

April 2, 2019

Mayor Dr. Robert Garcia  
Members of the City Council  
City of Long Beach  
333 W. Ocean Blvd. 14th Floor  
Long Beach, CA 90802

**Subject:       Agenda Item #R-19: Tenant Relocation Assistance Ordinance**

Dear Mayor Garcia and Council Members:

We write to you as representatives of local housing providers, operators and suppliers along with business owners and real estate industry experts who are involved with a range of rental properties from those that offer single-family residences to large apartment communities. Our members provide the vast majority of affordable housing in the City. While we applaud the Long Beach City Council for reviewing housing policies that will help alleviate pressures created by the severe regional housing shortage, we are **OPPOSED** to the baseline relocation assistance components of the proposed policy model (April 2, 2019 Agenda Item #R-19) generated by City staff.

### **Greater Discussion and a More Robust Review of the Policy Proposal Is Warranted**

Although the report done by staff demonstrated thoughtfulness and good faith analysis, there appears to be a fundamental misunderstanding of the nature of rental property operations. Managing a rental property is complex and labor intensive. The tenant relocation proposal as outlined will have unintended consequences that will hurt communities.

A policy of this magnitude needs to be discussed more in depth, vetted through meaningful dialogue and referred to a standing committee, such as the Housing and Neighborhoods Committee, or a citizens' body, such as the Economic Development Commission, where more comprehensive review can take place. City wide issues such as minimum wage, Styrofoam ban and the marijuana discussion were discussed with more stakeholders over a lengthier time period.

### **Component 1A is Rent Control**

**Rent control, at its most basic premise, is government control and regulation of how much property owners can charge**, undermining the key provisions of the landlord/tenant relationship that is already regulated by California Civil Code. This provision creates a deterrent to financial decision making by placing a monetary penalty on a rent threshold. Cities who have implemented price controls, historically reduce the thresholds. Not only is the number arbitrary but the staff report shows there is no basis for such an extreme measure. It would be counterproductive to our shared housing goals.

According to the report, city rent growth increased by 28% over a 10-year period, and when annualized, this is a 2.8% year-over-year increase. Financial flexibility is essential for housing operators as they determine rents and operating costs. A housing provider who has not given an increase in five years, and

then gives a 10% rent increase would still be under the annualized growth for that period yet face penalization for not raising the rent in the past. Rent caps force housing providers to give more frequent rent increases for fear of losing financial flexibility. This will lead to Long Beach housing becoming more expensive and will negatively impact the community.

### **Component 1B Undermines Housing Providers' Ability to Enhance Housing Stability**

Rental property owners are not in the eviction business. Termination controls will handcuff rental operators from effectively protecting their communities and will reward tenants that create nuisances or engage in illegal activity. It is the wrong approach to remove practical tools that undermine a community's quiet enjoyment. Housing providers should not be put in a position to either face costly litigation or pay a monetary award to those who disrupt communities. The city's own staff report even states: "The results of this survey and further research by City staff show local just-cause ordinances to be an infrequently-adopted policy approach to housing stability by eliminating the lawful use of no-cause notices to vacate" (p. 26).

### **Relocation Assistance as Proposed Violates the Costa Hawkins Rental Housing Act of 1995**

The proposal to require housing providers to pay tenant relocation assistance when a type of rent increase is given is likely barred in certain circumstances by state law, as the relocation assistance requirement is a form of rent control that imposes price ceilings through deterrent on rental rates. Any new rent control law must comply with the Costa-Hawkins Act, which exempts rental units built after 1995 and protects a rental owner's right to set all subsequent rental rates. As currently proposed, there is no exemption in the city's policy that complies with state law. Additionally, this past November 2018, Long Beach voters rejected Proposition 10, a statewide ballot measure aimed at overturning this protection.

### **Solutions to Consider for Addressing a Regional and Statewide Housing Shortfall**

We recognize the various goals and policy options the City Council is trying to balance and are confident that upon more robust discussion, reasonable solutions which address the City Council's goals can be achieved. Specifically, we would like any policy to address the following.

- Monetary relocation assistance needs to be more targeted in scope and toward the identified issue. Tenants have received the service of housing for their rent payments and should not receive monetary payment upon the end of that service in such a broad manner. Any assistance should be linked to a means test, no greater than 60% of AMI and pegged to average market rates based on a 3<sup>rd</sup> party real estate market system such as Co-Star.
- Rent increases are a result of operational costs. We should not penalize those who choose not to raise rents. Vital rehabilitation and renovation of rental stock that would otherwise deteriorate and negatively impact the surrounding neighborhoods is essential and requires significant investment.
- New property taxes, mortgages, construction loans, upgrades and associated labor all result in increased cost to operations. Via a thoughtful approach, essential rehabilitation to the housing stock can be conducted, while also aiding those impacted.

- Further measures should be taken to protect independent rental owners, as we need to encourage individuals to invest in housing resources and protect this step in the economic ladder for residents of all income levels.

We urge you to postpone any action on the proposed ordinance to partner with housing experts to review a more balanced and targeted ordinance that can be developed in such a manner that addresses the legal and operational concerns we have outlined. There are solutions that won't hurt our housing stock or our communities and can help to address housing affordability. Item R-19 will unintentionally make the city more expensive to live in and hurt our communities.

Sincerely,

Long Beach Area Chamber of Commerce  
Downtown Long Beach Alliance  
California Apartment Association  
Small Property Owners Alliance  
Apartment Association of Southern Cities

