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September 19, 2020
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: (1) Introduction of an Ordinance Amending Chapter 15.09, Rental Housing of the Culver City Municipal Code to Add a New Subchapter 15.09.200, et seq., Rent Control (2) Introduction of an Ordinance Amending Chapter 15.09 Rental Housing, of the Culver City Municipal Code to Add a New Subchapter 1509.300, et seq., Tenant Protections; (3) Consideration of City's Role, if any, in Ellis Act Procedures for Removal of Rental Units from Rental Housing Use; and (4) Direction to the City Manager as Deemed Appropriate (Agenda Item A-1)

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

Rent Control is not the solution. Rent Control will ultimately lead to the deterioration and reduction of the City's rental housing stock, and cause harm to the very individuals that the City Council seeks to protect. For the past year, the Apartment Association of Greater Los Angeles (AAGLA or the Association) has urged the City Council to advance thoughtful solutions in the promotion of housing construction and greater availability of affordable housing. Yet, the City Council has chosen to continue along the path of the "same-old, retreaded" rent control solutions rather than instituting policies that could result in increasing the available housing stock. The Association is strongly opposed to the proposed ordinances under consideration.

Notwithstanding, the multitude of reasons that the City Council should divert to another trajectory, as the City Council reviews the provisions of the two draft ordinances, we urge the Council to consider the concerns and recommendations set forth in this letter.

Proposed Permanent Rent Control Ordinance

- **Exemptions**

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. Further, the study noted that "small multifamily prototypes have smaller profit margins due to higher operating expense ratios." Older, smaller buildings generate less income, and require more maintenance and; therefore, cost more. Based upon the study's findings, we continue to 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.

- **Permissible Rent Increases**

The proposed permissible annual rent increases are in an amount not to exceed the percentage change in the Consumer Price Index (CPI) with the maximum increase set to be no more than 6%. It is important to recognize that the CPI is not an accurate gauge as it does not account for the numerous types of operating expenses associated with operating and maintaining rental housing, such as water, waste removal and building repairs. Moreover, such operating expenses have risen at an exponential rate in comparison to the CPI which is currently at .070%.

Rent increases should establish a guaranteed minimum to provide housing providers with the funds necessary to maintain their properties and achieve a fair and reasonable return on their investment. As stated in the City’s previous 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.”

- **Rent Increases Following Vacancies**

The City’s proposed inclusion of provisions limiting the right to rent vacancies at market are contrary to current state law under the Costa Hawkins Rental Housing Act which protects housing provider’s right to increase the rent without limitation upon vacancy. The City’s ordinance must comply with current state law. Moreover, any future changes to the City’s code must be based on comprehensive local review and stakeholder feedback and not by automatic code incorporation founded upon state action.

- **Capital Improvement Pass-Through Cost Recovery**

Culver City’s 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 streamlined cost recovery process inclusive of the below matters will help preserve the quality and integrity of the City’s rental housing.

The proposed ordinance establishes the parameters for a housing provider to pass-through eligible capital improvements to renters. The current process requires that a housing provider apply within 120 days of completion of the eligible capital improvement. Other local jurisdictions provide for a one-year period from the date of completion of a capital improvement for the submission of an application. We recommend that the Council extend the application period to one year.

Regarding the method in which the pass-through is recovered, it should be included in the rent and treated in the same manner as rent, and not billed separately. This practice aligns with other localities that maintain local rent control ordinances with pass-through provisions.

We also suggest that the Council incorporate further clarifying (underlined) language to the tenant consent provision under Section 15.09.255D to state “Except where Capital Improvements are required by law or necessary for the maintenance and upkeep of the building, any Capital Improvement to the interior of any Covered Rental Unit shall only be performed with the written consent of the Tenant, which shall not be unreasonably withheld, or the Landlord shall not be entitled to add to the rent the pass-through cost for

such expenditure”.

On a separate but related matter, the proposed ordinance should allow for the pass-through of voter approved measures imposing assessments and property related fees on rental properties, utilizing the same pro-rated cost recovery methodology.

Moreover, the 3% of rent limitation on capital improvement pass-throughs is arbitrary and should be increased so that property owners have a real opportunity to recover costs for large expenditures such as the installation of a new roof or seismic retrofitting.

- **Rental Registry**

AAGLA continues to oppose the rental registry and its applicability to all rental units. The proposed ordinance 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 process. The registry should be limited to units covered under the rent control ordinance and be subject to re-registration only where there has been a change in tenancy. Where there are no changes to the tenancy, an annual registration requirement provides no additional information and simply imposes an added administrative burden on housing providers. Moreover, rental units that are only subject to the Just Cause termination ordinance should not be subject to the rental registry as any dispute related to a legally served unlawful detainer action will be addressed through the courts.

In most other jurisdictions that maintain rent regulations, registration fees are shared equally by the housing provider and renter. While the proposed ordinance permits a pass-through of fifty percent (50%), it is limited to the initial fee and only for those renters who “continuously occupied the Rental Unit during the period of August 12, 2019 through October 31, 2020. The registration fee pass-through should not be subject to the above restrictions. Moreover, as stated previously herein, like other jurisdictions, the pass-through amount should be considered rent and not as a separate line item in the rent statement.

- **Appeal and Hearing Procedures**

The proposed ordinance sets forth the process and the delivery of the notice of decision. The ordinance establishes two separate requirements for the delivery of the notice of decision, requiring that the housing provider within five (5) calendar days after the decision date where the decision approves an increase in rent or a pass-through of Capital Improvements, to deliver the affected renter a copy of the notice. However, where the decision is on a Tenant Petition for Noncompliance, the “Director shall serve the notice of the decision on the Tenant and the Landlord concurrently”. The delivery of a notice of decision should not be subject to different processes and the housing provider should not be obligated to serve in a role designated to a city official in a similar context.

Proposed Just Cause Termination Ordinance

- ***Evictions: Cause Required to Terminate Tenancy– Vesting Period***

The proposed ordinance includes a six (6)-month vesting period. While we appreciate the inclusion of a vesting period for eligibility for “just cause” termination protections and associated relocation assistance, we continue to urge the City Council to establish a one-year vesting period. The proposed six (6)-month vesting period fails to address a key factor, which is to minimize litigation. Under a six (6)-month

vesting period, if an issue arose during those six (6) 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. It would also likely result in housing providers affording renters who may not 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.

- **Evictions: Void Notice of Termination**

Section 15.09.310.C, states “if a landlord fails to satisfy the requirements of Section 15.09.310.B or if the landlord accepts Rent for the continued use of the Rental Unit beyond the term of the terminated Tenancy, then the Notice of Termination will be deemed void and of no further force or effect”. Section 15.09.310.B sets forth the parameters for a tenancy termination, notice requirements, and submission of copies of the notice of termination to the City. The City is not a party to the unlawful detainer, and because state law preempts regarding eviction procedures, we do not believe the City has the authority to require service of a notice on the City or to void a Notice of Termination.

- **For Cause Termination**

The proposed ordinance sets forth “for cause” termination provisions, we continue to urge the Council to limit the applicability of these provisions to rent controlled units only and expand on the grounds for such terminations.

“For Cause” grounds should include unauthorized subletting, adding additional occupants without permission, and failure to comply with habitability or relocation plan. As we stated in the Association’s previous letters 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, maintain knowledge of building occupants and facilitate overall building safety. Moreover, it also 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 the for-cause termination ground of violations of a material rental agreement term, State law limits the time to cure the violation to three (3) days, localities are preempted from extending that time frame. Accordingly, we do not believe that the City has the legal authority to extend that period to ten (10) days.

- **No Fault Termination**

The underlying rationale for “no-fault” eviction is to allow the owner to reclaim possession of their

property. Restrictions imposed on no-fault evictions should not serve to preclude an owner’s ability to occupy a unit or to provide for the occupancy of a unit for the owner’s relative, for example an elderly parent or 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 inclusion of households with school-age children during the school year within the group of protected renters also raises concerns. The issue was raised by City staff in a prior staff report in which it was noted 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 conducting 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 of 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 the City’s older buildings.

- **Relocation Assistance**

The proposed ordinance maintains the IRCO’s current relocation assistance requirements, triggered by a no-fault tenancy termination, of three (3) times the renters current monthly rent in effect, plus \$1,000.00. We continue to urge the Council to establish means testing and limit the provision of rental assistance to individuals who are in actual financial need. The current parameters allow for all renters to receive a significant amount of money which is not 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 providing for a 50% reduction in relocation assistance payment. Of equal importance is the provisions in the draft ordinance relative to the deductions to the relocation fee based on past due rent, extraordinary wear and tear, and damages to the unit caused by the renter and not recoupable through the security deposit which should remain in the ordinance. 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 and forfeit any right to the balance.

The proposed ordinance also provides the circumstances in which relocation assistance does not apply but does not include an important exclusion contained in the IRCO related to situations where the housing provider recovers “possession of a rental unit in order to comply with a government agency’s order to vacate the building housing the rental unit due to hazardous conditions caused by a natural disaster or act of god”. We urge the City Council to maintain this provision as part of the permanent ordinance.

- **Tenant Buyout Agreements**

Voluntary buyouts should be addressed between the involved parties and not subject to local regulations. If the proposed ordinance is advanced with the inclusion of buyout provisions, we ask that the

City Council include the following revisions: that the buyout agreement be in the same language as the rental agreement, that the rescission period be 20 days instead of 45 days which is comparable to other jurisdictions, and that the ordinance direct the Housing Division to provide a template for the required written disclosure form to renters.

- **Retaliatory Eviction and Anti-Harassment**

The proposed ordinance would establish regulations regarding retaliatory eviction and anti-renter harassment, matters which are already addressed under State Law. In addition, these provisions have been included in the proposed ordinance without adequate City Council discussion and key stakeholder engagement.

The Association does not condone or tolerate any form of renter harassment by our members under any circumstances. It is equally important to recognize that incidents of harassment are also experienced by housing providers from renters. Our Association has received reports of owner harassment by renters. Housing providers should also be afforded protection.

Cost of Permanent Rent Control

We are living in an incredibly challenging time. The COVID-19 pandemic has touched all our lives and created a sense of uncertainty for what lies ahead. The actions taken today will have a profound impact on the economic recovery ahead. Prior to the pandemic, Culver City had declared a state of fiscal emergency. The administration of a rent stabilization ordinance is extremely costly, the City has already allocated approximately \$600,000 towards the implementation of the IRCO. The City's Staff report highlights the cost issues and the importance of factoring such costs in designing a permanent program. Further indicating that the additional programmatic features in the proposed permanent program will result in additional costs of \$200,000 to \$500,000 annually. A permanent rent control program will foreseeably cost over \$1 million. We urge the City Council to seriously assess the enormous fiscal impact of a permanent program and the overall detrimental long-term effects that rent control will have on Culver City. In the end, rent control will not alleviate the financial circumstances of rent burdened renters, nor does expansive rent regulation bring about affordable housing.

AAGLA urges the Council to contemplate the matters set forth in this letter and continue to seek key stakeholder feedback prior to the adoption of the permanent ordinances. 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,

Danielle Leidner-Peretz

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