



CITY OF POMONA COUNCIL REPORT

February 24, 2025

To: Honorable Mayor and Members of the City Council

From: Anita D. Scott, City Manager

Submitted By: Kirk Pelser, Economic Development Director

SUBJECT: PROGRAM OPTIONS FOR RENT STABILIZATION

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:

This report summarizes various Rent Stabilization program options with associated costs as requested by the City Council. The intended action on this item is to provide clear direction from a majority of the City 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 \$500 or more that would require disclosure and/or recusal from discussing or acting on this agenda item. Campaign contributions of \$500 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. Each of 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 (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). On April 17, 2023, the Council adopted Urgency Ordinance No. 4329 (Attachment No. 2), amending Ordinance No. 4320 related to the provision of relocation assistance in the event of no-fault evictions. 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. 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 long-term program options for the City Council to consider. The Council's most recent discussion occurred at the November 18, 2024 City Council meeting.

DISCUSSION:

Based upon the experiences of implementing the 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 and the most recent discussion at the November 18, 2024 Council Meeting, the staff offers two primary options for the Council to consider. Greater details for each option is presented in RSG's Long-Term Implementation Study (Attachment No. 3) and the attached Power Point Presentation (Attachment No. 4)

Option 1

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. Option 1 can be pursued without a 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 an estimated 11,000-covered units.

- The annual cost of a Rental Registry Program based on examples in other cities and about the population and number of units in Pomona, 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.

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. While the rental registry fee is intended to cover the costs of the program, full cost recovery is dependent on compliance, as the effectiveness of the fee structure relies on property owners registering and paying the required fees.

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.

Option 2

In lieu of the local rent control with an annual percentage rent cap (Option 1), utilize State Law which sets the annual percentage rent allowance as 5% + CPI to a maximum of 10% and 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+, would not require that the City institute local due process elements, nor would it require the implementation of a rental registry. 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 for staffing costs. Based upon the example of other jurisdictions, there will also be administrative overhead costs of 10-15%. 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.

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. Even if the City does not implement a local rent limit, it can still retain or strengthen Just Cause Eviction protections through a standalone Just Cause Eviction Ordinance. These costs for relocation would be borne by the property owner.

Under the current Ordinance, tenants displaced due to no-fault evictions are entitled to relocation assistance ranging from \$5,926 to \$15,377. These amounts may be increased so that displaced tenants in a no-fault scenario receive more compensation to reflect the significant costs of finding replacement housing. If Council wishes to retain this component or adjust the amount, staff recommends that the City engage a qualified consultant to conduct a market analysis of the Pomona area sub-market to determine the appropriate amounts of relocation benefits based on the applicable rental market pricing factors.

Mediation Services

Mediation programs provide an effective and cost-efficient alternative for resolving disputes without the need for litigation. In the mediation process, property owners and tenants facing conflicts engage collaboratively to develop their own solutions, with the guidance of a skilled mediator. Rather than imposing decisions, the mediator enhances communication and understanding, empowering both parties to reach a resolution that they can genuinely support. This active participation often leads to a higher level of satisfaction with the outcome. Successful mediations frequently culminate in formal written agreements signed by both parties. If a mutually agreeable solution remains elusive, either party retains the option to pursue legal action. Importantly, mediation is a voluntary process, typically conducted over one or multiple sessions.

Mediators may be trained volunteers from the community or experienced professionals with backgrounds in law, psychology, or counseling. Their role is pivotal; they assist both parties in pinpointing key issues, minimizing misunderstandings, clarifying priorities, expressing emotions, identifying common ground, exploring fresh avenues for compromise, and negotiating a constructive agreement.

The City of Pomona is actively exploring diverse models for mediation programs. Eviction mediation programs, in particular, can be offered at no cost or for a minimal fee, making them an economically viable alternative to traditional court proceedings. Embracing mediation not only fosters resolution but also encourages cooperation and understanding, ultimately benefiting the entire community.

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 receive assistance 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.

Potential Costs

- 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.

An enhanced Rental Assistance Program will require additional funding streams. 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 Transitory 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.

Additional Considerations

Costa- Hawkins Act

While local municipalities in California may adopt local rent control ordinances, current State Law, known as the Costa-Hawkins Act (enacted in 1995), limits the application of local rent control ordinances to certain housing types. In general, Costa-Hawkins prevents a local rent control program from application to most single-family homes and multifamily rental units built after February 1995.

AB 1482

Currently AB 1482 will sunset in 2030, so unless extended additional action would be required to maintain a rental cap after 2030.

Prepared by:

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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 Feb. 24