

Janet M. Gagnon, Esq.
Director, Government Affairs &
External Relations
janet@aagla.org
213.384.4131 ext 309

June 7, 2023
Via Electronic Mail

Hon. Mayor Helen Tran, and the
Members of the San Bernardino City Council
Feldheym Central Library
555 W 6th Street
San Bernardino, California 92410

Re: Tenant Protection Options to Protect City Residents Facing Housing Instability – Rent Stabilization and Legal Aid Tenant Protection Pilot Program (Agenda Item 16)

Dear Mayor Tran and Members of the San Bernardino City Council:

At tonight's City Council meeting, the Council will consider rent stabilization and a legal aid tenant protections pilot program. The Apartment Association of Greater Los Angeles (AAGLA) strongly opposes both options and urges the City Council to instead consider additional options of City-paid direct rental subsidies for low-income renters facing emergencies and creation of a voluntary mediation program.

AAGLA represents thousands of rental housing providers throughout San Bernardino, Los Angeles and Ventura Counties, including the City of San Bernardino. The majority of our members are independent, mom-and-pop owners with 20 or fewer units. Many of our members rely on their property for their retirement to pay daily living expenses and medical costs. They are neighborhood family businesses that have invested in the community to provide much needed multifamily housing for those residents unable or unwilling to purchase single-family homes or condominiums.

Rent Stabilization

As discussed in the staff presentation, rent stabilization will cause serious harm to rental housing providers in the City of San Bernardino. It will cause developers to choose alternative jurisdictions in which to build badly needed new housing. Without additional new housing, new businesses will choose to relocate to cities other than San Bernardino. In addition, constraints placed on rental income will drive property values down causing a reduction in property tax revenues for the City to run existing services and programs.

An additional major downside overlooked by the staff presentation is the fact that it will force small, moms-and-pops who are already severely struggling financially to hold onto their properties following nearly 3 years of statewide COVID-19 mandates and hundreds of thousands of dollars in lost rents, to finally give

up and go out of business by selling their property to developers. This not only harms these small local owners but also all their existing renters. **Renters will face mass relocation following the sale of these properties and developers then demolish the existing buildings to be replaced with newer luxury rentals or condominiums not covered by rent stabilization and various tenant protections.**

Further, it is a complete fairytale to say that there would be a “process” created under rent stabilization to ensure a “reasonable rate of return” to owners. The facts prove otherwise as few if any owners have ever been able to successfully use this “process” in West Hollywood, Los Angeles, Santa Monica, or any other jurisdictions to actually be granted an increase over and above the imposed increase limits. What we do see occurring over the many years that rent stabilization has remained in place are housing shortages, poorly maintained properties, and gentrification.

Rent stabilization is nothing more than a bureaucratic maze that encourages small mom-and-pop owners to sell their properties as a much easier and faster alternative to layers of complicated regulations and increased investment risk. The City should be fully aware that this is merely a false hope and not to be relied upon to justify rent stabilization. It is in fact a primary reason for many of the existing legal challenges as noted by staff in their report. Thus, the City should also include the cost of litigation when considering this failed policy.

The staff presentations show grossly overestimated rental increases from data from RentCafe.com. RentCafe is a public facing website of current rental listings, typically listing luxury rentals, and not a true research organization for rental data. In stark contrast, data from CoStar (which is a well-established, respected and robust rental data aggregator for properties throughout the U.S.) clearly shows that rent increases have been in the low single digits in San Bernardino for the past 5 years including before, during and after the COVID-19 pandemic. We would urge the Council to direct City staff to conduct more thorough research to identify which specific properties they claim had such drastic increases to verify if in fact the data from RentCafe is at all reliable even for specific properties.

Further, according to CoStar’s data, the only significant increase was conducted in a single year (2021) by large complexes with 50 or more units that was above the current statewide maximum limitation. As such, these were clearly newly built properties where state law does not apply. Rent stabilization by the City will only encourage more such conversion where neither the City’s ordinance nor state law will apply to such new buildings while the City loses many of the existing mom-and-pop owned properties providing naturally occurring affordable rental housing.

Rent stabilization provides a small minority of higher income renters with a financial benefit at the expense of all others, in particular low-income renters. Contrary to what is shown in the staff report, rent stabilization has been proven to cause the most harm to low-income renters in a competitive rental market. Such renters are unable to compete against renters with higher incomes and better credit scores. As a result, the few available units will go to middle- and high-income renters fueling gentrification in San Bernardino. It will also keep out new businesses and their staff who will not be able to locate units for rent. In addition, it will keep out college students returning home as they too will be unable to find units for rent.

As staff has rightly shown, rent stabilization is also extremely costly to implement and administer with initial upfront costs of \$400,000 - \$500,000 for consultants and \$1 million to \$3.1 million to administer as

well as additional staff costs for 15 to 25 full time employees. **These funds would be far better spent on a direct rental subsidy targeted to low-income renters facing emergencies, including sudden job loss, illness or injury similar to the new program that Claremont has established using American Rescue Plan Act (ARPA) funds.**

City Paid Attorneys for Renters

As for a City-paid attorneys for renters, this program completely misses the main cause of 85%-90% of all evictions, which is renters failing to pay the rent that is owed. Adding private attorneys with huge billable hourly fees (as one of the highest paying "professions") does nothing to alleviate the rent that is owed. In fact, it only makes the situation far worse as attorneys create a hostile and adversarial environment to an already stressful, lengthy, and emotionally charged situation. **Here again the money would be far better spent on a City-paid direct rental subsidy targeted to low-income renters facing emergencies to eliminate the eviction process entirely.**

In addition, we would also urge the City to consider establishing a voluntary mediation program like the one in Santa Barbara that has been extremely successful for many years. As it is a voluntary program neither party feels forced into anything and it is separate from any law enforcement or other government authority that could cause concern for participants. Also, as the Santa Barbara mediation program uses the services of trained volunteers as mediators instead of paid mediators (much less attorneys) the cost to the City is very low. Also, we would also encourage the City to conduct extensive outreach and education utilizing existing City staff to make renters and rental housing providers aware of the new state laws providing substantial tenant protections, including Just Cause eviction limitations, relocation fees and rent increase limitations.

Conclusion

In conclusion, there are many better alternatives for the City to pursue other than the two currently on the table for tonight's meeting. We would urge the City to reject both proposals in favor of pursuing more directly targeted assistance to low-income renters in the form of direct rental subsidies as well as voluntary mediation and City-conducted education and outreach for renters and rental housing providers alike on existing state law protections.

Thank you for your time and consideration of these matters. If you have any questions, please call me at (213) 384-4131; Ext. 309 or contact me via electronic mail at janet@aagla.org.

Sincerely,

A handwritten signature in black ink that reads "Janet M. Gagnon". The signature is written in a cursive, flowing style.

Janet M. Gagnon, Esq.