RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA, CALIFORNIA CALLING A GENERAL MUNICIPAL ELECTION TO BE HELD IN THE CITY OF PASADENA, CONSOLIDATED WITH THE STATEWIDE GENERAL ELECTION HELD ON TUESDAY, NOVEMBER 8, 2022, TO SUBMIT A PASADENA CITY CHARTER AMENDMENT MEASURE TO IMPOSE RENT CONTROL, CREATING A RENTAL HOUSING BOARD, AND SETTING CRITERIA FOR JUST CAUSE EVICTIONS

WHEREAS, on January 24, 2022, in relevant part, the City of Pasadena ("City") City Council ("City Council") adopted Resolution Nos. 9886 and 9887, calling for and giving notice of a Primary Municipal Election for Tuesday, June 7, 2022, and a General Municipal Election for Tuesday, November 8, 2022, and requesting that the Board of Supervisors of the County of Los Angeles ("Board of Supervisors") approve the consolidation of the elections with the Statewide General Election, and direct the Los Angeles County Registrar-Recorder/County Clerk ("Registrar-Recorder") to administer said elections on behalf of the City; and

WHEREAS, on May 9, 2022, following the Registrar-Recorder's verification, on behalf of the City, that the Charter Amendment Initiative Petition Measure to impose rent control, creating a rental housing board, and setting criteria for just cause evictions ("Measure") had secured the requisite number of valid signatures exceeding 15% of the registered voters in Pasadena and was determined to be sufficient, the City Clerk's Office thereafter certified the Registrar-Recorder's verification of the Measure, and the City Council accepted the certification; and

WHEREAS, in compliance with California Elections Code Section 9255(c)(1), said Measure shall be submitted to the voters at the November 8, 2022, General Municipal Election.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Pasadena, California, as follows:

SECTION 1. That pursuant to the requirements of Elections Code Section 10403, the Board of Supervisors is requested to consent and agree to the consolidation of the City's General Municipal Election with the Statewide General Election to be held on Tuesday, November 8, 2022, for the purpose of submitting the Measure to the voters; and to direct the Registrar-Recorder to perform all necessary functions, services, and tasks related to: the complete and successful conduct of said consolidated elections; the provision of all election materials and equipment; the hiring, training and supervision of election workers and other election personnel; the printing and distribution of ballot materials; the translation of ballot materials; the administration of vote by mail processing and signature verification; the collection of submitted ballots; the tallying of votes; and the canvassing and certification of election results.

SECTION 2. The City Council, pursuant to its right and authority, does order submitted to the voters of the City at the General Municipal Election, to be consolidated with the Statewide General Election on November 8, 2022, the following question:

Pasadena Charter Amendment Initiative Petition Measure Imposing Rent Control Shall an amendment to the Pasadena City Charter limiting rent increases in the City of Pasadena annually to 75% of the Consumer Price Index for most rental units built before February 1, 1995, creating an independent Rental Housing Board appointed by the City Council, as well as setting its members' initial compensation, and prohibiting evictions from most rental units, except for just cause based on 11 specified criteria, be adopted?	**YES**	
	NO	

SECTION 3. The text of the Measure is attached hereto as Exhibit "A", and incorporated herein by this reference.

SECTION 4. The ballots to be used at the election shall be in form and content as required by law.

SECTION 5. The Vote Centers for the consolidated election shall open at 7:00 a.m. on the day of the election and shall remain open continuously from that time until 8:00 p.m. of the same day when the polls shall be closed, pursuant to Elections Code Sections 4007 and 14404.

SECTION 6. The Registrar-Recorder is authorized to canvass the returns of the Measure, and to certify the same to the City Council at the time and in the manner provided by law. The vote requirement for passage of the Measure shall be a majority of votes cast (50% plus 1). The election shall be held in all respects as if there were only one election, and only one form of ballot shall be used.

SECTION 7. That the City recognizes that additional costs will be incurred by the County by reason of these consolidated elections and agrees to reimburse the County for the City's share of election related costs resulting from said consolidations. The City Director of Finance is authorized and directed to pay out of the General Fund of the City a sum equal to those costs upon the completion of the services as described above and upon presentation to the City of a bill.

SECTION 8. In all particulars not recited in this resolution, the election hereby called shall be held and conducted as provided by law for holding municipal elections in said City.

SECTION 9. That the City Clerk is directed to forward without delay to the Board of Supervisors and to the Registrar-Recorder, each a certified copy of this resolution.

SECTION 10. That the Board of Supervisors is requested to issue instructions to the Registrar-Recorder to take any and all steps necessary for the holding of these consolidated elections.

SECTION 11. That the City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.

SECTION 12. Notice of the time and place of holding the election is given and the City Clerk is authorized, instructed and directed to give further or additional notice of the election, in time, form and manner as required by law.

Adopted at the regular meeting of the City Council on the _____day of August, 2022, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

_____
Mark Jomsky, City Clerk

APPROVED AS TO FORM:

_____
Dion O'Connell
Deputy City Attorney

EXHIBIT A

Text of the Pasadena Charter Amendment Initiative Petition Measure Imposing Rent Control

The Citizens of the City of Pasadena do hereby enact the following amendments to the City Charter, which may be referred to as: "*The Pasadena Fair and Equitable Housing Charter Amendment.*"

ARTICLE XVIII

SECTION 1801	TITLE AND PURPOSE
SECTION 1802	FINDINGS
SECTION 1803	DEFINITIONS
SECTION 1804	EXEMPTIONS
SECTION 1805	ADDITIONAL HOMEOWNER PROTECTIONS
SECTION 1806	JUST CAUSE FOR EVICTION PROTECTIONS
SECTION 1807	STABILIZATION OF RENTS
SECTION 1808	RENT INCREASES PURSUANT TO ANNUAL RENT ADJUSTMENT
SECTION 1809	INITIAL RENTS FOR NEW TENANCIES
SECTION 1810	TENANT BUYOUT NOTIFICATION PROGRAM
SECTION 1811	PASADENA RENTAL HOUSING BOARD
SECTION 1812	RENTAL REGISTRY
SECTION 1813	PETITIONS FOR INDIVIDUAL RENT ADJUSTMENT - BASES
SECTION 1814	PETITIONS FOR INDIVIDUAL RENT ADJUSTMENT - PROCEDURES
SECTION 1815	JUDICIAL REVIEW
SECTION 1816	NON-WAIVERABILITY
SECTION 1817	REMEDIES
SECTION 1818	INJUNCTIVE AND OTHER CIVIL RELIEF
SECTION 1819	PARTIAL INVALIDITY
SECTION 1820	SUPERSEDES
SECTION 1821	CONFLICTING CHARTER PROVISIONS
SECTION 1822	CODIFICATION
SECTION 1823	DUTY TO DEFEND
SECTION 1824	MAJORITY APPROVAL, EFFECTIVE DATE, EXECUTION

Section 1801. Title and Purpose.

This Amendment shall be known as the Pasadena Fair and Equitable Housing Charter Amendment. The purpose of this Amendment is to promote neighborhood and community stability, healthy housing, and affordability for renters in Pasadena by regulating excessive rent increases and arbitrary evictions to the maximum extent permitted under California law, while ensuring Landlords a fair return on their investment and guaranteeing fair protections for renters, homeowners, and businesses.

Section 1802. Findings.

(a) WHEREAS, according to the U.S. Census Bureau's American Community Survey (ACS) 1-year estimates, as of 2018, a significant majority (57.7 percent) of all occupied units in the City were occupied by renter households; and

(b) WHEREAS, African American and Hispanic or Latino households are disproportionately renter households. According to the U.S. Census Bureau's ACS 1-year estimates, in 2018, 69.7 percent of African American households were renters while 67.7 percent of Hispanic or Latino households were renters; and

(c) WHEREAS, according to the U.S. Census Bureau's ACS 1-year estimates, the median gross rent in Pasadena has increased by 32.0 percent (from $1287 to $1669) between 2012 and 2018 while the Consumer Price Index (all items in Los Angeles-Long Beach-Anaheim, all urban consumers, not seasonally adjusted) has increased by 12.4 percent over the same period, resulting in an effective 17.5 percent increase in median rent in 2018 inflation-adjusted dollars between 2012 and 2018; and

(d) WHEREAS, according to the ACS 1-year estimates, the median rent in 2018 inflation-adjusted dollars has increased by 27.0 percent for an efficiency unit, 17.4 percent for a one-bedroom unit, and 18.6 percent for a two-bedroom unit over the three year period between 2015 and 2018; and

(e) WHEREAS, according to the U.S. Census Bureau 2018 ACS 1-year estimates, a majority of Pasadena tenant households are rent-burdened. In 2018, an estimated 54 percent of renter households (15,446 households) were paying 30 percent or more of their income toward rent, and 31 percent of renter households (8,847) were severely rent-burdened, paying 50 percent or more of their income towards rent; and

(f) WHEREAS, low-income renter households are particularly affected by rent-burdening with 89.4 percent (9417) of renter households with an annual household income between $10,000 - $49,999 paying 30 percent or more of their income towards rent, and 60.3 percent of these households (6349) paying 50 percent or more of their income toward housing rent; and

(g) WHEREAS, even amongst households with annual incomes between $50,000 and $99,000, 44.5 percent (3307) are rent-burdened, paying more than 30 percent of their incomes to rent; and

(h) WHEREAS, according to the Pasadena Draft 2015-2019 Consolidated Plan, 42 percent of Pasadena households (23,375 households) have incomes ranging from 0 to 80 percent of Area Median Income (AMI) with 15 percent extremely low-income (8,385 households at 0 to 30 percent AMI), with 12 percent very low-income (6,610 households at 30 to 50 percent AMI), and 15 percent as low income (8,380 households at 50 to 80 percent AMI); and

(i) WHEREAS, according to the Pasadena Draft 2015-2019 Consolidated Plan, "Severe cost burden is the greatest predictor of homelessness risk. Populations paying more than 50 percent of their income towards housing costs or having incomes at or below 50 percent AMI have the greatest risk of becoming homeless"; and

(j) WHEREAS, a majority of people experiencing homelessness in the City are Pasadenans. According to the 2019 Pasadena Homeless Count & Subpopulation Survey, 58% of people experiencing homelessness in Pasadena were Pasadena residents at the time of housing loss; and

(k) WHEREAS, according to the Pasadena Homeless Count & Subpopulation Survey, 30% of people experiencing homelessness in Pasadena identified job loss (leading to a presumed inability to pay rent) as a primary cause of their homelessness, while 14% identified eviction as a primary cause of their homelessness; and

(l) WHEREAS, according to the US Census Bureau's 2015 Rental Housing Finance Survey, nationally, the median number of hours per month spent by a rental property owner on managing a rental property is three (3); and

(m) WHEREAS, according to the US Census Bureau's 2015 Rental Housing Finance Survey, less than half (47.8 percent) of rental units nationally are owned by an individual investor, with the rest being owned by trusts, corporate entities, non-profit organizations and other non-natural persons; and

(n) WHEREAS, the implementation of rent relief strategies is supported by Pasadena's adopted 2014-2021 Housing Element: "Pasadena residents have an equal right to live in decent, safe and affordable housing in a suitable living environment for the long-term well- being and stability of themselves, their families, their neighborhoods, and their community. The housing vision for Pasadena is to maintain a socially and economically diverse community of homeowners and renters who are afforded this right"; and

(o) WHEREAS, tenants in Pasadena experience increased housing instability. According to the ACS 2018 1-year estimates, 45.8 percent of tenant households had moved since 2015 whereas only 17.7 percent of owner households had moved since 2015. This trend persists even when considering

only households with a head of household between 35 and 64 years of age. 45.1 percent of tenant households in this age range had moved since 2015 while only 20.4 percent of owner households in this age range had moved since 2015; and

(p) WHEREAS, in the absence of city regulation on rent increases or residential evictions, tenants in the City of Pasadena have expressed that they are being displaced as a result of evictions or their inability to pay excessive rent increases and must relocate, but as a result of the housing shortage are unable to find decent, safe and healthy housing at affordable rent levels; and that some renters attempt to pay requested rent increases, but as a consequence must expend less on other necessities of life, such as food, transit, and healthcare; and

(q) WHEREAS, the foregoing housing and economic conditions create a detrimental effect on substantial numbers of renters in the City and are a threat to the public health, safety and welfare, and a particular hardship for senior citizens, persons on fixed incomes, families with children, and other vulnerable tenants; and

(r) WHEREAS, eviction or other displacement imposes an especially high burden on school-aged children and their families, including increased absence from school and other educational disruption that can have long-lasting effects; and

(s) WHEREAS, in 2018 the median rent according to the ACS 1-year estimates for an efficiency rental unit in Pasadena ($1311) was 22.9 percent higher than the HUD Fair Market Rate for the Los-Angeles-Long-Beach-Glendale Metropolitan Area, the median rent for a one-bedroom unit in Pasadena ($1434) was 11.7 percent higher than the HUD fair market rate, and the median rent for a two-bedroom unit in Pasadena ($1904) was 14.5 percent higher than the HUD fair market rate, demonstrating that Pasadena rents are significantly higher than the HUD fair market rate; and

(t) WHEREAS, the Pasadena Municipal Code (Section 9.75 Tenant Protection) provides for relocation assistance to low-income tenants being displaced from their rental housing equal to two and a half months HUD fair market rent for a unit of comparable size, and further provides for a moving expense allowance of $1306 for adult households or $3935 for households with dependents; and

(u) WHEREAS, much of the rental housing in the city requires that prospective tenants pay two (for unfurnished units) or three (for furnished units) months of rent up front in order to secure a lease, imposing accumulated relocation expenses (consisting of three months median rent and the moving assistance currently mandated by the City of Pasadena) on a typical household with children living in a two-bedroom unit of $9797, which was approximately six times the HUD fair market rate for a two-bedroom unit ($9978 as calculated in 2018); and

(v) WHEREAS, residents of the City of Pasadena have formally expressed their concerns regarding rising rents and displacement to the City Council at over thirteen (13) public Council meetings since 2017.

(w) WHEREAS, a petition to enact "The Pasadena Fair and Equitable Housing Charter Amendment" was circulated beginning in December 2017. It was foreseeable that rent control and just cause eviction protections were being considered in Pasadena; and

(x) WHEREAS, the Apartment Management Magazine of the San Gabriel Valley published in July 2019, "rent control is on the horizon and apartment owners should now do everything possible now[sic] to have secure future income practices in place that a rent control cap allows. Using RUBS [Ratio Utility Billing System], allows the owner to pass higher utility and other costs, dollar for dollar, to the tenant." This demonstrates that landlords are planning to use auxiliary fees to circumvent rent control measures; and

(y) WHEREAS, on October 8th 2019, the California Assembly adopted the Tenant Protection Act of 2019 (AB 1482), which regulates rent increases and evictions in the State of California, but which did not come into effect until January 1st 2020. Eviction attorneys in the Pasadena area, including prominent eviction attorney Dennis Block, advised landlords to evict tenants and increase rent prices as quickly as possible during the intervening period. Block delivered this advice to several hundred property owners at the Pasadena Convention Center on October 2nd 2019; and,

(z) WHEREAS, on November 5th 2019, the Pasadena City Council adopted Ordinance No. 7352 "An Uncodified Ordinance of the City of Pasadena Adopting the Tenant Protection Act of 2019 Relating to the Prohibition of No-Fault Terminations of Tenancy and Evictions and Limiting Rent Increases for Residential Real Property Through December 31st, 2019", recognizing that many landlords were evicting tenants in late 2019 in order to circumvent the March 15th 2019 rollback date of new statewide rent control regulations; and,

(aa) WHEREAS, findings (v)-(z) demonstrate that Landlords are aware that Pasadena Tenants are organizing and advocating for rent stabilization and just cause eviction protections; that Landlords are likely to react to concrete efforts to establish such protections in Pasadena by rapidly increasing rental housing costs; and therefore that the circulation of the instant petition is likely to cause a distortion in the Pasadena rental housing market; and

(bb) WHEREAS, in a 2019 poll of 700 registered voters in Pasadena conducted by The David Binder Research Institute on behalf of Pasadenans Organizing for Progress, 69% of respondents supported rent control and 82% of respondents supported just cause for eviction protections; and

(cc) WHEREAS, 54.86% of voters (29349 vs. 24153) in Pasadena voted YES on Proposition 10 in the 2018 General Election, which would have repealed the Costa-Hawkins Rental Housing Act and hence given municipalities in California greater freedom to enact rent control measures; and

(dd) WHEREAS, the City of Pasadena currently does not regulate rental amounts, rent increases, or evictions from residential housing; and

(ee) WHEREAS, landlords are overrepresented on the City Council. As documented in the video archive of the City Council Meetings on October 22nd 2018 (Item 9) and June 3rd 2019 (Item 12), at least three of the seven members of the City Council currently own rental housing in Pasadena; and

(ff) WHEREAS, as documented in the video archive of the City Council Meeting on March 25th 2019 during Item 15, the Pasadena Department of Housing and Career Services was instructed by the Council not to consider rent control or just cause for eviction when proposing possible expansions to the City's Tenant Protection Ordinance, which demonstrates the unwillingness of the Council to legislate any rent control or eviction protections in the City; and

(gg) WHEREAS, this Article is more protective than the provisions of Civil Code Section 1946.2 and shall apply to Covered Rental Units as defined herein.

Section 1803. Definitions.

Unless further defined elsewhere in this Article, the following words or phrases as used in this Article shall have the following meanings:

(a) **Abuse**. Psychological or physical violence, neglect or cruelty.

(b) **Annual General Adjustment**. The Annual General Adjustment is the percentage by which the Rent for existing tenancies in Covered Rental Units may be increased each year, subject to the limitations of this Article.

(c) **Base Rent**. The Base Rent is the reference point from which the lawful Rent shall be determined and adjusted in accordance with this Article. The Base Rent shall be either the Rent in effect on May 17, 2021 for those tenancies commencing before or on May 17, 2021, or the rental rate paid by the Tenant upon initial occupancy for those tenancies commencing after May 17, 2021, provided that amount is not a violation of this Article or any provision of state law.

(d) **Covered Rental Unit**. All Rental Units not specifically exempted under Section 1804(a) (Exemptions - Fully Exempt) or Section 1805 (Additional Homeowner Protections) herein.

(e) **City Council**. The term "City Council" refers to the City Council of the City of Pasadena.

(f) **Disabled**. A person with a disability. The term "disability" is defined in California Government Code Section 12955.3.

(g) **Extended Family.** Extended family means any spouse, whether by marriage or not, domestic partner, parent, child, sibling, grandparent, aunt or uncle, niece or nephew, grandchild, or cousin.

(h) **Fair Return**. A Fair Return shall be determined by using the maintenance of net operating income (MNOI) standard as outlined in Section 1813 herein.

(i) **Material Interest in Rental Property.** An individual has a Material Interest in Rental Property if they, or any member of their Extended Family, own, manage, or have a 5% or greater ownership stake in Rental Units in the county of Los Angeles, or if they or any member of their Extended Family owned, managed, or had a 5% or greater ownership stake in Rental Units in the county of Los Angeles in the past three (3) years.

(j) **Hearing Officer**. An official appointed by the Rental Board to conduct an investigation or administrative hearing pursuant to this Article.

(k) **Housing Services**. Housing Services include, but are not limited to, repairs, maintenance, painting, providing light, hot and cold water, elevator service, window shades and screens, storage, kitchen, bath and laundry facilities and privileges, janitor services, Utility Charges that are paid by the Landlord, refuse removal, furnishings, telephone, parking, the right to have a specified number of occupants, and any other benefit, privilege, arrangement or facility provided or contracted for in connection with the use or occupancy of any Rental Unit. Housing Services to a Rental Unit shall include a proportionate part of services provided to common facilities of the building in which the Rental Unit is contained.

(l) **Individual Rent Adjustment**. An adjustment to the otherwise lawful Rent that is authorized by a Hearing Officer or the Rental Board pursuant to this Article.

(m) **Landlord**. An owner, lessor, sublessor or any other person entitled to receive Rent for the use and occupancy of any Rental Unit, or an agent, representative, predecessor, or successor of any of the foregoing.

(n) **Petition**. A petition for an Individual Rent Adjustment or any petition the Rental Board deems necessary to effectuate the purpose of this Article.

(o) **Primary Residence**. The occupant's usual place of return. To classify a unit as an occupant's Primary Residence does not require that the occupant be physically present in the unit at all times or continuously, but does require that the unit be the occupant's usual place of return. Factors that are indicative of Primary Residence include but are not limited to:

(1) The occupant carries on basic living activities at the subject premises for extended periods;

(2) The subject premises are listed with public agencies, including but not limited to federal, state and local taxing authorities, as the occupant's Primary Residence;

(3) Utility Charges and other charges and fees associated with usage of the structure are billed to and paid by the occupant at the subject premises;

(4) The occupant does not file for a homeowner's tax exemption for any different property;

(5) Ownership is held in the name of the occupant claiming Primary Residence and not held by a Limited Liability Corporation or other corporate or business entity structure.

(p) **Property**. All Rental Units on a parcel or lot or contiguous parcels or contiguous lots under common ownership.

(q) **Recognized Tenant Organization**. Any group of Tenants residing in Rental Units in the same building or in different buildings operated by the same management company, agent or Landlord, who choose to be so designated. This shall also include any other at-large organization that represents the interest of Tenants.

(r) **Relocation Assistance**. Financial assistance in the amounts set forth in Section 1806(b).

(s) **Rent**. All periodic payments and all non-monetary consideration including, but not limited to, the fair market value of goods, labor performed or services rendered to or for the benefit of the Landlord under a Rental Housing Agreement concerning the use or occupancy of a Rental Unit and premises and attendant Housing Services, including all payment and consideration demanded or paid for parking, Utility Charges, pets, furniture, and/or subletting.

(t) **Rental Board**. The term "Rental Board" refers to the Pasadena Rental Housing Board established by this Article.

(u) **Rental Housing Agreement**. An agreement, oral, written, or implied, between a Landlord and Tenant for use or occupancy of a Rental Unit and for Housing Services. For the purpose of this Article, the terms "Rental Housing Agreement" and "Lease" are interchangeable.

(v) **Rental Housing Fee**. The fee described in Section 1811(k)(1) herein.

(w) **Rental Registry.** The term "Rental Registry" refers to the database of information on Covered Rental Units in Pasadena required pursuant to section 1812 of this Article.

(x) **Rental Unit**. Any building, structure, or part thereof, or land appurtenant thereto, or any other rental property rented or offered for rent for residential purposes, whether or not such units possess a valid Certificate of Occupancy for use as rental housing, together with all Housing Services connected with use or occupancy of such Property, such as common areas and recreational facilities held out for use by the Tenant.

(y) **Security Deposit**. Any payment, fee, deposit, or charge as defined in Section 1950.5 of the California Civil Code.

(z) **Single-Family Home**. A detached building containing a single residential dwelling unit separately alienable from any other dwelling unit.

(aa) **Tenant**. A tenant, subtenant, lessee, sublessee or any other person entitled under the terms of a Rental Housing Agreement or this Article to the use or occupancy of any Rental Unit.

(bb) **Utility Charges**. Any charges for gas, electricity, water, garbage, sewer, telephone, cable, internet, or other service relating to the use and occupancy of a Rental Unit.

(cc) **Written Notice to Cease**. A written notice provided by a Landlord that gives a Tenant an opportunity to cure an alleged violation or problem prior to initiating legal proceedings to terminate tenancy. Any Written Notice to Cease must:

(1) Provide the Tenant a reasonable period to cure the alleged violation or problem;

(2) Inform the Tenant that failure to cure may result in the initiation of eviction proceedings;

(3) Inform the Tenant of the right to request a reasonable accommodation;

(4) Inform the Tenant of the contact number for the Rental Board; and

(5) Include a specific statement of the reasons for the Written Notice to Cease with specific facts to permit a determination of the date, place, witnesses and circumstances concerning the reason for the eviction.

(6) Where a breach of Lease is alleged, inform the Tenant what Lease provision has been breached and what the Tenant must do in order to cure the breach.

Section 1804. Exemptions.

(a) **Fully Exempt (Exempt from Both Rent Stabilization and Just Cause for Eviction)**. The following Rental Units are exempt from all provisions of this Article:

(1) Units in hotels, motels, inns, tourist homes, lodging and rooming houses and boarding houses, including hotels, lodging houses, rooming houses, and boarding houses as defined in Pasadena Municipal Code Section 14.12.030,

provided that at such time as an accommodation has been occupied as the primary residence of one or more of the same tenants for any period more than thirty (30) days such accommodation shall become a Covered Rental Unit. The computation of the thirty (30) days shall include days in which the Tenant was required to:

(A) Move into a different guestroom or efficiency unit before the expiration of thirty (30) days occupancy; or

(B) Check out and re-register before the expiration of thirty (30) days occupancy if a purpose was to avoid application of this Article. Evidence that an occupant was required to check out and re-register shall create a rebuttable presumption, which shall affect solely the burden of producing evidence, that the housing accommodation is a Covered Rental Unit.

(2) Rental Units in any hospital, convent, monastery, extended medical care facility, asylum, non-profit home for the aged; dormitory owned and operated by an accredited institution of higher education, or Rental Units in a facility that has the primary purpose of operating a treatment or recovery program, where such Rental Units are provided incident to a client's participation in the treatment or recovery program and where the client has been informed in writing of the temporary or transitional nature of the housing at the inception of his or her participation in the program;

(3) Rental Units owned or operated or managed by a not-for-profit organization pursuant to a tax credit program;

(4) Rental Units which a government unit, agency or authority owns, operates, or manages, or in which government-subsidized Tenants reside, if applicable federal or state law or administrative regulation specifically exempt such units from municipal rent control; and

(5) Rental Units additionally exempted pursuant to Section 1805 (Additional Homeowner Protections).

(b) **Partially Exempt (Just Cause for Eviction Applies).** The following Rental Units are exempt from Sections 1807, 1808, and 1809 of this Article (regarding Stabilization of Rents) and from Sections 1813 and 1814 (regarding Petitions for Individual Rent Adjustment), but are not exempt from Section 1806 (Just Cause for Eviction Protections):

(1) To the extent required by state law, Rental Units exempt from rent control pursuant to the Costa Hawkins Rental Housing Act (California Civil Code Section 1954.52. *et seq.*). Where rent restrictions are permitted by state law, the Rental Board may issue rules and regulations to govern the restrictions on Rental Units identified in this paragraph;

(2) Rental Units governed by Pasadena City Code Chapter 17.42, Section 17.42.040 (Inclusionary Housing Requirements) and Chapter 17.43 (Density Bonus, Waivers and Incentives) to the extent permissible by law.

Section 1805. Additional Homeowner Protections.

In addition to the Rental Units exempted in Section 1804(a) of this Article (Fully Exempt), the following Rental Units are also fully exempt from this Article:

(a) A homeowner who is the primary resident of a Single-Family Home may create a temporary tenancy. The temporary Tenant must be provided, in writing at the inception of the tenancy, the length of the tenancy, to last no longer than twelve (12) months, and a statement that the tenancy may be terminated and relocation shall not be provided. A homeowner may not create such temporary tenancies for more than a total of twelve (12) months in any thirty-six (36) month period.

(b) A Tenancy where the Tenant shares a bathroom or kitchen with the homeowner shall be exempt from this Article if the home is the Primary Residence of the homeowner.

Section 1806. Just Cause for Eviction Protections.

(a) Just Causes for Eviction: No Landlord shall take action to terminate any tenancy, or endeavor to recover possession of a Rental Unit, including but not limited to making a demand for possession of a Rental Unit, threatening to terminate a tenancy orally or in writing, serving any Written Notice to Cease or other eviction notice, or bringing any action to recover possession, or be granted recovery of possession of a Rental Unit unless at least one of the following conditions exists:

(1) **Failure to Pay Rent**. The Tenant has failed, after receiving a Written Notice to Cease, to pay the Rent to which the Landlord is legally entitled under the Rental Housing Agreement, this Article, state, and any other local law. This condition does not include a failure to pay any separately charged fees.

(2) **Breach of Lease**. The Tenant has continued, after Written Notice to Cease, to substantially violate any of the material terms of the rental agreement, except the obligation to surrender possession on proper notice as required by law, and provided that such terms are reasonable and legal and have been accepted in writing by the Tenant or made part of the rental agreement; and provided further that, where such terms have been accepted by the Tenant or made part of the rental agreement subsequent to the initial creation of the tenancy, the Landlord shall have first notified the Tenant in writing that he or she need not accept such terms or agree to their being made part of the rental agreement.

(A) Notwithstanding any contrary provision in this Section, a Landlord shall not take any action to terminate a tenancy based on a Tenant's sublease of the unit if the following requirements are met:

(i) The Tenant continues to reside in the Rental Unit as his, her or their primary residence.

(ii) The sublease replaces one or more departed Tenants under the Rental Housing Agreement on a one-for-one basis.

(iii) The Landlord has unreasonably withheld the right to sublease following written request by the Tenant. If the Landlord fails to respond to the Tenant in writing within fourteen (14) days of receipt of the Tenant's written request, the Tenant's request shall be deemed approved by the Landlord. A Landlord's reasonable refusal of the Tenant's written request may not be based on the proposed additional occupant's lack of creditworthiness, if that person will not be legally obligated to pay some or all of the Rent to the Landlord. A Landlord's reasonable refusal of the Tenant's written request may be based on, but is not limited to, the ground that the total number of occupants in a Rental Unit exceed the maximum number of occupants as determined under Section 503(b) of the Uniform Housing Code as incorporated by California Health & Safety Code Section 17922.

(B) Protections for Families. Notwithstanding any contrary provision in this Section, a Landlord shall not endeavor to recover possession of a Rental Unit as a result of the addition to the Rental Unit of a Tenant's child, parent, grandchild, grandparent, brother or sister, **other dependent relative**, or the spouse or domestic partner (as defined in California Family Code Section 297) of such relatives, or as a result of the addition of the spouse or domestic partner of a Tenant, **or as a result of the addition of the sole additional adult tenant**, so long as the number of occupants does not exceed the maximum number of occupants as determined under Section 503(b) of the Uniform Housing Code as incorporated by California Health & Safety Code 17922. The Rent Board shall promulgate regulations that will further protect families and promote stability for school-aged children.

(3) **Nuisance.** The Tenant has continued, after the Landlord has served the Tenant with a Written Notice to Cease, to commit or expressly permit a nuisance in, or cause substantial damage to the Rental Unit or to the unit's appurtenances, or to the common areas of the Property containing the Rental Unit, or is creating an unreasonable interference with the comfort, safety, or quiet enjoyment of any of the other residents or immediately adjacent neighbors of the Property.

(4) **Illegal Purpose**. The Tenant is using or permitting a Rental Unit, the common areas of the Property, or an area within a 300 foot radius from the boundary line of the Property to be used for any illegal purpose.

The term "illegal purpose" as used in this subsection includes, but is not limited to, clear and convincing evidence of violations of any of the provisions of Division 10, Chapter 6

(commencing with Section 11350) and Chapter 6.5 (commencing with Section 11400) of the California Health and Safety Code, and does not include the use of housing accommodations lacking a legal approved use or which have been cited for occupancy or other housing code violations.

(5) **Refusal to Execute New Lease.** The Tenant, who had a Rental Housing Agreement which terminated on or after the effective date of this Article, has refused, after written request or demand by the Landlord to execute a written extension or renewal thereof for a further term of like duration with terms which are materially the same as in the previous Agreement and provided that such terms do not conflict with any provision of this Article or any other provision of law.

(6) **Failure to Give Access.** The Tenant, after receiving proper notice, has refused the Landlord reasonable access to the Rental Unit for the purpose of making repairs or improvements, or for the purpose of inspection as permitted or required by law, or for the purpose of showing the Rental Unit to any prospective purchaser or mortgagee.

(A) The Board shall promulgate regulations for the repair and improvement of Rental Units to ensure the least amount of disruption for the Tenant. Unless due to a documented emergency affecting a Tenant's health and/or safety or as required by state law, all repair or improvement work will be scheduled in compliance with applicable Board regulations. In the event that a Tenant refuses access to the Rental Unit for repairs, a Landlord must show that written notice was provided to the Tenant and all necessary repair or improvement work was scheduled in compliance with all applicable Board regulations to terminate tenancy under this subsection.

(B) The notice requesting access shall inform the Tenant that if he or she is unable to comply because of a disability, he or she may request a change in the Landlord's policies or practices or other reasonable accommodation to the Tenant's disability.

(7) **Subtenant in Sole Possession.** The person in possession of the Rental Unit at the end of a lease term is a subtenant not approved by the Landlord.

(8) **Necessary and Substantial Repairs Requiring Temporary Vacancy**. The Landlord, after having obtained all necessary permits from the City of Pasadena, and having provided written notice to the Tenant, seeks in good faith to undertake substantial repairs that are necessary to bring the Rental Unit into compliance with applicable codes and laws affecting the health and safety of Tenants of the building, provided that:

(A) As independently confirmed by the City of Pasadena, the repairs necessitate that the Tenant vacate the Rental Unit because the work will render the Rental Unit uninhabitable for a period of not less than thirty (30) days, and

(B) The Landlord gives advance notice to the Tenant of the Tenant's right to elect one or both of the following:

(i) The right of first refusal to any vacant Rental Unit owned by the Landlord at the same or lower Rent, provided that the unit is of comparable or superior material living condition and convenience for the Tenant, if such comparable or superior vacant unit exists.

(ii) The first right of return to reoccupy the unit upon completion of the repairs at the same Rent charged to the Tenant before the Tenant temporarily vacated the Rental Unit to the extent allowed by state law.

(iii) In the event that the Tenant elects to accept an offer to move to a comparable vacant Rental Unit at the same or lower Rent, the Tenant is not eligible for any Relocation Assistance pursuant to Section 1806(b) herein, however the length of tenancy shall continue to be calculated from the date the Tenant first entered into a Rental Housing Agreement at the Property.

(C) In the event the Landlord files a Petition for Individual Rent Adjustment within six (6) months following the completion of the work, the Tenant shall be party to such proceeding as if he or she were still in possession, unless the Landlord submits with such application a written waiver by the Tenant of his or her right to reoccupy the premises pursuant to this subsection.

(9) **Owner Move-In**. The Landlord seeks, after providing 6 months written notice to the Tenant, to recover possession of the Rental Unit in good faith for use and occupancy as a Primary Residence by the Landlord, Landlord's spouse, domestic partner, children, grandchildren, parents, or grandparents.

(A) As used in this subsection, "Landlord" shall only include a Landlord that is a natural person and has at least a fifty percent (50%) recorded ownership interest in the Property.

(B) No eviction may take place under this subsection if the same Landlord or enumerated relative already occupies a unit on the Property, or if a vacancy already exists on the Property. If a comparable unit does become vacant and available before the recovery of possession, the Landlord shall rescind the notice to vacate and dismiss any action filed to recover possession of the premises.

(C) Any notice terminating tenancy pursuant to this subsection shall contain the name, address and relationship to the Landlord of the person intended to occupy the Rental Unit, and the rights pursuant to Subparagraph (E) herein.

(D) The Landlord or enumerated relative must intend in good faith to move into the Rental Unit within sixty (60) days after the Tenant vacates and to occupy the Rental Unit as a Primary Residence for at least thirty-six (36) consecutive months. The Rental Board may adopt regulations governing the determination of good faith.

(E) If the Landlord or relative specified on the notice terminating tenancy fails to occupy the Rental Unit within sixty (60) days after the Tenant vacates or fails to occupy the Rental Unit as a Primary Residence for at least thirty-six (36) consecutive months, the Landlord shall:

(i) Offer the Rental Unit to the Tenant who vacated it at the same Rent in effect when the Tenant vacated; and

(ii) Pay to said Tenant all reasonable expenses incurred in moving to and from the Rental Unit.

(F) **Eviction Protection for Elderly or Disabled Tenant**. A Landlord may not evict a Tenant pursuant to this subsection if the Tenant has resided in the Rental Unit for at least five (5) years and is either: (1) at least sixty (60) years or older, (2) Disabled; and/or (3) is certified as being terminally ill by the Tenant's treating physician. Notwithstanding the above, a Landlord may evict a Tenant who qualifies for the exemption herein if the Landlord or enumerated relative who will occupy the Rental Unit also meets the criteria for this exemption and no other units are available.

(G) Notwithstanding Section 1806(a)(9)(F), at all times a Landlord may request a reasonable accommodation if the Landlord or enumerated relative is Disabled and another unit in Pasadena is necessary to accommodate the person's disability.

(10) **Withdrawal of the Unit Permanently from Rental Market**. To the extent required by California Government Code Section 7060 *et seq.*, the Landlord may seek in good faith to recover possession to withdraw all Rental Units of an entire Property from the rental market. The Landlord first must have filed the requisite documents with the Rental Board initiating the procedure for withdrawing Rental Units from rent or lease under California Government Code Section 7060 *et. seq.* and all regulations passed by the Rental Board, with the intention of completing the withdrawal process and going out of the rental business or demolition of the Property. If demolition is the purpose of the withdrawal, then the Landlord must have received all needed permits from the City of Pasadena before serving any notices terminating a tenancy based on Subsection (a)(10) herein. Tenants shall be entitled to a minimum of 180-day notice or one (1) year in the case Tenants are defined as senior or Disabled. Notice times may be increased by regulations if state law allows for additional time.

(11) **Government Order.** The Landlord seeks in good faith 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 the vacating of the building housing the Rental Unit as a result of a violation of the Pasadena Municipal Code or any other provision of law. To the extent allowed by state law, the Landlord must give advance notice to the Tenant of the Tenant's right to elect one or both of the following:

(A) The right of first refusal to any vacant Rental Unit owned by the Landlord at the same or lower Rent, provided that the unit is of comparable or superior material living condition and convenience for the Tenant, if such comparable or superior vacant unit exists.

(B) The first right of return to reoccupy the unit if and when it is found to be in compliance with the order at the same Rent charged to the Tenant before the Tenant temporarily vacated the Rental Unit.

(i) In the event that the Tenant elects to accept an offer to move to a comparable vacant Rental Unit at the same or lower Rent, the Tenant is not eligible for any Relocation Assistance pursuant to Section 1806(b) herein, however the length of tenancy shall continue to be calculated from the date the Tenant first entered into a Rental Housing Agreement at the Property.

(b) **Relocation Assistance.**

A Landlord seeking to recover possession under Subsections (a)(8)-(11) above shall provide Relocation Assistance. The Landlord shall provide a minimum of fifty percent (50%) of the required Relocation Assistance within ten (10) days of service of any written notice of termination pursuant to Subsections (a)(8)-(11) to the Tenant(s). The Landlord may elect to pay the remaining Relocation Assistance owed to a Tenant pursuant to this subsection to an escrow account no later than twenty-eight (28) days prior to the expiration of the written notice of termination, to be disbursed to the Tenant upon certification of vacation of the Rental Unit. The escrow account shall provide for the payment prior to vacation of all or a portion of the monetary relocation benefits for actual relocation expenses incurred or to be incurred by Tenant prior to vacation, including but not limited to security deposits, moving expense deposits and utility connection charges. The Landlord may also disburse the remaining Relocation Assistance directly to the Tenant no later than twenty-eight (28) days prior to the expiration of the notice of termination.

(A) The Landlord shall notify the affected Tenants of their rights under this subsection, if any, at the time of service of the notice to quit.

(B) The Rental Board shall issue rules and regulations to effectuate this subsection including but not limited to rules and regulations setting forth the procedures for establishing the amount of Relocation Assistance applicable to any given Tenant household, and for the reasonably timely payment of any applicable Relocation Assistance.

(C) A Landlord shall provide Relocation Assistance to any Tenant household who is displaced from a Rental Unit due to inability to pay Rent increases in excess of 5 percent plus the most recently announced Annual General Adjustment in any twelve-month period. The Landlord must provide Relocation Assistance to such Tenant households no later than the date that they vacate the Rental Unit. The Board shall issue rules and regulations to further effectuate this subdivision, including but not limited to the procedures and forms for establishing and facilitating payment of Relocation Assistance, an appeal process, if any, and rules to ensure the reasonably timely payment of any applicable Relocation Assistance. The Board may reduce the threshold triggering

Relocation Assistance to Rent increases lower than 5 percent plus the most recently announced Annual General Adjustment in any twelve-month period if it determines that the lower threshold is necessary to further the purposes of this Article.

(c) **Right of Return and First Right of Refusal.** All Tenants whose tenancy is terminated on a basis enumerated in Subsections (a)(8)-(11) herein shall have the first right of refusal to return to the Rental Unit if that Rental Unit is returned to the market by the Landlord or a successor Landlord to the maximum extent permitted by state law. Rent for the Rental Unit shall be the Rent lawfully paid by the Tenant at the time the Landlord gave notice of termination based upon Subsections (a)(8)-(11) herein to the maximum extent permitted by state law. The Rental Board shall decide on a timeline and procedures for the subsequent notification of the former Tenant of the return of their Rental Unit to the market.

(d) **Required Notice for Withdrawal of Rental Units From Rental Housing and Regulation of Property on Re-Offer of Rent or Lease After Withdrawal.** Within 180 days of the first meeting of the Rental Board, the Rental Board shall adopt regulations, in the manner specified by California Government Code Section 7060.5, that implement all of the provisions set forth in California Government Code Section 7060 *et seq.* Such regulations shall be updated from time to time to ensure consistency with California Government Code Section 7060 *et seq.* and to ensure that the maximum protections authorized by law are afforded to Tenants of Rental Units.

(e) **Posting of Notice.** For every Property containing Rental Units subject to this Article, the Landlord shall post a notice on a form prepared and authorized by the Rental Board, providing information about the existence of this Article. Notice must be posted in a conspicuous location in the lobby of the Property, near a mailbox used by all Tenants, or in or near a public entrance to the Property. The notice shall be written in English and Spanish, and in any other languages as required by the Rental Board.

(f) **Security Deposits**. No Landlord shall increase a security or other deposit originally required from a Tenant as a condition of continued occupancy of a Rental Unit subject to this Article. Landlords shall pay interest annually on all Security Deposits held for at least one year for his or her Tenants. The interest rate to be paid on Security Deposits shall be set annually by the Rental Board every October. A Tenant shall be given the unpaid accrued interest within the timeframe outlined in California Civil Code Section 1950.5.

(1) The interest rate shall be based on the average of the interest rates on savings accounts paid on October 1 of the previous year, by at least five Federal Deposit Insurance Corporation (FDIC) insured banks with branches in Pasadena. The Rental Board shall adopt the rate by October 1 of each year. The interest rate established by the Rental Board shall be the rate in effect from January 1 through December 31 of the subsequent year.

(g) **Retaliation is Barred**. No Landlord may threaten to bring, or bring, an action to recover possession, cause the Tenant to quit the Rental Unit involuntarily, serve any Written Notice to Cease or notice of termination of tenancy, decrease any services, interfere with the Tenant's quiet enjoyment of the Rental Unit and common areas, or increase the Rent where the Landlord's dominant motive is retaliation against the Tenant for the Tenant's assertion or

exercise of rights under this Article, including creating and/or associating with Recognized Tenants Organizations or individuals involved with tenant advocacy. Such retaliation shall be a defense to an action to recover possession, or it may serve as the basis for an affirmative action by the Tenant for actual and punitive damages and injunctive relief. A Tenant may assert retaliation affirmatively or as a defense to the Landlord's action regardless of the period of time which has elapsed between the Tenant's assertion or exercise of rights under this Article and the alleged act of retaliation. However, there is a presumption of retaliation if Tenant engages in protected activity described herein in the twelve (12) months immediately preceding the issuance of a Written Notice to Cease. The Rental Board may address retaliation issues further in its rules and regulations consistent with the intent of this subsection to prevent unlawful retaliation.

(h) **Harassment is Prohibited**. No Landlord may threaten to bring, or bring, an action to recover possession, cause the Tenant to quit the Rental Unit involuntarily, serve any Written Notice to Cease or notice of termination of tenancy, change the terms of lease without express written agreement from the Tenant, decrease any services, refuse to accept or acknowledge receipt of a Tenant's lawful Rent pursuant to this Article, or interfere with the Tenant's quiet enjoyment of the Rental Unit and common areas as part of an attempt to increase the Rent above the maximum allowable Rent permitted under this Article, either by obtaining such excessive Rent from the Tenant or by creating a vacancy and increasing the Rent for a new Tenant. Tenants are also protected from harassment for creating and/or associating with Recognized Tenant Organizations or individuals involved with tenant advocacy. Such harassment shall be a defense to an action to recover possession, or it may serve as the basis for an affirmative action by the Tenant for actual and punitive damages and injunctive relief. The Rental Board may address harassment issues further in its rules and regulations consistent with the intent of this subsection to prevent unlawful harassment.

(i) **Notice to Specify Basis for Termination**. Any notice purporting to terminate tenancy on any of the bases specified in this section must state with specificity the basis on which the Landlord seeks to terminate the tenancy.

(j) **Landlord Compliance with this Article**. In any action brought to recover possession of a Rental Unit subject to this Article, the Landlord shall allege compliance with this Article.

(k) **Filing Termination Notices with Rental Board.** The Landlord shall file with the Rental Board a copy of any notice terminating tenancy, including but not limited to a Written Notice to Cease, within three (3) days after serving the notice on the Tenant. The notice must be accompanied by a form summarizing the protections afforded to the Tenant by this Article, which will be prepared by the Rental Board.

(l) **Failure to Comply**. A Landlord's failure to comply with any requirement of this section, including without limitation the failure to serve any of the required notices to the Rental Board or to pay Relocation Assistance in subsection (b), is a complete affirmative defense in an unlawful detainer or other action brought by the Landlord to recover possession of the Rental Unit.

Section 1807. Stabilization of Rents.

(a) **Rents Stabilized**. Upon the effective date of this Article, no Landlord shall charge Rent for a Covered Rental Unit in an amount that exceeds the sum of the Base Rent plus any lawful Rent increases actually implemented pursuant to this Article.

(b) **Rent Increases Regulated**. No Landlord shall increase Rent for a Covered Rental Unit except as authorized by this Article. Rent increases shall be limited to those permitted by Section 1808 (Rent Increases Pursuant to Annual General Adjustment) and Sections 1813 and 1814 (Petitions for Upward Adjustment). A Landlord may set the initial Rent for a new tenancy pursuant to Section 1809 (Initial Rents for New Tenancies).

(c) **Notice of the Existence of this Article Required at Commencement of Tenancy.** The Landlord of any Covered Rental Units is required to comply with the following notice requirements at the commencement of any tenancy:

(1) On or before the date of commencement of a tenancy, the Landlord must give the Tenant a written notice in a form prepared and authorized by the Rental Board which must include the following information:

(A) The existence and scope of this Article; and

(B) The Tenant's right to Petition against certain Rent increases; and

(C) Instructions for accessing and description of the Rental Registry described in Section 1812 herein.

(2) The Landlord must give the initial notice to the Tenant in the language that was used to negotiate the terms of the tenancy or in another language if requested by the tenant, provided that a translation of the notice into this language has been made available by the Rental Board.

Section 1808. Rent Increases Pursuant to Annual General Adjustment.

(a) **Annual General Adjustment**. No later than September 1 each year, the Rental Board shall announce the amount of the Annual General Adjustment, which shall be effective as of October 1 of that year. The Annual General Adjustment is the percentage by which the Rent for existing tenancies in Covered Rental Units may be increased each year, subject to the limitations of this Article.

(1) The Annual General Adjustment shall be equal to seventy five percent (75%) of the percentage increase in the Consumer Price Index (CPI) (All Items, All Urban Consumers, Los Angeles-Riverside-Orange County region or any successor designation of that index that may later be adopted by the U.S. Bureau of Labor Statistics) as reported and published by the U.S. Department of Labor, Bureau of Labor Statistics, for the twelve- month period ending as of March of the current year. The Annual General Adjustment shall be rounded to

the nearest one-quarter of a percent. The first Annual General Adjustment shall be in accordance with Subparagraph (3) of this section.

(2) In the event that the percentage change in the Consumer Price Index is negative, the Annual General Adjustment shall be zero percent (0%).

(3) Pursuant to Subsection (a) herein, the Rental Board's first announcement of an Annual General Adjustment shall be made no later than September 1, 2022. Accordingly, the first Rent increase that a Landlord may impose pursuant to this Article shall not take effect prior to October 1, 2022. For tenancies established before May 17, 2021, the amount of the first Annual Adjustment, which shall be effective on October 1, 2022, shall be equal to seventy-five percent (75%) of the percentage increase in the CPI from May 2021 through May 2022; for tenancies established after May 17, 2021, the amount of the first Annual Adjustment shall be equal to seventy-five percent (75%) of the percentage increase in the CPI from the first month of the tenancy through May 2022. The Rental Board shall publish a schedule indicating the first Annual Adjustment allowed based on the start date of the relevant tenancy.

(4) A Landlord who seeks to raise Rent by the Annual General Adjustment must do so within the twelve (12)-month period between October 1 of the current year and September 30 of the following year. A Landlord who fails to implement a Rent increase pursuant to the Annual General Adjustment during such period shall not be eligible to defer implementation of the Annual General Adjustment in a later year.

(b) **One Rent Increase Per Year**. No more than one Rent increase per twelve-month period may be imposed on a Tenant.

(c) **Notice of Rent Increase Required**. Allowable Rent increases pursuant to the Annual General Adjustment shall become effective only after the Landlord provides written notice to the Tenant in the manner prescribed by law, with at least thirty (30) days' advance written notice.

(d) **Notice Required to Increase Rent or Change Other Terms of Tenancy**. As part of any notice to increase Rent or change any terms of tenancy, a Landlord must include:

(1) Notice of the existence of this Article; and

(2) The right to Petition against any Rent increase in excess of the Annual General Adjustment unless such Rent increase is pursuant to an approved Petition.

(3) No Rent Increase shall take effect until the requirements of this subsection have been met.

(e) **Conditions Under Which Rent Increase is Not Permitted**. No Rent increase shall be effective if the Landlord:

(1) Has failed to substantially comply with all provisions of this Article and all rules and regulations promulgated by the Rental Board; or

(2) Has failed to maintain the Rental Unit in compliance with California Civil Code Sections 1941.1 *et seq.* and California Health and Safety Code Sections 17920.3 and 17920.10; or

(3) Has failed to make repairs ordered by a Hearing Officer, the Rental Board, or the City of Pasadena

Section 1809. Initial Rents for New Tenancies.

(a) **Setting of Initial Rents Without Restriction**. To the extent required by state law, Landlords may set the initial Rent for new Tenants without regulation by this Article.

(b) **Restrictions on Initial Rent for New Tenancies**. To the maximum extent permitted by state law, the initial Rent for new tenancies shall be subject to the restrictions of this Article. The Rental Board shall issue rules and regulations to govern the restrictions on the initial Rent for new tenancies where such restrictions are permitted by state law.

(c) **Rent Increases After Setting an Initial Rent**. After the Landlord sets an initial Rent pursuant to this section, the Landlord may only increase the Rent in accordance with this Article. The Landlord may not increase Rent based on cost increases, capital improvements, or other circumstances that arose before the new tenancy began.

Section 1810. Tenant Buyout Notification Program.

(a) **Purpose**. The Tenant Buyout Notification Program provides for regulation, monitoring and enforcement of voluntary vacancies of Rental Units subject to this Article occurring pursuant to a Buyout Agreement. To promote fairness during buyout negotiations and agreements, this section requires Tenants be informed of their rights under this Article before executing a Buyout Agreement. The Rental Board may promulgate regulations to implement this section.

(b) **Disclosure Notice**. Before making a Buyout Offer, the Landlord shall provide the Tenant(s) with a notice, which shall be written in the primary language of the Tenant on a form prepared and authorized by the Rental Board; and which shall be dated and signed by the Landlord and the Tenant(s).

(c) **Buyout Agreement Requirements.**

(1) Every Buyout Agreement shall be written in the primary language of the Tenant and state in a minimum of 12-point bold type above the Tenant signature line as follows: "You, (Tenant name), may cancel this Buyout Agreement any time up to 45 days after all parties have signed this Agreement without any obligation or penalty."

(2) Every Buyout Agreement shall advise the Tenant that he/she/they have the right:

(a) Not to enter into a Buyout Agreement;

(b) To consult an attorney and/or the Rental Board before signing the Buyout Agreement; and

(c) To cancel the Buyout Agreement at any time up to 45 days after all parties have signed it.

(3) Every Buyout Agreement shall be signed and dated by the Landlord and Tenant.

(4) A copy of the fully executed Buyout Agreement shall be given to the Tenant.

(d) **Cancellation of Buyout Agreement.**

(1) A Tenant shall have the right to cancel a Buyout Agreement for any reason for up to 45 days after execution by the Landlord and the Tenant without any financial obligation or penalty.

(2) Whenever the notice required pursuant to this section and/or the Buyout Agreement does not conform to the requirements of this section or Rental Board regulations, the Tenant shall have the right to cancel the Buyout Agreement through the applicable statute of limitations period.

(e) **Filing Executed Disclosure Notice and Buyout Agreement**. The Landlord shall file with the Rental Board copies of the notice required pursuant to this section signed by the Tenant and the Landlord and the Buyout Agreement within 60 days of the Buyout Agreement execution.

(f) **Affirmative Defense**. A violation of this section may be asserted as an affirmative defense in an unlawful detainer action.

(g) **Private Right of Action**. A Tenant may bring a private right of action against a Landlord who violates a provision of this section and recover damages and a penalty of $1,000.

Section 1811. Pasadena Rental Housing Board.

(a) **Composition**. There shall be in the City of Pasadena an appointed Rental Housing Board comprised of Pasadena residents as set forth in this section. The Rental Board will consist of eleven (11) members. Seven (7) members must be Tenants, None of whom may have Material Interest in Rental Property at the time of their appointment or at any later time during their service. The City Council shall appoint one Tenant member from each of the seven (7) districts of Pasadena. The remaining four (4) Rental Board members, henceforth referred to as "at-large" members, shall be appointed by the City Council, and may reside in any district of Pasadena, may or may not be Tenants, and may or may not have Material Interest in Rental Property.

In addition, the City Council shall appoint two (2) alternate Board members, one of whom will serve as the alternate to the group of seven (7) Tenants, and the other of whom will serve as the alternate to the group of four (4) at-large members. The alternate member for the Tenant group must be a Tenant and must not have Material Interest in Rental Property at the time of their

appointment or at any later time during their service. The alternate Tenant Member may reside in any district of Pasadena. The alternate member for the at-large group will be appointed, as with the other at-large members, without restrictions on district of residency within Pasadena, Tenant status, or Material Interest in Rental Property. The alternate Board Members will be permitted to attend all Board meetings, and to speak, but will not be authorized to vote unless a regular member of their corresponding group is absent from that meeting or is disqualified or recused from voting on one or more agenda items, or has resigned or been removed from the Rental Board. If any one of the Tenant Members or the Alternate Tenant Member becomes aware that they have gained Material Interest in Rental Property at any time during their service, they must resign their position on the Rental Board and notify City Council within five (5) business days. If any member resigns or is removed from the Rental Board, this will be considered a vacancy, and the member must be replaced in accordance with the procedure described in Section 1810(j). Anyone nominated to this Rental Board must be in compliance with this Article and all other local, state and federal laws regulating the provision of housing. Annually, the Rental Board shall elect one of its members to serve as chairperson.

(b) **Eligibility and Appointment**. All prospective members of the Rental Board shall submit an application to the City Council. This application must include a proof of residency in whichever Pasadena district the applicant claims to reside. The application must also include the signatures of at least 25 residents of the applicant's district endorsing the appointment, collected on a form provided for this purpose by the City Clerk or designee. These signatures will be verified by the City Clerk or designee. Additionally, the application shall include a verified statement under penalty of perjury on a form provided by the City Clerk or designee of the interests and dealings of the applicant and their Extended Family in Rental Properties in the county of Los Angeles during the three (3) years immediately prior to the submission of the application. This documentation shall be made available to the public. No Extended Family member of any current member of City Council may be appointed to the Rental Board. No Tenant residing at a property owned or managed by a Council member or any member of the Council member's Extended Family, or in which any Council member or any member of their Extended Family has any ownership stake, may be appointed to the Rental Board.

(c) **Requirement of Tenant Members**: Tenant Board members, including the Alternate Tenant member, must additionally, and under penalty of perjury, provide a written affirmation of their lack of Material Interest in Rental Property at the time of their initial appointment, and once each year of their service following their initial appointment. Rental Board members shall be appointed by the City Council at a public meeting within 120 days of the effective date of this Article. In the case of initial appointments, City Council must publish a solicitation for applications within 30 days of the effective date of this article. In the case of subsequent appointments due to vacancies, City Council must publish a solicitation for applications within 30 days of the date it becomes aware of the vacancy. In the case of term limits, City Council shall publish a solicitation for applications 120 days before the end of each term. In all cases, City Council must announce their appointments within 90 days of the publication of the solicitation for applications. All solicitations must specify which position is open, and the length of each corresponding term. All forms related to the application, including the instructions for application, must be made publicly available by the City Clerk or designee by the date of each solicitation.

(d) **Term of Office**. Regularly appointed Rental Board members shall serve four (4) year terms, unless they are appointed to fill unexpired terms or are designated to fill a two (2) year term on the initial Board. Those members filling unexpired terms shall serve the remaining length of the unexpired term. Members may serve no more than eight (8) consecutive years. Member terms shall be staggered. Four (4) of the tenant appointees initially appointed shall serve for four (4) years; the terms of the remaining initial tenant appointees shall be two (2) years. Two (2) of the at-large appointees initially appointed shall serve for four (4) years; the terms of the remaining initial at-large appointees shall be two (2) years. The initial term for any alternate shall be for four (4) years. The City Council will appoint members to the Board with careful alacrity, taking care to ensure there are no unfilled Board seats. Tenant members of the Board may be recalled pursuant to a petition signed by 10% of the qualified voters of the district from which the tenant was appointed. At-large members may be recalled pursuant to a petition signed by 5% of the qualified voters of the City. No vote of the electorate will be required to recall a Board member.

(e) **Powers and Duties**. The Rental Board shall have the following powers and duties:

(1) Set allowable Rent increases at fair and equitable levels to achieve the purposes of this Article. Notwithstanding any other provision of this Article, the Rental Board shall have the authority to adopt regulations authorizing Rent increases and/or adjustments required by state or federal law.

(2) Establish rules and regulations for administration and enforcement of this Article.

(3) Determine and publicize the Annual General Adjustment pursuant to this Article.

(4) Appoint Hearing Officers to conduct hearings on Petitions for Individual Rent Adjustment pursuant to this Article. The duties and powers of Hearing Officers are laid out in Section 1813 (a). Before a Hearing Officer is appointed, they must complete a verified statement of Material Interest under penalty of perjury, as described in Section 1810(b). This document will be made available to the public. Additionally, a Hearing Officer will be disqualified from hearing a Petition under the same circumstances that a Board Member would be disqualified from ruling on a petition, detailed in Section 1810 (p). If a Hearing Officer is disqualified from hearing a Petition, the Rental Board will appoint another Officer in their place.

(5) Delegate authority to adjudicate petitions as appropriate and act as the appellate body that reviews and adjudicates appeals on decisions made by a Hearing Officers.

(6) Establish procedures and timelines for hearings on Petitions, including determining the timelines and procedures for appeals to the Rental Board.

(7) Establish procedures and timelines for the withholding of Rent by a Tenant in the event that a Landlord fails to repay them excessive Rents charged, as detailed in Section 1813(e).

(8) Issue rules and regulations for Petitions not enumerated in this Article as necessary to effectuate the purposes of this Article.

(9) Administer oaths and affirmations and subpoena witnesses and relevant documents.

(10) Establish a budget for the reasonable and necessary implementation of the provisions of this Article, including but not limited to the hiring of necessary staff, such as Hearing Officers, and the maintenance of a Rental Registry. The Rental Board may charge fees in an amount sufficient to support this budget.

(11) Administer the withdrawal process for the removal of Rental Units from the rental housing market.

(12) Hold public hearings.

(13) Conduct studies, surveys, investigations, audits, and hearings, and obtain information to further the purposes of this Article

(14) Make quarterly reports to the City Council on the status of Rental Units subject to this Article. Reports shall be made available to the public and include, but not be limited to: (a) a summary of the numbers of Written Notices to Cease served pursuant to this Article, including the bases upon which they were served, (b) a summary of any and all Petitions submitted to and/or decided by a Hearing Officer and/or the Rental Board pursuant to this Article, including the bases on which the Petitions were submitted and the determinations on the Petitions, (c) a summary of any and all other matters brought before the Rental Board, and (d) a summary of egregious cases and actors with numerous or frequent violations and actors engaging with the Rental Board in bad faith.

(15) Publicize through reasonable and appropriate means the provisions of this Article, including without limitation the rights and responsibilities of Landlords and Tenants.

(16) Establish a schedule of penalties that may be imposed for noncompliance with this Article or with rules and regulations promulgated under this Article.

(17) Pursue civil remedies as provided by this Article in courts of appropriate jurisdiction.

(18) Intervene as an interested party in any litigation brought before a court of appropriate jurisdiction by a Landlord or Tenant with respect to Rental Units subject to this Article.

(19) Establish and maintain a Rental Registry. The Rental Board shall make all reasonable efforts to guarantee that appropriate contents of the Rental Registry are easily accessible to all Pasadena residents.

(20) Produce written notices and other public documents in English and Spanish, and shall make a reasonable effort to accommodate additional languages as requested.

(21) Any other duties necessary to administer and enforce this Article.

(f) **Rules and Regulations**. The Rental Board shall issue and follow such rules and regulations as will further the purposes of the Article.

(g) **Meetings**. The Rental Board shall hold regularly scheduled meetings as necessary to ensure the performance of its duties under this Article. All regular and special meetings shall be called and conducted in accordance with state law.

(h) **Quorum**. Six (6) members, at least four (4) of whom must be Tenants, shall constitute a quorum for the Rental Board.

(i) **Voting**. The affirmative vote of six (6) members of the Rental Board is required for a decision, including on all motions, regulations, and orders of the Rental Board.

(j) **Compensation.** Each member of the Rental Board shall be compensated on an hourly basis for their time committed to Rental Board meetings. The chairperson of the Board will record the length of each meeting, and all Board Members in attendance will be compensated accordingly. Board Members will be compensated for a maximum of twenty (20) hours per week. The hourly rate of compensation shall be equal to 2.5 times the Pasadena minimum wage.

(k) **Vacancies.** If a vacancy occurs on the Rental Board, a person qualified to fill such vacancy shall be appointed by the City Council in accordance with the appointment schedule described in Section 1810b, as well as the eligibility conditions described in Sections 1810a and 1810b. No vacancy shall remain unfilled for a period longer than 120 days. If the missing member is a non-alternate member of the Tenant group, their replacement must be appointed by the Councilmember representing their district. Otherwise, the replacement will be appointed by the City Council collectively. If the missing member is not an alternate, then the alternate member of the corresponding group (Tenant or At-large) will vote in the place of the missing member until a replacement is appointed.

(l) **Financing**. The Rental Board shall finance its reasonable and necessary expenses, including without limitation engaging any staff as necessary to ensure implementation of this Article, by charging Landlords an annual Rental Housing Fee as set forth herein, in amounts deemed reasonable by the Rental Board in accordance with applicable law. The Rental Board is also empowered to request and receive funding when and if necessary from any available source, including the City of Pasadena, for its reasonable and necessary expenses.

(1) **Rental Housing Fee**. All Landlords shall pay a Rental Housing Fee on an annual basis. The first Rental Board convened after the effective date of this Article shall determine the amount of the Rental Housing Fee. The amount of the Rental Housing Fee may differ between Rental Units subject to the entirety of this Article and those that are partially exempt. The Rental Board may adjust the amount of the Rental Housing Fee at its discretion to ensure full funding of its reasonable and necessary expenses, in accordance with all applicable law.

(A) **Pass-Through to Tenants.** No portion of the Rental Housing Fee may be passed through to Tenants. The Rental Housing Fee may be claimed as an operating expense for the purpose of a Petition for Individual Rent Adjustment.

(2) **City to Advance Initial Funds**. During the initial implementation of this Article, the City shall advance all necessary funds to ensure the effective implementation of this Article, until the Rental Board has collected Rental Housing Fees sufficient to support the implementation of this Article. The City may seek reimbursement of any advanced funds from the Rental Board after the Rental Housing Fee has been collected. Reimbursement of the City shall not take precedent over the normal and reasonable operating costs of the Rental Board.

(m) **Integrity and Autonomy of Rental Board**. The Rental Board shall be an integral part of the government of the City, but shall exercise its powers and duties under this Article independent from the City Council, City Manager, and City Attorney, except by request of the Rental Board. The Rental Board may request the services of the City Attorney, who shall provide them pursuant to the lawful duties of the office in Article II, Chapter 2.30 of the Pasadena City Charter. The City shall provide infrastructure support on an ongoing basis as it would with any other City department.

(n) **Board Legal Work**. The Rental Board may, in its sole discretion, and without approval of the City Council, retain private attorneys to furnish legal advice or representation in particular matters, actions, or proceedings.

(o) **Conforming Regulations**. If any portion of this Article is declared invalid or unenforceable by decision of a court of competent jurisdiction or rendered invalid or unenforceable by state or federal legislation, the Rental Board and not the City Council shall have authority to enact replacement regulations consistent with the intent and purpose of the invalidated provision and applicable law. Such replacement regulations shall supersede invalidated or unenforceable provisions of this Article to the extent necessary to resolve any inconsistency. The subject matter of such replacement regulations shall be limited to the matters addressed in this Article.

(p) **Designation of Replacement Rental Board**. In the event the establishment of the Rental Board under this section is adjudged to be invalid for any reason by a court of competent jurisdiction, the City Council shall designate one or more City departments, agencies, Rental Boards, or commissions to perform the duties of the Rental Board prescribed by this Article.

(q) **Conflict of Interest**. Rental Board members shall not necessarily be disqualified from exercising any of their powers and duties on the grounds of a conflict of interest solely on the basis of their status as a Landlord, Property manager, realtor, developer, or Tenant, provided they meet the eligibility requirements of their respective group (Tenant or at-large). However, a Rental Board member shall be disqualified from ruling on a Petition if the Rental Board member either has Material Interest in a Rental Property involved in the Petition, or is a Tenant at that Property, or has an Extended Family member who is a Tenant at the Property, or has met any of these criteria at any time since their appointment to the Rental Board, or during the three (3) years preceding their appointment. The provisions of the Political Reform Act, California Government Code Sections

87100 *et seq.* shall apply.

Section 1812. Rental Registry: The Rental Board shall create a Rental Registry and online portal pursuant to the requirements of this section. The Rental Registry and online portal shall be designed to receive information from owners of Properties subject to registration and to disseminate information to the public. The Rental Board shall promulgate regulation necessary to implement these provisions.

(a) **Covered Properties**. Properties with Covered Rental Units are subject to registration in the Rental Registry. The Rental Board may require additional Properties to be subject to registration at its discretion.

(b) **Date of Implementation.** The Rental Registry, online portal, and all forms necessary for their effective and efficient use shall be available and operational within one year of the effective date of this article.

(c) **Owner Information Submission.** All owners of Property subject to registration must complete and submit a rental registry form for each such Property no later than 90 days after the Rental Registry becomes operational, and subsequently every following year, no later than April 1st. In the event of any change in Property ownership, the new owner must register or update the Rental Registry within 30 days of the change of ownership.

(d) **Data Collected.** The rental registry form shall collect information about Rental Units subject to registration, including but not limited to:
   (1) The legal address or addresses of each Property, and all associated Rental Unit numbers or addresses.
   (2) The legal name of the owner or ownership entity for each Property, including, but not limited to, limited partners, general partners, and LLC members.
   (3) The name and contact information of a natural person serving as point of contact for purposes of service or contact.
   (4) The number and size of each Rental Unit, including the number of bedrooms, bathrooms, and approximate square footage of the Rental Unit.
   (5) The beginning and end dates (if any) of all tenancies begun or terminated within the past year.
   (6) The amount of Rent collected over the past year for each Rental Unit during each month of occupation.
   (7) The utilities, services, and other amenities included in the Rent for each Rental Unit.

(e) **Online Portal.** The Rental Board shall make the following information available as part of the online portal:
   1) The maximum lawful rent for each Rental Unit
   2) The actual rent charged each month that the unit was occupied.
   3) The beginning and end dates (if any) of all tenancies begun or ended within the past year.
   4) The number of bedrooms in each Rental Unit and the approximate square footage of each Rental Unit.
   5) Additional information as required by regulations promulgated by the Rental Board.

(f) **Violations.** The Rental Board may also publish information about violations of housing codes or violations of this article pertaining to a given Rental Unit through the online portal. If the Rental Board chooses to publish such information, it must establish regulations which limit or redact these publications in order to balance the desire for transparency with a respect for the privacy of Tenants. Such regulations must also guarantee that these publications do not violate any applicable law.

(g) **Data Publication**. The Rental Board should regularly collect, analyze, and publish various local statistics computed using the data described in (e) and (f) above, including, but not limited to statistics regarding rents, rent increases, unit mix, changes in tenancy, and code compliance and violations.

(h) **Other Jurisdictions.** The Rental Board may determine that, if another jurisdiction maintains a publicly available Rental Registry that collects and makes available substantially the same information, it may be more efficient and financially responsible for the Rental Registry authorized and required in this Section to be combined with the Rental Registry of another jurisdiction. The Rental Board may issue regulations from time to time to maximize the efficiency of this duty while complying with the substantive requirements of this Section.

(i) **Failure to Register**. Pursuant to Section 1817(f), the Rental Board shall establish appropriate penalties for the failure of a Landlord to register any Property subject to registration under this Section.

Section 1813. Petitions for Individual Rent Adjustment—Bases. A Landlord or a Tenant may file a Petition with the Rental Board seeking adjustment, either upward or downward, of the Rent for any given tenancy in accordance with the standards set forth in this section, and using the procedures set forth in Section 1814 herein and implementing regulations. A Petition shall be on a form provided by the Rental Board and, if made by the Landlord, shall include a declaration by the Landlord that the Covered Rental Unit complies with all requirements of this Article.

(a) **Petition for Upward Adjustment – Fair Return**. To effectuate the purposes of this Article and the requirements of law, a Landlord may file a Petition for an upward adjustment of the Rent to ensure a Fair Return. It is the intent of this Article that individual upward adjustments in Rent be granted only when the Landlord demonstrates that such adjustments are necessary to provide the Landlord with a Fair Return. The Rental Board may promulgate regulations to further govern Petitions filed pursuant to this subsection in accordance with law and the purposes of this Article.

(1) **Prerequisites**. No upward adjustment of Rent shall be authorized by a Hearing Officer or the Rental Board under this subsection if the Landlord:

(A) Has continued to fail to comply, after order of the Rental Board or other authority, with any provisions of this Article or orders or regulations issued thereunder; or

(B) Has failed to maintain the Covered Rental Unit in compliance with California Civil Code Sections 1941.1 *et seq.* and California Health and Safety Code Sections 17920.3 and 17920.10.

(b) **Fair Return Standard.**

(1) **Presumption of Fair Base Year Net Operating Income.** It shall be presumed that the net operating income received by the Landlord in the Base Year provided a fair return.

(2) **Fair Return**. A Landlord has the right to obtain a net operating income equal to the Base Year net operating income adjusted by fifty percent (50%) of the Consumer Price Index (CPI), as defined in Section 1808(a)(1) herein, since the Base Year. It shall be presumed this standard provides a fair return. The Base Year CPI shall be the annual CPI for calendar year 2021. The "current year" CPI shall be the annual CPI for calendar year preceding the calendar year the application is filed.

(3) Base Year.

(A) For the purposes of making Fair Return determinations pursuant to this section, the Base Year means the 2021 calendar year.

(B) In the event that a determination of the allowable Rent is made pursuant to this section, if a subsequent Petition is filed the Base Year shall be the year that was considered as the "current year" in the prior Petition.

(4) **Adjustment of Base Year Net Operating Income.** The Landlord may present evidence to rebut the presumption of Fair Return based upon the Base Year net operating income as set forth in Subsection (b)(1) of this section based on at least one of the following findings:

(A) **Exceptional Expenses in the Base Year.** The Landlord's operating expenses in the Base Year were unusually high or low in comparison to other years. In such instances, adjustments may be made in calculating operating expenses so the Base Year operating expenses reflect average expenses for the Property over a reasonable period of time. The following factors shall be considered in making such a finding:

(i) Extraordinary amounts were expended for necessary maintenance and repairs.

(ii) Maintenance and repair was below accepted standards so as to cause significant deterioration in the quality of services provided.

(iii) Other expenses were unreasonably high or low notwithstanding the application of prudent business practices.

(B) **Exceptional Circumstances in the Base Year.** The gross income during the Base Year was disproportionately low due to exceptional circumstances. In such instances, adjustments may be made in calculating Base Year gross rental income consistent with the purposes of this Chapter. The following factors shall be considered in making such a finding:

(i) If the gross income during the Base Year was lower than it might have been because some residents were charged reduced Rent.

(ii) If the gross income during the Base Year was significantly lower than normal because of the destruction of the premises and/or temporary eviction for construction or repairs.

(iii) The pattern of Rent increases or decreases in the years prior to the Base Year and whether those changes reflected increases in the CPI.

(iv) Base period Rents were disproportionately low in comparison to the base period Rents of other Rental Units in the City.

(v) Other exceptional circumstances.

(5) Calculation of Net Operating Income.

(A) **Net Operating Income.** Net operating income shall be calculated by subtracting operating expenses from gross rental income.

(B) Gross Rental Income.

(i) Gross rental income shall include:

(I) Gross rents calculated as gross rental income at one hundred percent occupancy, adjusted for uncollected Rents due to vacancy and bad debts to the extent such vacancies or bad debt are beyond the control of the Landlord. Uncollected Rents in excess of three percent (3%) of gross rent shall be presumed to be unreasonable unless established otherwise by the

Landlord and shall not be included in computing gross income.

(II) All other income or consideration received or receivable in connection with the use or occupancy of the Rental Unit, except as provided in Clause (ii) of this section.

(ii) Gross rental income shall not include:

(I) Utility Charges for charges for sub-metered gas, electricity or water.

(II) Charges for refuse disposal, sewer service, and/or other services which are either provided solely on a cost pass-through basis and/or are regulated by state or local law.

(III) Charges for laundry services.

(IV) Storage charges.

(V) Additional rents imposed upon Tenants which are supplementary to the primary Rent, such as "pet rent."

(6) Operating Expenses.

(A) **Included in Operating Expenses**. Operating expenses shall include the following:

(i) Reasonable costs of operation and maintenance.

(ii) **Management Expenses**. It shall be presumed that management expenses have increased by the percentage increase in Rents or the CPI, whichever is greater, between the Base Year and the current year unless the level of management services has either increased or decreased significantly between the Base Year and the current year.

(iii) **Utility Costs**. Utility Costs except utility where the consideration of the income associated with the provision of the utility service is regulated by state law and consideration of the costs associated with the provision of the utility service is preempted by state law.

(iv) **Real Property Taxes**. Property taxes are an allowable expense, subject to the limitation that property taxes attributable to an assessment in a year other than the Base Year or current year shall not been considered in calculating Base Year and/or current year operating expenses.

(v) **License and registration fees**. License and registration fees required by law to the extent these expenses are not otherwise paid or reimbursed by Tenants.

(vi) **Landlord-performed labor**. Landlord-performed labor compensated at reasonable hourly rates. However, no Landlord-performed labor shall be included as an operating expense unless the Landlord submits documentation showing the date, time, and nature of the work performed. There shall be a maximum allowed under this provision of five percent (5%) of gross income unless the Landlord shows greater services were performed for the benefit of the residents.

(vii) **Costs of Capital Replacements**. Costs of capital replacements plus an interest allowance to cover the amortization of those costs where all of the following conditions are met:

(I) The costs, less any insurance proceeds or other applicable recovery, are averaged on a per unit basis for each Rental Unit actually benefited by the improvement.

(II) The costs are amortized over a period of not less than thirty six months.

(III) The costs do not include any additional costs incurred for Property damage or deterioration that result from any unreasonable delay in undertaking or completing any repair or improvement.

(IV) The costs do not include costs incurred to bring the Rental Unit into compliance with a provision of the Pasadena Municipal Code or state law where the original installation of the improvement was not in compliance with code requirements.

(V) At the end of the amortization period, the allowable monthly Rent is decreased by any amount it was increased because of the application of this provision.

(VI) The amortization period shall be in conformance with a schedule adopted by the Rental Board unless it is determined that an alternate period is justified based on the evidence presented in the hearing.

(viii) **Legal Expenses**. Attorneys' fees and costs incurred in connection with successful good faith attempts to recover Rents owing, successful good faith unlawful detainer actions not in derogation of applicable law, and legal

expenses necessarily incurred in dealings with respect to the normal operation of the Property. Reasonable fees, expenses, and other costs incurred in the course of successfully pursuing rights under or in relationship to this Chapter and regulations adopted pursuant to the Chapter including costs incurred in the course of pursuing successful Petitions. Said expenses shall be amortized over a five-year period, unless the Rental Board concludes that a different period is more reasonable.

Allowable legal expenses which are of a nature that does not recur annually shall be amortized over a reasonable period of time. At the end of the amortization period, the allowable monthly Rent shall be decreased by any amount it was increased because of the application of this provision.

(ix) **Interest Allowance for Expenses that Are Amortized**. An interest allowance shall be allowed on the cost of amortized expenses; the allowance shall be the interest rate on the cost of the amortized expense equal to the "average rate" for thirty-year fixed rate on home mortgages plus two percent. The "average rate" shall be the rate Freddie Mac last published in its weekly Primary Mortgage Market Survey (PMMS) as of the date of the initial submission of the Petition. In the event that this rate is no longer published, the Rental Board shall designate by regulations an index which is most comparable to the PMMS index which shall be used.

(x) **Rental Housing Fee**, as defined in Section 1810(k)(1).

(B) **Exclusions from Operating Expenses.** Operating expenses shall not include the following:

(i) Mortgage principal or interest payments or other debt service costs.

(ii) Any penalties, fees or interest assessed or awarded for violation of any provision of this chapter or of any other provision of law.

(iii) Land lease expenses.

(iv) Political contributions.

(v) Payments to organizations which are substantially devoted to legislative lobbying purposes.

(vi) Depreciation.

(vii) Any expenses for which the Landlord has been reimbursed by any utility rebate or discount, Security Deposit, insurance settlement, judgment for damages, settlement or any other method or device.

(viii) Unreasonable increases in expenses since the Base Year.

(ix) Expenses associated with the provision of master-metered gas and electricity services.

(x) Expenses which are attributable to unreasonable delays in performing necessary maintenance or repair work or the failure to complete necessary replacements (e.g., a roof replacement may be a reasonable expense, but if water damage occurred as a result of unreasonable delays in repairing or replacing the roof, it would not be reasonable to pass through the cost of repairing the water damage).

(C) **Adjustments to Operating Expenses.** Base Year and/or current operating expenses may be averaged with other expense levels for other years or amortized or adjusted by the CPI or may otherwise be adjusted, in order to establish an expense amount for that item which most reasonably serves the objectives of obtaining a reasonable comparison of Base Year and current year expenses. Grounds for such adjustments include, but are not limited to:

(i) An expense item for a particular year that is not representative.

(ii) The Base Year expense is not a reasonable projection of average past expenditures for that item in the years immediately preceding or following the Base Year.

(iii) The current year expense is not a reasonable projection of expenditures for that item in recent years or of future expenditures for that item.

(iv) A particular expense exceeds the normal industry or other comparable standard for the area, the Landlord shall bear the burden of proving the reasonableness of the expense. To the extent that it is found that the expense is unreasonable it may be adjusted to reflect the normal industry standard.

(v) A Base Year expense is exceptionally low by industry standards and/or on an inflation adjusted basis is exceptionally low relative to current year expenses although the level or type of service has not changed significantly.

(vi) An increase in maintenance or management expenses is disproportionate to the percentage increase in the CPI, while the level of services has not changed significantly and/or is not justified by special circumstances.

(7) **Rent Increases for Periods Preceding Date that a Landlord Implemented Rent Increases Pursuant to this Section.** In the event that the period for determining the allowable Rent increase pursuant to this section exceeds 120 days, the Landlord may recover increases that would have been permitted if the Rent increase decision had been made within

120 days. The allowance for these increases may be amortized or may be factored into the prospective allowable increase in order to avoid undue hardship on the Tenants.

(8) **Assurance of a Fair Return.** It shall be presumed that the MNOI standard provides a fair return. Nothing in this Article shall preclude the Rental Board or Hearing Officer from granting an increase that is necessary in order to meet constitutional fair return requirements.

(9) **Effective Date of Individual Rent Adjustment.** Rent increases authorized pursuant to this subsection shall become effective only after the Landlord provides the Tenant written notice of such Rent increase pursuant to state law.

(c) **Petition for Downward Adjustment – Failure to Maintain Habitable Premises.**

(1) Failure to maintain a Covered Rental Unit in compliance with governing health and safety and building codes, including but not limited to California Civil Code Sections 1941.1 *et seq.* and California Health and Safety Code Sections 17920.3 and 17920.10, constitutes an increase in Rent. A Tenant may file a Petition with the Rental Board to adjust the Rent downward based on a loss in rental value attributable to the Landlord's failure to maintain the Rental Unit in habitable condition.

(2) A Tenant Petition filed pursuant to this subsection must specify the conditions alleged to constitute the failure to maintain the Rental Unit in habitable condition and demonstrate that the Landlord was provided with reasonable notice and opportunity to correct the conditions that form the basis for the Petition.

(d) **Petition for Downward Adjustment – Decrease in Housing Services or Maintenance.** A decrease in Housing Services or maintenance, or deterioration of a Covered Rental Unit beyond ordinary wear and tear, without a corresponding reduction in Rent, is considered an increase in Rent. A Tenant may file a Petition to adjust the Rent downward based on a loss in rental value attributable to a decrease in Housing Services or maintenance or deterioration of the Rental Unit. The Petition must specify the circumstances alleged to constitute a decrease in Housing Services or maintenance, and demonstrate that the Landlord was provided with reasonable notice and an opportunity to correct in like manner to Petitions filed pursuant to Subsection (c)(2) herein.

(e) **Petition for Downward Adjustment – Unlawful Rent**: If a Landlord demands or retains Rent in excess of the lawful Rent pursuant to this Article, a Tenant may file a Petition to adjust the Rent to its lawful level. If such a Petition is granted, the Landlord shall be ordered to return any excessive Rent charged to the Tenant in violation of this Article. If the Landlord fails to comply with the Petition as granted within thirty (30) days of the issuance of the order, the Hearing Officer or Rental Board may authorize the Tenant to withhold a fraction of the downward-adjusted Rent until the Tenant has recovered the unlawful Rent amount collected as determined by the Petition order. This withholding fraction shall be determined by the Hearing Officer or Rental Board in accordance with withholding guidelines established by the Rental Board. During the withholding period, the downward-adjusted rent minus the withholding amount shall be considered the lawful rent to which the Landlord is legally entitled.

(1) **Defense to Nonpayment Ground for Eviction.** The Petition order shall constitute a defense to any unlawful detainer action pursuant to Section 1806(a)(1) filed against a Tenant withholding Rent as authorized pursuant to this subsection. However, the issuance of an order from the Hearing Officer or Rental Board authorizing the withholding of Rent pursuant to a Petition order shall not prevent a Tenant from asserting previous overpayments of Rent as a defense in an unlawful detainer pursuant to Section 1806(a)(1).

(2) **Judicial Enforcement of Decision.** A Tenant may also seek judicial enforcement of the Petition order from a court of competent jurisdiction. In appropriate cases, the Board may independently seek judicial enforcement of a Petition order. In the event that a Tenant vacates the Rental Unit prior to recovering the full amount as determined in the Petition order, the Landlord must pay the balance of the amount owed within two weeks of the Tenant vacating the Rental Unit.

Section 1814. Petitions for Individual Rent Adjustment — Procedures. The Rental Board shall promulgate regulations regarding procedures for Petitions filed under this Article. Petitions shall be governed by such regulations and by the provisions of this section.

(a) **Hearing Officer**. A Hearing Officer appointed by the Rental Board shall conduct a hearing to act upon the Petition, and shall have the power to administer oaths and affirmations, and to render a final decision on the merits of the Petition, subject to the provisions of this Article.

(b) **Notice**. The Rental Board shall notify the Landlord, if the Petition was filed by the Tenant, or the Tenant, if the Petition was filed by the Landlord, of the receipt of such a Petition and provide a copy thereof.

(c) **Time of Hearing**. Each party to a Petition shall receive sufficient advance notice of the bases, theories, and relevant documents to be presented by the other party(ies), and of the time, date, and place of any hearing regarding the Petition. Extra diligent effort will be made to prioritize and schedule hearings to accommodate the work schedules and other obligations of each Party, including but not limited to, scheduling on evenings and weekends.

(d) **Developing the Record**. The Hearing Officer may require either party to a Petition to provide any books, records, and papers deemed pertinent. If the Hearing Officer finds good cause to believe that a building or other inspection would assist in resolving the issues raised by the Petition, the Hearing Officer may conduct an inspection and/or request the City to conduct an inspection. The Tenant may request the Hearing Officer to order such an inspection prior to the date of the hearing. All documents required under this subsection shall be made available to the parties involved prior to the hearing. The parties to the hearing may be present during the inspection.

(e) **Open Hearings**. All hearings conducted pursuant to this section shall be open to the public unless prohibited by state or federal law.

(f) **Right of Assistance**. All parties to a hearing conducted pursuant to this section may have assistance in presenting evidence and developing their position from attorneys, legal workers,

Recognized Tenant Organization representatives, or any other persons designated by said parties.

(g) **Hearing Record**. The Rental Board shall make available for inspection and copying any official record that shall constitute the exclusive record for decision on the issues at the hearing. The record of the hearing, or any part of one, shall be obtainable for the reasonable cost of copying. All hearings shall be audio or video recorded, as ordered by the Hearing Officer, and any party to the Petition may receive a copy of the recording upon payment of a reasonable cost.

(h) **Quantum of Proof and Notice of Decision**. No Petition for Individual Rent Adjustment, whether upward or downward, shall be granted unless supported by the preponderance of the evidence submitted prior to and at the hearing. All parties to a hearing shall be sent a notice of the decision and a copy of the findings of fact and law upon which said decision is based. At the same time, parties to the proceeding shall also be notified of their right to appeal to the Rental Board and/or to judicial review.

(i) **Consolidation**. Whether submitted by a Landlord or Tenant(s), all Petitions pertaining to Covered Rental Units at the same Property may be consolidated for hearing upon a showing of good cause.

(j) **Appeal**. Any person aggrieved by the decision of the Hearing Officer may appeal to the full Rental Board for review. On appeal, the Rental Board shall affirm, reverse, or modify the decision of the Hearing Officer. The decision on appeal shall be based on the hearing record, and the Rental Board may hear and/or find facts in addition to those presented to the Hearing Officer.

(k) **Finality of Decision**. The decision of the Hearing Officer shall be the final decision of the Rental Board, unless an aggrieved party has timely sought an appeal to the Rental Board. The decision of the Rental Board on appeal shall be final unless an aggrieved party has timely sought judicial review pursuant to law.

(l) **Time for Decision**. A final decision on any Petition shall be made within a reasonable time. Decisions decreasing Rent shall remain in effect until the Landlord has corrected the defect warranting the decrease. The Rental Board shall, by regulation, establish procedures for making prompt compliance determinations.

(m) **Fair Return Guaranteed**. No provision of this Article shall be applied so as to prohibit the Rental Board from granting an Individual Rent Adjustment that is demonstrated by the Landlord to be necessary to provide the Landlord with a Fair Return.

Section 1815. Judicial Review.

A Landlord or Tenant aggrieved by any action or decision of the Rental Board may seek judicial review pursuant to state law and this Article and its implementing regulations. No action or decision by the Rental Board shall go into effect until any statutory time period for such review has expired.

Section 1816. Non-Waivability.

Any provision of a Rental Housing Agreement, whether oral or written, which purports to waive any provision of this Article established for the benefit of the Tenant, shall be deemed to be against public policy and shall be void.

Section 1817. Remedies.

In addition to any other remedies provided by law, Landlords and Tenants covered by this Article shall have the following remedies for violations of this Article.

(a) **Landlord's Demand or Retention of Excessive Rent**. When a Landlord demands, accepts, receives, or retains any payment or payments in excess of the lawful Rent pursuant to this Article and the regulations promulgated hereunder, including in violation of the provisions ensuring compliance with habitability standards and maintenance of Housing Services, the Tenant may file a Petition pursuant to Section 1813 or file a civil suit against the Landlord. A Landlord who demands, accepts, receives, or retains any payment of Rent in excess of the lawful Rent shall be liable to the Tenant in the amount by which the payment or payments have exceeded the lawful Rent. In such a case, the Rent shall be adjusted to reflect the lawful Rent pursuant to this Article and its implementing regulations.

(b) **Civil Remedies**. A Tenant may bring a civil suit in the courts of the state alleging that a Landlord has violated any of the provisions of this Article or the regulations promulgated hereunder, including that the Landlord has demanded, accepted, received, or retained a payment or payments in excess of the lawful Rent. In a civil suit, a Landlord found to violate this Article shall be liable to the Tenant for all actual damages, including but not limited to the damages described in Subsection (a) herein. A prevailing Tenant in a civil action brought to enforce this Article shall be awarded reasonable attorney's fees and costs as determined by the court. Additionally, upon a showing that the Landlord has acted willfully or with oppression, fraud, or malice, the Tenant shall be awarded treble damages. No administrative remedy need be exhausted prior to filing suit pursuant to this subsection.

(c) **Additional Relief for Landlord's Violation of Eviction Rules**. If it is shown that the event which the Landlord claims as grounds to recover possession under Section 1806 is not initiated within two (2) months after the Tenant vacates the Rental Unit, or it is shown that the Landlord's claim was false or in bad faith, the Tenant shall be entitled to regain possession of the Rental Unit at same Rent that was lawfully in effect when the Tenant vacated, in addition to the relief described in Subsection (b) herein.

(d) **Defense to Action to Recover Possession**. A Landlord's failure to comply with any of the provisions of this Article or regulations promulgated hereunder may be raised as an affirmative defense in an unlawful detainer or other action brought by the Landlord to recover possession of the Rental Unit. Any and all violations of this Article by the Landlord shall constitute such an affirmative defense, including but not limited to the demand or retention of payment in excess of the lawful Rent, failure to serve any of the notices required pursuant to this Article on the Tenant or the Rental Board, failure to pay the Rental Housing Fee, failure to pay any required Relocation

Assistance, and a decrease in Housing Services or maintenance without a corresponding reduction in Rent. It is the intent of this Article to construe this subsection to the broadest extent permissible under the law to ensure maximum compliance with this Article and avoid unlawful evictions.

(e) **Eviction Protection for Victims of Domestic Violence or Sexual Assault or Stalking or Abuse.** It shall be a defense to an action for possession of a unit under Section 1806(a)(3)-(4) if the trier of fact determines that:

(A) The Tenant or the Tenant's household member is a victim of an act or acts that constitute domestic violence or sexual assault or stalking or abuse; and

(B) The notice to vacate is substantially based upon the act or acts constituting domestic violence or sexual assault or stalking or abuse against the Tenant or a Tenant's household member, including but not limited to an action for possession based on complaints of noise, disturbances, or repeated presence of police.

(f) **Rental Board or City Attorney Enforcement Action**. If the Tenant fails to bring a civil or administrative action to enforce the Tenant's rights under this Article, the Rental Board or the City Attorney may bring such an action or settle the claim on the Tenant's behalf. If the Rental Board or City Attorney brings such an action, the Tenant shall be provided the right to opt in or out of the action. In the case of an opt-in, the Tenant on whose behalf the Rental Board acted is barred from bringing a separate action against the Landlord in regard to the same violation, and the Rental Board or City Attorney shall be entitled to recuperate the costs it incurred from any monetary recovery from the Landlord, with the remainder to go to the Tenant against whom the violation has been committed. In the case of an opt-out, the Tenant shall retain all rights relating to his or her right to private action. The Rental Board or City Attorney may take other such enforcement action as necessary to ensure compliance with this Article.

(g) **Penalties for Violations**. In addition to the affirmative defense or any other rights of a tenant under law, a violation of the provisions of this article shall be punishable as an infraction by way of a fine. The Rental Board may establish, and periodically modify, a schedule of fines for violations of various provisions of this article as they see fit, provided these amounts are reasonable, and are chosen in accordance with applicable law.

(h) **Criminal Penalties**. Any Landlord that violates this Article shall be guilty of a misdemeanor and shall be punished in accordance with Section 1.24.010 of the Pasadena Municipal Code.

(i) **Remedies Not Exclusive**. The remedies available in this Article are not exclusive and may be used cumulatively with any other remedies in this Article or otherwise available at law.

(j) **Jurisdiction**. The appropriate court in the jurisdiction in which the Rental Unit is located shall have jurisdiction over all actions brought under this Article.

Section 1818. Injunctive and Other Civil Relief.

The Rental Board, Tenants, and Landlords may seek relief from the appropriate court in the jurisdiction where the affected Rental Unit is located to enforce any provision of this Article or its implementing regulations or to restrain or enjoin any violation of this Article and of the rules, regulations, orders, and decisions of the Rental Board.

Section 1819. Partial Invalidity.

If any provision of this Article or application thereof to any person or circumstances is held invalid, this invalidity shall not affect other provisions or applications of this Article that can be given effect without the invalid provision or application, and to this end the provisions of this Article are declared to be severable. This Article shall be liberally construed to achieve the purposes of this Article and to preserve its validity.

Section 1820. Supersedes.

(a) This Article supersedes any conflicting provisions of a municipal ordinance covering the area of rents, evictions, relocation assistance, or other matters addressed herein. However, nothing in this subsection shall be construed to restrict the authority of the City Council to enact complimentary or non-conflicting ordinances or take other such actions within its powers, where such ordinances or actions are designed to comply with or further the terms and purposes of this Article.

(b) In the event any other ballot initiative addressing in whole or in part the same subject matter as this Article is approved by a majority of the voters voting thereon at the same election, the following provisions shall apply:

(1) This Charter Amendment shall supersede and prevail over any initiative ordinance which amends the Pasadena Municipal Code, regardless of the number of affirmative votes received; and

(2) If this Article receives a greater number of affirmative votes than any other such proposed charter amendment, including one that would provide that property owners have the right to set the price at which they rent residential property, then this Article shall control in its entirety and the other proposed charter amendment shall be rendered void and without any legal effect; and

(3) If this Article receives fewer affirmative votes than any other such proposed charter amendment, including one that would provide that property owners have the right to set the prices at which they rent residential property, all provisions of this Article which are not directly contradicted by the initiative receiving a greater number of affirmative votes will apply to the extent permitted by law.

Section 1821. Conflicting Charter Provisions.

To the extent that any of the provisions of this Article conflict with other provisions of the Pasadena City Charter, the provisions of this Article shall govern. This Article, however, is not intended to revise, repeal, or supersede any other provisions of the Pasadena City Charter with respect to matters not addressed herein. As such, this Article shall have the effect of amending the Pasadena City Charter as necessary for the Rental Board to exercise its authority and fulfill its responsibilities as specifically identified herein, but this Article shall not otherwise amend the Pasadena City Charter with respect to the powers and limitations of other boards and commissions.

Section 1822. Codification.

The City Clerk and the City Attorney shall take all steps necessary to ensure the proper and efficient codification of this Article into the Charter of the City of Pasadena. This authority shall include making any necessary revisions to numbering, revising or substituting any references herein to other provisions of Pasadena or State law, and similar non-substantive items. In exercising this authority, the City Clerk and City Attorney shall not alter the substantive provisions of this Article nor take any action that contradicts express terms and purpose of this Article.

Section 1823. Duty to Defend.

The City Attorney shall take all steps necessary to zealously defend against any legal challenges to the validity of this Article. If the City Attorney is unable or unwilling to defend, an interested third party may intervene to defend. Any third party that defends this Article shall be entitled to court awarded attorney's fees and costs.

Section 1824. Majority Approval, Effective Date, Execution.

This Amendment to the Pasadena City Charter shall be effective only if approved by a majority of the voters voting thereon and shall go into effect ten (10) days after the vote is declared by the City Council. The Mayor and City Clerk are hereby authorized to execute this Article to give evidence of its adoption by the voters.