AAGLA

"Great Apartments Start Here!"

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Via Electronic Mail

Hon. Mayor Nick Schultz and the Members of the Burbank City Council
City Hall, Council Chamber
275 East Olive Avenue, Second Floor
Burbank, California 91502

Re: Agenda Item N.11 – Local Rent Cap

Dear Mayor Schultz and Members of the Burbank City Council:

This letter is in response to the numerous and substantial deficiencies in the data provided by the Burbank Tenants Union via the report paid for by Tenants Together entitled "Do Small Landlord Lives Matter? An Analysis of Rental Housing Ownership Networks in Burbank" concerning current rental housing stock owned by independent, mom-and-pop owners. Below is a list of the major flaws contained within the report.

1. ***Mischaracterization of Small Housing Providers.*** The report uses an extremely narrow and arbitrary definition of "mom-and-pop" housing providers, failing to account for the important role these small owners have in the Burbank housing market. **Approximately 72% of all multifamily buildings in Burbank have 5 to 20 units, according to CoStar (the leading aggregator of residential and commercial rental data nationwide and a neutral, disinterested source).** Many individual, mom-and-pop owners own a single building that have 5 to 20 units. This makes these owners no less of a small, mom-and-pop owner than an individual that may own a duplex, triplex or quadplex. In fact, property owners with 5-to-20-unit properties face an even worse financial situation as they obtain financing through non-residential loans that typically have terms of only five to ten years and then must be refinanced at current, much greater mortgage interest rates.

   To purposefully ignore this large segment of small, mom-and-pops owners with 5-to-20-unit properties is an obvious and major defect in the report, which causes a gross underestimation of independent, mom-and-pop housing providers in Burbank.

2. ***Errors in "Non-Local" Ownership Data.*** Regrid uses the tax bill mailing address as a substitute for ownership location, assuming that if the address is out-of-state or out-of-zip-code, the owner is "non-local." However, this assumption is flawed for many reasons. Owners may use a different mailing address for tax purposes, legal reasons or simply to protect their privacy to avoid tenant activists

coming to their homes and harassing them, even though they live in the area. This can lead to misclassification, and an overestimation of "non-local" ownership.

3. ***Uncertainty Regarding Ownership Type for Rental Housing.*** Regrid's analysis does not explicitly differentiate between rental properties owned by individuals, corporations or investment firms. This lack of granularity is significant because the nature of ownership often affects management practices, resident experiences and financial resources.

4. ***Lack of Clarity in Housing Ownership by Trusts.*** Properties owned by trusts may not be clearly distinguished in Regrid's data. Trusts ownership structures are common for estate planning purposes or tax reasons, and failing to accurately classify these entities can obscure the true ownership landscape.

5. ***Outdated Data.*** Local jurisdictions may update their parcel data at widely varying intervals. In counties that refresh data infrequently, ownership changes such as recent sales, foreclosures, or rental conversions may not be reflected for months or even years. This creates discrepancies between the actual ownership situation and what Regrid's data presents, reducing its usefulness for current market analyses.

6. ***Multifamily Properties are Underrepresented or Incorrectly Labeled.*** In Regrid's data some multifamily properties are underrepresented or incorrectly labeled because some jurisdictions fail to provide accurate information on the number of units per parcel. In cases where a building contains several rental units, but local data does not accurately capture this information, Regrid's analysis will undercount rental units. Additionally, Regrid openly admits that 2-4 unit subdivided single-family properties are sometimes not captured in the address count.

7. **Issues with Residential Delivery Indicator (RDI).** The Residential Delivery Indicator from USPS is a key field used by Regrid to classify properties as residential or non-residential. However, this classification may not always be accurate, particularly for properties that serve dual purposes, such as mixed-use properties. Misclassifying properties as non-residential could lead to an underestimation of available housing units.

8. ***Discrepancies With Residential Unit Counts.*** Regrid's field for counting the number of residential units on a parcel may not accurately reflect the total number of housing units. For instance, if a property contains both commercial and residential units, Regrid may miscount the units, or the property might not be marked correctly as mixed-use. This underrepresentation or misclassification is particularly problematic for analyzing multifamily housing.

9. ***Difficulty in Identifying Accessory Dwelling Units (ADUs).*** ADUs are often used as secondary rental units, but local governments frequently fail to report these in official records. Regrid may completely miss or misclassify these units. This underreporting could skew analyses of housing supply by ownership.

While these major flaws make the report unreliable, it also completely misses the main issue at hand – the economic impact imposing a local rent control in Burbank. This is the key reason that the City

Council itself must commission a robust economic impact study utilizing a neutral, third party economic research firm with reputable economists experienced in housing to determine the impacts a local rent cap would have on the existing rental housing supply, new rental housing development, property values for all residential properties (as dilapidated multifamily properties bring down neighboring single family properties), potential for reduced property taxes, and resulting potential reductions in existing City revenues and services. Unless the entire universe of residential housing and its outcomes are considered, any economic study would be grossly inaccurate and seriously underestimate the impacts of a rent control policy in Burbank.

Survey Results:

- Throughout the five outreach meetings, participants who identified as either tenants or landlords repeatedly asked for studies and data.
- Majority of homeowners (57%) and rental housing providers (66%) say state cap is enough or too low.
- Both homeowners (75%) and rental housing providers (37%) oppose a rent cap of 100% CPI.
- Both homeowners and rental housing owners (7 out of 10) oppose a rent cap of 75% of CPI.
- Glendale alternative only received 41% support.
- Majority of homeowners and rental housing providers oppose a monthly administrative fee.
- More than half (60%) of rental housing providers did NOT raise rents on their continuing renters.
- 70% of rental housing providers had increases in costs over the last 12 months.
- 70% of rental housing providers had renters that did not pay their full rent over the last 12 months.
- Nearly half of renters have lived at the property 4 years or less.

These results clearly show that rent control is NOT needed in Burbank as the rents remain stable with more than half (60%) of rental housing providers NOT raising rents AT ALL for continuing renters. Further, there is strong disagreement between renters and all property owners (multifamily and single family) as to whether any cap should be considered by the City Council providing NO clear mandate for the City Council to continue consideration of a local rent cap.

We are aware that a certain City Council member is interested in a rent cap to use as a weapon to destroy mom-and-pop rental housing providers in the hopes of them "dumping" their properties onto the market for purchase by existing renters. However, this Council member is seriously misguided and fails to recognize that Burbank does not control the entire housing market in California. Any properties converted from apartments to condominiums will likely be purchased by out-of-town residents that have sufficient funds to pay for a new home at full market value, pay a sizeable downpayment, qualify for a mortgage carrying 6% or higher interest rates, pay monthly mortgage premiums, and pay for increasingly expensive property insurance and property taxes as well as having enough in savings to cover periodic repairs and maintenance costs. Existing renters will be forced out of Burbank to find available rental properties elsewhere as non-owner-occupied properties are removed from Burbank's housing supply.

The survey results do show one area of strong consensus across all participants – renters, rental housing providers and homeowners -- that more in-depth research must be conducted by the City if the City Council wants to continue to discuss a local rent cap of any kind. Only the City's own robust economic impact study conducted by a reputable and neutral economic research firm with experience in housing will provide the necessary data for it and the community to be able to make a fully informed decision on whether a local rent cap warrants any additional consideration.

Further, the City Council has already approved a new Low Income Services Pilot Program, including the hiring 5 new staff positions. This new program will provide valuable insights and data to the City once it is up and running. If there are issues with drastic rent increases or other concerns, they will be able to bring them forward to the City Council for proper consideration after identifying specific owners, renters, amounts, frequency, etc. The City Council should allow for this program to be running for at least 1 year prior to taking any further actions towards a local rent cap.

The City Council has conducted extensive outreach to the community, engaged 2 independent consultants to conduct the work, and must now abide by its findings. The community has clearly spoken that more in-depth research must be conducted by the City Council prior to considering a local rent cap. We urge the City Council to conduct a robust economic impact study or to acknowledge the fact that rents have not been drastically increasing in Burbank and postpone this discussion entirely.

Thank you for your time and consideration of these matters. Please feel free to reach out to me directly by telephone at (213) 384-4131; Ext. 309 or via electronic mail at janet@aagla.org.

Sincerely,

Janet M. Gagnon

Janet M. Gagnon, Esq.

CC: Daniel Yukelson, Executive Director, Apartment Association of Greater Los Angeles