City of Long Beach
Working Together to Serve

Memorandum

Date: May 16, 2019

To: Patrick H. West, City Manager

From: Linda F. Tatum, Director of Development Services

For: Mayor and Members of the City Council

Subject: **Update on Tenant Assistance Motion - REVISED**

On April 2, 2019, the City Council received and filed a Report on Tenant Assistance Policies and authorized the City Attorney to prepare a Tenant Assistance Ordinance (Ordinance). The attached memo provides the motion adopted on April 2, 2019, (Attachment A). In addition to specific changes and/or additions to staff's policy recommendation, the motion directed staff to research the following items, which are addressed in this memo:

- The applicability of U.S. Department of Veterans' Affairs (VA) loans for 4-unit properties and whether this policy will have an impact on the market;
- How a tenant could re-earn the status of "good standing" if a tenant has violated any provision during their tenancy;
- The issue of exemption of relocation benefits if a landlord provides at least a 6-month notice to vacate; and
- Confirm that the tenant relocation assistance program does not violate the Costa-Hawkins Act or any other provision of applicable law.

U.S. Department of Veterans' Affairs (VA) Loans

A veteran may purchase a multi-family property of up to four units using a VA loan. However, they must meet the VA's occupancy guidelines. Service members who secure a VA purchase loan must certify that they intend to personally occupy one of the units as their primary residence and take residence of one of the units within 60 days of the purchase.

The motion includes specific exemptions to the requirement to pay relocation assistance, including exemptions for landlords who own only one building of only four units in the City of Long Beach and for landlords who occupy a unit as their primary residence in the same building as their tenants. Due to these provisions, staff does not project adverse impacts on the local market for VA loans for four-unit properties.

Good Standing

The City Attorney, working with staff, has drafted the proposed Ordinance so that defaults which are reasonably susceptible to cure, such as failure to pay rent, or damage to the apartment that has since been repaired, or otherwise comply with material obligations of the lease, will not render a tenant ineligible for relocation assistance provided that such defaults are cured at the time relocation assistance is payable. However, other defaults, such as conducting illegal activities at the property or interfering with other tenants at the property, permanently render a tenant ineligible for relocation assistance.

Exemption for 6-Month Notice to Vacate

Per staff's research, no other city that has enacted a similar tenant relocation assistance program has a provision that would exempt landlords if they provide a longer notice to vacate. The Long Beach Municipal Code requires extended noticing for condominium conversions but does not exempt applicants from the requirement to pay relocation assistance to households displaced by the condominium conversion. From a practical standpoint, an exemption for landlords who provide a 6-month notice to vacate would result in the ineffectiveness of the Ordinance's power to ameliorate the impacts of displacement on tenants who are given terminations of tenancy at no fault of their own. However, the City Attorney's office believes that allowing such an exemption with a 6-month notice would not violate applicable State law.

Costa-Hawkins Act

The City Attorney believes that the tenant relocation assistance program, as discussed by Council on April 2, 2019, would not constitute rent control and would not violate the Costa-Hawkins Act. However, there is no statutory or caselaw which unequivocally supports that position, so in an abundance of caution the Ordinance has been drafted to exempt all units which received a certificate of occupancy after February 1, 1995. The inclusion of such an exemption ensures that the Ordinance complies with Costa-Hawkins. This provision is estimated to exempt approximately 5.3 percent of rental housing units in the City (3,724 units), including over 1,000 new income-restricted affordable units. The market-rate units built after February 1, 1995, typically command the highest rents, and are much less likely to be in a condition requiring substantial rehabilitation and unit vacation. The two other California cities who have similar positions also exempt units constructed after February 1, 1995.

City-Funded Senior and Disabled Relocation Assistance Program

Staff has begun initial research on developing a City-Funded Senior and Disabled Relocation Assistance Program (Senior and Disabled Relocation Program). Startup activities include designing collateral materials to be printed and mailed, updating the Department of Development Services' web page to include all information and collateral materials relating to the program, and rolling out an education and information campaign. The initial cost estimate for developing and distributing materials is approximately $27,000.

In order to implement a Senior and Disabled Relocation Assistance Program, including determining and confirming eligibility for city relocation assistance, processing applications, creating a database and tracking system, and monitoring data collection, staff estimates that the Department of Development Services will require an Administrative Analyst II position at a fully burdened cost of $114,529 annually.

Ongoing costs of the program consist of administration costs and relocation assistance payments ($2,000 per household), with the major cost being the relocation payments. Staff estimated the number of households that might be eligible for senior and disabled relocation payments using a combination of Business License and U.S. Census data, and found that there are about 24,229 households with a senior or disabled person as head of household. This equates to about 34.46 percent of the City's 70,317 rental units. Assuming that one percent (242 households) to five percent (1,211 households) of these households are eligible for relocation assistance in any given year, staff estimates that the ongoing annual cost for

relocation payments could range from $598,529 to $2,536,529 annually. These preliminary cost estimates are summarized below.

One Percent Estimate	**Initial year Costs**	**Ongoing Costs**
Startup Activities	27,000	
Staff	114,529	114,529
Relocation Assistance	484,000	484,000
TOTAL	**$625,529**	**$598,529**

Five Percent Estimate	**Initial Year Costs**	**Ongoing Costs**
Startup Activities	27,000	
Staff	114,529	114,529
Relocation Assistance	2,422,000	2,422,000
TOTAL	**$2,563,529**	**$2,536,529**

Next Steps

A draft proposed Ordinance will be presented by the City Attorney to the City Council for first reading on May 21, 2019. The Ordinance is proposed to take effect on August 1, 2019, to allow staff ample time to create administrative processes for the program and conduct an outreach campaign to distribute information on the Ordinance to landlords and tenants.

Staff will continue to investigate the potential for creating a Senior and Disabled Relocation Program providing an additional $2,000 in relocation assistance to qualified households, and will further refine the estimated cost for such a program to identify potential funding sources. Staff will provide an update on this to the City Council at a later date. The City Council can also give staff additional direction on May 21, 2019, as whether to continue this research or use an alternative model to provide additional assistance to seniors and disabled residents.

As directed by the City Council on April 2, 2019, once an Ordinance goes into effect, the item would be set to come back to the City Council for review 3 years after adoption, for the Council to receive information on the implementation and provide direction to City staff as appropriate.

If you have questions regarding this matter, please contact Patrick Ure, Housing and Neighborhood Services Bureau Manager, at Patrick.Ure@longbeach.gov or at (562) 570-6026.

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ATTACHMENT

CC: CHARLES PARKIN, CITY ATTORNEY
LAURA L. DOUD, CITY AUDITOR
TOM MODICA, ASSISTANT CITY MANAGER
KEVIN JACKSON, DEPUTY CITY MANAGER
REBECCA GARNER, ADMINISTRATIVE DEPUTY TO THE CITY MANAGER
PATRICK URE, HOUSING AND NEIGHBORHOOD SERVICES BUREAU MANAGER
MONIQUE DE LA GARZA, CITY CLERK (REF. FILE #19-0262)

ATTACHMENT A

City of Long Beach
Working Together to Serve

Memorandum

Date: April 4, 2019

To: Mayor and Members of the City Council

From: Patrick H. West, City Manager

Subject: **Official Tenant Assistance Motion**

At its meeting on April 2, 2019, the City Council provided direction on a tenant assistance Ordinance that would return to the City Council for consideration. Attached is the official motion on agenda item R-19 capturing all the items that were voted on by the City Council.

If you have any questions regarding this matter, please call Tom Modica, at (562) 570-5091.

ATTACHMENT

CC: CHARLES PARKIN, CITY ATTORNEY
LAURA L. DOUD, CITY AUDITOR
TOM MODICA, ASSISTANT CITY MANAGER
KEVIN JACKSON, DEPUTY CITY MANAGER
REBECCA GARNER, ADMINISTRATIVE DEPUTY TO THE CITY MANAGER
RICHARD F. ANTHONY, DEPUTY CITY ATTORNEY
LINDA TATUM, DIRECTOR OF DEVELOPMENT SERVICES
MONIQUE DE LA GARZA, CITY CLERK (REF. FILE #19-0262)

Adopted Motion on Item 19, April 2, 2019

Adopt staff's recommendations with the following changes and/or additions:

1. Rather than staff's proposal, tenant relocation benefits shall be equal to two months of the respective payment standard by number of bedrooms averaged across all Long Beach zip codes in the Payment Standards / Small Area Fair Market Rents published by the Housing Authority of the City of Long Beach, provided that in no case shall relocation benefits payable to a tenant exceed $4,500. Such relocation benefit amounts are currently as follows:

Studio	$2,706
1 Bedroom	$3,235
2 Bedroom	$4,185
3+ Bedroom	$4,500

2. Remove the income requirements and pay relocation benefits to any otherwise qualified tenant regardless of income.

3. Add an additional relocation benefit program for seniors and/or disabled in the amount of $2,000 to be distributed from a City fund. Staff are directed to identify (i) a mechanism for implementation and administration of the program, (ii) costs of implementation and administration of the program, and (iii) potential sources of funding for the program.

4. Require landlords to inform tenants of (i) methods to improve their credit score through reporting of timely payment of rent, and (ii) the availability of rental insurance.

5. Add to and amend the events triggering payment of a relocation benefit as proposed by staff so that such trigger events, in their entirety, are as follows:

A. Tenant receives a notice(s) of rent increase(s) totaling ten percent (10%) or more in any 12-month period.

B. Tenant receives a notice to vacate due to landlord rehabilitating tenant's unit.

C. Tenant is in good standing and receives a notice to vacate. A tenant in good standing is one that has lived in a unit for more than one year and thereafter receives a notice to vacate and has not during its tenancy:

1. Defaulted in the payment of rent.

2. Failed to perform any provisions of the lease.

3. Materially damaged the unit.

4. Substantially interfered with other tenants at the property.

5. Committed domestic violence or sexual assault against, or stalked another tenant in the unit and the victim has terminated its tenancy.

6. Used the unit for an unlawful purpose.

7. Unlawfully used or dealt drugs.

8. Using the premises to conduct dogfighting or cockfighting.

9. Unlawfully used of weapons or ammunition.

6. Landlords will be exempt from payment of relocation benefits if any of the following apply:

A. Landlord owns only one building of 4-units in the City of Long Beach.

B. Landlord occupies a unit as landlord's primary residence in the same building as tenant.

C. Landlord issues a notice to vacate so in order for an immediate family member of Landlord to occupy the vacated unit.

7. Require staff to bring the entire tenant relocation assistance program back before the City Council within three years after adoption of an ordinance for reconsideration by the Council.

8. Direct staff to research the following:

A. Research the applicability of VA loans for 4-unit properties and whether this policy will have an impact on the market.

B. Research how a tenant could re-earn the status of "good standing" if a tenant has violated any provision during its tenancy.

C. Research the issue of exemption of relocation benefits if a landlord provides at least 6-month notice to vacate.

D. Confirm that the tenant relocation assistance program does not violate the Costa-Hawkins Act or any other provision of applicable law.