

**PASADENA RENTAL HOUSING BOARD**  
**REPORT ON**  
**AMENDMENTS TO ARTICLE XVIII OF CITY CHARTER**

**BACKGROUND**

On November 8, 2022, the voters of the City of Pasadena (the “City”) voted to adopt the Pasadena Fair and Equitable Housing Charter Amendment (“Charter Amendment”), which amended the City’s Charter to impose rent control and just cause eviction protections on most residential rental units in the city. The Pasadena City Council (“City Council”) adopted a resolution certifying the results of the election on December 12, 2022, and the Charter Amendment thereafter took effect on December 22, 2022.

Through their implementation of the Charter Amendment, the Rental Housing Board (“Board”) and the Rent Stabilization Department (“Department”) have been made aware of areas of the Charter Amendment that would benefit from further clarification or minor revision. They have also heard requests for more substantive policy changes to the Charter Amendment. Since the City Council is currently in the process of developing a measure or measures to put on the November 2024 ballot that would amend and revise certain other provisions of the City Charter, the Board decided to consider recommendations for minor changes to the Charter Amendment that could also be included on the ballot.

**PURPOSE AND CRITERIA**

On April 10, 2024, the Board adopted a resolution establishing a purpose and procedures for considering recommendations for changes to the Charter Amendment.

The Board’s goal in considering changes to the Charter Amendment is to further the existing purpose of the law. Charter Amendment Section 1801 provides:

“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.”

In evaluating each suggested change, the Board considered the criteria outlined below. If any of the factors in criteria 1 through 4 were applicable to the suggested change, this would support recommending the change. If any of the factors in criteria 5 through 9 were applicable to the suggested change, this would support not recommending the change. If factors from both categories of criteria were applicable to a suggested change, then the Board balanced the factors in order to reach its recommendation.

- (1) The suggested amendment seeks to replace language that was stricken as invalid by the court decision.

- (2) The suggested amendment seeks to clarify an area of ambiguity in the Charter Amendment that cannot be resolved via regulation.
- (3) The suggested amendment seeks to bring the requirements of the Charter Amendment into alignment with the existing practices of other City departments and/or the practical operations of the rental housing market.
- (4) The suggested amendment would reduce any of the following: (a) administrative burden; (b) financial costs; or (c) legal liability of the either or both the Board and/or the Department.
- (5) The suggested amendment would likely make the Charter Amendment more difficult to enforce and/or implement.
- (6) The suggested amendment would have the effect of undermining, eliminating or fundamentally altering one or more material provisions of the Charter Amendment.
- (7) The suggested amendment would make it more difficult for the Board or the Department to regulate excessive rent increases and/or arbitrary evictions.
- (8) The suggested amendment would likely make it more difficult for the Board or the Department to ensure Landlord's a fair rate of return on their rental property.
- (9) The suggested amendment would increase any of the following: (a) administrative burden; (b) financial costs; or (c) legal liability of the either or both the Board and/or the Department.

The Board also considered whether the recommended change fell into one or two categories:

**(a) Cleanup.** Minor amendments that clarify or align existing provisions of the Charter Amendment.

**(b) Substantive.** These are amendments that require a policy decision to be made by the Board.

The Board's designations and considerations are explained in the following section, along with proposed language for the ballot measure.

## **COMMITTEE RECOMMENDATIONS**

### **A. RENTAL REGISTRY DEADLINE.**

**Category:** Clean-up

**Criteria:** 2, 4

**Reason for Proposed Recommendation:** The effective date of the Charter Amendment is December 22, 2022. Therefore, the Rental Registry and online portal would have had to become operational no later December 22, 2023. Since the deadlines has already passed, the language should be removed from the Charter Amendment.

Additionally, the Charter Amendment provides that Owners must register no later than April 1st of each year. However, because of the current timeline for implementation of the Rental Registry and the fact that property registration is set to be aligned with payment of the annual Rental Housing Fees, it is possible that the annual April 1 deadline will not work. The recommended change will give the Board flexibility to establish the annual schedule for registration and payment of fees, including the ability to adopt an initial grace period, if necessary.

Revise Section 1812 as follows:

~~(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.~~

(e) (b) **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, as established by regulation by the Rental Board ~~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.

## **B. ELLIS ACT.**

**Category:** Clean-up

**Criteria:** 1, 4

**Reason for Proposed Recommendation:** Section 1806(a)(10) originally provided that Tenants subject to termination of their tenancy due to withdrawal of the rental unit from the rental market would be entitled to a minimum of 180 days' notice but the Ellis Act limits the notice period to 120 days except for senior or disabled tenants. The Court struck the 180-day language. The inclusion of the 120 days conforms to the Ellis Act.

The Ellis Act requires that a legislative body elected by the voters adopt regulations implementing the Ellis Act. Since the Rental Board is not elected, only the City Council can adopt the regulations so inclusion of regulations adopted by the City Council conforms the language to the Ellis Act.

The Charter Amendment does not define senior but in Section 1806(a)(9)(F) provides additional eviction protections to elderly or disabled tenants in the event of an owner move

in and defines elderly as any person 60 years or older. The Ellis Act defines elderly as any person 62 or older. In order to clarify that for purposes of Ellis Act evictions the definition of senior or elderly is pursuant to State law, language has been added.

Revise Section 1806(a)(10) to read as follows:

**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 and/or the City Council of the City, 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 120 days’ notice or one (1) year in the case Tenants are defined as senior or Disabled as defined in California Government Code Section 7060 et seq. Notice times may be increased by regulations if state law allows for additional time.

### **C. RELOCATION ASSISTANCE SCHEDULE.**

**Category:** Clean-Up

**Criteria:** 2, 3

**Reason for Proposed Recommendation:** As currently written, the timeframes for disbursement of the Relocation Assistance payments do not work for tenants who are only entitled to 30-days’ written notice under state law because they have resided in their Rental Unit for less than a year. The amendments seek to provide an alternate timeline for the disbursement of payments that works for Tenants on this shorter termination timeline.

Revise 1806(b) to read as follows:

**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). For any Tenant entitled to at least sixty (60) days' written notice pursuant to Civil Code Section 1946.1, 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. For any Tenant entitled to at least sixty (60) days' written notice pursuant to Civil Code Section 1946.1, 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. For any Tenant entitled to less than sixty (60) days' written notice pursuant to Civil Code Section 1946.1, the Landlord shall disburse the remaining Relocation Assistance directly to the Tenant at the time that the Tenant vacates the Rental Unit.

#### **D. SECURITY DEPOSIT INTEREST SCHEDULE.**

**Category:** Clean-Up

**Criteria:** 2, 3

**Reason for Proposed Recommendation:** The current language of Section 1806(f)(1) requires that the Rental Board announce the interest rate for the subsequent year by October 1 and that the interest rate must be based on interest rates paid by banks on October 1. Complying with both of these requirements means that the interest rate for security deposit lags by a full year. Moving the date for announcement of the interest rate to November 1 will allow the most current October 1 interest rate to be used for subsequent calendar year.

Revise 1806(f)(1) to read as follows:

- (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 in which the interest rate is adopted, 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~~ November 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.

#### **E. GOVERNMENT SUBSIDIZED TENANT EXEMPTION.**

**Category:** Substantive

**Criteria:** 3, 4, 6

**Reason for Proposed Recommendation:** The current language in the Charter Amendment only exempts Rental Units occupied by a government-subsidized tenant, such as a tenant with a Section 8 Housing Choice Voucher, if there are applicable federal or state administrative regulations or laws that specifically exempt the Tenant from local rent control. There is no applicable federal or state law or administrative regulation that specifically exempts Section 8 Housing Choice Voucher recipients from municipal rent control. Therefore, if the Rental Unit in which a Section 8 Housing Choice Voucher recipient resides is otherwise covered by either the just cause for eviction protections or both the rent stabilization and just cause for eviction protections of the Charter Amendment, then the Section 8 voucher recipient's tenancy is covered by those same provisions.

The City's Department of Housing, which functions as the local public housing authority in Pasadena, has expressed that tenants served by its voucher/subsidy programs have struggled to find housing due to the limitations of the Section 8 program, namely the "Payment Standard" requirement which limits the subsidy the Department can provide. The Department of Housing has shared that the layering of the provisions in the Charter Amendment limiting rent increases is likely to make it even more difficult for these tenants to find housing because it further restricts the amount of rent landlords receive.

Although this change will constitute a material alteration of the exemptions in the Charter Amendment, the Policy Ad Hoc Committee determined that this was outweighed by other factors. The most important of these factors was that the recommendation carved out only a limited exception to the rent stabilization provisions of the Charter Amendment for Rental Units leased to government-subsidized tenants so long as the rent for the Rental Unit does not exceed the Payment Standard. This limited nature of this exemption would not impact the Board's ability to regulate excessive rent increases and should ensure that the tenants of these Rental Units are not impacted by large rent increases (because as long as the rent for a unit remains under the Payment Standard, the tenant will not be

required to pay more than 30 percent of their household income as their portion of the rent). As such, the exemption should help facilitate the Department of Housing's and the Rental Housing Board's mutual goal of ensuring safe, stable, and affordable housing for tenants in the City.

Revise 1804(a)(4) and 1804(b)(3) to read as follows:

- (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:

...

(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

...

- (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):

...

(3) Rental Units leased to tenants assisted under the Section 8 program (42 U.S.C. Section 1437f) or the Continuum of Care Rental Assistance (42 U.S.C. 11381 et. seq.) or similar rent subsidy program where the tenant's portion of the Rent is determined based on their household income and a specific formula. For the purposes of the Section 8 program, the exemption from Sections 1807, 1808, 1809, 1813, and 1814 shall apply only for so long as the rent demanded does not exceed the authorized Payment Standard minus the applicable utility allowance, which, for purposes of this subsection, is the maximum monthly rental assistance potentially available to an assisted household before deducting the household share of income paid for rent and utilities as established by the City of Pasadena Department of Housing or successor agency. For Rental Units where the rent demanded exceeds the Payment Standard minus the applicable utility allowance, the Payment Standard or an initial rent above the Payment Standard if approved by the City of Pasadena Department of Housing, as reported to the Board, or its designee, by the City of Pasadena Department of Housing or successor agency, shall become the Rental Unit's Base Rent and the reference point from which the Rent shall be adjusted in accordance with Sections 1807, 1808, and 1809. For the purposes of all other rent subsidy programs, the exemption from Sections 1807, 1808, 1809, 1813, and 1814 shall apply only for so long as the Tenant remains eligible for the program and Tenant's portion of the Rent remains unaffected by any rent increases demanded by the Landlord. For Rental Units where the Tenant becomes ineligible for the rent subsidy program or where any rent increase demanded would increase the Tenant's portion of the Rent, the Rent at the time that the Tenant's assistance is terminated or the initial rent after the rent increase that increases the Tenant's portion of the Rent as reported to the Rent Stabilization Department, by the City of Pasadena Department of Housing or successor agency, shall become the Rental Unit's Base Rent and the reference point from which the Rent shall be adjusted in accordance with Sections 1807, 1808, and 1809.



## F. REMOVAL OF BOARD MEMBERS.

**Category:** Substantive

**Criteria:** 4

**Reason for Proposed Recommendation:** As currently written, Rental Housing Board members can be removed via (1) a petition signed by 10% of the qualified voters of the district from which the Board member was appointed for Tenant members or (2) a petition signed by 5% of the qualified voters in the city for at-large members.

The changes will provide an additional mechanism for the removal of Board member by the City Council where the Board member has engaged in egregious or repeated violations of the Board's Code of Conduct. This can include, but is not limited to, absenteeism, harassment or committing a felony that indicates the Board member is unfit to participate on the Board.

Revise 1811(d) to read as follows:

**Term of Office.** 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 removed 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 removed pursuant to a petition signed by 5% of the qualified voters of the City. Any member of the Board may be removed by the City Council upon petition by the Rental Board for repeated or significant violations of the Rental Board's Code of Conduct, which shall be established by the Rental Board by regulation. A petition of the Rental Board to remove a Board member must be approved by a majority of the Rental Board members in attendance at the meeting where the petition is voted on. No vote of the electorate will be required to remove a Board member.

## **SUGGESTED CHANGES NOT RECOMMENDED**

In addition to the changes that the Board is recommending, the Board also considered a number of other suggestions that it is not currently recommending. These are:

### **A. BOARD COMPENSATION.**

- **Category:** Substantive
- **Criteria:** 3, 4, 5, 6
- **Explanation:** Change § 1811(j) to state that each Board member *may* be compensated on an hourly basis for their time committed to Rental Board meetings, at the election of the Board member.
- **Not Recommended Because:** While this change would allow Board members to waive compensation for personal or financial reasons (such as eligibility for government benefits programs (e.g., Social Security retirement benefits), employment eligibility status, or state and federal tax implications, it would have the effect of fundamentally altering a material provision of the Charter Amendment and might complicate administration of the compensation provisions of the Charter Amendment.

### **B. TAX CREDIT EXEMPTION.**

- **Category:** Substantive
- **Criteria:** 2, 6, 7
- **Explanation:** Expand the existing exemption for “Rental Units owned or operated or managed by not-for-profit organization pursuant to a tax credit program” in Charter § 1804(a)(3) to exempt all Rental Units owned, operated or managed under a tax credit program regardless of the type of ownership entity.
- **Not Recommended Because:** The suggested amendment would have the effect of fundamentally altering (i.e., expanding) one of the exemptions to the Charter Amendment, and would therefore make it more difficult for the Board to regulate excessive rent increases for tenants of tax credit rental Units.

### **C. DUPLEX EXEMPTION.**

- **Category:** Substantive
- **Criteria:** 6, 7
- **Explanation:** Add language to § 1804(b) exempting duplexes from the rent stabilization requirements of the Charter Amendment.
- **Not Recommended Because:** Providing this additional exemption would undermine the purpose of the Charter Amendment by reducing the number of tenants who are protected from excessive rent increases and would eliminate material provisions of the Charter Amendment.

#### D. NEEDED PERMITS.

- **Category:** Substantive
- **Criteria:** 5
- **Explanation:** Amend Charter § 1806(a)(10)(Withdrawal of the Unit Permanently from Rental Market) to clarify the meaning of “needed permits” in the following requirement: “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.”

**Not Recommended Because:** The change would be complex and difficult to address in the existing Charter Amendment. Furthermore, the Board has already resolved this issue, in collaboration with the City’s Planning and Community Development Department, via adopted regulations.

#### E. BOARD CONTRACTING POWER.

- **Category:** Substantive
- **Criteria:** 5, 9
- **Explanation:** Add language to the Charter Amendment allowing the Rental Housing Board to sign large contracts (exceeding the current \$74,999 threshold) without City Council approval.
- **Not Recommended Because:** The change would be complex and difficult to add to the existing Charter Amendment. Additionally, the City has indicated that the \$74,999 threshold is likely to be increased soon.

#### F. MAXIMUM LAWFUL RENT.

- **Category:** Cleanup
- **Criteria:** 5
- **Explanation:** Add language clarifying that landlords may self-certify the maximum lawful rent for a unit rather than requiring the Board to certify the maximum lawful rent for a unit.
- **Not Recommended Because:** This can be accomplished via Board regulations.

#### G. DEFINITION OF “NATURAL PERSON.”

- **Category:** Substantive
- **Criteria:** 5
- **Explanation:** In § 1803, codify the definition of “natural person” adopted by the Board in Resolution No. RHB-2023-16 (i.e., PRHB Regulations Chapter 4: Just Cause for Eviction).
- **Not Recommended Because:** The adoption of the definition in the regulations is sufficient to allow the Board to enforce the requirements of

the Charter Amendment. Additionally, codification of this term would make it more difficult to amend the definition in the future, if necessary.

#### H. DEFINITION OF “MOM AND POP LANDLORD.”

- **Category:** Substantive
- **Criteria:** 5
- **Explanation:** Add a definition to § 1803 of “Mom and Pop Landlord.” The recommended definition from the member of the public was as follows: “Natural Persons that own no more than 6 rental units and one single-family dwelling in the county of Los Angeles.”
- **Not Recommended Because:** This term is not used anywhere in the Charter Amendment and therefore codifying the definition of the term in the Charter Amendment is not appropriate. Additionally, such definition may be adopted by the Board via regulations if used in such regulations.

#### I. MISSION STATEMENT.

- **Category:** Substantive
- **Criteria:** None
- **Explanation:** Add a mission statement to the Charter Amendment.
- **Not Recommended Because:** The Charter Amendment already includes a “Purpose” in § 1801 which addresses this recommendation.

#### J. HOUSING DEPARTMENT COLLABORATION.

- **Category:** Substantive
- **Criteria:** 5
- **Explanation:** Include language in the Charter Amendment providing for the creation of a “task force” to encourage closer collaboration between the Rental Housing Board/Rent Stabilization Department and the City’s Housing Department.
- **Not Recommended Because:** There is no need to formalize a “task force” in the Charter Amendment for the two departments to collaborate. In fact, the collaboration between the two Departments is already occurring to ensure housing goals are met throughout the City.

#### K. ADJUDICATION OF EVICTIONS.

- **Category:** Substantive
- **Criteria:** None
- **Explanation:** Include language in the Charter Amendment expressly prohibiting the Rental Housing Board from adjudicating terminations of tenancies and evictions.
- **Not Recommended Because:** The Board does not have jurisdiction over eviction proceedings, so the recommendation is already in place. There

may be a confusion about the Board being allowed to intervene or pursue in court proceedings, but removing Board authority in this manner would reduce enforcement capability and therefore not meet the criteria for our charter review. Moreover, there may be no practical way for Board to intervene in unlawful detainer action, making that particular concern moot.

#### L. JUSTICE FOR RENTERS RECOMMENDATIONS.

- **Category:** Substantive
- **Criteria:** None
- **Explanation:** A number of “Justice for Renters” recommendations were provided by a member of the public. These included (1) setting rents of non-luxury units by City, rather than market; (2) December rent holiday for non-luxury units, to be funded by tax breaks; (3) utility bill rebate for non-luxury units; (4) no rent increase or eviction for tenants over 60; (5) moratorium on luxury construction.
- **Not Recommended Because:** The Board does not have the authority to implement these recommendations, which exceed the scope of the purpose of the Charter Amendment. Complex changes would have to be made to the Board’s powers and duties to allow the Board to implement these suggestions, the legality of which would require greater research. All of this could open the Board up to greater legal liability.

#### M. DEFINITION OF “TENANT.”

- **Category:** Substantive
- **Criteria:** 5, 6, 7
- **Explanation:** Revise the definition of “Tenant” in the Charter Amendment because it is currently too broad, making it unclear whether the provisions of the Charter Amendment are intended to apply to situations where a no rent is being paid for occupancy of the unit (e.g., where someone allows their family member to stay at their home free of charge for a limited time).
- **Not Recommended Because:** While the definition of “Tenant” in the Charter Amendment does cover tenants, subtenants, lessees, sublessees, *or any other person entitled under the terms of a Rental Housing Agreement or the Charter Amendment to the use and occupancy of any Rental Unit*, the definition must be read together with the definition of “Rental Unit.” Reading these definitions together, the Charter Amendment, as currently written, is clear that its provisions do not apply to the types of arrangements described by the suggester.