



## AGENDA REPORT

**Meeting Date:** November 21, 2017

**Item Number:** F-1

**To:** Honorable Mayor & City Council

**From:** Susan Healy Keene, AICP, Director of Community Development  
Raj Patel, Assistant Director, Building Official

**Subject:** UPDATE ON THE RENTAL UNIT REGISTRATION PROCESS AND RESEARCH ON TENANT/LANDLORD MEDIATION BOARDS IN OTHER JURISDICTIONS

CONSIDERATION OF METHOD TO INCENTIVIZE REGISTRATION OF ALL OUTSTANDING PROPERTIES

RECOMMENDATION FROM THE RENT STABILIZATION AD HOC COMMITTEE TO HIRE A CONSULTANT TO PROVIDE THE CITY COUNCIL WITH INFORMATION RELATED TO ECONOMIC IMPACTS ON RENT STABILIZATION POLICIES;

AGREEMENT BETWEEN THE CITY OF BEVERLY HILLS AND **HR&A ADVISORS, INC.** FOR ANALYSIS OF CERTAIN UNRESOLVED RENT STABILIZATION ORDINANCE ISSUES; AND

APPROVAL OF A CORRESPONDING PURCHASE ORDER TO HR&A ADVISORS, INC. FOR THESE SERVICES; AND

APPROVAL OF AN APPROPRIATION OF \$105,330 FROM THE GENERAL FUND

**Attachments:**

1. Agreement
2. Proposal Responses Received from Consultants
3. Research on Tenant/Landlord Mediation Boards in Other Jurisdictions, Bylaws for Mediation Board in the City of Gardena and City of Culver City

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**RECOMMENDATION**

Staff recommends that Council receive information on rental unit registration process and mediation boards; move to approve the Ad Hoc Committee's recommendation to enter into an agreement with HR&A Advisors, including a corresponding purchase order; and approve funding for the agreement through appropriation of \$87,750 plus a contingency of \$17,550 from the General Fund; and direct staff whether to bring back an ordinance at the next meeting that will prevent landlords who are not in substantial compliance with the registration requirements from imposing the annual rental increases that are allowed by Chapters 5 and 6 of the Rent Stabilization Ordinance.

**INTRODUCTION**

This report provides an update on the Rental Unit Registration Process and includes the recommendation of the Rent Stabilization Ad Hoc committee to engage the services of an economic consultant to address the policy questions identified by City Council and in the facilitated dialogue sessions. In response to a request from the Council, examples of the framework of tenant/landlord mediation boards in other jurisdictions is also provided.

**BACKGROUND**

Status on Rental Unit Registrations

On June 13, 2017, City Council reviewed and approved the contents and format of the on-line rental registration form. The city sent Notices via US Certified Mail dated July 10, 2017, to landlords indicating that the 30-day registration period would begin on July 24th and end on August 23<sup>rd</sup>. In response to requests from landlords, City Council extended the registration period to September 22, 2017. At the time of this report, the status of the rental unit registrations is as follows:

**DETAILS ON REGISTERED PROPERTIES**

Total Number of Properties Required to Complete Registration	1,108
No. of Properties that Completed Registration	891 (80%)
Number of Registered Units	7,600

As the registration of all properties and corresponding units is complete staff will also be able to determine additional information that is now available such as number of Chapter 5 or Chapter 6 tenants, number of owner occupied units, and number of vacant units. Staff is currently in the process of certifying registered units.

**UNREGISTERED PROPERTIES**

No. of Properties Not Registered	216 = 20% of properties that required registration	Total Units Not Registered: 1,100
Property Type & Count	<ul style="list-style-type: none"> <li>• 2 (Duplex) = 71</li> <li>• 3 (Triplex) = 14</li> <li>• 4 = 41</li> <li>• 5-8 = 72</li> <li>• 9-12 = 12</li> <li>• 13 or more units = 6</li> </ul>	

Of the 216 outstanding registrations, a total of 86 confirmations of certified mail were not received; all registrations were mailed to landlord at the mailing address available through the Los Angeles County Assessors Office. Of the outstanding number of registrations, staff received 80 registration packets marked as “undeliverable” by the Postal Office. Upon receipt of these registration packets, staff used the address listed in their Utility Billing and sent the registration packets for a second time to that address via U.S. Certified Mail.

On September 20<sup>th</sup> staff emailed landlords who had started but not completed the registration a courtesy reminder that the registration period was closing; these emails went to the email addresses provided on the registration module by the landlord. At the close of business on September 22<sup>nd</sup>, a total of 786 properties had been registered; 94 properties had started but not completed the registration process. Another email was sent to property owners on October 11<sup>th</sup> notifying landlords who still had started the registration but had not complete it. This effort resulted in 55 registrations that were completed with the assistance of staff including one-on-one appointments and step by step assistance provided to landlord over the phone.

Staff is currently following up with the 216 landlords who are still non-compliant with the registration requirement; this includes the 35 properties that started but not completed the registration. A Notice of Non-compliance was sent out to them at the address listed on the utility billing on November 17, 2017. Staff is also contacting landlords via email and phone if an email address and phone number is available. Landlords will have ten (10) days from the date of the mailing of the Notice to complete the registration. One-on-one appointments are available with staff to assist them with registration process at City Hall and over the phone.

Because about 20% of landlords still have not registered their rental units with the City, despite having received additional notices from the City, staff recommends adding additional provisions to both Chapters of the Rent Stabilization Ordinance to address this issue. The provisions would state that a landlord who is not in substantial compliance with the City’s registration requirements cannot impose the annual general rent adjustment that is allowed by the Rent Stabilization Ordinance until the landlord is in substantial compliance with the registration requirements. This is a cost effective method by which the City can incentivize landlords to register their units, in addition to code enforcement. If the City Council concurs with this recommendation, staff will bring back an ordinance for review at the next City Council meeting.

### Status on Tenant Appeals of Landlord Reported Rent Amounts

On September 19, 2017; the City Council approved adoption of the Rent Stabilization Regulations, which in part establishes the rent certification process that the City must follow in order to comply with the Petris Act (Civil Code Section 1947.7 et seq.). Chapter 2 of the regulations includes an appeal process by which a tenant may object to the rental amount that was provided by the landlord through the registration process and the deadlines with which the parties and the City must comply to complete the initial certification of the rents. On October 12<sup>th</sup> and 20<sup>th</sup>, staff mailed out Notices to all tenants whose rental units have been registered with the City. A total of 5,895 Tenant Notices were mailed out. Tenants had 15 days from the date of the mailing of the Notice to submit an appeal to the City objecting to the rental amount that their landlord reported to the City. Of the 5,895 Notices that were mailed out, a total of 74 appeals were received.

The initial intake of the appeals received, included an administrative review to determine if the appeal was complete and followed with contact to the landlord and tenant to determine if the discrepancy identified on the appeal was due to an arithmetic calculation, which did not require the resolution of disputed evidence. Through this process, staff was able to resolve the dispute administratively and only referred 3 of all appeals received to the hearing officer for a final determination of base rent amount for those units.

### Research on Tenant/Landlord Mediation Boards in other Jurisdictions

In the executive report prepared by Professor Sukhsimranjit Singh, one of the recommendations that was made by the tenant/landlord committee was to establish a mediation board. The recommendation is as follows:

*“Both sides agree that City should constitute a “mediation board” where matters can be discussed to improve communication and hence relationship between landlords and tenants. They also think that this is a good place to further discuss and explore the issues of Habitability and Power Imbalance”*

At the September 5, 2017 meeting, City Council directed staff to conduct research on tenant/landlord mediation boards in other jurisdictions. Staff reached out to cities with mediation boards including Culver City, Gardena, Santa Barbara, and San Francisco. A typical mediation board composition varies from five to fifteen members, including both tenant and local landlords, and a neutral party (usually a home or business owner). The mediation board members are all appointed by the Mayor and confirmed by the City Council; they are compensated from \$0 to \$75 for each board meeting they attend. Meetings are held at a specified time each month or, as it may be needed. The City of Culver City's "Landlord-Tenant Mediation Board" has a 9 member board, three of which are tenant representatives, three landlord representatives, and three members-at-large.

City staff is typically assigned as liaison to the board and provides administrative support as needed. The city of Culver City for instance has 3 full-time employees who provide administrative support to the board; they prepare agendas and coordinate board and mediation meetings between tenant/landlords. City of Santa Barbara's Rental Housing Mediation Board has 2 full-time and 3 part-time employees who provide administrative support to the Board. The City of Gardena has one full-time employee who provides administrative support to the board and one staff liaison who is also the secretary to the board.

Other cities such as Apple Valley, Chino, Fontana, Glendora, Hesperia, Hemet, Ontario, Rancho Cucamonga, Rialto, San Bernardino, Upland, and Victorville all contract out their mediation services with the Inland Fair Housing and Mediation Board which is a fair housing and non-profit mediation service provider. Through this method, these cities offer mediation services provided directly by the contracted agency.

Mediation boards in jurisdictions such as Culver City and Gardena offer both Voluntary and mandatory mediation services. Mandatory mediation does not require an agreement be reached, only that the matter be discussed in "good faith." Although Mediation Board decisions may be non-binding, participation in such programs can be made mandatory. In other words, landlords can be required to participate in the process even if they are not required to comply with the final recommendations of the Board. "Attachment 3" provides additional information on the mediation board services provided in other jurisdictions.

Staff is currently not making a recommendation to the Council to consider the implementation of a mediation board, but rather presenting the requested information. Staff suggests that this item be further discussed after the other policy issues resolved. In the meantime, the Community Development Department will continue to facilitate mediation services through contracted services with a professional mediator as the request is received.

#### Ad Hoc Recommendation for Consultant/Economist Expert

At the September 5<sup>th</sup> meeting, the City Council directed staff to seek the services of a professional consultant/economist to provide information to the City Council and the general public on the effect of the rent stabilization ordinance as amended. Staff requested proposals from the following consulting firms: RAND Corporation, Keyser Marston Associates, HR&A Advisors, Inc., and Economic Roundtable; a proposal was not received from Keyser Marston Associates. Staff coordinated interviews between the Ad Hoc committee and consultants which took place on November 6, 2017. The Ad Hoc committee, consisting of Mayor Bosse and Councilmember Friedman, interviewed the three candidates: RAND Corporation, HR&A Advisors, Inc. and Economic Roundtable. Based on their presentations, the Ad Hoc's recommendation is to hire HR&A Advisors, Inc. A copy of all proposals received are included in Attachment 2.

The proposed team by HR&A Advisors, Inc. understands the scope of work at hand and propose to be able to provide the City with an independent analysis of certain policy issues concerning the recent changes to the Rent Stabilization Ordinance. The scope of work intends to address the issues and questions raised by the City Council and during the facilitated dialogue sessions led by Professor Sukhsimranjit.

In their proposal, HR&A Advisors, Inc. estimate that their work could be completed in approximately 18-22 weeks allowing for flexibility based on their possible participation in any future facilitated dialogue sessions, and a final presentation to the City Council.

**PUBLIC OUTREACH AND NOTIFICATION**

Notice for this public meeting was published in the local papers on November 10<sup>th</sup> and again on November 16<sup>th</sup>, as well as on the City's website. The notice was also mailed to approximately 8600 tenants and 1000 property owners.

**FISCAL IMPACT**

The proposed cost for the consultant services related to the research and analysis that will address policy issues with the current rent stabilization ordinance is \$87,750 plus a contingency of \$17,550 from the General Fund to account number 00114701-731200.

**RECOMMENDATION**

Staff recommends that Council receive information on rental unit registration process and mediation boards; move to approve the Ad Hoc Committee's recommendation to enter into an agreement with HR&A Advisors, including a corresponding purchase order; and approve funding for the agreement through appropriation of \$87,750 plus a contingency of \$17,550 from the General Fund; and direct staff whether to bring back an ordinance at the next meeting that will prevent landlords who are not in substantial compliance with the registration requirements from imposing the annual rental increases that are allowed by Chapters 5 and 6 of the Rent Stabilization Ordinance.

  
Don Rhoads  
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Approved by

Susan Healy Keene, AICP  
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Approved By  
