



City of Culver City

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Staff Report Details (With Text)

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Title: CC - (1) Discussion of Extending and Expanding the Residential Tenant Eviction Moratorium, and Options for Providing Financial Relief to Rental Property Owners in Culver City; and (2) Direction to the City Manager, as Deemed Appropriate.

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Attachments: 1. 2020-03-26_ATT 1_March 16 Order.pdf, 2. 2020-03-26_ATT 2_Rules and Implementation Measures for Residential Tenant Eviction Moratorium.pdf, 3. 2020-03-26_ATT 3_millionacres article on Cities and States Pausing Evictions.pdf, 4. 2020-03-26_ATT 4_LA Mayor Garcetti March 23-24 Order.pdf, 5. 2020-03-26_ATT 5_Intragency Statement on Loan Modifications and Reporting.pdf

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| 3/26/2020 | 1 | City Council Meeting Agenda | | |

CC - (1) Discussion of Extending and Expanding the Residential Tenant Eviction Moratorium, and Options for Providing Financial Relief to Rental Property Owners in Culver City; and (2) Direction to the City Manager, as Deemed Appropriate.

Meeting Date: March 26, 2020

Contact Person/Dept: Patricia Mooney/PRCS
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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 - City Council (03/25/2020)

Department Approval: John M. Nachbar, City Manager (03/24/2020)

RECOMMENDATION

Staff recommends the City Council (1) discuss extending and expanding the residential eviction moratorium, and options for providing financial relief to rental property owners in Culver City; and (2) provide direction to the City Manager as deemed appropriate.

BACKGROUND

On March 14, 2020, the City Manager issued a Proclamation of Local Emergency, as a result of a positive coronavirus (COVID-19) case in the City (which has since increased to seven confirmed cases and one death), as well as a rapid increase in cases throughout Los Angeles County.

On March 18, 2020, the City Council adopted Resolution No. 2020-R015, ratifying the March 14th Proclamation and confirming the existence of a local emergency and adopted an Urgency Ordinance (Ordinance No. 2020-006) confirming a Public Order issued by the Director of Emergency Services on March 16, 2020 ordering various precautionary measures to be taken across the City to protect members of the public and City workers from undue risk of COVID-19, and enforcement thereof ("March 16 Order"). The City Council also approved an appropriation of \$250,000 for emergency response-related expenses.

The March 16 Order (Attachment 1) includes provisions imposing a moratorium on residential tenant evictions ("Eviction Moratorium"). The Eviction Moratorium stipulates that no landlord shall evict a residential tenant in the City of Culver City during this local emergency period if the tenant is able to show an inability to pay rent due to circumstances related to the COVID-19 pandemic. A landlord is further prohibited from charging or collecting late charges or fees when payment of rent is delayed for reasons set forth in the March 16 Order. However, the tenant is still obligated to pay lawfully charged rent. Tenants will have up to six months following the expiration of the local emergency period to pay back rent. The March 16 Order went into effect at 11:59 p.m. on March 16, 2020 and remains in effect until 11:59 p.m. on April 19, 2020 (per a supplemental order extending its duration).

The City joins other cities and states in providing protections such as these for residential tenants in response to the COVID-19 pandemic. There is precedence for such actions. Cities, states and the Federal Housing Authority, and banks and private companies like Fannie Mae and Freddie Mac, have put temporary moratoriums into place on both evictions and foreclosures after major hurricanes and natural disasters. However, these measures addressed circumstances that, while severe, were more limited and localized than the current coronavirus crisis.

DISCUSSION

During public comment at the March 18, 2020 City Council Meeting, suggestions were made by community members regarding extending and expanding the Eviction Moratorium and adding language to clarify the related responsibilities of both residential tenants and landlords. (Note: Since the March 18th meeting, *Rules and Implementation Measures Regarding Residential Tenant Eviction Moratorium* were issued by the City Manager on March 20, 2020, which are included as Attachment 2.) In addition, it was mentioned that the City Council should find ways to provide financial relief to homeowners and landlords.

Eviction Moratorium

Regarding the Eviction Moratorium, some speakers proposed the City extend the length of the Eviction Moratorium to cover the entire period of the coronavirus crisis, however long such period may last. It was also suggested that the Eviction Moratorium be expanded to provide protections to all renters without the necessity of proving that financial hardships are directly related to the consequences of COVID-19. In effect, the public is recommending a “universal eviction moratorium,” which would state that: “No landlord shall evict a residential tenant in the City of Culver City during this period of local emergency.”

The March 23, 2020 article (updated on March 24) “Cities and States That Have Paused Evictions Due to COVID-19,” contains active links to information regarding the status of eviction moratoriums for fifty (50) states, twenty-four (24) cities and three counties (Attachment 3).

On March 23, 2020, Los Angeles Mayor, Eric Garcetti, issued a new public order (which was revised on March 24, 2020) expanding Los Angeles’ residential tenant eviction moratorium to prohibit (1) evictions of residential tenants if the eviction is a “no-fault eviction” **and** any member of the household is ill, in isolation, or under quarantine; and (2) evictions based on the removal of the unit from the rental market under the Ellis Act, until 60 days after the expiration of the Los Angeles City order. The City of Los Angeles order is included as Attachment 4.

In this regard, the Los Angeles order appears to limit the scope of the “no-fault eviction” by applying it only to households with a member who “is ill, in isolation, or under quarantine.” The implication is that the illness, isolation or quarantine must relate to COVID-19. In addition, from the face of it, the order does not appear to extend to other “no-fault” evictions, such as expiration of the lease or a landlord taking possession of the unit for himself/herself or a member of his/her family, or for a resident manager.

Currently, the Los Angeles Municipal Code includes various protections against certain no-fault evictions. Culver City’s Interim Rent Control Ordinance also protects tenants from no-fault evictions, with some limited exceptions, such as eviction for owner-occupancy of the unit, imminent demolition of the building, and eviction in order to remove the entire property from the rental market under the Ellis Act.

With regard to the second part of the Los Angeles order, it prohibits Ellis Act removal of occupied units while the order is in effect (currently, until April 19); however, it also states that “[t]enancies may not be terminated under the Ellis Act” until 60 days after expiration of the order. In effect, the order apparently prevents Ellis Act removal of a unit for a period of approximately three months, which could be longer if the order is extended, or if the prohibited termination of tenancies means that an owner cannot serve the initial termination notice until the period has expired. In addition, requirements under the Ellis Act to provide extended notice would also need to be taken into account. It is unclear from the face of the order how this will be applied.

As of the writing of this report, City staff is attempting to obtain further clarification from Los Angeles staff on both of these issues and may have further information to provide during the March 26th City Council Meeting.

Financial Relief for Rental Property Owners

The issue of the impact of the eviction moratorium on those who own residential rental units was also raised. Rental property owners (or, more commonly, “landlords”) have obligations that include mortgage payments, utility payments, property tax payments, and insurance payments. During its discussion at the March 18th meeting, the City Council directed staff to research options for providing financial relief to those who own residential rental units in Culver City.

Mortgage Relief:

With regard to mortgage relief, the March 22, 2020, “Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus” issued by the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), the Consumer Financial Protection Bureau (CFPB), and the State Banking Regulators, is provided as Attachment 5. Many mortgage lenders are already extending leniency to borrowers who are experiencing a financial hardship due to COVID-19. To make such arrangements, mortgage holders must contact their lenders directly. Protections being offered include pausing mortgage payments temporarily and offering more flexible payment terms.

On March 23, 2020 the Federal Housing Finance Agency (FHFA) announced that Fannie Mae and Freddie Mac (the Enterprises) will offer multifamily property owners mortgage forbearance with the condition that they suspend all evictions for renters unable to pay rent due to the impact of coronavirus. The eviction suspensions are in place for the entire duration of time that a property owner remains in forbearance. The forbearance is available to all multifamily properties with an Enterprise-backed performing multifamily mortgage negatively affected by the coronavirus national emergency.

The multifamily mortgage forbearance and eviction suspension programs are the latest actions that FHFA has announced to ensure the Enterprises fulfill their missions during the coronavirus national emergency. Other actions include:

- Suspending foreclosures and evictions for Enterprise-backed single-family mortgages at least 60 days <<https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Suspends-Foreclosures-and-Evictions-for-Enterprise-Backed-Mortgages.aspx>>;
- Forbearance for Enterprise-backed single-family borrowers facing hardship due to coronavirus <<https://www.fhfa.gov/Media/PublicAffairs/Pages/Statement-from-FHFA-Director-Mark-Calabria-on->>;
- Flexibilities for appraisal and employment verifications for single family homes <<https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Directs-Enterprises-to-Grant-Flexibilities-for-Appraisal->>; and
- Additional dollar roll transactions for the Enterprises <<https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Authorizes-the-Enterprises-to-Support-Additional-Liquidity-in-the-Secondary-Mortgage-Market.aspx>>.

Internationally, measures to protect renters and provide financial relief to property owners are currently being considered. In the United Kingdom, the government plans to forward emergency legislation to protect private renters from eviction. The German government is introducing new measures to protect tenants unable to pay their rent as a result of the coronavirus crisis. Renters will not be evicted from April 1, 2020 to September 30, 2020 for failure to pay rents. Italy has already suspended all mortgage payments for homeowners in response to the coronavirus crisis.

Other Measures:

In addition to mortgage relief, the City Council inquired as to whether a temporary cash flow measure

for landlords could be implemented using funds allocated for affordable housing and homeless efforts.

The Culver City Housing Authority's Low and Moderate Income Housing Asset Funds are not available to provide loans or grants of operating income to landlords. With certain limited exceptions, which do not apply here, the funds are restricted by Health & Safety Code section 34176.1 to the development of affordable housing for extremely low, very low, and low income households. Development is limited to new construction, acquisition and rehabilitation, substantial rehabilitation, and the acquisition of long-term affordability covenants on multifamily units.

Next Steps

If the City Council provides direction to expand the Eviction Moratorium, (1) the City Manager will issue a supplemental public order(s) consistent with such direction; and (2) staff will return with an urgency ordinance at the next City Council meeting confirming the City Manager's order(s).

FISCAL ANALYSIS

There is no fiscal impact to the general fund associated with the discussion of this item. Depending on future impacts to property owners, which is speculative at this time, it is possible that if foreclosures occur on rental properties, it would affect the City's business tax and property tax revenues. If such an impact were to occur, it is likely the City would not see that impact until FY 2020/2021.

ATTACHMENTS

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2. 2020-03-26_ATT 2_Rules and Implementation Measures for Residential Tenant Eviction Moratorium
3. 2020-03-26_ATT 3_"millionacres" Article on Cities and States Pausing Evictions
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5. 2020-03-26_ATT 5_Interagency Statement on Loan Modifications and Reporting

MOTIONS

That the City Council:

1. Discuss extending the residential eviction moratorium and identifying ways to provide financial relief to mortgage holders in Culver City; and,
2. Provide additional direction to the City Manager as deemed appropriate.