



"Great Apartments Start Here!"

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Via Electronic Mail

Hon. Mayor Goran Eriksson, and
Members of the Culver City Council
Culver City Hall
9770 Culver Boulevard
Culver City, California 90232

Re: Continued Discussion of Rent Control and Tenant Protection Policies for Inclusion in a Permanent Program; and Direction to the City Manager as Deemed Appropriate (Agenda Item A-1)

Dear Hon. Mayor Eriksson and Members of the Culver City Council:

The Apartment Association of Greater Los Angeles (AAGLA or the Association) remains strongly opposed to the City's advancement of a permanent rent control ordinance.

Over the past year, the Association has submitted numerous letters urging the City Council to recognize the severe consequences associated with implementing rent control and to seek new solutions that balances both the needs of owners and their residents, facilitates housing development of all types in order to increase housing supply to provide the City's renters with greater affordable rental options. The City has fallen far short of meeting its Regional Housing Needs Assessment (RHNA). The July 16th Staff Report noted that "to date, the City has produced less than 50% of the required number of affordable housing units." Advancement of a permanent rent control measure will not produce a single new housing unit, will likely hinder essential housing production, and only exacerbate the City's housing affordability problems.

Equally concerning is the Council's deliberation process. Rent control issues are complex and necessitate a meaningful review of each of the components best accomplished through the establishment of a subcommittee, and not as in this case, through a cursory review of checklists provided within a week or days of the public discussion. Moreover, rent control has a multitude of negative effects on the housing market, as evidenced in other jurisdictions that have long established rent control ordinances such as Santa Monica, Los Angeles, and San Francisco. It is imperative that the City Council carefully evaluate each of the provisions prior to effectuating similar policies.

Notwithstanding the Association's vehement opposition and related matters, as the City Council continues its deliberations on the remaining policy provisions to be included in a permanent rent control initiative, we urge the Council to consider the concerns and recommendations set forth in this letter.

- **“Just Cause” Eviction – Vesting Period**

While we appreciate the Council’s consensus on establishing a vesting period for eligibility for “just cause” terminations and associated relocation assistance, we urge the City Council to establish a one-year vesting period. The proposed six-month vesting period fails to address a key factor which is to minimize litigation. Under a six-month vesting period, if an issue arose during those six months, the owner would have to engage in litigation to terminate the tenancy. A one-year vesting period coincides with the commonly utilized one-year lease agreement. Moreover, generally, any issues that may arise related to a tenancy occur during the first year. Providing for a one-year grace period, would allow housing providers to terminate the tenancy of a problematic renter without the added costs and hurdles of litigation. It would also likely result in housing providers affording renters who may not fully meet the eligibility requirements such as due to poor credit scores and who would otherwise be rejected to be approved for a lease. The Association urges the City Council to reconsider the vesting period and establish a one-year vesting period, which aligns with the provisions set forth in Assembly Bill 1482, the statewide rent control and renter protection law.

- **Tenancy Terminations**

As the Council continues discussions regarding “Just-cause” tenancy termination provisions for the permanent rent control ordinance, we urge the Council to limit the applicability of these provisions to rent controlled units only and expand on the grounds for the “For Cause” and “No-Fault” tenancy terminations.

“For Cause” grounds should include unauthorized subletting, adding additional occupants without permission, failure to comply with habitability or relocation plan, and recovery of manager unit due to manager termination. As we stated in the Association’s July 14th letter to the Council, unauthorized subletting and additional occupants serve to by-pass an important factor of the rental application process, by preventing a housing provider from conducting legitimate renter screening. Maintaining knowledge of building occupants helps facilitate overall building safety. Moreover, adding occupants often results in additional utility and maintenance costs to the provider. Housing providers should be permitted to prohibit subletting of their properties and should have the right to approve and properly screen building occupants. This would also serve to prevent overcrowding in units and potential nuisance issues which would impact other renters. Failure to comply with habitability or relocation plans should also be grounds for eviction. If the housing provider has issued a “no-fault” eviction and has complied with the ordinance provisions, the renter’s failure to timely vacate the unit pursuant to the tenancy termination notice should be grounds for a “for cause” eviction. Regarding inclusion of the ground to recover the manager unit, the unit was provided as part of the individual’s employment. As a result, upon employment termination, the unit should be recovered by the owner.

The underlying rationale for “no-fault” eviction is to limit an owner’s ability to reclaim possession of their property, but it should not eliminate it. Restrictions imposed on no-fault evictions should not serve to preclude an owner’s ability to occupy a unit or provide for the occupancy of a unit for the owner’s relative, for example an elderly parent or a child returning from college. Providing enhanced protections to certain renters based on household dynamics serves to disadvantage other renters who do not meet those criteria. The Staff report discusses inclusion of households with school-age children during the school year within the group of protected renters. The basis for consideration was that “the Housing Division received one or two cases” on this matter. Long term policy determinations instituted citywide should be based on a widespread issue and not isolated occurrences which should be addressed on a case by case basis.

Moreover, “no-fault” eviction provisions should allow for housing providers to recover the unit or units for the purpose of performing substantial renovations. Rent control by its very nature perpetuates

reductions in investment in existing housing as housing providers subject to significant decreases in rental revenue are forced to substantially reduce their investment and maintenance at their buildings. Preclusion of “no-fault” terminations for substantial renovations will only serve to exacerbate the situation and result in further deterioration of the City’s limited and aging affordable rental housing supply. It is vital that substantial renovations be a permissible ground for a “no-fault” termination which will allow for much needed reinvestment in, and upkeep of, the City’s older buildings.

- **Relocation Assistance**

As the Council deliberates the remaining issues related to the provision of relocation assistance, we urge the Council to establish means testing and limit the provision of relocation assistance to individuals in actual financial need. The current parameters allow for all renters to receive a significant amount of money which is not based on or limited to use for moving related expenses. The threshold for assessing need should include household income of either 200% Federal Poverty Level or 80% Average Median Income (AMI). The amount of relocation assistance provided should be limited to two times the monthly rent.

We appreciate the Council’s recognition that small “mom and pop” housing providers do not have the financial resources to make significant lump sum payments and are contemplating reducing their payment obligation. Small “mom and pop” housing providers should be afforded a 50% reduction in relocation assistance payment and be exempt under certain circumstances. Moreover, in situations where the renter fails to voluntarily vacate the unit after a partial payment has been made, the renter should be required to reimburse the housing provider. As discussed in greater detail in the Rent Control Program section, we ask that the Council define “mom and pop” housing providers as owners, regardless of owner occupancy, of six or fewer units.

- **Voluntary Tenant Buyout Regulations**

Voluntary buyouts should be addressed between the involved parties and not subject to local regulations.

Rent Control Program

- **Exempt Units**

Expanding upon the exemptions currently provided under the IRCO, we ask that the Council include exemptions for single family residences that share a property with an Accessory Dwelling Unit (ADU), and for small “mom and pop” owners of properties with six or fewer units.

The initial Bae Urban Economics’ study stated that “in buildings with six units or fewer, rents have risen by 2.5 percent over the past three years”, a period in which the study also noted that overall market rents were increasing at a faster rate. Today, however, rents across California’s large metro areas are decreasing, due to the impacts of COVID-19 and work patterns, as urban residents are more and more working remotely and migrating to suburban and rural areas. Further, the study noted that “small multifamily prototypes have smaller profit margins due to higher operating expense ratios.” Based upon the study’s findings, we urge the City Council to exempt buildings that have six or fewer units as these small owners would be detrimentally impacted by a permanent rent control ordinance and likely to be forced out of business due to the loss of financial flexibility which has allowed them to operate with such low rental increases.

- **Flexibility to Allow for Exemptions to Change as State Law Changes**

Any changes to the City's code must be based on comprehensive local review and stakeholder feedback and not ceding authority to state action. Adopting an ordinance that changes based on the actions of others denies housing providers and renters a sense of certainty as to their rights and obligations. The proposed ordinance should include vacancy decontrol as prescribed by current state law. Any further changes should be the result of City Council action.

- **Permissible Rent Increases**

The IRCO sets forth rent increases of "no more than 3% above the monthly rent in effect on June 11, 2019 or the initial rent charged for tenancies that began after June 11, 2019". Rent increases should be based on the full CPI with a guaranteed minimum to provide housing providers the ability to cover their costs and obtain a fair and reasonable return on their investment. As stated in the City's staff report "guaranteed minimum rent adjustments protect landlords from periods of low inflation by setting a minimum rent increase threshold that would be allowed (but not required) even if the CPI falls below such threshold."

We also ask that the City Council re-consider several related issues including rent increase banking and percentage increases for additional occupants. Rent increase banking gives housing providers the financial flexibility to work with renters experiencing temporary financial difficulties. Moreover, allowance of an additional percentage increase for additional occupants serves to account for the increased water and maintenance costs associated with having more occupants within a unit. While we believe that the addition of occupants without prior approval should be grounds for a tenancy termination, at minimum, the housing provider should be permitted to institute a one-time rent increase of up to 10% per additional occupant, similar to the City of Los Angeles' rent stabilization ordinance.

- **Allowable Pass-Throughs / Cost Recovery**

The IRCO allows housing providers to apply for a pass through of capital expenses utilizing the Net Operating Income (NOI) methodology. This is a complicated process and as a result is often underutilized. The City's Staff report validates the issues associated with the NOI approach "completing the 22-page form as well as attaching receipts, bills, invoices, etc. takes a significant time for a landlord to complete and for the City to evaluate.... A cost recovery methodology would take less staff and landlord time and resources and provide greater certainty during the process". The Staff report highlights how the process would affect citywide programs such as seismic retrofit. Moreover, the Staff report sets forth the benefits of a cost recovery approach which would encourage capital improvements.

The implications of NOI are also highlighted in a report conducted by Bae Urban Economics regarding West Hollywood's use of NOI. The report illustrates the consequences of West Hollywood's utilization of NOI, including that the process is "cumbersome and labor-intensive for both City staff and the applicant" and does not incentivize owners to initiate capital improvement projects.

Accordingly, we request that the Council establish a cost recovery process that is directly tied to the actual cost of capital improvements, that is applicable to all capital improvements, inclusive of voter approved taxes, allows for no less than a 50% pass through to renters through a temporary rent surcharge and as currently part of the IRCO for the reasonable life of the improvement. The Association also urges the City Council to institute a simple streamlined process that facilitates and encourages housing providers to submit applications and not one that is difficult to navigate and overly burdensome which will deter small owner participation.

Culver City housing stock is aging, and it is vital that housing providers subject to strict price controls have the means and incentive to rehabilitate and upgrade their buildings. A cost recovery process that includes these key components will help preserve the quality and integrity of the City's rental housing.

- **Rental Registry**

The IRCO requires all rental units to be registered with the City regardless of whether they are subject to the rent control provisions and to provide documentation in circumstances where the housing provider claims an exclusion from the registration provisions. AAGLA opposes the rental registry and its applicability to all rental units. The registry should be limited to units covered by the rent control ordinance and be subject to re-registration only where there has been a change in tenancy. Moreover, rental units that are only subject to the "just cause" eviction provisions should not be subject to the rental registry as any dispute related to a legally served unlawful detainer action is most likely to be addressed through the courts. In addition, as in most other jurisdictions that maintain rent regulations, registration fees should be shared equally by the housing provider and renter.

AAGLA urges the City Council to contemplate the matters set forth in this letter and continue to seek key stakeholder feedback prior to the adoption of a permanent ordinance. Thank you for your time and consideration of these matters. If you have any questions, please call me at (213) 384-4131; Ext. 309 or contact me via electronic mail at danielle@aagla.org.

Very truly yours,

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