

Communication from Public

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Comments for Public Posting: The Keep LA Housed Coalition and undersigned organizations submit this letter regarding the formula for annual rental increases under the Los Angeles Rent Stabilization Ordinance (LARSO).





June 12, 2024

Honorable Members of the City Council
 Los Angeles City Council
 200 North Spring Street
 Los Angeles, CA 90012

RE: Los Angeles Rent Stabilization Ordinance Annual Rent Increase Formula (CF 21-0042-S3; CF 23-1134; CF 20-0407-S1)

Dear Councilmembers:

The undersigned organizations submit this letter in support of amending the current formula for annual rent increases under the Los Angeles Rent Stabilization Ordinance (“LARSO”). Our organizations work with and advocate for low-income and vulnerable residents in LA who will be directly impacted by the City’s study and update of LARSO, which is meant to provide for predictable, absorbable rent increases that allow landlords to receive a fair rate of return without fueling increased displacement and homelessness.

The City must update the current LARSO rent increase formula to better protect tenants from displacement, balance the interests of landlords, and ensure the LARSO's intended purpose is achieved. **We support the Keep LA Housed Coalition's recommendation of a formula that sets the annual allowable rent increase at 60% of the change in the Consumer Price Index or 3%, whichever is lower ("3%/60% CPI formula"), with no utility pass through and no exemptions for small landlords. Additionally, there should be no increases for additional tenants.** This makes both policy sense and is within the constitutional bounds on fair returns for landlords' investments.¹ Other California cities, including many in Los Angeles County, have the same or similar formulas to the one we are proposing to protect their renters. Los Angeles should have the strongest RSO in the state.

I. Background on housing instability facing Los Angeles tenants.

Los Angeles renters are extremely rent burdened. In LA, approximately 63% of households are renters.² More than half of renters are rent burdened, meaning they pay 30% or more of their income to rent.³ Many tenants in Los Angeles often have to make a choice between paying their rent or paying for food, medical expenses, and other necessities.

The pandemic greatly exacerbated the housing and homelessness crisis Angelenos were already facing. Some tenants were able to avoid evictions and cover some rent debt thanks to temporary safety net programs enacted during the pandemic like the Emergency Rental Assistance Program (ERAP), but as those have ended, low-income renters are vulnerable to displacement again. Evictions have returned to pre-pandemic levels, with 71,429 notices to terminate tenancy filed with the Los Angeles Housing Department (LAHD) between February and November 2023.⁴ Many tenants continue to carry large amounts of rent and consumer debt and inflation has hit them hard in the past three years, with the highest percentages in 20 years, leading to a general higher cost of living.⁵

An unaffordable rent increase could be the difference between remaining housed or sleeping on the street for thousands of rent burdened and debt-saddled tenants. Housing

¹ There is no annual allowable rent increase that would be deemed unconstitutional. Rather, courts focus on whether the rent stabilization scheme includes a *process* of ensuring landlords have a fair rate of return. LARSO contains the procedural mechanisms necessary to guarantee a fair rate of return, and it will continue to be constitutional if the City adopts the 3%/60% CPI formula for its annual allowable increase. See Birkenfeld v. City of Berkeley, 17 Cal. 3d 129 (1976); Carson Mobilehome Park Owners' Assn. v. City of Carson, 35 Cal. 3d 184 (1983); Kavanau v. Santa Monica Rent Control Bd., 16 Cal. 4th 761 (1997); Palos Verdes Shores Mobile Ests., Ltd. v. City of Los Angeles, 142 Cal. App. 3d 362 (1983).

² "Pre-Certified Local Housing Data for the City of Los Angeles." *Southern California Association of Governments*, Apr. 2021, <https://scag.ca.gov/sites/main/files/file-attachments/los-angeles-he-0421.pdf>.

³ "The State of the Nation's Housing." *Joint Center For Housing Studies of Harvard University*, 2023, https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf; A 2021 study even showed that a staggering 80% of extremely low income Los Angeles residents (those who earn less than 30% of the Area Median Income) are severely rent burdened, paying more than 50% of their income to rent.

⁴ Mejia, Kenneth. "Eviction Notices (February - November 2023)." *Kenneth Mejia LA City Controller*, Dec. 2023, <https://controller.lacity.gov/landings/evictions>.

⁵ Inflation as measured by the Consumer Price Index.

affordability is directly linked to homelessness rates: the US Government Accountability Office found that a \$100 increase in median rent was associated with a 9% increase in the estimated homelessness rate.⁶ In enacting the 3%/60% CPI formula, the City could ensure that the LARSO annual rent increase formula strongly protects tenants from displacement-level increases, while balancing the needs of landlords to maintain their properties.

II. A 3%/60% CPI formula protects vulnerable tenants while balancing the needs of landlords.

The LARSO annual rent increase formula, adopted in 1979, is outdated. The current formula is 100% of the change in CPI, with a maximum of 8%, and if the CPI is less than 3%, the formula is still set at 3%.⁷ In 23 of the last 30 years, inflation has been lower than 3%, providing an unintended windfall to landlords who were able to increase the rent 3% despite lower inflation to the detriment of tenants.⁸

The current LARSO rent increase formula must be updated to account for the current conditions and needs of renters in Los Angeles. Every additional percent allowed could be the difference between someone making rent or facing eviction and homelessness. Setting a 3%/60% CPI formula guarantees landlords a fair return on their investment while sparing tenants from prohibitively high increases in their housing expenses, allowing them some level of relief from the heavy financial burdens they already face. Keeping LA housed must be a top priority for the city, and adopting the 3%/60% CPI formula could make the difference between thousands of people staying in their homes or on the streets.

A. Other cities have adopted the same or similar rent increase formulas.

Several cities in LA County and across the state have recently adopted annual rent increase formulas consistent with our proposal. Oakland, for example, uses the same 3%/60% CPI formula that we are proposing.⁹ Santa Monica, Cudahy, and West Hollywood all have 3% rent increase ceilings.¹⁰ The City of Los Angeles has similar or higher levels of poverty and rent burdened tenants compared to these cities, and should thus protect its tenants to the same or higher degree by adopting a 3%/60% CPI formula.¹¹

⁶ “How COVID-19 Could Aggravate the Homelessness Crisis?” *U.S. Government Accountability Office*, 25 Aug., 2020, <https://www.gao.gov/blog/how-covid-19-could-aggravate-homelessness-crisis>.

⁷ L.A. Mun. Code §151.07.

⁸ “Historical Inflation Rates: 1914-2024.” *US Inflation Calculator*, 11 Jan. 2024, www.usinflationcalculator.com/inflation/historical-inflation-rates/.

⁹ Oakland Mun. Code § 8.22.070.

¹⁰ Santa Monica Mun. Code § 1805; Cudahy Mun. Code §5.13.050; West Hollywood Mun. Code §17.36.020.

¹¹ “QuickFacts: Baldwin Park city, California; Pomona city, California; West Hollywood city, California; Santa Monica city, California; Cudahy city, California; Los Angeles city, California.” *U.S. Census Bureau*, <https://www.census.gov/quickfacts/fact/table/baldwinparkcitycalifornia.pomonacitycalifornia.westhollywoodcitycalifornia.santamoniacitycalifornia.cudahycitycalifornia.losangelescitycalifornia/LFE305221>; “Table B25070: Gross Rent as a Percentage of Household Income in the Past 12 Months.” *U.S. Census Bureau*, https://data.census.gov/table/ACSDT5Y2022.B25070?q=B25070:%20Gross%20Rent%20as%20a%20Percentage%20of%20Household%20Income%20in%20the%20Past%2012%20Months&g=160XX00US0644000_0653000_067000&tid=ACSDT1Y2022.B25070.

B. The rent increase formula should not change with utilities.

The LARSO formula should not allow for an additional increase in rent if landlords provide utilities. Under the current LARSO formula, landlords providing gas and/or electricity can increase their rent by 1% for each utility provided, for an additional 2% bump.¹² The Economic Roundtable previously reviewed LARSO and found that there was no connection between the cost of providing utilities and the additional allowed rent increase.¹³ It further found that the 1-2% supplemental increase “substantially exceeded the actual cost increase” of providing the utilities.¹⁴

Additionally, the general allowable annual rent increase is based on the rent a landlord sets, and landlords typically consider the cost of providing utilities when they set rent (i.e. a landlord will charge more rent if utilities are included). Thus, the general rent adjustment *already* captures the cost of providing utilities because the cost is included in the initial rent set by the landlord. Every percentage point could make the difference between someone being able to afford to stay in their home or be forced to leave it, and including an additional rent increase for landlords providing utilities is both unnecessary and dangerous.

C. LARSO should not allow 10% increases for additional tenants.

Currently, LARSO allows a one-time 10% rent increase for each additional tenant joining a rental unit. Such a large rent increase can create hardship for families during challenging times. For example, a family may not be able to take in an ailing parent, or struggling adult child, because they will not be able to afford the rent increase. The 10% increase provision should be removed because (1) like the utility bump, it does not correlate with actual costs from an additional tenant; (2) it undermines the purpose of LARSO, which is to protect tenants against excessive rent; and (3) most other cities with rent stabilization do not allow for such an increase. In fact, 11 of the 13 jurisdictions in LA County with rent stabilization do not include any additional rent increase for additional occupants;¹⁵ and West Hollywood and Unincorporated LA County explicitly disallow additional rent increases for additional occupants.¹⁶ The City of Los Angeles should align itself with other rent control cities in LA County that do not allow for additional tenant increases.

D. The same allowable rent increases should apply to all landlords.

Allowable rent increases should not be different for small landlords.¹⁷ Allowing a different rent increase formula for small landlords would mean that some tenants, regardless of their income level or ability to pay, would face higher rent increases simply because of their

¹² L.A. Mun. Code §151.02.

¹³ Flaming, Daniel, et al. “Economic Study of the Rent Stabilization Ordinance and the Los Angeles Housing Market.” *Economic Roundtable*, 1 Aug. 2009, papers.ssrn.com/sol3/papers.cfm?abstract_id=2772233.

¹⁴ Id.

¹⁵ The jurisdictions include: Baldwin Park, Bell Gardens, Commerce, Cudahy, Culver City, Maywood, Pasadena, Pomona, Santa Monica, Unincorporated LA County, West Hollywood.

¹⁶ West Hollywood Mun. Code § 17.32.040; Los Angeles County Code §8.52.050(K).

¹⁷ There has been debate in City Council meetings recently over who constitutes a small landlord. The LA Municipal Code already defines small landlord as a natural person who owns no more than four units of residential property and a single-family home on a separate lot. L.A.M.C 151.30.E; 165.06.A (6).

landlord’s portfolio size. But tenants with small landlords are no less vulnerable to displacement than those with larger landlords – in fact they may be more vulnerable.¹⁸ Thus, the rent increase formula should not change based on the size of the tenant’s landlord. For the same reason, landlords should not be allowed to bank rent increases for use later, as this simply pushes off the unaffordable increase.

Rather than allow different treatment among tenants based on their type of landlord, the city should offer focused support for small landlords who are actually at risk of losing their properties in ways that don’t make their tenants susceptible to homelessness. As examples, the city could consider a property maintenance fund to support small landlords without displacing tenants, a mortgage relief program for small landlords struggling to pay their mortgage, and giving priority in rental assistance programs like the Measure ULA rental assistance program.

III. Conclusion.

Tenants in Los Angeles are facing a major rent burden crisis. Many are already making the choice between paying rent and paying for other basic necessities. Each additional percentage in the LARSO annual rent increase formula could make a difference between a tenant being able to afford to stay in their homes or being displaced. Therefore, the City of Los Angeles must take great care in choosing a formula that prevents displacement, while ensuring constitutional safeguards for landlords. The 3%/60% CPI formula would protect tenants from that harsh reality while allowing reasonable increases for landlords. This formula would help protect our city’s tenants from steep rent increases during high inflation years and be in line with numerous other cities in California.

Sincerely,

1. AAPI Equity Alliance
2. ACLU of Southern California
3. ACT-LA
4. Alliance of Californians for Community Empowerment (ACCE)
5. Asian Americans Advancing Justice Southern California
6. Asian Resources, Inc.
7. Balwin Leimert Crenshaw Local, LA Tenants Union
8. Bet Tzedek
9. Beverly-Vermont Community Land Trust
10. Brilliant Corners United
11. CAIR-LA/CAIR CA (Council on American Islamic Relations, Greater LA Chapter)
12. California Center for Movement Legal Services

¹⁸ Renters in small multifamily homes are more heavily people of color, are in industries with greater threats of exposure to COVID-19, and tend to have lower incomes. See: Choi, Jung Hyun, and Caitlin Young. “Owners and Renters of 6.2 Million Units in Small Buildings Are Particularly Vulnerable during the Pandemic.” *Urban Institute*, 10 Aug. 2020, www.urban.org/urban-wire/owners-and-renters-62-million-units-small-buildings-are-particularly-vulnerable-during-pandemic.

13. California Immigrant Policy Center
14. California Latinas for Reproductive Justice
15. California Native Vote Project
16. Catalyst California
17. CD11 Coalition For Human Rights
18. Clean Carwash Worker Center
19. Coalition for Economic Survival
20. Coalition for Humane Immigrant Rights Los Angeles (CHIRLA)
21. Community Power Collective (CPC)
22. Communities for a Better Environment
23. Community Coalition
24. Comunidades Indigenas en Liderazgo /CIELO
25. CONTRA-TIEMPO
26. Corporation for Supportive Housing
27. Debt Collective
28. DSA-LA
29. Eastside LEADS
30. Esperanza Community Housing
31. Eviction Defense Network
32. Familia: TQLM
33. Fideicomiso Comunitario Tierra Libre
34. Food & Water Watch
35. Ground Game LA
36. Housing Equity & Advocacy Resource Team (HEART)
37. Housing Now!
38. Housing Rights Center
39. Inclusive Action for the City
40. Inner City Law Center
41. InnerCity Struggle
42. Inquilinos Unidos
43. Jefferson Exposition Park West Adams Community Land Trust
44. Keep LA Housed Coalition
45. Koreatown Immigrant Workers Alliance (KIWA)
46. Ktown For All
47. LA Forward
48. LA Más
49. LA Voice
50. Latino Equality Alliance (LEA)
51. Legacy LA
52. Legal Aid Foundation of Los Angeles (LAFLA)

53. Little Tokyo Service Center
54. Long Beach Forward
55. Long Beach Residents Empowered (LiBRE)
56. Long Beach Tenants Union
57. Los Angeles Alliance for a New Economy
58. Los Angeles Community Action Network
59. Los Angeles for Resilient and Healthy Homes Coalition
60. Los Angeles Neighborhood Land Trust
61. Mar Vista Voice
62. Maternal and Child Health Access
63. MHACTION
64. Mijente
65. Natural Resources Defense Council
66. NElO LA Tenants Union
67. Orale
68. Our Future Los Angeles
69. OurWattsBookshop
70. Pasadena Tenants Union
71. Physicians for Social Responsibility - Los Angeles
72. POWER LA
73. Proyecto Pastoral at Dolores Mission
74. Public Counsel
75. Public Interest Law Project
76. Reclaim Our Schools LA
77. Right to Counsel Coalition - Los Angeles
78. RootDown LA
79. Safe Place for Youth
80. Saahas for Cause
81. SALVA
82. SEE (Social Eco Education)
83. SEIU/CIR
84. SEIU Local 721
85. SEIU Local 2015
86. Self Help Graphics & Art
87. Somos Familia Valle
88. South Asian Network
89. Southeast Asian Community Alliance
90. Strategic Actions for a Just Economy (SAJE)
91. Strategic Concepts in Organizing and Policy Education (SCOPE)
92. Tenants Together

93. The TransLatin@ Coalition
94. T.R.U.S.T. South LA
95. UAW Local 4811
96. UAW Local 872
97. UCLA Labor Center
98. UNITE HERE 11
99. United Neighbors in Defense Against Displacement (UNIDAD) Coalition
100. United Teachers Los Angeles
101. United Way of Greater LA
102. USC Housing Law and Policy Clinic (HLPC)