



City of Culver City

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Staff Report Details (With Text)

File #: 21-16 **Version:** 1 **Name:**
Type: Ordinance **Status:** Action Item
File created: 6/30/2020 **In control:** City Council Meeting Agenda
On agenda: 7/16/2020 **Final action:**
Title: CC - (1) Adoption of an Urgency Ordinance Extending Ordinance No. 2019-011 (Interim Rent Control and Tenant Protection Measures), in its Entirety, without Amendment or Modification of its Terms, through October 31, 2020; and (2) Discussion of Rent Control and Tenant Protection Policies for Inclusion in a Permanent Program; and (3) Direction to the City Manager as Deemed Appropriate.

Sponsors:

Indexes:

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Attachments: 1. 2020-07-16_ATT 1_Urgency Ordinance_Extending Interim Rent Control and Tenant Protection Measures.pdf, 2. 2020-07-16_ATT 2_BAE Urban Economics Study.pdf, 3. 2020-07-16_ATT 3_June 11, 2020 Staff Report.pdf, 4. 2020-07-16_ATT 4_Rent Control Program_Ordinance Checklist.pdf, 5. 2020-07-16_ATT 5_Tenant Protection Program_Ordinance Checklist.pdf

Date	Ver.	Action By	Action	Result
7/16/2020	1	City Council Meeting Agenda		

CC - (1) Adoption of an Urgency Ordinance Extending Ordinance No. 2019-011 (Interim Rent Control and Tenant Protection Measures), in its Entirety, without Amendment or Modification of its Terms, through October 31, 2020; and (2) Discussion of Rent Control and Tenant Protection Policies for Inclusion in a Permanent Program; and (3) Direction to the City Manager as Deemed Appropriate.

Meeting Date: July 16, 2020

Contact Person/Dept: Jesse Mays/City Manager's Office
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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, Culver City News and Events, Housing Issues, Landlord Tenant Mediation Board, Committee on Homelessness, Media Organizations, Press Organizations, Public Notifications (06/26/20, 07/09/2020); Apartment

Association of Greater Los Angeles, California Apartment Association, Protect Culver City Renters, and Protect Culver City (07/09/2020); (Publication) Culver City News (07/09/20)

Department Approval: John Nachbar (07/09/2020)
Sol Blumenfeld (07/08/2020)

RECOMMENDATION

Staff recommends the City Council (1) adopt an urgency ordinance (Attachment 1) extending Ordinance No. 2019-011 (interim rent control and tenant protection measures), in its entirety, without amendment or modification of its terms, through October 31, 2020 (**four-fifths vote requirement**); and (2) discuss rent control and tenant protection policies for inclusion in a permanent program; and (3) provide direction to the City Manager as deemed appropriate.

BACKGROUND

At its August 12, 2019 meeting, the City Council adopted an urgency ordinance (Ordinance No. 2019-011) establishing interim rent control and tenant protection measures for a 12-month period ("Interim Rent Control Ordinance" or "IRCO"), which took effect immediately. The IRCO is included as Exhibit A to Attachment 1 of this report. The IRCO further required City staff to study and analyze a permanent rent control and tenant protections program, including the following additional policies, which were not included in the IRCO:

- Remodeling and renovations qualifying as No Fault grounds for an eviction;
- Means tested relocation assistance based on long-term tenancy, senior, disability and low-income status of the tenant;
- Potential exemption for "Mom and Pop" small scale single holding landlords, including owner-occupied properties; and
- Requirement of landlord approval for additional adult tenants in occupied units.

In conjunction with the preparation of the Interim Rent Control Ordinance, the City retained a qualified consultant, BAE Urban Economics ("BAE"), to conduct a rental housing market study, research rent cap urgency ordinances and prepare financial models of Culver City multifamily rental properties. BAE prepared a *Temporary Rent Cap and Relocation Assistance Policies Study* which was presented at the August 12, 2019 City Council meeting and helped to inform the City Council's decision making as it considered adoption of the IRCO.

As directed by the City Council on August 12, 2019, the City continued its engagement with BAE to develop a *Long-Term Rent Control Study* ("BAE Study") (Attachment 2). BAE built 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, and options for and possible impacts of a future permanent rent control and tenant protections program ("Permanent Program").

On June 11, 2020, the City Council received a presentation of the BAE Study and commenced a policy discussion regarding a potential Permanent Program and what regulations and protections

might be included. After hearing significant public comment and having a lengthy deliberation, the City Council expressed an interest in a Permanent Program. City Council indicated that, at a minimum, the provisions of the IRCO be included in such Program and directed staff to return in July with a menu of options for further discussion. City Council further directed staff to return with an urgency ordinance to extend the IRCO for an appropriate amount of time to allow for a Permanent Program to become effective prior to the expiration of the IRCO.

For additional background, please refer to the June 11, 2020 staff report (Attachment 2).

DISCUSSION

Urgency Ordinance:

The following is a summary of findings set forth in the proposed Urgency Ordinance to support an extension of the interim rent control and tenant protections of the IRCO through October 31, 2020:

- Rents throughout the Los Angeles County region continue to rise as market pressures, such as increasing real estate costs, lead to a decrease of the affordability and stability of the housing stock.
- Based on affordable housing production requirements under the Regional Housing Needs Assessment (RHNA), the total housing growth need for the City of Culver City during the 2013 -2021 planning period is 185 units, including 108 units of affordable housing. To date, the City has produced less than 50% of the required number of affordable housing units.
- During the 2012-2016 period, 43% of Culver City renter households were moderately or severely cost-burdened and over 80% of extremely low-income households were excessively cost-burdened.
- The results of the 2020 Greater Los Angeles Homeless Count show a 12.7% rise in person experiencing homelessness. Although the 2020 Homeless Census Data for Culver City Communities and Cities is still under review by LAHSA and not yet available for public review, the 2019 results reflected a 48% increase from 2018 to 2019.
- The effects of the coronavirus respiratory disease (COVID-19) pandemic and the measures taken to slow its spread and protect the public's health and safety have impacted record numbers of workers. California's Employment Development Department (EDD) has processed over 7 million claims for unemployment benefits over a 16-week period ending June 27, 2020, compared to about 3.8 million claims processed over the worst full year of the Great Recession (2010) and, as of May 2020, California has an unemployment rate of 16.3%, with 3,018,200 million jobless.
- The Public Policy Institute of California reports there is a 24% poverty rate among workers in the accommodation and food service sector, which has been severely impacted by reduced tourism and dining out due to the COVID-19 pandemic; and a disproportionate share of essential workers such as laborers, cooks, cashiers, and personal care aides are poor or nearly poor. Low-income households are more likely to be employed in industries that have been severely impacted by COVID-19 and are less likely to hold jobs that allow them to continue working from home.
- The County of Los Angeles commenced its *Roadmap to Recover, A Phased Approach to Reopening Safely* in the early part of May 2020, which has allowed certain businesses and activities to slowly reopen and resume, subject to strict public health protocols. Although this

phased reopening has allowed some individuals to go back to work, many businesses remain closed or are operating at reduced staffing levels, and it will be a slow financial recovery period for many tenants who may have lost their jobs or experienced reduced hours.

- During this unprecedented time, it remains critical that tenants are not faced with excessive rent increases or no fault evictions without some type of financial assistance for relocation.

An extension of the interim rent control and tenant protection measures is intended to preserve the improved stability of tenant households that resulted from the IRCO, and promote predictability in the rental housing market while the City concludes its study, discussion and formulation of potential permanent rent control and tenant protection programs.

Without the protections afforded by the IRCO, the housing and economic conditions discussed in the findings of the proposed Urgency Ordinance detrimentally impact a substantial number of tenant households in Culver City, which impact constitutes a threat to the public health, safety, and welfare, and a particular hardship for seniors, persons living on fixed-incomes, families with school-age children, and other vulnerable persons who reside in rental units in the Culver City.

To give staff sufficient time to structure a Permanent Program, based on City Council's policy direction, it is recommended the IRCO be extended, in its entirety, without amendment or modification, through October 31, 2020.

Policy Considerations for Potential Permanent Program:

In addition to the provisions already included in the IRCO, there are many other policy options for the City Council's consideration for potential inclusion in a Permanent Program. Staff has prepared a Rent Control Program Ordinance Checklist (Attachment 4) and a Tenant Protection Program Ordinance Checklist (Attachment 5) to facilitate City Council's discussion.

The Ordinance Checklists identify provisions already contained in the IRCO, as well as areas of potential modification or variation on which staff is seeking City Council's direction. If there is a consensus by the City Council to retain a particular provision in the IRCO, the City Council may choose to dispense with discussion on that particular provision, including other possible options. Additionally, for those items included in the IRCO, City Council may choose to remove or modify them for the Permanent Program. The following is a list the topics of discussion as set forth in the Ordinance Checklists:

Rent Control Program Ordinance Checklist

- Units Exempt from Rent Control
- Permissible Rent Increases
- Allowable Pass-Throughs/Cost Recovery
- Fair and Reasonable Return Analysis
- Tenant Petition Process
- Rent Registry

Tenant Protections Program Ordinance Checklist

- Types of Units Subject to Eviction Protections
- Grounds - For Cause Termination

- Grounds - No Fault Termination
- Protected Tenants Not Subject to No Fault Termination
- Relocation Assistance
- Other Provisions

Staff recommends the City Council discuss the policy issues itemized in the Ordinance Checklists and provide direction to staff as deemed appropriate.

If the City Council directs staff draft a Permanent Program, it is anticipated that staff will return to City Council in September 2020 with a proposed ordinance consistent with City Council's policy direction.

FISCAL ANALYSIS

Cost is an important consideration when designing a permanent rent control and tenant protections program. If the existing interim rent control and tenant protections program was made permanent, it would be expected to cost approximately \$450,000 annually, including the cost of staff time and consultants. Additional program features would add additional costs. A scaled-down program would reduce costs, although not entirely. The annual cost of a program similar to the existing IRCO could increase by an estimated \$100,000 should landlords submit a significant number of petitions for rent increases. The \$450,000 annual cost projection also assumes that existing Housing Division staff will continue to dedicate a significant portion of their time on the program, which reduces the amount of time they have to spend on other programs. The cost of the program could increase by an additional \$100,000 to \$200,000 should an additional staff member be required to administer the program. For example, should the City need to process a significant number of capital improvement pass through requests, or other new program features, an additional staff member may be required. Therefore, the total annual cost of a permanent rent control program could range between \$450,000 and \$850,000, depending on which features are selected by City Council.

Depending on the total cost of the program, the City Council could approve new fees that could raise revenue to cover a significant portion of the cost of the program through a per-unit cost-recovery fee charged annually to the landlord (and depending on City Council direction, partially passed-through to the tenant). Most cities with rent control charge a per-unit fee to register rental units, and allow landlords to pass-through 50% of the registration fee to tenants. For example, Santa Monica charges an annual fee of \$198/unit, and West Hollywood's annual fee is \$144/unit. Based on Census estimates, there are approximately 7,555 rental units in Culver City. Of those, 5,169 units have been registered with the City during IRCO as part of the registration requirement. A fee of \$88/unit in Culver City charged to each of the 5,169 registered units would raise approximately \$450,000 annually. A fee of \$165/unit would raise approximately \$850,000 annually. City Council would have to consider the economic impact on a new fee that would result in additional costs to landlords and possibly tenants. Any fee would be considered at a future City Council meeting.

As noted in the BAE report (p. 56), other nearby jurisdictions have significantly higher costs for their rent control programs. Santa Monica and West Hollywood have annual rent control budgets of \$4.75 million and \$2.2 million respectively. Both communities have more rental units than Culver City (27,445 in Santa Monica and 16,895 in West Hollywood compared to estimated 7,555 in Culver City).

ATTACHMENTS

1. 2020-07-16_ATT 1_Proposed Urgency Ordinance Extending IRCO
2. 2020-07-16_ATT 2_BAE Urban Economics Study
3. 2020-07-16_ATT 3_June 11, 2020 Staff Report
4. 2020-07-16_ATT 4_Rent Control Program Ordinance Checklist
5. 2020-07-16_ATT 5_Tenant Protections Ordinance Checklist

MOTION

That the City Council:

1. Adopt an urgency ordinance extending Ordinance No. 2019-011 (interim rent control and tenant protection measures), in its entirety, without amendment or modification of its terms, through October 31, 2020 (**requires a four-fifths vote**); and
2. Discuss rent control and tenant protection policies for inclusion in a permanent program; and
3. Provide direction to the City Manager as deemed appropriate.