



*"Great Apartments Start Here!"*

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May 30, 2023

**Via Electronic Mail**

Hon. Mayor Daisy Lomeli, and the  
Members of the Cudahy City Council  
5240 Santa Ana Street  
Cudahy, California 90201

Subject: Introduction and Introduction and Adoption by First Reading of Ordinance No. 736 adding Chapter 5.13, "Rent Stabilization," to the Cudahy Municipal Code and Ordinance No. 737 Repealing Chapter 5.12, "Rental Property," and adding Chapter 5.14, "Tenant Protections," to the Cudahy Municipal Code

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Dear Hon. Mayor Lomeli and Members of the Cudahy City Council:

At tonight's City Council Special Meeting, the Council will consider adoption of two ordinances: (i) an ordinance that would create new, strict limits on annual rent increases and (ii) an ordinance which would create additional restrictions on Just Cause tenancy terminations with substantially increased, mandatory relocation fees (Agenda Item 5). The Apartment Association of Greater Los Angeles (AAGLA) is strongly opposed to the imposition of extreme rent increase limitations and Just Cause relocation fees beyond those already required statewide as both ordinances will only encourage the further deterioration of rental housing properties in Cudahy and financially cripple or bankrupt the City. **We urge the Council to immediately conduct a Cost and Housing Impact Study prior to taking any action on either ordinance.**

If the City Council listened to the speakers that were at the May 16<sup>th</sup> meeting, you would have heard that the overwhelming complaint by renters was regarding lack of enforcement by the City for various health and safety code violations and not increases in rents. This is because renters in Cudahy have not received substantial increases in rent, not now, not during the COVID-19 emergency and not before COVID-19. A rent stabilization ordinance will only result in hurting rental housing providers financially and leaving them with no other choice but to defer maintenance and thereby reducing the quality of the existing rental housing stock in and drive new housing developments away from Cudahy.

### **Rent Stabilization Ordinance**

Rent stabilization as has been proven ineffective and full of harmful consequences repeatedly by economic studies and recent real-world examples, such as the recent plunge by 48% of rental housing

development in St. Paul, Minnesota where rent control was adopted in November 2021 by ballot measure (and **not City Council ordinance**). So bad has the situation become in St. Paul that the City Council is now scrambling to allow rent increases of 8% and even as high as 15% or more. See the article dated May 28, 2023, from Pioneer Press by Frederick Melo, entitled "One-Third of St. Paul Now Exempt From Rent Control as Exceptions Pile Up". Even their maximum rent "cap" of 15% is no longer being enforced due to a landlord challenging the 15% limitation last August based on the right of fair return on investment. The city's Department of Safety and Inspections (DSI) stopped enforcement on advice of the city attorney's office. "Because inflation was so high, we checked with our attorneys and they determined it was arbitrary," Wiese said. So, this year, the City Council has removed the rent "cap" entirely effective January 1, 2023, as part of a bundle of sweeping amendments passed in September 2022.

Cudahy should learn from others mistakes and forgo passage of a rent stabilization ordinance just as the City of Claremont had done when it recently decided to reject a draft rent stabilization ordinance at their May 9<sup>th</sup> meeting in recognition of the fact that there are too many downsides to rent stabilization, including driving away housing development, fostering an environment of deferred maintenance and costing the City a huge amount in upfront and ongoing costs in additional staffing and City financial resources. Further, Claremont recognized that there had been no proof of widespread, substantial rent increases in the City and therefore no justification for undertaking such a drastic action. Instead, they have opted to create a far more impactful approach by providing a direct rental subsidy for renters facing emergencies, including illness, injury and sudden job loss.

Similarly, there is **no evidence whatsoever** offered by Cudahy staff to substantiate that there is a widespread problem of significant rental increases. The facts provided by CoStar (a third-party aggregator of rental housing data) show the opposite and that, in fact, there has been no evidence of substantial rental increases in Cudahy for the properties that they track of any size for the past 5 years (including before and after COVID-19).

Pursuing a rent stabilization ordinance is not only unproven to be needed in Cudahy, but it also is **extremely costly to implement and administer requiring substantial upfront costs to the City** to purchase sophisticated computer software and hardware for tracking and hiring many additional full time staff. **In Santa Monica, the city monitors 26,425 units with an annual budget of \$5.5 million and 25 staff.** Before undertaking such an expensive proposal, Cudahy should conduct a thorough study on the actual costs of running such a program and identify funding for these substantial upfront costs. In addition, such a program will drive down property values resulting in reduced tax revenues for the City. It will also expose the City to significant new litigation if the program is not properly administered and executed. As a result of implementing this proposed, new program there will be substantially less funding available for all existing Cudahy City services and programs.

It would be far more financially responsible and significantly less costly for the City to increase its ordinance enforcement efforts to address the problems specifically raised by renters during the last City Council meeting. It should also conduct outreach and education for renters and rental housing providers, including possibly a workshop, on the existing extensive rent stabilization and Just Cause protections already in place from Assembly Bill 1482 (AB1482) so that they could be fully utilized. At a minimum, the City

should do its due diligence and conduct a formal cost and housing impact study prior to taking any further action on a rent stabilization ordinance. To do otherwise would be a dereliction in the Council’s duties as fiduciaries of the City’s taxpayer funds by obligating the City to actions that they may be completely unprepared and unable to afford as well as damaging their ability to meet state requirements for their housing element and regional housing needs allocation (RHNA).

As to the specific draft of this ordinance, it is extremely disturbing that the City Council, at just a single meeting, has completely “flip flopped” on all major aspects of the ordinance, including the annual “cap,” multifamily owners excluded from the ordinance, and the catch-up provision. Further, the Council has completely ignored the recommendations made by its Ad Hoc Committee that was specifically assigned to develop language that attempts to recognize the unique struggles faced by independent, “mom and pop” rental housing providers who make up the vast majority of owners in Cudahy. By doing so, the Council shows a callous disregard for a significant segment of its constituents, rental housing providers, and violates the individual oaths taken to represent **all** Cudahy stakeholders fairly and equitably. Further, it shows that this ordinance is not ready for proper consideration as decisions are apparently being made by blind emotions without any substantive data, analysis of full impacts on rental housing (current conditions, loss of mom-and-pop owned multifamily properties and discouragement of new rental housing developments) and costs. It is grossly irresponsible for the Council to move forward without respecting such basic elements of proper governance.

Instead of trying to rush through an ordinance that will do nothing to address the majority of complaints made by renters at the prior meeting, we urge the Council to reject this ordinance and go back to the Ad Hoc Committee for further consideration based on the completion of a formal cost and housing impact study to determine the specific costs to the City for this ordinance and impacts it will have on the supply and quality of current rental housing and new rental housing development in Cudahy.

### **Just Cause Ordinance**

This draft ordinance has had no prior debate or discussion and should be further analyzed prior to any final decisions being made on it due to the major flaws currently contained in it.

There is **no data** in the staff report to show that there are any citywide issues of No-Fault evictions taking place in Cudahy. As stated, AB1482 already provides substantial Just Cause protections for renters in Cudahy. There is no evidence offered that any increase in relocation fees is needed in Cudahy or justified. In fact, the ordinance presents an unnecessary level of additional complication for renters and rental housing providers alike as well as increased costs for the City’s administration of the ordinance by created two separate tiers of relocation fees based on “Qualified Tenants” and other tenants. The existing relocation fees under AB1482 should be allowed to take effect until and unless the City can clearly show that these fees are lacking for renters moving expenses in Cudahy. Proposing to increase fees by 300% to 400% without any supporting data is irresponsible and improper stewardship of City funds. It is also worth noting that any security deposit provided by the renter is required by state law to be promptly returned to the renter provided s/he has not caused any damage to the unit.

Many small rental housing owners with 20 or fewer units have suffered substantial financial harm caused by 3 years of statewide and countywide moratoriums creating huge amounts of unpaid rent. As such, some owners are forced to move into their properties in order to make ends meet. By creating such hugely increased relocation fees, these owners are only left with the choice to sell their buildings rather than moving into them or making needed upgrades. New owners will likely be either developers or corporations looking to quickly recoup their investments by increasing rents to full market rate. Thus, many (if not all) renters currently in the property will be required to relocate instead of the single renter that would have been relocated under the existing relocation fees.

In addition, relocation fees are a form of government created and mandated financial aid, but the obligation is imposed on private citizens. As such, they should have the same income threshold limitations of any other government aid. Only renters with household incomes that are considered low-, very low-, or extremely low-income by HUD should be entitled to receive **any** relocation fees. To do otherwise, wrongfully enriches moderate-, middle- and high-income renters by creating an undue burden on rental housing providers, especially mom-and-pop multifamily property owners. At a minimum, rental housing owners with 20 or fewer units should be completely excluded from paying any rental assistance to renters making above 80% Area Median Income (AMI).

Another significant flaw in this draft ordinance is that it completely excludes substantial remodels as a reason for No-Fault tenancy termination. This will prevent rental housing providers from performing needed updates to the units to bring them into modern usage by renters. According to CoStar (a third-party aggregator of rental housing data), 85% of the rental housing stock in Cudahy was built prior to 1981. These older buildings require more costly renovations, including roofs, HVAC, windows, electrical panels, etc. In addition, they need modern upgrades for items that did not previously exist such as broadband, high efficiency appliances, and multiple electronic devices (cell phones, laptops, tablets, etc.). To eliminate the ability of a rental housing provider to conduct such remodels means dooming renters in older buildings to forever be subjected to a lower standard of living than renters living in newer buildings. The Council is thereby creating two separate classes of renters (the haves and have-nots) based solely on the age of the property where they happen to live.

Also, the Just Cause ordinance as drafted includes an Anti-Harassment Prohibition under Section 5.14.090 Subsection B. The language in this section is so vague and ambiguous that it will stifle all communication between renters and rental housing providers, including any attempt to work out mutually agreeable solutions to incidents of late rent, nuisance, entry for repairs, parking and other standard issues that arise during a tenancy. In particular, Subsections B (2)(h), (11) and (12) state,

*"h. Request information that violates a Tenant's **right to privacy**, including, **but not limited to**, residency or citizenship status, protected class status, or social security number, except as required by law or in the case of a social security number, for the purpose of determining the Tenant's qualifications for a Tenancy;*

*11. **Interfere** with a Tenant's right to **quiet use and enjoyment** of a Rental Unit as that right is defined*

*by law.*

*12. Commit repeated acts or omissions of such significance as to substantially **interfere with or disturb the comfort, repose, peace, or quiet** of any person lawfully entitled to occupancy of such Rental Unit and that cause, are likely to cause, or are intended to cause any person lawfully entitled to occupancy of a Rental Unit to vacate such Rental Unit or to surrender or waive any rights in relation to such occupancy."*

What specifically qualifies as information that would violate a "right to privacy" or that "interferes" with quiet use and enjoyment or "disturbs" comfort, repose, peace or quiet that the rental housing owner would be able to know BEFORE a renter later complains about it? Section 5.14.130 goes on to impose civil and criminal penalties of up to **\$1,000 PER VIOLATION** defined as **PER DAY** and imprisonment of up to 6 months as well as administrative fines under Section 5.14.120 of a currently unknown amount. Why on Earth would any rental housing owner subject themselves to such significant risk of penalties to try to help resolve violations of the lease by the renter? This is an instance of a well-intended policy that in fact harms more renters than it helps. This provision should be stricken from the Just Cause ordinance in its entirety, if the Council decides to move forward with the ordinance at all. This one provision would create a cottage industry for unscrupulous lawyers seeking to wrongfully extort payouts from mom-and-pop rental housing providers without substantive justification.

AAGLA urges the Council to reject the rent stabilization and Just Cause ordinances in their entirety. Both ordinances would only far worsen the existing rental housing situation in Cudahy. Instead, we urge the Council to conduct a formal cost and housing impacts study to determine the full costs that the City would incur in upfront and ongoing costs for a rent stabilization program as well as the impacts it would have on the condition and amount of current rental housing and new rental housing developments. We also urge the Council to strengthen its existing code enforcement activities to address the specific issues raised by renters at its prior meeting.

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](mailto:janet@aagla.org).

Very truly yours,

A handwritten signature in black ink that reads "Janet M. Gagnon".

Janet M. Gagnon, Esq.