



Date: April 18, 2017

To: Honorable Mayor and Members of the City Council

From: Councilmember Jeannine Pearce, District 2 *JF*
Councilman Roberto Uranga, District 7 *R*
Vice Mayor Rex Richardson, District 9 *ER*

Subject: Rental Application Credit Report Reform

RECOMMENDATION:

Recommendation to request the City Manager to work with the Department of Development Services, as well as housing groups and property owner associations, to draft a report on streamlining and making the rental application credit check process more affordable through a third-party repository program, and return and present at a future Council meeting in 60-90 days.

The report should consider the following policy and program elements:

- Establish the Apartment Association, California Southern Cities (AACSC) or other entity as a third-party repository, which would maintain and distribute the credit report of the same applicant to qualifying property owners at no charge to the property owner or applicant for up to 90 days.
- Develop a corresponding education and outreach program which will include a set of rental application "best practices" for property owners and applicants.
- Include information on the policy and program within the annual notices sent out to property owners and tenants as part of the PRHIP program.
- For education and enforcement purposes, integrate the program within the business licensing process for property owners with 4+ units.

DISCUSSION:

According to the U.S. Department of Housing and Urban Development (HUD), 59% of Long Beach residents are renters, compared to 35% nationwide. The average amount of time it takes someone to go through the rental search, application, and approval process is anywhere

between 1-3 months. In California, the application fee can cost up to \$47 each time (CA Civil Code 1950.6) with some residents applying as many as six times, or spending up to \$200-300 with no guarantee before they can find a unit or property owner who will accept them. This is further compounded when you consider couples or families with adult children who have to pay a fee for each person on the lease. Although the application is a significant burden on Long Beach renters, the dollar amount is cost-recovery and therefore difficult to reduce without also reducing the cost and time it takes the property owner to run the credit.

Given that AACSC already provides trusted credit check services to property owners within their membership, the goal of this policy and program is to enhance and expand these services by establishing AACSC or a similar entity as a third-party repository. Under this program, they will continue to run the initial credit check at the full-cost for qualifying property owners, but hold onto the applicant's credit report for up to 90 days. During this 90-day period, the third-party will provide a copy of the report to any other qualifying landlord who requests it at little or no charge to the landlord. As a result, applicants will only have to pay the full dollar amount to cover their first credit check and will be able to use that same report for any other property they apply to within 90 days at a significantly reduced or eliminated cost.

The 90-day period is determined by the search time given to those in the Housing Choice Voucher Program (commonly known as Section 8) as well the mortgage industry standard of holding onto an individual's credit report for up to 90-days.

A third-party repository program through AACSC or similar organization presents an opportunity for the City, property owners, and renters to develop a collaborative solution which reduces the cost and burden of the rental application process, thereby increasing the ability of Long Beach families to secure adequate housing.

FISCAL IMPACT:

It is anticipated that this report can be generated in-house with no fiscal impact to the City.