

Agenda Report

DATE: MAY 24, 2004
TO: CITY COUNCIL
FROM: CYNTHIA J. KURTZ, CITY MANAGER
SUBJECT: HOUSING AFFORDABILITY TASK FORCE FINAL REPORT
RECOMMENDATIONS ON INCREASED TENANT PROTECTIONS;
CONDOMINIUM CONVERSIONS AND RENTAL HOUSING
PROTECTIONS ORDINANCE

RECOMMENDATION:

It is recommended that the City Council direct the City Attorney to:

1. Prepare an amendment to the City's condominium conversion ordinance so that it is consistent with State guidelines and to provide additional protections to tenants displaced by condominium conversion as outlined in this report; and
2. Prepare a Rental Housing Protections Ordinance which would require property owners to provide landlord/tenant rights pamphlets to their tenants and require the payment of relocation allowance for tenant-in-good-standing evictions/vacations as described in this report.

COMMUNITY DEVELOPMENT COMMITTEE RECOMMENDATION:

At a special meeting on April 29, 2004 the Community Development Committee ("Committee") recommended approval of the staff recommendations with additional modifications. Staff concurs with the modifications, which have been incorporated in the recommendations described in the body of this report. On April 22, 2004, at the request of the City Council, a workshop was convened by the Committee to provide a public forum to consider this subject. At this workshop, the Committee received comments from property owners, tenants, developers, and other interested parties.

EXECUTIVE SUMMARY:

Approval of the recommendation will result in: a) amendment to the City's condominium conversion standards so they are consistent with the State Subdivision Map Act and providing additional protections to tenants displaced by condominium conversion; and b)

adoption of a Rental Housing Protections Ordinance which would require property owners to provide landlord/tenant rights pamphlets to their tenants; and require the payment of relocation allowance for tenant in-good-standing evictions/vacations.

On March 22, 2004, staff made four recommendations to City Council regarding the Housing Affordability Task Force Final Report recommendations on Increased Tenant Protections. Two of the recommendations were approved: amending the City's Housing Mediation Ordinance and expanding landlord/tenant education programs. The other two items, amending the City's condominium conversion ordinance and adopting a Rental Housing Protections Ordinance, were referred to the Community Development Committee for further consideration.

BACKGROUND:

In recent years, the City of Pasadena has experienced a surge in housing demand due to the limited affordable housing opportunities in the San Gabriel Valley, the proximity of Pasadena to employment and cultural centers, and the City's quality of life. As a result, rent increases have made new units principally affordable to above moderate-income households and in some cases, have caused displacement of lower-income households. In addition, with the rise in condominium prices, there is a concern that market forces will make condominium conversion an attractive option for apartment owners. This represents a significant threat to the long-term affordability of rental housing for very low, low, and also moderate-income households. The Task Force Final Report recommended an evaluation and implementation of increased tenant protections in response to this issue.

The recommended tenant protections, as modified, represent measures designed to balance the relationship between landlords and tenants, assist good tenants retain their housing or replacement housing and guard against displacement due to abrupt changes in the rental housing market. These changes are organized into two areas:
1) condominium conversions; and 2) rental properties.

1. Amendments to the City's Condominium Conversion Ordinance

Staff recommends amending the City's condominium conversion ordinance to be consistent with the State Subdivision Map Act (Government Code section 664410 – 66499.58) and providing additional tenant protections as described below.

Relocation allowance for displaced tenants

Provision of relocation allowance including moving expenses to households at or below 140% of the median income, by household size, in the amount of 2 months current fair market rent as established by HUD for a rental unit of a similar size plus a moving expense allowance in the amount of \$1,000 for adult households or \$3,000 for households with dependents, disabled or senior members, except when the tenant has given notice of intent to move prior to receipt of notification from the subdivider of the intent to convert. Relocation allowance will be automatically increased every year in accord with increases in the HUD fair market rents and the moving expense allowance will be adjusted annually in accordance with the Consumer Price Index (Los Angeles – Long Beach).

Relocation allowance is currently \$1,444.00.

Relocation Counseling

Relocation counseling and assistance plan for all existing and new tenants (City will develop model plan);

Notices to Tenant of Intent to Convert

The information to be provided in the notice will include:

- Name and address of current owner;
- Name and address of the proposed subdivider;
- Approximate date on which the tentative map/conversion permit application is proposed to be filed;
- Tenant's right to purchase condominium, if applicable;
- Tenant's right of notification to vacate;
- Tenant's right of termination of lease;
- Statement of limitations on rent increase;
- An explanation of all provisions made by the subdivider for special cases;
- An explanation of all provisions made by the subdivider for moving expenses of displaced tenants;
- Tenant's right to receipt of notice for each hearing and right to appear and be heard at any such hearing; and

Process for delivery of notices

- personal delivery, or
- mailing the notice, postage prepaid, by certified letter with return receipt requested, and
- evidence of compliance submitted with the application for conversion

Tenant's Right to Purchase

As provided in State Government Code Section 66427.1 (d) any present tenant or tenants of any unit shall have exclusive right to contract for the purchase of the unit occupied or equivalent unit at a price no greater than the price offered to the general public or terms more favorable to the tenant, whichever is less for at least ninety (90) days from the date of issuance of the Subdivision Public Report or commencement of sales;

If tenant exercises his/her right to purchase the subdivider is not required to provide moving expenses, except to the extent required by State law.

Notice to New Tenants

Penalties for failure by a subdivider to give such notice including denial of the proposed conversion and financial reimbursement to tenants for actual moving expenses, first month's rent on the tenant's new rental unit

Vacation of Units

Each non-purchasing tenant, not in default under the obligations of the rental agreement or lease under which the unit is occupied, will have not less than one hundred eighty (180) days from the date of approval of the conversion by the Subdivision Committee or, if an appeal is filed, by the City Council to find substitute housing and to relocate. Applicant will be given written notice of the

approval containing an explanation of any and all conditions of approval, which affect the tenants to each tenant within fifteen (15) days of the approval. Such notice will be prepared in accordance with established procedures.

Tenant's Right of Termination of Lease.

Any present tenant or tenants of any unit will be given the right to terminate their lease or rental agreement without penalty, following the receipt of the notification from the owner of the intent to convert.

Special Cases.

Special case tenant will be persons who are age 62 or older, handicapped, low income, single/two parent households with custody of minor children, likely to experience difficulty finding suitable replacement housing. The subdivider will afford special consideration to each "special case" tenant, which special consideration will, at a minimum, include the following:

- Each special case tenant will be allowed an additional period of time, not exceeding six (6) months, beyond the period specified in the vacation of units section, in which to relocate.
- A tenant (single or two parent household) with school age children will not be required to vacate the unit prior to the end of the school year in which the one hundred eighty (180) day period specified in 16.46.070 has expired.

Increase in Rents.

From the date of approval of the application to convert until the date of conversion, no tenant's rent will be increased more frequently than once annually nor at a rate greater than the rate of increase in the Consumer Price Index (Los Angeles - Long Beach), on an annualized basis, for the same period. This limitation will not apply if rent increases are provided for in leases or contracts in existence prior to the filing date of the application to convert.

In Pasadena, there have been very few condominium conversions over the past few years. By updating the City's condominium conversion ordinance now, while the demand for condominium conversions is low, the City will be able to provide benefits to those occupying their rental units if the market shifts and the economic benefit for implementing condominium conversions surpass that of continued operation of existing rental projects. Additionally, since the number of conversions has been very low, it doesn't appear that there will be significant economic impacts from the proposed amendments.

2. Rental Housing Protections Ordinance

The proposed measures in the Rental Housing Protections Ordinance are intended to assist existing tenants in good standing. Single-family residences and condominiums are exempt from the provisions. The Ordinance introduces the following requirements:

Distribution of multi-lingual landlord/tenant rights pamphlet by landlords or property owners to their tenants.

- Distribution by landlords or property owners to rental tenants of City prepared landlord/tenant pamphlet with applicable information regarding landlord and tenant rights including links to appropriate web-sites, Housing & Community Development Division, Housing Rights Center, City's Housing Mediation Contractor, etc.

Relocation allowance for tenant in-good-standing evictions or vacations.

- Monetary relocation allowance for no-fault tenant evictions meeting the criteria listed below or vacations of households at or below 140% of the median income by household size, in the amounts of two (2) times the current fair market rent as established by HUD for a rental unit of a similar size, plus a moving expense allowance in the amount of \$1,000 for adult households and \$3,000 for households with dependents, disabled or senior family members.
- Relocation allowance will be automatically increased every year in accord with increases in the HUD fair market rents and the moving expense allowance will be adjusted annually in accordance with the Consumer Price Index (Los Angeles-Long Beach).
- Relocation criteria
 - a. Demolition of the Unit
 - The landlord seeks to recover possession so as to demolish the unit.
 - b. Government Order to Vacate
 - The landlord seeks to recover possession of the rental unit in order to comply with a governmental agency's order to vacate, order to comply, order to abate, or any other order that necessitates vacating the building housing the rental unit as a result of a significant or extended violation of the Pasadena Municipal Code (PMC) or any other provision of law which would result in a constructive eviction.
 - This provision does not in any manner limit the rights of the city of Pasadena to recover from the property owner or landlord any relocation or placement assistance provided to assist eligible renters and/or other city costs incurred for the correction/abatement of distressed properties.
 - The provision of temporary relocation will be permitted without payment of relocation allowance if the existing tenant is returned to occupancy upon correction of the violations.
 - c. Permanent Removal of Unit from the Rental Market

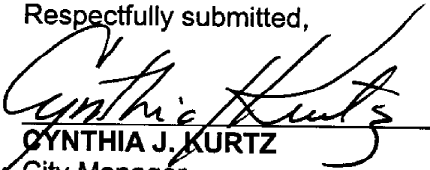
- The landlord seeks in good faith to recover possession in order to remove the rental unit permanently from rental housing use, except that if the landlord seeks to recover possession for the purpose of converting the unit into a condominium, cooperative, or community apartment the landlord must have complied with the notice requirements of Government Code Section 66247.1 and Pasadena Municipal Code 16.46 Standards For Conversion Projects.

The Rental Housing Protections Ordinance will provide tenants with an added ability to protect their rights, provision for relocation allowance for income eligible tenants, and recourse for non-payment of relocation allowance, without local government intervention. On going administration of these tenant protections would be the joint responsibility of the City Attorney's Office, Planning and Development Department, and the City's Housing Mediation Contractor.

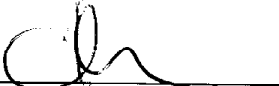
FISCAL IMPACT

Implementation of the proposed tenant protections by amending the City's condominium conversion ordinance and adopting the Rental Housing Protections Ordinance will have minor impact on the City or Commission budget and will provide a cost effective delivery of housing assistance services to eligible households. The administrative costs of managing these tenant protection programs are relatively minor. Funding for the proposed Tenant Protections is available within the Community Development Block Grant and Affordable Housing Program Budget.

Respectfully submitted,


CYNTHIA J. KURTZ
City Manager

Prepared by:

For 
GREGORY ROBINSON
Housing and Community
Development Administrator

Approved by:


RICHARD V. BRUCKNER
Director, Planning & Development