

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: June 11, 2024

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No. 23-0930
Assignment No. 24-04-0263

SUBJECT: Resolution to SUPPORT legislation to amend the state's Ellis Act

CLA RECOMMENDATION: Adopt the attached Resolution to include in the 2023-2024 State Legislative Program SUPPORT for legislation that would amend the Ellis Act to:

- a. Require a response from property owners on the intended future use of a property and, if the reason is for primary renovation or any renovation work, allow cities to reject the filing of the Ellis Act forms;
- b. Require one-year extensions for all tenants in a building if there is at least one unit qualifying for a one-year extension; and
- c. Allow cities to regulate the initial rent for the first 10 years of re-rental to conform with a right of return of 10 years.

SUMMARY

On April 17, 2024, Council adopted a Los Angeles Housing Department (LAHD) report dated February 26, 2024, as amended, directing LAHD to work with the Mayor and the Chief Legislative Analyst to support legislative changes to the State's Ellis Act to: require a response from property owners on the intended future use of the property and, if the reason is for primary renovation or any renovation work, allow cities to reject the filing of the Ellis Act forms; require one-year extensions for all tenants in a building if there is at least one unit qualifying for a one-year extension; and explicitly allow cities to regulate the initial rent for the first 10 years of re-rental to conform with a right to return of 10 years (Council File 23-0930).

Pursuant to Council action, our Office has prepared a Resolution to support amendments to the Ellis Act, which is attached to this report.

BACKGROUND

The Ellis Act is a State law passed in 1985 to prohibit any jurisdiction from compelling an owner of any residential real property to offer, or continue to offer, accommodations in the property for rent or lease. Accordingly, the Los Angeles Municipal Code (LAMC) Section 151.22 permits property owners to terminate tenancies in rent-controlled jurisdictions without cause in order to withdraw property from the residential rental market.

The Rent Stabilization Ordinance (RSO) Ellis provisions mirror the State law and prescribe rules that the City must follow in processing withdrawal notifications in compliance with the Ellis Act. Consistent with State law, LAHD requires landlords to file the Notice of Intent to Withdraw, the recorded Memorandum (filed with the Los Angeles County Recorder), and a copy of the notice served to tenants summarizing their rights under the Ellis Act rules. State law does not require a landlord to inform the City of the landlord's intended plans for future use of the property. LAHD does request this information in the filing form, allowing owners the option to report their plans if they choose to do so. The City cannot reject the filing if the property owner declines to answer the intended future use question.

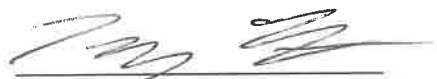
Ellis Act rules require a minimum of 120 days for tenants to move out after being served. However, tenants who are elderly or disabled have a right to claim a one-year extension of tenancy. At present, the one-year extension is granted only to the tenant that applies for the extension.

The Ellis Act provides tenants a right of return to the same unit if it is re-offered for rent within ten years after the withdrawal date. However, under State law, the right to return at the same rental amount (plus allowable adjustments under the RSO) applies only if the same unit is re-rented during the first five years. After this time period, the initial rent may be set at market. Therefore, tenants with the right of return may face considerably higher rental rates if they return after the initial five year period.

Our office reviewed these matters with the assistance of LAHD and recommends the following changes to the State Ellis Act to address these concerns:

- Require a response from property owners on the intended future use of the property and, if the reason is for primary renovation or any renovation work, allow municipalities to reject the filing of the Ellis Act forms;
- Require one-year extensions for all tenants in a building if there is at least one unit qualifying for a one-year extension; and
- Allow municipalities to regulate the initial rent for the first 10 years of re-rental to conform with a right to return of 10 years.

The attached Resolution would establish a position in the City's 2023-2024 State Legislative Program to support legislation that would make the aforementioned changes to the Ellis Act.


E. Travis Rust
Analyst

Attachment: Resolution

R E S O L U T I O N

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, state, or federal governmental body or agency must first have been adopted in the form of a Resolution by the City Council; and

WHEREAS, the Ellis Act is a State law passed in 1985 that prohibits any jurisdiction from compelling an owner of any residential real property to offer, or continue to offer, accommodations in the property for rent or lease; and

WHEREAS, the Ellis Act affords certain protections to renters to prevent property owners from subverting the intent of the law, such as requiring first right of return to a unit withdrawn under the Ellis Act if that unit is re-offered for rent within 10 years of the withdrawal date, and requiring that at least 120 days be given to a tenant to move out of a unit in a property being withdrawn under the Ellis Act; and

WHEREAS, the Los Angeles Housing Department has found that there are several gaps in tenant protections provided by the Ellis Act that undermine the law's intent to shield tenants from abusive landlord practices, such as rehabilitating properties with the intent to increase rents and avoid a tenant's right to return to the unit; and

WHEREAS, the Los Angeles Housing Department has identified several potential changes to the Ellis Act that will strengthen protections for tenants of properties that have been subject to an Ellis Act withdrawal; and

WHEREAS, the City continues to experience an affordable housing shortage, with nearly 60 percent of households paying over 30 percent of their income on rent, according to the 2021-2029 Housing Element; and

WHEREAS, additional protections for tenants are crucial to ensure that City residents do not lose their homes due to landlords exploiting loopholes in the Ellis Act; and

WHEREAS, the City should support changes to the State's Ellis Act in order to preserve affordable housing and ensure that renters are not taken advantage of by landlords.

NOW, THEREFORE, BE IT RESOLVED, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2023-2024 State Legislative Program SUPPORT for legislation that would amend the Ellis Act to:

- a. Require a response from property owners on the intended future use of the property and, if the reason is for primary renovation or any renovation work, allow cities to reject the filing of the Ellis Act forms;
- b. Require one-year extensions for all tenants in a building if there is at least one unit qualifying for a one-year extension; and
- c. Allow municipalities to regulate the initial rent for the first 10 years of re-rental to conform with a right to return of 10 years.