1995. CoStar, with its more current data, also captures more recently constructed multifamily rental units.

**Table 2: Multifamily Rental Unit Inventory (CoStar) by Year Built and Number of Units in Structure, Culver City, Q1 2020**

Year Built	Number of Units in Structure					Total	Percent
	1 Unit (a)	2-4 Units	5-19 Units	20-49 Units	50+ Units		
1939 or Earlier	0	15	115	0	0	130	4.0%
1940-1959	0	133	681	63	60	937	28.6%
1960-1979	0	31	367	399	1,096	1,893	57.8%
1980-1999	0	30	28	0	0	58	1.8%
1980-1994	0	30	28	0	0	58	1.8%
1995-1999	0	0	0	0	0	0	0.0%
2000-2009	0	0	0	0	0	0	0.0%
2010 or Later	0	8	32	101	115	256	7.8%
<b>Total</b>	<b>0</b>	<b>217</b>	<b>1,223</b>	<b>563</b>	<b>1,271</b>	<b>3,274</b>	<b>100.0%</b>
<b>Percent</b>	<b>0.0%</b>	<b>6.6%</b>	<b>37.4%</b>	<b>17.2%</b>	<b>38.8%</b>	<b>100.0%</b>	

Notes:

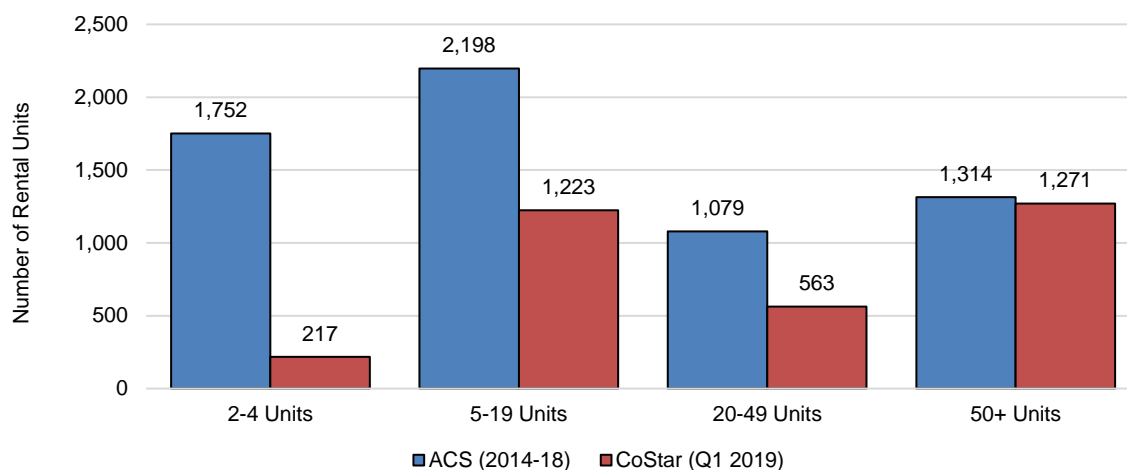
(a) CoStar does not track rental units in single-family structures. However, units categorized as "single-family attached" (e.g., townhomes) by ACS may be reflected in other size categories in CoStar based on the number of units on the property.

Sources: CoStar; BAE, 2020.

It is predictable that CoStar's inventory would be smaller than that of ACS because CoStar omits single-family and condominium rentals. CoStar's multifamily inventory represents just 52 percent of ACS's, a difference of over 3,000 units. Though rented condominiums may comprise a sizable share of rental units in the City, they are unlikely to account for such a substantial difference.

Figure 12 shows the multifamily inventories broken out by the number of units per structure. Half of the gap (1,535 units) is concentrated in the two-to-four-unit size category, and the differences between the sources decrease as the size categories increase. The inventories for buildings of 50 units or more are within about 40 units of each other. These data support the argument that CoStar likely underreports units in smaller buildings.

**Figure 12: Comparison of ACS and CoStar Rental Unit Estimates by Number of Units in Structure, Culver City**



Sources: American Community Survey, 2014-2018 Five-Year Sample Data, Table B25117 and B25004; CoStar; BAE, 2020.

#### ***Estimated Number of Units Eligible for Rent Control***

The ACS data provide a framework for estimating the number of Culver City rental units that would be eligible for rent control under Costa-Hawkins parameters. Though it cannot yield a precise or fully up-to-date figure for reasons described previously, it can offer an approximation that may be useful for comparing against other sources, such as CoStar or the County Assessor’s database.

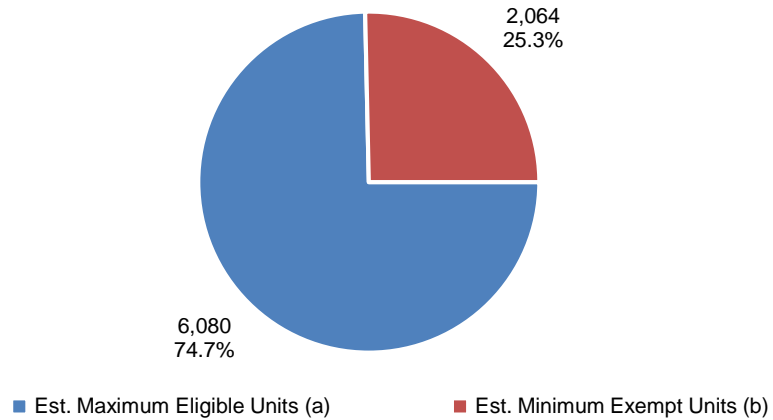
The ACS data suggest that up to 6,080 rental units—approximately three-quarters of Culver City’s rental inventory—are eligible for rent control under Costa-Hawkins, as illustrated in Figure 13 below. This number reflects all units in multifamily structures and “other” units, such as mobile homes, built before 2000 (a 1995 cutoff is unavailable in the mobile home data). This figure is almost certainly an overestimate because it includes a potentially sizable number of rented condos and any apartment units built between 1995 and 2000.

An estimated minimum of 2,064 rental units are exempt from rent control under Costa-Hawkins. These include all single-family units and any units constructed in 2000 or later. Some of the single-family units might be exempt if they were built before 1995 and share their property with another unit, such as an accessory dwelling unit; however, BAE predicts that rented condominiums, exempt but currently counted among eligible units, will outnumber the non-exempt single-family units. For that reason, BAE considers 2,064 a reasonable minimum estimate.

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**Figure 13: Estimated Rental Units Eligible for Rent Control Under Costa Hawkins, Culver City, 2014-2018 Five-Year Period**

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**Notes:**

These data were derived from ACS estimates for *occupied* rental units only. BAE applied an upward adjustment to account for vacant units in each category. This adjustment utilized the ACS-reported vacancy rate (which reflects both for-rent and rented-but-unoccupied units) of 7.2 percent. This one rate was applied to all categories, though, in reality, vacancy rates may vary somewhat between categories.

(a) Includes units in multifamily structures and "other" units (e.g., mobile homes) constructed before 2000. This is a definite overestimate because it includes rented condos and may include units constructed between 1995 and 1999 that are exempt under Costa-Hawkins.

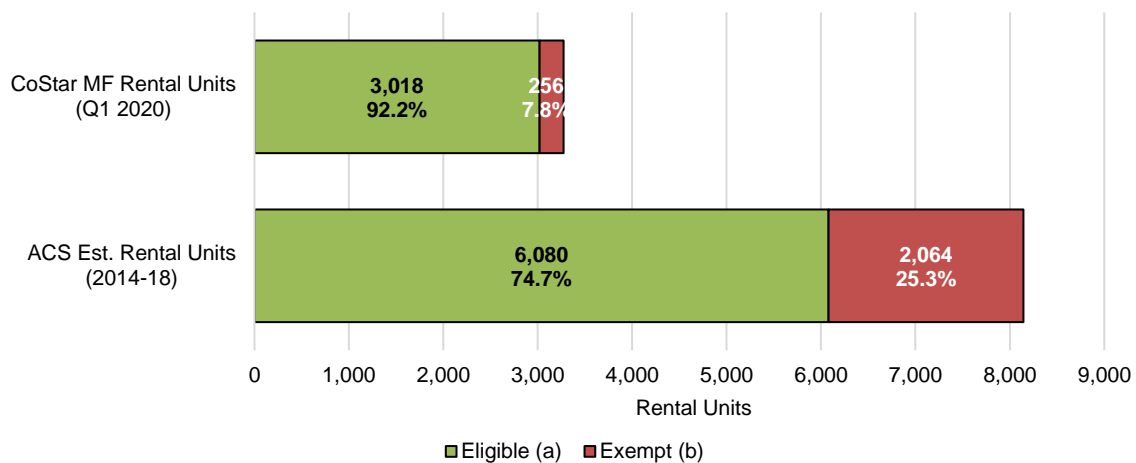
(b) Includes all units in single-family attached and detached structures regardless of year built, and "other" units (e.g., mobile homes) constructed in 2000 or later. A small percentage of these single-family units may not be exempt if they were constructed before 1995 and have another unit (e.g., an accessory dwelling unit) on the property.

Sources: American Community Survey, 2014-2018 Five-Year Sample Data, Table B25117 and B25004; BAE, 2020.

Figure 14 compares the estimated number of units eligible for rent control, according to CoStar and ACS data. CoStar’s most current estimate (3,018 units) is a likely underestimate, while the ACS figure (6,080 units) is a probable overestimate. The actual eligible number of units probably falls somewhere in between these values.

The City will have to perform further analysis—drawing in sources such as building permit records, the County Assessor’s property database, and potentially a legally mandated rental registry—to confirm the eligible units.

**Figure 14: Comparison of ACS and CoStar Rental Unit Estimates by Eligibility for Rent Control Under Costa-Hawkins, Culver City**



**Notes:**

(a) For the ACS units, this includes units in multifamily structures constructed before 2000. This is a definite overestimate because it includes rented condos and may include units constructed between 1995 and 1999 that would be exempt under Costa-Hawkins.

(b) For the ACS units, this includes all units in single-family attached and detached structures regardless of year built, and "other" units (e.g., mobile homes) constructed in 2000 or later. A small percentage of these single-family units may not be exempt if they were constructed before 1995 and have another unit (e.g., an accessory dwelling unit) on the property.

Sources: American Community Survey, 2014-2018 Five-Year Sample Data, Table B25117 and B25004; CoStar; BAE, 2020.

# MULTIFAMILY RENTAL MARKET TRENDS IN CULVER CITY

This section evaluates the rent and vacancy trends among Culver City multifamily units, including those units subject to the Interim Ordinance, utilizing CoStar data. The purpose is to provide general real estate rental market context, including how the market has shifted since the enactment of the Interim Ordinance.

## Rent and Vacancy Trends for All Multifamily Units

Over the past decade, Culver City's multifamily rental market has recorded moderate rent growth and stable, low vacancy rates, as illustrated in Figure 15. Between the first quarters of 2011 and 2020, the average asking monthly rent in the City increased from \$1,785 to \$2,580, a growth of 44.5 percent.

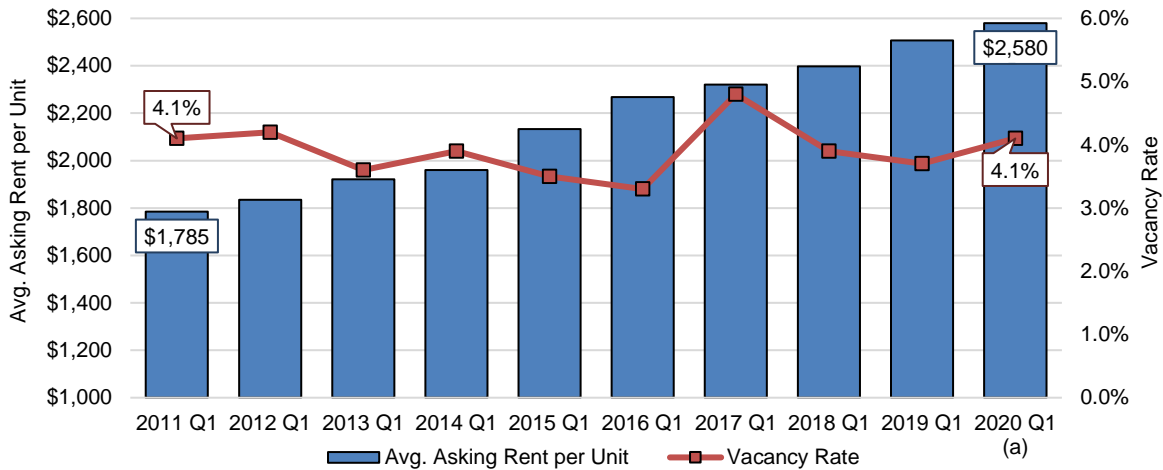
Average asking rent grew at an average annual rate of 4.2 percent over that period, though year-to-year growth reached as high as 8.8 percent in the middle of the decade before stalling in 2017. Rent growth accelerated quickly during 2017 but appears to have slowed since the Interim Ordinance effective date. The average asking rent grew 2.9 percent between the first quarters of 2019 and 2020.

Multifamily vacancy rates have been remarkably consistent over the decade, staying within a narrow three to five percent range. Culver City delivered over 250 new units — its first wave of new product in decades — over this period. Still, these units did not make a significant impact on vacancy rates, likely due to quick absorption. Within this consistently low-vacancy environment, even small shifts in vacancy have accompanied noticeable rent effects. The strongest years of rent growth (Q1 2014 through Q1 2016) followed consistent declines in vacancy, while stalled rent growth coincided with vacancy spikes (Q1 2017).

With nearly 340 additional units projected to deliver within the next year, the vacancy rate is likely to temporarily climb in 2021 until the new units are rented and stabilized. It remains to be seen whether this new product will further slow rent growth, as observed in previous years, or drive up the average rent.



**Figure 15: Multifamily Average Asking Rent and Vacancy Trends, Market-Rate and Mixed-Income Properties, Culver City, 2011-2020**



Note:  
(a) Q1 through mid-February 2020 only.

Sources: CoStar; BAE, 2020.

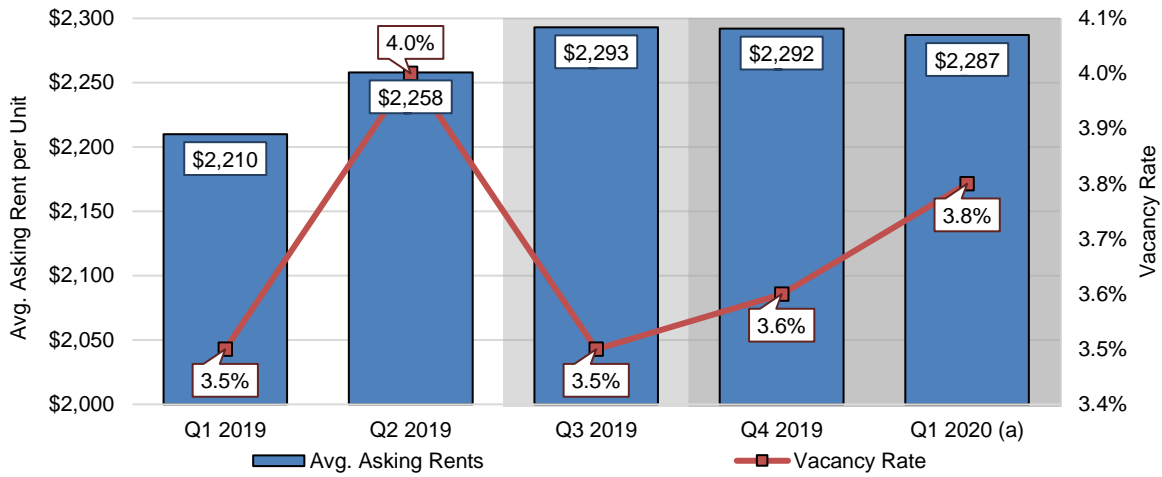
### Recent Rent and Vacancy Dynamics Among Units Subject to Interim Rent Control

Figure 16 shows average asking rent and vacancy trends for units that are subject to the City’s Interim Ordinance (i.e., multifamily units built before 1995) between the first quarters of 2019 and 2020. The Interim Ordinance took effect in the middle of the third quarter of 2019, so this figure shows two quarters before and after enactment.

It is important to note that average asking rents described in the market study portion of this report do not reflect controlled rents. They reflect vacant units and are, therefore, market-rate figures. CoStar data indicate the average asking rent did not increase in the quarter after rent control was enacted and decreased slightly in the first quarter of 2020. The vacancy rate also increased, albeit modestly, in the quarters after rent control was enacted.

It is possible that, in anticipation of rent control, asking rents were increased up to or above their natural ceilings before enactment, leaving little room for growth in subsequent quarters. Average asking rent for eligible units grew relatively quickly in the run-up to the Interim Ordinance. The average asking rent for eligible units increased 3.8 percent from the first quarter to the third quarter of 2019, compared to 2.8 percent for non-eligible units over the same period.

**Figure 16: Five-Quarter Average Asking Rent and Vacancy Trends, Units Covered by Interim Rent Control, Culver City, 2019-2020**



**Notes:**

The area shaded in grey denotes the quarters in which the Interim Ordinance was in effect. Q3 is shaded in lighter grey because the Ordinance was in place during only about half of the quarter.  
 (a) Q1 through mid-February 2020 only.

Sources: CoStar; BAE, 2020.

# ANALYSIS OF PROGRAM DESIGN

This chapter highlights some of the key components of program design that will need to be considered by Culver City as it contemplates a permanent ordinance to replace the Interim Ordinance.

The program design analysis is informed by case study research of comparison jurisdictions with permanent rent control and/or tenant protection ordinances, as well as an evaluation of the potential range of policy options given existing legal parameters such as Costa-Hawkins. The program design chapter consists of the following sections:

- Units Subject to Rent Control
- Process for Annual Rent Adjustments
- Rent Adjustment Petitions
  - *Tenants*
  - *Landlords*
- Carveouts for 'Mom and Pop' Landlords
- Tenant Protections

## Methodology

To better understand the range of policy design options and administrative considerations that shape existing rent control programs, BAE researched rent control and tenant protection policies and programs in five other Los Angeles County jurisdictions:

- City of Beverly Hills
- City of Los Angeles
- County of Los Angeles
- City of Santa Monica
- City of West Hollywood

BAE, in consultation with Culver City staff, selected these jurisdictions because they are local yet represent a diversity of population sizes, administrative capacities, and approaches to structuring and administering rent control. Four of the jurisdictions have over 35 years of rent control experience and offer valuable practical insights on a range of topics, from the treatment of capital improvements to database management. The jurisdiction with a newer program, Los Angeles County, provides a fresh perspective on the policy design choices and administrative challenges specific to building out a new program.

BAE carefully reviewed each jurisdiction's relevant municipal code or charter sections, as well as any pertinent regulations and guidelines. To supplement this information, BAE conducted

phone interviews with senior program management in all comparison jurisdictions except Beverly Hills.

In addition to rent control and tenant protection policies in other local jurisdictions, BAE also analyzed a California law, the Tenant Protection Act of 2019 (AB 1482). This law introduced statewide maximum rent increases and eviction protections, but does not include provisions for reporting to, or proactive enforcement by, the State of California. AB 1482 applies to a portfolio of rentals that differs from the group of rental units that are subject to the Interim Ordinance. AB 1482 applies to multi-family buildings more than 15 years old, whereas Costa-Hawkins limits local rent control to units in buildings constructed prior to 1995. AB 1482 includes condominiums and single-family homes owned by corporations and excludes duplexes where the landlord lives in one of the units.

For the analysis of capital improvement pass-through policy options only, this report includes an additional jurisdiction, the City and County of San Francisco. San Francisco’s policy is included because it incorporates some potentially desirable elements that the other comparison jurisdictions do not have in their policies.

Table 3, below, presents an overview of the comparison jurisdictions, AB 1482, and the Culver City Interim Ordinance.

**Table 3: Comparison Jurisdictions Overview**

	Beverly Hills	Los Angeles City	Los Angeles County	Santa Monica	West Hollywood	State of CA (AB 1482)	Culver City Interim
Population, 2019 Est.	34,627	4,040,079	1,046,858	93,593	36,660	39,927,315	40,173
<b>Rent Control</b>							
Year of Enactment	1978	1979	2019	1979	1985	2019	2019
Method of Enactment	Ordinance	Ordinance	Ordinance	Voter Initiative	Ordinance	Legislation	Ordinance
Means of Amendment	Ordinance	Ordinance	Ordinance	Voter Approval	Ordinance	Ordinance	Ordinance
Units Covered (est.)	7,700	641,000	58,500	27,445	16,895	3 million (a)	3,000-6,000 (b)
<b>Other Tenant Protections</b>							
Eviction Protections (e.g., "Just Cause Eviction")	Controlled Units Only	Controlled Units Only	All Rental Units	All Rental Units	All Rental Units	Controlled Units with Limited Exceptions	All Rental Units
Tenant Anti-Harrassment Protections	None	None	All Rental Units	All Rental Units	All Rental Units	None	None

**Notes:**

(a) Estimate from a September 2019 Assembly Floor Analysis of AB 1482. This figure does not include units subject to local rent control or those exempted by AB 1482.

(b) BAE estimate based on data from the American Community Survey and CoStar.

Sources: California Department of Finance, E-5 Population and Housing Unit Estimates, 2019; City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

## Units Subject to Rent Control

Culver City's Interim Ordinance applies to most multifamily units in Culver City built on or before February 1, 1995 ("covered rental units"). The interim prohibition on rent increases ("rent cap") does not apply to detached single-family homes, nor to separately owned condominiums and townhouses. The rent cap also does not apply to units for which the property owner receives public housing subsidies, such as Section 8 vouchers.

Comparison jurisdictions generally take similar approaches with respect to defining their "covered rental units," in large part due to the preemptive provisions of Costa-Hawkins. This includes exempting single-family dwellings, condominiums, townhomes, hotels and motels, and other defined uses. It also prohibits the inclusion of any rental unit that was constructed after 1995.<sup>3</sup> Rather than focusing on the differences in covered rental unit types, it is generally more illustrative to compare the types of units that are *exempt* from the provisions of rent control in each of the comparison jurisdictions in addition to those types that are exempted by Costa-Hawkins. These exemptions are briefly described below.

### ***Program Design Alternatives – Unit Exemptions***

**Units that are occupied by a property owner's relative.** In the City of West Hollywood, for example, units occupied by a property owner's parent, grandparent, brother, sister, or child (by blood or adoption) as their principal residence are exempt from permanent rent control.

**Duplexes and triplexes that are owner-occupied.** Other jurisdictions such as Santa Monica exempt duplexes and triplexes from permanent rent control, so long as at least one of the units is owner-occupied. California's AB 1482 also includes this provision, but defers to local policies that may have stricter guidelines.

**Units under contract for a HUD Housing Choice Voucher.** To encourage property owner participation in the Housing Choice Voucher Program (Section 8), some jurisdictions such as Los Angeles County exempt units rented by Section 8 tenants from permanent rent control. Culver City's Interim Ordinance also exempts such units.

**Inclusionary and/or Affordable Units.** In jurisdictions such as West Hollywood, rental units subject to inclusionary housing agreements with the City are exempt from the application of rent control.

**Residential buildings adapted from other uses.** In the City of Los Angeles, adaptive reuse properties converted after October 1, 1978 are exempt from the permanent ordinance.

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<sup>3</sup> Jurisdictions with rent stabilization policies **already** on the books at the time of Costa Hawkins (e.g., Santa Monica, West Hollywood, and the City of Los Angeles) have a smaller set of "covered rental units" with earlier cut-off dates than jurisdictions with more recent policies, such as Beverly Hills.

**Hotel and motel rooms.** Nearly all comparison jurisdictions exempt hotel and motel rooms from their rent control programs. In the City of Los Angeles, these include units occupied by the same tenant for fewer than thirty days.

**Accessory Dwelling Units or Single-Family Homes with Accessory Dwelling Units on the Same Lot.** In many comparison jurisdictions, a rented single-family home is exempt from rent control if it is the only unit on the property. Without a dedicated exemption, the addition of an accessory dwelling unit *could* trigger the single-family home to be subject to rent control, provided it was built before the legal cut-off date (e.g., October 1, 1978 in the City of Los Angeles; or February 1, 1995 in Los Angeles County).

#### ***Other Policy Considerations***

**New tenants in occupied units.** Culver City's Interim Ordinance is silent on whether or not a landlord can require rental applications, establish screening criteria (e.g., sex offender background checks, credit checks), and require lease agreements from prospective new tenants moving into the apartment of an existing rent control tenant who will remain in the unit. Nor does the Interim Ordinance indicate whether the rent can be increased, and by what increment, when a new adult tenant moves in. Policy options could include requiring landlord approval of all unrelated new tenants, deferring to the lease, and potentially allowing for rent increases for new adult tenants. The City of Los Angeles, for example, allows for ten percent rent increases with new adults and new minor dependent children after the first one.

**Tenant protections for tenants living in units not subject to rent cap.** Some comparison jurisdictions, and the Interim Ordinance, establish tenant protections for residents of units that are not subject to temporary or permanent rent control policies. West Hollywood, for example, extends its just-cause eviction and anti-harassment policies to units built after the rent cap cut-off date of July 1, 1979. The Tenant Protections section below outlines specific policy options.

**Table 4: Units Subject to Rent Control, Comparison Jurisdictions**

	<b>Beverly Hills</b>	<b>Los Angeles City</b>	<b>Los Angeles County</b>	<b>Santa Monica</b>	<b>West Hollywood</b>	<b>State of CA (AB 1482)</b>	<b>Culver City Interim</b>
Eligibility Cut-Off Date	February 1, 1995	October 1, 1978	February 1, 1995	April 10, 1979	July 1, 1979	2005 (a)	February 1, 1995
Exempted Property Types	Single-Family	Single-Family (b)	Single-Family (b)	Single-Family (b)(c)	Single-Family (b)(c)	Single-Family (d)	Single-Family
	Condominium (c)	Condominium (e)	Condominium	Condominium (c)	Condominium (c)(e)	Condominium (d)	Condominium
	Hotel/Motel (f)	Hotel/Motel (f)	Hotel/Motel (f)	Hotel/Motel (f)	Hotel/Motel (f)	Hotel/Motel (f)	Institutional
	Institutional	Institutional	Institutional	Institutional	Institutional	Institutional	
		Adaptive Re-Use (g)					
Occupancy-Based Exemptions (h)	None	None	Section 8 (i) (j)	Owner-occupied 1-3-unit properties	Units occupied by owner's relative	Owner-occupied 1-3-unit properties (k)	Section 8 (i)
				Section 8 (i)	Section 8 (i)	Section 8 (i)	
Covered Units (est.)	7,700	641,000	58,500	27,445	16,895	3 million (l)	3,000-6,000 (m)
Share of Total Housing Stock (est.)	46.8%	42.7%	18.8%	32.2%	65.3%	21.1%	16.4%

Notes:

- (a) This cut-off date is not fixed. Buildings constructed within the preceding 15 years are exempt. Buildings become eligible as they age to 15 years.
- (b) A rented single-family home is generally exempt from stabilization if it is the only unit on the property. If there is another unit (e.g., an Accessory Dwelling Unit) on the property, the rented single-family home will be subject to stabilization provided it was constructed before the eligibility cut-off date. The other unit would also be eligible for stabilization provided it was constructed before the eligibility cut-off date.
- (c) Generally exempt unless tenancy began before January 1st, 1996 or condominium unit was not sold (i.e., maintained as rental or re-rented) after conversion.
- (d) Exempt unless owned by a corporate entity.
- (e) Exempted from price control provisions but still subject to tenant eviction protections.
- (f) Defined as transient/tourist accommodations in which occupancies are shorter than 30 days.
- (g) Defined as units in a converted commercial building that converted to rental units after October 1, 1978.
- (h) Exemptions may not be automatic. May require program review and approval.
- (i) Exemption applies to all vouchers or similar government subsidy programs.
- (j) Exemption does not apply if the rent is greater than the Payment Standard or if a rent increase would result in rent being greater than the Payment Standard.
- (k) Exempt if the owner rents no more than two units (including ADUs or junior ADUs) or bedrooms on their property.
- (l) Estimate from a September 2019 Assembly Floor Analysis of AB 1482. This figure does not include units subject to local rent control or those exempted by AB 1482.
- (m) BAE estimate based on data from the American Community Survey and CoStar.

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

## Process for Annual Rent Adjustments

Under the City of Culver City's Interim Ordinance, rent increases for covered rental units during the one-year term of the ordinance are limited to three percent over the rent that was in effect on June 11, 2019.

Beginning in June 2020, however, the City may wish to automate the process by which annual rent adjustments are granted, rather than undergo a series of new calculations every year. In this case, owners of covered rental units who are in compliance with the City's registration requirements would be eligible to increase rents, provided they give proper notice to their tenants.

California jurisdictions enjoy considerable latitude to design rent adjustment mechanisms in accordance with their preferred balance between property owner and tenant interests. Federal and state courts have concluded that defensible rent adjustments under rent control need only be: 1) offered at least annually, and 2) not so restrictive that they substantially reduce property owner income from inflation effects over time.<sup>4</sup> These standards establish a general connection between rent adjustments and inflation, though they do not require annual adjustments to be directly tied to, meet, or exceed inflation.

### ***Consumer Price Index as Benchmark***

All comparison jurisdictions base their "annual rent adjustments" *in part* on the annual change in the Consumer Price Index (CPI) between a defined 12-month period as outlined in the enabling legislation.

More specifically, the prevailing benchmark is the Consumer Price Index for All Urban Consumers (CPI-U)<sup>5</sup> for the Los Angeles-Long Beach-Anaheim, CA area. These data are published online each month by the Bureau of Labor (BLS)<sup>6</sup>, and expressed both as an index number as well as a 12-month percent change rounded to the nearest tenth decimal point.

The CPI-U measures changes in cost over eight broad expenditure categories, including food and beverages; housing; apparel; transportation; medical care; recreation; education; and communication, and other goods and services.

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<sup>4</sup> Karen Tiedemann and Thomas Webber, "Rent Control: Tenant Protection and Anti-Displacement Policies, Technically Speaking," Paper presented at the League of California Cities Annual Conference, October 2019.

<sup>5</sup> The CPI-U attempts to track prices for "all urban consumers", and encompasses approximately 93 percent of the United States' population.

<https://www.bls.gov/cpi/questions-and-answers.htm>

<sup>6</sup> [https://www.bls.gov/regions/west/data/cpi\\_tables.pdf](https://www.bls.gov/regions/west/data/cpi_tables.pdf)



At the time of this Study, the most recently published CPI-U for the Los Angeles Area was 275.853 in April 2020. This represents a 0.7 percent increase from the CPI-U in April 2019, which was 273.945.

While all comparison jurisdictions use the CPI-U to inform their annual rent adjustments, guidelines for scaling and interpreting the data and can lead to a number of different outcomes. The following considerations will be important for the City to keep in mind as it weighs various policy options for program design.

### ***Program Design Considerations***

**Whether annual rent adjustment is based on the *full* change in CPI.** Setting the annual adjustment equal to the full annual change in CPI may allow property owners to maintain steady profit margins throughout a tenancy—provided that operating expense escalation generally tracks the regional cost of living. Los Angeles County and the cities of Los Angeles and Beverly Hills employ adjustments equal to the full change in CPI, though, as discussed below, each jurisdiction calculates the CPI change somewhat differently.

**Whether the annual rent adjustment is based on a *fraction* of the change in CPI.** Jurisdictions may decide to set the annual adjustment equal to a fraction (expressed as a percentage) of the change in CPI. By definition, this approach results in smaller rent adjustments in a given year than adjustments based on full inflation. As rent increases lag inflation, the real value of a unit's rental income to property owners can be expected to decrease over the length of a tenancy. To the extent that operating expense escalation exceeds the fractional change in CPI, unit profitability would be also expected to decline over time.

Two comparison jurisdictions, Santa Monica and West Hollywood, tie their annual adjustments to 75 percent of the annual change in CPI. Although these represent the lowest adjustments among the comparison jurisdictions, other California jurisdictions have adopted even smaller fractional change figures. Berkeley and San Francisco apply rent adjustments based on 65 percent and 60 percent of the change in CPI, respectively.

### **Whether to set a minimum rent adjustment (i.e., “floor”) for periods of low inflation.**

Jurisdictions may decide to set a minimum rent adjustment that would be employed in years when the observed change in CPI falls below a certain threshold. A jurisdiction may consider it appropriate to guarantee a minimum adjustment in order to provide some measure of security to property owners who may be concerned that certain expenses will outpace low inflation.

The cities of Los Angeles and Beverly Hills guarantee a minimum rent adjustment of three percent in years with lower observed change in CPI. Other comparison jurisdictions, such as West Hollywood and Santa Monica, do not provide for minimum increases, though they do stipulate that rent adjustment may not be negative (i.e., a mandatory rent decrease) in years when the change in CPI is negative.

Los Angeles County adopted a compromise approach in which it does not guarantee a minimum increase, though it allows rent increases to exceed observed CPI change during periods of low inflation. When the annual change in CPI falls between 1.0 percent and 3.0 percent, the maximum annual adjustment defaults to 3.0 percent. If the change in CPI falls below 1.0 percent, the maximum adjustment is the recorded CPI change plus 2.0 percent, though under no circumstances may the adjustment be negative (i.e., a rent decrease). In other words, Los Angeles County's effective floor is zero rent increase, and it would only be reached if annual inflation fell to negative 2.0 percent or more.

**Whether to set a maximum rent adjustment (i.e., “ceiling”) for periods of high inflation.** Most comparison jurisdictions provide for a maximum rent adjustment that would be employed in years when the change in CPI exceeds a certain threshold. The purpose of a maximum increase is to provide certainty to tenants that rents will not increase excessively during periods of high inflation. These rent adjustment “ceilings” vary from seven percent in West Hollywood to ten percent under AB 1482. Los Angeles County and the cities of Los Angeles and Beverly Hills (Chapter 5 units) set a maximum adjustment of eight percent. The City of Santa Monica does not provide a maximum percentage ceiling, though it maintains a complicated formula for setting a maximum dollar ceiling.

**How to calculate the annual change in CPI.** Most comparison jurisdictions calculate the annual change in CPI by comparing the CPI value in a specific month to the CPI value in the same month a year earlier. This percentage change in these two values is referred to as “year-over-year” change in CPI. Two comparison jurisdictions, Los Angeles County and the City of Los Angeles, calculate change in CPI using annual average values. With this approach, the monthly CPI values for a 12-month period are averaged. This average CPI value is compared to the average CPI value for the same 12-month period a year earlier. By utilizing 12-month averages, the resulting calculation is less likely to reflect temporary distortions or give disproportionate weight to months that frequently record higher or lower inflation than the annual average.

One issue with this annual average approach is that it requires the utilization of CPI observations that are up to 24 months old. For example, when Los Angeles County calculates the annual average change in CPI for the 12-month period from October 2019 through September 2020, it will compare against a 12-month period that beginning in October 2018. Drawing upon CPI observations this old may flatten out recent trends that may be more relevant to include in the rent adjustment.

**Impact of rounding standards.** All comparison jurisdictions take different approaches to rounding the percentage change in CPI. Allowable rent increases are rounded to the nearest 25 basis points in West Hollywood, the nearest tenth of a decimal point in Santa Monica, and the nearest whole number in Los Angeles County and the City of Los Angeles. If the 12-month percent change in CPI during the reporting period is 2.7 percent in Santa Monica, the annual

rent may be raised by 2.0 percent (seventy-five percent of 2.7 percent is 2.02, which, rounded to the nearest decimal point is 2.0 percent).

**Impact of selecting a CPI benchmark month.** All comparison jurisdictions specify an individual month by which the CPI increase will be calculated: These include March in Santa Monica, May in West Hollywood and Beverly Hills, and September in the City of Los Angeles and Los Angeles County. Los Angeles County specifically sought to align its CPI cut-off month with the City of Los Angeles.

In Santa Monica's case, the selection of March as a cut-off month owes in part to the schedule of its Rent Control Board. Because the Board announces the annual rent adjustment at its May meeting, March is the most current month in which CPI-U data are available.<sup>7</sup> If Culver City were to establish a permanent ordinance effective July 2020; it would likely be based on a May CPI-U, which is published the second week of June.

#### ***Other Policy Considerations***

Beyond factors such as how the CPI-U can be interpreted in different ways to inform annual rent adjustments, there are several additional policy considerations worth noting with respect to annual rent adjustments. These include:

**Gap in time between the cut-off month and the effective month.** Comparison jurisdictions differ widely with respect to the number of months that pass between the CPI-U cut-off month and the month in which the rent adjustment is considered effective.

In Santa Monica, for example, the City Charter states that the Board must announce the allowable rent adjustment by June 30 each year, and that the rent adjustment becomes effective on September 1. By the time it goes into effect, therefore, the inflation data informing the annual rent adjustment are approximately six months old.

Los Angeles County and the City of Los Angeles also maintain a substantial gap. Though their rent adjustments are informed by CPI observations ending in September, the adjustments are not made effective until July the following year. Program administrators in both jurisdictions noted that the gap serves an important practical purpose: it provides program staff sufficient time to obtain the published data, calculate the adjustment, have the adjustment formally approved by the relevant managers and administrative bodies, and provide several months of notice to landlords and tenants in advance of the effective date.

In general, an annual rent adjustment policy that is more sensitive to real time market dynamics would abbreviate the lag between the observed change in CPI-U and the effective

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<sup>7</sup> Data for the preceding month are typically published by a delay of two weeks.

date of the rent adjustment. In West Hollywood, for example, there is a four-month lag while in Beverly Hills, there is only a one-month lag.

### **Meeting the “Fair and Reasonable” Return Threshold**

As indicated by the comparison jurisdiction research, there is no authoritative or gold-standard approach to quantifying the legal cap by which annual rents can increase.

All jurisdictions, however, are bound by the same legal mandate that no regulation can prohibit the landlord from receiving a “fair and reasonable return”. As a result, a “fair return” is the legal guidepost by which rent control ordinances are evaluated. Neither the State of California nor the federal constitution, however, mandates one specific formula by which to measure such a return.

The Second District Court of Appeal analyzed El Monte’s rent control ordinance in April 2020 and concluded the following: “Under broad constitutional tolerance, California cities may enact various forms of residential rent control measures to satisfy a fair and reasonable rent standard” (Case B295640, p.16).

#### ***Net Operating Income***

Net Operating Income (e.g., Effective Gross Income minus Operating Expenses) relative to a specified “Base Year” is the prevailing standard for measuring a “fair return” for landlords.

As described in the Interim Ordinance Report, BAE prepared a cash flow analysis that replicates a landlord’s real estate operating pro-forma, with a specific focus on analyzing the extent to which cost trends for local operating expenses (e.g., local utilities, property taxes, insurance, etc.) could be covered by the allowable rent cap.

Financial profitability is calculated on the basis of Net Operating Income before interest, taxes, depreciation, and mortgage amortization. This provides the clearest indication of real estate profitability, and provides a way of comparing different project types with varying degrees of leverage.

As Net Operating Income (e.g., a project’s “return”) is influenced by the rate at which operating expenses increase each year, an annual CPI index can be a useful proxy for determining whether a fair return has been achieved. While CPI index does not track with a landlord’s operating expenses directly, the CPI is published monthly, freely available, and includes relevant metrics such as energy costs. To the extent that factors not captured by the CPI may have contributed to a property’s reduction in NOI during a given year, petitions can be filed as described in the following section.

## Rent Adjustment Petitions - Landlord

Under the City of Culver City's Interim Ordinance, if a property owner wishes to increase a tenant's rent over the three percent cap, they may file a **Petition for Relief** from the Interim Ordinance with the Housing Division. "The Landlord will have the burden of proof of demonstrating that the three percent cap will prevent the Landlord from receiving a fair and reasonable return with respect to the operation of the property." (See Ordinance Section 8.A)

All surveyed comparison jurisdictions allow some form of landlord petition, including the annual rent adjustment. These Petitions are adjudicated on the following bases:

### ***"Fair and Reasonable Return" Standard***

Under the fair and reasonable return standard, landlord petitions must demonstrate that the rent ordinance will prevent them from receiving a **"fair and reasonable return"**. This is typically analyzed by comparing the property's NOI from a "base year" to the current year. The underlying assumption of such "NOI testing" is that the NOI produced by the property in the base year provided the landlord with a fair return.

Under the fair and reasonable return standard, improvement costs—including Capital Improvements and Legal Mandates—may not *automatically* be passed on to tenant. Rather, they can only be passed on in cases where the amortized cost of the improvement(s) prevents the property owner from receiving a fair and reasonable return.

In jurisdictions such as West Hollywood, for example, the City calculates the NOI in the base year (1983 or 1999), and increases it by 60 percent of the change in CPI between the base year and current year (Table 5). It then compares this "reasonable NOI" to the actual NOI in the current year, which may include the amortized cost for capital improvements. If this NOI is below the "reasonable NOI," then the City permits a rent increase to recover some of the capital improvement cost.

### ***"Cost-Recovery" Pass-Through Mechanism***

In contrast to jurisdictions that require NOI testing for rent adjustments, landlord petitions may also take the form of a cost recovery pass-through mechanism. In this case, property owners can pass along the cost of certain capital improvements to their tenants *without* having to demonstrate financial hardship.

Other conditions must be met, however, such as complying with the jurisdiction's rent registry, securing building permits for the improvement, and being compliant with the existing local habitability code requirements.

**Table 5: Landlord Petition Categories by Comparison Jurisdiction**

	<b>Los Angeles City</b>	<b>Los Angeles County</b>	<b>Santa Monica</b>	<b>West Hollywood</b>	<b>Culver City Interim</b>
<b>Fair Return Petition?</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Fair Return Standard	MNOI (a)	Not Specified (b)	MNOI (a)	MNOI (a)	Not Specified (b)
Fair Return Threshold	CPI-Adjusted Base Year NOI	Not Specified	CPI-Adjusted Base Year NOI	60% of CPI-Adjusted Base Year NOI	Not Specified
Fair Return Base Year	1977 (c)	2018	1978 (c)	1983 or 1999 (c)	June 2018 - May 2019 (c)
Avg. # of Petitions Received Annually	14 (d)	20	1 - 2	1 - 2	TBD
<b>Cost Recovery Pass-Through Petition?</b>	<b>Yes</b>	<b>Yes</b>	<b>No</b>	<b>No</b>	<b>No</b>
Avg. # of Petitions Received Annually	1,085 (e)	(f)	N/A	N/A	N/A
Cost Recovery Categories	Capital Improvements	Capital Improvements	n/a	n/a	n/a
	Rehabilitation Work	Primary Renovation			
	Primary Renovation				
	Seismic Improvements				
Other Landlord Petitions	Luxury Unit Exemption	n/a	Tenant Not in Occupancy	Maximum Allowable Rent Determination	n/a
			Base Amenities		
			Correction		

Notes:

- (a) "MNOI" stands for "Maintenance of Net Operating Income."
- (b) These jurisdictions require the petitioner to report a base year and current year NOI, which is typical of a Maintenance of NOI Standard. However, these jurisdictions do not define "fair return."
- (c) Petitioner may propose an alternative base year if financial documentation from that year is not available to the petitioner or the NOI in that year was atypically low. In most cases, the jurisdiction prefers the petitioner to use the earliest year with financial documentation.
- (d) Three-year (2017-2019) average.
- (e) Three-year (2017-2019) average of total petitions received across all cost recovery programs.
- (f) The County has not yet implemented its cost recovery petition program.

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

### ***Key Policy Considerations***

**Fewer landlord petitions are seen in comparison jurisdictions that rely exclusively on NOI-testing.** Interviews with the City of Santa Monica indicate that the City receives approximately one to two landlord petitions per year. West Hollywood sees even fewer. These jurisdictions generally process fewer landlord petitions to increase rent, but the petitions themselves require more time to process than a straightforward pass-through application.

**Landlord petitions based on NOI-testing are still important, even in jurisdictions with an automatic cost-recovery pass through.** As a hybrid model, the City may wish to develop clear guidelines for processing a fair return petition, with the understanding that a more straightforward cost recovery pass-through program is more likely to be utilized. This is the case in the City of Los Angeles.

### **“Mom and Pop” Provisions**

As described in the Interim Study, smaller “mom and pop” landlords can be faced with higher operating expenses as a percentage of gross income, on average, as they do not benefit from economies of scale.

The following are some of the ways in which comparison jurisdictions have sought to tailor their program design to meet the unique challenges of “mom and pop” property owners.

### ***Program Design Alternatives***

**Exempt duplexes and triplexes that are owner-occupied.** Jurisdictions such as Santa Monica exempt duplexes and triplexes from permanent rent control, so long as at least one of the units is owner-occupied. In Santa Monica, over 500 property owners representing some 1,200 rental units qualified for this exemption in 2019.

**Exempt units that are occupied by a property owner’s relative.** In the City of West Hollywood, for example, units occupied by a property owner’s parent, grandparent, brother, sister, or child (by blood or adoption) as their principal residence are exempt from permanent rent control.

**Apply larger cost recovery pass-throughs to smaller buildings.** Owners of buildings with five units or fewer can recover up to 100 percent of the improvement cost in the City of San Francisco. Buildings with six or more units, however, may only pass along 50 percent of the cost but the time period for recovery is extended over a longer period, of ten, 15, or 20 years.

**Allow owner-performed labor to be included in a cost pass-through application.** Most comparison jurisdictions do allow for owner-performed labor to be included when processing a cost recovery pass-through application, provided certain guidelines are followed.

**Apply different maximum surcharges to large and small buildings for capital improvement pass-throughs.** For example, the maximum allowable surcharge in buildings with six units or fewer could be ten percent of base rent, while it could be five percent of base rent in buildings with six or more units.

### ***Key Considerations***

Not all small buildings are owned by “mom and pop” landlords. To prevent the abuse of regulations intended to target mom and pop landlords, some comparison jurisdictions such as West Hollywood require that in order to qualify for an exemption, the landlord must be a “real person” (e.g., not an LLC or corporation), and hold legal title of at least fifty percent of the property, or be a beneficiary with an interest of at least 50 percent in a trust that owns the property.

## **Rent Adjustment Petitions – Tenants**

Like landlords, tenants can submit petitions to the local jurisdiction for issues related to proper implementation of rent control. Tenant petitions can include:

- Maximum Allowable Rent determinations/Rent Adjustments;
- Rent overcharges;
- Reduction in housing services (maintenance, service, or repairs) filings;
- Registration fee rebate or waiver applications for low-income households; and
- Landlord harassment complaints

Tenants must file a petition to the rent control jurisdiction and receive a final decision (either by mediation or hearing) before reducing rent payments to the landlord. Otherwise, the landlord can legally consider that the tenant is not paying rent which could lead to eviction proceedings. Rent control jurisdictions typically require that the tenant provide documentation such as letters, photos, and, where appropriate, witness contact information.

### ***Program Design Alternatives***

**Allow for petitions regarding Maximum Allowable Rent (MAR) determinations/Rent Adjustment** to be submitted for several reasons, including circumstances when the initial MAR was never established, if the MAR is calculated incorrectly, when a service or amenity associated with the unit is reduced or eliminated, or when a temporary MAR decrease is allowed due to the landlord failing to complete unit upkeep and repair associated with habitability. **Rent overcharges** can be a subset of MAR determinations, where tenants can petition that the MAR is not being charged. Overcharges can also be related to allowable capital improvement pass-throughs (e.g. landlord cost recovery) and/or allowable charges for unit amenities such as parking.

**Allow for petitions to increase or decrease rent due to a change in housing services.** Housing Services are defined as the amenities and services provided to the tenant and associated with



the unit at the time of move-in, or the effective date of rent control. Most rent control ordinances specify that housing services (such as laundry facilities, parking, etc.) must be maintained in good working order, and that landlords must conduct repairs timely, or tenants can be entitled to rent reductions. In order to enforce the appropriate maintenance of housing services, rent control laws must specify the standards to which landlords will be held. The standards can include compliance with Building and Safety, Fire, Health, and Property Maintenance codes, which are already incorporated into most municipal codes. In regard to capital improvements and appliances, rent control laws typically outline standard replacement schedules and define that unit appliances, windows, doors, plumbing, etc., must be in “good working order”. Enforcement of the provision of housing services may involve staff from one or all of the following jurisdiction departments: Housing, Rent Control, Code Enforcement, and City Attorney.

**Establish a rent control registration fee rebate or waiver application**, which are common tenant petitions among rent control jurisdictions. These petitions provide for the needs of low-income households and are typically submitted on an annual basis with income documentation.

**Establish a process for landlord harassment complaints** which can be filed in jurisdictions with tenant anti-harassment laws and typically apply to all renters and not only those living in rent-controlled units. Petition forms usually ask the tenant to identify the specific harassing behaviors that are identified in the local or State code, such as discrimination, reducing or eliminating housing services, failure to perform maintenance, not providing reasonable notice before entering a unit, engaging in abusive or offensive conduct, threatening physical harm or unwarranted termination, and refusing to accept rent. In the comparison jurisdictions of Santa Monica and West Hollywood, tenant harassment complaints are filed with the City Attorney offices rather than the rent control programs. The City of Los Angeles and the County of Los Angeles have contracts with the Southern California Housing Rights Center, a nonprofit organization, to provide fair housing services specifically regarding discrimination complaints. Currently, the City of Culver City has a contract with Bet Tzedek to provide legal assistance for Culver City residents regarding housing matters.

For Maximum Allowable Rent (MAR) determinations and reduction of housing services petitions, the City of Los Angeles, Santa Monica, and West Hollywood rent control staff typically review tenant petitions for completion, and then schedule an intake meeting with the tenant and landlord or representative to see if the complaint(s) can be addressed. If the reasons for the petition remain unresolved, the staff may suggest mediation or schedule hearings to resolve the issues.

## **Tenant Protections**

BAE's comparison jurisdiction research found that local rent control laws, and the State of California Tenant Protection Act of 2019 (AB 1482), include a variety of tenant protection

policies for both rent control and non-rent control tenants. Tenant protection policies typically include the topics of habitability, tenant anti-harassment, evictions, relocation, and tenant buy-out procedures. A detailed table of these protections by jurisdiction is provided in Table 28.

**Determine whether confirming Unit Habitability will be a function of a Permanent Rent Control and Tenant Protection Program.** Due to concerns that landlords may neglect properties subject to rent control laws, ensuring the habitability of rent control units is an important policy topic. For some jurisdictions, habitability standards are established in conjunction with rent control policies. For others, rent control administration involves coordination with the jurisdiction's building and safety staff to monitor unit habitability and to respond to complaints of this nature. Habitability is a particular concern when construction is occurring within the unit or on the building. Whether required by tenant protection policies or the local building code, landlords in many cases must provide the jurisdiction and tenant with a means and methods plan that specifies the type of construction that will take place, the methods that will be used, the dates and hours of construction, and the means by which construction impacts (such as noise, dust, and disruption) will be mitigated for tenants.

**Determine whether to establish permanent Tenant Anti-Harassment Policies.** Even though the State of California has tenant anti-harassment laws, some comparison jurisdictions have passed local ordinances or incorporate anti-harassment policies into their tenant protection policies.

California Civil Code prohibits landlords from harassing tenants so that they will vacate a rental unit. California Civil Code §1940.2 and §1940.35 establish that tenant harassment is against the law. Specifically, landlords cannot take personal property without tenant permission, defraud, extort, threaten, use force, cause nuisance, or threaten and/or disclose immigration status to authorities as a way to coerce tenants to move out. Under California Civil Code §789.3, landlords who are not lawfully evicting a tenant cannot terminate utilities under his or her control, prevent access to the unit, remove doors or windows, or remove tenant personal property. California law also sets the amounts of civil penalties for tenant harassment.

**Determine whether to establish a permanent 'No Cause' Evictions policy.** An evictions policy specifies the reasons a landlord can end tenancy for a specific unit. Such policies describe what circumstances allow for Just Cause (a.k.a., 'For Cause' or 'At Fault') evictions versus 'No Cause' (a.k.a. 'No Fault') tenancy terminations.

With proper legal written notice, typically allowable Just Cause evictions include tenant failure to pay rent, tenant violation of a material rental agreement term, tenant refusal of reasonable access, tenant nuisance or other illegal activities, unauthorized subleasing, or failure to vacate a unit after giving notice or agreement to vacate.

Typical No-Fault evictions include if a landlord seeks to permanently remove the unit from the rental housing market; move into the unit, move a relative into the unit, or move a building manager into the unit; plans to demolish and/or significantly remodel a unit; or is required to comply with a government or court order. Table 6 below lists and compares the allowable causes for No Fault Evictions in each of the comparison jurisdictions. Mandatory relocation assistance is usually required for No-Fault evictions, and is described in the Relocation Assistance section below.

**Table 6: No-Fault Evictions, Comparison Jurisdictions’ Allowable Causes**

Allowable Causes	Beverly Hills	Los Angeles City	Los Angeles County	Santa Monica	West Hollywood	State of CA (AB 1482)	Culver City Interim
Withdrawal of Property from Rental Market	X	X	X	X	X	X	X
Owner or Owner Relative Move-In	X	X	X	X	X	X	X
Resident Manager Move-In	X	X					X
Government or Court Order		X	X		X	X	X
Substantial renovation	X					X	
Conversion to Affordable Housing		X					

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

Pursuant to State law, comparison jurisdiction tenant protection policies provide that displaced tenants have a right to return to their unit if the landlord returns it to the rental market within certain periods of time. Some jurisdictions do not allow an owner or owner relatives to take over units occupied by seniors, households with minors, long-term tenants, tenants who are disabled, or tenants who are terminally ill. Only two comparison jurisdictions, Beverly Hills, and the City of Los Angeles, allow for resident manager move-ins to displace existing tenants, as does Culver City’s Interim Ordinance.

Demolishing or substantially remodeling a unit is typically an allowable No-Fault eviction for landlords. But, if the landlord does not end up demolishing or substantially remodeling the unit, the evicted tenant may have the right to return to the unit or to sue for civil remedies. Several local jurisdictions place time frames within which the construction or demolition must be completed, and define substantial remodeling with minimum dollar amounts for the work.

Table 7 below provides a list of allowable causes for Just Cause evictions in each of the comparison jurisdictions. Additionally, the cities of Los Angeles’ and Beverly Hills’ policies are tied to units that are subject to rent control, whereas the West Hollywood, Santa Monica, Los Angeles County and City of Culver City (Interim) policies apply to all multifamily rental units regardless of whether or not a unit is subject to rent control. As of January 1, 2020, AB 1482 enacted Just Cause and No-Fault eviction law throughout California and allows for local jurisdictions to implement their own policies, which may exceed State law. To be eligible for eviction protections under AB 1482, a tenant must have resided in the unit continuously and lawfully for 12 months or, if an adult tenant has moved into the unit, 24 months. Some properties exempt from statewide rent control are subject to Just Cause, including non-owner-

occupied condominiums, single-family homes, and properties that are separately alienable from title (such as a subdivided lot with rental units).

**Table 7: Just Cause Evictions, Comparison Jurisdictions’ Allowable Causes**

Allowable Causes	Beverly Hills	Los Angeles City	Los Angeles County	Santa Monica	West Hollywood	State of CA (AB 1482)	Culver City Interim
Rent Non-Payment	X	X	X	X	X	X	X
Nuisance and/or Damage	X	X	X	X	X	X	X
Illegal Use of Unit	X	X	X	X	X	X	X
Violating Rental Agreement	X	X	X	X	X		X
Subleasing without Permission	X	X		X	X	X	
Failure to Provide Reasonable Access	X	X		X	X	X	X
Failure to Renew Agreement	X	X	X	X	X	X	
Termination as On-Site Manager	X				X	X	
Failure to Comply (Various)		X	X			X	

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

**Determine whether to establish permanent Relocation Assistance requirements.** Local relocation assistance policies require that landlords issuing No-Fault evictions pay the tenant relocation fees, and sometimes moving costs. These policies also typically outline the schedule by which such payments will be made.

Components of relocation assistance policies include written noticing requirements, right-of-return, and establishment of the amount of relocation assistance that a tenant must receive. Some comparison jurisdictions, such as West Hollywood and Santa Monica, require that landlords pay higher amounts of relocation assistance to long-term and/or low-income tenants, seniors aged 62 and older, people who are disabled, or families with minor dependent children.

The City of Culver City’s Interim Ordinance requires that the landlord pay a No-Fault Termination tenant three (3) times the current rent in effect plus one thousand dollars (\$1,000). The amount of relocation assistance does not differ under varying circumstances. This interim policy applies to all units, regardless of whether or not they are required to comply with rent caps established in the Interim Ordinance. Comparatively, AB1482 requires that the landlord pay relocation fees equal to one month of rent if there is an allowable No-Fault eviction.

**Determine whether to establish a Voluntary Buy-Out “Cash for Keys” program.** A voluntary buy-out policy allows tenants to voluntarily move out of their unit for an agreed amount of financial compensation from the landlord. Voluntary buy-out policies are optional for tenants, and many of the comparison jurisdictions studied allow them. Typical local voluntary buy-out policy components include:

- 1) Landlord requirement to provide the tenant with a city-standard disclosure notice prior to execution of a buyout agreement;
- 2) Buyout agreement content and city submittal requirements;
- 3) Landlord requirement to pay relocation assistance; and
- 4) Codified tenant rights associated with buyout offers, including the right to refuse, the right to consult an attorney, the right to rescind within 30 days or if it is found that the buyout agreement does not meet City requirements.

West Hollywood, Santa Monica, the City of Los Angeles, and the County of Los Angeles' policies all include voluntary buy out programs for rent control tenants. Beverly Hills', Culver City's Interim Ordinance, and AB1482 do not include voluntary buy-out policies.

***Key Considerations***

Culver City's Interim Ordinance was established before the passage of AB 1482, which includes Just Cause and Relocation Assistance provisions for tenant protections. The City will want to consider whether these Statewide protections meet or exceed the City's public policy goals, and whether the ability to enforce tenant protections increases when a local ordinance is in place.

## COST RECOVERY PASS-THROUGH OPTIONS

A robust cost recovery pass-through program can help alleviate concerns that a permanent rent control policy might be detrimental to the overall quality of the City's housing stock by reducing investment in critical building systems and infrastructure.

Under rent control cost recovery pass-through programs, property owners to are eligible recapture a portion of certain property improvement costs over a specified period, *without* any dedicated NOI testing. This method provides a clear financial incentive for the property owner to undertake building improvements, and is used by jurisdictions such as San Francisco, Los Angeles, and Beverly Hills.

Pass-throughs (also referred to as tenant surcharges) are generally *not* permanent, and do not become part of the tenant's base rent. Once the pass-through is fully amortized for a unit, it is discontinued.

While each comparison jurisdiction has its own definitions of costs that are eligible for passing through to the tenant, they can generally be defined into two broad categories most relevant to Culver City: legally mandated improvements and capital improvements.

### ***Legally Mandated Improvements***

Building improvements with a "legal mandate" such as seismic retrofitting, restoration work following a natural disaster, and complying with a public agency order are often treated separately from "voluntary" capital improvements by comparison jurisdictions. For example:

- In Beverly Hills, mandated improvements such as seismic retrofitting are eligible for a 100 percent cost pass-through, or "full cost recovery".
- In the City of San Francisco, any seismic retrofitting or "other work required by local, state, or federal law" is eligible for a 100 percent cost pass-through.
- In the City of Los Angeles, "rehabilitation work" that is performed to comply with an order issued by agencies such as the Los Angeles Housing Department (LAHD), the Los Angeles Department of Building and Safety (LADBS), or the Los Angeles County Health Department, is eligible for full cost recovery. Seismic retrofitting, however, is only eligible for a 50 percent cost pass-through.

### ***Voluntary Capital Improvements***

Voluntary capital improvements are more broadly defined throughout the comparison jurisdictions, but still share key similarities. Improvements are generally required to have a

useful life of at least five years; be permanently fixed in place (or relatively immobile); *not* include “routine maintenance;” and not result from a failure to perform regular repairs.

- In Beverly Hills, voluntary capital improvements are eligible for a 100 percent cost pass-through, irrespective of a building’s size and/or number of units. Of the comparison jurisdictions surveyed, Beverly Hills has the most generous pass-through program with respect to landlord cost recovery.
- In the City of San Francisco, buildings with one to five units are also eligible for a 100 percent cost pass-through for voluntary capital improvements. Buildings with six or more units, meanwhile, are only eligible for a 50 percent cost pass-through for such improvements.
- In the City of Los Angeles and Los Angeles County, voluntary capital improvements are eligible for a 50 percent cost pass-through.

Comparison jurisdictions report that cost recovery pass-through programs can incentivize better practices including code compliance, building permit compliance, and recordkeeping.

### ***Policy Considerations***

Beyond the straightforward question of determining the share of eligible costs that can be passed through to tenants, there are a number of other important policy considerations to weigh when crafting a permanent pass-through program, including the following:

**Defining the amortization period for the improvement.** Amortization schedules correspond to the length of time over which eligible capital improvements may be recovered. Shorter amortization periods tend to favor property owners because they reduce the recovery period, and allow for a higher monthly pass-through amount.

**Maximum allowable surcharges.** All comparison jurisdictions implement some form of “maximum” surcharge that can be passed along to the tenant each month. In the City of Beverly Hills, for example, the monthly surcharge cannot exceed four percent of the base rent at the time of the petition. In Los Angeles County, the surcharge may not exceed eight percent of the tenant’s base rent.

**Caps on cumulative increase.** Unlike San Francisco, which caps the annual increase at five percent of base rent but places no cap on the cumulative increase, the City of Los Angeles caps the maximum pass-through at \$55 per month for capital improvements, which can be only be collected for up to six years.

**Whether “soft costs” and interest can be included in the pass-through.** When calculating a capital improvement pass-through, property owners are generally entitled to add interest to improvement costs, provided they follow specific guidelines. In the City of Los Angeles, for example, “soft costs” such as permitting fees, architect and engineering plans, and other similar costs are also generally allowed provided sufficient documentation.

**Whether owner-performed labor can be included in a cost pass-through application.** While relatively uncommon in practice, most comparison jurisdictions do allow for owner-performed labor to be included when processing a pass-through application, provided certain guidelines are followed. In the City of Los Angeles, the property owner must first solicit at least two bids from unrelated contractors to be considered. In the City of San Francisco, the property owner does not need to solicit external bids, but the labor cost must not exceed prevailing wages for the task as defined by the California Department of Industrial Relations.



**Table 8: Capital Improvement Pass-Throughs, Comparison Jurisdictions**

	<b>Los Angeles City</b>	<b>Los Angeles County</b>	<b>San Francisco</b>
Definition of Capital Improvements	Addition or replacement of specific improvements that have a useful life of five or more years. Cannot include routine maintenance and must be permanently fixed in place or relatively immobile.	Improvements with a useful life of at least five years and not regular maintenance or repairs from wear and tear (or work resulting from the Landlord's failure to perform regular maintenance and repairs).	Those improvements which materially add to the value of the property, appreciably prolong its useful life, or adapt it to new uses, and which may be amortized over the useful life of the improvement of the building.
Requires NOI Test?	No	No	No
<b>Application Filing Requirements</b>			
Deadline to File Applications	Within 12 months of completing improvement	Within 120 days of completing improvement	Within 5 years of completing improvement
Can File Before Making Improvements?	No	No	No
<b>Calculating the Pass-Through</b>			
Allowable Pass-Through %	50%	50%	100% for 1-5 unit bldgs. 50% for 6+ unit bldgs.
Defined Amortization Period	5 Years	Still in development, informed by peer cities and IRS; varies by improvement	Varies by improvement; 10-20 Yrs. for 1-5 unit bldgs. 7-10 Yrs. For 6+ unit bldgs.
Interest Costs Allowed?	No (a)	To be determined	Yes; actual for fixed-rate loans; imputed for variable
Soft Costs Allowed?	Yes	To be determined	Yes
Owner-Performed Labor Costs Allowed?	Yes (b)	To be determined	Yes
Basis for Owner-Performed Labor Costs	At least 2 bids from unrelated contractors	To be determined	Prevailing rates from CA Dept. of Industrial Relations
Added to Rent or Separate Surcharge?	Separate Surcharge	Separate Surcharge	Separate Surcharge
Max. Surcharge	\$55	8% of rent at time of petition (c)	5% of previous year's rent or \$30 (whichever is greater) (d)
Surcharge Permanent or Temporary?	Temporary	Temporary	Temporary
Surcharge/Increase Expiration	Upon full eligible cost recovery or at vacancy	Upon full eligible cost recovery or at vacancy	At end of amortization period or at vacancy
<b>Tenant Engagement</b>			
Tenant Approval Required?	No	No	No
Tenant Can Dispute Increase?	Yes	Yes	Yes
Tenant Hardship Exemption?	No	No	Yes

Notes:

(a) Petitioners may not pass through actual interest costs, but the policy allows the surcharge to extend an additional year beyond the amortization period as a proxy for interest costs.

(b) Owner must be licensed contractor.

(c) The eight percent maximum increase must include the regular annual allowable rent increase. "Luxury units" (defined as units with rents of at least \$4,000 in September 2018) may be subject to a 10 percent maximum increase.

(d) The surcharge may increase by the greater of 5% of the previous year's rent or \$30 until the full calculated pass-through is reached.

Sources: City of Los Angeles; Los Angeles County; City and County of San Francisco; BAE, 2020.

## Analysis of Pass-Through Options

To help Culver City identify which cost recovery pass-through option might be most appropriate for a potential rent control ordinance, BAE identified three distinct pass-through “scenarios” to analyze their effect on the property owner’s ability to recoup the cost of the improvement and the potential rent surcharge that the tenant would face.

Each of the scenarios are informed by the range of policies observed in comparison jurisdictions, and test variables such as the allowable portion of costs to be recovered (e.g., 50 percent versus 100 percent), the length of the amortization period, and the scale of the capital improvement (small versus extensive). These scenarios include the following:

- **Scenario A: 100 Percent Cost Recovery, 5-year Amortization**
- **Scenario B: 50 Percent Cost Recovery, 10-year Amortization**
- **Scenario C: 50 Percent Cost Recovery; 5-year Amortization**

Scenario A models a full, 100 percent cost pass-through option with an abbreviated amortization period. As such, this scenario is meant to represent a policy that favors the property owner by allowing them to recover the full cost of eligible improvements over a relatively short period of time.

Scenario B is modeled on a partial, 50 percent cost pass-through option with a longer amortization period. This scenario represents a policy that is more favorable to tenants when compared to Scenario A.

Scenario C blends elements that are favorable to both property owners and tenants. While the property owner is only eligible to recoup 50 percent of eligible costs, the amortization period is accelerated to allow for a faster recovery.

All scenarios assume that the pass-through does not become part of the tenant’s base rent and is not permanent, although allowing permanent rent increases is an option the City could select. Each scenario is evaluated through the lens of the landlord and the tenant. Advantages and disadvantages of each scenario are discussed, including tradeoffs between incentivizing landlords to pursue improvements compared to safeguarding tenants’ needs for affordable rents.

### **Key Assumptions**

To effectively analyze each of the three scenarios and ensure their applicability within the unique context of Culver City, BAE utilized the following steps to construct the cash flow models.

- Step 1: Identify a median multifamily building prototype by size (e.g., number of units), age, and estimated base rent.
- Step 2: Define the category or type of improvement.
- Step 3: Determine a range of potential costs for the improvement using sources such as local building permit data, interviews with local contractors, and others.
- Step 4: Apply each of the scenarios to the cash flow model.

**Identify Multifamily Building Prototype.** The median multifamily building in Culver City contains six units, according to an analysis of CoStar data. To arrive at a representative building type for the cash flow analysis, BAE isolated all CoStar-tracked multifamily buildings with six units or fewer in Culver City (Table 9).

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**Table 9: Median Multifamily Building Prototype, Culver City**

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Number of Multifamily Units (a)	6
Year Built	1956
Average Unit Size (sf)	862
Q2 2019 Asking Rent (per month)	\$1,434
Average Annual Rent Increase (5-year)	2.50%
Average Annual Vacancy Rate	3.70%

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Note:

(a) Sample based on CoStar-tracked inventory of 137 eligible (non-rent restricted) buildings with six units or fewer built prior to 1995.

Sources: CoStar, 2019; BAE, 2020.

Within this subset, the median age of the building stock is relatively old, with a median year-built of 1956. Asking rents in this subset are also lower than they are for eligible units citywide, averaging \$1,434 per month in Q2 2019 compared to \$2,210 per month for eligible units in all building sizes. Rents for this subset, meanwhile, have increased an average of 2.5 percent per year over the past five years.

**Define the category or type of improvement.** Next, BAE worked closely with Culver City's Building Department to better understand the range of improvements that are currently being filed by multifamily property owners. As part of this exercise, BAE analyzed all building,

mechanical, plumbing, and electrical permits (including total valuation estimates) that were filed by multifamily property owners over the most recent eighteen-month period.

The building permit analysis found that there are three main categories of capital improvements requested most often by multifamily properties within Culver City: voluntary seismic retrofitting; roof replacements; and kitchen/bathroom remodels.

For the purposes of this report, and to integrate with the city’s forthcoming seismic retrofit ordinance, these pass-through scenarios analyze the cost of seismic retrofitting. It should be noted, however, that the analytic principles guiding each of the scenarios remain the same regardless of the actual category of improvement.

**Determine a range of potential costs (e.g., low, medium, high) for the improvement using sources such as local building permit data, interviews with local contractors, and others.** To determine a range of potential costs (e.g., low, medium, and high) for the pass-through analysis, BAE analyzed local building permit data, conducted interviews with local contractors, as well as staff at the City of Los Angeles Housing and Community Investment Department (HCID) tasked with processing pass-through applications as part of the city’s own Seismic Retrofit Program. BAE also reviewed a study conducted by Degenkolb Engineers in October 2019 on behalf of Culver City for its local inventory of soft story buildings. The results of this analysis are shown in Table 10.

**Table 10: Range of Cost Estimates for Pass-Through Analysis**

	<u>Estimated Hard Costs</u>	<u>Estimated Soft Costs</u>	<u>Estimated Permit Fee</u>	<u>Interest Payment</u>	<u>Estimated Total Retrofit Cost</u>
Low Range Estimate	\$24,219 (a)	\$4,844 (d)	\$848 (e)	\$1,561 (f)	<b>\$31,471</b>
Mid Range Estimate	\$42,000 (b)	\$8,400 (d)	\$1,470 (e)	\$2,707 (f)	<b>\$54,577</b>
High Range Estimate	\$102,000 (c)	\$20,400 (d)	\$3,570 (e)	\$6,574 (f)	<b>\$132,544</b>

Notes:

- (a) Based on voluntary seismic retrofit building permit applications in Culver City covering 69 units over 18-month period.
- (b) Based on interviews with HCIDLA staff in charge of handling seismic retrofit building permit applications (7,612 units in 2019).
- (c) Based on Degankolb Study’s “high range” per-unit retrofit estimate for West Hollywood.
- (d) Assumes architect/engineering fees of approximately 20 percent of hard costs.
- (e) Assumes permit fee of approximately 3.5 percent of project valuation (Culver City voluntary retrofit applications).
- (f) Follows HCID model – rate for 10-year constant maturity U.S. government securities plus 1%. (2.02 percent as of March 2020).

Sources: Degankolb; CoStar, 2019; BAE, 2020.

## Scenario A: 100 Percent Cost Recovery, 5-year Amortization

Scenario A models a 100 percent cost pass-through for a “mid-range” improvement cost with a five-year amortization period. To determine the per-unit monthly surcharge for a six-unit building, the estimated improvement cost (\$54,577) was divided by the amortization period (five years) to arrive at a “recoupable cost per year”. This figure was then divided by the number of months per year and the number of units in the building to arrive at a **permitted monthly surcharge of \$152 per unit** (Table 11).

Assuming a base rent of \$1,434 per month, Scenario A equates to a **temporary rent surcharge of 10.6 percent per month** during the first year (Table 11). If the base rent were the median asking rent for all cap-eligible properties in Q2 2020, or \$2,287, the temporary rent surcharge would equate to 6.6 percent per month.

**Table 11: Monthly Surcharge Calculation for Scenario A**

Total Improvement Cost	\$54,577 (a)
Number of Units	6
Improvement Cost per Unit	\$9,096
Allowable Pass-through	100%
Recoupable Cost	\$54,577
Amortization Period (years)	5
Recoupable per Year	\$10,915
Recoupable per Month	\$910
Recoupable Cost per Unit	\$9,096
Recoupable per Unit per Year	\$1,819
<b>Surcharge per Unit/Month</b>	<b>\$152</b>
<i>Surcharge as % base rent</i>	<i>10.6% (b)</i>

Notes:

(a) Per analysis of seismic retrofit data submitted to HCID.

(b) Assumes initial base rent of \$1,434

Sources: BAE, 2020.

Table 12 displays the lifecycle of a Scenario A pass-through over the five-year amortization period. During the first year, the tenant would pay a “temporary” rent of \$1,586 per month, which includes the allowable surcharge of \$152 plus the base rent of \$1,434 per month.

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**Table 12: Annual Rent Adjustment Calculations Under Scenario A**

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	<u>Monthly Base Rent</u>	<u>Monthly Surcharge</u>	<u>Monthly Surcharge as % Base Rent</u>	<u>"Temporary" Rent</u>
Year 1	\$1,434 (a)	\$152	10.6%	\$1,586
Year 2	\$1,470 (b)	\$152	10.3%	\$1,621
Year 3	\$1,507	\$152	10.1%	\$1,658
Year 4	\$1,544	\$152	9.8%	\$1,696
Year 5	\$1,583	\$152	9.6%	\$1,734
Year 6	\$1,622	\$0	0.0%	\$1,622

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**Notes:**

(a) Average asking rent in Q2 2019 for eligible properties in Culver City (6 units or fewer).

(b) Assumes annual rent growth of 2.5% (observed 5-year trend for similar eligible properties).

Sources: CoStar, 2019; BAE, 2020.

Over the term of the surcharge, the monthly “base rent” could still rise each year per the terms of the permanent rent control ordinance. In this model, the monthly base rent is assumed to rise by 2.5 percent annually, which is the observed annual rent growth of similar sized buildings in Culver City. After the temporary surcharge ended in year six, the monthly base rent would revert to \$1,622 per month (Table 12).

**Potential Modifications to Scenario A:**

**Allow full cost recovery, but only for “system-wide” improvements.** In the City of Los Angeles, for example, “rehabilitation work” (e.g., major systems replacement) is eligible for a 100 percent pass-through. Capital improvements that are more cosmetic in nature such as kitchen renovations, however, are only eligible for a 50 percent pass-through.

**Allow full cost recovery, but on a longer timeline.** To blunt some of the tenant burden associated with full cost recovery and shorter amortization periods, some comparison jurisdictions allow the amortization period to be extended. This typically occurs when a maximum “cap” is applied to the temporary monthly surcharge when it exceeds a certain percentage of the tenant’s base rent.

**Scenario B: 50 Percent Cost Recovery, 10-year Amortization**

Scenario B models a 50 percent cost pass-through for a “mid-range” improvement cost with a ten-year amortization period

To determine the monthly surcharge in this case, the estimated improvement cost (\$54,577) was divided by the revised amortization period (ten years) to arrive at a recoupable cost per year. By following the same steps as described under Scenario A, Scenario B would allow for a **permitted monthly surcharge of \$38 per unit** (Table 13). This is a significantly lower temporary surcharge than calculated under Scenario A for the same improvement. Assuming a base rent

of \$1,434 per month, Scenario B equates to a **temporary rent surcharge of 2.6 percent per month** during the first year.

**Table 13: Monthly Surcharge Calculation for Scenario B**

Total Improvement Cost	\$54,577 (a)
Number of Units	6
Improvement Cost per Unit	\$9,096
Allowable Pass-through	<u>50%</u>
Recoupable Cost	\$27,289
Amortization Period (years)	10
Recoupable per Year	\$2,729
Recoupable per Month	\$227
Recoupable Cost per Unit	\$4,548
Recoupable per Unit per Year	<u>\$455</u>
<b>Surcharge per Unit/Month</b>	<b>\$38</b>
<i>Surcharge as % base rent</i>	2.6% (b)

Notes:

(a) Per analysis of seismic retrofit data submitted to HCID.

(b) Assumes initial base rent of \$1,434.

Sources: BAE, 2020.

Table 14 displays the lifecycle of a Scenario B pass-through over the ten-year amortization period. During the first year, the tenant would pay a “temporary” rent of \$1,472 per month, which includes the allowable surcharge of \$38 plus the base rent of \$1,434 per month. After the surcharge ended in year eleven, the monthly base rent would revert to \$1,836 per month (Table 14).

**Table 14: Annual Rent Adjustment Calculations Under Scenario B**

	<u>Monthly Base Rent</u>	<u>Monthly Seismic Surcharge</u>	<u>Monthly Surcharge as % Base Rent</u>	<u>"Temporary" Rent</u>
Year 1	\$1,434 (a)	\$38	2.6%	\$1,472
Year 2	\$1,470 (b)	\$38	2.5%	\$1,508
Year 3	\$1,507	\$38	2.5%	\$1,544
Year 4	\$1,544	\$38	2.4%	\$1,582
Year 5	\$1,583	\$38	2.3%	\$1,621
Year 6	\$1,622	\$38	2.3%	\$1,660
Year 7	\$1,663	\$38	2.2%	\$1,701
Year 8	\$1,705	\$38	2.2%	\$1,742
Year 9	\$1,747	\$38	2.1%	\$1,785
Year 10	\$1,791	\$38	2.1%	\$1,829
Year 11	\$1,836			

Notes:

(a) Average asking rent in Q2 2019 for eligible properties in Culver City (6 units or fewer).

(b) Assumes annual rent growth of 2.5% (observed 5-year trend for similar eligible properties).

Sources: CoStar, 2019; BAE, 2020.

## Scenario C: 50 Percent Cost Recovery, 5-year Amortization

Scenario C models a 50 percent cost pass-through for a “mid-range” improvement cost with a five-year amortization period. Scenario C blends elements that are favorable to both property owners and tenants.

Per calculations described in Scenarios A and B, the **permitted monthly surcharge is \$76 per unit** under Scenario C. During the first year, the tenant would pay a “temporary” rent of \$1,510 per month, which includes the allowable surcharge of \$76 plus the base rent of \$1,434 per month. Scenario C equates to a **temporary rent surcharge of 5.2 percent per month** during the first year.

**Table 15: Annual Rent Adjustment Calculations Under Scenario C**

	<u>Monthly Base Rent</u>	<u>Monthly Seismic Surcharge</u>	<u>Monthly Surcharge as % Base Rent</u>	<u>"Temporary" Rent</u>
Year 1	\$1,434 (a)	\$76	5.2%	\$1,510
Year 2	\$1,470 (b)	\$76	5.0%	\$1,546
Year 3	\$1,507	\$76	4.9%	\$1,582
Year 4	\$1,544	\$76	4.8%	\$1,620
Year 5	\$1,583	\$76	4.7%	\$1,659
Year 6	\$1,622	\$0	0.0%	\$1,622

Notes:

(a) Average asking rent in Q2 2019 for eligible properties in Culver City (6 units or fewer).

(b) Assumes annual rent growth of 2.5% (observed 5-year trend for similar eligible properties).

Sources: CoStar, 2019; BAE, 2020.

### ***Potential Modifications to Scenario C:***

**Cap the temporary surcharge amount, but not the recovery period.** In the City of Beverly Hills, the monthly surcharge cannot exceed four percent of the base rent at the time of the petition. Operating under a similar cap, the allowable surcharge under Scenario C would be reduced from \$76 per unit to \$57 per unit. However, the recovery period could be extended, with surcharges permitted in following years until the total permitted pass-through is reached. This method phases the capital improvement pass-through over time but does not cap the total amount of the increase.

While all scenarios analyze a “mid-range” improvement cost for the purposes of comparison, the underlying outcomes remain the same regardless of the improvement cost. A “high-range” improvement cost would likely result in a higher temporary surcharge amount for the tenant. This may highlight the need to establish a percentage cap on any maximum temporary surcharge, regardless of the scenario.



## Rent Stabilization Ordinance (RSO) Registration Fee and Tax Pass-Throughs

Pass-through options for RSO registration fees and voter-approved property taxes are relatively common across the comparison jurisdictions.

### *RSO Registration Fee Pass-Throughs*

Table 16 displays the RSO registration fees applied annually to eligible units among comparison jurisdictions. These fees range from approximately \$40 per unit in the City of Los Angeles to nearly \$200 per unit in the City of Santa Monica, and are described in further detail in the Rental Registry section of the Program Administration chapter. All comparison jurisdictions shown in Table 16 distribute their RSO registration fee burden evenly between property owners and tenants, with a 50 percent allowable pass-through. However, property owners are generally required to pay the full fee to the jurisdiction upfront, and collect reimbursement for the tenant's share in 12 equal monthly rent surcharges. This prevents tenants with low incomes from being burdened by a major lump sum payment.

**Table 16: Registration Fee Pass-Throughs, Comparison Jurisdictions**

	Los Angeles City	Los Angeles County	Santa Monica	West Hollywood
<b>Registration Fee</b>	\$38.75	To be determined	\$198	\$144
Max. Tenant Pass-Through	50%	50%	50%	50%
Added to Base Rent or Separate Surcharge?	Separate Monthly Surcharge	Separate Monthly Surcharge	Separate Monthly Surcharge	Separate Monthly Surcharge
Max. Increase or Surcharge	None	None	None	None
Fee Exemptions	Owner-occupied units or full-year vacant units	Owner-occupied units or full-year vacant units	Section 8 units; very low-inc. senior, or disabled tenants	Owner- or relative-occupied units
Pass-Through Exemptions	None	None	None	Section 8 units (a)
Fee Due Date	Feb. 28th or 29th	Sept. 30th	August 1st	July 1st

Notes:

(a) The property owner is only required to pay 50% of the full registration fee because they will not be able to recover the tenant's share through a pass-through.

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

### *Exemptions*

Some comparison jurisdictions exempt certain covered units from paying RSO registration fees. West Hollywood and Santa Monica, for example, do not collect RSO registration fees from units with Section 8 tenants. Santa Monica also extends the fee exemption to units with low-income tenants, seniors, and tenants with disabilities. These are full exemptions from fee payment for both owners and tenants, not simply a tenant exemption from having their share passed through. None of the comparison jurisdictions provide for a tenant-only exemption that would place the full fee burden on the property owner.

***Voter-Approved Taxes and Other Fee Pass-Throughs***

Pass-throughs for voter-approved taxes are less common than they are for RSO registration fees. Only two comparison jurisdictions, Santa Monica and Los Angeles County, offer some form of property tax pass-through.

**Table 17: Taxes and Other Fee Pass-Throughs, Comparison Jurisdictions**

<b>Can Owner Pass Through...</b>	<b>City of Los Angeles</b>	<b>Los Angeles County</b>	<b>Santa Monica</b>	<b>West Hollywood</b>	<b>Culver City Interim</b>
<b>Voter-Approved Taxes?</b>	<b>No</b>	<b>Yes (a)</b>	<b>Yes (b)</b>	<b>No</b>	<b>No</b>
Max. % Pass-Through to Tenants	n/a	100%	100%; monthly installments	n/a	n/a
Added to Base Rent or Separate Surcharge?	n/a	Separate Surcharge	Separate Surcharge	n/a	n/a
Max. Increase or Surcharge (monthly)	n/a	None	Lesser of 4% of rent or \$30	n/a	n/a
Tax Exemptions	n/a	None	Low-income tenants and owners; senior owners (c)	n/a	n/a
Pass-Through Exemptions	n/a	None	Tenancies initiated or properties re-assessed after March 1, 2018	n/a	n/a
<b>Other Items?</b>	<b>Smoke Detectors</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>
Max. % Pass-Through to Tenants	100%; monthly installments	n/a	n/a	n/a	n/a
Added to Base Rent or Separate Surcharge?	Separate Surcharge	n/a	n/a	n/a	n/a
Max. Increase or Surcharge (monthly)	\$0.50 - \$3.00 (d)	n/a	n/a	n/a	n/a
Pass-Through Exemptions	N/A	n/a	n/a	n/a	n/a

**Notes:**

- (a) Owners are permitted to pass-through five line-items on their property tax bills to their tenants: the Community College Bond, the Unified Schools Bond, the Stormwater Management User Fee, the Clean Beaches and Ocean Parcel Tax, and the School District Special Tax.
- (b) The Los Angeles County ordinance specifically permits owners who own 50 or fewer units in the County to pass through the "Safe, Clean Water Act" parcel tax only.
- (c) Low-income tenants may apply for an exemption from the Clean Beaches and Ocean Parcel Tax. This will reduce the owner's tax bill commensurately, and the remaining amount may be passed onto the remaining units on a pro rata basis. Low-income owners may also apply for a wholesale exemption from this tax. Owners over the age of 65 who live on their property as a primary residence may request an exemption from the School District Special Tax.
- (d) The maximum monthly pass-through is \$0.50 for battery-powered smoke detectors and \$3.00 for hard wired smoke detectors. The actual cost of these items is divided by the relevant maximum monthly pass-through amount to determine the duration of the temporary pass-through.

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

# PROGRAM ADMINISTRATION

The following are findings regarding rent control and tenant protection program administration practices in the comparison jurisdictions and considerations for Culver City.

## Rental Registry

Culver City's Interim Ordinance requires landlords to register their rental units. Rental registries are a fundamental tool for the implementation of rent control programs. Typically, a rental registry is established by requiring landlords to provide the local jurisdiction with information about their rental units. Rental registries and tenant/landlord notifications associated with them can establish the lawful rent, recognize unit amenities (paid or unpaid), identify the 12-month period within which landlords can raise rents, and document allowable pass-through expenses. All of the comparison jurisdictions researched for this report—Beverly Hills, the City of Los Angeles, Los Angeles County, Santa Monica, West Hollywood—rely on rental registries to operate their rent control programs. Conversely, for statewide AB 1482 implementation, California does not require any form of a rental registry but does allow for localities to create their own. A comprehensive table with information about the comparison jurisdictions' rental registry programs is provided in Table 30.

### *Policy Considerations*

**Whether the Interim Ordinance Rent Registry requirements will remain the same under a permanent ordinance.** A variety of data are collected from landlords at initial registration, and the required information varies slightly from jurisdiction to jurisdiction. Typically, rental registries require landlords to provide basic information including the property address, owner or authorized agent contact information, rental property type, number of rentals, bedrooms and bathrooms per unit, rents, amenities and utilities included in rent, parking assigned to a unit, and tenancy/lease start and end dates. Some registries also request information about security deposits and non-rent payments (e.g., parking charges), emergency contacts for landlords, and rent established at the beginning of that jurisdiction's rent control program. All of the local jurisdiction rental registries can be accessed via online portals.

**Whether to require AB 1482 units and non-controlled units to register.** The City may want to consider whether to require registration from units that are not subject to local rent control, such as those units only subject to tenant protections, statewide rent control and tenant protections (i.e., AB 1482), or no registration policies at all. As noted in previous sections, some units exempted from local rent control pursuant to Costa-Hawkins are subject to statewide rent control under AB 1482. These include multifamily units that were constructed after 1995 but are older than 15 years old, as well as corporate-owned single-family homes and condominiums. Requiring these units to register could help the City enforce the state law.

Some jurisdictions, including the City of Los Angeles, are pursuing an enforcement model for AB 1482 units similar to that for their fully controlled units, including a requirement to register.

**When to require registration updates from landlords.** Re-registration of a unit is required annually, at new tenancy, or both. Units that were previously exempt from rent control and are placed back on the market are also typically required to re-register. Landlords are expected to update any initial registration information that has changed at the re-registration milestone. The City and County of Los Angeles require annual re-registration, respectively due by the end of February and September 30<sup>th</sup>. Santa Monica and West Hollywood require re-registration within 30 days of a new tenancy, while Beverly Hills requires both (January annual and within 30 days of a new tenancy). When there is a change of ownership, Beverly Hills, Santa Monica and West Hollywood also require re-registration.

**Whether to charge Registration Fees, and at what amount.** Most rent control programs are mandated to operate on a cost recovery basis, which means that the rental registration fees must cover 100 percent of program administration costs. As mentioned previously, these fees are structured such that the landlord pays 50 percent of the fee and the tenant pays the other 50 percent. Plus, while the landlord must pay all fees upfront annually, tenants pay the landlord a monthly prorated amount of their portion of the fees. In the comparison jurisdictions studied, annual registration fees are due on varied dates and amounts as follows:

- Beverly Hills – does not charge a registration fee; due by January 31st
- City of Los Angeles – \$38.75 per unit by February 28th or 29th
- County of Los Angeles – Currently undetermined; due by September 30th
- Santa Monica – \$198 per unit by August 1st
- West Hollywood – \$144 per unit by July 1st

Additionally, most jurisdictions charge other fees including delinquent fees to owners who miss the above-stated deadlines. Landlords in the City of West Hollywood cannot require tenants to pay the Annual General Adjustment to rent unless the units comply with the Rent Control Ordinance. Beverly Hills landlords filing notices of tenancy termination must pay a minimum \$100 fee.

Registration fee waivers can be granted to both owners and tenants. In the City and County of Los Angeles, owner-occupied and full-year vacant units are exempt from paying registration fees. Section 8 tenants, and very low-income seniors or disabled tenants can apply for fee waivers in Santa Monica. Similarly, West Hollywood exempts Section 8 tenants, and owner or relative-occupied units.

**What staffing configuration and total budget will be needed to adequately administer a permanent rent control program.** All of the comparison jurisdictions researched for this study employ staff to administer their rent control programs, although the level of staffing and use of

contractors varies, as does each program’s organization. For the comparison jurisdictions, BAE researched the program administration activities, staffing levels, contracting arrangements, program budgets, and community oversight.

Table 18, below, compares the total units, budgets, registration fees, and staffing of the comparison jurisdiction cities. In regard to AB 1482, the State of California estimates that approximately three million rental units currently fall under the law’s rent cap provisions. The number of units will increase annually due to the rolling 15-year new construction period that exempts units from rent control.

**Table 18: Comparison Jurisdictions Rent Control Programs Budgets and Staffing**

	<b>Beverly Hills</b>	<b>Los Angeles City</b>	<b>Los Angeles County</b>	<b>Santa Monica</b>	<b>West Hollywood</b>
Total Rent Controlled Units (est.)	7,700	641,000	58,500	27,445	16,895
Annual Budget (a)	(c)	\$14 million	\$6 million	\$4.75 million	\$2.2 million
Annual Registration Fee Per Unit	(c)	\$38.75	(d)	\$198	\$144
FTE staff (b)	(c)	105	35	26	8.5
FTEs per 1,000 Units (approx.)	(c)	0.16	0.60	0.95	0.50

Notes:

(a) FY 2019-20 budget for all jurisdictions with the exception of Los Angeles County, which is the projected FY 2020-21 budget for the first full year of the County’s permanent rent control program.

(b) Budgeted staff. City of Los Angeles’ actual FTE staff are less than budgeted due to required cost savings, with 80 actual FTE staff out of 105 budgeted FTE staff.

(c) Information not available at time of report.

(d) To be determined. Los Angeles County has not established a fee at the time of this report.

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; BAE, 2020.

Total budgets and staffing increase among the comparison jurisdictions as the number of rent-controlled units increases. The information in Table 18 that may be most applicable to a permanent Culver City rent control program regards staffing ratios and cost recovery. Based on the smaller programs profiled, staffing ratios could be estimated at a range of 0.50 FTE to 0.95 FTE staff per 1,000 units.

All of the comparison jurisdiction rent control programs operate on a full cost recovery basis by charging annual registration fees to tenants, landlords, or both. Santa Monica and West Hollywood respectively charge registration fees of \$198 and \$144 per unit per year.

The typical program administration activities that are conducted by the staff of a local jurisdiction rent control program include:

- Maintaining the rental registry database
- Processing annual rent adjustments
- Reviewing rent adjustment applications and appeals
- Scheduling and conducting hearings
- Conducting mediation sessions

- Providing public information and referrals
- Coordinating with other programs and services
- Staffing oversight commissions
- Monitoring and reporting on rent control program activities, budget, public policy, and relevant market conditions

There are jurisdictions that hire third-party contractors to perform some of these duties, and a highly functioning database system is absolutely necessary. BAE found that hearing officers are contracted in the City of Los Angeles, and on staff in Santa Monica, West Hollywood, and the County of Los Angeles.

## **Board or Commission Oversight**

**Whether to establish Board or Commission Oversight.** All five comparison jurisdictions have established boards or commissions that oversee all or some aspects of implementing local rent control. Four of the five jurisdictions appoint commissioners and in one, the City of Santa Monica, voters elect Rent Control Board members. All five public bodies act as the Appeals Board for administrative hearing decisions.

The **City of Beverly Hills Rent Stabilization Commission** was established by City Ordinance on October 22, 2019, with a November 22, 2019 effective date, and is currently being formed. The Commission will consist of six City-Council appointed community members: two landlords, two tenants, and two city residents who are not landlords, tenants, or building managers. One alternate for each member category will also be appointed. Commissioners will serve for four-year terms, with initial staggered terms of two years for three of the commissioners (one in each category). The powers and duties of the Commission will be to make recommendations to City Council regarding amendments to the City code regarding rent control that have not been resolved by Council, and to perform any other functions that are designated by Council via resolution or motion.

Five elected members of the **City of Santa Monica Rent Control Board** oversee the voter-adopted rent control Charter Amendment. Terms are four years. Under Charter Amendment provisions, the Rent Control Board is considered independent of City Council, and is responsible for adopting and overseeing the annual program budget, and hiring and managing the work of the Administrator. Board responsibilities include setting the annual rent ceilings for rent-controlled units, monitoring rent control program activities, issuing permits for the removal of rent control units from the rental housing market, establishing Rent Control rules and regulations, and establishing and collecting annual registration fees. Publicly-held meetings are scheduled one or more times a month.

Seven members comprise the **City of West Hollywood Rent Stabilization Commission**, five of whom are each appointed by a different City Council member and two of whom are appointed by the entire Council, for two-year terms. The Commission is responsible for the development of policies, rules, forms, and regulations, which are recommended to City Council and become final after 45 days unless Council rejects or modifies them. The Commission also adjudicates appeals of hearing examiner decisions, and provides the City Council with an Annual Report. Publicly-held meetings are scheduled twice a month.

The **City of Los Angeles Rent Adjustment Commission** includes seven members who are neither tenants nor landlords of residential rental property. Responsibilities include adopting policies, rules, and regulations to implement the Rent Stabilization Ordinance (RSO) and to conduct studies, investigations and hearings to administer and enforce the RSO. The Commission does not handle individual landlord or tenant complaints, although it does serve as the Appeals Board for appeals of the General Manager's determinations. Members are appointed by the Mayor and confirmed by the City Council with four-year terms. Publicly-held meetings are scheduled bi-weekly.

The **County of Los Angeles Rental Housing Oversight Commission** has not yet begun meeting, but will be composed of nine members, with each County Supervisor's office appointing one member and four members designated by the Department of Consumer Affairs including a rental housing tenant, a rental housing owner, a mobile home tenant, and a mobile home owner. The Commission is charged with hearing appeals regarding Ordinance violations and landlord fair return on investment.



# PERMANENT RENT CONTROL POLICY DECISIONS

If the City of Culver City determines to enact permanent rent control and tenant protection program, then there are both broad and specific policy decisions that would need to be considered for program implementation.

This report provides a series of matrices, provided as Appendix A below, to serve as a decision-making guide for the City Council and community. For ease of comparison, the matrices are organized in the same order as the City's Interim Ordinance to consider the following topic areas:

- Rent Control Measures
- Rent Increases
- Evictions
- Relocation Assistance
- Rent Registry
- Petitions

Where applicable, policy considerations are compared with corresponding AB 1482 legislation and the provisions of comparison jurisdictions' rent control and tenant protection programs.

# APPENDIX A: POLICY DECISION MATRICES

**Table 19: Policy Decisions and Options Matrix: Rent Control Measures (Interim Ordinance Section 2)**

Policy Decision	Options	AB 1482	BH	LA City	LA Co	SM	WH	Culver Interim	Interim Citation
<b>SECTION 2: RENT CONTROL MEASURES</b>									
<b>B. Exemptions to Rent Control</b>									
<b>Whether to exempt...</b>									
1. Structures built before eligibility cut-off date but converted to residential after	Exempt			(a)	x			x	Interim Ordinance, Sec. 2-B-1
	Not Exempt	x	x			x	x		
2. Units alienable separate from title (i.e., only unit on parcel)	Exempt	x	x	x	x	x	x	x	Interim Ordinance, Sec. 2-B-2
	Not Exempt								
3. Units in "community apartment projects" and "stock cooperatives"	Exempt		x	x	x			x	Interim Ordinance, Sec. 2-B-3
	Not Exempt	x				x	x		
4. Units occupied by Section 8 (and other voucher) tenants	Exempt	x				x	x	x	Interim Ordinance, Sec. 2-B-4
	Not Exempt		x	x	(b)				
5. Government-subsidized affordable units	Exempt	x	(c)	(c)	x	(c)	x	x	Interim Ordinance, Sec. 2-B-4
	Not Exempt								
6. Non-government-subsidized affordable units (e.g., inclusionary units)	Exempt	x					x		n/a
	Not Exempt		x	x	x	x		x	
7. "Single-family" rental units that share a property with an ADU	Exempt								n/a
	Not Exempt	x	x	x	x	x	x	x	
8. "Luxury" units (i.e., units with very high rents at time of enactment)	Exempt		x	x					n/a
	Not Exempt	x			x	x	x	x	
9. Owner-occupied properties	Exempt								n/a
	Only properties with up to a certain # of units exempt	x				x			
	Not Exempt		x	x	x		x	x	
10. Non-owner-occupied properties with up to a certain number of units	Exempt								n/a
	Not Exempt	x	x	x	x	x	x	x	

**Notes:**

(a) Exemption applies only to structures subject to the Adaptive Re-Use Ordinance in Downtown Los Angeles.

(b) Exemption is rescinded if a unit's rent exceeds the Payment Standard or if an increase would make it greater than the Payment Standard.

(c) Only if specifically exempted by state or federal law.

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

**Table 20: Policy Decisions and Options Matrix: Rent Increases (Interim Ordinance Section 4)**

Policy Decision	Options	AB 1482	BH	LA City	LA Co	SM	WH	Culver Interim	Interim Citation
<b>SECTION 4: RENT INCREASES</b>									
<b>A. Rent Increases Generally</b>									
1. Benchmark by which maximum allowable rent adjustments are determined	Change in CPI	x	x	x	x	x	x		Interim Ordinance, Sec. 4-A
	Other					x		x	
2. How change in CPI is defined	Annual Average			x	x			n/a	n/a
	Year-over-Year	x	x			x	x		
3. Whether adjustment is based on full or partial change in CPI	Full	x	x	x	x			n/a	n/a
	Partial					x	x		
4. Whether to stipulate a guaranteed minimum rent increase	Guaranteed Minimum	x	x	x	x			n/a	n/a
	No Minimum					x	x		
5. Whether to stipulate a maximum rent increase	Maximum	x	x	x	x	x	x	n/a	n/a
	No Maximum								
6. Whether owners may apply allowable rent increases not utilized in previous years in subsequent years (i.e., "rent banking")	Rent Banking		(a)			x	x	n/a	n/a
	No Rent Banking	x		x	x				
7. Whether to allow an additional rent increase if owner pays utilities	Additional Increase		x	x				n/a	n/a
	No Addl. Increase	x			x	x	x		
8. Whether to allow an additional rent increase if additional occupants are added to the tenancy	Additional Increase		x	x				n/a	n/a
	No Addl. Increase	x			x	x	x		
9. Whether to allow an additional rent increase if unit is a "luxury unit"	Additional Increase	n/a			x	n/a	n/a	n/a	n/a
	No Addl. Increase		x	x					
<b>C. Housing Service Adjustments</b>									
1. Whether a reduction in housing services constitutes an effective rent increase	Yes		x	x	x	x	x	x	Interim Ordinance, Sec. 4-C
	No	x							

Notes:

(a) Chapter 5 units only

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

**Table 21: Policy Decisions and Options Matrix: Evictions (Interim Ordinance Section 5)**

Policy Decision	Options	AB 1482	BH	LA City	LA Co	SM	WH	Culver Interim	Interim Citation
<b>SECTION 5: EVICTIONS</b>									
<b>Overarching Questions</b>									
1. Whether to include eviction protections as part of the Permanent Ordinance or as a separate standalone ordinance	In Rent Stabilization Ordinance	x	x	x	x			x	Interim Ordinance, Sec. 5
	Separate Ordinance					x	x		
2. Whether to extend eviction protections to non-controlled rental housing	Extend to Non-Controlled Rentals				x	x	x	x	Interim Ordinance, Sec. 5
	Apply to Rent Controlled Rentals Only	x	x	(a)					Interim Ordinance, Sec. 3-N
<b>A. Application</b> (to evictions retroactive to the Ordinance if tenant has not yet vacated)									
1. Whether to apply Permanent Ordinance provisions to Notices of Termination delivered prior to the Permanent Ordinance effective date if the tenant has not vacated the unit	Yes	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Interim Ordinance, Sec. 5-A
	No								
<b>B. Required Steps to Terminate Tenancy</b> - This mainly restates processes required by the California Civil Code									
1. Whether property owner is required to file Notice of Termination or other form with the jurisdiction's rent control department	Yes			x	x	x	x	x	Interim Ordinance, Sec. 5-A
	No	x	x						
<b>C. For-Cause Termination</b>									
<b>Whether to classify as for-cause termination...</b>									
1. Termination for rent non-payment	Yes	x	x	x	x	x	x	x	Interim Ordinance, Sec. 5-C-1
	No								
2. Termination for violation of rental agreement terms	Yes	x	x	x	x	x	x	x	Interim Ordinance, Sec. 5-C-2
	No								
3. Termination for refusal to provide landlord reasonable access to the rental unit	Yes	x	x	x		x	x	x	Interim Ordinance, Sec. 5-C-2
	No				x				
4. Termination for use of rental unit to create a nuisance or for an illegal purpose	Yes	x	x	x	x	x	x	x	Interim Ordinance, Sec. 5-C-2
	No								
5. Termination for subletting or adding unrelated tenants without permission	Yes								n/a
	Yes, but only if subletter is in possession of unit at end of lease term		x	x					
	Yes, but only if original tenant no longer resides in unit					x	x		
	Yes, but only if in direct violation of lease	x							
	No				x			x	

Continued on the following page.

**Table 21: Policy Decisions and Options Matrix: Evictions (Interim Ordinance Section 5) (continued)**

Policy Decision	Options	AB 1482	BH	LA City	LA Co	SM	WH	Culver Interim	Interim Citation
6. Termination for refusal to renew rental agreement with similar provisions	Yes	x	x	x	x	x	x		n/a
	No							x	
7. Recovery of resident manager's unit because of termination of resident manager	Yes	x	x	(b)			x		n/a
	No				x	x		x	
8. Termination for failure to comply with habitability or relocation plan	Yes			x	x				n/a
	No	x	x			x	x	x	
9. Recovery of unit when tenant no longer meets qualifications for occupancy under a contractual agreement (e.g., covenanted affordable housing)	Yes				x		x		n/a
	No	x	x	x		x		(c)	
<b>D. No-Fault Termination</b>									
<b>Whether to classify as no-fault termination...</b>									
1. Withdrawal of unit from the rental market pursuant to State law (i.e. Ellis Act eviction) -- may be for condominium conversion, demolition, or any other non-rental purpose	Yes	x	x	x	x	x	x	x	Interim Ordinance, Sec. 5-D-1
	No								
2. Recovery of unit to allow resident manager to move in	Yes		x	x			x	x	Interim Ordinance, Sec. 5-D-2a
	No	x			x	x			
3. Recovery of unit to allow owner or owner relative to move in	Yes	x	x	x	x	x	x	x	Interim Ordinance, Sec. 5-D-2b
	No								
4. Recovery of unit to allow special occupancy, intake, case management, or counseling as part of the tenancy	Yes							x	Interim Ordinance, Sec. 5-D-2c
	No	x	x	x	x	x	x		
5. Recovery of unit to comply with government or court order	Yes	x		x	x		x	x	Interim Ordinance, Sec. 5-D-3
	No		x			x			
6. Recovery of unit when tenant no longer meets qualifications for occupancy under a contractual agreement (e.g., occupancy-monitored affordable housing)	Yes							x	Interim Ordinance, Sec. 5-D-4
	No	x	x	x	x	x	x		
7. Recovery of unit for substantial renovation	Yes	x	x						n/a
	No			x	x	x	x	x	
8. Recovery of unit to convert it to affordable housing subject to a regulatory agreement	Yes			x					n/a
	No	x	x		x	x	x	x	

Continued on the following page.

**Table 21: Policy Decisions and Options Matrix: Evictions (Interim Ordinance Section 5) (continued)**

Policy Decision	Options	AB 1482	BH	LA City	LA Co	SM	WH	Culver Interim	Interim Citation
<b>Constraints on no-fault termination</b>									
9. Whether to provide special protections from owner, relative, or manager move-in evictions for tenants in special populations	Yes, tenants age 62+		x	x	x	x		x	Interim Ordinance, Sec. 5-D-2d
	Yes, tenants with disabilities		x	x	x	x		x	
	Yes, tenants with terminal illness			x	x		x	x	
	Yes, low-income tenants				x				
	No	x							
<b>Tenant Anti-Harassment</b>									
1. Whether to establish a tenant anti-harassment policy	Yes				x	x	x		n/a
	No	x	x	(d)				x	

Notes:

- (a) The City of Los Angeles is currently considering expanding eviction protections to non-RSO stock.
- (b) Per Rent Adjustment Commission regulations, resident managers may only be evicted without cause if they are "employee managers" who earn at least minimum wage in addition to their free rental unit. Otherwise, they receive the same eviction protections as regular tenants.
- (c) The Interim Ordinance classifies this as a reason for "no-fault" termination.
- (d) The City is considering the establishment of a citywide tenant anti-harassment program.

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

**Table 22: Policy Decisions and Options Matrix: Relocation Assistance (Interim Ordinance Section 6)**

Policy Decision	Options	AB 1482	BH	LA City	LA Co	SM	WH	Culver Interim	Interim Citation
<b>SECTION 6: RELOCATION ASSISTANCE</b>									
<b>A. Relocation Fee Amount</b>									
1. What costs should be included when calculating relocation assistance fee amounts	Tenant's Actual Rent	x							Interim Ordinance, Sec. 6-A
	Tenant's Actual Rent (x3)							x	
	Jurisdiction Median or Avg. Market Rent by BR (x3)		x		x		x		
	Diff. btw. Jurisdiction Avg. MAR and Market Rent by BR (x36)					x			
	Est. Security Deposit (Avg. Market Rent by BR x2)					x			
	Est. Moving Expenses		x		x	x	x		
	Other				x				
2. Which factor(s) should primarily determine the amount of relocation assistance fee tenants receive	Tenant's Actual Rent	x						x	Interim Ordinance, Sec. 6-A
	# of Bedrooms in Unit		x		x	x	x		
	Tenant Income			x					
	Length of Tenancy			x					
	Property Owner Characteristics			x					
3. Whether to provide additional relocation assistance to tenant households with at least one member of a special population	Yes, tenants age 62+		x	x	x	x	x		n/a
	Yes, tenants with disabilities		x	x	x	x	x		
	Yes, tenants with terminal illness						x		
	Yes, low-income tenants						x		
	Yes, tenants with minor dependents		x	x	x	x	x		
No	x							x	
4. Whether to regulate voluntary tenant buyouts	Yes	n/a		x	x	x	x		n/a
	No		x					x	

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

**Table 23: Policy Decisions and Options Matrix: Rent Registry (Interim Ordinance Section 7)**

Policy Decision	Options	AB 1482	BH	LA City	LA Co	SM	WH	Culver Interim	Interim Citation
<b>SECTION 7: RENT REGISTRY</b>									
<b>A. Requirement to Register</b>									
1. Whether to require property owners to register their rental units with the City	Yes, All Rental Units	n/a			x			x	Interim Ordinance, Sec. 7-A
	Yes, Rent Controlled Units Only		x	x		x	x		
	No								
<b>B. Registration Process</b>									
<b>Registry</b>									
1. What information to require from property owners at registration	Ownership Info	n/a	x	x	x	x	x	x	Interim Ordinance, Sec. 7-B-1
	Property Info		x	x	x	x	x	x	
	Property Year Built and COO Date		x	x	x	x	x	x	
	#BR/BA for Each Unit		x		x	x		x	
	Tenancy Start Date for Each Unit			x	x			x	
	Unit Rent at Ordinance Enactment				x	x	x	x	
	Unit Rent at Time of Registration		x	x	x	x	x	x	
	Housing Services incl. in Rent		x	x	x	x	x		
2. When property owners should be required to update their registrations	Annually	n/a	x	x	x			n/a	n/a
	Upon New Tenancies		x			x	x		
	Upon Changes in Services/Amenities					x	x		
3. Whether to require an annual, per-unit rent registration fee	Yes	n/a		x	x	x	x	n/a	n/a
	No		x						

Continued on the following page.



**Table 23: Policy Decisions and Options Matrix: Rent Registry (Interim Ordinance Section 7) (continued)**

Policy Decision	Options	AB 1482	BH	LA City	LA Co	SM	WH	Culver Interim	Interim Citation
4. Whether to offer exemptions to a rent registration fee	Yes, for owner-occupied units	n/a	n/a	x	x		x	n/a	n/a
	Yes, for owner relative-occupied units						x		
	Yes, for units occupied by Section 8 tenants					x	(a)		
	Yes, for units occupied by very low-income seniors or people with disabilities					x			
	Yes, for units vacant all year			x	x				

Notes:

(a) Tenant's share of the Registration Fee is exempted.

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

**Table 24: Policy Decisions and Options Matrix: Petitions (Interim Ordinance Section 8)**

Policy Decision	Options	AB 1482	BH	LA City	LA Co	SM	WH	Culver Interim	Interim Citation
<b>SECTION 8: PETITIONS</b>									
<b>A. Landlord Petitions</b>									
<b>Selecting a method for measuring "Fair and Reasonable Return"</b>									
1. Whether to utilize a "Maintenance of Net Operating Income" (MNOI) standard for measuring "fair and reasonable return"	MNOI Standard	n/a	x	x	x	x	x	x	Guideline/Rule 2019-02, Para. 8
	Other								
<b>Structuring "Fair and Reasonable Return" petitions using an MNOI standard</b>									
2. Whether to apply a fractional or full CPI adjustment for NOI test	Fractional	n/a				x	x		Guideline/Rule 2019-02, Para. 10
	Full		x	x	x			x	
3. Whether to include amortized capital improvement costs in NOI analysis	Include	n/a	x		x	x	x	x	Guideline/Rule 2019-02, Para. 13
	Do Not Include			x					
4. Whether to include mortgage debt service in NOI analysis	Yes	n/a							Guideline/Rule 2019-02, Para. 15
	No		x	x	x	x	x	x	
5. Whether to include amortized capital improvement costs in NOI analysis	Yes	n/a	x		x	x	x		Guideline/Rule 2019-02, Para. 13
	Yes, but health and safety-related expenses only							x	
	No			x					
6. Over what period(s) capital improvement costs should be amortized	Reasonable life of improvement, as determined by Hearing Officer	n/a		n/a				x	Guideline/Rule 2019-02, Para. 16
	Specific periods for individual improvements		x		x	x	x		
7. Whether to allow owner-performed labor costs to be included in NOI analysis (for maintenance or capital improvement costs)	Yes	n/a	x		x	x	x	x	n/a
	Yes, but only if owner is a licensed contractor			x					
	No								

Continued on the following page.

**Table 24: Policy Decisions and Options Matrix: Petitions (Interim Ordinance Section 8) (continued)**

Policy Decision	Options	AB 1482	BH	LA City	LA Co	SM	WH	Culver Interim	Interim Citation
<b>Structuring "Cost Recovery" petition options for capital improvements costs</b>									
8. Whether the City should offer a "cost recovery" petition option for capital improvements costs	Yes	n/a	x	x	x				Guideline/Rule 2019-02, Para. 13
	No					x	x	x	
9. What percentage of capital improvement costs property owners should be permitted to pass through to tenants	50 Percent	n/a			x				n/a
	100 Percent		x			n/a	n/a	n/a	
	Varies by broad category of improvements			x					
10. Over what period(s) costs should be amortized	Fixed period for broad categories of improvements	n/a		x		n/a	n/a	n/a	n/a
	Specific periods for individual improvements		x		x				
11. Whether to allow capital improvement debt service in costs for recovery	Yes	n/a	x		(a)	n/a	n/a	n/a	n/a
	No			x					
12. Whether to allow owner-performed labor costs to be included in capital improvement costs for recovery	Yes	n/a	x		x				n/a
	Yes, but only if owner is a licensed contractor			x		n/a	n/a	n/a	
	No								
13. Whether cost recovery pass-throughs to tenants are permanent rent increases or temporary rent surcharges	Permanent Increase	n/a				n/a	n/a	n/a	n/a
	Temporary Surcharge		x	x	x				
14. Whether to set a limit on the monthly cost recovery pass-through	Cap, fixed dollar amount	n/a		x					n/a
	Cap, as percentage of base rent		x	x	x	n/a	n/a	n/a	
	No Cap								
15. Whether to offer a hardship exemption to the cost recovery pass-through for low-income tenants	Yes	n/a				n/a	n/a	n/a	n/a
	No		x	x	x				
<b>Petitions for Additional Cost Recovery</b>									
16. Whether to offer a cost recovery pass-through program for specific voter-approved taxes (e.g., parcel tax measures, certain property tax levies)	Yes, by petition only	n/a				x			n/a
	Yes, automatically				x				
	No		x	x			x	x	
<b>B. (Tenant) Petitions for (Landlord) Noncompliance</b>									
1. Whether to provide a petition through which tenants may challenge rent increases they believe to be in excess of the maximum allowable adjustment	Yes	n/a	x	x	x	x	x	x	Interim Ordinance, Sec. 8-B
	No								
2. Whether to provide a petition through which tenants may request a rent decrease in light of service reductions or maintenance issues	Yes	n/a		x	x	x	x		n/a
	No		x					x	

Notes:

(a) The County had not determined this policy detail at the time of this report's publication.

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

## APPENDIX B: DATA SOURCES

### **The American Community Survey (ACS) as a Rental Inventory Source**

The ACS publishes numerous estimates related to housing inventory, including specific physical housing characteristics by tenure. The advantages of the ACS include its statistical soundness, representativeness, and comprehensiveness. Unlike some other housing data sources, it captures renter-occupied single-family units and condominiums.

The ACS has several significant shortcomings as a source for determining the number of rental units and rent control-eligible units in Culver City. As described in the Methodology section, above, ACS estimates for Culver City are limited to five-year sample data. A city's rental inventory is fairly dynamic: units are frequently being added and removed from the rental inventory through new construction, demolition, and units switching between owner- and renter-occupancy. Because five-year estimates cannot adequately capture recent changes, they cannot be interpreted as a reflection of the current inventory. However, they may still provide a useful "order-of-magnitude" check against other sources.

Additionally, the ACS omits vacant rental units from several key cross-cutting data points, including year built by tenure and number of units in structure by tenure. Understanding the characteristics of occupied *and* vacant units is essential for estimating the total number of units eligible for rent control under Costa-Hawkins. To incorporate very rough estimates of vacancy into these data points, BAE upwardly adjusted each renter-occupancy figure to include a vacancy allowance equal to the ACS-reported overall rental vacancy rate of 7.24 percent. In other words, this adjustment assumes that all rental unit types experienced the same vacancy rate as the inventory overall. This assumption, while useful for a "back-of-the-envelope" calculation, is not statistically reliable.

Finally, ACS data do not distinguish between a rented unit in a multifamily rental building and a rented unit in a multifamily condominium building. The ACS categorizes both as rental units in a multifamily building. However, in determining rent control eligibility under Costa-Hawkins, the former could be eligible while the latter would be exempt. Because the data do not make a distinction, rented condominiums would be included in the estimate of rent control-eligible units when they should not be. Neither ACS nor CoStar provides any insight into the number of rented condominiums in the City, so BAE cannot determine the extent of the overestimate at this time.

In sum, the ACS provides fairly comprehensive rental inventory estimates that must be interpreted carefully in light of the unique parameters of rent control law.

## **CoStar as a Rental Inventory Source**

Unlike ACS, CoStar focuses exclusively on multifamily rental properties. It does not track single-family home rentals or rental units in condominium properties. Since these types of units are generally exempt from rent control—and the inclusion of condo rentals in the ACS data is problematic for identifying eligible units—CoStar is a particularly useful alternative data source. CoStar data are current, point-in-time figures through the first half of the first quarter of 2020, and its platform permits a more granular analysis of building and unit characteristics.

CoStar's primary shortcoming is that it potentially underreports units in small multifamily rental buildings. As noted in the Methodology section, CoStar data reflect neither a representative sample nor a full census of rental units. Instead, they reflect all multifamily rental properties about which CoStar has some level of information. These properties generally skew larger than those of the overall multifamily rental inventory.

## **Esri as a Demographics Source**

Esri Business Analyst is a demographic and market data platform developed by Esri, a provider of geospatial data tools. Business Analyst generates demographic estimates using proprietary models that incorporate data from the 2010 Census, the U.S. Postal Service, credit bureaus, private data vendors, and various government data sources. Benchmarked against the 2010 Census but incorporating data beyond the ACS, Business Analyst is intended to provide more up-to-date estimates in the inter-Census years than those provided by the ACS. Business Analyst estimates are unavailable for several key demographic characteristics specific to renter households. In those instances, BAE utilized ACS data instead.

## APPENDIX C: ADDITIONAL COMPARISON JURISDICTIONS TABLES

**Table 25: Treatment of Capital Improvements in NOI Testing, Comparison Jurisdictions**

	<b>Beverly Hills</b>	<b>Los Angeles City</b>	<b>Los Angeles County</b>	<b>Santa Monica</b>	<b>West Hollywood</b>	<b>Culver City Interim</b>
Are Capital Improvements Considered When Determining NOI?	Yes	No (a)	Yes	Yes	Yes	Yes (b)
Defined Amortization Period	Varies by improvement; 7-20 years	n/a	Still in development, informed by peer cities and IRS; varies by improvement	Varies by improvement; 5-20 years	Varies by improvement; 7-10 years	Reasonable life of improvement
Interest Allowed?	Yes; owner may include actual financing costs, if applicable	n/a	To be determined	No	Yes; up to 5.5%; may allow higher with documentation	To be determined
Soft Costs Allowed?	Unclear	n/a	To be determined	Yes	Yes	To be determined
Owner-Performed Labor Costs Allowed?	Yes	n/a	To be determined	Yes	Yes	Yes
Basis for Owner-Performed Labor Costs	Owner may propose reasonable hourly rates with justification	n/a	To be determined	City-provided rates; Unskilled labor: \$10/hr Semi-Skilled: \$17/hr Skilled: \$27/hr	City-provided rates; General labor: \$7/hr Skilled labor: \$13/hr	Owner may propose reasonable hourly rates for each class of labor

**Notes:**

(a) The City of Los Angeles does not include amortized capital improvement expenditures as a cost for the purposes of calculating NOI and determining just and reasonable return. However, property owners may report recent capital improvements in pursuit of a temporary rent surcharge that would be levied separately from any permanent rent increase enabled by the just and reasonable return petition.

(b) Culver City only allows the amortized cost of "Health and Safety Related Capital Improvements" to be included in the NOI calculation.

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

**Table 26: Cost Recovery Pass-Throughs for Seismic Improvements, Comparison Jurisdictions**

	Los Angeles City	Los Angeles County	Santa Monica	West Hollywood	Culver City Interim
<b>Standalone Seismic Pass-Through?</b>	Yes	No	No	No	No
Seismic Included in Other Pass-Through Program?	No	Yes; Primary Renovation	No	No	No
Seismic Included in Fair Return Test?	No	Yes	Yes	Yes	Yes
Mandatory Retrofitting?	Yes	No (a)	Yes	Yes	Forthcoming
<b>Pass-Through Details</b>					
Allowable Pass-Through (%)	50%	50%	n/a	n/a	n/a
Deadline to File Applications	Within 12 months of completing improvement	"Upon completion" of improvement	n/a	n/a	n/a
Defined Amortization Period? (# years)	10 Years	Still in development, informed by peer cities and IRS; varies by improvement	n/a	n/a	n/a
Interest Costs Allowed?	Yes	To be determined	n/a	n/a	n/a
Soft Costs Allowed?	Yes	To be determined	n/a	n/a	n/a
Maximum Passthrough Surc	Lesser of \$38 or 10% of rent	8% increase from previous year (b)	n/a	n/a	n/a
Surcharge Expiration	Upon full eligible cost recovery or at vacancy	Upon full eligible cost recovery or at vacancy	n/a	n/a	n/a
<b>MNOI Test Details</b>					
Defined Amortization Period	n/a	Still in development, informed by peer cities and IRS; varies by improvement	Varies by improvement; 5-20 years	Not Defined	Reasonable life of improvement
Interest Costs Allowed?	n/a	To be determined	No	No	tbd
Soft Costs Allowed?	n/a	To be determined	Yes	Yes	tbd
<b>Tenant Habitability Guidelines</b>					
Habitability Plan Required?	Yes	Yes	Yes (c)	Yes	No

Notes:

(a) LA County only mandates retrofitting of concrete tilt-up structures. This is not a common building type for residential structures.

(b) The eight percent maximum increase must include the regular annual allowable rent increase. "Luxury units" (defined as units with rents of at least \$4,000 in September 2018) may be subject to a 10 percent maximum increase.

(c) Known as a "Means and Methods Plan" in Santa Monica, it is administered by the Building and Safety Division, not the Rent Control Agency.

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

**Table 27: Eviction Protections and Voluntary Buyout Regulations, Comparison Jurisdictions**

	<b>Beverly Hills</b>	<b>City of Los Angeles</b>	<b>Los Angeles County</b>
<b>Jurisdiction Has Eviction Protections?</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Eviction Protections Extended to Non-Rent Controlled Housing Stock?	No	No (a)	Yes
Units Subject to Local Just-Cause (b)	Built before 1995	Built before 1979	All Rentals
Units Subject to State Just-Cause (b)	Built 1995 - 2004	Built 1979 - 2004	N/A
Units Without Just-Cause (b)	Built 2005 or Later	Built 2005 or Later	N/A
Permissible Grounds for Fault-Based Evictions	Rent Non-Payment	Rent Non-Payment	Rent Non-Payment
	Nuisance	Nuisance or Damage	Nuisance
	Illegal Use of Unit	Illegal Use of Unit	Illegal Use of Unit
	Subleasing without Permission	Subleasing without Permission	Violating Rental Agreement
	Failure to Provide Access	Failure to Provide Access	Failure to Provide Access
	Violating Rental Agreement	Violating Rental Agreement	Failure to Comply with Relocation Plan
	Failure to Renew Agreement	Failure to Renew Agreement	
	Termination as On-Site Manager	Failure to Comply with Habitability Plan	
Permissible Grounds for No-Fault Evictions	Withdrawal from Rental Market	Withdrawal from Rental Market	Withdrawal from Rental Market
	Owner (or Relative) Move-In (c)	Owner (or Relative) Move-In (c)	Owner (or Relative) Move-In (c)
	Resident Manager Move-In	Resident Manager Move-In	Government or Court Order
	Major Remodeling (d)	Government or Court Order	
		Conversion to Affordable Housing	
Amount of Relocation Assistance	Studio: \$6,193; 1 BR: \$9,148; 2+ BR: \$12,394 + \$2,000 for specified tenants (e)	Varies by tenant and owner characteristics; ranges from \$8,200 to \$21,200 (f)	3x Countywide Median Rent + Est. Moving Expenses (g)
Tenant Right of Return If Unit is Re-Offered After a No-Fault Eviction	Withdrawal from Rental Market: Within 10 Years (h)	Withdrawal from Rental Market: Within 10 Years (h)	Withdrawal from Rental Market: Within 10 Years (h)
	Owner or Manager Move-In Eviction: Within 1 Year	Owner or Manager Move-In Eviction: Within 2 Years	Other No-Fault Evictions: Within 5-10 Years (i)
	Major Remodeling: At the first re-offering of the unit		
Voluntary Buyout ("Cash for Keys") Regulations	Not Regulated	Owner must provide City disclosure notice to tenant	Owner must provide City disclosure notice to tenant
		Notice includes relocation fees for no-fault evictions	Agreement must be served 10 days prior to execution
		Tenant has a 30-day right to rescind acceptance of the offer	Tenant has a 45-day right to rescind acceptance of the offer
		Agreement must be in tenant's primary language	Agreement must be in tenant's primary language
		Owner must file agreement with City	Owner must file agreement with City

Continued on the following page.



**Table 27: Eviction Protections and Voluntary Buyout Regulations, Comparison Jurisdictions (continued)**

	<b>Santa Monica</b>	<b>West Hollywood</b>	<b>State of CA (AB 1482)</b>
<b>Jurisdiction Has Eviction Protections?</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Eviction Protections Extended to Non-Rent Controlled Housing Stock?	Yes	Yes	(j)
Units Subject to Local Just-Cause (b)	All Rentals	All Rentals	N/A
Units Subject to State Just-Cause (b)	N/A	N/A	Built before 2005
Units Without Just-Cause (b)	N/A	N/A	Built 2005 or Later
Permissible Grounds for Fault-Based Evictions	Rent Non-Payment	Rent Non-Payment	Rent Non-Payment
	Nuisance or Damage	Nuisance	Nuisance
	Illegal Use of Unit	Illegal Use of Unit	Illegal Use of Unit
	Subleasing without Permission	Subleasing without Permission	Subleasing without Permission
	Failure to Provide Access	Failure to Provide Access	Failure to Provide Access
	Violating Rental Agreement	Violating Rental Agreement	Termination as On-Site Manager
	Failure to Renew Agreement	Failure to Renew Agreement	Failure to Renew Agreement
Permissible Grounds for No-Fault Evictions	Withdrawal from Rental Market	Withdrawal from Rental Market	Withdrawal from Rental Market
	Owner (or Relative) Move-In (c)	Owner (or Relative) Move-In (c)	Owner (or Relative) Move-In (c)
		Government or Court Order	Government or Court Order
			Substantial Renovation (k)
Amount of Relocation Assistance	Studio: \$15,850; 1 BR: \$21,800; 2+ BR: \$30,350; \$750 to \$2,000 for specified tenants (l)	Studio: \$7,506; 1 BR: \$10,596; 2 BR: \$14,275; 3+ BR: \$18,840 Qualified: \$19,869; Low-Inc: \$25,020 (m)	1 Months' Rent
Tenant Right of Return If Unit is Re-Offered After a No-Fault Eviction	Withdrawal from Rental Market: Within 10 Years (h)	Withdrawal from Rental Market: Within 10 Years (h)	Withdrawal from Rental Market: Not Specified
	Owner Move-In Eviction Within 1 Year	Other No-Fault Evictions: At the first re-offering of the unit	Other No-Fault Evictions: Not Specified
Voluntary Buyout ("Cash for Keys") Regulations	Owner must provide City disclosure notice to tenant	Owner must provide City disclosure notice to tenant	Not Regulated
	Notice includes relocation fees for no-fault evictions	Notice must include relocation fees for no-fault evictions	
	Tenant has a 30-day right to rescind acceptance of the offer	Agreement must be served 10 days prior to execution	
	Owner must file agreement with City	Tenant has a 30-day right to rescind acceptance of the offer	
		Agreement must be in tenant's primary language	
	Owner must file agreement with City		

Continued on the following page.

**Table 27: Eviction Protections and Voluntary Buyout Regulations, Comparison Jurisdictions (continued)**

	<b>Culver City Interim</b>
<b>Jurisdiction Has Eviction Protections?</b>	<b>Yes</b>
Eviction Protections Extended to Non-Rent Controlled Housing Stock?	Yes
Units Subject to Local Just-Cause (c)	All Rentals
Units Subject to State Just-Cause (c)	N/A
Units Without Just-Cause (c)	N/A
Permissible Grounds for Fault-Based Evictions	Rent Non-Payment
	Nuisance
	Illegal Use of Unit
	Violating Rental Agreement
	Failure to Provide Access
Permissible Grounds for No-Fault Evictions	Withdrawal from Rental Market (h)
	Owner (or Relative) Move-In (c)
	Resident Manager Move-In
	Government or Court Order
Amount of Relocation Assistance	3 Months' Rent + \$1,000
Tenant Right of Return If Unit is Re-Offered After a No-Fault Eviction	Withdrawal from Rental Market: Not Specified
	Other No-Fault Evictions: Not Specified
Voluntary Buyout ("Cash for Keys")	Not Regulated

Notes:

- (a) In October 2019, the Los Angeles City Council passed an emergency ordinance extending just-cause protections to non-RSO housing stock constructed before January 1, 2005. This emergency ordinance expired when the statewide just-cause protections (AB 1482) took effect in January 2020.
- (b) Notwithstanding other unit exemptions enumerated in each policy.
- (c) Owner move-in evictions are subject to numerous restrictions which vary by jurisdiction.
- (d) Major remodeling must encompass more than one unit and require a per-unit expenditure of \$7,000 for bachelor/single units, \$10,000 for one-bedroom units, \$15,000 for two-bedroom units, and \$20,000 for three-or-more-bedroom units. Tenant has a right to return to the unit after remodeling under certain conditions.
- (e) Households that include a senior, disabled person, or minor are entitled to an additional \$2,000.
- (f) The amount of relocation assistance depends on whether the tenant is an eligible or qualified tenant, the length of tenancy, the tenant's household income, and whether they live in a "Mom and Pop" property. Qualified tenants are defined as those 62 years of age or older, disabled, or having one or more minor dependent children. All other tenants are considered eligible tenants. Tenants, whether qualified or eligible, are considered low income if their household incomes are less than or equal to 80% of HUD area median household income, adjusted for household size. "Mom and Pop" properties must contain four or fewer rental units and its owner must own no more than four residential units plus a single-family home on a separate lot.  
Eligible tenants: with tenancies less than 3 years (\$8,500), with tenancies of 3+ years (\$11,150), with low incomes (\$11,150), renting in "Mom and Pop" properties (\$8,200).  
Qualified tenants: with tenancies less than 3 years (\$17,950), with tenancies of 3+ years (\$21,200), with low incomes (\$21,200), renting in "Mom and Pop" properties (\$16,500).
- (g) The County determines standard relocation assistance amounts. Units with qualified tenants (defined as being 62 years of age or older, disabled, or having a child under the age of 18) or lower income tenants (defined as households with incomes less than or equal to 80% of HUD area median household income adjusted for household size) qualify for additional relocation assistance as determined by the County.

- (h) The state Ellis Act permits local jurisdictions to provide for tenant right of return if the unit is re-offered within 10 years of its withdrawal from the rental market. Local jurisdictions may also require units re-offered within five years of withdrawal to be rented at the pre-eviction rental rate plus any intervening annual adjustment. All jurisdictions that address tenant right-to-return in their ordinances or regulations adhere to these Ellis Act standards.
- (i) Los Angeles County applies the same right of return/first right of refusal standards, consistent with those of the Ellis Act, to all no-fault eviction types.
- (j) Statewide just-cause applies to all rental units constructed more than 15 years ago, unless otherwise exempted. It does not supersede existing local just-cause ordinances.
- (k) Any systems work or abatement of hazardous materials that cannot reasonably be accomplished with the tenant in place and requires tenant to vacate for at least 30 days.
- (l) Households that include a senior, disabled person, or minor are entitled to an additional \$700 if unit is a studio, \$1,500 if unit has 1 bedroom, and \$2,000 if unit has 2+ bedrooms.
- (m) The amount of relocation assistance is based on number of bedrooms unless one or more tenants are considered qualified or lower income. Qualified tenants are 62 years of age or older, disabled, living with one or more dependent minors, terminally ill, or has an income less than 120% of HUD area median income. Lower income tenants are defined as individuals with incomes at or below 80% of the HUD area median income for a single person.

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

**Table 28: Special Provisions for Specific Tenant Populations, Relevant Comparison Jurisdictions**

Special Provisions	Jurisdiction	Population	Description
<b>Registration Fee (or Pass-Through) Exemption</b>	Santa Monica	Low-income senior (age 62+) tenants	Tenant must file an exemption form with the City. The full fee is exempted for the tenant and property owner.
		Low-income tenants with disabilities	"Very low income" thresholds are tabulated by the City each year.
		Section 8 tenants	Property owner must file an exemption form with the City. The full fee is exempted for the tenant and property owner.
	West Hollywood	Section 8 tenants	Property owner must file an exemption form with the City. Only the pass-through to the tenant is exempted. Property owner must still pay 50% of the fee.
<b>Tax Pass-Through Exemption</b>	Santa Monica	Low-income tenants	Tenant must file an exemption form with the City. "Low income" thresholds are tabulated by the City each year. Owner's tax bill will be reduced commensurately.
<b>Additional Relocation Assistance</b>	Beverly Hills	Senior (age 62+) tenants	Households that include at least one member of these populations are entitled to an additional \$2,000 of relocation assistance.
		Tenants with disabilities	
		Tenant households with children	
	Los Angeles City	Senior (age 62+) tenants	Households that include at least one member of these populations ("qualified tenants") are entitled to approximately double the relocation assistance they would receive otherwise.
		Tenants with disabilities	
		Tenant households with children	
	Los Angeles County	Senior (age 62+) tenants	Households that include at least one member of these populations ("qualified tenants") are entitled to additional relocation assistance, amounts to be determined.
		Tenants with disabilities	
		Tenant households with children	
		Low-income (<80% HUD AMI) tenants	
	Santa Monica	Senior (age 62+) tenants	Households that include at least one member of these populations are entitled to additional assistance based on number of bedrooms: \$750 for studios, \$1,500 for 1-bedrooms, and \$2,000 for 2+ bedrooms.
		Tenants with disabilities	
		Tenant households with children	
	West Hollywood	Senior (age 62+) tenants	Households that include at least one member of these populations ("qualified tenants") are entitled to an enhanced relocation assistance amount. It represents an increase of approximately \$1,000 to \$12,000 over regular assistance, depending on the number of bedrooms in the evicted tenant's unit.
Tenants with disabilities			
Tenant households with children			
Tenants with terminal illness			
Moderate-income (<120% HUD AMI) tenants			
		Low-income (<80% HUD AMI) tenants	Households that include at least one member of this population are entitled to an enhanced relocation amount that represents an increase of approximately \$6,000 to \$17,500 over regular assistance, depending on the number of bedrooms in the evicted tenant's unit.

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

**Table 29: Special Provisions for Properties with Small-Scale ("Mom and Pop") Ownership, Relevant Comparison Jurisdictions**

Special Provisions	Jurisdiction	Definition for Eligibility	Description
Exemption from Rent Control	Santa Monica	Owner-occupied 1-3-unit properties	All units in property exempted from price controls. Must file application and periodically re-verify with City.
	State of CA (AB 1482)	Owner-occupied 1-3-unit properties (a)	Exemption may be applied automatically (b); does not supercede any applicable local rent control policies.
Exemption from Tenant Protections	State of CA (AB 1482)	Owner-occupied 1-3-unit properties (a)	Exemption may be applied automatically (b); does not supercede any applicable local tenant protection policies.
Special Pass-Through Privileges	Los Angeles County	Owners with 30 or fewer rental units in the County	May pass through 100% of "Safe, Clean Water" parcel tax to tenants. County approval may be required (c).
Special Relocation Assistance Reqs.	Los Angeles City	Owners with 4 or fewer rental units in the City	May pay reduced relocation assistance; results in a reduction of 4% to 57%, depending on evicted tenant characteristics.

Notes:

(a) Exempt if the owner rents no more than two units (including ADUs or junior ADUs) or bedrooms on the property on which they reside.

(b) AB 1482 does not require property owners to obtain government approval to exercise the exemption. However, local jurisdictions are not necessarily precluded from requiring such approval in their own enforcement of AB 1482.

(c) The administration of this pass-through is to be determined.

Sources: City of Santa Monica; State of California; Los Angeles County; City of Los Angeles; BAE, 2020.

**Table 30: Rent Registration Summary, Comparison Jurisdictions**

	<b>Los Angeles City</b>	<b>Los Angeles County</b>	<b>Santa Monica</b>	<b>West Hollywood</b>
<b>Maintains a Rental Registry?</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Information Required at Initial Registration</b>	Owner Contact Info	Owner Contact Info	Owner Contact Info	Owner Contact Info
	Emergency Contact	Rental Property Address	Date of Purchase	Date of Purchase
	Rental Property Address	Rental Property Type	Rental Property Address	Rental Property Address
	Current Unit Rents	# of Bedrooms/Baths	Unit Rents in 04/78	Unit Rents in 04/84
	Current Tenant Move-In Dates	Tenancy Start Dates	Amenities in 04/78	Current Tenant Initial Rents
	Dates of Last Rent Increases	Rents in 11/2019	# of Bedrooms/Baths	Services at Initial Rents
	Utilities Incl. in Rents	Current Rents		Security Deposits and
	Parking Amenities	Amenities incl. in Rent		Other Non-Rent Payments
	RSO Exemptions			
<b>Frequency of Re-Registration</b>	Annually	Annually	At New Tenancy	At New Tenancy
<b>Registration Due Date</b>	Feb. 28th or 29th	Sept. 30th	Within 30 Days of New Tenancy	Within 30 Days of New Tenancy
<b>Information Req'd at Re-Registration</b>	Same as Initial Registration	Same as Initial Registration	New Rental Rate	New Rental Rate
			Date of Vacancy	Tenancy Start Date
			Reason for Vacancy	Amenities incl. in Rent
			Tenancy Start Date	Tenant Contact Info
			Parking Amenities	
			Landlord Contact Info	
<b>Other Reasons for Re-Registration</b>	None; Owner re-registers during regular annual re-registration only	None; Owner re-registers during regular annual re-registration only	Change of Ownership	Change of Ownership
			Change of Owner Contact	Change in Services
			Change in Parking or Pet Amenities	
			Lapse of Exemption	

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.

**Table 31: Program Administration, Comparison Jurisdictions**

<b>FY 2019-20</b>	<b>City of Los Angeles</b>	<b>Los Angeles County</b>	<b>Santa Monica</b>	<b>West Hollywood</b>
Annual Budget	\$14.00M	\$6.00M (a)	\$4.75M	\$2.20M
Budgeted FTEs	105	35	26	8.5
Actual FTEs	80	35	26	8.5
Total Units Covered (est.) (b)	641,000	58,500	27,445	16,895
Actual FTEs per 1,000 Units (approx.)	0.12	0.60	0.95	0.50
Services Provided In-House	Hearings	Hearings	Hearings	Hearings
	Counseling	Counseling	Mediations	Mediations
	Referrals	Referrals	Counseling	Counseling
			Investigation	Investigation
			Referrals	Referrals
Services/Roles Provided by Contractor	Hearing Officers	n/a	n/a	n/a

Notes:

(a) Estimate for FY 2020-21, the first full year of permanent program staffing.

Sources: City of Beverly Hills; City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2020.