

# Agenda Report

October 22, 2018

**TO:** Honorable Mayor and City Council

**FROM:** Housing Department

**SUBJECT: POTENTIAL MODIFICATIONS TO THE TENANT PROTECTION ORDINANCE PASADENA MUNICIPAL CODE CHAPTER 9.75**

## **RECOMMENDATION:**

It is recommended that the City Council:

- A) Find that the recommended action is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines per Section 15061 (b) (3), the General Rule that CEQA only applies to projects that may have an effect on the environment;
- B) Receive the following report on potential modifications to the Tenant Protection Ordinance Pasadena Municipal Code Chapter 9.75; and,
- C) Provide any further direction to staff.

## **BACKGROUND:**

At a recent City Council meeting, the Council heard public testimony from residents of 120 S. Roosevelt Avenue who were being evicted from their rental units by the landlord. Based on the circumstances, the City's Tenant Protection Ordinance did not apply to any of the residents. Should the Council wish to consider it, staff is presenting the following potential modifications to the Tenant Protection Ordinance which would expand its coverage.

The City's Tenant Protection Ordinance ("TPO"), which was adopted in 2004, codified in Title 9, Chapter 9.75 of the Pasadena Municipal Code, and amended in 2017, requires landlords to provide relocation benefits to displaced tenants under specific circumstances. Specifically, the TPO requires landlords to pay relocation benefits to displaced tenants when a rental unit is vacated under the following circumstances:

- demolition
- conversion to condominium
- permanent removal of the unit from the rental market
- occupancy by the landlord or a family member
- government order to vacate

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- termination of tenancy in housing owned by educational institutions in which the status of tenants as student, faculty, or staff were discontinued by more than 365 days prior to tenancy termination,

Eligible tenants must be in good standing with incomes not exceeding 140% of the Los Angeles County area median income. TPO benefits consist of a relocation allowance and a moving expense allowance. The relocation allowance amount is twice the Fair Market Rent adjusted for dwelling size, as published by the U. S. Department of Housing and Urban Development. For a 2-bedroom unit, the current relocation allowance is \$3,326. The moving expense allowance is currently \$1,199 for adult households and \$3,608 for households with dependents, disabled or senior members.

In California, the vast majority of cities do not provide tenant protections. Nineteen cities in the state have enacted local ordinances addressing tenant protections, just cause evictions, and/or rent control/stabilization. Within Los Angeles County, 82 cities have no such ordinances. The cities of Beverly Hills, Los Angeles, West Hollywood, and Santa Monica have "just cause eviction" and rent control/stabilization ordinances, while the City of Glendale has only a just cause eviction ordinance.

Seventeen California cities have just cause eviction ordinances which limit when landlords can force tenants to leave. Such ordinances ensure that landlords can only evict a tenant with proper cause (a "just cause"). The most common "just cause" reasons for eviction include: failure to pay the rent; breaching the lease; illegal sublet; owner move-in; substantial repairs or renovations that makes the unit uninhabitable for at least 30 days; and permanent withdrawal of the unit from the rental market.

The following table provides a comparison of the six cities in Los Angeles County which have such ordinances.

	<b>Pasadena</b>	<b>Glendale</b>	<b>Beverly Hills</b>	<b>Los Angeles</b>	<b>Santa Monica</b>	<b>West Hollywood</b>
<b>Type of Protection</b>	Tenant Protection Ordinance; no rent control	Just cause eviction; no rent control	Just cause eviction w/ rent control	Just cause eviction w/ rent stabilization	Just cause eviction w/ rent control	Just cause eviction w/ rent control
<b>Applicability</b>	All rental units except SFR & condos; 140% AMI	All rental properties w/ 3+ units	Rent controlled units	Rent controlled units	Rent controlled units	All units whether rent controlled or not
<b>Relocation Benefits (not including Moving Allowance)</b>	2X HUD Fair Market Rent plus \$1,000 to \$3,000, based household type	2X HUD Fair Market Rent plus \$1,000, based on unit size. e.g. \$4,090 for 2-BR unit	2X HUD Fair Market Rent. Based on unit size, e.g. \$12,394 for 2-BR unit	\$8,200 to \$20,450 depending on household type, income, and length of tenancy	e.g., \$20,750 for 2-BR unit	e.g., \$12,904 to \$22,616 for 2-BR unit, and depending on household type and income

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The consideration of rent control and just cause ordinance eviction policies are outside the scope of evaluation for this report, which purpose is to focus on amendments to the existing TPO regulatory framework. Accordingly, the following options are presented for City Council consideration as potential modifications to TPO to expand the applicability of the ordinance.

Option 1: Modify the TPO to require landlords to pay relocation benefits, regardless of the reason for tenancy termination, to all income-eligible tenants in good standing and who have maintained tenancy for a continuous period of 10 years or longer. The amount of relocation benefits would be based on length of tenancy. The base amount of relocation benefits, as set forth in the TPO, would be paid to tenants who have maintained at least 10 years of occupancy. Each additional year of tenancy would qualify the tenant for an additional one-tenth of the base amount of TPO benefits. An eligible tenant with 20 or more years of tenancy would qualify for 200% of the TPO benefits. This option would have protected the tenants at 102 S. Roosevelt Ave., assuming that they are income-eligible, in good-standing and maintained tenancy for at least 10 years.

Option 2: Modify the TPO to eliminate or increase the maximum household income limit. Currently, tenant income eligibility is capped at 140% of the Los Angeles County Area Median Income ("AMI"); for a two-person household, the annual income limit is \$72,590. If TPO income eligibility were increased to, for example, 180% AMI, the limit would be \$99,810. If eliminated it would cover all renters regardless of income, but still only apply to the circumstances set forth in the current ordinance.

Option 3: Expand the TPO to cover situations in which landlords evict tenants in order to perform property upgrades and subsequently re-rent the units at higher cost. This option would have protected the tenants at 102 S. Roosevelt Ave., assuming that the landlord provides a certification of proposed property upgrades with the intent of re-renting the vacated units at a higher cost.

Option 4: Expand the TPO to cover tenants who voluntarily vacate a unit after notification of a large rent hike which exceeds a specified percentage increase. This option would require further investigation as to legality and impacts. A number of other cities are also considering this option. This option would potentially create the greatest administrative burden on staff, as the provision significantly expands the scope of the City's TPO and will likely generate many more new TPO cases to manage.

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**FISCAL IMPACT**

Measures to modify the City's TPO may impact housing costs, landlord leasing decisions, affordable housing production, and administrative burden. Expanding the TPO may discourage private investment in rental properties, increase operating costs, and cause upward pressure on rents. Furthermore, raising the TPO income eligibility cap may incentivize landlords to favor tenants with higher incomes. There is also the potential that expanding the applicability of the ordinance may cause delays in or jeopardize the development of new residential projects that provide Inclusionary affordable housing units. Finally, depending on the extent of modifications to strengthen the TPO, staff and funding resources may need to be identified to administer the amended ordinance.

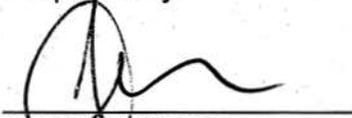
Respectfully submitted,



WILLIAM K. HUANG

Director of Housing and Career Services

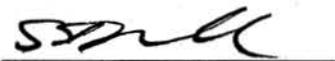
Prepared by:



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STEVE MERMELL

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ATTACHMENT:

Attachment "A": Tenant Protection Ordinance