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Subject: Re: in search of a common understanding of the problem

-EXTERNAL-

Hi Housing Advocates, Owners and City Staff,

Hi Kayte, we have mutual friends and I welcome grabbing some coffee to discuss this more with you.

After watching the Property Owners and Managers Stakeholder meeting, I wanted to attempt to reframe the problem we're addressing in a way that makes sense to everyone so we're trying to solve the same set of problems, because it seems we're communicating at cross-purposes.

CONTEXT

The issue pre-dates that pandemic and the eviction moratoriums and has nothing to do with the specific limitations of the last 2 years. We have been talking to City Council (and County and State reps) about this issue ever since AB 1482 went into effect, and before. At its basis, here are the issues and context.

1. Long Beach has an affordable housing shortage. Rent under \$1000/month for a 1-bedroom apartment on the market is virtually unheard of. Average is \$1900.

Long beach has a housing crisis. There is not enough housing being built and the city needs to look inward for solutions to make it easier to build more housing at all levels of income. There is not enough housing for all income groups. This is creating downward pressure on affordable housing. Supply is not keeping up with demand. Is \$1000 / month for a one bedroom a marker of affordability? In that case, the entire state of California and the entire West Coast is above the affordability marker.

2. Older properties with long-term tenants have lower rents, and may also be in most need of repair (sometimes not).

We have an aging property base with aging property owners. As new property owners buy old assets, they want to make improvements and might need to cancel leases to make that happen. There is no evidence of an overwhelming speculative market that would displace large groups of tenants than what would be in a normal market. Most property owners do everything they can to keep tenants that pay rent.

3. Every low rent tenant displaced for substantial remodel removes an affordable unit from the market, and sends that person or family into a marketplace they may not be able to afford, putting low income families and individuals at risk of homelessness.

We see no evidence to support the claim that low rent tenants are being displaced for substantial remodels.

4. Older buildings with low rents are being targeted by investment companies who know they can kick everyone out for substantial remodel and double the rents.

We see no evidence of this happening in long beach at an any scale. We are open to exploring measures to applying to publicly traded companies (Blackstone Group Inc. BX NYSE) and pension funds that are purchasing buildings and evicting families on a wide-scale basis. That being said, there should be no law against individuals, small companies or large corporations buying any amount of property. We hope the City will work towards helping families buy a home in their neighborhood and close to their preferred schools.

5. **Data:** From December 2019 through March 2020, **over 100 families in a dozen apartment complexes** received 60-day notices to terminate tenancy for substantial remodel (I have addresses, real data, real people, 48 units in my complex alone). The ones who could afford to move, did. Dozens, who couldn't afford to move, have been temporarily protected by the eviction moratoriums, and are still fighting to be able to stay in their homes, schools and neighborhoods. Ask the Council members who have spent hours listening to tenants address this issue at Council meetings if there have been "no complaints."

Please share your data with us so that we can have a better understanding of the problem. If there was property owner who did send 60-day notices to terminate tenancy for substantial remodel during the time they were prevented from doing so we would welcome all the legal remedies available to you and any tenant. If it was done at a time that it was legal, then the tenants should have received tenant

relocation money. We are open to understanding the full extent of this issue but see no evidence that it is a routine problem before the pandemic or expect it to occur when things normalize. Today we have a healthy 4% vacancy rate in Long Beach.

6. Although there are a few bad actors (owners and managers) who don't do necessary repairs or owners who claim a remodel is substantial when it's not, they are NOT the ones being addressed here. **This is about using substantial remodeling to eliminate affordable housing with no viable replacement housing available.**

Several years ago, Tenant groups said property owners where not doing enough to make repairs, upgrades and make properties more habitable. Now you are asking for the city to make it very difficult to make improvements on the property.

7. I don't have documentation of how many apartment buildings have been sold in Long Beach in the last 2 years that would be eligible to evict everyone for substantial remodel if there's no protection in place when the moratorium expires, but one of you in real estate might be able to look that up to estimate how many more buildings are at imminent risk. A new owner is not a guarantee that the building would be substantially remodeled and the rent doubled if permitted, but there is a strong likelihood.

If a property owner cannot receive a return on their investment, they will not make improvements.

8. The URGENCY is that when the temporary moratoriums expire, more real people are at risk of immediately receiving 60-day notices for all the projects that have been held off due to the temporary moratoriums.

We see no evidence of this at all. We did not see it before the pandemic, during and see no evidence of it happening in the future.

THE PROBLEMS TO SOLVE

In my view, the problems we are trying to solve are: how can we

1. Keep people in their homes (or provide equivalent housing (size, location, quality) at the same rent)

This is a statement rather than identifying a problem. No tenant will be evicted from their rented apartment if they pay rent and/or if they applied for rental assistance.

2. Prevent the loss of affordable units in Long Beach

We would advocate for creating more affordable housing units by making it easier to build more housing.

3. Allow owners to provide necessary upgrades to old housing stock without going broke or displacing tenants.

Property owners are already making improvements without displacing tenants. There are times when the remodel is substantial, and the property owner can cancel the lease but has to give appropriate notice and pay relocation funds. This property right is necessary in certain cases.

4. Discourage over-paying for apartment buildings by corporations seeking to double the rents and incentivize investment by non-profit affordable housing developers and local landlords who care about the community.

We would be interested in seeing what the distinction would be from property owners and publicly traded companies. We have not seen locally this happening but understand that it could be a concern.

SOLUTIONS WE HAVEN'T DISCUSSED

While protecting tenants who are most vulnerable is the priority, and I think a THP/RAP program would best do that, there are other things that might be discussed to balance out what landlords might be giving up, such as:

1. Potential grants for repairs for small owners who can't afford the repairs without raising rent

We welcome this happening, and it would be helpful. Small property owners have had a hard time not receiving rents and have whipped out retirement and savings. It will take many years to recoup their losses, and this might help improve property and keep small property owners owning the local properties.

2. Potential "split the difference" property tax breaks for new owners who maintain existing rents in affordable buildings so they would pay more than the previous owner, but less than the new rate based on purchase price (County would have to do that)

We would have to understand this more.

3. Finding funds to qualify more properties for tax credit or Section 8

Many small property owners do and would like to accept Section 8. It can be difficult filling out the paperwork and making the improvements needed to qualify. We welcome this discussion as well.

I appreciate the majority of landlords in Long Beach who try to be fair to tenants and provide reliable housing. Thank you for acknowledging most property owners are fair to tenants. Most tenants are great as well. Mike Murchison said that it's unnecessary to create a law that protects only the 1 or 2% of tenants affected, but I would argue that the good property owners who aren't trying to exploit the substantial remodel exemption to raise the rent on low rent units to market rate have nothing to be concerned about under a new ordinance. I can't speak for Mike Murchison, however I would say that if true that over 100 families were given notice when they should not have there are legal remedies for the tenants. If it was done legally there should be renter assistance and proper notice. Most property owners work with their tenants this issue does not require sweeping legislation that will negatively impact property owners and tenants. So there should be no barrier to putting a new program in place that would require landlords to give tenants the option of temporarily relocating and coming back under the same rent terms. It's only the handful of "bad actors" who should be concerned that their plans will be thwarted.

A substantial investment should allow an owner to recover their investment over time.

Giving the tenants the option to temporary relocate and come back on same rent does not give owners a fair incentive for a substantial remodel. Owners can't charge rents greater than the market, or the law will allow. (AB1482)

Just my 2 cents (and a few dollars more)