

MOTION

In March 2020, the City of Los Angeles adopted some of the strongest tenant protections in the country in order to avert widespread renter displacement and homelessness otherwise expected as a result of the economic impact of the public safety orders issued in response to the COVID-19 pandemic. Eviction protections for nonpayment of rent were maintained through January 31, 2023, and extended certain provisions such as eviction protection for rental arrear from COVID debt from October 1, 2021 to January 31, 2023, and for additional tenants and pets, until February 1, 2024 for all rental units in Los Angeles.

The City of Los Angeles adopted additional permanent protections against evictions - Just Cause Eviction Protection Ordinance No. 187737 and established a Minimum Threshold of Nonpayment of Rent to restrict evictions with Ordinance No. 187763, and also adopted the Economic Displacement Ordinance No. 187764 for tenants unable to afford a rent increase of 10% or more, all applicable to non-rent stabilized rental units.

The City's Rent Stabilization Ordinance (RSO), applies to rental property built on or before October 1, 1978, and provides approximately 600,000 rental units, representing nearly 70% of the City's multi-family housing stock. The RSO limits annual rent increases to protect tenants from large rent increases and allows landlords to increase rents in accordance with the Consumer Price Index, with a floor of 3% and a ceiling of 8%. Under the COVID-19 emergency provisions, Ordinance No. 186607 suspended rent increases for units subject to the RSO, except those necessary to ensure landlords a "just and reasonable" return, as required by state law, until one year following the termination of the local emergency. Starting February 1, 2024 through June 30, 2024, the allowable rent increase for RSO will be 7%. An additional 1% for gas and 1% for electric service can be added if the utility service is provided to the tenant.

Owners of RSO units have not been permitted to raise their rents since March 2020, and are experiencing the financial impacts of the rent freeze and the escalating operating costs such as: trash-hauling fees increasing 14%, water rates increasing 39%, electricity increasing 10%, insurance increasing 40%, property taxes increasing 6%, as well as increasing labor and material costs. These increases are normally partially offset by the annual allowable RSO rent adjustment, as well as by higher rents upon turnover (vacancy decontrol). Owners of RSO units need sufficient income to reinvest in their rental properties and prevent the deterioration of the aging RSO housing stock with old infrastructure and building systems that require upkeep.

According to the U.S. Census Bureau, over 60% of Angelenos are renters and 73% of those renters are rent burdened, spending over 30% of their income on housing. In recent years, Los Angeles has consistently ranked as one of the most rent burdened cities in the nation, and the economic impact to renters post-COVID and the effects of the City's renter protection ordinances and rental assistance programs should be studied.

There is an immediate need for an updated study of the existing rent adjustment formula. The City Council approved Council File 21-0042-S3, instructing the Los Angeles Housing Department to conduct an expedited economic study of the formula for setting the RSO annual allowable rent increase, to include analyzing, in particular, the allowable rent increase in the California cities which have recently adopted or amended their formula for the annual allowable rent increase, including but not limited to Oakland, Bell Gardens, Antioch, Pomona, Santa Ana, and Oxnard; including a review of mandated City fees (i.e. RSO, SCEP, LASAN, RecycLA, DWP, etc) impacting operating expenses in rental properties.

I THEREFORE MOVE that the Los Angeles Housing Department (LAHD) be authorized to negotiate and execute a sole-source contract, subject to the approval as to form by the City Attorney, with Economic Roundtable, for an amount not to exceed \$180,000 from the Rent Stabilization Trust Fund 43/440, the term of the agreement shall be from date of execution to 12 months to conduct an economic study of the formula for setting the RSO annual allowable rent increase, with the understanding the study should conclude within 3 months.

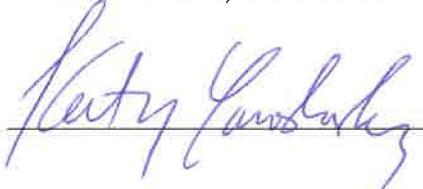
I FURTHER MOVE that due to the continuing state of emergency on housing and homelessness, and in order to prevent wrongful evictions and further tenant displacement, upon the lifting of the City's COVID-19 protections that will expire on January 31, 2024, the City should be prepared to provide both tenants and landlords the most relevant information about their rights and responsibilities, especially as it pertains to the annual allowable rent increase, and request the concurrence of the City Attorney for a sole-source contract as the most effective means to conduct this expedited economic study of the formula for setting the RSO annual allowable rent increase.

I FURTHER MOVE that the Council find that the services to be performed by Economic Roundtable are for the performance of professional, scientific, expert, technical, or other special services of a temporary and occasional character for which competitive bidding is not practicable or advantageous and that the work can be performed more economically or feasibly by independent contractors than by City employees.

I FURTHER MOVE to INSTRUCT the LAHD to include in the economic study, authorized by Council File 21-0042-S3, an analysis of the impacts on homelessness in the City of Los Angeles, including the analysis from the 2020 U.S. Government Accountability Office study around median rent increases, for any recommended allowable rent increase caps and formulas.

PRESENTED BY: 
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SECONDED BY: 

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