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# CITY OF POMONA

## COUNCIL REPORT

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November 18, 2024

To: Honorable Mayor and Members of the City Council

From: Anita D. Gutierrez, City Manager

Submitted By: Kirk Pelser, Economic Development Director

**SUBJECT: PROGRAM OPTIONS FOR RENT STABILIZATION**

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### **RECOMMENDATION:**

It is recommended that the City Council discuss program options related to Rent Stabilization in the City of Pomona and provide direction to staff.

### **EXECUTIVE SUMMARY:**

Urgency Ordinance No. 4320 (Attachment No. 1) was adopted by the Council on August 1, 2022 and created an initial regulatory framework (capping rent increases at the lower of 4% or CPI) and other protections for residents facing housing instability. Urgency Ordinance No. 4329 (Attachment No. 2) was subsequently adopted on April 17, 2023, amending Ordinance No. 4320 by expanding the Relocation Assistance available to tenants in not-at-fault evictions proceedings. Two focused City Council Study Sessions occurred in August of 2023 and August of 2024. Following adoption of Ordinances 4320 & 4329, and throughout the duration of time since then, significant community input for, and against, implementation of a permanent rent stabilization was received at nearly every City Council meeting. Staff has been working within the limited regulatory framework that 4320 & 4329 provide while also working with the City Attorney and RSG (a qualified consulting firm) to provide program options for the City Council to consider. The purpose of tonight's discussion is to summarize the various program options and costs, and to receive clear direction from a majority of Council on a preferred approach with sufficient detail so that staff, the City Attorney, and consultants may bring forth enacting legislation for Council consideration.

### **SB1439/GOVERNMENT CODE §84308 APPLICABILITY:**

☐ When this box is checked, it indicates the agenda item is subject to the Levine Act SB1439 requirements. Councilmembers are reminded to check their campaign contributions and determine whether they have received a campaign contribution of \$250 or more that would require disclosure and/or recusal from discussing or acting on this agenda item. Campaign contributions of \$250 or more made 1) by any person or entity who is identified in the agenda report as the applicant or

proposer or 2) on behalf of the applicant or participant, including a parent, subsidiary or otherwise related business entity, or 3) by any person who has a financial interest in the agenda item requires a councilmember to comply with SB1439.

### **FISCAL IMPACT:**

Establishing rent restrictions, relocation assistance, and just cause eviction regulations with enforcement mechanisms such as a rent review board or an individual independent reviewer could cost several million dollars, considering the necessary staff and legal support. Other aspects, such as a rental registry and rental inspection program, will also have significant cost implications. These components are addressed in more detail within the Discussion portion of this report. As with other programs of this nature, the City may recover some or all of these costs through the establishment of appropriate fee structures, once significant compliance is achieved from those that are paying said fees. A full picture of the fiscal impact will vary depending on the option(s) the City Council moves forward with.

### **PREVIOUS RELATED ACTION:**

On August 1, 2022, the City Council adopted Urgency Ordinance No. 4320, which established certain rent stabilization and tenant protection measures. On April 17, 2023, the Council adopted Urgency Ordinance No. 4329, amending Ordinance No. 4320 related to the provision of relocation assistance. Two subsequent City Council Study Sessions occurred in August 2023 and August 2024, during which staff and consultants presented various program options and cost estimates where applicable.

### **DISCUSSION:**

Based upon the experiences of implementing the partially existing program under Ordinances 4320 & 4329 and with the benefit of many discussions with the Mayor and Council, community input, including two robust Study Sessions, the staff offers three primary options for the Council to consider. Greater details for each of the options are presented in RSG's Long-Term Implementation Study (Attachment No. 3) and the attached Power Point Presentation (Attachment No. 4)

#### **Option 1**

Repeal Ordinances 4320 & 4329, which would eliminate current local rent control and rely solely on State Law (AB 1482 -Tenant Protection Act of 2019). This option could include the retention of some level of tenant protections such as relocation benefits for no-fault evictions.

#### **Option 2**

Adopt a revised local rent control with an annual percentage rent cap and the due process elements that would be required per State Law (The Costa Hawkins Act and the Tenant Protection Act of 2019 – AB 1482). This would also require an ordinance to mandate that affected property owners register their property through an annual rental registry program.

### **Potential Costs**

- Based on assumptions about the population and anticipated number of rental units, staff

estimates annual third-party contracting costs of roughly \$300,000 for Tenant Anti-Harassment Ordinance with Enforcement.

- It is estimated that Pomona will need approximately 6-7 Full Time Equivalent (FTE) staff members and roughly \$1.5 - \$2.5 million to manage a rent stabilization program for 11,000 covered units.
- Based on examples in other cities and about the population and number of units in Pomona, the annual per unit cost estimate is \$160-\$200 per unit. All, or a portion, of this cost may be eligible to pass on to property owners as a fee with a supporting fee study.

### **Option 3**

In lieu of the local rent control with an annual percentage rent cap (Option 2), pursue a suite of other programs targeted at assisting renters in the most need while also addressing problematic property owners who do not adequately maintain their rental property. This approach, labeled as AB 1482+ as it would rely on existing state law to set the annual percentage rent allowance (5% + CPI to a maximum of 10%). This approach would not require that the City institute local due process elements. For this approach, staff recommends that the Council consider including the following programs:

#### **Rental Inspection Program**

Robust rental inspection programs are a vital component in the broader effort to stabilize housing and improve the quality of life for all residents by ensuring that rental properties meet health and safety standards through regular inspections. These programs are essential in maintaining habitable living conditions, which, in turn, help to stabilize communities and protect tenants from substandard housing. By proactively identifying and addressing potential issues, rental inspection programs help prevent the deterioration of housing stock and ensure that all tenants have access to safe and healthy living environments.

The research on rental inspection programs highlights several important considerations. Most programs include an option or requirement for property owners to self-certify annually, typically involving a checklist, to declare that the property is up to code. This self-certification process holds property owners accountable for maintaining standards and ensures that properties meet safety and habitability requirements. Conducting annual inspections for every unit is not feasible, and self-certification provides a practical solution. Additionally, tenant-reported issues prompt inspections to verify compliance and address concerns, ensuring that any emerging problems are promptly investigated and resolved.

Rental inspection programs are generally self-funded through the collection of various fees, such as annual program fees, inspection fees, re-inspection fees, delinquency fees, and penalty fees. This fee structure supports the financial sustainability of the programs and incentivizes property owners to maintain compliance to avoid incurring additional costs. However, the programs surveyed indicated that the collected fees do not entirely cover the program costs, often requiring supplemental funding to bridge the gap.

### **Potential Costs**

- 3-4 FTEs needed, with annual costs between \$350,742 and \$467,656. All, or a portion, of this cost, may be eligible to pass on to property owners as a fee with a supporting fee study.

### **Tenant Anti-Harassment Ordinance with Enforcement**

The Council has indicated a desire to consider the adoption of a Tenant Anti-Harassment Ordinance to prevent actions by property owners from knowing and willful conduct directed at a tenant or tenants that cause detriment and harm, and serves no lawful purpose such as reducing or eliminating housing services required by lease, failing to perform timely repairs and maintenance required by Law, or failure follow industry standards to minimize potential harmful health impacts.

### **Potential Costs**

- Based on assumptions about the population and anticipated number of rental units, staff estimates annual third-party contracting costs of roughly \$300,000.

### **Rental Registry and Fee**

A rental registry is a centralized database that contains information about rental properties within a particular jurisdiction. The registry typically includes details about the properties, property owners, and current tenancies. The primary purpose of a rental registry is to provide transparency, facilitate effective regulation, and ensure compliance with local housing laws and regulations. Typically, property owners incur a fee when enrolling their unit(s) in a rental registry software system. The rental registry fee is collected annually to cover costs associated with administering the program, including maintaining the registry, administering the program, responding to inquiries, processing petitions, coordinating public awareness efforts, and conducting compliance and enforcement activities.

Options the City Council may consider when deciding on the rental registry and fee include the following:

- Charge separate fees for small landlords or fully vs. partially covered units;
- Allow or disallow for 50% pass-through of the registration fee to tenants;
- Decide which properties will be exempt from program fees, if any; and/or
- Decide whether to include provisions that encourage compliance, such as fee waivers the first year.

### **Potential Costs**

- Based on examples in other cities and about the population and number of units in Pomona, the annual per unit cost estimate is \$160-\$200 per unit. All, or a portion, of this cost may be eligible to pass on to property owners as a fee with a supporting fee study.

### *Increased Tenant Relocation Payments for no-fault evictions*

The City's existing Ordinance 4329 established Just Cause Protections, which require property owners to cite for-cause or no-fault reasons to terminate the tenancy. No-fault terminations receive relocation assistance ranging from \$5,926 to \$15,377. These amounts could be increased so that tenants who are displaced in a no-fault scenario receive more compensation to reflect the significant costs of finding replacement housing.

### *Rental Assistance*

Rental assistance programs play a critical role in stabilizing housing for residents struggling to afford rental payments or facing eviction due to non-payment of rent. By addressing the immediate financial needs of renters, these programs prevent evictions, maintain occupancy rates in rental properties, and promote community stability. Rental assistance programs may provide a critical safety net for tenants who face financial hardships that rent caps alone cannot address, offering targeted, immediate, and flexible financial support to ensure that they can remain in their homes and maintain stable living conditions.

The City of Pomona currently has a rental assistance program that operates on a limited basis due to funding constraints. This program typically assists households, particularly those receiving help from local legal aid organizations, with paying past-due rent. Approximately 75 households are assisted per year, with an average assistance amount of \$2,320 per household. Therefore, to sustain the current level of assistance provided, the City of Pomona would need to allocate approximately \$174,000 annually towards rental assistance payments.

If the City of Pomona would like to increase the number of households served, the costs would proportionately increase. Doubling the current number of households served from 75 to 150 would require an additional \$174,000 annually for rental assistance payments, bringing the total to \$348,000 annually. This expansion would ensure that more households in need receive crucial rental assistance, significantly affecting community stability and support.

If the rental assistance program were to expand, Pomona estimates the need for one additional full-time Housing Technician. Based on the provided job description, this position would involve duties such as coordinating rental assistance programs, processing applications, and conducting outreach. The estimated fully burdened cost for this position would range from approximately \$92,675 to \$99,341 annually, depending on the specific requirements and qualifications. Hiring an additional full-time Housing Technician would enhance the program's capacity to manage and support more households. This investment would likely improve efficiency in processing applications and conducting outreach, ensuring that more residents who are eligible receive timely assistance.

Additional funding streams will be needed to operate an enhanced Rental Assistance Program. The City Council could annually as part of the Budget process fund the program with General Fund revenues. Staff believes the program would cost between \$2 - \$3 million

annually to make a significant impact. Another idea is to place ballot measures that, if approved, would 1) increase the City's Transient Occupancy Tax (TOT) from 10% to 14%, which would generate new annual General Fund revenue of approximately \$1.25 million, and 2) a new tax of 1-2% on all current and future residential rents that would be used exclusively to fund Rental Assistance in Pomona. This is a very new idea; therefore, revenue estimates are not yet available. To do so will be a complex exercise. If this concept is of interest to the Council, staff and consultants will conduct the needed research

Prepared by:

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Kirk Pelser, Economic Development Director

**ATTACHMENTS:**

Attachment No. 1 - Ordinance 4320  
Attachment No. 2 - Ordinance 4329  
Attachment No. 3 - Long-Term Implementation Study by RSG  
Attachment No. 4 - Power Point Presentation for Nov. 18