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Human Relations Commission  
City of Beverly Hills  
455 N. Rexford Dr.  
Beverly Hills, CA 90210

Dear Honorable Commission Members,

On behalf of the Apartment Association of Greater Los Angeles (AAGLA), I am writing to share our thoughts and suggestions on the Emergency Rent Control Ordinance that was passed by City Council on January 24th. The Apartment Association has a deep commitment to upholding the highest standards in rental housing as well as a commitment to creating housing for all in Los Angeles county. From advocating in the halls of our nation's capital, the offices of our leaders in Sacramento and our local council chambers, we strive to add our expertise to decision makers as they craft good and effective policy.

### **Extend the Discussion Period**

As has been mentioned in every public hearing since the Liaison meeting on January 19th through the Human Relations Commission conducted on February 3rd, we have serious concerns about the speed and wide ranging breadth of both the Emergency Ordinance and the directives to the Human Relations Commission as well as the lack of data that has accompanied these actions. We would like more time to review these issues and respectfully ask that the public comment period be extended to March. We firmly believe there are solutions to these issues that can ensure both housing providers and community members are protected.

As of the Human Relations Commission on February 3rd; there has been no firm data presented as it relates to no-cause evictions, frequency of 10% increases, data as it relates to housing code violations, methodology in determining relocation assistance nor has a discussion taken place on financing for monitoring programs that can range from \$2,000,000 to \$5,000,000. As the City crafts policy that affects all of Beverly Hills, we ask that the process is given ample time. Without data and a better understanding of the issues the City is facing, anecdotal testimony is relied upon which is substantially inconsistent with our everyday experience as those who house Beverly Hills. Data and time for review are reasonable requests



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## Strengthening Price Controls is Not an Affordable Solution

What Beverly Hills is currently experiencing is a regional issue and may be particularly acute in the City as it is one of the most desirable places to live in the world. According to a recent study done by Next10, "from 2005 to 2015, permits for only 21.5 housing units were filed for every new 100 residents in California, less than any other state except Alaska" (Attachment A). There is not enough housing in California to meet the demand, plain and simple.

However, strengthening Price Controls is not the best method in combating affordability issues. Rent control is not a mechanism to provide affordable housing, as it is not based upon a renter's income or ability to pay. Economists are in universal agreement that price controls lead to price distortions. The negative economic and social impacts of intervention in the private housing market is well documented. It is often counter-productive to its intention as it reduces the quantity and quality of the housing stock. Los Angeles, Santa Monica, New York and San Francisco are among the most unaffordable cities in the nation and have strict forms of rent control.

The market is the ultimate regulator as you cannot charge higher than what the market will allow. In fact, over the last 6 months, one and two bedroom units in Beverly Hills have seen rates **decrease** on average over 5% (Attachment B). Existing market rate units are different than existing rates. Average existing rates will be significantly lower than market vacancies and a survey of existing rates is encouraged. Stricter price controls will distort market conditions.

### 10% CAP

A 3% floor is devastating to housing providers in Beverly Hills. According to Beverly Hills Code Enforcement, 65% of tenants live in buildings built over 55 years ago. (Attachment C) These are the same buildings that the City wishes to improve and will also have the highest costs as it relates to maintenance. It removes the flexibility for Mom and Pop owners to make financial decisions for the communities they operate. It will not only deter the investment in the Beverly Hills housing stock, in some cases it will also make it financially unfeasible.

It is not uncommon for providers to wait several years before engaging in an increase for a variety of reasons. In these situations, although a higher increase may occur they are completely justified. Engaging in strict control as has been done, will remove flexibility and increases will become more common for fear they will fall into a negative financial position. The only individuals who have been punished by this Emergency Ordinance are those who have not put forth increases and are likely the most in need of the financial flexibility. In the present structure there are some Mom and Pop



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owners who will take 10-15 years to reach market levels. Often, individuals specifically seek to invest in the City to avoid the burdensome and stifling regulation that is in surrounding cities.

Although individuals will frequently cite the Consumer Price Index as an acceptable benchmark on rent increases, The Bureau of Labor Statistics which produces the CPI specifically states **“Housing units are not in the CPI market basket. Like most other economic series, the CPI views housing units as capital (or investment) goods and not as consumption items. Spending to purchase and improve houses and other housing units is investment and not consumption.” (Attachment D)** CPI is an erroneous benchmark as it does not take in real estate taxes, insurance, the City's business tax which is 1.2% of the GROSS receipt, utilities, water, sewer, trash, pest control, repairs and maintenance, painting, cleaning, landscaping, vacancies, management, advertising, legal and a whole host of other expenses incurred operating a community. These costs rise independent of the CPI and are increasingly significantly in LA County and the City.

Operating a community is a small business and is labor intensive. Housing providers employ local plumbers, gardeners, electricians and a host of other services to maintain the property. Apartments are a beehive of economic activity that will be crushed. It is just and fair for owners to be able to earn a fair rate of return on their community as it compensates providers for the service of shelter and incentivizes maintenance as well as upgrades. Often these properties are the retirement plan of the independent rental owner and is their only source of income. A higher cap that allows individuals the flexibility to make financial decisions as it relates to their communities should be implemented immediately.

It is highly recommended a Landlord-Tenant Mediation Board be implemented. Some cities provide mandatory good faith mediation of rental disputes relating to rent increases. If a tenant is notified of a rent increase that the tenant feels is excessive, they may file a request for mediation through the appropriate department. A tenant can file a request for mediation within a certain time period of a notice of increase and the landlord must attend a mediation session in good faith before the rent increase effectively raises the rent. Together, they will discuss the rent related dispute in order to reach a resolution. Mandatory mediation does not require an agreement be reached, only that the matter be discussed. If the landlord refuses to participate and then seeks any retaliatory action, the tenant may use the landlord's refusal to participate in the mediation process as a legal defense in court. This solution will help strengthen communications where there may be gaps and create a forum to solve disputes. We have found this is effective and has resolved recent hotton button issues in surrounding cities.



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## No Cause Eviction

Housing providers are not in the eviction business. It has a tremendous human impact and is increasingly costly. On the whole, owners have a terrific relationship with their communities. Evictions take place when there are no options left and in one of a few scenarios, non payment of rent or nuisance conditions. Often nuisance conditions affect the entire community. Establishing relocation fees for those individuals is wrong. Establishing a "Just Cause System" has its own pitfalls as it is very hard to prove and is becoming increasingly costly, often between \$10,000 to \$20,000 in legal fees.

There is a solution to this issue. Currently, if someone is evicted through no-cause, it is illegal for the provider to offer that unit at a different rate. However, there is concern that rates are being raised despite the law. A simple registering of the eviction with the appropriate department will ensure there is no financial gain from the eviction. This removes any nefarious motives and financial incentives on all sides. There may also be a class of people that can be means tested that re-location could apply to if there is scenario that is not covered in the above circumstances.

## Inspection Program

According to Code Enforcement, they received 857 complaints as it relates to substandard building or maintenance issues (Attachment C). How many of these complaints are individual and how many of these complaints resulted in a notice to comply? Understanding these numbers will help us better discern what providers are not living up to their duty as a provider. Once these numbers are obtained, perhaps a public system tracking violations can exist on the city's website creating a history of that property as it relates to code enforcement and more inspectors can be hired should the workload be too large. Strengthening the present system is feasible, a simple solution can avoid the creation of a multi-million dollar program.

Providers and managers want to know if there are issues on the property. Although you may hear stories to the contrary and of retaliatory actions, they are not only rare they are illegal. There are strict rules governing landlord retaliation. Retaliatory actions by an owner would create an affirmative defense on the side of a tenant. California State law presumes the landlord is retaliating if the tenancy is ended or services are reduced within a certain amount of time after the tenant exercises a legal right, such as issuing a complaint to a public agency.



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### **Part of the Solution**

The Apartment Association of Greater Los Angeles stands ready to be a part of the solution to these issues but we are concerned that these proposals are being rushed to law without fully evaluating all of its elements, nuances and unintended consequences. While AAGLA firmly believes that a longer discussion period is needed to review any facts that may be presented as it relates to the different items, we firmly oppose the current draconian measures as they have been implemented. The 3% cap needs to be raised as it will crush those that need the flexibility the most. We commend the City of Beverly Hills in its attempts to address identified housing issues and we look forward to reasonable and fair policy. We look forward to working with you to create good policy that serves the needs of all Beverly Hills residents. If you have any questions, do not hesitate to contact our organization. Thank you for your consideration.

Kind regards,

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