

Communication from Public

Name: Janet Gagnon
Date Submitted: 11/04/2025 02:53 PM
Council File No: 23-1134
Comments for Public Posting: Please see attached formal letter from the Apartment Association of Greater Los Angeles (AAGLA).



“Great Apartments Start Here!”

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November 4, 2025
Via Electronic Mail

Honorable Chair Nithya Raman, and
Members of the Los Angeles City Housing and Homelessness Committee
City Hall
John Ferraro Council Chamber, Room 340
200 North Spring Street
Los Angeles, California 90012

Re: Rent Stabilization – Agenda Item 9

Honorable Chair Raman and Members of the Los Angeles City Housing and Homelessness Committee:

The Apartment Association of Greater Los Angeles (AAGLA) represents rental housing providers throughout Los Angeles, Ventura and San Bernardino counties, including a substantial number in the City of Los Angeles. More than 80% of our membership are mom-and-pop owners with 20 or fewer units.

I. No Changes Are Needed to the RSO at this Time

The RSO formula was last changed in 1985 to set the current maximum increase (“ceiling”) at 8% and the current minimum increase (“floor”) at 3%. The existing formula has set fair and reasonable increases for the last 40 years with July 1, 2025 increase resulting in only 3%. As increases are set once per year for July 1st implementation, there is no need to rush to make any changes to the existing formula at this time because the 3% maximum will still be in effect for another 8 months.

The apparent concern about high inflation at some point in the future is unwarranted and the existing ceiling has only been met on a handful of occasions over the last 40 years.

Further, **no data** has been presented by any party, including the City, showing that revisions to the existing formula are necessary at this time. Nothing has been shown that renters are being displaced at unusually high rates based on a 3% increase under the existing formula. Nor is there any data stating that displacement has occurred due to the floor, which has not been triggered in several years. **Instead, this seems like a political ploy by certain individuals on the city council seeking re-election by attempting to demonstrate that they have spent considerable time and energy to fix something that is clearly not broken.**



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II. 100% Consumer Price Index- All Items

AAGLA strongly supports 100% CPI ALL Items be maintained for the rent increase formula.

A. 100% CPI

The Consumer Price Index (CPI) measures the average change over time in prices paid by urban consumers for a “market basket” of consumer goods and services. The CPI is used for tracking inflation and deflation by comparing the cost of the “basket” in a current period to the cost of the same “basket” in an earlier base period.

To use any percentage below 100% to set rent increases would mean that the rent is **not** keeping up with inflation and resulting increases in costs. As with any business and especially small, independent rental housing providers, multifamily property owners cannot stay in business if they are unable to keep up with increasing costs and inflation.

As we have seen in other cities within Los Angeles County such as Beverly Hills, Culver City, Santa Monica, and West Hollywood, cities with rent increases that do **not** keep up with 100% of inflation force rental housing providers to be more selective in choosing renters for fear of non-payment that would lead to dire financial situations for housing providers with no margin. Severe rent stabilization fuels gentrification as renters with higher incomes and more stable jobs receive the limited available rental housing within jurisdictions subject to the rent stabilization ordinance (RSO).

<u>City Name</u>	<u>Median Household Income</u>	<u>Average Rent One Bedroom (5-20 Units)</u>
• Los Angeles City	\$79,701	\$1,506
• Beverly Hills	\$127,979 (~60% Higher than LA City)	\$2,347 (~57% Higher than LA City)
• Culver City	\$122,312 (~52.5% Higher than LA City)	\$1,900 (~27% Higher than LA City)
• Santa Monica	\$109,503 (~37.5% Higher than LA City)	\$2,096 (~40% Higher than LA City)
• West Hollywood	\$94,844 (~20% Higher than LA City)	\$2,002 (~33% Higher than LA City)

Since the receipt of stabilized rents from residents is not merely limited to low-income households, and receipt of rent follows the property and not individual renter households, many middle- and high-income households are able to take advantage of these lower rents and monopolize RSO units indefinitely despite being able to pay full market rate. Until a provision is added to the City’s RSO that full market rate rent can be charged to middle- and high-income renters for rent stabilized properties this ongoing fueling of

gentrification will continue and households that truly need stabilized rent will lose out.

Rent stabilization is a form of a subsidy (paid for by private citizen multifamily property owners) just as Medicaid and CalFresh are subsidies. Both Medicaid and CalFresh require annual proof from recipients that they are low-income and continue to qualify for such subsidies, so too should renters in RSO properties be required to provide such proof. In other words, to ensure that affordable housing is targeted based upon actual financial needs, means testing should be a requirement.

B. CPI All Items

No other jurisdiction in Southern California uses any other measurement than “All Items” for the CPI based calculation of annual rent limitations. The reason for this is that Shelter is the only category that reflects housing costs albeit indirectly. As the CPI is predominantly measured based upon “consumer prices” and not “provider costs” it is not a complete accounting of all costs that housing providers must pay in order to provide housing services to renters.

The CPI is seriously flawed as it does **not** account for **mortgage payments** made by rental housing providers that comprise approximately **52% of total costs** nor does it reflect other related mortgage fees (closing costs, documentation fees, title costs, etc.) or property insurance.

To make matters worse, multifamily property owners with 5 or more units must obtain commercial loans that have maturity dates of between 5 and 10 years. When it comes to refinancings, multifamily property owners must obtain new loans at current interest rates, for which as we have seen over the last few years interest rates have more than doubled creating additional financial stress on owners of RSO units that are unable to pass on these higher financing costs to renters in the form of increased rent.

AAGLA agrees with Keep LA Housed’s statement per their letter dated October 9, 2025 that says, “Economists consider CPI All Items a more stable measure of CPI than CPI less Shelter, which is susceptible to sharp spikes of high and low inflation.” Both sides of the debate agree that CPI All Items should remain unchanged.

III. Maximum Increase a/k/a “Ceiling” with Rollover

AAGLA supports maintaining the existing ceiling.

Ceiling. There is already a statewide ceiling of 10% or CPI plus 5%, whichever is less under the Tenant Protections Act of 2019 (Assembly Bill 1482). The current ceiling of 8% under the City of Los Angeles’ RSO has been in place since 1985 and has never been achieved during a period of high inflation. A ceiling must allow rental housing providers to stay current with inflation, or they will be forced to sell their properties during times of high inflation resulting in excessive cost increases. A ceiling that is set artificially low will severely harm housing providers and ultimately cause renters to lose their housing during such times of high inflation as housing providers are unable to remain in business.

A 3% ceiling as requested by tenant activists is simply far too low to allow multifamily property owners

with pre-1980 properties that require extensive repairs and maintenance to stay in business providing naturally occurring affordable housing and such a low ceiling would greatly increase the risk of any owner operating during periods of unusually high inflation. Had such a low ceiling been adopted previously there would have been many years that rental housing providers would not have been able to keep up with inflation, and the small businesses of many housing providers would have certainly failed.

In contrast, the LAHD report recommends 5% plus the ability to rollover specified amounts in recognition that inflation will go up at some point and multifamily rental housing providers should not be driven out of the market during those times.

Rollover a/k/a Banking. A rollover is a safety net for rental housing providers to allow them the chance to survive and to stay in business during periods of high inflation. While it does not give them immediate ability to increase rents to full inflationary rates, it does provide them with the ability for delayed increases and chance to manage finances on a temporary basis. Without such a safety net, more rental housing providers, especially mom-and-pop owners with long term renters, would be driven out of business during times when inflation exceeds the ceiling, especially if such high inflation were to continue for a protracted period of time. If a rollover is not adopted, then a higher ceiling should be adopted instead to enable rental housing providers to keep up with inflation.

IV. Minimum Increase a/k/a “Floor”

A floor provides the ability for rental housing providers to build an emergency fund to address urgent and unforeseeable repairs such as a burst water pipe, overload of an electrical panel, roof repair due to heavy winds, etc. All businesses must have the ability to pay for unforeseeable emergencies. A ceiling only means that the rental housing provider can stay current with inflation but does not provide any ability to build reserves for urgent repairs. Without a floor rental housing providers are forced to play Russian Roulette waiting for an emergency to occur that will then force an immediate “as is” sale for demolition of the property. This is particularly devastating for mom-and-pop owners that are unable to raise capital by going to Wall Street or cross-collateralizing rental properties in a large portfolio.

V. Master Metered Properties – 1% Gas and 1% Electricity

AAGLA supports maintaining the existing 1% Gas and 1% Electricity adder.

According to LAHD’s report, master metered properties make up 1 in every 5 RSO properties in the City. This is a large percentage of naturally occurring affordable housing that the City should take actions to preserve and not destroy.

Gas and electricity are necessities for renters and their use determines the costs incurred by housing providers for each on a monthly basis. If rental housing providers of multifamily master metered properties are unable to pass through these costs to the renters that are utilizing these utilities, then they will be forced out of business due to an inability to cover legitimate costs.

The City should either keep these 1% utility pass-throughs as is or at least permits actual costs to be passed through using a fair formula for all renters. A Ratio Utility Billing System (RUBS) is not the “boogeyman”

that tenant activists wrongly claim that it is. It is merely an open and transparent formula that makes basic logical assumptions to create a fair allocation of costs among renters.

For example, RUBS allocations are based upon factors like square footage, number of occupants and number of bedrooms. RUBS deploys common logic that if someone rents a unit with several bedrooms that they anticipate several people living with them in the unit. Equally, it is common logic that the greater the number of renters in the unit, the greater the amount of gas that will be used for hot showers, drying clothing, and cooking meals. Also, it will increase the amount of electricity used based on the number of individuals with their own electrical devices, including cell phones, televisions, laptops, blow dryers, curling irons/straighteners, etc.

If there is some type of more equitable formula to allocate costs among renters, then the City could create a working group to develop it. In any event, these are legitimate costs based on renters' daily living activities that need to be paid for by the renters. Owners of master metered properties have initially priced their rent based upon their ability to pass-through 1% each for gas and electricity costs, and now to suddenly disallow this pass-through would be completely unfair to housing providers and cause financial harm.

VI. Extra Renters Increase of 10%

AAGLA supports maintaining the existing 10% increase for additional renters.

As mentioned above, additional persons who are living in a unit create additional costs. Additional individuals mean increased trash hauling costs, increased sewer costs, increased utility costs, increased wear and tear on the unit, increased wear and tear in the common areas, etc. An additional 10% is a modest increase based on all these additional costs for yet another individual to be living in the unit.

VII. Mom-and-Pop Rental Housing Providers

AAGLA supports additional recognition for small rental housing providers with 25 or fewer units.

Most of the RSO properties within the City of Los Angeles are owned by small, independent owners with 25 or fewer units with many owning a single property. The City of Los Angeles has previously recognized small owners with the ULA Emergency Renters Assistance Program (ERAP) limited to small rental housing providers with 12 or fewer units. Self-certification was used to distribute these funds. Also, Los Angeles County is using self-certification for providing assistance to wildfire impacted individuals.

As previously discussed, mom-and-pop owners with 25 or fewer units do not have a large portfolio of rental properties to cross-collateralize to obtain additional financing from lenders or Wall Street. When they are unable to cover costs due to overly aggressive CPI formulas with low ceilings, non-existent floors or non-reimbursement of utilities, then they are forced to sell their properties and go out of business. When the properties are sold, they are not being purchased by new small owners.

In fact, small owner properties are being purchased by large institutional investors, corporations or developers. These pre-1980 properties are typically demolished and replaced with luxury for-sale housing, including McMansions, condominiums and townhouses. As such, the City permanently loses naturally



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occurring affordable housing and low-income renters are forced to find new housing. The City must recognize the financial realities that are different for small owners versus large institutional investors by providing additional financial support to them in any RSO formula revisions.

The City has long had a rental registry in place that tracks when properties are sold and to whom. LAHD should be able to provide data on new owners that are purchasing RSO properties verifying that such properties are not being purchased by new mom-and-pop owners.

Thank you for your time and consideration. Please feel free to reach out to me directly by telephone at (213) 384-4131; Ext. 309 or via electronic mail at janet@aagla.org.

Sincerely,

Janet M. Gagnon

Janet M. Gagnon, Esq.

CC: Daniel Yukelson, Executive Director, Apartment Association of Greater Los Angeles

Communication from Public

Name: Santa Monicans for Renters' Rights
Date Submitted: 11/04/2025 12:34 PM
Council File No: 23-1134
Comments for Public Posting: Please find attached the comments of Santa Monicans for Renters' Rights regarding item 9 on the November 5, 2025 agenda of the Housing and Homelessness Committee (LAHD recommended changes to the Los Angeles Rent Stabilization Ordinance).



November 3, 2025

**RE: Item 9 on November 5, 2025 Agenda of Los Angeles City Council's
Housing and Homelessness Committee**

Dear Chair Raman and Committee Members Jurado, Blumenfield, Hutt and McOsker:

Santa Monicans for Renters' Rights ("SMRR") is writing to express its support for the proposals to amend to the Los Angeles Rent Stabilization Ordinance ("LARSO") that have been submitted to you by the Keep L.A. Housed Coalition ("KLAH"). SMRR is a 47 year old grassroots tenants' rights organization that led the successful electoral campaign in 1979 to pass a citizens' initiative that amended the Santa Monica City Charter to include a rent control law (the "SM RCL"). Since that time SMRR has been intimately involved with the implementation of the SM RCL and its periodic amendment via ballot initiative. SMRR also long has advocated more generally for tenants' rights throughout California.

KLAH's Proposed Amendments Would Make LARSO Highly Similar To The SM RCL

KLAH proposes that LARSO be amended to set the annual limit on permissible rent increases for all landlords at sixty percent (0.6) of the change in the all items Consumer Price Index up to a maximum increase of 3%. Adopting this proposal would eliminate LARSO's current minimum annual increase of 3%, lower LARSO's current maximum annual increase of 8%, eliminate LARSO's current allowance of an additional 1% for landlords who pay for gas and an additional 1% for landlords who pay for electricity, and eliminate LARSO's current allowance of a 10% increase with the addition of an additional occupant.

The changes proposed by KLAH would bring LARSO much closer to the SM RCL. Santa Monica does not allow landlords to raise the rent when an additional occupant is added to the apartment (and bans landlord efforts to evict tenants when additional family members cause the tenant to exceed the maximum occupancy set out in the rental agreement). Santa Monica does not allow additional rent increases when landlords pay for utilities. Santa Monica limits the maximum annual rent increase to 3%. And Santa Monica does not provide for a minimum annual rent increase. Rather—at least up to the 3% cap—Santa Monica permits annual rent increases that equal the *lower* of either (a) seventy-five percent (0.75) of the change in the all items Consumer Price Index multiplied by the tenant's current rent or (b) seventy-five percent (0.75) of the change in the all items Consumer Price Index multiplied by the average of the 85th percentile rent for all units subject to the SM RCL and the 85th percentile rent for units that have not had a vacancy rent increase since 1999.

KLAH's Proposed Amendments To LARSO Are Both Desperately Needed By Tenants And Fair To Landlords

LARSO Tenants Need Relief From Unnecessarily High Rent Increases

The need to provide relief to tenants from the various provisions of LARSO that unnecessarily permit rent increases far in excess of those permitted under the SM RCL is patent.

Using the most recent Census Bureau data available (from the 2023 one-year ACS survey), 56.0% of renter households in the City of Los Angeles paid 30% or more of their incomes for rent and utilities, *including 29.9% who paid 50% or more.*¹ This rent burden crisis is both a major health crisis for the affected tenants,² as well as one of the key drivers of the homelessness crisis.³ Eliminating unnecessarily excessive annual rent increases under LARSO will help mitigate these crises.

¹ These percentages are calculated using the renter cost burden data for the City of Los Angeles reported at U.S. Census Bureau, U.S. Department of Commerce. "Gross Rent as a Percentage of Household Income in the Past 12 Months." American Community Survey, ACS 1-Year Estimates Detailed Tables, Table B25070 (last accessed on 24 Aug 2025), available at <https://data.census.gov/table?q=B25070&g=160XX00US0644000>. If the renter households for whom no rent burden was calculated are excluded, then the percentages rise slightly; 58.7% of renter households in the City of Los Angeles paid 30% or more, including 31.3% who paid 50% or more.

² For example, a 2024 study by researchers from Princeton and the U.S. Census Bureau using nationwide data from 2000 through 2019 found that—compared a rent burden of 30%—a rent burden of 50% is significantly associated with *9% higher mortality*, and a rent burden of 70% is significantly associated with *12% higher mortality*. That same study found that simply receiving an eviction notice is significantly associated with *a 19% increase in mortality*, and an actual judgment of eviction is significantly associated with *a 40% increase in mortality overall (and with a 27% increase among those most at risk of eviction, and who therefore likely already faced the highest baseline mortality rates)*. See Graetz et al., "*The impacts of rent burden and eviction on mortality in the United States, 2000-2019*," 340 *Social Science & Medicine* 116398 (2024) at pp. 4-6, available at <https://www.sciencedirect.com/science/article/pii/S0277953623007554?via%3Dihub>.

³ For example, a 2023 Statewide study conducted by UC San Francisco concluded that, with respect to the 80% of those experiencing homelessness who did not enter homelessness directly from an institutional setting:

“Homelessness is inextricably linked to deep poverty. The median monthly household income preceding homelessness was \$960 (\$1400 for leaseholders and \$950 for non-leaseholders).”

“Precarious living situations often precede homelessness; 60% of participants in non-institutional settings prior to homelessness were not on a lease agreement.”

For these non-leaseholders, 57% were not paying any rent. Of the 43% of non-leaseholders who paid rent, 57% were rent burdened, including 41% who were severely rent burdened.

KLAH’s Proposed Amendments Also Are Fair To Landlords

As stated in LARSO’s declaration of purpose “it is necessary and reasonable to regulate rents so as to safeguard tenants from excessive rent increases, while at the same time providing landlords with just and reasonable returns on their rental units.” KLAH’s proposed amendments are fully consistent with this declaration as they still permit landlords to earn just and reasonable returns.

Due to vacancy decontrol (i.e., the ability of landlords to reset initial rents to current market levels when renting to new tenants), rents have grown much faster over time than landlord operating costs. This is demonstrated, for example, by the Table compiled by the Economic Roundtable, which shows that—as of January 2023—average rents in LARSO units that had their initial rent reset to market upon a new tenant moving in during the 2020 to January 2023 timeframe (some 40% of all RSO units) were at least 40% higher than the average rents in units that only had LARSO annual rent increases since LARSO’s adoption in 1979.⁴ Indeed, some 80% of RSO units have average rents higher than the average rent for those units that have only

For the 40% of participants in non-institutional settings prior to homelessness who had a lease, 10% did not pay any rent. Of the 90% of leaseholders who paid rent, 66% were rent burdened, including 42% who were severely rent burdened.

“Leaseholders reported that an economic reason contributed to their homelessness more often than non-leaseholders. Non-leaseholders were more likely to report a social reason. However, participants spoke to structural conditions (e.g., high housing costs, crowded housing, low-income, etc.) that preceded the social reasons.”

“Most participants believed that interventions that provided financial assistance could have prevented their homelessness. Participants overwhelmingly believed that shallow monthly subsidies, a lump-sum payment, or rental assistance that reduced rental burdens would have been effective.”

See UCSF, “*Toward a New Understanding: The California Statewide Study of People Experiencing Homelessness*” at pp. 32-33, 49 (June 2023), available at https://homelessness.ucsf.edu/sites/default/files/2023-06/CASPEH_Report_62023.pdf.

⁴ Economic Roundtable, *Equitable Rent: Rent Stabilization Standards in the City of Los Angeles*, at p. 88 (2024) (“2024 ER Report”), available at https://clkrep.lacity.org/onlinedocs/2023/23-1134_rpt_hci_11-1-24.pdf (attachment to 11/1/24 Report by Los Angeles Housing Department to City Council):

Table 7: Average RSO Rent in January 2023 by Building Size and Move-In Year

Move-In Year	2-4 Units	5-9 Units	10-19 Units	20-49 Units	50+ Units	All Units	Number of Units
All Years	\$2,357	\$1,952	\$1,651	\$1,560	\$1,500	\$1,609	450,268
1970-1979	\$1,551	\$1,240	\$1,155	\$1,103	\$1,149	\$1,314	2,036
1980-1989	\$1,618	\$1,345	\$1,177	\$1,159	\$1,186	\$1,261	4,117
1990-1999	\$1,584	\$1,396	\$1,209	\$1,150	\$1,126	\$1,218	27,415
2000-2009	\$1,759	\$1,483	\$1,293	\$1,223	\$1,195	\$1,284	52,910
2010-2014	\$1,926	\$1,633	\$1,405	\$1,316	\$1,271	\$1,331	82,652
2015-2019	\$2,291	\$1,889	\$1,628	\$1,545	\$1,491	\$1,532	133,173
2020 – Jan 2023	\$2,624	\$2,350	\$2,014	\$1,886	\$1,778	\$1,852	147,481

Source: Economic Roundtable team analysis; City of Los Angeles Housing Department Rent Registry 2024.

had LARSO annual rent increases since 1979 (and no vacancy increases).⁵ Put another way, the initial rent charged to most LARSO tenants is already much higher than the rent necessary to cover landlord operating costs, *even assuming that LARSO's current formula for annual rent increases was needed to cover increases in operating costs* (but see below). It therefore is not surprising that the Economic Roundtable also found that (1) the average sales price per unit (which is a function of net operating income after expenses) of LARSO buildings containing five or more units *quadrupled* from 2000 through 2019, and then *increased by another 15%* during the three years from 2020 through 2022 (despite temporary rent freezes for existing tenants), and (2) that LARSO properties containing only three or four units on average appreciated *at an even greater rate*.⁶

Per the Economic Roundtable, operating costs on average are only 35% of rents. Thus, even if operating costs rose by CPI, raising the entire amount of the rent each year by CPI (or even more than CPI because LARSO uses a minimum annual rent increase) is far more of a rent increase than is necessary to cover increased landlord costs. Therefore, for all these reasons, KLAH's proposed annual increase of sixty percent (0.6) of all items CPI—with no minimum annual rent increase—still permit landlords to earn just and reasonable returns. And, to the extent some individual landlord cannot earn fair and reasonable returns based on this annual rent increase alone, LARSO's provisions allowing additional rent increases (for capital improvements, to assure a fair and reasonable return, etc.) already protect that landlord.

Finally, KLAH's 3% cap on annual rent increases (with no carry over from year to year) likewise still permit landlords to earn just and reasonable returns. This cap will only be triggered when inflation exceeds 5% (using KLAH's proposed sixty percent of all items CPI), which according LAHD has occurred only once in the last 30 years. Adding this cap protects tenants against very rare extraordinary inflation, just as the lack of a provision mandating an annual decrease when the change in CPI is negative (as occurred in 2009) protects landlords against very rare extraordinary deflation.⁷ Particularly in light of impact of vacancy decontrol on rent levels, providing such protection to renters against extraordinary inflation is fair and reasonable.

Santa Monica's Experience With Provisions Similar To Those Proposed By KLAH

In 2012, SMRR, the elected members of the Santa Monica Rent Control Board, the elected members of the Santa Monica City Council, and a majority of Santa Monica voters all supported a formal Charter Amendment permitting annual rent increases that equal the *lower* of either (a) seventy-five percent (0.75) of the change in the all items Consumer Price Index multiplied by the tenant's current rent or (b) seventy-five percent (0.75) of the change in the all items Consumer Price Index multiplied by the average of the 85th percentile rent for all units subject to the SM RCL and the 85th percentile rent for units that have not had a vacancy rent increase since 1999. This amendment merely codified what already had effectively been the result under various regulations previously adopted by the elected Santa Monica Rent Control Board to implement the prior more general language regarding annual rent increases found in the original SM RCL.

⁵ See 2024 ER Report at 88, Tables 6-7.

⁶ See 2024 ER Report at 121-22.

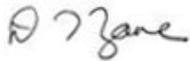
⁷ See 11/1/24 Report by Los Angeles Housing Department to City Council at p.12 of 17, available at https://clkrep.lacity.org/onlinedocs/2023/23-1134_rpt_hci_11-1-24.pdf.

In 2022, facing the threat of a six percent rent increase (the cap adopted in 2012) posed by the extraordinary COVID-era inflation, SMRR, the elected members of the Santa Monica Rent Control Board, the elected members of the Santa Monica City Council, and a majority of Santa Monica voters all supported lowering that cap to 3% (thereby avoiding the otherwise threatened 6% rent increase).

SMRR would not have supported these provisions if it believed—or saw evidence—that they threatened the continuation of a viable rent-controlled housing stock in the City. And the existence of these provisions have not led to a mass withdrawal of rent controlled units from the market. Indeed, less than two percent of Santa Monica’s rent controlled housing stock has been withdrawn from the market since the 2012 amendments to the SM RCL (which is less than was lost when the Ellis Act was initially adopted in 1986), and no net units have been withdrawn since the 2022 amendments to the SM RCL. In other words, Santa Monica’s method of calculating permissible annual rent increases has protected tenants without provoking a landlord revolt in the rent-controlled housing market.

Thank you for considering SMRR’s views on this important matter.

Sincerely,



Denny Zane
Co-Chair, Santa Monicans for Renters’ Rights



Mike Soloff
Co-Chair, Santa Monicans for Renters’ Rights

Communication from Public

Name: Fred Sutton

Date Submitted: 11/04/2025 12:35 PM

Council File No: 23-1134

Comments for Public Posting: Hello Honorable Committee Members, Attached, please find a letter from the California Apartment Association related to item 9 on tomorrow's Housing and Homelessness committee agenda.



California Apartment Association
Los Angeles County

November 4, 2025

Chair Nithya Raman
Housing and Homelessness Committee
City of Los Angeles
VIA Email

OPPOSE Re: Item 9 - RSO Annual Adjustment ([C.F. 23-1134](#))

Honorable Chair Raman and Members of the Housing Committee,

The California Apartment Association (CAA) represents local housing providers, operators, suppliers, and business owners, as well as real estate professionals involved in managing rental properties ranging from single-family homes to large apartment communities. We are committed to promoting fair, balanced, and equitable housing policies in the City of Los Angeles. We respectfully urge you to oppose the proposed amendments to the Rent Stabilization Ordinance (RSO) formula.

The changes will worsen Los Angeles's housing shortage. Attached to this letter is a comprehensive peer review by Beacon Economics, which critically analyzes the Economic Roundtable Study relied upon by the Los Angeles Housing Department (LAHD). Beacon's analysis calls into question many of the Roundtable's conclusions and reaffirms what has been demonstrated for decades: stricter rent controls reduce both the quality and quantity of available housing.

Lowering rent caps and altering the CPI calculation by removing the "shelter" component would eliminate the most relevant part of the formula. Changing to "CPI Less Shelter" would tie rent adjustments to unrelated consumer items, producing an artificial number that has no connection to actual housing costs. The current CPI framework already fails to capture the true cost of providing housing. As the [Bureau of Labor Statistics notes](#), "*Spending to purchase and improve houses and other housing units is treated as investment and not consumption in the CPI.*" In other words, CPI was never intended to reflect the operational and capital costs that housing providers face.

It is important to remember that the RSO was established in a high-inflation environment to address the very concerns being raised today. It is also much more stringent than statewide AB 1482 price gouging protection, which was deliberated on for months by the legislature. Rather than focusing on how to further tighten rent controls, council should be asking whether the RSO is the right tool to achieve long-term affordability.

The committee should reject changes to the utility pass-through. The Economic Roundtable report itself does not recommend eliminating this provision, it suggests the City consult LADWP and SoCal Gas for data. Utility costs are rising sharply. For those who utilize this provision, there is no mechanism to recover expenses or encourage conservation without it. While not widely used, this is essential for the housing providers who rely on it.

Protect the allowable floor. The allowable floor is not a guaranteed increase; it is a flexible mechanism that helps providers keep pace with costs that rise independently of CPI. Removing or lowering it would further disconnect allowable adjustments from real-world economic conditions.



California Apartment Association
Los Angeles County

The Los Angeles Times [recently confirmed](#) what builders and housing providers already know: apartment construction in the city has largely stalled. Projects are being shelved, and housing providers are moving capital to markets like Dallas. Every new development eventually becomes rental housing that must be operated. Political decisions that make ownership or operation more difficult send a clear signal to look elsewhere. The regulatory environment in Los Angeles has become not only burdensome but hostile.

Lowering the RSO formula would compound years of restrictive policies, including a four-year rent freeze, two eviction moratoriums, and an ever-growing list of new regulations and administrative requirements. If the City continues to add hurdles to operating, there will be fewer partners willing to take risks in Los Angeles. Independent rental owners who make up much of the city's naturally affordable housing stock are already leaving the market, discouraged by the mounting financial and regulatory burdens.

The region is not currently experiencing runaway rent growth. In fact, many housing providers are offering concessions as vacancy rates now exceed 5%, a level the State of California [considers](#) "healthy". While this softening does not solve the underlying housing shortage, tightening price controls will not create a single new unit. Only increased housing production can meaningfully improve affordability and access.

CAA and our members remain ready to be partners with the city. But partnership requires balance, predictability, and trust. We urge the City Council to reject the proposed RSO formula changes and instead focus on policies that promote investment, maintain quality housing, and expand opportunities for all Angelenos. Don't make the housing crisis worse.

Sincerely,

Fred Sutton
California Apartment Association

RESPONSE TO LAHD RECOMMENDATIONS ON ALTERING CITY OF LA'S RENT STABILIZATION ORDINANCE



The Los Angeles Housing Department (LAHD) recently proposed amendments to the Rent Stabilization Ordinance (RSO) based on Economic Roundtable analysis. Beacon Economics analyzed the recommendations, supporting analysis, and assumptions, finding them flawed and misleading. Key indicators, such as housing burdens and real incomes, suggest an improving environment for renters.

Evidence shows homelessness is more closely tied to income loss, mental health challenges, and the disappearance of ultra-affordable housing rather than regulated rent increases. The most critical finding is that stricter RSO policies—lower caps, removing the Shelter Index, or eliminating the utility allowance—could increase rent hikes upon turnover and accelerate average rent increases. Below is a summary of our findings.

1 RENT CAPS

- **LAHD recommends** lowering rent caps to 2% in low inflation years and 5% in high inflation years.
- Turnover, not annual increases, drives nearly two-thirds of average RSO rent hikes.
- Stricter caps may accelerate rent increases during turnover, which affects 40% of units every three years.

2 UTILITY ALLOWANCE

- **LAHD recommends** removing the 1-2% utility allowance for housing providers.
- The study ignores LADWP and SoCal Gas data on actual utility costs, opposing Roundtable's suggestion.
- Master-metered properties can't absorb these costs, risking higher turnover rents and reduced affordability.

3 CPI VS. CPI LESS SHELTER

- **LAHD recommends** replacing CPI with CPI-Less Shelter to remove "circularity."
- The Shelter component is the most relevant part of the CPI for rent caps.
- Removing it would tie rents to unrelated factors like gasoline and shoes.

4 OPERATING COSTS

- Operating costs, like insurance (+17% in 20 months) and maintenance (+25% above CPI in a decade), have risen sharply.
- The study overlooks variations in property age, location, and size and relies on outdated cost estimates.
- Debt service, capital expenditures, and reserves are real costs for housing providers.

5

RENT REGISTRY DATA

- Rent Registry data was not used to calculate actual rent increases for continuing tenants.
- The average rent data used combines both continuing and new tenants, making it difficult to identify clear trends.
- Over the past decade, rents for continuing tenants increased 0.64% less than CPI inflation.

6

SMALLER PROVIDERS

- Smaller housing providers were harder hit during the pandemic, with higher non-payment rates.
- These housing providers collect 16% less rent per bedroom.
- Their revenue growth is limited by low vacancy rates, restricting their ability to adjust rents to market levels.

7

RENT CAP VS. CPI GROWTH

- Rent caps are limits, not automatic increases.
- While caps may have risen faster than CPI during low inflation years, actual annual rent changes have averaged about 0.5%.

8

UNINTENDED CONSEQUENCES

- Rent control often leads to reduced investments, steeper rent hikes at turnover, and a less flexible market.
- Expanding supply and offering targeted assistance are more effective solutions for LA's housing challenges.

RENT CONTROL IMPACT

Rent control, while well-meaning, has unintended consequences, such as reduced investment in RSO properties, steeper rent increases at turnover, and a less flexible rental market. Stricter controls often fail to achieve their goals because renters, housing providers, and markets respond to financial incentives. Policies that expand supply and provide targeted assistance are better suited to addressing Los Angeles's housing challenges.



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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.

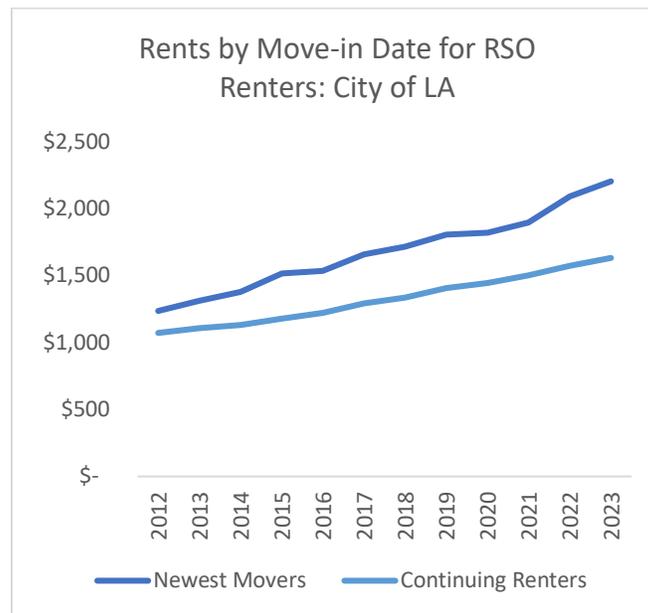
The LAHD's recommendations include lowering the cap on annual rent increases from 3% to 2% in low inflation years and from 8% to 5% in high inflation years, eliminating the 1-2% utility allowance for housing providers, and replacing the standard CPI with "CPI Less Shelter" to set rent caps. These recommendations 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:

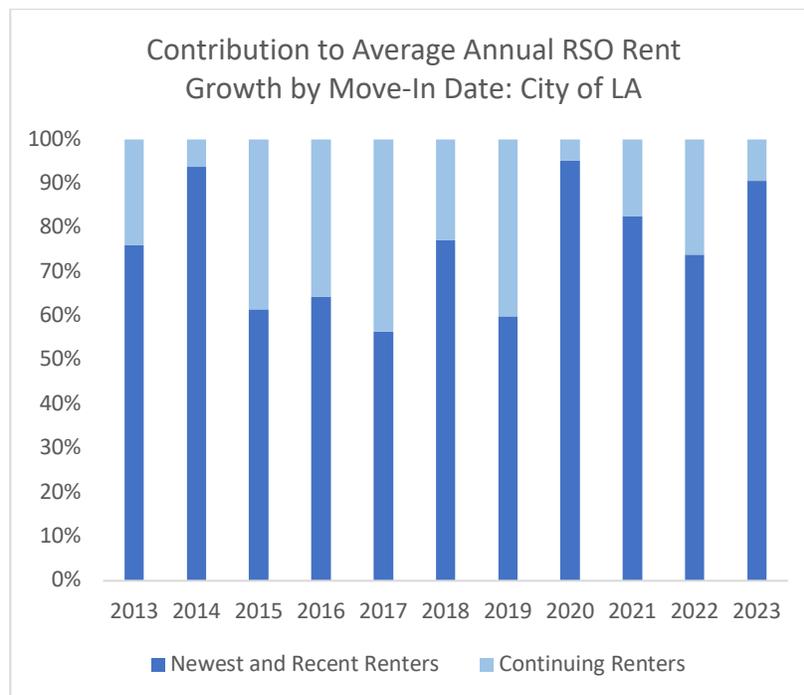
- **Continuing Renters:** These tenants, who moved in two or more years ago, saw average annual rent increases of just 1.57% over the past decade, well below the maximum allowable increase under the RSO formula (2%) and lower than the LA-area CPI growth rate of 2.21%.

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.

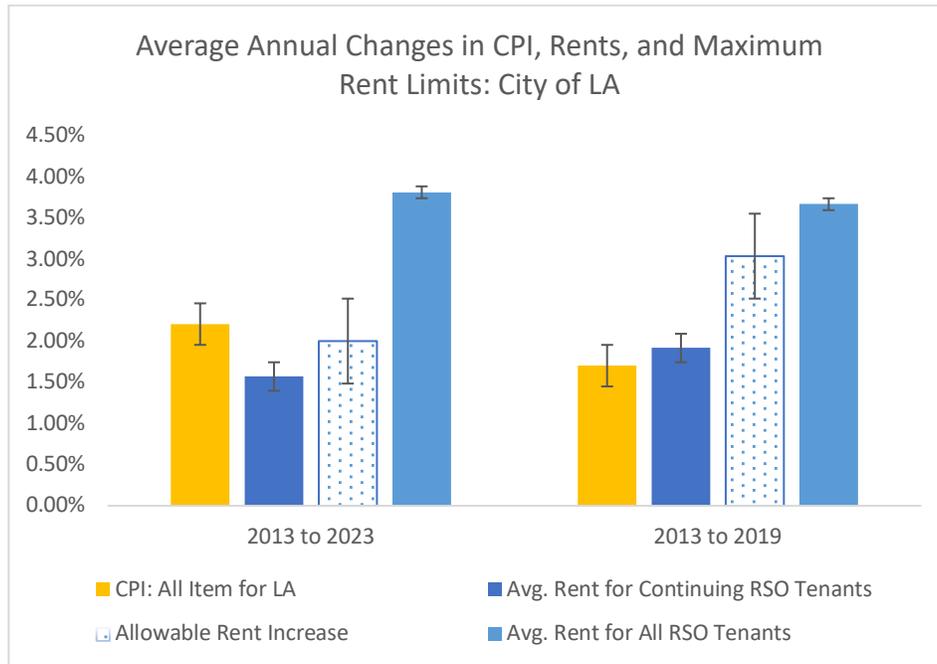
Figure 2.



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.

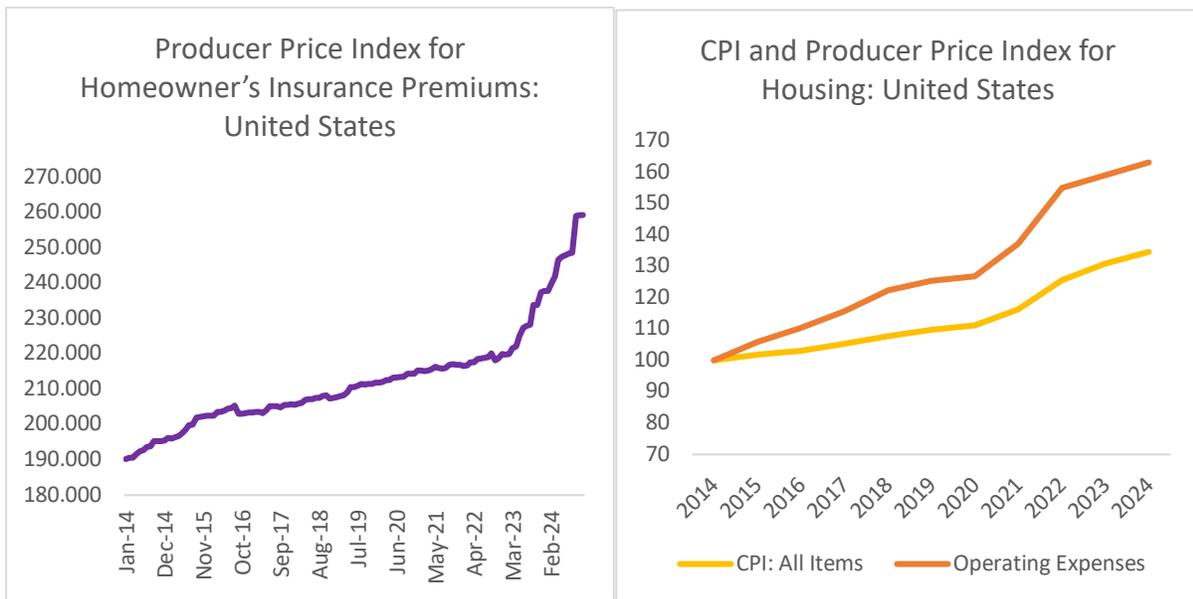
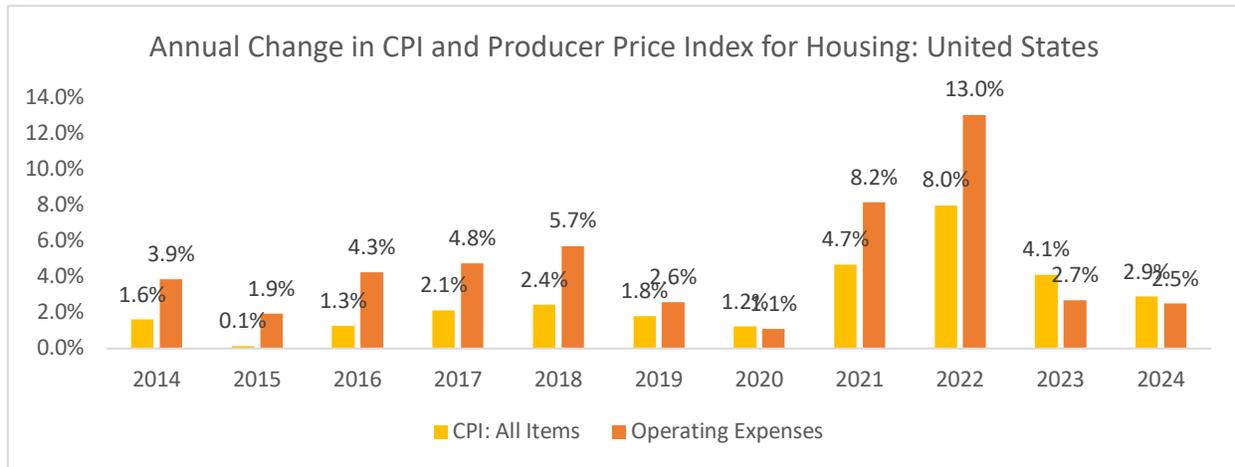


Fig. 4 Source: U.S. Bureau of Labor Statistics, Producer Price Index by Industry: Premiums for Property and Casualty Insurance: Premiums for Homeowner’s Insurance [PCU9241269241262], retrieved from FRED, Federal Reserve Bank of St. Louis. Analysis by Beacon Economics.

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.

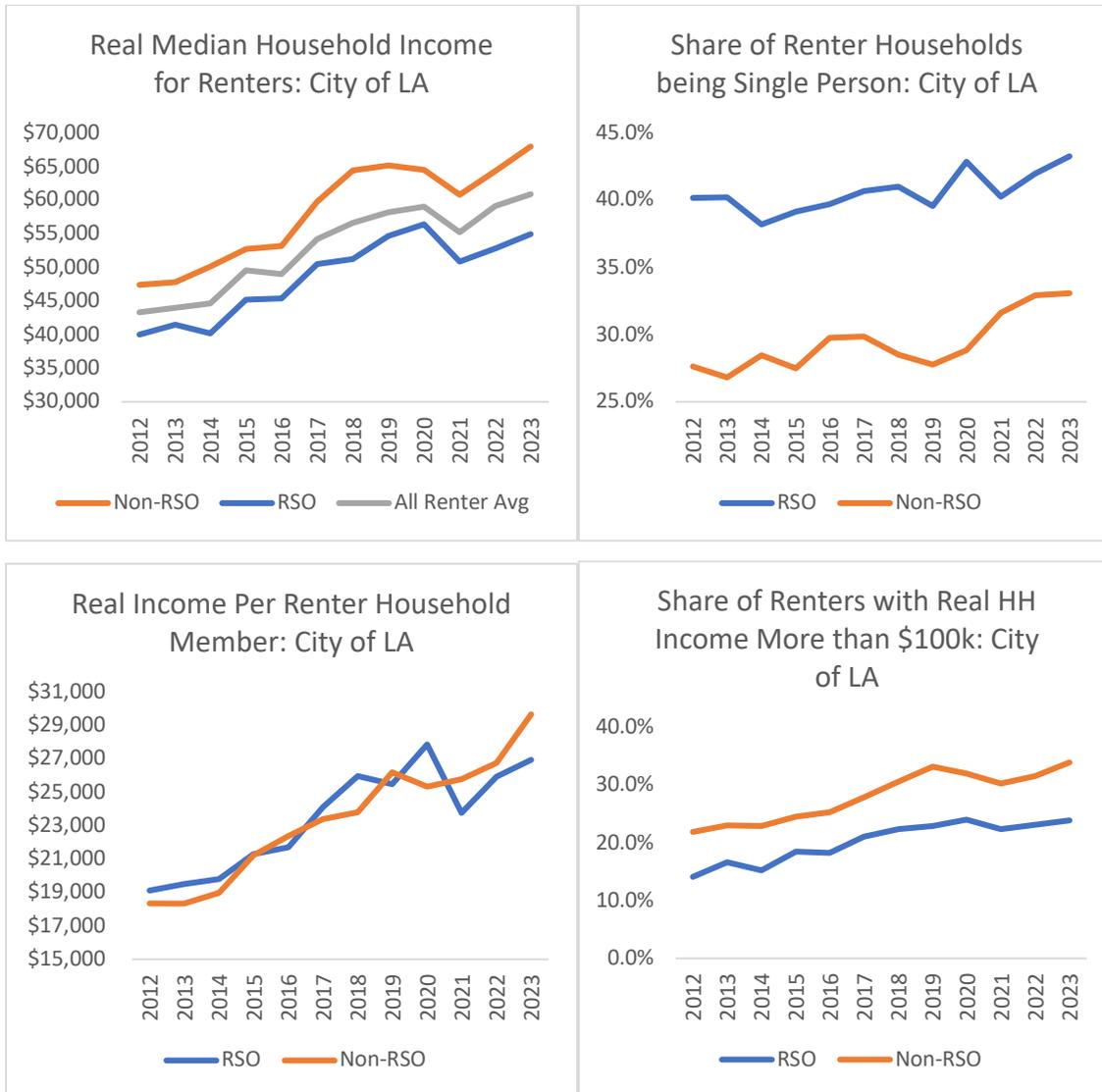
These trends indicate that renters in Los Angeles are generally improving their financial positions, a finding consistent across RSO and non-RSO units.

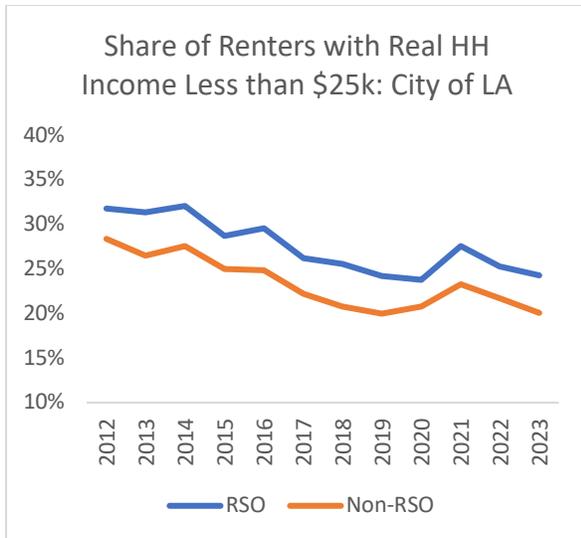
The Roundtable report's reliance on average income, rather than median income, to compare the finances of RSO and non-RSO renters is problematic, particularly given the acknowledged disparities in income distributions (pg. 25). Median income provides a more accurate and meaningful representation of typical 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:

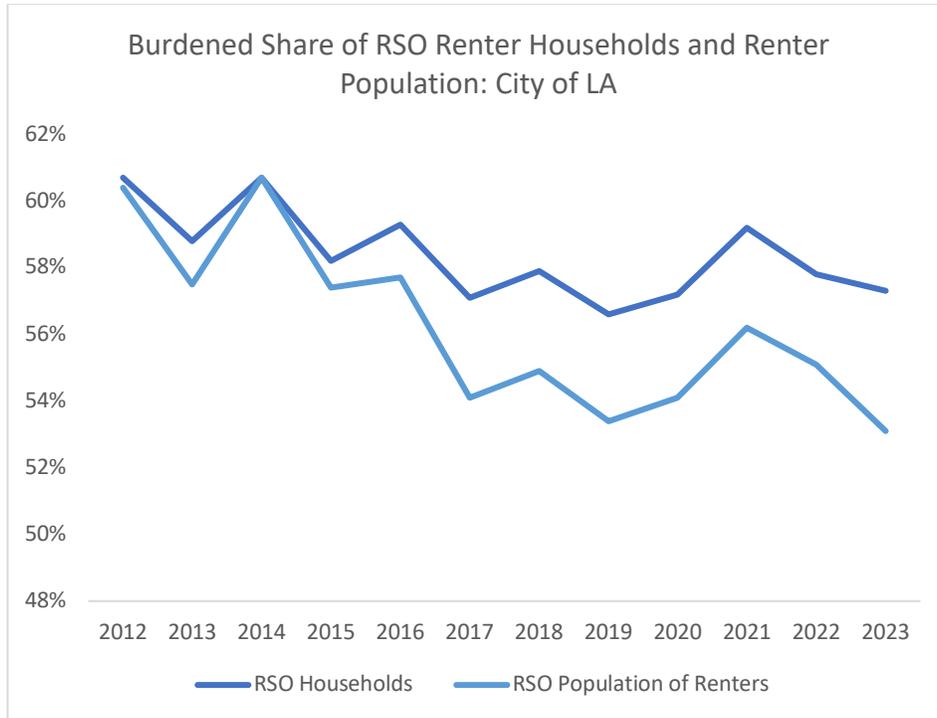
- Decline in Housing Burdens:** Over the past decade, the share of RSO renter households experiencing housing burdens (spending more than 30% of income on rent) has declined. This trend was temporarily interrupted during the COVID-19 pandemic but resumed its downward trajectory post-pandemic.
- Post-Rent 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

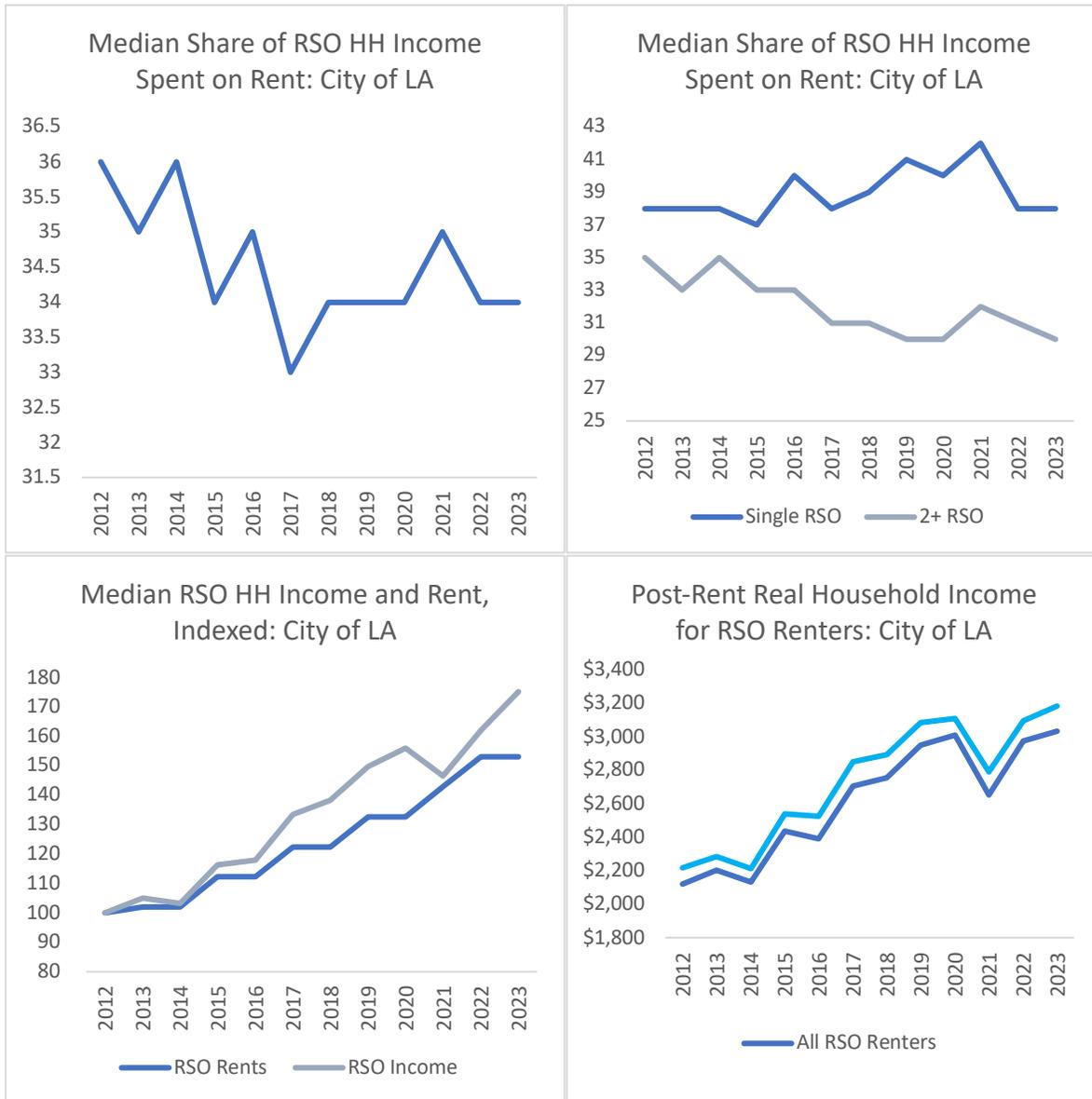
report income, real median post-rent income rose from \$2,218 to \$3,183 during the same period. This demonstrates that, in real terms, the typical RSO renter in the city has seen financial improvement over time—even after accounting for the rent they pay.

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.

EVICIONS AND NON-PAYMENT

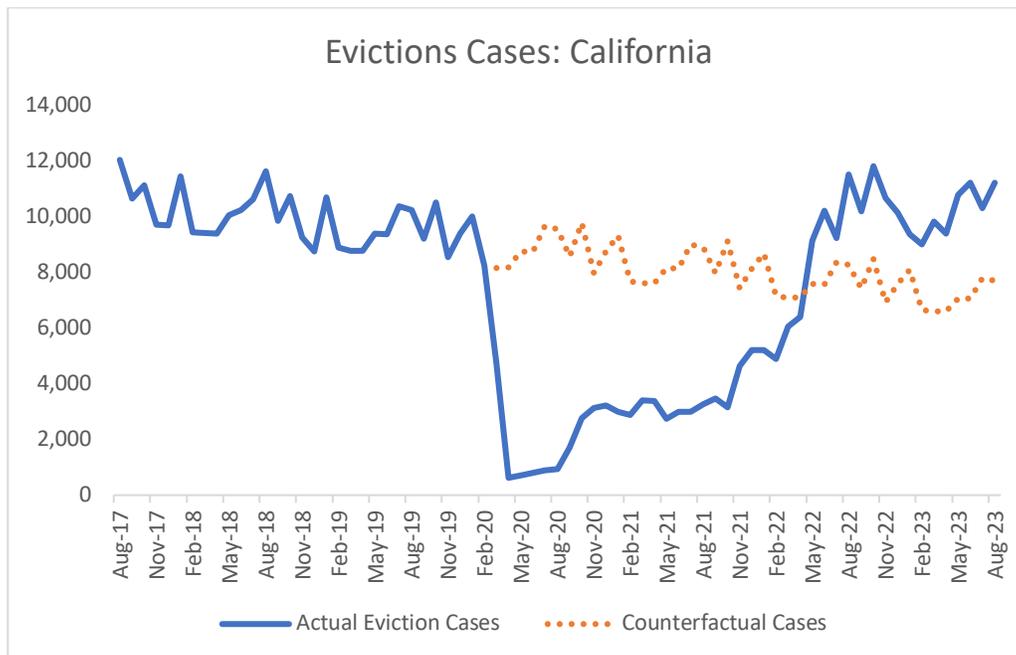
Eviction data does not support the claim that rising rents directly lead to homelessness:

- **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

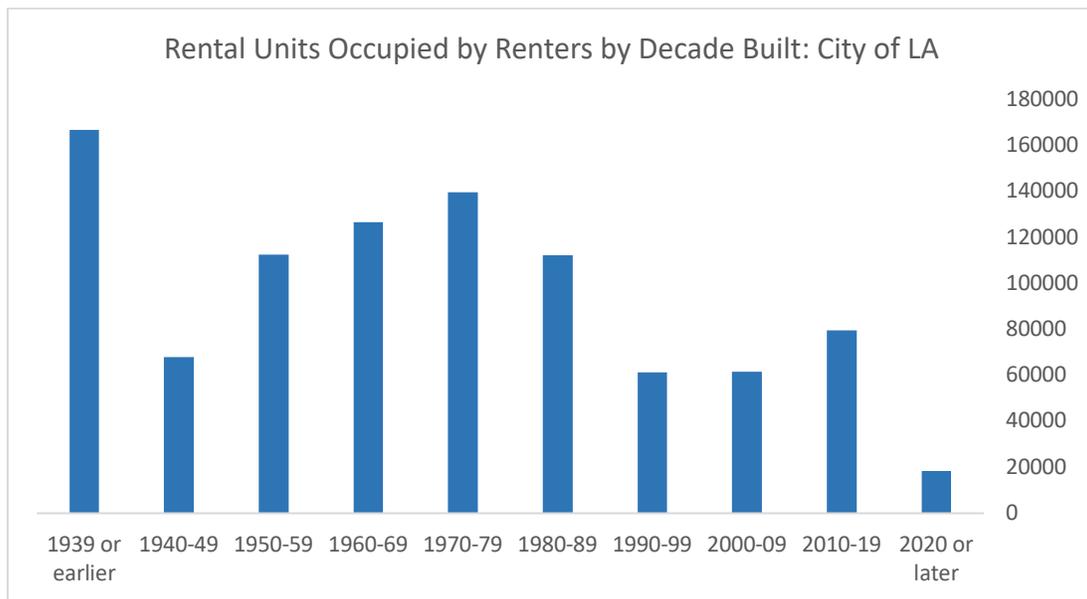
Rent control policies stand in the way of tenant mobility. Research shows that renters often feel tied to their rent-controlled units, even when their income rises or their housing needs change.^{12,13} People may choose to stay in a rent-controlled unit even when it no longer suits their needs because 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.

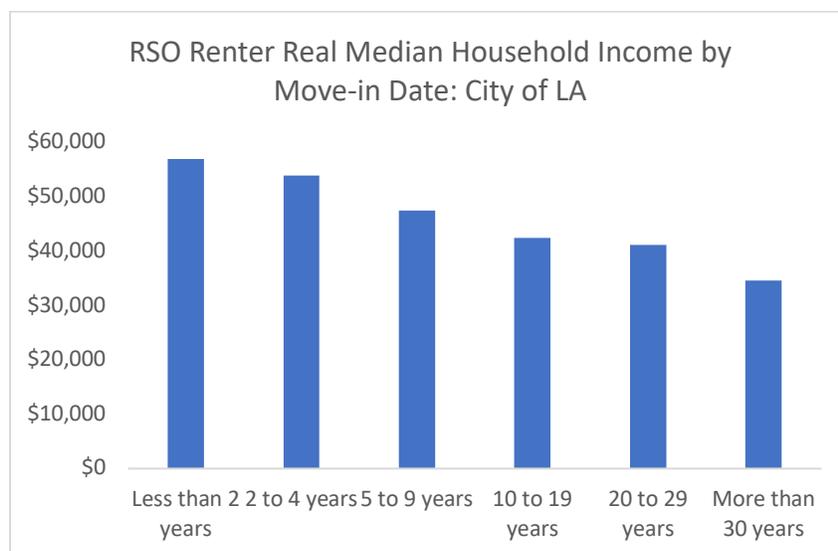
Research dating back to 1984 supports this theory.^{17,18} As one study concludes:

“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.”^{17,18}

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.

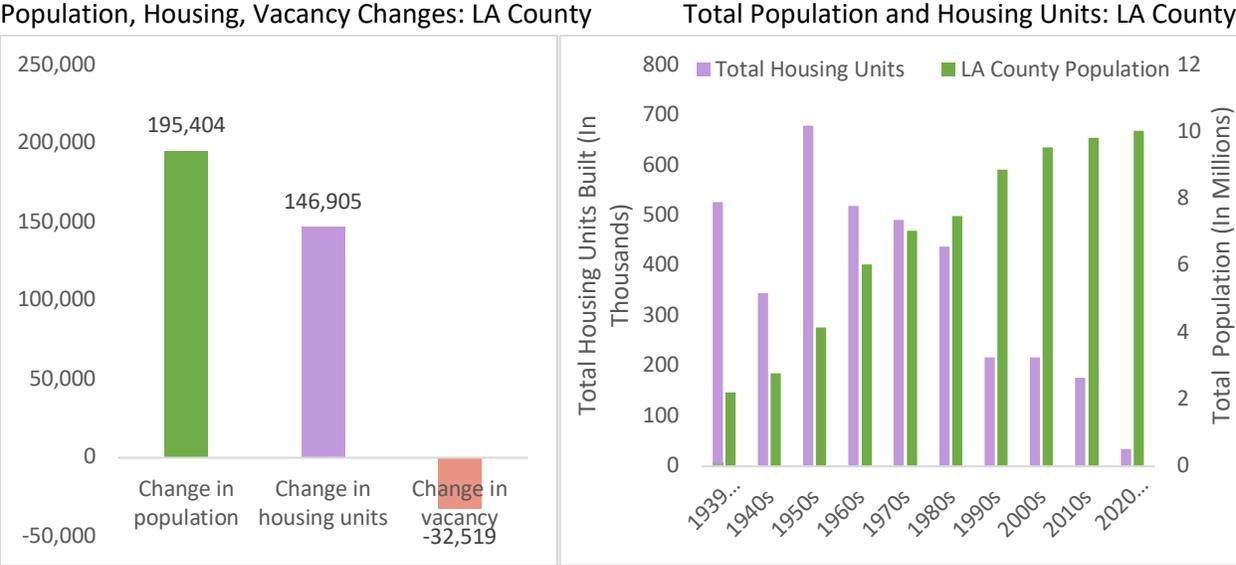


Fig. 24 Source: Decennial U.S. Census, 2010 and 2020. Analysis by Beacon Economics.
 Fig. 25 Source: Source: Decennial U.S. Census, 1930-2020 and U.S. Census American Community Survey, 2022. Analysis by Beacon Economics.

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: Jacqueline Burbank

Date Submitted: 11/04/2025 12:58 PM

Council File No: 23-1134

Comments for Public Posting: Councilmembers, My name is Jacqueline Burbank and I am a renter living in Hollywood (District 13) who also works at legal aid nonprofit Inner City Law Center in Skid Row (District 15). I am asking you to support the Keep LA Housed Coalition's proposal to strengthen LARSO. For the past three years, the coalition has advocated for a fair rent increase formula for tenants. The coalition has grown to over 100 organizations, including the LA Federation of Labor, immigrants rights groups, faith-based organizations, and hundreds of renters and small landlords. Today, Angelenos like me are rising with one voice to ask you to strengthen LARSO by: -Calculating rent increases based on 60% CPI All Items. -Capping rent increases at 3% with no floor. -Removing bumps for utilities and additional occupants. -Saying no to rent banking. You might think that a few percentage points one way or the other doesn't matter all that much, but it matters to the hundreds of thousands of tenants in Los Angeles who are living paycheck-to-paycheck. I can say with authority that, for all too many, those few percentage points will be the difference between being housed and being homeless. Please take action today to protect renters in Los Angeles from falling into homelessness — cap the rent at 3%! Thank you.

Communication from Public

Name: Abundant Housing LA / Inner City Law Center / Livable Communities Initiative
Date Submitted: 11/04/2025 07:24 PM
Council File No: 23-1134
Comments for Public Posting: Please see attached letter.



November 4, 2025

Honorable Members of the City Council
Los Angeles City Council
200 North Spring Street
Los Angeles, CA 90012

RE: Strengthening The Los Angeles Rent Stabilization Ordinance Annual Rent Increase Formula Will Not Harm Housing Production (CF 23-1134)

Dear Council Members,

The undersigned organizations are deeply committed to solving the housing crisis in Los Angeles through the increased production of market rate and affordable housing. However, we understand that tenants need *both* immediate and long-term relief from high housing costs. To that end, we write in support of tenant advocates' efforts to update the Los Angeles Rent Stabilization Ordinance (LARSO) rent increase formula and provide greater stability to local renters.

Tenants in Los Angeles are facing an affordability crisis. Year after year, housing costs in Los Angeles continue to rise. As a result, Angelenos are finding it harder to pay the rent, leading many of our neighbors to become displaced, or worse fall into homelessness. In the long and medium term, we must increase the supply of market rate and affordable housing to bring the cost of rent down for all Angelenos. However, these housing policies may take years to fully benefit renters. In the meantime, Los Angeles must pass a stronger rent control formula to protect tenants from displacement.

Opponents to reforming the LARSO formula have stated a more tenant-friendly formula will harm the production of new housing in Los Angeles. These claims are false. Reasonable reforms, such as a 3% ceiling for rent increases, will not harm the development of housing production in Los Angeles for the following reasons:

1. **New Housing Is Exempt From LARSO:** The LARSO formula only governs units built on or before October 1, 1978. All units built after this date are rented at market rate, with extremely limited exceptions.¹ Because of this, new housing construction will be exempt from any changes to the LARSO formula.

¹ A limited number of new housing developments, if they are built by demolishing affordable units, will have to replace these affordable units in their new development as either RSO or

2. **LARSO's Vacancy Decontrol Ensures Developers A More Predictable ROI:**
LARSO's rent control formula operates within a vacancy decontrol framework, meaning once a tenant moves out of a unit the landlord may rent the vacant unit at its fair market value. Vacancy decontrol gives greater market confidence to housing investors that they will be able to make an appropriate rate of return on their new development.

3. **There Is Little Evidence Moderate Rent Controls Affect Rates Of New Construction:**
Researchers have found little evidence that jurisdictions with moderate rent control regimes—ones that exempt new development and include vacancy decontrol—impact rates of housing production. For example, a 2007 study analyzed 76 New Jersey cities with rent stabilization and found that there was little to no statistically significant effect of moderate rent control regimes on housing construction.² Moreover, a 2018 USC study found after surveying existing research on rent regulations that moderate rent controls does not appear to constrain new housing production.³

4. **Tenant Advocates' Proposed Formula Aligns LARSO To Other Successful California Rent Control Jurisdictions:** Cities like Santa Monica and West Hollywood already have rent stabilization ordinances designed to more tightly limit allowable rent increases. There has been no evidence these rent control regimes harm the production of new housing, and aligning LA's program with these jurisdictions will provide greater standardization across the region.

Limiting allowable rent increases under Los Angeles' rent stabilization ordinance is a commonsense reform that promotes tenant stability while ensuring the production of new housing in Los Angeles can continue. We urge the Los Angeles City Council to act swiftly to protect renters by updating the LARSO rent increase formula.

Sincerely,

Scott Epstein
Director Policy and
Research
Abundant Housing LA

Shane Henson
Public Policy Advocate
Inner City Law Center

Lindsay Sturman
Co-Founder
Livable Communities
Initiative

deed-restricted affordable units pursuant to the Housing Crisis Act (SB 330) and the Los Angeles Resident Protections Ordinance (RPO).

² Gilderbloom, John I., and Lin Ye, *Thirty Years of Rent Control: A Survey of New Jersey Cities*, 29 JOURNAL OF URBAN AFFAIRS, 207–20 (2007).

³ MANUEL PASTOR, ET. AL., UNIVERSITY OF SOUTHERN CALIFORNIA, *Rent Matters: What are the Impacts of Rent Stabilization Measures?* 21 (2018).

Communication from Public

Name: Vilma

Date Submitted: 11/03/2025 07:13 AM

Council File No: 23-1134

Comments for Public Posting: Por favor les pido voten por la estabilización de renta y que no siga aumentando. Gracias por su trabajo.

Communication from Public

Name: Taylor Vivanco

Date Submitted: 11/03/2025 05:37 PM

Council File No: 23-1134

Comments for Public Posting: I'm a UTLA member from district 5. Rent increases allowed under the Rent Stabilization Ordinance are too high and unaffordable for Angelenos who are already struggling to make the rent. More than half of LA renters are rent-burdened—paying more than 30% of their income on rent—and many are just one rent hike away from losing their home. If this doesn't describe you, it probably describes a friend, family member, or co-worker. Help keep people in their homes by limiting the rate that rent can increase. I urge the City Council to adopt Keep LA Housed's demands for the RSO formula as soon as possible.

Communication from Public

Name: CHRIS R RIDDLE

Date Submitted: 11/04/2025 10:42 AM

Council File No: 23-1134

Comments for Public Posting: The city is admittedly in the middle of a housing affordability crisis, and yet the council and mayor only seem to be focused on punishing unhoused people for existing in public and not on punishing landlords for creating this crisis. They created it by charging rents so high it borders on extortion. They've priced people out of entire neighborhoods, unfairly targeted vulnerable populations, and leaned on the city government to uphold their interests instead of those who need their elected officials' support. "The Market" is not going to fix this problem, the only thing that can fix it is if you and your colleagues take decisive action to protect renters in your districts. Fixing this rent control policy is THE LEAST that you can do to make sure more vulnerable angelenos don't slide into living on the streets. I urge the City Council to adopt Keep LA Housed's demands for the RSO formula to: 1) Cap increases at 60% CPI or 3% with no minimum increase and 2) 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.

Communication from Public

Name: Raquel Jimenez
Date Submitted: 11/04/2025 10:54 AM
Council File No: 23-1134

Comments for Public Posting: Hi, my name is Raquel from district 10. I am giving general public comment. The Rent Stabilization Ordinance is an incredibly important law that helps keep millions of Angelenos 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.

Communication from Public

Name: Albert O. Maddox

Date Submitted: 11/04/2025 11:04 AM

Council File No: 23-1134

Comments for Public Posting: Rent Control Laws: Certain forms of rent control have faced takings challenges, particularly those that are highly restrictive, limit a landlord's ability to evict tenants even for personal use, or prevent the owner from generating a reasonable return on their investment. Some specific eviction moratoria, such as those during the COVID-19 pandemic, have also been found to be a physical taking of the landlord's right to possess their property in some court cases. Property owners small and large are experiencing theft of private property by Los Angeles City targeting of certain owners and of property over a certain age. When Housing and Urban Development wish to subsidize low-income residents it pays at least a portion of their rents if they qualify. There is no tenant requirements to justify need for having landlords subsidize Los Angeles rent controlled properties. The effect is to drive out affordable housing. It is simply experienced as monthly theft by the City.

Communication from Public

Name:

Date Submitted: 11/04/2025 11:12 AM

Council File No: 23-1134

Comments for Public Posting: The Rent Stabilization Ordinance is an incredibly important law that helps keep millions of Angelenos 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.