Communication from Public

Name:	Brenda Wang
Date Submitted:	09/30/2025 01:23 PM
Council File No:	23-1134
Comments for Public Posting:	Hi, my name is Brenda Wang with the DSA from district 10. Rent increases allowed under the Rent Stabilization Ordinance are too high and unaffordable for Angelenos who are already struggling to make the rent. I urge the City Council to adopt Keep LA Housed’s demands for the RSO formula as soon as possible. As a longtime renter and California employee, a rent hike means that I will struggle with paying the bills, even though I already live with 2 roommates. Thank you.

Communication from Public

Name:	Gina G.
Date Submitted:	09/30/2025 11:33 AM
Council File No:	23-1134
Comments for Public Posting:	Please, Cap rent at 3%. Residents need Rent Relief due to inflation. And wages are not keeping with cost of living. This continues to stifle real quality of life. I was born and raised here. I can barely make ends meet. Most of my paycheck goes toward rent and cost of living. I have little to no extra to have any enjoyment that isn't freely available. I can barely afford basic food to eat. I work 40 plus hrs a week. The apartment complex where I live has pests, rodents, mold, mildew, other toxins, and a daily problem with transient, unhoused, and criminal activity right outside the complex and surrounding area. I want to move and be able to afford to move and live and provide a clean, safe home for myself and my children. Please, Angelenos need Rent Relief! We thank you for doing the work for the people. Please help to make a good difference.

Communication from Public

Name: Sandra Morales
Date Submitted: 09/30/2025 09:32 AM
Council File No: 23-1134
Comments for Public Posting: Hi, my name is Sandra Morales, with DSA_LA from Covina, District 1 of Los Angeles County . I have developed Residential Housing all over Los Angeles City for over 20 years I am giving general public comment. The Rent Stabilization Ordinance is an incredibly important law that helps keep millions of Angenelos stably housed. But the rent increases allowed right now are too high and unaffordable for Angelenos who are already struggling to make the rent. I urge the City Council to adopt Keep LA Housed’s demands for the RSO formula to Cap increases at 60% CPI or 3% with no minimum increase Get rid of unfair additional increases for utilities and extra occupants. Every extra percentage point is less money for tenants to spend on other necessities like food, medical care, transportation, and childcare. We need the formula updated immediately-- new rent increases go into effect in July and we can’t afford any more increases under the current formula. The City Council must vote now to update the RSO with a new formula to keep Angelenos housed. Thank you. Sandra Morales DSA_LA Housing & Homeless Committee/ California Delegate

Communication from Public

Name: Ann Dorsey
Date Submitted: 09/30/2025 10:03 AM
Council File No: 23-1134
Comments for Public Posting: I urge you to revise the Los Angeles Rent Stabilization Ordinance (LARSO) with the following changes: the increase is capped at 3% with no floor percentage and no additional increases if the landlord pays for the utilities or if more people are living there. The Housing Department found the current rent formula to be unfair to tenants. It would be unacceptable to continue to use it. Los Angeles renters are struggling financially to pay rent. They would need to earn $48 per hour or nearly 3x the minimum wage to afford average rent, more than half are rent-burdened (pay more than 30% of their income on rent) and many are just one rent hike away from losing their home. Santa Monica, Cudhay, West Hollywood and Unincorporated LA County have implemented 3% caps on rent increases without harming the housing market. LA City should be consistent with these cities. There is no justification for a floor percentage increase. Any floor is arbitrary and subjects tenants to unnecessarily high and compounding rent increases. The Economic Roundtable report showed from 2010-2020, the average rents of RSO units increased 34.6% while CPI increased 23.3% in that same timeframe. Another finding of the Economic Roundtable report is the 1-2% utility bump for gas and electricity greatly exceeds the actual cost of providing those utilities, allowing an extra $12 million a year in annual rent increases for RSO units. This increase should be removed. A 10% increase for each additional occupant is not found in other RSOs and punishes tenants for having children or taking care of older parents, which is unfair and unjustified. Rent increases are a key driver of homelessness with a $100 increase in rent leading to a 9% rise in homelessness. If the City Council is really serious about reducing homelessness, they will retroactively revise the July 2025 Los Angeles Rent Stabilization Ordinance rent increase so it is capped at 3% with no floor percentage and no additional increases if the landlord pays for the utilities or if more people are living there. Thank you

Communication from Public

Name:
Date Submitted: 09/29/2025 04:07 PM
Council File No: 23-1134
Comments for Public Posting: I want rent hikes to be limited so I can avoid to live and have shelter.

Communication from Public

Name:	Katherine Kalm
Date Submitted:	09/30/2025 08:58 AM
Council File No:	23-1134
Comments for Public Posting:	LA’s rent control formula hasn’t been updated in nearly 40 years. The current formula allows rent hikes that far outpace inflation, pushing more tenants into crisis. We need a new rent formula to stop more working Angelenos from being displaced.

Communication from Public

Name: Ariel
Date Submitted: 09/30/2025 07:05 PM
Council File No: 23-1134
Comments for Public Posting: I am writing as a teacher from Los Angeles from District 1. The LA City Council that LARSO’s rent increase formula needs to be updated to better protect tenants immediately. Rent should be capped and increases should stop. Today, I had the sad news that a third teacher and friend is moving out of Los Angeles because they cannot afford rent and therefore cannot save for a home because homes are so expensive. My landlord increases rent every year even though he owns his properties and is 78 years old. The place where we live is the only one we could find (after constantly searching for two months) that would accept a dog that was slightly affordable, even though it's above market rate set by HUD. Many landlords are greedy like this and need to have their greed capped. Because rent is so high, I cannot dream of ever affording a place to live near my work. Capping rent would help keep folks in their housing and help the economy by allowing wages to increase while rents stay lower, thereby allowing folks who can almost afford a home to actually save for one. Update the rent formula and keep the increases lower. Landlords have plenty of money. And if they don't, opening up that housing to millenials and GenZ who are waiting to buy is a good option.

Communication from Public

Name:	Fred Sutton
Date Submitted:	09/30/2025 02:08 PM
Council File No:	23-1134
Comments for Public Posting:	Attached please find an analysis by Beacon Economics on the LAHD report. The LAHD report contains several significant flaws, and the current RSO formula does not warrant tightening. If anything, the city should consider loosening price controls to spur much needed housing.

Response to LAHD Recommendations on Altering the City of LA's RSO Formula

February 2025

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Executive Summary

There's been a lot of rhetoric about the City of LA's housing emergency in the press, preceding and unrelated to the recent wildfires. It's true that the cost of living is high in Los Angeles, as it is in other highly desirable urban coastal cities across the country. But is it accurate to characterize the current situation as a housing emergency?

In this report, Beacon Economics addresses this question by rebutting the recent report and recommendations by the Los Angeles Housing Department (LAHD). The LAHD's report, which rely on data and conclusions from the Economic Roundtable, are central to their argument for amending the Rent Stabilization Ordinance (RSO) formula. As such, while our focus is on the LAHD report, we also engage with and rebut key aspects of the Economic Roundtable's findings, given their influence on the LAHD's narrative.

Surprisingly, when we examine key indicators for renters in units covered by the RSO—such as housing burdens, renters' real incomes over time, and their post-rent real income—we find that the data does not indicate widespread instability or hardship. Instead, the data shows that renters in the city are improving financially over time. In fact, many are doing well enough to choose to live alone—something that occurs even more often in RSO units than in other rentals overall.

What about homelessness? And how does it relate to rising rents? The LAHD report argues that rising rents are a key driver of homelessness, relying heavily on the Economic Roundtable's analysis and its citation of the U.S. Government Accountability Office (GAO) study. However, the Roundtable itself critiques the GAO study, noting its significant statistical and data limitations. Homelessness is more closely tied to a lack of income—often driven by mental health challenges and the disappearance of ultra-affordable housing options (e.g., flophouses)—rather than regulated rent increases.

The most critical finding from our analysis is that making the RSO more stringent—through lower caps, removing the Shelter Index, or eliminating the utility allowance—could unintentionally lead to steeper rent hikes upon turnover and cause average RSO rents to rise faster. Below, we summarize our evaluation of LAHD's key recommendations and claims.

Addressing LAHD's Recommendations and Key Claims:

1. **LAHD Recommendation: Lower rent cap during low inflation years from 3% to 2% and during high inflation years from 8% to 5%.**
   Almost two-thirds of increases in average rents for RSO units are driven by turnover, not annual

rent increases for continuing tenants. Making rent control stricter by lowering the caps could backfire—stricter caps will mean that rents will have to be raised more during turnover, which currently occur for 40% of units every three years. This could cause average rents to rise faster for RSO units.

2. **LAHD Recommendation: Replace CPI with "CPI Less Shelter" to remove "circularity."**
   The CPI as a whole is not particularly relevant for setting rent caps. A more logical approach would be to tie rent increases to the actual cost of owning and operating a rental unit. Ironically, the Shelter component is the only part of the CPI that is meaningful in this context. Removing it would result in rent increases being linked to unrelated items, such as sneakers or gasoline, which makes little practical sense.

3. **LAHD Recommendation**: **Eliminate 1-2% utility allowance for housing providers**.
   The basis for this recommendation is unclear, especially since the Economic Roundtable itself suggested that the LADWP and SoCal Gas provide utility cost data for RSO units to help the city set these allowances. It's worth noting that a maximum allowance does not equal an automatic increase. However, eliminating this provision or imposing significantly stricter limits could make it harder for housing providers to offset costs, leading to steeper rent increases during tenant turnover and, consequently, faster average rent increases.

The LAHD has based their recommendations on assumptions about the market that do not hold up under scrutiny. Ultimately, the proposed recommendations are problematic because they rely on flawed claims and analysis.

- **LAHD Claim**: **There is no evidence that smaller RSO housing providers have greater financial stress than larger housing providers.**
  Smaller housing providers were disproportionately impacted during the pandemic, experiencing higher rates of non-payment. Additionally, they collect 16% lower rents on a per-bedroom basis and face limited revenue growth due to lower vacancy rates, which restrict their ability to adjust rents to market levels.

- **LAHD Claim: Net operating income has grown significantly, outpacing the CPI, with operating costs constituting only 35% of rental revenue and the rest representing housing provider profit.**
  Operating costs, including insurance, maintenance, and regulations, have risen sharply—insurance premiums increased 17% in 20 months, and maintenance costs grew 25% more than CPI over the past decade. Mortgage payments are ignored and outdated cost estimates are used in the Roundtable report, so the remaining 65% is not purely profit, especially for housing providers of older properties. The study fails to account for wide variations across properties based on their age, location, and size of structure.

- **LAHD Claim: RSO rent caps have been rising too fast, faster than CPI.**
  It's important to remember that rent caps are just that—caps. While the formula may have allowed rent caps to rise more than the CPI during years of low inflation, this doesn't mean that rents were actually raised to the cap. In fact, our analysis shows they were not: actual annual rent changes have averaged about 0.5% below the cap.

- **LAHD Claim: RSO rents have been rising too fast.**
  The change in average rents for RSO units includes increases for continuing renters as well as new tenants moving into vacant units. This averaging obscures the distinct trends for each group, particularly for continuing tenants— the primary focus of rent control formulas. Our analysis reveals that rents for continuing tenants have remained controlled and within the intended limits: the average annual change has been 0.64% below the growth rate of the CPI over the last decade.

The Broader Picture

Rent control, while well-meaning, is a distortionary policy. Overly stringent regulations risk unintended consequences, including reduced investment in RSO properties, higher rent changes during turnover, and a less flexible rental market. Although LAHD's intentions are sound, stricter rent control doesn't deliver the desired outcomes because renters, housing providers, and markets respond to financial incentives.

To address housing affordability effectively, the City should focus on targeted, practical solutions:

- **Expand direct assistance programs,** like earned income housing credits, to help renters in need.
- **Increase the supply of market-rate housing,** easing pressure on asking rents for vacant units.
- **Continue developing affordable housing** with income-based eligibility, creating stable, long-term solutions for low-income households.

Stronger rent control may seem appealing, but it often leads to inefficiencies and unintended harm to both renters and housing providers. Instead, policies that align with economic realities and focus on expanding supply and targeted assistance will better address Los Angeles's housing challenges.

Introduction

This report critically evaluates the recent recommendations from the Los Angeles Housing Department (LAHD) on the Rent Stabilization Ordinance (RSO) in Los Angeles. These recommendations are based heavily on the Economic Roundtable's *Equitable Rent* report,[1] which informs the LAHD's argument for stricter rent control measures to address the city's housing challenges. While the focus of this report is on the LAHD's recommendations, we also engage with and rebut key aspects of the Economic Roundtable's conclusions, given their significant influence on the LAHD's narrative.

The Economic Roundtable paints a picture of escalating housing burdens, worsening renter financial struggles, and a direct link between rising rents and homelessness. However, our analysis reveals a different reality: renters are improving financially over time, housing burdens have not increased, and addressing homelessness requires solutions that extend beyond rent control.

The assumption that housing providers remain unaffected by rent control is also inaccurate. Rising operating costs and financial pressures have significantly strained property owners, particularly smaller housing providers and those managing older properties. Moreover, as widely recognized by economists, rent control policies distort incentives and often result in unintended consequences. For example, making rent control more stringent means that when units turn over, housing providers will have to raise rents more steeply to align with market rates. Additionally, reducing housing providers' ability to offset costs through allowances can make property maintenance more challenging, potentially impacting housing quality despite housing providers' efforts to maintain their units.

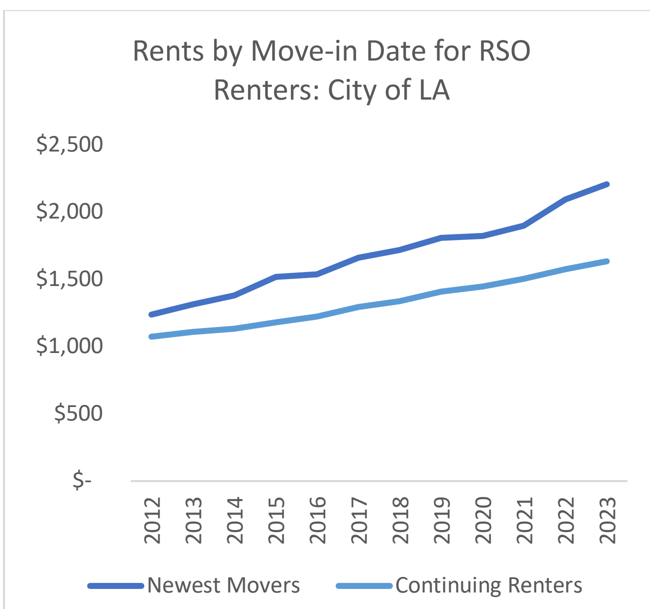
The LAHD's recommendations include lowering the cap on annual rent increases from 3% to 2% in low inflation years and from 8% to 5% in high inflation years, eliminating the 1-2% utility allowance for housing providers, and replacing the standard CPI with "CPI Less Shelter" to set rent caps. These recommendations are based on distorted perceptions of RSO renters and housing providers, and as such, they fail to address the complexities of Los Angeles's housing challenges. This report evaluates each recommendation and demonstrates how they could exacerbate, rather than resolve, the issues they aim to address.

By addressing these realities and highlighting the unintended consequences of expanded rent control, this report challenges the Roundtable's conclusions and subsequent recommendations by the LAHD, offering a more balanced and practical perspective on Los Angeles's housing challenges.

I. RSO Dynamics: Turnover vs. Annual Adjustments

A significant misconception among proponents of expanded rent control is the belief that the primary challenge for low-income renters is the annual rent increase in their current units. However, both past and current research conducted by Beacon Economics indicates that rent increases for existing tenants are generally much smaller than the spikes in asking rents for vacant units. In fact, the length of time a tenant stays in a unit offers more protection against rising rental costs than rent control does. The greater issue arises when tenants must relocate due to personal circumstances—such as changes in family structure, employment, or health—or due to the availability of units. Given the low vacancy rates and high asking rents in Los Angeles, lower-income tenants face significant challenges in finding new housing, often resulting in a sharp increase in their rent-to-income ratio. This dynamic significantly impacts vulnerable groups, including college students, who often struggle to find affordable housing in the region.

Figure 1.



Source: U.S. Census American Community Survey Public Use Microdata Sample (2012-2023). Analysis by Beacon Economics.

TENANT TURNOVER AS THE KEY DRIVER

Our analysis shows that tenant turnover, not annual rent adjustments, is the primary driver of rent increases:

- **Vacancy Decontrol**: Housing providers can raise rents to market levels when units become vacant, contributing to sharp increases in average rents for RSO units.
- **New Tenants vs. Continuing Renters**: Continuing tenants experienced average annual rent increases of just 1.57% over the past decade, below the allowable cap.

Figure 1 underscores the relationship between rents and tenant turnover. Research from the Economic Roundtable confirms that nearly 40% of rental units in Los Angeles experience turnover within a three-year period (pg. 84). These turnovers are associated with significant rent increases due to vacancy decontrol, a statewide policy under the Costa-Hawkins Act that allows housing providers to adjust rents to market rates when units become vacant. While the Economic Roundtable report critiques this policy, efforts to repeal Costa-Hawkins, most recently through Proposition 33 in 2024, have repeatedly failed, reflecting strong voter support for maintaining it.

The report states that from 2005 to 2022, average rents for tenants moving into RSO units within the past year increased by 88.5%, compared to a 54% rise in the CPI. However, this comparison is misleading. It does not suggest that all rents for RSO units increased by this margin but rather reflects adjustments required to bring vacant units up to market levels. This suggests that rent regulation kept RSO rents significantly below market levels, requiring steeper adjustments when units turned over. In other words, the sharp rent increases highlighted by the report are more a result of tenant turnover than an inherent flaw in rent control itself.

The Economic Roundtable's own analysis acknowledges that move-in year is a central determinant of current rents for RSO units (pg. 87-89). This is consistent with Beacon Economics' findings, which show that rent increases over the past decade have been disproportionately (two-thirds of it) driven by new and recent movers.[1] Figures 17 and 18 provide a breakdown of rent increases by tenant type:

- **Continuing Renters:** These tenants, who moved in two or more years ago, saw average annual rent increases of just 1.57% over the past decade, well below the maximum allowable increase under the RSO formula (2%) and lower than the LA-area CPI growth rate of 2.21%.

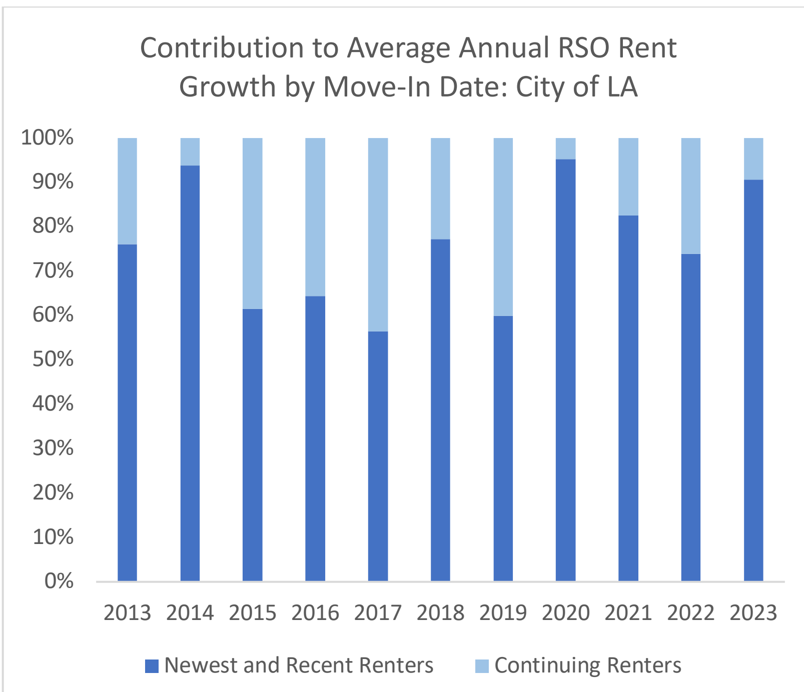
[1] This is likely an underestimate of the true contribution by the newest movers. Since the U.S. Census collects data through sampling rather than tracking individual households over time, the categories of renters are not static. As long-term tenants leave the rental market or relocate, and as new tenants enter and transition into the "recent movers" and "continuing renters" categories based on their length of stay, the average rents and contributions of each group are affected. This dynamic introduces a bias in the results, leading to an underestimation of the contributions made by the newest movers and an overestimation of those made by continuing renters.

- **All RSO Renters (Including New Tenants):** The average annual rent increase was 3.82% during the same period, reflecting the impact of higher rent adjustments for new and recent movers.

- **Pre-Pandemic Trends (2013–2019):** Continuing tenants experienced rent increases of 1.92%, aligned with CPI growth of 1.71% and far below the maximum allowable increase of 3.04% under the RSO formula. By comparison, the average rent for all RSO units grew by 3.67% during that time, again highlighting the effect of turnover on rent increases.

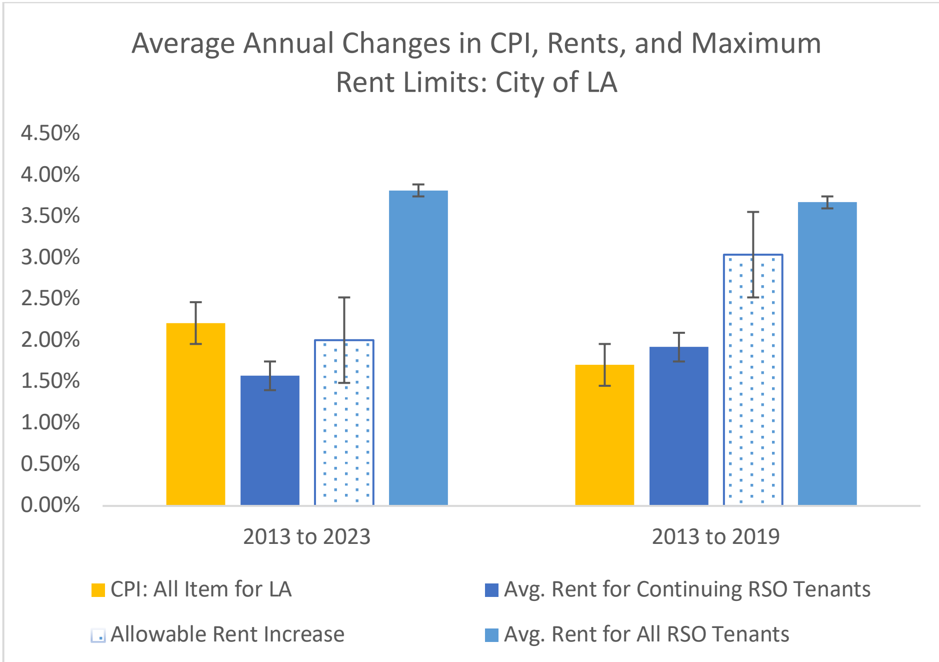
These findings reinforce that rent increases for continuing tenants are modest, while average rent growth across all RSO units is driven primarily by turnover and market-level adjustments under vacancy decontrol.

Figure 2.



Note: Newest Movers are those that moved in within the last 12 months, Recent Movers are those that moved in within the last 13 to 23 months, and Continuing Renters are those that moved in 2 or more years ago.
Source: U.S. Census American Community Survey Public Use Microdata Sample (2012-2023). Analysis by Beacon Economics.

Figure 3.



Note: Continuing Renters are those that moved in 2 or more years ago.
Source: U.S. Census American Community Survey Public Use Microdata Sample (2012-2023) and Bureau of Labor Statistics. Analysis by Beacon Economics.

RENT CAPS AND CPI

The claim that rent caps have risen too quickly, outpacing CPI, is misleading:

- **Caps vs. Actual Increases**: Rent caps represent the maximum allowable rent increases, but housing providers do not necessarily raise rents to these limits. Our data demonstrates that annual rent increases for continuing tenants have, on average, remained below the cap by 0.5% over the last decade.
- **LAHD Recommendation**: The proposal to replace CPI with "CPI Less Shelter" is impractical, as it would tie rent caps to unrelated items like fuel or apparel. A more logical and relevant approach would align rent adjustments with the costs of owning and operating property, or just the Shelter component of CPI.
- **LAHD Recommendation**: The suggestion to lower the cap from 3% to 2% in low inflation years and from 8% to 5% in high inflation years is unnecessary. Over the last decade, annual rent increases for RSO units have grown slower than the allowable cap and have, on average, grown slower than CPI by 0.64%.

Caps vs. Actual Increases

Our analysis shows that, over the last decade, rental caps have not grown faster than the CPI. While they did outpace the CPI during the pre-pandemic years, this distinction is less relevant, as rental caps represent the maximum allowable increases, not the actual rent increases imposed on tenants.

When comparing rents for RSO units with the rental cap, it becomes clear that the average annual rent increase for continuing renters in RSO units (1.92%) was significantly lower than the rental cap growth (3.04%) between 2013 and 2019. When including the pandemic years and analyzing the full decade, the average annual rent increase for continuing renters in RSO units was approximately 0.5% below the rental cap.

This means housing providers do not routinely raise rents to the maximum allowable limit, instead opting for smaller adjustments. Thus, comparing rent caps with CPI growth without accounting for actual rent increases is inherently flawed. A more accurate measure of affordability trends focuses on what housing providers actually charge tenants, rather than theoretical maximums.

While our estimates rely on data from the U.S. Census American Community Survey, it does not allow us to fully separate rent increases for continuing tenants versus new tenants. For a more granular breakdown, data from the LAHD Rent Registry would be invaluable, as it could provide a clearer picture of rent changes across different tenant categories. Although the Economic Roundtable had access to this data, they did not present such a detailed analysis. A deeper examination using this resource is necessary to better understand the dynamics of rent increases in RSO units.

LAHD Recommendation: "CPI Less Shelter" Proposal

The suggestion to replace the traditional CPI with "CPI Less Shelter" for determining rent caps introduces several practical and conceptual issues.

- **Irrelevance to Housing Costs**: Excluding the Shelter component of CPI would result in rent caps being linked to unrelated expenses, such as fuel, apparel, or other consumer goods. These categories have little to do with the costs housing providers incur in maintaining rental properties.
- **Better Alternatives**: A more logical and relevant metric would tie rent increases to factors that directly impact the housing market, such as the costs of owning and operating rental properties. Alternatively, using only the Shelter component of CPI ensures that the metric reflects housing-specific inflation, which gives a sense of what the costs are for maintaining a property in a competitive market.
- **Unintended Consequences**: Adopting "CPI Less Shelter" could result in rent caps that are misaligned with actual housing market trends, potentially distorting incentives for both housing providers and tenants.

LAHD Recommendation: Adjusting the Cap Thresholds

The suggestion to lower the cap from 3% to 2% in low-inflation years and from 8% to 5% in high-inflation years is unnecessary, lacks empirical support, and could cause RSO rents to rise faster on average.

- **Historical Data Insights**: Historical trends show that average annual rent increases for RSO units have consistently remained below the cap, even during periods of inflation variability. Over the past decade, rent increases for continuing tenants have tracked 0.64% below the growth rate of the CPI, demonstrating that the current cap structure is not being fully utilized.
- **Policy Implications**: Lowering cap thresholds could lead to unintended consequences, such as reduced housing provider ability to properly maintain units and steeper rent increases during unit turnovers. These changes may accelerate rent hikes for new tenants, worsening housing affordability for those entering the rental market.
- **Focus on Actual Trends**: Rather than adjusting cap thresholds, policy discussions should prioritize addressing the root causes of housing affordability challenges, with a primary focus on housing supply shortages.

IMPLICATIONS FOR RENT CONTROL POLICY

Stricter rent control measures targeting annual adjustments will not address the root cause of rent increases. Instead, they risk exacerbating the issue by requiring steeper market adjustments during tenant turnover.

This analysis demonstrates that tenant turnover, rather than annual rent adjustments for existing tenants, is the primary driver of rent increases in RSO units. Stricter rent control measures focused on capping annual adjustments will not resolve this issue and could make it worse by necessitating steeper market-level rent increases when units turn over. To address rising rents effectively, policymakers should prioritize strategies that target the root causes, such as expanding the overall housing supply to alleviate competition for available units.

Ultimately, the path to more affordable rents lies in addressing the broader market dynamics, rather than relying on stricter rent control measures that risk creating unintended consequences for both tenants and housing providers.

II. The Financial Challenges Faced by Housing providers in the RSO Market

The Economic Roundtable report simplifies the financial pressures rent control places on housing providers, often overlooking key complexities. For instance, it asserts that RSO properties have regained their revenue-generating capabilities, citing vacancy rates for RSO units as “returning to their pre-pandemic historical average,” even as non-RSO vacancy rates remain elevated (pg. 64). While the report acknowledges some burdens—such as rising operating costs and the pandemic’s disproportionate effects on smaller housing providers—it does not fully account for the financial realities faced by property owners, particularly those managing older, rent-stabilized properties. Below, we address key gaps and misconceptions in its findings.

FINANCIAL STRAIN ON SMALLER HOUSING PROVIDERS

Smaller housing providers managing RSO units face unique challenges:

- **Greater Pandemic Impact**: Smaller housing providers were disproportionately impacted during the pandemic, with higher prevalence of non-payment.
- **Lower Per-Bedroom Rent**: Small housing providers collect a lower rent on a per bedroom basis compared to larger housing providers.
- **Limited Revenue Growth**: Lower vacancy rates among smaller housing providers reduce opportunities to adjust rents to market levels.

The report recognizes that smaller housing providers of RSO properties were particularly hard-hit during the pandemic, with higher rates of non-payment and average rents per bedroom 16% lower than the overall RSO average (pg. 62-65). However, this statistic likely understates the real disparity. If smaller housing providers’ rents were compared solely to larger housing providers’ rents (excluding the smaller group), the gap would likely be much wider.

The report also notes that smaller housing providers have lower vacancy rates, which it frames as a financial advantage by reducing lost rent and turnover costs. However, this conclusion fails to consider the significant opportunity cost associated with lower turnover. With fewer opportunities to adjust rents to market rates, smaller landlords face greater challenges covering rising operating expenses and maintaining financial stability.

Without deeper analysis or data, the report's claim that smaller housing providers are less financially strained remains speculative (pg. 62). In reality, smaller housing providers managing older properties often bear higher operating costs and are more vulnerable to financial disruptions.

RISING OPERATING COSTS

Operating expenses for housing providers have consistently outpaced inflation:

- **Insurance Premiums**: Increased by 17% nationally over the past 20 months.
- **Maintenance Costs**: Have grown 25% more than CPI over the past decade.
- **LAHD Recommendation**: The basis for the recommendation to remove the allowance of 1-2% for housing providers providing utilities is unclear, especially since the Economic Roundtable itself suggested that the LADWP and SoCal Gas provide utility cost data for RSO units to help the city set these allowances. Again, a maximum allowance doesn't mean an automatic increase. Deletion of this provision could risk straining housing providers and could lead to steeper increases in rents upon vacancy.

Operating expenses for housing providers have consistently outpaced inflation, particularly in recent years. The report acknowledges this trend but fails to address its full implications (pg. 101). For example:

- **Insurance Costs**: Homeowners' insurance premiums have risen by 17% nationally over the past 20 months, compared to less than 5% growth in the CPI.

- **Maintenance Costs**: Data from the Bureau of Economic Analysis reveals that housing maintenance costs have grown 25% more than consumer prices over the past decade and 33% more over the past two decades.

- **Regulatory Costs**: New laws, such as California's Balcony Inspection Law (SB 721), impose additional financial burdens. Inspections and repairs required by the 2025 deadline represent significant expenses for housing providers, particularly those managing aging buildings.

The Economic Roundtable's cost assumptions—such as $42 per month for repairs, $40 for insurance, and $10 for landscaping (pg. 106)—are outdated and unrealistic. Older buildings often demand higher maintenance expenditures and rising regulatory costs further strain housing providers' finances.

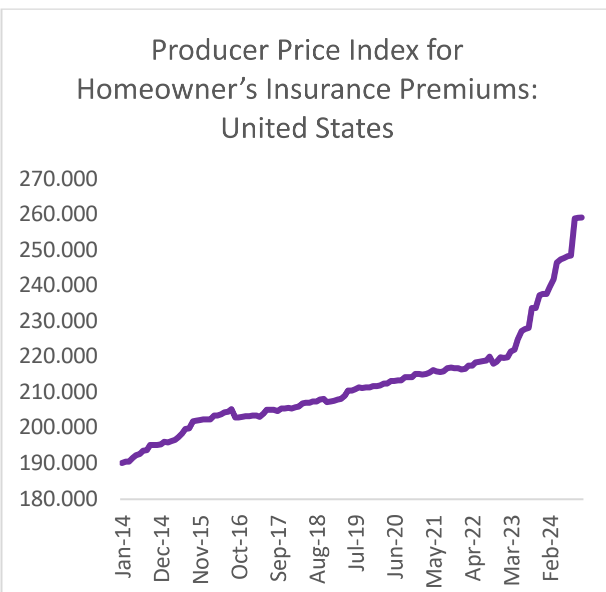
The report itself acknowledges that "operating expense ratios are most likely to diverge widely among small properties" (pg. 105), yet it does not fully account for these discrepancies in its analysis. By relying on outdated estimates and failing to consider the variability in operating expenses, the report oversimplifies the financial pressures faced by housing providers, particularly smaller property owners managing older units.

LAHD Recommendation: Eliminating the Utility Allowance

Moreover, the proposal to remove the utility provision for annual rent adjustments is not sufficiently supported by the Economic Roundtable's findings. Notably, the report itself acknowledges the importance of such a provision, recommending that these units retain their special allowance due to the consistent rise in utility costs. They recommend obtaining cost data from the LADWP and SoCal Gas to have more precise estimates of utility expenses for RSPO units and match allowable increases to those. However, the LAHD suggests eliminating the provision altogether.

It's crucial to emphasize that the utility allowance is not an automatic increase; it merely permits housing providers to adjust rents by up to 1% per utility annually (for each utility), ensuring they can recover significant utility cost increases. Eliminating this provision would reduce housing providers' net operating income, potentially disincentivizing them from adequately maintaining their properties as they lose the ability to offset rising costs. Moreover, this policy change is likely to lead to steeper rent increases during unit turnovers, as rents kept artificially low under these restrictions would require sharper adjustments to align with market levels.

Figure 4-5.



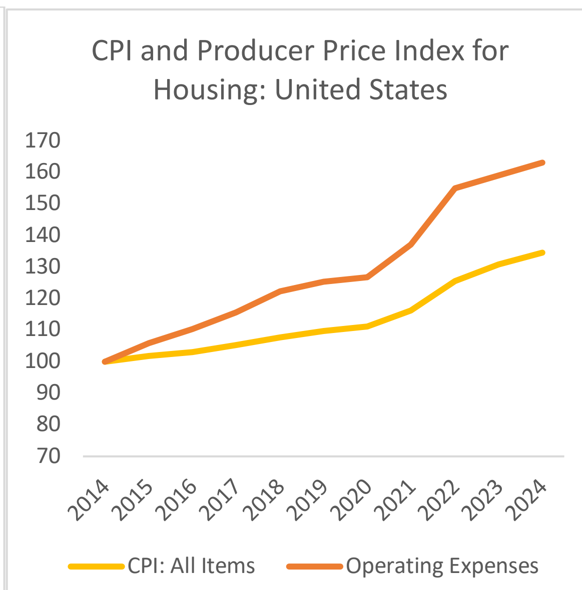
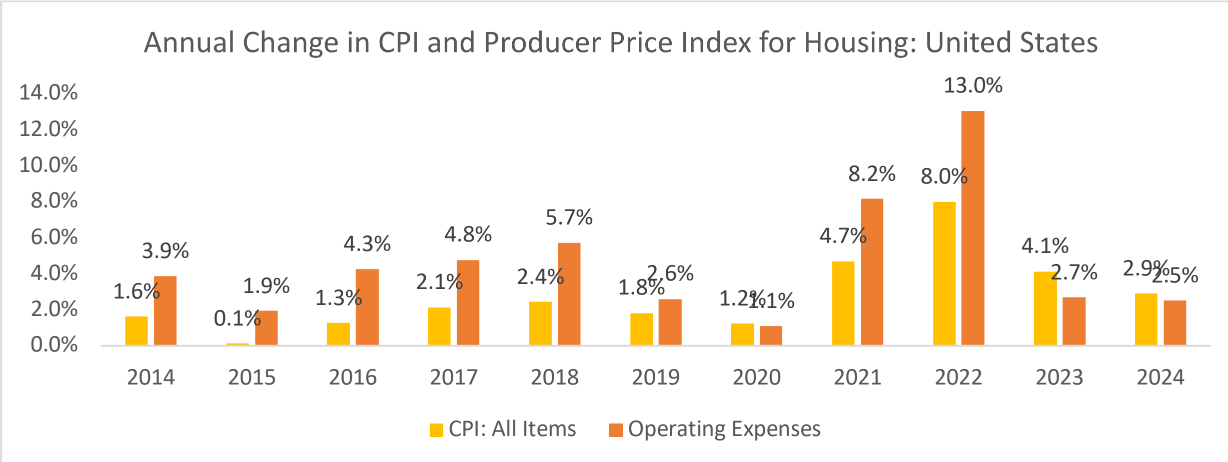


Fig. 4 Source: U.S. Bureau of Labor Statistics, Producer Price Index by Industry: Premiums for Property and Casualty Insurance: Premiums for Homeowner's Insurance [PCU9241269241262], retrieved from FRED, Federal Reserve Bank of St. Louis. Analysis by Beacon Economics.
Fig. 5: Source: Bureau of Economic Analysis; Bureau of Labor Statistics. Analysis by Beacon Economics.

Figure 6.



Source: Bureau of Economic Analysis; Bureau of Labor Statistics. Analysis by Beacon Economics.

MISREPRESENTATION OF NET OPERATING INCOME (NOI)

The Economic Roundtable's claim that housing providers retain 65% of gross rents as NOI oversimplifies financial realities:

- **Exclusion of Key Costs**: Repair, maintenance, and debt servicing costs are underestimated or ignored.
- **Regulatory Framework**: As highlighted in *Chicago & Grand Trunk Railway Co. v. Wellman*, sufficient revenue must cover both operating expenses and capital costs, including debt payments.
- **Property Variance**: The study fails to account for wide variations across properties based on their age, location, and size of structure.

The report asserts that operating expenses account for only 35% of gross rents, leaving housing providers with a generous 65% as net operating income (NOI). However, this calculation underestimates several key expenses, including:

- Higher repair and maintenance costs for aging properties.
- Rising insurance premiums and regulatory compliance costs.
- Long-term financial impacts of debt servicing and capital improvements.

While debt servicing is typically excluded from NOI calculations, these payments are essential to understanding the true financial health of housing providers—particularly those with outstanding loans. As emphasized in *Chicago & Grand Trunk Railway Co. v. Wellman*, regulatory frameworks must ensure sufficient revenue to cover both operating expenses and capital costs, including debt payments.[2]

Ignoring these factors presents an oversimplified view of housing providers' financial realities, especially for smaller property owners or those managing older units.

The importance of incorporating current and accurate cost factors when determining financial frameworks is further emphasized in *Southwestern Bell Telephone Company v. Public Service Commission of Missouri*.[3] In this case, the U.S. Supreme Court criticized the reliance on outdated cost calculations and stressed the need to reflect actual increases in labor, materials, and other operating costs. Similarly, the report's reliance on oversimplified or outdated cost estimates undermines its credibility in addressing the challenges faced by housing providers in today's rental market.

Maintaining vs. Expanding Housing Supply

The report also fails to distinguish between the returns necessary to sustain existing properties and those required to encourage new development. Maintaining current housing stock may demand modest returns, but incentivizing new construction requires significantly higher returns to mitigate risks such as prolonged permitting processes or outright project denials. As highlighted in *Southwestern Bell Telephone Company v. Public Service Commission of Missouri*, returns must "assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital." By disregarding these factors, the report undermines efforts to address the region's housing shortage.

The "Fair Return" Concept

The LAHD write that that "for equity investors who have owned their properties for a long time, paid off their loans, and are now free-and-clear of debt, the average apartment unit in Los Angeles appears to be highly profitable" (pg. 7). It uses this assertion to advocate for capping rents at current levels, assuming housing providers are already earning a "fair return." However, this perspective is flawed. Over recent years, rents have been heavily regulated—first frozen for nearly four years and later capped at reduced levels—despite sharp increases in operating expenses. This raises serious questions about whether the current system truly delivers a fair return for housing providers.

The concept of a "fair return," as outlined in the LAHD report, intends to balance tenant protections with housing provider interests. While this framework is often applied to regulated utilities,[4, 5] it is poorly suited for the rental housing market. Housing costs are influenced by fluctuating market pressures, diverse property types, and regional uncertainties, making a one-size-fits-all approach impractical. Additionally, the report fails to account for rising interest rates and other risk factors unique to the rental market.

As emphasized in *Federal Power Commission v. Hope Natural Gas Company*, ensuring a fair return requires balancing investor and consumer interests while delivering returns "commensurate with investments in other enterprises having corresponding risks."[6] By neglecting these considerations, the report presents an incomplete and unrealistic framework for assessing housing provider profitability.

The LAHD and Economic Roundtable reports offer an incomplete and often overly simplistic view of the financial realities faced by housing providers in Los Angeles. By downplaying the challenges of rising operating costs, underestimating the strain on smaller housing providers, and misrepresenting NOI calculations, the reports fail to provide a balanced perspective.

III. Renter Income and Housing Burden

The LAHD and Economic Roundtable reports present a narrative of escalating challenges in the housing market, suggesting that incomes of RSO renters are failing to keep pace with rent increases and housing burdens have become unsustainable. Below, we examine each of these assumptions in detail to demonstrate that the data does not support this characterization.

RENTER INCOMES

Median renter incomes, adjusted for household size, have steadily risen for both RSO and non-RSO units. Contrary to the narrative presented in the Economic Roundtable report, our time-series analysis reveals:

- A growing share of renters earning over $100,000 annually, adjusted for inflation.
- A decreasing share of renters earning less than $25,000 annually, adjusted for inflation.

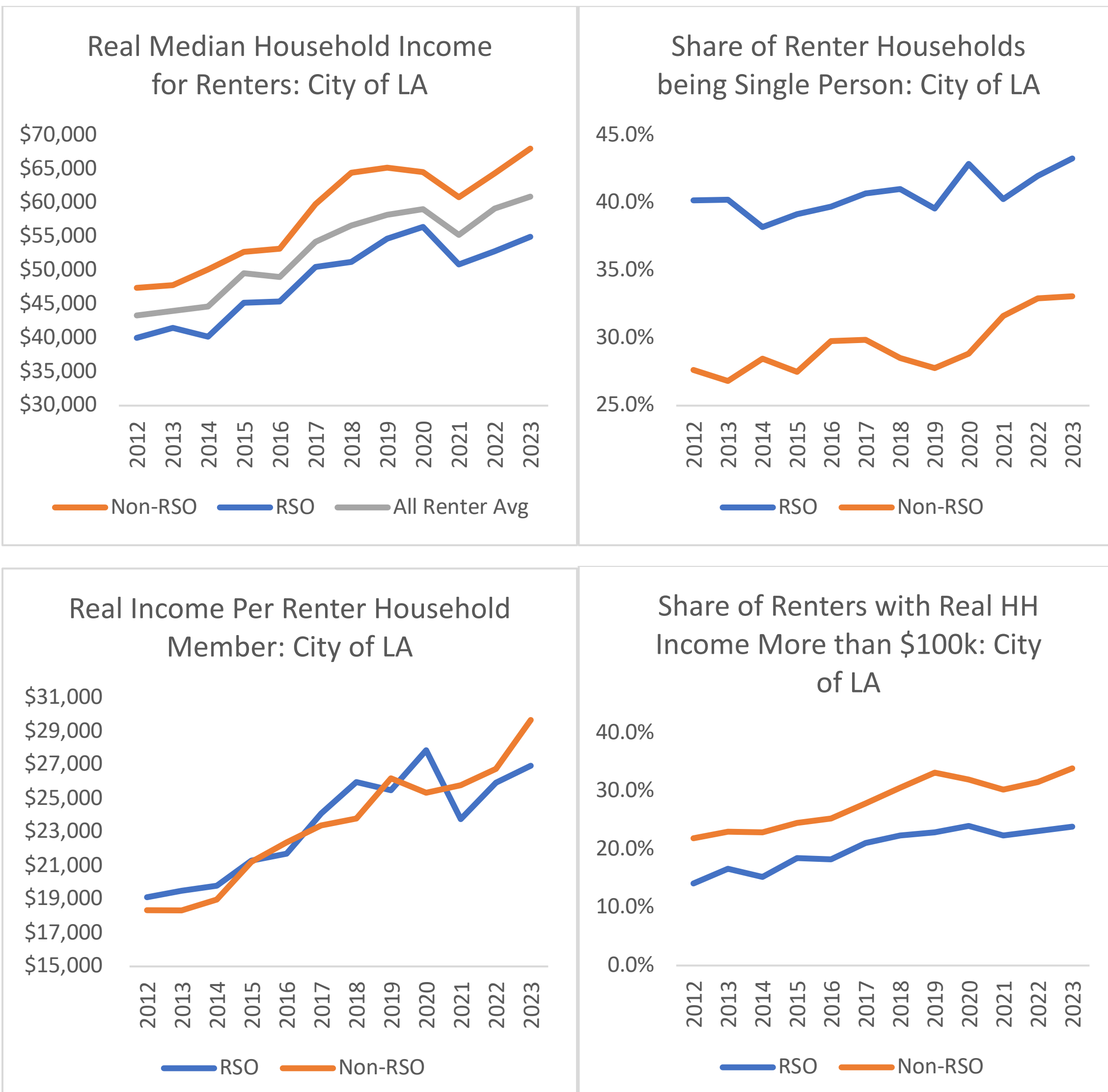
These trends indicate that renters in Los Angeles are generally improving their financial positions, a finding consistent across RSO and non-RSO units.

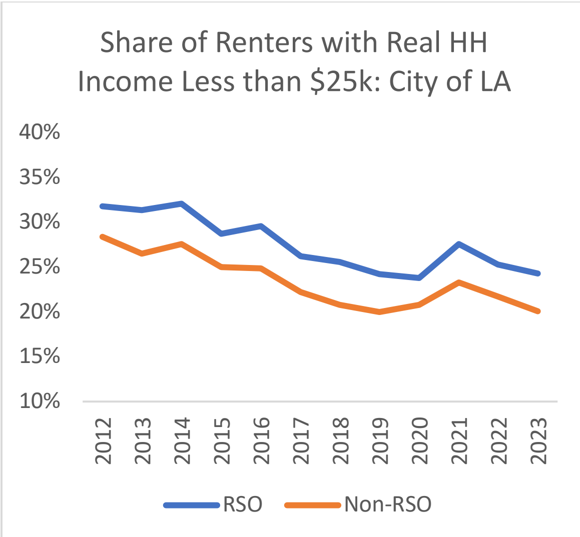
The Roundtable report's reliance on average income, rather than median income, to compare the finances of RSO and non-RSO renters is problematic, particularly given the acknowledged disparities in income distributions (pg. 25). Median income provides a more accurate and meaningful representation of typical renter finances. From 2012 to 2023, median renter income has been steadily increasing for both RSO and non-RSO households, with a temporary decline during the COVID-19 pandemic.

Additionally, as the Economic Roundtable report notes, household sizes differ between RSO and non-RSO renters. RSO units are more likely to house single-person renters and are also more prone to overcrowding (pg. 24). When adjusting for household size, our analysis shows that renter incomes have remained generally comparable over time across both RSO and non-RSO households.

While the report provides cross-sectional data, it lacks a time-series analysis of households earning $100,000 or more (in real terms) among RSO and non-RSO renters (pg. 26). Our time-series analysis reveals a growing share of renters in both RSO and non-RSO units earning over $100,000, reflecting broader trends of income growth within the renter population. Simultaneously, the share of renters earning less than $25,000 (in real terms) in both RSO and non-RSO units has been decreasing over time. Together, these patterns suggest that Los Angeles renters, on average, are improving financially over time.

Figures 7-11.





Source: U.S. Census American Community Survey Public Use Microdata Sample (2012-2023). Analysis by Beacon Economics.

HOUSING BURDEN ANALYSIS

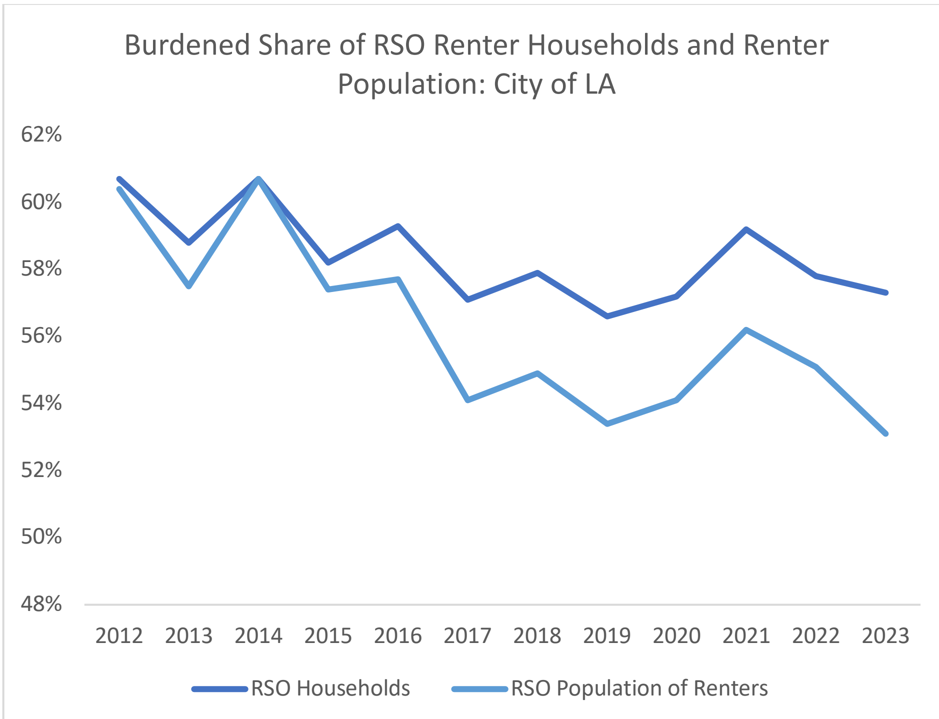
The claim that housing burdens are worsening among RSO renters does not hold up to scrutiny. Our analysis finds:

- **Decline in Housing Burdens**: Over the past decade, the share of RSO renter households experiencing housing burdens (spending more than 30% of income on rent) has declined. This trend was temporarily interrupted during the COVID-19 pandemic but resumed its downward trajectory post-pandemic.
- **Post-Rent Income Growth**: Adjusting for inflation, median post-rent income for RSO renters has significantly increased, rising from $2,120 per month in 2012 to $3,033 per month in 2023.

The LAHD and Economic Roundtable reports paint a picture of increasing renter burdens in Los Angeles. However, a closer analysis of the data tells a different story: both the share of burdened RSO renter households and the share of the RSO renter population experiencing burdens (defined as paying 30% or more of household income on gross rent) have been declining over time, aside from a temporary reversal during the COVID-19 pandemic. Over the past twelve years, RSO renter households have generally experienced lower burdens compared to all renter households in the city, with only a couple of exceptions. This remains true today, whether burdens are analyzed by renter population or by households.

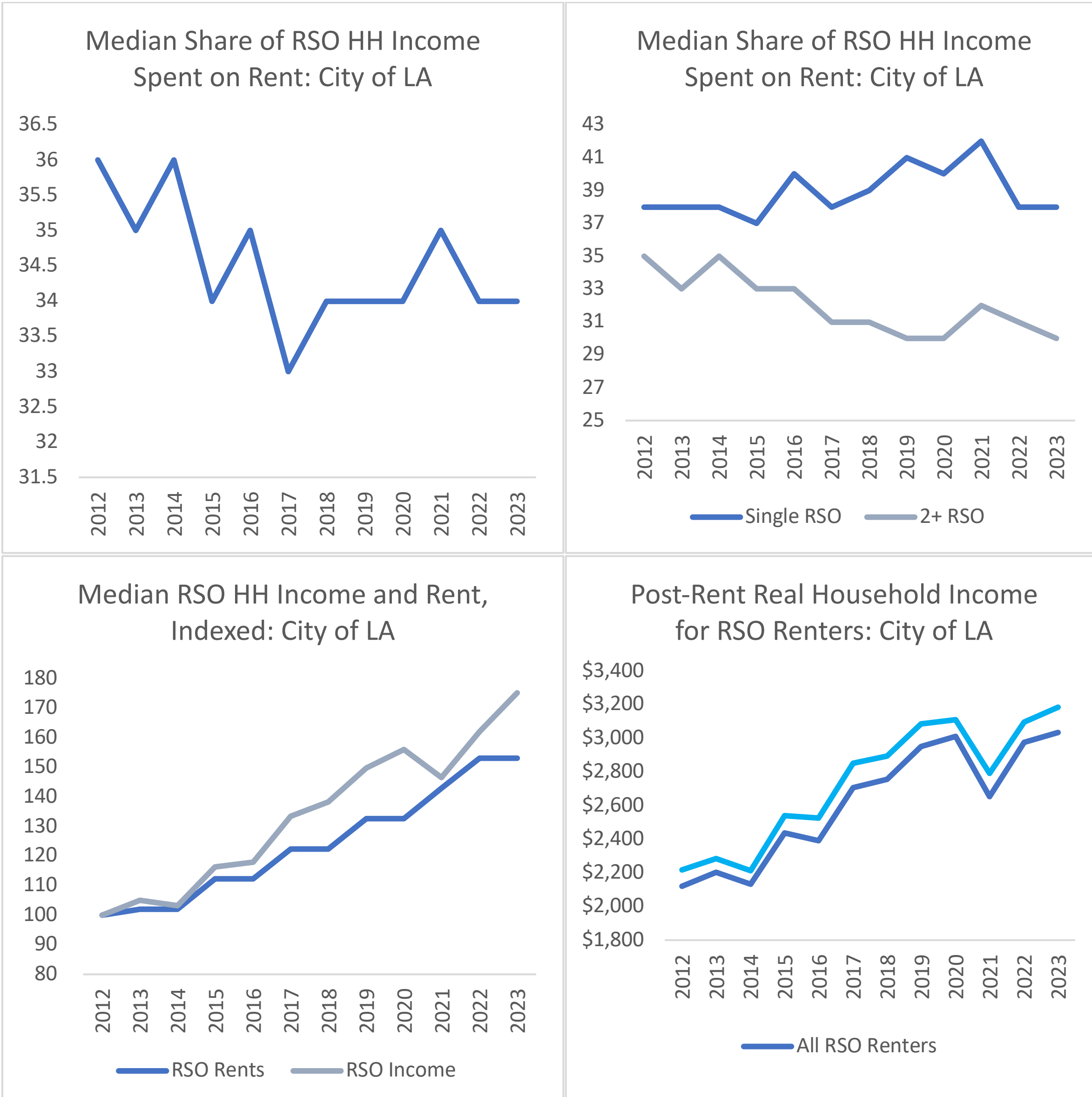
Furthermore, when we consider post-rent gross income for renters in the City of Los Angeles, the data shows meaningful improvement over time. Adjusting for inflation, median post-rent income for RSO renters increased from $2,120 per month in 2012 to $3,033 per month in 2023. For RSO renters who report income, real median post-rent income rose from $2,218 to $3,183 during the same period. This demonstrates that, in real terms, the typical RSO renter in the city has seen financial improvement over time—even after accounting for the rent they pay.

Figure 12.



Source: U.S. Census American Community Survey Public Use Microdata Sample (2012-2023). Analysis by Beacon Economics.

Figures 13-16.



Source: U.S. Census American Community Survey Public Use Microdata Sample (2012-2023). Analysis by Beacon Economics.

IV. Homelessness: Myths vs. Reality

Homelessness in Los Angeles is a complex and pressing issue, often framed as a consequence of rising housing costs. While it is true that high rents pose challenges for low-income households, the relationship between rents and homelessness is not as straightforward as commonly portrayed. Instead, homelessness stems from a variety of factors, including mental health issues, addiction, and systemic barriers to housing development. This section examines the data and narratives surrounding homelessness in Los Angeles, with a focus on the validity of claims that directly link rising rents to increased homelessness.

DEBUNKING THE RENT-HOMELESSNESS LINK

The Economic Roundtable's reliance on the GAO study to link rising rents to increased homelessness is flawed. While the GAO study suggests a causal relationship between a $100 rent increase and a 9% rise in homelessness, the methodology is constrained by significant data limitations:

- **Oversights**: The GAO study fails to appropriately measure wages, unemployment, and mental health factors.
- **Correlation vs. Causation**: The Roundtable itself acknowledges that "correlation is not causation" but nonetheless relies heavily on this flawed study to make its case.

The Economic Roundtable report builds its argument that rising rents drive homelessness on the findings of a recent U.S. General Accountability Office (GAO) study, which claims that "a $100 increase in median rent leads to a 9% increase in homelessness" (pg. 46).[7] However, while citing this conclusion, the Roundtable report itself acknowledges multiple flaws in the GAO study's methodology but proceeds to rely on its findings without sufficient qualification. For instance, the report notes the GAO's estimates are "constrained by significant data and statistical limitations" (pg. 48) and explicitly cautions readers that "correlation is not causation" (pg. 49).

Additionally, the report critiques the GAO study for assuming an immediate relationship between economic changes and homelessness, failing to account for long-term effects (pg. 49). It also highlights the study's inability to measure the impact of wages, poverty, or unemployment on homelessness, attributing these omissions to methodological constraints rather than the absence of such real-world connections (pg. 50). Finally, the report points out that critical factors like mental health and evictions are overlooked in the GAO study due to data constraints (pg. 52). Despite these explicit criticisms, the

Roundtable report uncritically adopts the GAO's conclusions, undermining its own credibility in making a case for the relationship between rents and homelessness.

This narrative is further challenged by the Los Angeles Homeless Services Authority (LAHSA) 2023 demographic survey, which the Roundtable report also references. According to this survey, 48% of unsheltered homeless individuals cite unemployment or financial struggles as the primary cause of their homelessness, while only 8% point to eviction or foreclosure (pg. 46). These figures suggest that broader economic and employment challenges—not necessarily rising rents or evictions—are more significant drivers of homelessness in Los Angeles.

BROADER DRIVERS OF HOMELESSNESS

Homelessness in Los Angeles is driven by a range of factors beyond rents:

- **Mental Health and Addiction**: Deinstitutionalization and a lack of psychiatric facilities substantially contribute to homelessness.
- **Affordable Housing Shortages**: Restrictive zoning policies and delays in housing development exacerbate the crisis.

California's homelessness crisis is far more complex than rising rents alone. Contributing factors include a chronic mental health and addiction crisis, insufficient housing supply, and systemic challenges in housing development. California ranks 49th in housing units per capita,[8] a result of restrictive growth control policies, lengthy CEQA processes, and delays in implementing housing legislation like Senate Bills 35 and 9.[9] Programs like Proposition HHH, intended to develop permanent supportive housing, have faced delays and escalating costs, with per-unit expenses averaging $600,000.[10]

Demand-side pressures further complicate the issue. California's strong GDP growth and high-income households have driven housing costs higher, exacerbating affordability challenges for low-income residents. However, housing costs are only part of the story. Deinstitutionalization of mental health care in the 1950s left the state with a severe shortage of psychiatric beds.

EVICTIONS AND NON-PAYMENT

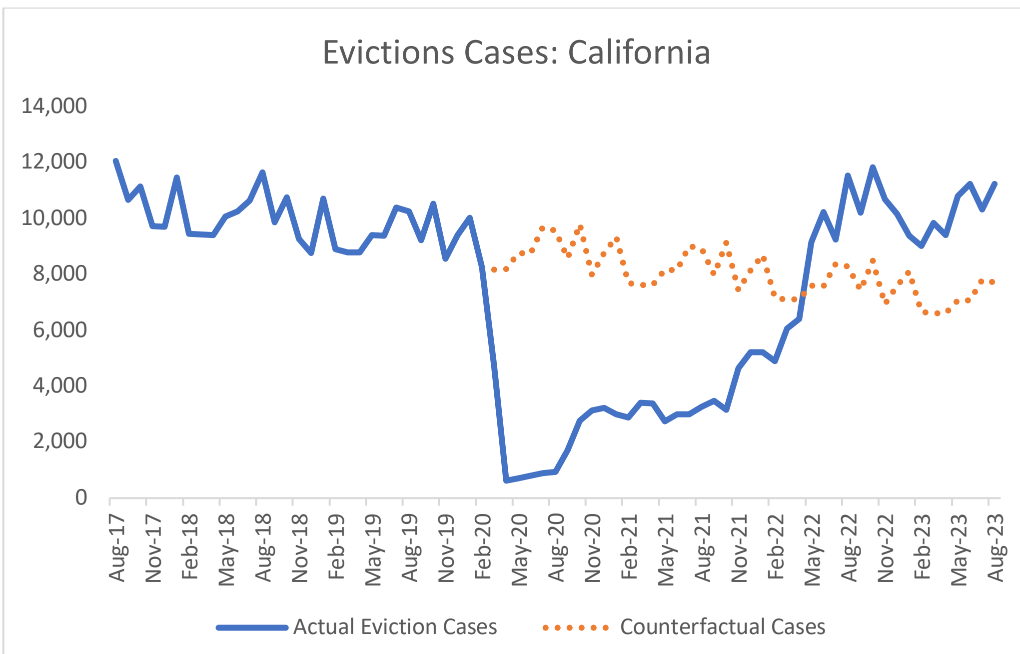
Eviction data does not support the claim that rising rents directly lead to homelessness:

- **Pandemic Trends**: Evictions declined significantly during the pandemic due to eviction moratoria. Recent increases represent a catch-up effect, not an unprecedented surge.
- **Declining Non-Payment Rates**: Rental non-payment rates in Los Angeles have been declining steadily since their pandemic-era peak.

Despite the above, the Economic Roundtable report argues that rent increases lead to evictions and, subsequently, homelessness, especially for low-wage workers (pg. 47-48). It specifically emphasizes rental non-payment as a key mechanism driving evictions and homelessness. Yet, the report also acknowledges that rental non-payments in Los Angeles have been declining since their pandemic-era peak (pg. 69).

Eviction data similarly calls the report's narrative into question. Evictions in California have been on a long-term downward trend.[11] During the first two years of the pandemic (Spring 2020–Spring 2022), eviction numbers dropped significantly due to eviction moratoria. While evictions have risen since Spring 2022, this increase largely reflects a "catch-up" effect as pandemic-era protections expired. Even with recent increases, eviction totals across the past few years remain below what would have occurred if the pandemic had not happened. What appears to be a surge in evictions is better understood as a return to pre-pandemic levels rather than an unprecedented spike.

Figure 17.



Source: CalMatters. (2023, November). *California evictions post-pandemic: What the data shows.* Retrieved from https://calmatters.org/housing/homelessness/2023/11/california-evictions-post-pandemic/

California's homelessness crisis demands a comprehensive approach that tackles its underlying causes, including systemic housing challenges, mental health care gaps, and economic inequities, rather than relying solely on rent control or restrictive housing policies.

V. Unintended Consequences

Unintended consequences refer to the effects of actions or policies that are not intended by those taking an action or setting a policy. These typically occur because of good intentions, but a poor understanding of economic realities, human behavior, and market dynamics. Rent control provides a prime example this: governments have the intention of making housing more affordable by regulating rent, but in doing so, they exacerbate existing issues. In its most direct form, rent control establishes a price ceiling on rental units, while rent stabilization caps annual rent increases. Both policies, collectively referred to as rent regulation, are prone to unintended effects that undermine their goals.

Among the most serious unintended consequences are the loss of housing market liquidity and the reduction of housing supply. Rent control discourages renter mobility, as tenants are reluctant to move out of rent-controlled units even when their financial situations improve. This creates inefficiencies in the housing market, as renters occupy units that no longer match their needs. Simultaneously, rent control disincentivizes housing providers from maintaining the quality of rent-controlled units or continuing to offer them as residential rentals. Over time, these policies also deter developers from entering markets with strict rent regulations, further reducing the supply of new housing. The cumulative effect is a declining stock of rental housing and increasing inefficiencies in the market—outcomes that the Economic Roundtable report fails to adequately analyze, as it treats the economy as a static system rather than a dynamic one.

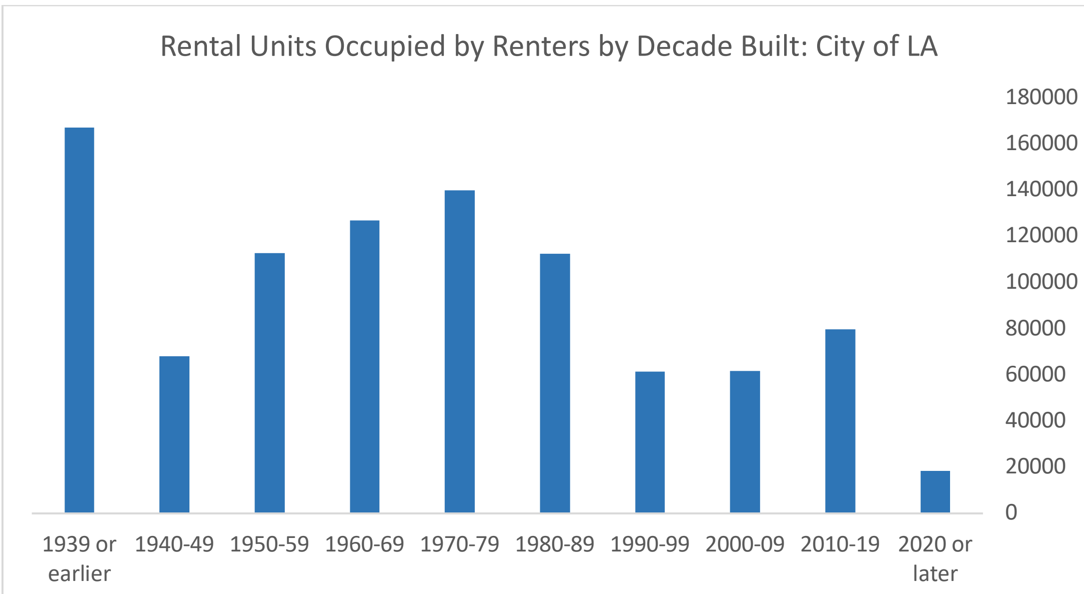
LOSS OF MOBILITY

Rent control policies stand in the way of tenant mobility. Research shows that renters often feel tied to their rent-controlled units, even when their income rises or their housing needs change.[12,13] People may choose to stay in a rent-controlled unit even when it no longer suits their needs because other affordable options are scarce. A recent study reports that rent control reduces renter mobility by 20%.[Error! Bookmark not defined.] This can lead to inefficient use of housing, such as larger households in small apartments or individuals occupying family-sized homes.

HOUSING SHORTAGES

In line with standard economic theory, studies show that rent control creates shortages in the rental housing market for several reasons.[14] First, rent regulation acts as a price ceiling, and being set below prevailing market rates, it causes demand for apartments to exceed supply, resulting in a housing shortage by definition. Second, housing providers may be less incentivized to offer properties for rent if they cannot achieve market rates. In some cases, they might convert rental buildings into condominiums, which are often exempt from rent control, thereby reducing the rental stock and shifting properties toward higher-income buyers rather than renters. Third, developers may be discouraged from building new rental properties in areas with stringent rent controls, opting instead to invest in markets with greater potential for higher returns. A recent study found that rent control reduces the supply of rental housing by 15% over the long term, as units are converted to condominiums, sold to owner-occupants, or redeveloped.[15]

Figure 18



Source: U.S. Census American Community Survey, 2022. Analysis by Beacon Economics.

LOWER QUALITY RENTALS

Besides creating a new housing shortage or worsening an existing one, caps on potential rental income may leave housing providers without sufficient funds or motivation to maintain and reinvest in their rental units. This can lead to a deterioration in the quality of housing, as there is less financial incentive to invest in upkeep and renovations. Compared to non-controlled units, older and smaller rent-controlled buildings have a 9% higher probability of being in unsound condition.[16]

HIGHER RENTS

Perhaps the most counterintuitive of the unintended consequences of rent control is its impact on prices. Although the goal of rent regulation is to make housing more affordable, it has been shown to achieve the opposite. This could be due to displaced demand following the imposing of rent control. As people find it hard to secure rent-controlled units, they compete for fewer available non-controlled rentals, driving up their prices.

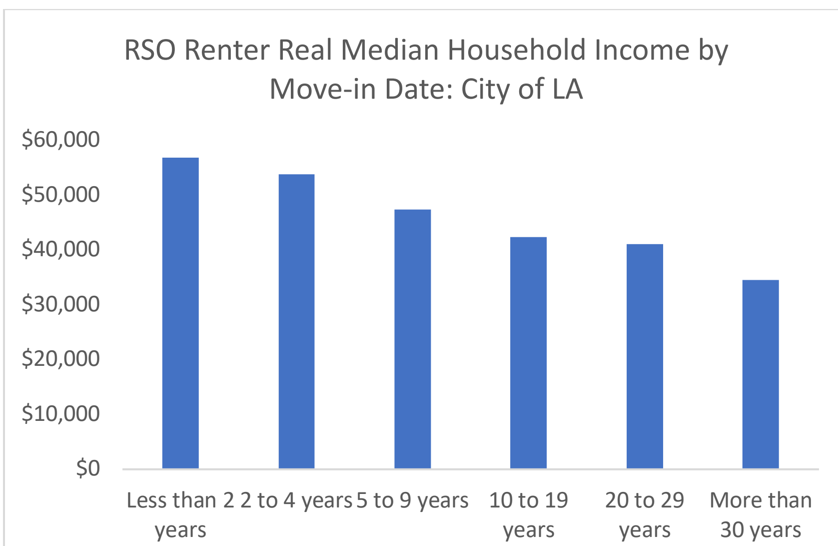
Research dating back to 1984 supports this theory.[17,18] As one study concludes:

> "While rent control prevents displacement of incumbent renters in the short run, the lost rental housing supply likely drove up market rents in the long run, ultimately undermining the goals of the law."[Error! Bookmark not defined.]

MISALLOCATION OF UNITS

Ironically, rent control can contribute to displacement and even quicken the pace of gentrification. By capping the income housing providers can earn, rent control incentivizes housing providers to prioritize higher-income tenants, who are viewed as lower financial risks. This dynamic reduces housing opportunities for lower-income renters, often displacing those most in need of affordable housing. Our data analysis shows that renters with shorter lengths of stay in rent-controlled units tend to have significantly higher median household incomes than long-term renters, further highlighting this unintended consequence.

Figure 19.



Source: U.S. Census American Community Survey Public Use Microdata Sample (2012-2023). Analysis by Beacon Economics.

The ripple effects of rent control extend beyond the regulated units themselves. The limited supply of rent-controlled housing increases demand—and consequently prices—in non-controlled areas, further exacerbating affordability challenges and displacing residents in those markets.

Rent control also generates economic inefficiencies due to the misallocation of rental units.Error! Bookmark not defined. While it is intended to protect vulnerable, low-income households and promote housing stability, rent-controlled units are often occupied by tenants who secure them through chance rather than financial need. As a result, many renters who most need these protections are excluded, while individuals outside the policy's intended target benefit instead. This misallocation undermines the goals of equitable and accessible housing, distorting market dynamics and failing to achieve the policy's purpose.

ADMINISTRATIVE AND LEGAL COSTS

Enforcing rent control laws requires sound administrative oversight, which can be costly and complex. Moreover, disputes between housing providers and tenants over rent control regulations can lead to increased litigation, straining the legal system and judicial resources. In California alone, there have been over 50 court cases concerning rent control disputes, involving apartment associations, property owners, rent control boards, cities, and counties.[19]

In sum, rent control policies create significant inefficiencies in the housing market, discouraging mutually beneficial transactions and distorting supply and demand dynamics. These unintended consequences—from reduced mobility and housing shortages to declining quality and higher prices—prevent the market from functioning optimally and often achieve the opposite of their intended goals. Addressing housing affordability requires solutions that preserve market efficiency while effectively tackling the root causes of housing challenges.

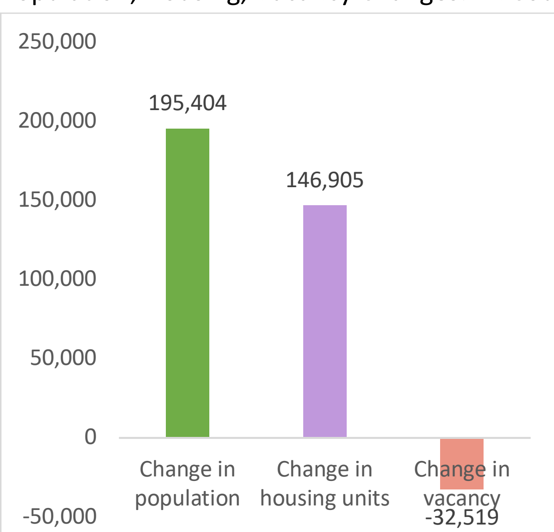
Conclusion

Rent regulation policies, as decades of economic research have shown, often create more challenges than they solve. These measures reduce renter mobility, worsen housing shortages, degrade the quality of rental units, and introduce inefficiencies through resource misallocation. While rent control is sometimes viewed as a solution to housing affordability, it is an extreme measure that should be employed only under extraordinary circumstances and with caution. However, our analysis indicates that Los Angeles is not currently facing such extraordinary circumstances. Renter finances are improving in real terms over time, and housing burdens are also declining, with RSO renters in the city experiencing lower burdens over time.

The most critical finding from our study is that making the RSO more stringent—through lower caps, removing the Shelter Index, or eliminating the utility allowance—could lead to steeper rent hikes upon turnover and cause average RSO rents to rise faster. These unintended consequences undermine the very goals rent control policies seek to achieve, creating inefficiencies in the rental market that harm both renters and housing providers.

Figures 20-21.

Population, Housing, Vacancy Changes: LA County



Total Population and Housing Units: LA County

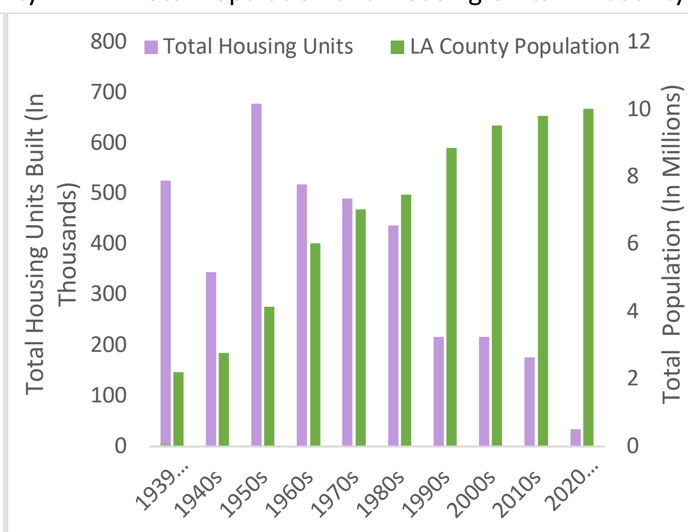


Fig. 24 Source: Decennial U.S. Census, 2010 and 2020. Analysis by Beacon Economics.
Fig. 25 Source: Source: Decennial U.S. Census, 1930-2020 and U.S. Census American Community Survey, 2022. Analysis by Beacon Economics.

At the core of Los Angeles's housing challenges is a long-standing supply shortage. Between 2010 and 2020, the population of Los Angeles County grew by nearly 200,000 people, but fewer than 147,000 new housing units were constructed during the same period. This imbalance led to a decline of over 32,500 vacant units, reflecting a growing scarcity of available housing. Over the last four decades, Los Angeles County has built nearly half as many housing units as it did in the four decades prior to 1980, according to data from the U.S. Census American Community Survey. Statewide, housing permits remain stagnant, with fewer than 10,000 issued per month—insufficient to meet the demands of population growth.[20] This persistent mismatch has driven up housing costs, attracting higher-income households while displacing lower-income residents.

Despite legislative efforts such as Senate Bills 8 and 9, relaxed Accessory Dwelling Unit (ADU) regulations, and updates to Regional Housing Needs Assessment (RHNA) requirements, California has failed to address its housing shortage meaningfully. Yet, the Roundtable report focuses on mischaracterizing the rental market as being in a state of escalating crisis, rather than addressing this critical driver of rising rents.

The LAHD's recommendations, based on the Roundtable's findings, risk worsening this imbalance by imposing stricter rent control measures that could discourage investment in rental housing. Prolonged rent freezes and rising operating costs already place significant financial strain on property owners, particularly smaller housing providers and those managing older properties. Expanding rent control could further undermine the sustainability of the rental market while offering limited benefits to low-income renters.

Instead of deepening reliance on counterproductive rent control measures, Los Angeles should prioritize targeted strategies that address affordability and increase housing supply. These include:

- Expanding earned income housing credits to directly support renters in need.
- Increasing investment in income-restricted affordable housing programs.
- Incentivizing the construction of market-rate housing to alleviate upward pressure on rents.

Addressing the housing crisis requires solutions that align with economic realities. By focusing on expanding the housing supply and providing targeted assistance, Los Angeles can create a sustainable housing future that benefits both renters and property owners.

About Beacon Economics

Founded in 2006, Beacon Economics, an LLC and certified Small Business Enterprise with the state of California, is an independent research and consulting firm dedicated to delivering accurate, insightful, and objectively based economic analysis. Employing unique proprietary models, vast databases, and sophisticated data processing, the company's specialized practice areas include sustainable growth and development, real estate market analysis, economic forecasting, industry analysis, economic policy analysis, and economic impact studies. Beacon Economics equips its clients with the data and analysis they need to understand the significance of on-the-ground realities and to make informed business and policy decisions.

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Communication from Public

Name:	Brian Rubin
Date Submitted:	09/30/2025 02:42 PM
Council File No:	23-1134
Comments for Public Posting:	As a member of the working class, the rising cost of housing is taking funds from other parts of my life. Rent control would help me bring some stability in my life, so please, enact rent control that helps working people. Thank you.

Communication from Public

Name: Lee Myers
Date Submitted: 09/30/2025 03:45 PM
Council File No: 23-1134
Comments for Public Posting: I am writing this comment to express support for Keep LA Housed demands for updating Los Angeles Rent Stabilization Ordinance. I recently relocated to Los Angeles from Tennessee to pursue a career as an Eviction Defense Lawyer. In the state of Tennessee, Rent Control is illegal. This has led to exorbitant pricing for Tennessee locals and widespread displacement. One of the things I admire about Los Angeles is that LARSO exists and protects tenants to a degree, but as you'll hear from many tenants tonight, it doesn't do enough. Specifically, I urge the City Council to adopt Keep LA Housed's demands for the RSO formula to Cap increases at 60% CPI or 3% with no minimum increase Get rid of unfair additional increases for utilities and extra occupants. The majority of people in Los Angeles rent and updating the formula would be serving that vast majority of this city's residents. Moreover, in the wake of unprecedented immigration raids and tariff-driven inflation, many immigrant renters are already struggling to pay existing rental rates. Not updating this formula to better reflect the changing needs of Angelenos is committing institutional violence by further increasing the likelihood of eviction and financial insolvency. Moreover, the threat of eviction also serves to undermine the policy initiative of LARSO which is preserving affordable housing. If tenants are evicted because they cannot afford the rent, previous affordable rent control units go back on the market and lose what relative affordability they had prior to eviction. Furthermore, Rent increases are a key driver of homelessness—a $100 increase in rent leads to a 9% rise in homelessness. LA can't afford to keep pushing renters to the brink. LARSO's 8% cap on annual increases is several percentage points higher than a majority of RSOs in California. Santa Monica, Cudhay, West Hollywood and Unincorporated LA County all have 3% caps. LA City should be consistent with these cities. We need to eliminate the floor in LARSO. There is no justification for a floor and it has a long history of driving unfair rent hikes, displacement, overcrowding, and homelessness. LARSO's 3% floor has determined the allowable rent increases for the majority of years and has allowed rents to rise beyond inflation for years in ways that a majority of other RSOs do not allow for. LAHD recommends a 2% floor, but any floor is arbitrary and subjects tenants to unnecessarily high and

compounding rent increases. Our pay does not automatically increase 2-3% each year and our rent increases shouldn't either. Most cities with RSOs do not have a floor-- it is not a necessary or even reasonable feature of a rent increase formula. LAHD recommends removing the utility bump. A 10% increase for each additional occupant is not found in other RSOs and discourages growing one's family and taking in struggling loved ones. The Economic Roundtable report also found that there is no evidence that small landlords are struggling more than their larger counterparts. RSO properties with 2-4 units have, on average, significantly higher rents per unit than larger properties. While landlords' operating costs have risen, so have rents beyond CPI -- meaning landlords' net operating income has been beyond CPI-- landlords are still comfortably maintaining their properties and drawing income beyond their expenses. LAHD did not recommend an alternate formula or any special regulations for small landlords-- rather LAHD will focus on expanding education and outreach for petition processes small landlords can already access under LARSO. For individual small landlords who are truly struggling, there are existing programs under LARSO they can access and the City could provide more solutions. But tenants have no control over the size of their landlord and shouldn't be subjected to higher increases based on that size. With all this in mind, I urge LA City to update the LARSO ordinance to better reflect the need of Angelenos. - David Lee Myers - Koreatown