

ORDINANCE NO. 17-O-2728

AN URGENCY ORDINANCE OF THE CITY OF BEVERLY HILLS AMENDING THE BEVERLY HILLS MUNICIPAL CODE TO ESTABLISH THE REQUIREMENT TO PAY RELOCATION FEES TO TENANTS WHO ARE EVICTED FROM CERTAIN APARTMENT UNITS, TO INCREASE THE AMOUNTS OF THE RELOCATION FEES THAT MUST BE PAID TO TENANTS, TO DECREASE THE 10% AMOUNT BY WHICH CERTAIN RENTS CAN BE INCREASED, TO ESTABLISH A RENT INCREASE APPLICATION PROCESS, TO REQUIRE A REGISTRATION OF RENTAL UNITS, TO REPEAL ORDINANCE NO. 17-O-2725 AND DECLARING THE URGENCY THEREOF

THE CITY COUNCIL OF THE CITY OF BEVERLY HILLS HEREBY ORDAINS AS FOLLOWS:

Section 1. The City Council hereby amends Section 4-5-102 of Chapter 5 of Title 4 of the Beverly Hills Municipal Code to add new Paragraph H thereto to read as follows:

H. Dwelling units that are not occupied by the tenant as the tenant’s primary residence.

Section 2. The City Council hereby amends Section 4-5-202 of Chapter 5 of Title 4 of the Beverly Hills Municipal Code to add the following definitions in alphabetical order:

DISABLED PERSON. Any person who is receiving benefits from a Federal, State, or local government, or from a private entity on account of a permanent disability that prevents the person from engaging in regular, full-time employment.

MINOR. Any person younger than eighteen years of age.

PRIMARY RESIDENCE. Any unit that is occupied by a tenant for at least nine months out of every calendar year.

SENIOR. Any person sixty-two years of age or older.

Section 3. The City Council hereby amends Section 4-5-605 of Chapter 5 of Title 4 of the Beverly Hills Municipal Code to read as follows:

4-5-605: AMOUNT OF RELOCATION FEES: The amount of the relocation fee payable to a tenant entitled to such fee pursuant to the provisions of this chapter shall be determined as follows:

	<u>Apartment Size</u>	<u>Relocation Fee</u>
A.	Studio	\$6,193
B.	1 bedroom	\$9,148
C.	2 or more bedrooms	\$12,394

Provided further, those households that include a senior, disabled person, or a minor shall be entitled to an additional relocation fee in the following amount of \$2,000.

Any tenant whose occupancy of the apartment unit began after the date when the required notice of termination was given shall not be entitled to any relocation fee.

Commencing July 1, 2018, and on July 1<sup>st</sup> of each year thereafter, the amounts of the relocation fees set forth above shall be increased annually by a percentage equal to the percentage increase, if any, of the consumer price index for the Los Angeles/Riverside/Orange County area, as published by the United States Department of Labor, Bureau of Labor Statistics between May 1<sup>st</sup> of the then current year, and May 1<sup>st</sup> of the immediately preceding year.

Section 4. The City Council hereby amends Chapter 5 of Title 4 of the Beverly Hills Municipal Code to add a new Article 8 thereto to read as follows:

#### Article 8. REGISTRATION

##### 4-5-801: REGISTRATION OF RENTAL UNITS:

- A. Initial Registration. A landlord must register every rental unit that is subject to the provisions of this Chapter 5 within 30 days of receipt of notice from the city that registration is required, unless the rental unit is specifically exempt under this Chapter. Registration is complete only when all required information has been provided to the city and all outstanding fees and penalties have been paid.
- B. After Terminated Exemption. When a rental unit that was exempt from this chapter becomes governed by this chapter for the first time, the landlord must register the unit with the city within thirty days after the exemption ends.
- C. Re-registration. When a rental unit is re-rented after a vacancy, the landlord must reregister the unit with the city within thirty days after the re-rental.
- D. Registration Amendment; Landlord Required to notify City of Changed Registration Information. A landlord must file a registration amendment with the city within thirty days of a change in a rental unit's ownership or management, or a change in the owner's or manager's contact information.

Section 5. The City Council hereby amends Chapter 6 of Title 4 of the Beverly Hills Municipal Code to add new Section 4-6-.05 thereto to read as follows:

##### 4-6-.05: DEFINITIONS:

- A. For the purposes of this chapter, the words and phrases shall be defined as set forth herein, unless the context clearly indicates a different meaning is intended.

B. Words and phrases used in this chapter which are not specifically defined shall be construed according to their context and the customary usage of the language.

C. Words defined:

**APARTMENT RENTAL AGREEMENT:** An agreement, oral, written, or implied, between a landlord and tenant for the use or occupancy of an apartment unit and for housing services.

**APARTMENT UNIT:** Any dwelling unit in the city of Beverly Hills rented or offered for rent for human habitation, together with the land and accessory structures appurtenant thereto, and all housing services supplied in connection with the use or occupancy thereof, which is not exempted under section 4-6-1 of this chapter.

**DISABLED PERSON.** Any person who is receiving benefits from a Federal, State, or local government, or from a private entity on account of a permanent disability that prevents the person from engaging in regular, full-time employment.

**HOUSING SERVICES:** All services connected with the use or occupancy of an apartment unit, including, but not limited to, repairs, replacement, maintenance, painting, light, heat, water, elevator service, laundry facilities and privileges, janitor service, refuse removal, furnishings, telephone, off street parking, and any other benefits, privileges, or facilities.

**LANDLORD:** An owner, lessor, sublessor, or any person, firm, corporation, partnership, or other entity entitled to receive rent for the use of any apartment unit or the agent, representative, or successor of any of the foregoing.

**MINOR.** Any person younger than eighteen years of age.

**RENT:** The consideration, including any bonus, benefits, or gratuity demanded or received, for or in connection with the use or occupancy of an apartment unit, including, but not limited to, monies demanded or paid for parking, for furnishings, for housing services of any kind, or for subletting.

**TENANT:** A tenant, subtenant, lessee, sublessee, or any other person entitled to the use or occupancy of any apartment unit.

**VACANCY:** The departure from an apartment unit of all of the tenants. For purposes of this definition, the term "tenant" shall not include persons who took possession of an apartment unit as sublessees or assignees after January 1, 1999, if the rental agreement restricts or prohibits subletting or assignment, and the restriction has not been satisfied or the prohibition has not been waived.

**VOLUNTARILY VACATED:** The vacancy of an apartment unit by all of the tenants. "Voluntarily vacated" does not include a vacancy: a) that is the result of a constructive eviction of the tenant, which was caused by the landlord; b) when the previous tenancy was terminated by the landlord by notice pursuant to Civil Code section 1946; or c) when the previous tenancy was terminated

due to a change in the terms of the tenancy noticed pursuant to Civil Code section 827, except a change permitted by law in the amount of rent or fees.

Section 6. The City Council hereby amends Section 4-6-1 of Chapter 6 of Title 4 of the Beverly Hills Municipal Code to read as follows:

4-6-1: APPLICATION:

The provisions of this chapter are applicable to all multiple residential dwellings consisting of two (2) or more units with the exception of those units that are subject to the existing rent stabilization provisions of chapter 5 of this title; those units excluded under subsections 4-5-102 A through E of this title, and units in a building that has a certificate of occupancy issued after February 1, 1995.

Section 7. The City Council hereby amends Paragraph B of Section 4-6-3 ("Rental Increase") of Chapter 6 of Title 4 of the Beverly Hills Municipal Code to read as follows:

B. Such increases shall not exceed the greater of: (1) three percent (3%) of the rental rate then in effect, or (2) the percentage equal to the percentage increase, if any, of the consumer price index for the Los Angeles/Riverside/Orange County area, as published by the United States Department of Labor, Bureau of Labor Statistics between May 1<sup>st</sup> of the then current year and May 1<sup>st</sup> of the immediately preceding year.

Section 8. The City Council hereby amends Chapter 6 of Title 4 of the Beverly Hills Municipal Code to add new Section 4-6-9 thereto to read as follows:

4-6-9: RELOCATION FEE:

- A. If a landlord brings an action to recover the possession of an apartment unit that is subject to the provisions of this Chapter 6 for any of the reasons set forth in Section 4-5-502, 4-5-503, 4-5-504, 4-5-505, 4-5-507 or 4-5-508 of this Title, the landlord is not required to pay a relocation fee to the tenant residing in the unit. However, if a landlord serves a notice of eviction on a tenant for any other reason, or for no specified reason, the landlord shall pay to such tenant a relocation fee in accordance with the provisions of this section. The relocation fee shall be due and payable to the tenant, regardless of whether the landlord actually utilizes the apartment unit for the purposes stated in the notice of eviction, unless the landlord notifies the tenant in writing of the withdrawal of the notice of eviction prior to such time as the tenant has given the landlord notice of his or her last date of occupancy, or has vacated the unit, if a notice of the last date of occupancy is not given by the tenant. The landlord also shall file a copy of the notice of eviction with the Community Development Department within one week after serving the notice on the tenant.
- B. The relocation fee or pro rata share thereof shall be paid to any tenant who vacates the apartment unit at the time he or she vacates it. If the landlord cannot in good faith determine if the tenant is entitled to receive the relocation fee, it shall be deposited in escrow in accordance with Paragraph D of this section.

C. The entire fee shall be paid to a tenant who is the only tenant in an apartment unit. Where an apartment unit is occupied by two (2) or more tenants, payment may be prorated among the tenants, or payment may be made to one tenant, provided all the adult occupants of the apartment unit concur with the allocation or have signed a stipulation to judgment as described in Paragraph D of this section. In no event shall a landlord be liable to pay a total amount that exceeds the fee required by paragraph E of this section.

D. Deposit of relocation fee into escrow.

1. When the apartment unit has not been vacated, the relocation fee shall be deposited in escrow if the tenant has furnished the landlord with the tenant's notarized stipulation to judgment in favor of the landlord for the repossession of the apartment unit by the landlord within sixty (60) days after the payment of the relocation fee to such tenant. The fee shall be released from escrow to the tenant on the day the tenant vacates the apartment unit. Nothing in this subsection shall be deemed to require any tenant to vacate any apartment unit before the expiration of the full notice time to which such tenant is entitled. The sixty day period referred to in this paragraph 1 shall not apply to any eviction where the eviction notice was given by the landlord to the tenant on or before January 20, 2017.

2. If the landlord in good faith is unable to determine which persons are entitled to receive the relocation fee, the landlord shall deposit the relocation fee into escrow. The landlord shall give written notice of such deposit to each person, including the tenant and any occupant other than the tenant, who in the landlord's good faith judgment may be entitled to receive the relocation fee. Upon agreement by all persons so notified, the escrow holder may distribute the relocation fee in the manner agreed upon. If such parties cannot reach agreement within thirty (30) days after the date the notice of deposit is given, the division and distribution of the relocation fee shall be determined by the hearing officer following a hearing on the matter. No distribution from an escrow may occur until the tenant who is to receive the relocation fee has signed a notarized stipulation to judgment pursuant to subsection A of this section if the tenant still occupies the apartment unit.

3. All the costs of an escrow opened pursuant to the provisions of this section shall be borne by the landlord.

E. The amount of the relocation fee payable to a tenant entitled to such fee pursuant to the provisions of this section shall be determined as follows:

	<u>Apartment Size</u>	<u>Relocation Fee</u>
1.	Studio	\$6,193

- |    |                    |          |
|----|--------------------|----------|
| 2. | 1 bedroom          | \$9,148  |
| 3. | 2 or more bedrooms | \$12,394 |

Provided further, those households that include a senior, disabled person, or a minor shall be entitled to an additional relocation fee in the following amount of \$2,000.

Any tenant whose occupancy of the apartment unit began after the date when the required notice of termination was given shall not be entitled to any relocation fee.

Commencing July 1, 2018, and on July 1<sup>st</sup> of each year thereafter, the amounts of the relocation fees set forth above shall be increased annually by a percentage equal to the percentage increase, if any, of the consumer price index for the Los Angeles/Riverside/Orange County area, as published by the United States Department of Labor, Bureau of Labor Statistics between May 1<sup>st</sup> of the then current year and May 1<sup>st</sup> of the immediately preceding year.

F. In lieu of the relocation fee required by paragraph E of this section, the landlord, at his or her option, may relocate the tenant into a comparable replacement apartment unit satisfactory to the tenant, in which event the landlord shall be liable only for the actual costs of relocating the tenant, up to the maximum as set forth in paragraph E of this section per apartment unit. A tenant shall not unreasonably withhold the approval of a replacement apartment unit offered by the landlord. For the purposes of this paragraph only, comparability shall be determined from the following factors: size, price, location, proximity to medical and recreational facilities, parks, community centers, shops, transportation, schools, churches, and synagogues, amenities, and, if the tenant desires, the location of the apartment unit in the city.

G. Waiver of relocation fee.

1. If a tenant who has received a thirty (30) day notice to vacate premises does not vacate the apartment unit within such time, and the landlord thereafter files a complaint for writ or judgment restoring possession, and the court orders such tenant to vacate the apartment unit, such tenant shall be deemed to have waived all rights to any relocation benefit to which he or she is otherwise entitled pursuant to this section and shall return to the landlord any relocation fee or other benefit so received, plus interest at the rate allowed by law.
2. After the required notice period has passed, if a tenant has signed a stipulation for judgment and received a relocation fee, whether directly or as the result of the distribution of a deposit, and does not vacate the apartment unit within sixty (60) days after such receipt, the tenant shall be deemed to have waived all rights to any relocation benefits to which he or she is otherwise entitled pursuant to this section, and the tenant shall be obligated to return to the landlord any relocation fee or other benefit so received, plus interest at the rate allowed by law.

Section 9. The City Council hereby amends Chapter 6 of Title 4 of the Beverly Hills Municipal Code to add new Section 4-6-10 thereto to read as follows:

4-6-10: REGISTRATION OF RENTAL UNITS:

- A. Initial Registration. A landlord must register every rental unit that is subject to the provisions of this Chapter 6 within 30 days of receipt of notice from the city that registration is required, unless the rental unit is specifically exempt under this Chapter. Registration is complete only when all required information has been provided to the city and all outstanding fees and penalties have been paid.
- B. After Terminated Exemption. When a rental unit that was exempt from this chapter becomes governed by this chapter for the first time, the landlord must register the unit with the city within thirty days after the exemption ends.
- C. Re-registration. When a rental unit is re-rented after a vacancy, the landlord must reregister the unit with the city within thirty days after the re-rental.
- D. Registration Amendment. A landlord must file a registration amendment with the city within thirty days of a change in a rental unit's ownership or management, or a change in the owner's or manager's contact information.

Section 10. The City Council hereby amends Chapter 6 of Title 4 of the Beverly Hills Municipal Code to add new Section 4-6-13 thereto to read as follows:

4-6-13: RENT ADJUSTMENTS UPON APPLICATION:

- A. Basis for Application. A landlord may file a rent adjustment application with the city for all rental units in the landlord's rental complex to achieve a just and reasonable return based on net operating income principles as set forth in paragraph B of this section, or on any other ground authorized by this chapter or by regulations adopted by the city council.
  - 1. Application. An application for a rent adjustment pursuant to this chapter shall be filed upon a form prescribed by the city and shall be accompanied by the payment of a fee as determined by resolution of the City Council. If no fee has been established at the time of application, the applicant shall pay a fee within 30 days of the date the fee is established. The applicant shall produce at the request of the hearing officer any records, receipts, reports or other documents in the applicant's possession, custody or control that the hearing officer may deem appropriate to make a determination whether a rent adjustment should be approved. The application shall be made under penalty of perjury and supporting documents shall be certified or verified as requested. Once the registration process is established by the city, no application from a landlord shall be accepted unless the building in which the unit is located is registered and any registration fees have been paid. If a landlord is seeking an adjustment pursuant to subparagraph 1(g)(2) of paragraph B of this

section the application shall not be filed with or accepted by the city unless the landlord provides any and all documents and information on which the landlord relies to establish that the base date rent was disproportionately low.

2. **Incomplete Applications.** The city shall determine whether said application is complete within ten business days of filing of the application by the landlord. If it is determined that an application is not complete, the applicant shall be notified in writing as to what additional information is required. In the event the applicant notifies the hearing officer that the requested information is unavailable, the hearing officer shall proceed with scheduling a hearing as though the application is complete. Notice that an application has been filed shall be sent to the landlord and all affected tenants by the hearing officer; said notice shall invite submittal of evidence from all concerned parties.
3. **Hearing Date.** The hearing officer shall hold a hearing on said application within sixty days after the application is determined to be complete. Notice of the time, date, and place of the hearing shall be mailed to the applicant and the affected parties at least ten business days prior to date of the hearing. The notice of the hearing also shall be delivered to the affected parties by posting the notice at the property at least ten business days prior to date of the hearing. The notice to the affected parties shall include a brief summary of the stated justification for the rent increase application and shall state that all submitted documents and materials as well as any report prepared by the hearing officer or staff will be available for public review prior to the hearing.
4. **Hearing Rules.** At the hearing, the parties may offer any documents, testimony, written declarations, or other evidence that is relevant to the requested rent adjustment. Formal rules of evidence shall not be applicable to such proceedings.
5. **Conduct of Hearing.** The Hearing Officer shall control the conduct of the hearing and rule on procedural requests. The hearing shall be conducted in the manner deemed by the Hearing Officer to be most suitable to secure that information and documentation that is necessary to render an informed decision, and to result in a fair decision without unnecessary delay.
6. **Ex Parte Communications.** There shall be no oral communication outside the hearing between the Hearing Officer and any party or witness. All discussion during the hearing shall be recorded. All written communication from the Hearing Officer to a party after the hearing has commenced shall be provided to all parties.
7. **Order of Proceedings.** The hearing shall ordinarily proceed in the following manner, unless the Hearing Officer determines that some other order of proceedings would better facilitate the hearing:
  - a. A brief presentation by or on behalf of landlord, if landlord desires to expand upon the information contained in or appended to the petition for rent



adjustment, including presentations of any other affected parties and witnesses in support of the application.

b. A brief presentation of the results of any investigations or staff reports by staff in relation to the petition

c. A brief presentation by or on behalf of opponents to the petition, including presentations of any other affected parties and witnesses in opposition to the application.

d. Rebuttal by landlord.

e. The Hearing Officer shall establish equitable time limits for presentations at a hearing, subject to adjustments for translation and reasonable accommodation.

f. The Hearing Officer shall maintain an official hearing record, which shall constitute the exclusive record for decision.

8. Right of Assistance. All parties to a hearing shall have the right to seek assistance in developing their positions, preparing their statements, and presenting evidence from an attorney, tenant organization representative, landlord association representative, translator, or any other person designated by said parties to a hearing.
9. Re-opening of Hearing. The hearing officer may re-open the hearing record when he or she believes that further evidence should be considered to resolve a material issue, when the hearing has been closed, and when a final decision has not been issued by the hearing officer. In such circumstances, the parties may waive a further hearing by agreeing in writing to allow additional exhibits into evidence.
10. Hearing Decision. Within thirty days after the hearing is closed, the hearing officer shall issue a decision, with written findings in support thereof, approving, partially approving or disapproving a rent adjustment.
11. Notice of Decision. A written notice of decision on a rent adjustment application shall be mailed to the applicant and all affected tenants within one day of the issuance of the decision by the hearing officer. Such notice shall be accompanied by a copy of the hearing decision.
12. Any final decision of the hearing officer is subject to judicial review pursuant to California Code of Civil Procedure section 1094.5 and must be filed in accordance with the time periods specified therein.

## B. Substantive Grounds for a Rent Increase Application

A rent adjustment shall be approved in order to provide a just and reasonable return and maintain net operating income in accordance with the following criteria:

1. Fair Net Operating Income. Fair return applications shall be considered according to the following guidelines:
  - (a) Net operating income equals gross income minus operating expenses.
  - (b) Gross income equals the following:
    - (1) Gross rents, computed on the basis of one hundred percent occupancy, using current rent levels, including the current year annual general adjustment. To the extent that the annual general rent adjustment was not fully implemented or received during the entire current year, it shall be annualized to reflect the total annual gross rents to which the property owner is already entitled, plus
    - (2) Interest from security and cleaning deposits (except to the extent that said interest is payable to the tenants), plus
    - (3) Income from services, garage and parking fees, plus
    - (4) All other income or consideration received or receivable for or in connection with the use or occupancy of rental units and housing services, minus
    - (5) Uncollected rents due to vacancy and bad debts, to the extent that the same are beyond the landlord's control. Uncollected rents in excess of five percent of gross rents shall be presumed to be unreasonable and shall not be deducted from gross rents unless it is established that they result from circumstances that are likely to continue to exist in future years.
  - (c) Operating Expenses – Inclusions. Operating expenses shall include the following:
    - (1) Rent increase application filing fees (if the application is found to be meritorious);
    - (2) Annual registration fees to the extent that they cannot be passed through to tenants, pursuant to resolution of the city council;
    - (3) License fees, real property taxes, utility costs, insurance;
    - (4) Normal and reasonable repair and maintenance expenses for rental units and the building or complex of buildings of which the building is a part, including common areas, which shall include, but not be limited to, painting, normal cleaning, fumigation, landscaping, repair and replacement of all standard services, including electrical, plumbing, carpentry, furnished appliances, drapes, carpets and furniture. Owner-performed labor shall be counted at reasonable rates established by the cost of obtaining similar services in and around the city, provided the applicant submits

documentation showing the date, time, and nature of the work performed by the property owner.

- (5) Allowable legal expenses, and management expenses (contracted or owner performed), including necessary and reasonable advertising, accounting, other managerial expense. Management expenses are presumed to be six percent of gross income, unless established otherwise. Management expenses in excess of eight percent of gross income are presumed to be unreasonable and shall not be allowed unless it is established that such expenses do not exceed those ordinarily charged by commercial management firms for similar residential properties;
- (6) Attorney's fees and costs incurred in connection with successful good faith attempts to recover rents owing and successful good faith unlawful detainer actions not in violation of applicable law, to the extent the same are not recovered from tenants;
- (7) Building improvements, the cost of any improvement mandated by any government statute, rule or regulation enacted after January 1, 2017, major repairs, replacement and maintenance, except to the extent such costs are compensated by insurance proceeds, subject to the condition that said improvements shall be amortized in years according to the schedule below, provided that the Hearing Officer may use 7 years for unlisted items, or such other period of time as is determined by the Hearing Officer to be reasonable.

Air Conditioner 10

Appliances, major (other than those specifically listed) 7

Cabinets 10

Dishwasher 7

Doors 10

Dryer 7

Electric Wiring 15

Elevator 20

Fencing 10

Fire Alarm System 10

Fire Escape 10

Flooring 7

Garbage Disposal 7

Gates 10  
Gutters 10  
Heating 10  
Insulation 10  
Locks 7  
Paving 10  
Drywall 10  
Plumbing 10  
Pumps 10  
Refrigerator 10  
Roofing 10  
Security System 10  
Stove 10  
Washing Machine 7  
Water Heater 7

(8) Reasonable expenses, fees and other costs for professional services reasonably incurred in the course of successfully pursuing or defending rights under or in relationship to this chapter.

(d) Excluded from Operating Expenses. Operating expenses shall not include:

- (1) Maintenance and repair work that resulted from the intentional deferral of other repairs or work, which deferral caused significant deterioration of housing services, the building or individual units (if the time since the work was performed significantly exceeds the amortization periods established in paragraph (c)(7) above, it shall be presumed that it was intentionally deferred);
- (2) Avoidable and unnecessary expense increases since the base year;
- (3) Mortgage interest and principal payments; fees, other than fees expressly authorized by subsection (c) of this section;
- (4) Penalties and interest awarded for violation of this or any other law; or legal fees, except as provided in this section;
- (5) Depreciation;

- (6) Any expenses for which the landlord has been reimbursed by any utility rebate or discount, security deposit, insurance settlement, judgment for damages, or settlement;
  - (7) Any expense that has been passed through lawfully to tenants pursuant to the provisions of this chapter.
- (e) Base year for the purpose of this chapter shall be 2016. Landlords are required to keep all financial records for 2016, which may be necessary for making a net operating income determination. In the event that an owner for good cause cannot produce base year income and expense information, the hearing officer may use a different base period or estimate base year income and expenses.
- (f) Presumption of Fair Base Year Net Operating Income. Except as provided in subdivision (g), it shall be presumed that the net operating income produced by the property during the base year provided a fair return (fair net operating income). Landlords shall be entitled to earn a just and reasonable return and to maintain and increase their base year net operating income in accordance with subdivision (h) of this subsection, below.
- (g) Rebutting the Presumption. It may be determined that the base year net operating income yielded other than a fair return, in which case, the base year net operating income may be adjusted accordingly. In order to make such a determination, the hearing officer must make at least one of the following findings:
- (1) The landlord's operating and maintenance expenses in the base year were unusually high or low in comparison to other years. In such instances, adjustments may be made in calculating such expenses so that the base year operating expenses reflect average expenses for the property over a reasonable period of time. In considering whether the base year net operating income yielded more or less than a fair net operating income the hearing officer shall consider the following factors:
    - (i) The landlord made substantial capital improvements during the base year, which were not reflected in the base year rent levels;
    - (ii) Substantial repairs were made due to damage caused by uninsured disaster or vandalism;
    - (iii) Maintenance and repair were below accepted standards or resulted from the intentional deferral of other repairs or work, which deferral caused significant deterioration of housing services, the building or individual units. If the time since the deferred work was performed significantly exceeds the amortization periods established in paragraph (c)(7) above, it shall be presumed that it was intentionally deferred;
    - (iv) Other expenses were unreasonably high or low, notwithstanding prudent business practice.

(2) The rent in the base year was disproportionately low due to the fact that it was not established in an arms-length transaction or other peculiar circumstances. To establish peculiar circumstances, the landlord must prove one or more of the following: there existed between the tenant and the owner a family or close friend relationship; the rent had not been increased for three years prior to the base year; the tenant performed services for the owner; there was low maintenance of the property by the owner in exchange for low rent increases or no rent increases; or any other special circumstances which affected the rent level outside of market factors.

(h) Fair Net Operating Income. If the Hearing Officer adjusts the base year rents, then the Hearing officer shall permit rent increases in the maximum allowable rent such that the landlord's net operating income shall be increased by one hundred percent of the percentage increase in the Consumer Price Index between the base year and the current year. Unless the hearing officer selects a base period other than the year 2016, the base year CPI shall be 240.007. For the purposes of this chapter, the current CPI shall be the CPI last reported as of the date of the application. A rent increase granted pursuant to this chapter shall not exceed the increase requested in the application.

C. Nothing in this chapter shall be construed to prevent the grant of a rent adjustment upon application by a landlord when required to permit a just and reasonable return to the landlord. This paragraph is a savings clause which provides a basis for a hearing officer to receive relevant evidence demonstrating that a landlord is not receiving a just and reasonable return under the provisions of the net operating income formula, so that the application of the net operating formula may be modified to provide a just and reasonable return to the landlord.

Section 11. The City Council hereby amends Chapter 6 of Title 4 of the Beverly Hills Municipal Code to add new Section 4-6-14 thereto to read as follows:

#### 4-6-15 REMEDIES:

##### A. Illegal Rent or Withholding of Relocation Fees.

- (1) It shall be unlawful for any landlord willfully to demand, accept, receive, or retain any payment of rent in excess of the maximum lawful rent permitted for an apartment unit by this chapter.
- (2) It shall be unlawful for any landlord willfully to fail to provide any tenant with any relocation benefit to which such tenant is entitled.

##### B. Reduction of Housing Services.

It shall be unlawful for any landlord to reduce housing services with the intent, or for the purpose, of circumventing substantially the requirements and/or provisions or spirit of this chapter. A violation of this section shall be deemed an increase in rent to the extent of the monetary advantage achieved thereby for the landlord or to the extent necessary

for the tenant to incur expenses to gain equivalent housing services by other means, whichever is greater. Any such violation shall accordingly be subject to the tenants' remedies prescribed in paragraphs C and D of this section.

#### C. Refusal to Comply with Illegal Requests

- (1) A tenant may refuse to pay any increase in rent which is in violation of the provisions of this chapter, and such violation shall be a defense in any action brought to recover the possession of an apartment unit or to collect rent.
- (2) In addition to the remedies set forth in subparagraph 1 of this paragraph C, in any action brought to recover the possession of an apartment unit, the court may consider as grounds for denial of the request for possession any violation of any provision of this chapter. In addition, a court determination that the action was brought in retaliation for the exercise of any right conferred by this chapter shall also be grounds for denial of the request for possession.

#### D. Civil Remedies.

Whenever it is necessary for any tenant to file a court action to recover the payment of rent which was in excess of the maximum lawful rent allowed by the provisions of this chapter, or to collect any relocation fee provided for in this chapter, or whenever it is necessary for the tenant to defend against any wrongful action filed in court against the tenant by the landlord to recover the possession of the tenant's apartment unit, the landlord shall be liable to the tenant for damages in the amount of five hundred dollars (\$500.00) or not more than three (3) times the amount by which the payment or payments demanded, accepted, received, or retained exceed the lawful amount of rent or relocation fees due to the tenant, whichever is greater. The prevailing party in any such suit shall be entitled to reasonable attorney fees and costs as determined by the court.

#### E. Penalties.

Any person violating any of the provisions, or failing to comply with any of the requirements, of this chapter shall be subject to the penalties and punishment of title 1, chapter 3 of this code.

#### Section 12. Urgency Findings. The City Council finds as follows:

- (a) Currently, there is a shortage of affordable housing that is available to all segments of the community both within the County of Los Angeles and specifically within the City of Beverly Hills. The increased cost of constructing and purchasing housing within the Southern California region has caused an increase in the rents that are being charged for apartment units. Studies, which were presented to the City Council and are part of the record regarding the adoption of this ordinance, have shown that there is a shortage of the number of apartment units that are available for rent and that the rents that are being charged for apartment units are increasing dramatically, especially within Southern

California and within the City of Beverly Hills. Because of the state Costa Hawkins statute (Civil Code Section 1954.50, et seq.), rents often are increased substantially following a vacancy. The ability to increase rents following a vacancy is an incentive for a landlord to evict an existing tenant so the unit can be re-rented for a rent that is significantly higher. In the City of Beverly Hills, apartment units that are subject to Chapter 6 of Title 4 of the Beverly Hills Municipal Code are not subject to "just cause" eviction constraints, and the tenant can receive rent increases of 10%. Accordingly, tenants living in those units may be given notice by their landlords that their tenancy is being terminated for no specified reason, and they must vacate their units and find a different apartment unit within which to live, or they can have their rent increased by 10%. This ordinance is designed to address this situation by requiring landlords who are evicting a tenant without "just cause," as defined herein, to pay relocation fees to the tenant, which will assist the tenant with the cost of obtaining and moving into a different rental unit and will limit annual rent increases to the greater of: (1) three percent (3%) of the rental rate then in effect, or (2) the percentage equal to the percentage increase, if any, of the consumer price index for the Los Angeles/Riverside/Orange County area, as published by the United States Department of Labor, Bureau of Labor Statistics between May 1<sup>st</sup> and May 1<sup>st</sup> of the immediately preceding year.

- (b) Therefore, the City Council finds and determines that the immediate preservation of the public peace, health, and safety requires that this ordinance be enacted as an urgency ordinance pursuant to Government Code Section 36937(b) and take effect immediately upon adoption. If this Ordinance does not become effective immediately, but instead becomes effective thirty days after its second reading, an increased number of tenants, including seniors and disabled tenants, will have their rents raised by 10%, or if such tenants are evicted without cause, will be unable to bear the cost of finding another unit and moving into the unit. At a minimum, the expense of moving to a new unit or having a rent increase of 10% will potentially cause the tenant to cut back on spending for health care, food, or medicine. Therefore, this Ordinance is necessary for the immediate preservation of the public peace, health and safety and its urgency is hereby declared.

Section 13. CEQA. This ordinance is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15061(b)(3), which is the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment, and CEQA does not apply where it can be seen with certainty that there is no possibility that the activity may have a significant effect on the environment. It can be seen with certainty that the amendments to the City's rent stabilization regulations to lower the amount of the rent increase that can be imposed annually on certain rental units; to require landlords to register certain rental units located within the City; to establish a process to increase rents pursuant to a hearing; to require landlords who evict tenants without cause to pay relocation fees to the tenants, and to increase the amount of the relocation fees that are required to be paid to tenants will not cause a significant effect on the environment. In addition, the amendments to Chapters 5 and 6 of Title 4 of the Beverly Hills Municipal Code are not a project that is subject to the provisions of CEQA, pursuant to CEQA Guidelines section 15378(b)(2) and (b)(5).



Section 14. Ordinance No. 17-O-2725 is hereby repealed.

Section 15. Severability. If any provision of this ordinance is held invalid by a court of competent jurisdiction, such provision shall be considered a separate, distinct and independent provision and such holding shall not affect the validity and enforceability of the other provisions of this ordinance.

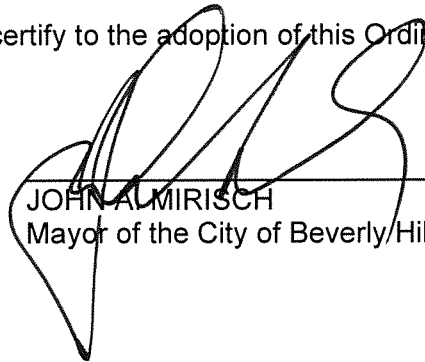
Section 16. Publication. The City Clerk shall cause this Ordinance to be published at least once in a newspaper of general circulation published and circulated in the city within fifteen (15) days after its passage in accordance with Section 36933 of the Government Code, shall certify to the adoption of this Ordinance and shall cause this Ordinance and the city Clerk's certification, together with proof of publication, to be entered in the Book of Ordinances of the Council of this city.

Section 17. Effective Date. This Ordinance is adopted as an urgency ordinance for the immediate preservation of the public peace, health and safety within the meaning of Government Code Section 36937(b), and therefore shall be passed immediately upon its introduction and shall become effective immediately upon its adoption by a minimum 4/5 vote of the City Council.

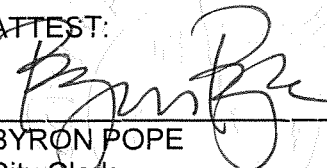
Section 18. Certification. The City Clerk shall certify to the adoption of this Ordinance.

Adopted: February 21, 2017


Effective: February 21, 2017

  
\_\_\_\_\_  
JOHN ALMIRISCH  
Mayor of the City of Beverly Hills, California

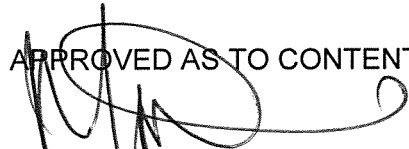
ATTEST:

  
\_\_\_\_\_  
BYRON POPE  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
LAURENCE S. WIENER  
City Attorney

APPROVED AS TO CONTENT

  
\_\_\_\_\_  
MAHDI ALUZRI  
City Manager