



Rent Stabilization Department

PRESENTATION OF PASADENA RENTAL HOUSING BOARD
ON RECOMMENDED CHANGES TO PASADENA FAIR AND
EQUITABLE HOUSING CHARTER AMENDMENT (ARTICLE
XVIII) AND POTENTIAL DIRECTION TO CITY STAFF TO
PREPARE NECESSARY RESOLUTIONS TO AMEND THE CITY
CHARTER

June 17, 2024
Agenda Item #17





Background

Rent Stabilization Department

- Pasadena Fair & Equitable Housing Charter Amendment (Article XVIII)
 - Adopted by voters on November 8, 2022
 - Imposes rent control and just cause eviction protections on certain residential rental units
- Pasadena Rental Housing Board recommending charter amendments to Article XVIII:
 - Minor clarifications & revisions to Article XVIII
 - Potential for more substantive policy changes



Background

Rent Stabilization Department

- Review Process
 - **March/April:** Board and public asked to submit suggestions for consideration – 19 received
 - **April 24:** Board established framework for reviewing suggestions
 - **May 8:** Board reviewed initial recommendations, receives public comment, mostly in favor
 - **May 22:** Board reviews revised recommendations, receives public comment, adopts resolution
 - **June 17:** Presentation of recommended changes to the City Council for consideration



Board Review Framework

Rent Stabilization Department

On April 24th, the Board adopted a framework to review suggestions (summarized):

- Reasons to consider suggestions
 - > Replace court-stricken language
 - > Clarify ambiguities in Article XVIII
 - > Align with existing practices of City and/or rental market realities
 - > Reduce burden, costs, or legal liability for Board/Department
- Mitigating Factors (Potential Drawbacks)
 - > Increased difficulty in enforcement or implementation
 - > Undermine core provisions of Article XVIII
 - > Hinder regulating rent increases or evictions
 - > Make it harder to ensure fair landlord returns
 - > Increase burden, costs, or legal liability for Board/Department



Board Recommendations

Rent Stabilization Department

Board recommends six changes related to:

A. Clean-up & Minor Changes

1. Rental registry deadline
2. Ellis Act notices and definitions
3. Relocation assistance disbursement schedule
4. Security deposit interest schedule

B. Government-Subsidized Tenant Exemption

C. Removal of Board Members



Board Recommendations

Rent Stabilization Department

Other suggestions not recommended by the Board:

1. Making Board member compensation optional
2. Expansion of tax credit property exemption
3. Addition of duplex exemption
4. Addressing “needed permits” issue in Section 1806(a)(10)
5. Expansion of Board contracting power
6. Clarification of self-certification of maximum lawful rent
7. Codification of definition of “Natural Person”
8. Codification of definition of “Mom and Pop Landlords”
9. Addition of Mission Statement
10. Housing Department collaboration
11. Adjudication of evictions
12. Changing the definition of “tenants”
13. “Justice for Tenants” recommendations



A.1 Rental Registry Deadline

Rent Stabilization Department

- Article XVIII Section 1812 Changes:
 - > Eliminate deadlines for:
 - Rental Registry implementation
 - Annual landlord registration (April 1st)
 - > Allows flexibility of the Board to:
 - Set a new implementation timeline for the Rental Registry
 - Establish an annual registration date
- Board voted unanimously on the recommendation



A.1 Rental Registry Deadline

Rent Stabilization Department

- 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.~~
- ~~(c)~~ (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.



A.2 Ellis Act Clean-Up

Rent Stabilization Department

- Article XVIII Section 1806(a)(10)
 - > Notice period reduced to 120 days (matches Ellis Act) for withdrawal of unit from rental market.
 - > Clarify that regulations for "withdrawal" follow those adopted by the City Council (not Board).
 - > Use the Ellis Act definition (62 years or older) for "senior/elderly" in eviction due to owner move-in.
- Board voted unanimously on the recommendation



A.2 Ellis Act Clean-Up

Rent Stabilization Department

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.



A.3 Relocation Assistance Disbursement Schedule

Rent Stabilization Department

- Article XVIII Section 1806(b) Changes:
 - > Adjust disbursement schedule to work for tenants receiving only 30-day eviction notices (under state law).
 - > Current schedule doesn't work for short-term tenants (less than 1 year).
- Board voted unanimously on the recommendation



A.3 Relocation Assistance Disbursement Schedule

Rent Stabilization Department

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 at least thirty (30) 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.



A.4 Security Deposit Interest Schedule

Rent Stabilization Department

- Article XVIII Section 1806(f)(1) Changes:
 - > Update the Board adoption of the interest rate from October 1st to November 1st.
 - > Allows use of the most current interest rates for security deposits. Otherwise, interest rate lags a year.
- Board voted unanimously on the recommendation



A.4 Security Deposit Interest Schedule

Rent Stabilization Department

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.



B. Government-Subsidized Tenant Exemption

Rent Stabilization Department

- Article XVIII Section 1804 Changes:
 - Create a partial exemption from rent control provisions for units leased to government-subsidized tenants (e.g., Section 8 vouchers).
 - Current rules could disincentivize landlords to participate in programs and make it harder for voucher holders to find housing.
 - Limited exemption applies only if rent stays below the "Payment Standard" set by the program.
 - Board can still regulate excessive rent increases for these units.



B. Government-Subsidized Tenant Exemption

Rent Stabilization Department

- Continues to protect tenants from large rent hikes while ensuring affordable options.
- Continues to protect tenants with just cause eviction protections.
- Helps Department of Housing and Board achieve shared goals of providing safe and affordable housing.
- Department of Housing collaborated on recommendation.
- Board voted (8) members in favor and (3) opposed



B. Government-Subsidized Tenant Exemption

Rent Stabilization Department

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

...

(a) 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...

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B. Government-Subsidized Tenant Exemption

Rent Stabilization Department

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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.



C. Removal of Board Members

Rent Stabilization Department

- Article XVIII Section 1811(d) Changes:
 - > Add provision for City Council to remove Board members.
 - > Maintains current removal process of voter signature petition:
 - 10% for district, 5% for at-large
 - > Adds removal reasons for egregious or repeated violations of the Board's Code of Conduct, such as:
 - Absenteeism
 - Harassment
 - Felony convictions indicating unfitness



C. Removal of Board Members

Rent Stabilization Department

- Improper disclosure of confidential information
 - Misuse of City resources or position for personal gain
 - > Requires majority vote of Board to remove a member followed by approval or denial by the Council.
-
- Board members voted (8) members in favor, (2) opposed, and (1) abstention.



C. Removal of Board Members

Rent Stabilization Department

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 recalled by the City Council if the City Council is presented with a petition signed by 10% of the qualified voters of the district from which the tenant was appointed and a majority of the City Council votes to recall the Tenant member. At-large members may be recalled by the City Council if the City Council is presented with a petition signed by 5% of the qualified voters of the City and a majority of the City Council votes to recall the at-large member. Any member of the Board may be recalled 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 recall a Board member.



Recommendation

Rent Stabilization Department

1. Find that the proposed contract amendment is exempt from the California Environmental Quality Act (CEQA); and
2. Receive and file the Pasadena Rental Housing Board's report; and
3. Direct staff to prepare and return with necessary resolutions, subject to Council approval, of any changes to City Charter Article XVIII, as detailed in the agenda report, or any variation as directed by Council, on the November 5, 2024 General Municipal Election ballot in the City of Pasadena.



Suggested Next Steps

Rent Stabilization Department

Council Meeting Date	Suggested Steps Prior to Adoption of Election Resolutions
June 17, 2024	<p>Presentation and In-depth review of Board recommendations, with the following possible outcomes:</p> <ul style="list-style-type: none"> • Direct staff to prepare one or more ballot measure questions • Schedule further discussion by the City Council • Refer the matter to a Council Committee for review and recommendation prior to July 22, 2024 City Council meeting • Provide alternate direction
July 8, 2024	Further in-depth review of Board recommendations, if needed
July 22, 2024	<p>Consideration of Election Resolutions to submit ballot measures, including any Charter Amendment measures approved by City Council, to submit to Pasadena voters for their consideration</p>



Suggested Next Steps

Rent Stabilization Department

- Council could consider separate motions providing direction on recommendations A through C:
 - A. Clean-up & Minor Changes
 1. Rental registry deadline
 2. Ellis Act notices and definitions
 3. Relocation assistance disbursement schedule
 4. Security deposit interest schedule
 - B. Government-subsidized tenant exemption
 - C. Removal of Board members
- Council could consider other recommendations and provide direction to staff
 - > Three additional staff recommended changes



Additional Staff Recommendations

Rent Stabilization Department

- Clean-up & Minor Changes
 1. Section 1808(a)(3)
 - Change date of first annual general adjustment announcement as it occurred prior to the passage of Article XVIII by the voters.

Revise 1808(a)(3) to read as follows:

“Pursuant to subsection (a) Herein, the Rental Board's first announcement of an annual general adjustment shall be made no later than ninety (90) days after the Board’s first regular meeting September 1, 2022.”



Additional Staff Recommendations

Rent Stabilization Department

- Clean-up & Minor Changes
 - 2. Section 1811 (m)
 - Update the incorrect reference to the City Attorney duties.

Revise 1811(m) to read as follows:

“... City Attorney, who shall provide them pursuant to the lawful duties of the office in the Municipal Code Article II, Chapter 2.30 [Section 2.30.020].
~~Article II, Chapter 2.30 of the Pasadena City Charter.”~~



Additional Staff Recommendations

Rent Stabilization Department

- Board Member Removal
 - > Section 1811(d)
 - > Add language to define petition process by ordinance

Revise 1811(d) to read as follows:

“Tenant members of the Board may be recalled pursuant to a petition process established by ordinance. The petition must be 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.”