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Madam Mayor & City Council

09/13/22

Thank you for allowing us to share our thoughts regarding The Residential Landlord and Tenant Ordinance. As you might know I have been a residential landlord in Chula Vista for over 50 years and I am obsessed with holding the line on rents.

In the past couple of months, I have talked to many real estate professionals. Additionally I gathered comments from my tenants and other renters. By sharing with you this evening, I am hoping we can see eye to eye regarding the inevitable negative side effects the proposed ordinance has on our community. My experience tells me the proposed ordinance would hurt many more people than helps. The information herein is grouped under several categories below.

**RENTS ARE NOT ARBITRARILY RAISED:**

First, I sense some Council members are under the impression that Landlords arbitrarily raise rents in response to supply and demand. If this is your belief, you are DEAD WRONG. While many big box corporate property owners may respond in this manner, most of the landlords I know raise rents in response to an increase in expenses. Example: Mary and I

own three identical condos in The Treehaven Condo Complex near Third Ave & "J" streets. The monthly rent charged varies greatly because the expenses incurred vary greatly. Also, there is a three bedroom two bath home on Murray Street of which we had not adjusted the rent for eight years. Beverly, our tenant who is very handy, would probably reroof the house by herself if I let her (just kidding). With expenses being so low there was no need to raise her rent.

It seems you have very low opinion of Landlords. The residential property owners I know may have just one or two properties to supplement their income. They strive to hold the line on rents.

### **SURPRISING GOOD NEWS:**

If the City's goal is to maintain an adequate supply rentals, there is some surprising good news regarding the proposed ordinance. There are several clauses in the proposed ordinance which require a Landlord to pay a departing tenant a sum equal the prevailing rate of two or three months rent. Actually requiring Landlords to subsidize the income of departing tenants will not adversely affect the supply of rental units and is not a serious concern. If you accept the basic assumption that landlords must AT LEAST break even, funds paid to the departing tenant will simply be passed on by a rent increase to a future tenant.

## **CLAUSES HAVING DEVASTATING EFFECTS ON RENTERS:**

I am concerned the proposed ordinance contains several clauses which has devastating effects on renters and greatly hampers landlords ability to charge reasonable rents. There are some clauses in the ordinance which are difficult to understand. All prudent Landlords will raise rents to fund an impound account to pay the inevitable future fines which will be imposed for violating rules which are punitive or incomprehensible.

The following clauses are way over the top and extremely punitive.

*Clause 9.65.090 B 3 Civil penalties for violations of this chapter may be assessed at a rate not to exceed \$5,000 per violation per day. Clause 9.65.090 B 2 ...it is not required that a warning or notice to cure must first be given. Clause 9.65.090 B 4 "... criminal violation may be punished by... six (6) months in county jail*

Obviously the few Mom and Pop Landlords who are aware of the new ordinance would have to substantially raise rents in order to create a contingency fund to pay the attorney fees to litigate the eventual substantial fines. Mary and I use a simple spread sheet to track expenses with categories such as Maintenance, Utilities, Property Taxes, Gardening, HOA Payments, Etc. As long as income exceeds expenses with a little cushion, we are satisfied. If this ordinance is passed as written,

it will be necessary to add an impound account for “Future Fines and Settlements” which are sure to follow.

Additionally, the definition for the term “Substantial Remodel” is deeply flawed (See Italics Cut & Past Below)

*“Substantial Remodel” means, for a Residential Rental Unit, if all the following criteria are met, the following:*

- 1. Any structural, electrical, plumbing, or mechanical system is being replaced or substantially modified; and*
- 2. The cost of the improvements (excluding insurance proceeds, land costs, and architectural/engineering fees) is equal to or greater than \$40 per square foot of the Residential Rental Unit; and*
- 3. A permit is required from a governmental agency, or the abatement of hazardous materials, including lead-based paint, mold, or asbestos is required in accordance with applicable federal, state, and local laws and cannot be reasonably accomplished in a safe manner with the Tenant in place; and*
- 4. It is necessary for the Residential Rental Unit to be vacant for more than sixty (60) days.*

*Cosmetic improvements alone, including, but not limited to, painting, decorating, flooring replacement, counter replacement, and minor repairs, or other work that can be*

*performed safely without having the Residential Rental Unit vacated, do not qualify as a Substantial Remodel.*

The Italics texts above should be simply replaced with “*Any improvement which cannot be safely completed without tenant vacating the premises.*”

Mary and I have recently substantially remodeled three condominiums in Chula Vista. We transformed these 1960's outdated units into beautiful modern homes. I believe our mayor has seen and has an opinion of our workmanship. I am proud to say, upon completion, the units were rented out at an amount hundreds of dollars below the market rate. We would have been prohibited from improving these properties if we attempted to complete these projects after this ordinance is passed. The work we performed does not fulfill the requirements outlined in this ordinance.

- 1) No structural, electrical, plumbing, or mechanical system was being replaced.
- 2) No permit was required.
- 3) Tenant was not required to vacate for more than sixty (60) days.

Contrary to the proposed ordinance, painting, flooring replacement, counter replacement, ARE substantial improvements. As you know, many residential units in west Chula Vista are old and in dire need of repairs. This ordinance prohibits landlords from completing repairs if less than \$40.00 Per Square Foot is spent. I have personally oversaw and

completed eleven remodels in the past four years, most at a cost well under \$40.00 Per Square Foot. Only two remodels required building permits and/or took in excess two months complete. None of the improvements supervised by me could have been safely completed without the tenants vacating the premisses. Adoption of the proposed definition of "Substantial Remodel", in most cases, basically prohibits landlords from improving properties. Such a prohibition, especially in the older westside area of Chula Vista, could possibly contribute to the creation of neighborhood slums.

### **REGARDING THE COLLECTION OF STEEP FINES:**

You are COMPLETELY WRONG in your assumption that staff would never pursue levying steep fines. I can guarantee you, given the opportunity, staff will make every effort "Grab the cash."

I speak from fifty years of personal experience. One of many examples in which I have observed: During the extreme economic downturn of 2005 the City's "Building & Housing" department (what it was called at the time) experienced a severe reduction in building permits being issued resulting in a huge reduction fees collected. With the reduction of building inspections, staff was redirected to increase revenue by shifting duties to code enforcement. Coincidentally, at the time, our tenant (Mark Wilson who was part owner of The Window Factory) asked if he could replace one of his windows with a

surplus garden window they had at the shop. I told him “Sure” as long as he acquired all the necessary permits. Mark assured me, if the size of the window remains the unchanged, it is considered a replacement item and no permits would be required. As Mark’s crew was replacing the window, a Code Enforcement officer cruising the neighborhood informed Mark that fees would have to be paid along with a fine. Mark pointed out the City of Chula Vista has never required permits for the hundreds of “Like” window replacements performed in the past. Inspector was instant. Needless to say, I paid for the unnecessary permit and fine.

Years ago, I experienced another instance where I was approached by city staff informing me that the city was planning widen the downtown sidewalks. Staff requested La Bella’s to place tables on the sidewalks. “Sure...why not!” I responded. To my surprise, upon the City’s completion of the improvement project, I was presented with a \$39,000.00 bill for the sidewalk. To add insult to injury, when filing our taxes, our accountant informed us the \$39,000.00 fee paid to the city WAS NOT tax deductible because the sidewalk was city property. I was so bummed that we had to pay taxes on money we didn’t have, money received by the city. I won’t waste your time with more examples. I just wanted to point out **given the opportunity, City staff always grabs the cash.**

## **PRUDENT LANDLORDS WILL AVOID RISKS:**

I truly believe that if this ordinance is adopted as written, no one who has full knowledge of its effects would take the financial risk of being a Mom & Pop Landlord in our City. For one to take the chance of losing their entire lifesavings and being imprisoned without even being aware that they are in violation of a city ordinance is way too much risk for any conscientious landlord to undertake. Another an analogy... Just because one has never suffered a devastating fire in their home doesn't mean they cancel their fire insurance. Even if someone has never experienced a serious injury auto accident, they would never consider canceling their auto insurance. Likewise, if this ordinance is adopted as written, no knowledgeable individual would consider undertaking the position of Landlord and risk losing everything they have worked for. Don't forget... If the supply of landlords is reduced, pressure is put on the Big Box Apartment Owners to increase rent.

## **REMOVING PROPERTY FROM RENTAL MARKET:**

One of my tenants recently gave me a notice to vacate because she would like to live in a larger home with her adult son and three Granddaughters. I placed a simple "For Rent" sign in the front yard. People called inquiring about the details. After the phone conversation, I would create a file in my phone of those who were seriously interested. I received sixty seven serious requests to rent the home. I like to believe the reasons



for so many requests is my obsession with maintaining our property in excellent condition and, most of all, keeping rents very reasonable. One of the questions I would ask in our phone interview was why they were moving. Most replied that the Landlord was pulling there home off the rental market. Out of curiosity I called many of the landlords inquiring as to why their property is being removed from the market. A few individuals replied they were cashing in on the huge increase in property values. Others planned to pass the property on to family. **However, the vast majority of Landlords explained it was becoming too way risky to be a Landlord in Chula Vista.**

### **UNSCRUPULOUS ATTORNEYS:**

I am confident there are more than a few “Ambulance Chasing” Attorneys in our community anticipating collecting a fat check protecting naive Landlords who are unaware they are in violation of some obscure clause of this proposed ordinance.

Example: Several years ago, we received a letter from an attorney informing us that handicap parking spaces must be perfectly level. We were being sued because the handicap space at 3rd & “G” Streets (which when built was inspected by the city) was at a slight incline. Needless to say we paid a substantial settlement.

Judging from past experiences, I am confident this will be the scenario if this ordinance is passed as written.

1st) City staff will be informed of an ordinance violation. **(Ironically, if no violations are ever reported the whole purpose of this ordinance becomes mute).**

2nd) City staff dutifully responds to violation.

3rd) Assume sixty days passes from when staff first receives notice of violation, documents violation and Landlord is made aware of violation.

4th) With staff authorized to collect a \$5,000.00 a day fine I absolutely guarantee you the Landlord will receive notice of violation with a letter from staff which will read something like this: "For sixty days you have been in violation of City Ordinance blah blah blah. You are now subject to a \$300,000.00 fine and an imprisonment of six months." Obviously the Landlord will freakout, hire an attorney to avoid serving a jail sentence and off the the races we go with the Landlord's attorney racking up huge fees.

**If you think for one minute City management will allow staff to spend precious resources enforcing an ordinance without collecting some fines to offset the cost of staff time you are VERY VERY NAIVE.**

**I repeat**

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## **ORDINANCE WORDING PURPOSLY AMBIGUOUS?:**

The past couple of months my wife Mary and I have experienced many sleepless nights racking our brains trying to understand why staff would create such a cumbersome ordinance to supposedly assist tenants when this ordinance, as written, actually increases pressure on Landlords to raise rents.

In seeking advice from other Landlords, some of them informed me that I was being very naive. Many property managers believe the ordinance is simply a money grab to fill city coffers. That is when I first realized of the possibility there was never any intention to assist tenants. Many Landlords believe staff is using tenants as pawns to collect more revenue for the city. Suddenly a light went off in my head. I felt like such a dummy.

**Example:** This reminds me of the time, many years ago, when my young son got every snowboarders dream job. He obtained employment at Mammoth Ski Lodge. One of his many benefits was free lift tickets. Tony, was living the dream of snowboarding to his hearts content on his days off. Occasionally the staff would get a notice that there would be random drug testing in a week. Later another notice was given of an impending drug test in two days.

Management did not want to catch staff doing drugs.  
**MANAGEMENT WANTED STAFF NOT TO DO DRUGS!**

Likewise, warning naive Landlords they are in violation of some obscure clause of an ordinance **does not** prohibit city staff

from seeking enforcement of the very few egregious offenders. If Chula Vista City staff's real intent was to aid tenants, they would have added a simple clause like: *"Upon notification, landlords have 30 days to cure any violation to this ordinance."* The fact that staff took the time to insert a clause: *"it is not required that a warning or notice to cure must first be given"* **is proof** staff places a priority on increasing city revenue as opposed to actually assisting tenants. This is probably why the ordinance was vaguely written. Some Property Managers believe there are more than a few city staff members licking their chops right now in anticipation of the city's increase in revenue. For the life of me, in the creation on this ordinance, I do not know way you did not consult reputable landlords who could have provided valuable information to assist tenants and hold the line on rents.

### **COMPELLED TO DO SOMETHING**

We all realize the City Council feels compelled to do something to assist tenants with their financial struggle to keep a roof over their heads. Some feel obligated to act because much staff time was invested in the creation of this ordinance. However, for reasons already outlined, there are clauses in this ordinance which places tremendous pressure on property owners to raise rents. Playing the Monday Morning Quarterback, I wish you had consulted reputable landlords to insist in the creation of this ordinance. Qualified Landlords are experts on holding

down expenses and therefore in a better place to hold the line on rent increases.

**MARK MY WORDS:**

Lastly I will make a prediction. Of the four Council members voting on on this ordinance, two or three will vote yes by simply taking into account their image before the community and not considering the devastating effect this ordinance has on renters. Hopefully one or two council members will be take a stand and truly help tenants by voting no on this ordinance... an ordinance which does NOTHING to protect the vast majority of renters and places huge pressure on a landlords to raise rents. Being a landlord, who has had wonderful relationships with tenants for 10, 20, and even 30 years, I am absolutely positive this ordinance hurts many more people than helps.

Respectfully,

*Joseph A Raso*