



City of Culver City

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Staff Report Details (With Text)

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Report on the Implementation of the Interim Rent Control Ordinance (IRCO), Related Expenses and a Possible Fee Study to Recover Costs for Landlord Registration

Meeting Date: November 20, 2019

Contact Person/Dept: Jesse Mays/City Manager's Office
Tevis Barnes/Housing Division, CDD

Phone Number: City Manager's Office (310) 253-6000
Community Development Department, Housing Division (310) 253-5790

Fiscal Impact: Yes ☒ No ☐ **General Fund:** Yes ☒ No ☐

Public Hearing: ☐ **Action Item:** ☒ **Attachments:** ☒

Commission Action Required: Yes ☐ No ☒ **Date:**

Public Notification: (E-Mail) Meetings and Agendas - Finance Advisory Committee (11/15/19)

Department Approval: John Nachbar (11/15/19)

RECOMMENDATION

Staff recommends the Finance Advisory Committee receive a report on the status of implementation of the Interim Rent Control Ordinance (IRCO) and Related Expenses and a possible fee study to recover the costs of landlord registration.

BACKGROUND

On August 12, 2019, the City Council approved Ordinance 2019-011, which established interim rent control measures for a period of 12 months. Since then, staff has completed the following forms and processes, which are mandated by the IRCO. All forms are available on the City's IRCO web page at <https://www.culvercity.org/rent>.

Residential Rental Registration Form

All landlords are required to complete this form for each property that has a rental unit by March 4, 2020, which is six months after it was first posted online.

Rent Registration Certificate

This certificate is issued to landlords for each rental unit upon receipt of the Residential Rental Registration Form. It must be served on the tenant of each unit or displayed in a conspicuous place.

Interim Rent Control Ordinance Notice

All landlords must post this form in a conspicuous location. The form is in both English and Spanish and provides tenants with information about rent control in Culver City.

Tenant's Complaint Form for Excessive Rent

This form allows tenants to file a complaint with the City about their landlord if they believe they have been charged and/or paid excessive rent.

Tenant's Complaint form for Improper Termination of Tenancy (Eviction) or Relocation Assistance Payment

This form allows tenants to file a complaint with the City if they believe they have been improperly evicted or have not received the required relocation assistance payment.

Landlord Petition for Rent Increase Form

This form allows a landlord to petition the City to raise rent above the 3% cap if he or she believes that the 3% cap does not allow the landlord to receive a fair and reasonable return with respect to the operation of the property. The form requires the landlord to submit documentation of revenues and expenses before and after the effective date of rent control. The outcome of the petition is decided by a Hearing Officer appointed by the City's Community Development Director.

Community Outreach to Date

Staff has begun the process of community outreach to educate stakeholders about the new regulations, as well as begin to gather input on future regulations. Community outreach to date includes:

- Several GovDelivery email blasts to 22,000 City email addresses
- Social media posts on Facebook, Twitter, and Nextdoor targeting landlords, tenants, and stakeholders.
- Flyers at the City's Fiesta La Ballona booth and in common areas of City Hall.
- Updated FAQ documents distributed at Fiesta La Ballona and posted on the web page.
- Meeting with representatives from Protect Culver City Renters

- Meeting with representatives from the California Apartment Association, the Apartment Association of Greater Los Angeles, and The Meadows Apartments
- Overview presentation of the IRCO at the September 16 meeting of the Greater Los Angeles Association of Realtors board.
- Updated webpage at <<http://www.culvercity.org/rent>>

A discussion of additional planned community outreach can be found below.

Community Suggestions, Questions, and Complaints

An email address (rent.control@culvercity.org <<mailto:rent.control@culvercity.org>>) and IRCO hotline telephone number (310-253-5790) have been setup for the community to communicate with staff regarding questions and concerns surrounding the IRCO. Both the email address and hotline are checked daily. Staff will either respond immediately upon receipt of the call or email or respond no later than 48 hours from the initial contact. Staff will continue to collect comments throughout the IRCO period and present them to City Council during consideration of a possible permanent rent control ordinance.

Based on complaints received to date, staff has successfully assisted three tenant households who have not received relocation assistance and three long-term 62+ households, who are protected from eviction under IRCO.

Of the top three types of complaints received from tenants, the vast majority are related to excessive rent increases above the allowable 3% cap and rent increase notification more than once annually. The second highest number of complaints is the receipt of termination of lease notices from owners wanting to take possession of the unit for personal use or to remove the unit from the rental market. Concluding the top three most common complaints are disputes with property owners regarding relocation assistance. In all the above cases, staff works with the City Attorney's Office to provide responses to property owners reminding them of the provisions of the ordinance and their obligation to comply.

A top concern voiced by landlords involves the inability to pay the relocation assistance as prescribed by the ordinance. Property owners have also expressed concern that their rents were maintained below market rates, and with the now imposed 3% cap, they believe they will never receive a reasonable rate of return. To date, staff has transmitted petition forms to seven landlords who requested petitions to raise rent beyond the 3% cap. One petition has been submitted for review. The submitted petition was incomplete and the owner was provided with instructions on how to resubmit their petition.

As required under IRCO, property owners must register their rental units with the City. To date, 17 landlords have submitted rent registry forms and 66 units have been issued certificates.

IRCO Expenditures To Date

The City has spent a total of \$115,351 in hard costs to date in order to support the implementation of the IRCO:

Financial Analysis of Interim Ordinance/BAE Urban Economics	\$ 29,000
Public Outreach/Mass Mailings	\$ 41,924

Public Outreach/Translation Services	\$ 10,126
Public Outreach/Newspaper Advertisements	\$ 7,325
Special Legal Counsel	\$ 24,976
Computer/Printer/Scanner for Landlord Registration	\$ 2,000
 TOTAL	 \$115,351

DISCUSSION

IRCO Implementation Related Budget Amendment

In order to effectively continue the implementation of the IRCO and obtain information and input on a potential permanent program, staff recommends the City Council approve a budget amendment in the amount of \$487,708 to fund the following additional resources during the remainder of the current fiscal year (through June 30, 2020). These costs would be covered with General Fund Reserves. A summary of the request is included as Attachment 1.

Long-Term Rent Control Policies Study

Staff recommends that the City continue its engagement with BAE Urban Economics to develop a Long-Term Rent Control Policies Study. BAE would build upon its prior “Temporary Rent Cap and Relocation Assistance Policies Study” in order to help the City better understand the Culver City rental market, the impacts of the IRCO, the possible impacts of a future permanent rent control program, and options for specific policy decisions associated with a permanent rent control program. Specifically, the report would include:

- A demographic analysis and report on updated rental market conditions. A better understanding of the market will inform the development of regulations that avoid inadvertently causing rental units to be taken off the market, and whether to create different regulations for different classes of rental units or landlords.
- An updated cash flow analysis will help the City establish a potential rent cap or range of rent caps that could apply to Culver City properties while ensuring landlords are able to receive a fair and reasonable return.
- Peer jurisdiction research that will identify how other cities categorize and regulate “Mom & Pop” operators in order to help the City determine how to identify and regulate these owners.
- Suggested methodology for defining and categorizing capital improvements and deferred maintenance, including amortization schedules and options for whether and how to allow cost pass-throughs. This will help the City develop policies that ensure fairness to tenants and landlords and fostering the health, safety, and general upkeep of rental properties.

It is anticipated that BAE would deliver a final report to the City around June 2020, in order for staff to return to City Council with a proposed permanent Rent Control Program sometime in July 2020. BAE has proposed a total budget not to exceed \$79,380. Staff recommends the City Council approve an amendment to the existing agreement with BAE to include the development of the long-term study.

Public Outreach and Communications

City Council has directed staff to engage extensively with the community during the interim rent

control period in order to obtain input on a possible permanent program. Staff and the City's communications consultant, Tripepi Smith and Associates (TSA), have developed an IRCO education, outreach, and community engagement plan for the remainder of the fiscal year (attached), which would lead up to the planned consideration of a possible permanent ordinance in July 2020. The eight-month period is broken into four phases:

- Education & Outreach: Fall 2019 and Winter 2019/2020
- Landlord Registration: through March 2020
- Community Engagement: Winter 2019/20 & Spring 2020
- Sharing Potential Permanent Program: Spring & Summer 2020

Three groups will be targeted:

- Landlords & organizations that represent landlords
- Tenants & organizations that represent tenants
- General stakeholders

A summary of the timeline and major proposed communications activities is as follows:

November 2019

- Design and preparations for launch of materials in December

December 2019

- Informational brochure published
- Landlord mailer
- Tenant mailer
- New webpage design launched
- Staff organized small group meetings with associations that represent landlords and tenants. (These have already gotten underway as of October 2019.)

January 2020

- Landlord postcard
- Landlord newspaper ad
- Animated video premiers
- Landlord webinar

February 2020

- Landlord newspaper ad

March 2020

- Landlord newspaper ad
- Staff organized small group meetings with associations that represent landlords and tenants.

April 2020

- Stakeholder online survey

May 2020

- Stakeholder newspaper ad on proposed regulations

June 2020

- Stakeholder required noticing of proposed permanent ordinance

Between December 2019 and June 2020, TSA would manage a seven-month digital ad campaign targeting landlords and tenants through social media and online ad networks. In addition to these activities, there would be ongoing social media posts, email blasts, and press releases through June 2020. TSA has proposed a total budget not to exceed \$82,471 for its work on the proposed community engagement plan that is beyond the scope of its current agreement with the City. This budget includes \$41,400 in TSA labor costs and \$41,071 in pass-through costs (such as postage and printing costs). A detailed budget breakdown can be found in the attached Communications Plan.

In October, Housing Division staff had small, individual meetings with various organizations that represent landlords and tenants. The meetings took place at City Hall, where staff engaged in a discussion about the IRCO and a possible permanent program. In addition to finding out what the impact of the IRCO has been for the various stakeholder groups, and what their thoughts are on how to improve any proposed future ordinance, these groups were asked to discuss issues and questions that were raised by City Council during the August 12, 2019 City Council meeting where the IRCO was adopted, which included:

- Should there be different amounts of required relocation payments based on the type of rental unit?
- How can we ensure a permanent rent control ordinance does not inadvertently cause rental units to be taken off the market?
- Should we allow “No-fault” termination for major repairs/renovations, or repairs/renovations that would render the unit uninhabitable for more than 30 days?
- Should we exempt Section 8 units from some or all provisions of the ordinance?
- What rights do landlords have to approve additional occupants?

The main suggestion voiced at the tenant meeting was that there was a lack of awareness among some tenants about the ordinance, and that the City should use all available channels to communicate with the public about the new ordinance. The main suggestions raised at the landlord meeting was that the City consider adopting the state ordinance, that the petition process for exemptions to the ordinance was too onerous, and that landlords should be able to raise rents and/or evict tenants in order to do major renovations. Staff will be following up with these groups to schedule additional meetings in December 2019 and March 2020 to continue the discussion and discuss topics that were not able to be covered in the first meeting. The input received from these meetings, as well as all other public comment received regarding the IRCO will be summarized and included in the report staff brings back to City Council in July.

Online Rent Registry

It is estimated that there are approximately 7,800 occupied rental units in Culver City that are owned by approximately 5,500 landlords. The IRCO requires each landlord to register with the City each rental unit, and each unit to be issued a registration certificate, by March 4, 2020. This process will result in a massive amount of data, which the City will use to better understand the Culver City rental marketplace.

Staff recommends the City engage HdL to implement and manage a residential rental registration process to replace the City's current process, which is referenced above. The process would include an online registration portal, as well as the ability to register via phone or by mail. The City would be able to access and run reports on the resulting cloud-based database. Creating an online portal will reduce the amount of staff time, and thereby cost, that the process would require. In addition, it will simplify the process for landlords and increase compliance.

Staff recommends the City also engage HdL to implement an education and compliance program which will increase the percentage of landlords who register. As part of this program, HdL would send an initial letter to each landlord, followed by one or two follow-up letters, depending on when compliance is achieved. Without a robust education and compliance program, it is expected that the compliance rate with the registration requirement will be low. In addition, HdL will assist the City in finding landlords, who are not readily identified. Finally, HdL will assist the City in identifying landlords who are out of compliance with the rent cap, and issuing initial compliance letters.

HdL has proposed to do this scope of work at cost of \$20.00 per account. Each account is a particular property address in Culver City, whether the landlord has registered or not. It is expected that there will be approximately 5,500 accounts in Culver City, with the exact number determined after HdL does some initial investigatory work. Staff requests City Council approve an amendment to the existing agreement with HdL for these services in an amount not-to-exceed \$110,000, which is the total cost for 5,500 units.

Finally, Staff requests direction from the City Council on whether to prepare a fee study for the costs associated with landlord registration, to be presented for City Council's consideration at a future meeting, or alternatively to pay for the costs associated with landlord registration with General Fund Reserves during the interim rent control period. If a permanent Rent Control Program is approved, staff plans to present City Council with a comprehensive user fee study to determine an appropriate fee for the complete costs associated with such a Program.

Staffing Costs

Staff recommends the addition of a temporary Occupancy Specialist position within the Housing Division in order to assist with the implementation of the IRCO. The employee's responsibilities would include, but not be limited to: receive phone calls, conduct intake of all documents, develop a case file for landlord/tenant petitions, mail requested documents, document all interaction through the Rent Control calls matrix, and escalate complaints and petitions to the Housing Programs Administrator and the Housing Program Supervisor. Salary and benefits for this position for the remaining seven months of the budget year (December 1, 2019 until June 30, 2020) would cost \$47,226.67.

The IRCO has resulted in extra duties and responsibilities for certain Housing Division staff. Staff recommends that additional compensation be approved for the Housing Programs Administrator

(additional 20% compensation) and Housing Programs Supervisor (additional 10% compensation) in order to compensate them for the additional work, above and beyond their current job classifications, that has been and will be required to develop, implement and administer the program. The amount of the increase for June 2019 through June 2020 (13 months) is \$41,487 (an additional \$30,184 for the Housing Programs Administrator and an additional \$11,303 for the Housing Programs Supervisor).

Hearing Officer

The IRCO requires the Community Development Director to designate a Hearing Officer to conduct review hearings related to petitions from landlords and tenants. Staff recommends the City engage an outside consultant with prior hearing officer experience and with substantial legal and financial expertise to serve in this role. Taking into account the City's expected number of petitions during the next eight months, the amount of time required to review the materials and conduct the hearing, and the rates of the City's existing contract hearing officers, it is expected that the contract for the hearing officer for the remainder of the fiscal year would not exceed \$10,000. While the contract is expected to be within the City Manager's administrative approval authority, a budget amendment for this amount is required.

Rental Fair Return Analysis Consulting

The City will need to analyze any petition submitted by a landlord who claims that the IRCO prevents him or her from receiving a fair and reasonable return. The City's analysis will be presented to the Hearing Officer along with the landlord's petition in order to assist the Hearing Officer in evaluating the petition. The Hearing Officer will issue the final decision whether to accept, modify, or reject the petition. Staff recommends that the City engage an outside consultant with real estate financial expertise, such as a property management company, in order to do this analysis. Taking into account the City's expected number of petitions during the next eight months, the amount of time required to review the materials and prepare a report for City staff, and several informal quotes provided by various potential consultants, it is expected that the contract for the rental fair return analysis consultant for the remainder of the fiscal year would not exceed \$10,000. While the contract is expected to be within the City Manager's administrative approval authority, a budget amendment for this amount is required.

Outside Legal Services

The City Attorney's Office has consulted extensively with outside legal counsel during the preparation of the IRCO and will continue to do so during the implementation in order to ensure the City complies with complex housing laws. It is anticipated that up to \$50,000 in additional legal services may be necessary throughout the remainder of the fiscal year. This would fall under the existing contract with outside legal counsel, but a budget amendment is required, as the City Attorney's Office did not anticipate this additional cost (for past and future legal services) when preparing its FY 19-20 budget.

Translation Services

Staff will continue to translate into Spanish written materials related to the IRCO produced during the coming year. In order to accommodate the anticipated workload, staff will use an outside translation consultant, Language Line. It is expected that costs for these services will be approximately \$5,000 or less during the remainder of the fiscal year. This would fall under the existing agreement with Language Line, but a budget amendment is required.

Housing Rights Center (or Similar Organization)

Since the passage of the IRCO earlier this year, the Housing Division has experienced an increase in the number of questions and concerns from both landlords and tenants about tenant/landlord rights and responsibilities under California law and Federal Fair Housing law. Currently, the Housing Division refers inquiries that are outside the scope of services provided by the City, such as legal advice or violations of state and federal housing law, to the Housing Rights Center (HRC). HRC is a private, non-profit organization offering a variety of services in Los Angeles County including housing discrimination complaint investigation, landlord-tenant counseling, and fair housing education and outreach. Currently, Culver City residents can face long hold and response times from the HRC, since HRC has limited resources and provides services for the entire Los Angeles County region, including other cities that have rent control.

Staff recommends the City contract with the Housing Rights Center (HRC) to provide a dedicated HRC staff person specifically for Culver City residents at total of 32 hours per week (four days a week). This staff person would not only have knowledge about California landlord/tenant law, and Federal Fair Housing law, but also a familiarity with the Culver City Interim Rent Control Ordinance. Housing staff and the City Attorney's Office would still assist residents with issues related to the IRCO; however, there is typically an overlap with other legal issues that fall outside the scope of the City's Ordinance.

Historically, for over 10 years, Housing maintained a contract with HRC, and Culver City residents experienced good customer service. However, this contract was eliminated after the dissolution of the former Redevelopment Agency. At that time, Culver City residents lost access to the priority service given to other cities under contract with HRC. Through a contract, HRC will offer a dedicated, off-site staff person to connect Culver City residents to HRC's resources and to engage in public education through the distribution of literature and hosting workshops. Half of the cost of this contract is proposed to be paid for using existing Housing Division funds, because many of the calls will not specifically be about the Interim Rent Control Office, but just general housing rights questions.

The amount required to engage the HRC for the next seven months would be not to exceed \$44,296, with half the cost to be paid for out of existing Housing Division funds and the other half (\$22,143) requested to be appropriated through this City Council action from General Fund Reserves. While the seven-month contract is expected to be within the City Manager's administrative approval authority, a budget amendment for this amount is required.

In the event HRC is unavailable, staff is reaching out to other potential organizations as a resource and would allocate these funds accordingly.

FISCAL ANALYSIS

Staff anticipates requesting a total budget amendment of \$487,708 for the implementation of the IRCO program based on the recommendations above (see Attachment #1 for budget details). The total amount, which includes \$30,000 for contingencies, will be funded from General Fund Reserves. The amount of \$437,708 will be budgeted in various accounts in the Community Development Department's Budget and \$50,000 will be budgeted in Legal Services Account No. 10113100.611300.

ATTACHMENTS

1. 2019-11-18_ATT - Budget Amendment Summary

MOTION

That the Finance Advisory Committee:

1. Receive a report regarding the status of the implementation of the Interim Rent Control Ordinance and Related Expenses and a Possible Fee Study to Recover Costs for Landlord Registration.