Communication from Public

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Comments for Public Posting: Hello Honorable Councilmembers, Attached please find a letter from the California Apartment Association regarding this item.

October 30, 2023

The Honorable Paul Krekorian
President, Los Angeles City Council
200 N. Spring Street
Los Angeles, CA 90012
VIA Email

Re: (Item 26) Rent Stabilization Annual Adjustment Study (C.F. 23-1134).

Dear Council President Krekorian and Council,

The California Apartment Association (CAA) represents local housing providers who are involved with a range of rental properties from those that offer a single unit to large apartment communities as well as businesses that provide goods, services, and support to the housing industry. Our members touch on the everyday lives of many Angelenos and have a keen interest in the pursuit of fair and equitable housing policies.

As the council discusses a potential study of the annual rent adjustment on rent stabilized units, we urge the members to ensure any review is comprehensive and includes a cumulative economic analysis of operating costs and circumstances. Much has changed in our City since the last analysis of the RSO and CPI was conducted. The impact of the COVID pandemic on tenants and housing providers alike has been devastating. For rental operators, without the ability to support their properties and manage the skyrocketing costs of necessities like insurance, repairs and maintenance, there will be less investment which will lead to an even greater crisis of affordability and availability of quality housing options.

The current CPI formula and allowable 3% floor were created to account for costs that rise independent of CPI and ensure financial flexibility. The Bureau of Labor Statistics which produces the CPI states; "Housing units are not in the CPI market basket… the CPI views housing units as capital (or investment) goods and not as consumption items. Spending to purchase and improve houses and other housing units is investment and not consumption." CAA has long contended CPI alone does not necessarily reflect the myriad of costs housing providers incur, nor account for the varying quality or condition of a property.

There are specific market realties which must be included in any economic analysis, such as the *cumulative economic impact of a 4-year rent freeze, COVID rent collection prohibitions and uncollected/bad debt and the resulting court delay costs as well as correlating refinancing issues*.

Any study should also include analysis of the following:

- Property insurance increases.
- SB 721 (Balcony inspection and retrofit) compliance costs.
- Earthquake retrofit compliance costs.
- Increases in gas costs and utilities.
- Personnel and payroll increases, including management costs and mandatory minimum wage increases.
- Repair and maintenance costs.

- Housing Department fee increases.
- Real estate taxes.
- RecycLA trash hauling increases.
- Energy efficiency benchmarking audit requirements.
- Rent registry data.
  - Including average rent by bedroom size.
  - Average YOY rent increase since data made available.

Although the motion requests an "expedited" study, we believe the goal should not be a rushed report. Rather, it should create a thorough understanding and analysis of costs to operate rental housing in the city of Los Angeles and inform policy decisions. The last study was conducted over 13 years ago. It is only appropriate that the Council ensure that the new study is comprehensive, thoughtful, and equitable to all the stakeholders who are part of providing housing in our city.

We thank you for your consideration and look forward to participating in the process as it moves forward.

Sincerely,

Fred Sutton
California Apartment Association