



Substantial Remodel-Related Tenant Displacement

City Council Meeting - December 7, 2021

Background

- In 2018, tenant and owner representatives joined City staff for a series of meetings to discuss potential tenant protection policies to address rising rents and tenant displacement
- City staff prepared a Report on Tenant Assistance Policies and the City Council adopted an Ordinance requiring owners to pay relocation benefits to tenants that received a 10 percent rent increase and to tenants in good standing that received a notice to vacate (Long Beach Municipal Code (LBMC) Chapter 8.97)
- The policy was rescinded upon the State's adoption of Assembly Bill 1482 (AB 1482) and the City Council adoption of LBMC Chapter 8.99 (Just Cause)
- On March 10, 2020, the City Council adopted a Just Cause for Termination of Tenancies Ordinance (LBMC Chapter 8.99) modeled after California Civil Code Section 1946.2 (AB 1482)
- The City's Ordinance includes Substantial Remodel as an allowed no-fault just cause for termination of tenancy

Background (continued)

- Unintended consequence of tenant's displacement due to remodeling work when the displacement is not necessary
- Tenant representatives have shared concern regarding tenant displacement due to substantial remodel-related notices to vacate
- Advocates contend that the City's lower income residents and working families are most affected by the perceived flaw in the City's Just Cause Ordinance
- On July 6, 2021, the City Council directed the City Attorney to draft an urgency Ordinance establishing a temporary prohibition on substantial remodel lease termination notices and evictions. The Ordinance was adopted on July 13, 2021, establishing a moratorium through December 31, 2021
- The City Council also asked City staff to explore the feasibility and costs associated with establishing a Renovation Administration Program, to meet with tenant and property owner representatives to discuss such a program, and alternative options to address substantial remodel displacement

What is a Renovation Administration Program?

- The City of Los Angeles has implemented a Tenant Habitability Program (THP) removing Substantial Rehabilitation as an allowed no-fault just cause for termination of tenancy
- The THP requires the development of a Tenant Habitability Plan for each construction project to mitigate the impact on tenants during major rehabilitation of apartment buildings
- The THP must be approved by the City and the City has significant oversight of the construction process and impacts to tenants during construction
- Property owners are required to temporarily relocate tenants if they cannot safely remain in their units during construction

What is a Renovation Administration Program? (continued)

- Other cities, including Oakland, Berkeley, West Hollywood, and Santa Monica have studied or implemented a THP
- All cities with a THP also include management of rent control Ordinances and a sizable administrative staff to run the programs. Santa Monica's rent control program, for example, has a staff of approximately 25 and a \$5 million administrative budget covering 27,000 rent-controlled units
- Although a THP is only part of a rent control program, there is still a significant cost to administering such a program
- In addition to providing additional protections against tenant displacement, a THP helps prevent vacancy de-control of rent-controlled apartment units

Stakeholder Engagement

City staff conducted three stakeholder meetings with tenant and property owner representatives to discuss the potential development of a Tenant Habitability Plan, and other potential solutions to address substantial remodel displacement

- **August 25, 2021** – Tenant Stakeholder Meeting
- **August 26, 2021** – Property Owner Stakeholder Meeting
- **September 22, 2021** – Combined Stakeholder Meeting
- Survey on the Development Services Website
- Meeting materials on the Development Services Website



SURVEY AVAILABLE!

Share your insights related to rental displacements caused by substantial remodels. We want to know how they have affected you or those you know. This survey will close on Wednesday, September 29, 2021.

longbeach.gov/srtd

August 25, 2021 Tenant Stakeholder Comments

- Remove incentive to use Substantial Remodel Just Cause termination
- Tenants afraid to complain about needed repairs to avoid eviction
- Solutions should focus on people rather than buildings
- Current just cause relocation benefits too low
- Would like City to act as referee between tenants and landlords
- Concerned that tenants don't understand their rights
- Prefer adoption of Tenant Habitability Program
- Would like City to oversee substantial remodels
- Need a better definition of what a "Substantial Remodel" is
- If relocated, tenants should stay in their community/neighborhood

August 26, 2021 Property Owner Stakeholder Comments

- Would like to see more data on evictions caused by current wording of Just Cause Ordinance
- Penalize landlords that are not complying instead of penalizing all property owners with a THP or unnecessary policy changes
- Would like “Substantial Remodel” to be more clearly defined.
- Existing Just Cause Ordinance (and AB 1482) already protects tenants
- Need to track information on substantial remodel evictions
- Property owners have been impacted by COVID-19, eviction moratoriums, and non-payment of rent
- Concerned that financial impact to owners from potential Ordinance revisions will disincentivize housing rehabilitation

September 22, 2021 Stakeholder Comments

- Tenant stakeholders support a THP
- 26 attendees commented on their experiences with displacement associated with substantial remodel
- Participants believe that displacement should be tracked by the City
- Lack of clarity on definition of “Substantial Remodel”
- Concern regarding investors who purchase and remodel properties, raise rents, and displace tenants
- Substantial Remodel used as a loophole to raise rents
- Concern about substandard housing conditions and fear of eviction for reporting problems
- City needs to educate both parties on Substantial Remodel process

Survey Highlights

- City should be more involved in the remodel process
- City should create more incentives for owners to maintain property
- Permit process is too slow and renovation costs are too high
- Already too much government interference – leave Ordinance as-is and let the moratorium end with no change to existing law
- Need more affordable housing and rent control
- Investment companies are contributing to high cost of housing
- Tenant stakeholders support Tenant Habitability Program
- Owner stakeholders oppose Tenant Habitability Program
- Both parties impacted by pandemic

The Beacon Affordable Housing Project



Data Overview

- The City is not party to, and has no database of evictions
- Reporting by CalMatters shows Sherriff-enforced evictions at 221 since mid-2020 but detailed information is not available
- During the COVID-19 period, 879 permits appear eligible as “substantial remodels” of multifamily properties, but no information is available about which permits may have led to evictions or displacements. The COVID-19 period is not statistically different from 2019 or 2018
- This data does not clearly show that the evictions were a result of a Substantial Remodel Just Cause termination or that the permits issued resulted in a Substantial Remodel Just Cause displacement
- To avoid unnecessary displacement, there may be some need to refine the definition of “Substantial Remodel” to eliminate displacements from short-duration remodels (state law references 30-days)

Data Overview (continued)

- Long Beach has an older housing supply with 82 percent of the City's housing units built before 1980
- Housing typically requires major renovations at year 30, 50 and then more frequently for buildings over 50 years old. 71 percent of the City's housing units are more than 50 years old
- In order to maintain a safe and healthy housing stock, a number of units will likely need significant upgrades in the coming years
- How do we allow for these upgrades without unnecessarily permanently displacing residents?

Potential Solutions

- The development and implementation of a THP is estimated to cost \$2 million annually and would require the use of General Funds
- It will take a year or longer to develop a THP and hire staff
- Based on comments and input from the Stakeholder Meetings, City staff considered other potential changes to the Just Cause Ordinance that would address the issue much faster and for far less cost than the development of a THP
- Staff is offering three options for the City Council's consideration, and is recommending Option 2

Option One

- Create and Implement a Tenant Habitability Program similar to the Los Angeles model
- Such a plan would create a program requiring staff oversight of residential rehabilitation projects that would be subject to a Tenant Habitability Plan
- There would be significant cost to administer a THP likely averaging \$2 million annually. The City would need identify General Funds to fund the program
- Such a program would take over a year to get up and running
- Needed property repairs may be avoided by owners

Option Two

Consider revisions to improve the Just Cause Ordinance:

- Revise the definition of Substantial Remodel to indicate work that would require a tenant to vacate for at least 60 days as opposed to the current 30 days
- Revise the definition of Substantial Remodel to more clearly define what work does and does not qualify as a substantial remodel
- Establish a civil fine of up to \$15,000 payable by a landlord to a tenant when a landlord has been found by a civil court to have intentionally violated the City's Just Cause Ordinance when issuing an invalid termination notice based upon the Substantial Remodel Just Cause Termination of tenancy provision

Option Two (continued)

- Revise the Just Cause Ordinance to require owners to notify City when applying the Substantial Remodel Just Cause for termination provision in conjunction with related construction work. Require staff to track data on this type of displacement and deploy housing navigators to assist tenants who are at risk of displacement
- Revise the Just Cause Ordinance to require a 90-day notice to vacate for any no-fault Just Cause termination of tenancy

Option Three

- Modify the Just Cause Ordinance to increase permanent relocation benefits to \$4,500 per household from the current AB 1482 relocation requirement of one-month's rent
- This option could be considered by itself, or the City Council could combine it with the recommendations included in Option 2

Recommendation

Request the City Attorney to prepare an Ordinance amending Chapter 8.99 of the Long Beach Municipal Code, Just Cause for Termination of Tenancies, to include the modifications included in Option Two proposed herein; and,

Adopt an Ordinance amending Chapter 8.102 of the Long Beach Municipal Code to extend the prohibition on termination of certain lawful residential tenancies described therein through February 28, 2022, declaring the urgency thereof, and declaring that the Ordinance shall take effect immediately. (Citywide)



Thank you

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