

Communication from Public

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Council File No: 23-1134

Comments for Public Posting: Attached is a letter from the California Apartment Association pertaining to the Rent Stabilization analysis. We respectfully request that these points be reviewed in the report to ensure a comprehensive and balanced review of the rent adjustment formula.



California Apartment Association
Los Angeles County

March, 21 2024

Los Angeles Housing Department
1200 West 7th Street
Los Angeles, CA 90017
VIA Email

Re: LA City Rent Stabilization Study (C.F. [23-1134](#))

Dear Los Angeles Housing Department,

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 LA City residents and have a keen interest in the pursuit of fair and equitable housing policies.

We would appreciate a copy of this letter be sent to the Economic Roundtable consultants conducting the analysis of the rent stabilization program. It's crucial that the study includes a thorough examination of all economic factors affecting both tenants and housing providers, including but not limited to operating costs, inflation rates, and local market conditions.

Please consider an in-depth review of the following items in your analysis:

- The Los Angeles City RSO was created in 1978. What was the economic basis of the formula at the time and what has changed in the underlying fundamentals of housing operations to necessitate a different formula?
- When comparing rent-controlled jurisdictions that use a formula below CPI, were the caps established based on independent economic studies?
- Analysis of effectiveness of rent control programs. Effects on housing affordability, availability & condition. How has the LA City RSO worked?
- 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.”* Does CPI accurately reflect the myriad of costs housing providers incur or account for the varying condition of a property?
- A review of regulatory actions specific to LA City and associated costs, such as possible building decarbonization efforts, possible air conditioning mandates, possible proactive inspection program changes, the “Right to Counsel” program and the trash hauling franchise mandate.
- A review of the capital improvement and substantial remodel provisions and ability for housing providers to pay for upgrades. Is the program being utilized?

- A review of a luxury unit exemption and/or means testing. Currently, the RSO applies across the board regardless of income threshold or amenities of a building. What could a luxury exemption or means testing program look like?
- A review of the “Just and Reasonable Program” and possible inclusion of financing costs. Mortgage financing is often a cost to housing operations and is currently excluded in the calculation. A thorough review of current real estate refinancing issues should be considered.
- A review of increased operation costs, such as:
 - 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.
 - Real estate taxes and increased assessments upon change of ownership.
- Accumulative economic impact of the City’s rent freeze, temporary cap, uncollected/bad debt and lost financial flexibility from 2020-2024. Should a “catch up” provision be instituted?

We respectfully request that these considerations be integrated into the study's framework to foster a balanced and informed discussion on rent control policies. We look forward to a robust report and hope there is an opportunity for further stakeholder engagement.

We thank you for your consideration and look forward to participating in the process further. Please feel free to contact me if you have questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Fred Sutton".

Fred Sutton
California Apartment Association