



## CITY OF GLENDALE INTERDEPARTMENTAL COMMUNICATION

**Date:** February 5, 2024

**To:** Roubik Golanian, City Manager

**From:** Bradley Calvert, Director of Community Development

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**Subject:** Rental Rights Program Discussion

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At the City Council meeting on January 30th, 2024, Council directed staff to delve into the definition of what constitutes a "mom and pop" property. This memo outlines the findings of our research.

Despite an exhaustive research, staff was unable to pinpoint a definitive source that unequivocally defines what qualifies as a "mom and pop" property. However, staff did uncover several commonly referenced criteria used to define mom-and-pop properties in various contexts.

Among these sources, the term "mom and pop" was most frequently associated with properties ranging from 1 to 4 units. This definition surfaced across multiple jurisdictions, including Beverly Hills and Los Angeles. Other ranges researched by staff included "20 or below" and "10 or below" definitions.

In the January 30<sup>th</sup> meeting, various stakeholders referred to "mom and pop" properties as those with 20 units or fewer. However, this metric lacks a clear justification and appears arbitrary. While one reference, such as a New York program for rental assistance, mentions this threshold, it's crucial to note that this reference to 20 units or fewer does not provide a clear metric or rationale for this specific threshold. New York's housing market differs significantly from that of Glendale, and thus, this threshold may not directly align with the characteristics of properties in our jurisdiction.

Similarly, staff found a reference in Forbes that defines "mom and pop" landlords as investors who own 10 or fewer properties. However, similar to the New York reference, the Forbes article does not offer a specific justification for the selection of 10 properties as the threshold.

If the belief that "mom and pop" properties are categorized as 49 units or fewer, or 20 units or fewer, which stems from the Turner Center for Housing Innovation report titled "The Ownership and

Management of Small Multifamily Rental Properties: New Insights on an Overlooked Part of the Rental Market," as referenced in the Council meeting, then such categorization is flawed.

In its opening sentence, the report asserts that "Small multifamily properties—which we define as properties with five to 49 units—make up about 17 percent of the nation's rental housing." However, the report fails to elaborate on the methodology used to arrive at this definition or the specific metrics employed to categorize small multifamily properties within this range. Moreover, it is essential to note that the primary objective of this report was not to define "mom and pop" or small-scale properties but rather to delve into the diverse management styles employed in overseeing these properties.

Critically, the survey conducted for this report lacks substantial credibility, as it relies on a mere 764 respondents to draw overarching conclusions about the entire nation's multitude of housing properties. The housing landscape across the nation is characterized by a myriad of factors, including zoning considerations, demographic variations, and regional disparities, all of which significantly influence housing dynamics. For instance, the housing market in California presents unique challenges and nuances distinct from those in other states. Attempting to extrapolate findings from such a limited sample size to address issues in specific locales, such as Glendale, further diminishes the reliability and applicability of the report's conclusions.

Further complicating matters, reports from the Turner Center for Housing Innovation present varying definitions. While one report defines small rental properties as those with 5 to 49 units, another report defines them as properties with 1 to 4 units, reflecting residential financing eligibility.

In another report by the Turner Center for Housing Innovation, in collaboration with the Joint Center for Housing Studies at Harvard University, titled "The Impact of the Pandemic on Landlords," a more structured approach is taken in defining "small rental properties" or "single-family rentals." The report contrasts two national surveys and provides a rationale for their definition, stating, "We use the terms small rental properties or single-family rentals to refer to 1- to 4-unit rental properties. 'Single-family' used in this way reflects industry practices that distinguish between properties with 1-4 units that are eligible for residential financing and properties with 5 or more units that are eligible for commercial financing."

Unlike the previous reports from the Turner Center, this report offers a justification for the utilization of the 1- to 4-unit rental property range. It emphasizes the significance of this classification based on how properties within this range are financed, thereby aligning with industry standards and lending practices. This distinction is crucial as it reflects not only the structural characteristics of the properties but also the financial mechanisms governing them.

Similarly, in another report published by the Turner Center for Housing and Innovation titled "The Uneven Impact of the Pandemic on the Tenants and Owners of Small Rental Properties," the definition of "small rental properties" is described as 1- to 4-unit properties. We have attempted to contact the Turner Center for Housing to seek clarification, but as of now, we have not received a response.

Various articles also mentioned mom and pop being defined as 1-4 units, notably, the National Association of Realtors, in a March 29, 2023 article commemorating Mom and Pop Business Day. However, similar to other sources, this article does not provide explicit reasoning for selecting the 1-4 unit range.

Furthermore, the differentiation between 1-4 unit properties and multi-family housing, particularly concerning lending categorization, proves to be a valuable metric for defining "mom and pop" real estate investors. These investors, often characterized as individual or small-scale property owners, typically focus on smaller residential properties due to their manageable scale and financing accessibility.

Properties with 1-4 units are commonly targeted by "mom and pop" investors as they qualify for residential bank financing, offering more favorable terms compared to commercial debt. In contrast, properties with five or more units fall into the commercial lending category, posing greater financial and management demands less suited to the preferences and capabilities of "mom and pop" investors.

### **Other Jurisdictions**

In addition to researching the definition or standard of "mom and pop" properties, staff conducted research into exemptions granted by jurisdictions outside of Glendale. Staff found that, apart from the City of Claremont, a city with less than 4,500 rental housing units which exempts properties with nine or fewer units, the vast majority of other jurisdictions exempt properties with two units or fewer. Some jurisdictions include the caveat of requiring landlords to reside on-site.

### **Impacts on Glendale**

It has long been emphasized that Glendale is a city with its own unique characteristics, distinct from others, and therefore should not necessarily rely on the guidance of external jurisdictions. However, considering this perspective, it's important to examine the potential consequences of excluding certain units from the ordinance. For instance, by excluding properties with nine or fewer units, we would directly affect 34% of the units in Glendale and consequently impact a significant portion of renters in Glendale. This exclusion implies that landlords could potentially evict tenants from this demographic without providing any justification whatsoever. Below are some of those statistics:

*Estimated Total number of units in Glendale: 50,000*

Exemption 4 units or below – 8,000	16% of units impacted
Exemption 9 units or below – 17,000	34% of units impacted
Exemption 20 units or below – 28,000	56% of units impacted
Exemption 49 units or below – 40,000	80% of units impacted

If Council is determined to proceed with the exemption for properties with nine or fewer units, staff strongly recommends implementing an added requirement for landlords to reside on-site as a condition for the exemption. Failing to do so could potentially result in a substantial increase in evictions.

In conclusion, while the term "mom and pop" lacks a universally accepted definition, the association with properties ranging from 1 to 4 units emerges as a common standard.