

Communication from Public

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Date Submitted: 01/24/2025 11:46 AM
Council File No: 23-1134
Comments for Public Posting: The Keep LA Housed Coalition submits this letter regarding the formula for annual rental increases under the Los Angeles Rent Stabilization Ordinance (LARSO) in light of the LAHD report.



January 24, 2025

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 23-1134)

Dear Councilmembers:

The Keep LA Housed Coalition (KLAH) submits this letter regarding the formula for annual rental increases under the Los Angeles Rent Stabilization Ordinance (LARSO). Keep LA Housed is a coalition of organizations that formed during the COVID-19 pandemic to advocate for stronger tenant rights across Los Angeles County.¹

Rent stabilized tenants in Los Angeles were already facing a rent affordability crisis. Then the fires came. As a result, thousands of tenants have lost their homes, their jobs, and their entire communities. Those who did not lose their homes will likely face even higher rent increases as the newly displaced drive up housing costs as they seek new housing of their own.² The City Council must take strong and decisive action to support and protect our devastated communities by providing Angelenos an updated LARSO formula that will keep them safely housed.

The Los Angeles Housing Department has made a number of recommended changes to the LARSO rent increase formula.³ However, these changes do not go far enough to protect tenants during this emergency, or in the future. **Keep LA Housed proposes the following updates to LARSO annual allowable rent increase formula:**

- 1) Set the annual allowable rent increase at 60% of the change in the Consumer Price Index All-Items (CPI All Items) or 3%, whichever is lower (3%/60% CPI formula);**
- 2) No floor on minimum annual rent increases;**
- 3) No 1 to 2 % rent increase bumps for landlords providing gas or electrical utilities to tenants;**
- 4) No 10% rent increases for additional occupants;**
- 5) No rent banking for landlords during high inflationary years;**
- 6) No exemptions for small landlords.**

¹ Keep LA Housed, <https://www.keeplahoused.org/>

² Liam Dillon, *Rents likely to balloon in wake of L.A. wildfires, experts say*, LA Times (Jan. 10, 2025), <https://www.latimes.com/homeless-housing/story/2025-01-10/rents-likely-to-balloon-in-wake-of-l-a-wildfires-experts-say>.

³ L.A. Hous. Dep't, *Economic Study Findings And RSO Annual Allowable Rent Increase Recommendations* (2024).

We believe this LARSO formula will better protect tenants from displacement, balance the interests of landlords, and ensure LARSO’s intended purposes of safeguarding tenants from excessive rent increases while providing landlords with just and reasonable returns is achieved.⁴ Over 100 community-based organizations and unions have endorsed our recommendations (see attachment).

I. Rent Increases and Housing Instability

Establishing a permanent LARSO rent increase formula involves myriad technical considerations that we will explain in depth below. Regardless of whatever formula is enacted, however, there will be significant ramifications for tenants in the City of Los Angeles. Rent increases not only increase housing precarity, but also housing instability in a city where rents continue to skyrocket, the stock of rent stabilized housing continues to shrink, and the majority of tenants remain rent burdened.⁵ This dire situation has been exacerbated by the recent wildfires, leaving tenants more vulnerable than ever.

Due to the recent wildfires, renters in communities across LA County have been displaced. Many tenants – including many Black and Brown Angelenos and immigrant workers – lost their homes in the fires. Additionally, as a result of the fires, thousands of homeowners are entering the rental market on a temporary or permanent basis. Businesses and commercial districts have also been destroyed, leading to losses in income. Many immigrant workers in particular are in the service industry and lost their jobs when retail businesses burned. This surge in demand for housing will only compound our already-historic housing and homelessness crisis.

Faced with rent increases, some renters will be forced to move out of their homes and neighborhoods; others will face eviction. Since October 2024, landlords have already filed over 21,000 eviction notices with the LA Housing Department; 90.6% of these evictions were for non-payment of rent and the median rental arrears was under \$3,000.⁶ These consequences not only affect individuals and families, but also neighborhoods and communities. According to a study by the US Government Accountability Office, a \$100 increase in median rents was associated with a 9% increase in homelessness.⁷ In its report, LAHD cited the Economic Roundtable study finding that unaffordable rent is a primary cause of homelessness.⁸ For thousands of rent burdened and debt-saddled tenants, an unaffordable rent increase could be the difference between having shelter or sleeping on the street.

⁴ L.A. Mun. Code §151.01.

⁵ “According to the U.S. Census Bureau, 63% of Angelenos are renters. Fifty percent (50%) of renters are rent burdened, paying more than 30% of household income for rent, and 30% of renters are severely rent burdened, paying over 50% of household income for rent. Los Angeles consistently ranks as one of the most rent-burdened cities in the nation.” L.A. Hous. Dep’t, Economic Study Findings And RSO Annual Allowable Rent Increase Recommendations 2 (2024).

⁶ L.A. Hous. Dep’t., *Eviction Notices Filed*, <https://housing.lacity.gov/residents/renters/eviction-notices-filed>.

⁷ U.S. Government Accountability Office, *How COVID-19 Could Aggravate the Homelessness Crisis?* (Aug. 25, 2020), <https://www.gao.gov/blog/how-covid-19-could-aggravate-homelessness-crisis>.

⁸ L.A. Hous. Dep’t, *supra* note 3 at 4.

In these ways, the Council’s decision around establishing a permanent rent increase formula directly impacts both the city’s housing affordability and homelessness crises. As we detail below, every percentage point matters in order to Keep LA Housed.

II. The Annual Allowable Increase Formula

LARSO currently sets out the annual allowable increase in LAMC section 151.06(D), which currently allows landlords to automatically increase rents once every 12 months based on 100% of CPI-All Items, with a minimum of 3% and a maximum of 8%.⁹ If a landlord pays all the costs of gas and/or electricity, then the landlord is permitted to raise the rent 1-2% more. Thus, as explained in the LAHD report, the City must determine the following factors when setting the methodology to set the maximum allowable increase for RSO units:

1. The most appropriate CPI Index;
2. The percentage of the CPI Index on which to base the calculation;
3. The maximum percent by which rents may be increased (the “ceiling”)
4. The minimum percent by which rents may be increased (the “floor”);
5. Whether to allow an additional adjustment for landlord paid utilities and, if so, how much.

Furthermore, although not considered in the LAHD report, as the City is updating permissible rent increases under LARSO, the City should consider *all* factors, including the 10% additional occupant rent increase currently allowed.

a. Rent increases should be based on 60% CPI All Items to account for housing costs in CPI with stability and to be in line with local jurisdictions.

The annual allowable rent increase formula should be based on 60% CPI All Items. Currently, the annual allowable rent increase formula is based off of 100% CPI All Items. CPI All Items represents the average difference in costs between years for food, clothing, fuel, and shelter (housing costs). As explained by the Economic Roundtable and LAHD, using 100% of this measure to determine rent increases is circular – rent increases under the RSO should not be determined by housing costs and market rents which are heavily influenced by housing shortage conditions that motivated the adoption of the RSO.¹⁰ Therefore, the Economic Roundtable and LAHD recommend using 100% CPI All Items *Less Shelter*, which represents the change in costs of that same basket of consumer goods except for housing costs. Using this index would get rid of that circularity, but is still a flawed measure to determine increases.

Because CPI All Items Less Shelter does not include the cost of housing, which fluctuates minorly but is relatively stable year to year, as a whole this index is more volatile – subject to steep spikes. The price of clothing, food, and fuel can fluctuate greatly, so basing allowable rent increases off of CPI Less Shelter would not offer a stable and predictable formula suitable to the RSO.

⁹ L.A. Mun. Code §151.06(D).

¹⁰ L.A. Hous. Dep’t, *supra* note 3 at 10; Economic Roundtable, *Equitable Rent: Rent Stabilization Standards in the City of Los Angeles* 135-137 (2024).

The index KLAH is proposing, 60% CPI All Items, also accounts for avoiding the circularity of housing costs informing rent increases by taking away the roughly 40% of the CPI percentage that shelter costs make up with far less volatility than using CPI All Items Less Shelter.¹¹ Using 60% CPI All Items will make the annual formula more stable and predictable, making it easier for LAHD, landlords, and tenants to predict and know what upcoming increases will be.¹²

Furthermore, using 60% CPI All Items would put LA City in line with other jurisdictions in LA County and around the state. Nearly half of the jurisdictions in California with RSOs allow rent increases based on less than 100% CPI.¹³ Bell Gardens, Santa Monica, West Hollywood, Pasadena, and Unincorporated LA County all have RSO formulas based on less than 100% of CPI.¹⁴ There are currently five jurisdictions in California with the exact formula KLAH is advocating for, with rent increases tied to 60% CPI All Items with a 3% ceiling and no floor.¹⁵ Los Angeles is a city of renters –vulnerable renters, reeling from years of high rent burden with stagnant wages along with the devastating effects of the wildfires, and our local officials must offer us the same or stronger protections than other cities across California.

b. Rent increases need to be capped at 3% like other local jurisdictions.

The maximum rent should be allowed to be raised each year is 3%. Under LARSO as it stands, the maximum limit on rent increases each year is 8%.¹⁶ The LAHD report shows that this is an unusually high ceiling, several percentage points higher than the majority of RSOs in California.¹⁷ LAHD recommends a 5% ceiling to be “in line with the majority (65%) of rent regulated jurisdictions in California.”¹⁸ However, the majority of jurisdictions do not have a 5% ceiling-- that 65% figure accounts for jurisdictions with 3, 4, and 5% ceilings combined.¹⁹ Out of those ceilings, the majority of jurisdictions actually have a 3% ceilings, and since the Economic Roundtable study was completed, Unincorporated LA County and Huntington Park voted to adopt 3% ceilings, adding to that majority.

Santa Monica, West Hollywood, Cudahy, Unincorporated LA County, and Huntington Park all have 3% ceilings. Every percentage point matters for tenants who are choosing between

¹¹ U.S. Bureau of Labor Statistics, *Measuring Price Change in the CPI: Rent and Rental Equivalence*, <https://www.bls.gov/cpi/factsheets/owners-equivalent-rent-and-rent.htm>.

¹² Keep LA Housed, *LARSO Analysis Charts*, slide 1 https://drive.google.com/file/d/1WC4TLOXCJb65NFd-YwHsf3uJoE1qN_9p/view.

¹³ L.A. Hous. Dep’t, *supra* note 3 at 11. Since the publication of the Economic Roundtable study, Unincorporated LA County updated its RSO formula to be based on 60% CPI, meaning now 16/33 jurisdictions (48%) allow rent increases based on less than 100% CPI.

¹⁴ Economic Roundtable, *Equitable Rent: Rent Stabilization Standards in the City of Los Angeles 126 (2024)*; Los Angeles County Consumer & Business Affairs, *Rent Stabilization Program*, <https://dcba.lacounty.gov/rentstabilizationprogram/>.

¹⁵ Those jurisdictions are Antioch, Concord, Oakland, Richmond, and Unincorporated LA County. *Id.*

¹⁶ L.A. Mun. Code §151.07(A).

¹⁷ L.A. Hous. Dep’t, *supra* note 3 at 11.

¹⁸ L.A. Hous. Dep’t, *supra* note 3 at 14.

¹⁹ Economic Roundtable, *Equitable Rent: Rent Stabilization Standards in the City of Los Angeles 125 (2024)*.

buying food and making rent each month-- adopting a 3% ceiling would keep tenants housed and put LA City in line with local jurisdictions.

c. Adopting a minimum rent increase “Floor” is out of step with peer cities and unnecessary to ensure landlords can cover their operating costs.

LARSO’s annual rent increase formula should have no minimum rent increase, or “floor”, for landlords. Currently, LARSO allows landlords to automatically increase tenant’s rent by 3% each year, regardless of how much inflation occurred in Los Angeles.²⁰ During over 20 of the past 30 years, inflation was lower than 3%, causing rent stabilized tenants to consistently receive rent increases greater than inflation.²¹ Worse still, because these rent increases compound annually, tenants’ current rent is now potentially hundreds of dollars greater than what tenants would have received had LARSO’s rent increases simply followed CPI.²²

LAHD recommends lowering the floor for LARSO annual rent increases from 3% to 2%, but that is still out of step.²³ Landlords claim maintaining a minimum floor of rent increases is necessary to ensure they can cover their operating expenses, including increasing insurance costs. However, the Economic Roundtable has found that insurance costs remain a “small portion of total operating costs”.²⁴ Additionally, operating costs on average constitute 35 percent of tenant rents. This means only “an annual increase in the range of 35 percent of the percentage in the CPI” would be required to “cover those [operating] cost increases.”²⁵ In effect, allowing rent increases to follow either the LAHD recommendations (CPI less shelter) or KLAH’s recommendations (3%/60% formula) would nearly always ensure landlords can cover both operating costs and ensure an increase in their profits. Furthermore, under any formula, landlords may still apply to pass through some of the cost of rehabilitation work, primary renovation work, capital improvements, or seismic retrofit work onto tenants and can apply for and receive a greater increase than allowed under the annual formula if the allowed increase is insufficient for a just and reasonable return.²⁶ There are also several fees that landlords can share the cost of with tenants.²⁷ Moreover, requiring a 2% floor fails to protect tenants from unnecessary rent increases in years with inflationary environments below 2%, when presumably there is no inflationary increase in the cost of operating expenses.

Finally, proof that landlords can continue to operate in rent stabilized jurisdictions without a floor is provided by the great majority of rent stabilized jurisdictions who continue to operate without a rent increase floor. Currently, 21 out of the 33 jurisdictions with RSOs in California have *no floor*.²⁸ Presumably, landlords in these jurisdictions can still cover their operating costs and earn a profit. As such, Los Angeles can better protect its tenants and ensure

²⁰ L.A. Mun. Code §151.07(A)(6).

²¹ Los Angeles Chapter of the Democratic Socialists of America, *LARSO Analysis Charts*, slide 2, https://drive.google.com/file/d/1WC4TLOXCJb65NFd-YwHsf3uJoE1qN_9p/view.

²² *Ibid* at slide 3.

²³ L.A. Hous. Dep’t, Economic Study Findings And RSO Annual Allowable Rent Increase Recommendations (2024).

²⁴ Economic Roundtable, *supra* note 19 at 92.

²⁵ *Ibid.* at 138.

²⁶ L.A. Mun. Code §151.07.

²⁷ L.A. Mun. Code §151.05.1; L.A. Mun. Code §151.06.2.

²⁸ Economic Roundtable, *supra* note 19 at 126.

landlords a fair rate of return by following the great majority of its peer jurisdictions in adopting no floor.

d. The additional increase for utilities needs to be removed.

There should be no additional increases under LARSO if a landlord provides gas and/or electricity. Under the current LARSO formula, landlords providing gas and/or electricity can increase their rent by 1% for each utility provided, allowing up to an additional 2% bump.²⁹ The Economic Roundtable found that this flat increase far outweighs the actual costs of providing those utilities, adding roughly \$12 million to the annually allowable rent increases under LARSO.³⁰

LAHD recommends removing this additional increase and Keep LA Housed concurs with that recommendation.

e. The 10% Additional Occupant Bump for additional tenants undermines the purposes of LARSO, is inhumane in light of the wildfire emergency, does not correlate to operative costs, and must be removed.

Currently, LARSO allows a one-time 10% rent increase, or bump, for each additional tenant joining a rental unit.³¹ The 10% additional occupant increase undermines the purpose of LARSO by allowing staggering double-digit increases for rent stabilized units.

This bump is especially egregious in light of the wildfires, with people taking in loved ones who have been evacuated or lost their homes entirely. While devastating, the current situation is not unique, preceded by tenants taking in family members during the COVID-19 pandemic and sure to be followed by more crises bringing more people under one roof. For example, under the currently allowed 4-6% increase, some tenants have received 14-16% increases because they had to take in family members during the pandemic. This level of increase is higher than what the state Tenant Protection Act³² allows and is higher than what would be considered price gouging under California Penal Code Section 396.³³ Moreover, 11 of the 13 jurisdictions in LA County with rent stabilization do not include any additional rent increase for additional occupants;³⁴ and West Hollywood and Unincorporated LA County explicitly disallow additional rent increases for additional occupants.³⁵

Worse still, a 10% flat increase in rent for additional tenants cannot be justified by increased costs to a landlord from that additional tenant. Considering landlords typically address any wear and tear at the end of a tenancy by painting, repairing, and updating before the next tenant moves in, any potential extra wear and tear from an additional tenant would be addressed

²⁹ L.A. Mun. Code §151.06(D).

³⁰ Economic Roundtable, *supra* note 19 at 153.

³¹ L.A. Mun. Code §151.06(G).

³² Cal. Civ. Code § 1947.12.

³³ Cal. Penal Code § 396.

³⁴ The jurisdictions include: Baldwin Park, Bell Gardens, Commerce, Cudahy, Culver City, Maywood, Pasadena, Pomona, Santa Monica, Unincorporated LA County, and West Hollywood.

³⁵ West Hollywood Mun. Code § 17.32.040; Los Angeles County Code §8.52.050(K).

at that time and not drive up a landlord's ongoing operating costs. If an additional tenant were to damage the unit beyond what the original tenant(s) would have, it can be paid for out of the security deposit, which already exists to cover those costs. Furthermore, if a landlord provides utilities, the cost of providing utilities to an additional tenant residing in the unit does not correlate with a 10% rent increase. Notably, in 2009, the Economic Roundtable found that even a 1-2% rent increase for utilities is not justified.³⁶

In practice, the 10% additional occupant bump forces tenants to make excruciating decisions during times of family crisis. 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. Families now may not be able to house loved ones displaced by the devastating wildfires.

Unfortunately, LAHD has made no recommendation to remove the additional occupant bump.³⁷ Keep LA Housed recommends that any changes to the LARSO rent increase formula eliminate this unnecessary and harmful rent increase bump for additional occupants.

f. Rent banking is not recommended by the Economic Roundtable and would be extremely difficult to administer.

In a surprising decision, LAHD recommended that in years when the otherwise permissible rent increase calculated by the formula exceeds the 5% ceiling, the calculated percent above 5% shall be added (rolled over) to the subsequent years' allowable rent increase.³⁸ This is a concept generally known as "rent banking".

The LAHD recommendation is surprising for four reasons. First, there is no current provision in LARSO for a rent banking mechanism. Second, unlike all other LAHD recommended changes, rent banking is not recommended, nor even mentioned once in the 193 pages of the Economic Roundtable report. Moreover, LAHD fails to explain its policy rationale for rent banking in its own report.³⁹ This is likely because there is little policy rationale for this provision. Third, implementing a rent banking scheme would require LAHD to utilize valuable resources and manpower on implementing an administratively burdensome policy that could be used in more productive ways. Fourth, allowing banking would create confusion for landlords and tenants, potentially leading to accidentally illegally high increases.

The Economic Roundtable does not recommend Los Angeles adopt rent banking, and Keep LA Housed urges the City of Los Angeles to follow their lead, and refuse to adopt this unnecessary provision.

³⁶ Flaming, Daniel, et al, *Economic Study of the Rent Stabilization Ordinance and the Los Angeles Housing Market* (Aug. 1, 2009), 259, papers.ssrn.com/sol3/papers.cfm?abstract_id=2772233.

³⁷ L.A. Hous. Dep't, *supra* note 3.

³⁸ *Ibid* at 1.

³⁹ *Ibid* at 13-17.

g. There is no basis to make the formula different for small landlords.

The LARSO annual rent increase formula should not be different for small landlords.⁴⁰ Tenants with small landlords are no less vulnerable to displacement than those with larger landlords. In fact, a study found that renters in multifamily homes with fewer units are more likely to be people of color, tend to have lower incomes, and are in industries that experienced greater threats of exposure to COVID-19.⁴¹ Allowing a different 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 landlord's portfolio size.

The Economic Roundtable found no evidence that small landlords, defined as owning 4 or less units, have experienced greater financial distress than their larger corporate counterparts.⁴² In fact, the Economic Roundtable found that, on average, small landlords receive 20% higher average rent per unit, though lower rent per bedroom, and have lower vacancy rates than the rest of RSO landlords.⁴³ Strikingly, properties with 2-4 units have an average rent of \$2,357 compared to the overall average rent in RSO properties of \$1,609.⁴⁴ Overall, the Economic Roundtable found that while operating expenses have been increasing beyond CPI, operating expenses only consume roughly 35% of rental income and that income has been rapidly increasing, meaning landlords' net operating income and other forms of return on investment and appreciation have exceeded the increase in CPI.⁴⁵ The Economic Roundtable recommends that if additional relief is provided to small landlords, it should come from the City's budget rather than allowing additional rent increases for tenants, which is what Keep LA Housed has suggested from the beginning as well.⁴⁶

In its report, LAHD notes that rent regulations traditionally provide for uniform increases for all properties covered by the regulation and that "in the context of vacancy decontrols, the annual general adjustment standard does not have a significant impact on ownership patterns of smaller properties."⁴⁷ Rather than allowing any special regulations for small landlords, LAHD committed to working with the Rent Adjustment Commission to update regulations on the "Just and Reasonable" rent increase petition provision and expand education and outreach on that program and other cost recovery programs under LARSO with a focus on small landlords.⁴⁸ Keep LA Housed concurs with not offering an alternative formula nor special regulations for small landlords, as all tenants need and deserve equal protections.

⁴⁰ As noted by the LAHD report, the Rent Stabilization Ordinance defines a 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. See L.A. Mun. Code 151.30.E.

⁴¹ Choi, Jung Hyun, and Caitlin Young, *Owners and Renters of 6.2 Million Units in Small Buildings Are Particularly Vulnerable during the Pandemic* (Aug. 10, 2020) www.urban.org/urban-wire/owners-and-renters-62-million-units-small-buildings-are-particularly-vulnerable-during-pandemic.

⁴² Economic Roundtable, *supra* note 19 at 62.

⁴³ *Ibid.*

⁴⁴ *Ibid* at 88.

⁴⁵ *Ibid* at 39.

⁴⁶ *Ibid* at 142.

⁴⁷ *Ibid* at 13-15.

⁴⁸ L.A. Hous. Dep't, *supra* note 3 at 15-16.

III. Conclusion

Tenants in Los Angeles were already facing a major rent burden crisis. Now, they are dealing with the unspeakable and ever-increasing impacts of the several massive wildfires that have ravaged Los Angeles County and beyond. 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. LAHD made explicit in its report that tenants in Los Angeles need stronger protections, but its recommended updates do not reflect the gravity of tenants' current situation. The updates proposed by Keep LA Housed would serve to protect our city's tenants while balancing the needs of landlords.

Sincerely,

Keep LA Housed

Steering Committee Organizations:

Alliance of Californians for Community Empowerment (ACCE)

Coalition for Humane Immigrant Rights (CHIRLA)

Community Power Collective (CPC)

Eastside LEADS

Ground Game/POWER

InnerCity Struggle

Inner City Law Center

Legal Aid Foundation of Los Angeles

Ktown for All

Public Counsel

Strategic Actions for a Just Economy (SAJE)

Tenants Together





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

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

93. Strategic Actions for a Just Economy (SAJE)
94. Strategic Concepts in Organizing and Policy Education (SCOPE)
95. Tenants Together
96. The TransLatin@ Coalition
97. T.R.U.S.T. South LA
98. UAW Local 4811
99. UAW Local 872
100. UCLA Labor Center
101. UNITE HERE 11
102. United Neighbors in Defense Against Displacement (UNIDAD) Coalition
103. United Teachers Los Angeles
104. United Way of Greater LA
105. USC Housing Law and Policy Clinic (HLPC)