



City of Culver City

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Staff Report

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Item #: A-3

CC - Adoption of a Resolution Establishing Various Fees Related to the City's Rent Control and Tenant Protections Program

Meeting Date: May 24, 2021

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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, Housing Issues, Homelessness Committee, Housing Authority, Landlord Tenant Mediation Board, Public Notifications, Culver City News and Events, Press Organizations, Media Organizations (05/03/2021, 05/20/2021)

Department Approval: John Nachbar, City Manager (05/19/2021)

RECOMMENDATION

Staff recommends the City Council adopt a resolution establishing a residential rental per unit fee and other various fees related to the City's Rent Control and Tenant Protections Program (Attachment 1).

BACKGROUND

On September 29, 2020, the City Council adopted Ordinance No. 2020-14 and Ordinance No. 2020-15, which amended Culver City Municipal Code (CCMC) Chapter 15.09 to establish permanent residential rent control and tenant protections.

CCMC Section 15.09.230.D contains provisions for the City Council, by resolution, to establish a fee for the registration of rental units intended to recover the City's reasonable costs associated with the administration and enforcement of the City's residential rent control program and tenant protections

program.

DISCUSSION

The total annual cost of the City's rent control and tenant protections program is projected to be \$1,309,474. This amount includes staff costs and overhead, office and administrative expenses, contract and consulting services, non-staff overhead, and amortized program startup costs. The proposed residential rental unit registration fee is \$167 per residential rental unit per year. This fee is the total annual cost of the rent control and tenant protections program, divided by the estimated number of residential rental units in the City, which is 7,825.

The amount of annual revenue generated by this fee if there were to be 100% compliance by all landlords is \$1,309,474, which is sufficient to cover the City's expected annual cost of the rent control and tenant protections programs. A lower level of compliance is anticipated. 5,789 residential rental units registered with the City during the Interim Rent Control Program. If these 5,789 units were to be the only units to register and pay the fee during the first year of the permanent program, the fee would generate \$966,763, which would be enough to cover 74% of the annual cost of the programs. City Council can set a fee at any percent of cost recovery, up to and including total cost recovery. The result of charging a fee by rental unit is that larger apartment complexes will pay more than smaller rental buildings with fewer units.

Exhibit A to the proposed Resolution sets forth the proposed fees, including for annual registration, late payment and failure to register (which range from 20%-100% of the amount due depending on when the amount is paid) and change in rental property ownership (\$15 per property). The late payment and failure to register penalty fee is structured similarly to the City's Business Tax Certificate program and could recover some of costs for the rent control and tenant protections program unrecovered by non-compliance. The change in rental property ownership fee is based on the anticipated cost to modify the registration documents.

Examples of comparable fees in other cities are shown in Attachment 2. The proposed per unit fee of \$167 is comparable to other cities in our region, with a regional high of \$198/unit in Santa Monica. Inglewood (\$168/unit) and West Hollywood (\$144/unit) charge fees that are very similar to Culver City's proposed fee. The City of Los Angeles (\$38.75/unit) and the County of Los Angeles (\$90/unit for fully covered units and \$30/unit for just cause units) have lower fees. This is likely because larger jurisdictions can spread fixed costs across a larger number of rental units. In addition, some cities, such as Los Angeles, charge additional individual fees for individual items such as petitions. Beverly Hills currently does not charge a residential rental unit registration fee. Fees in Northern California skew even higher, such as in Berkeley (\$250/unit), East Palo Alto (\$222/unit), and Richmond (\$212 for fully covered units).

Staff continues to do outreach and engagement efforts to inform property owners and tenants about the rent control and tenant protections program, including developing materials to notice property owners about the need to register units. The first annual registration process for the permanent program is anticipated to open in early June 2021, with all units required to register by July 31, 2021 in accordance with CCMC Section 15.09.230.B.1. Landlords will have a grace period until August 31, 2021 to register. Rental unit registration certificates issued during the Interim Rent Control period expire on August 31, 2021 (CCMC Section 15.09.230.B.2).

FISCAL ANALYSIS

If approved by City Council, this fee is expected to generate revenue during FY21/22 of between \$966,763 and \$1,309,474, depending on the level of compliance by landlords.

ATTACHMENTS

1. 2021-05-24 ATT Proposed Residential Unit Registration Fee Resolution, Including Schedule of Fees
2. 2021-05-24 ATT Comparable Rent Control Fees in Other Jurisdictions

MOTION

That the City Council:

Adopt a resolution establishing a residential rental unit fee and other fees to recover costs associated with the City's rent control and tenant protections program.