



**ECONOMIC**  
ROUNDTABLE

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422 S San Pedro Street, Suite 506  
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# Equitable Rent

Economic Roundtable analysis  
of the Rent Stabilization  
Ordinance



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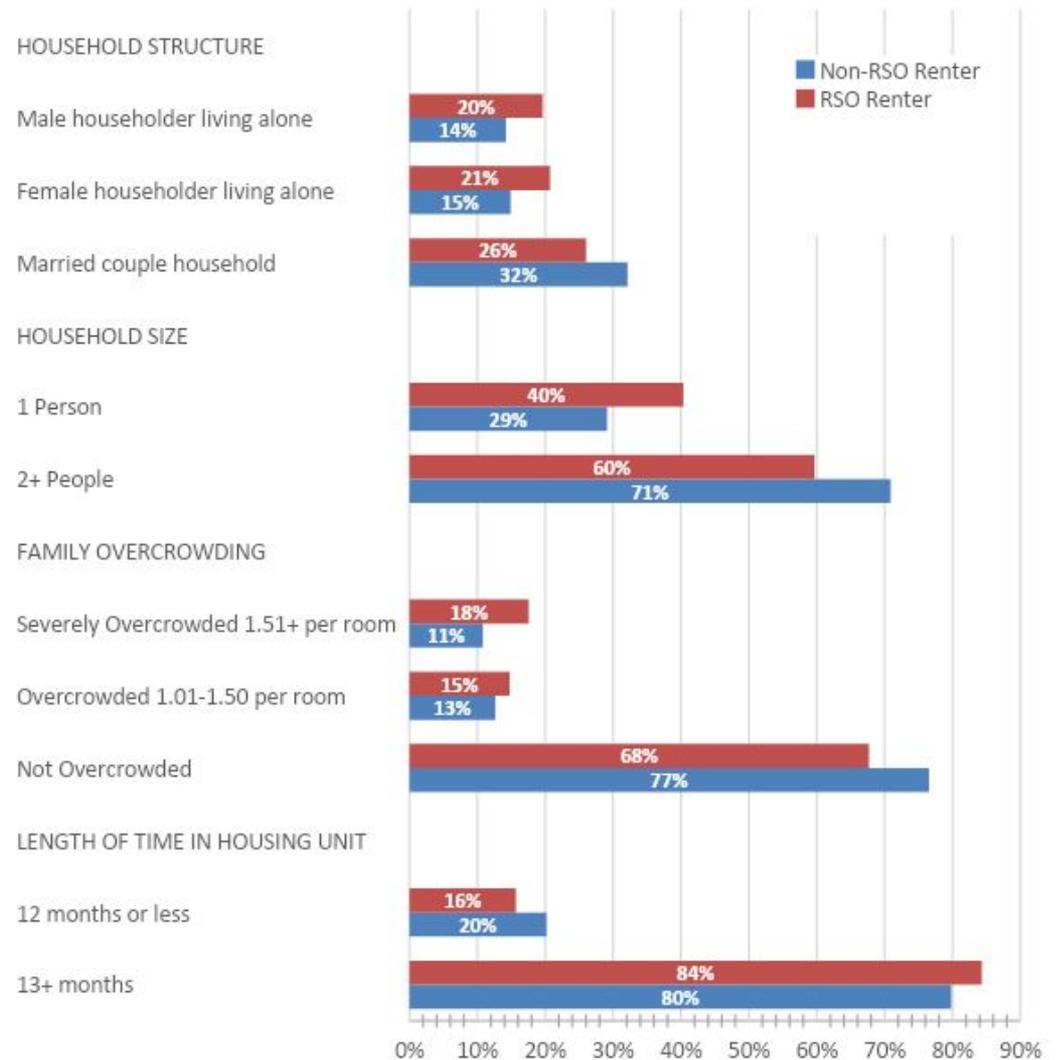
# 1. Housing and socioeconomic attributes of RSO and Non-RSO renters

## There are differences in some attributes of RSO and non-RSO households:

- More RSO renters live alone
- More non-RSO renters are married couples
- More RSO units are overcrowded
- RSO renters are more likely to have moved into their unit in the past year.



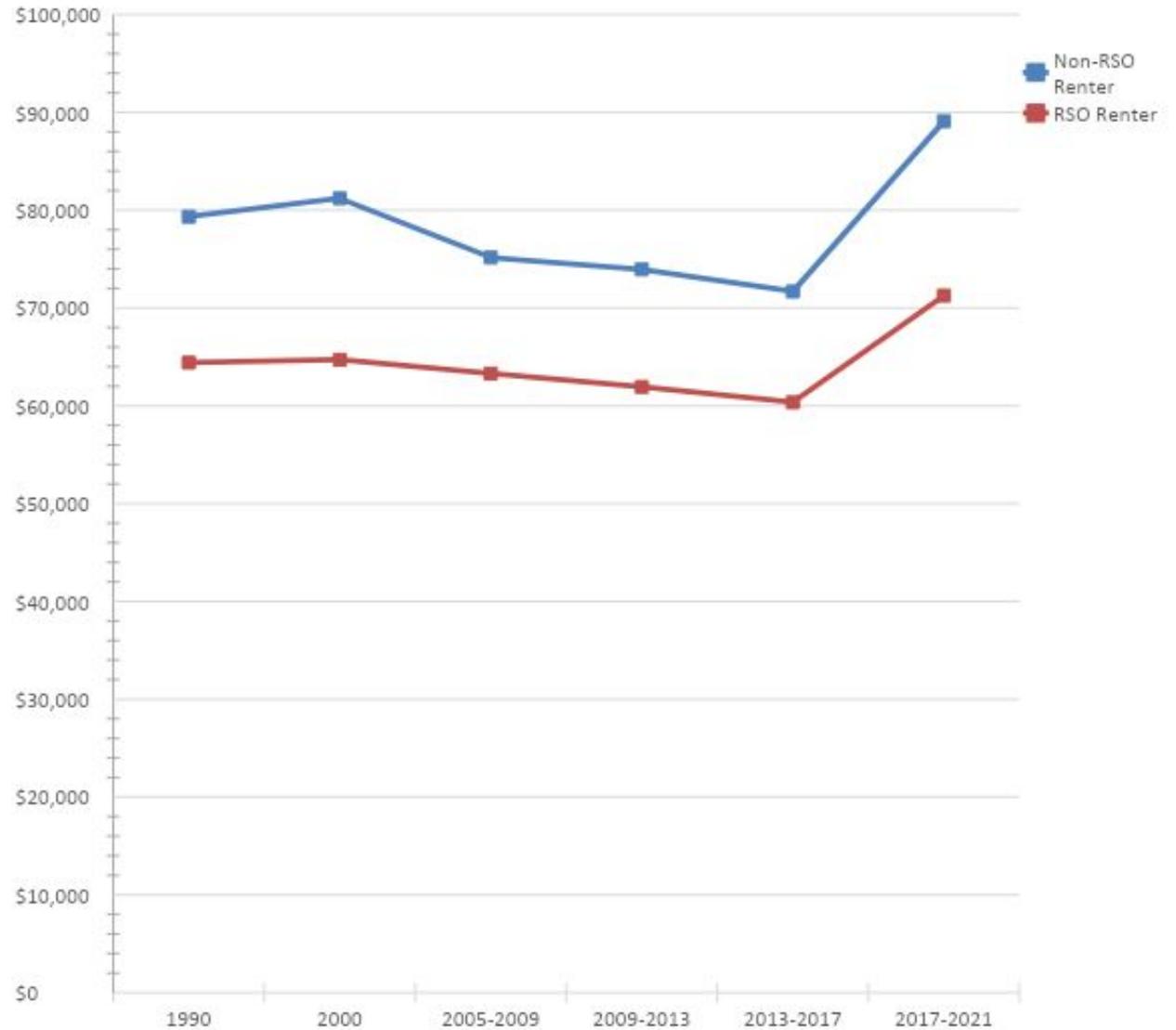
## Differences between RSO and Non-RSI Renters



The average income of non-RSO households about 22% higher than that of RSO households.

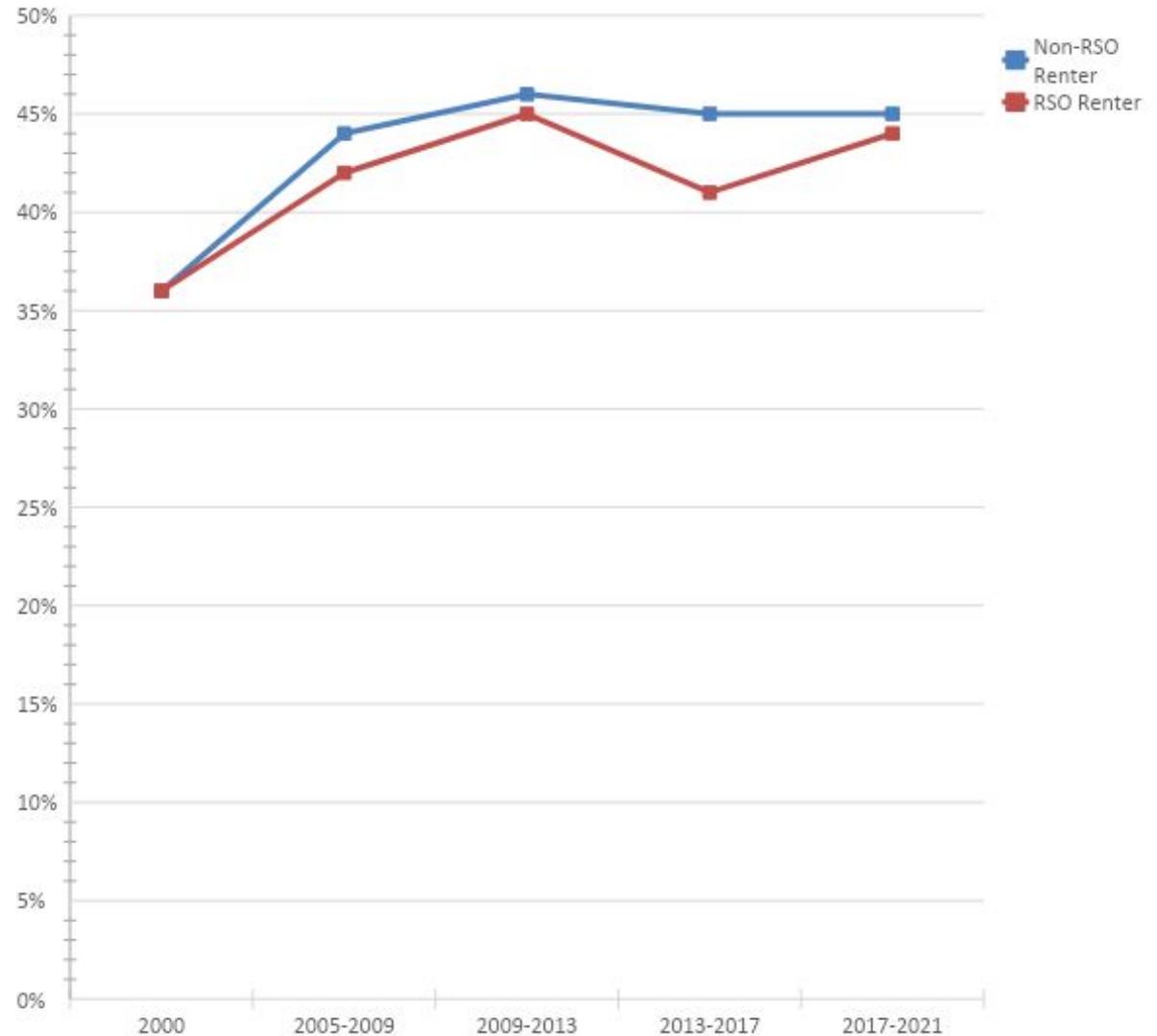


Mean Household Income in 2022 Dollars



The rent burden for non-RSO households is about 4% higher than for RSO households.

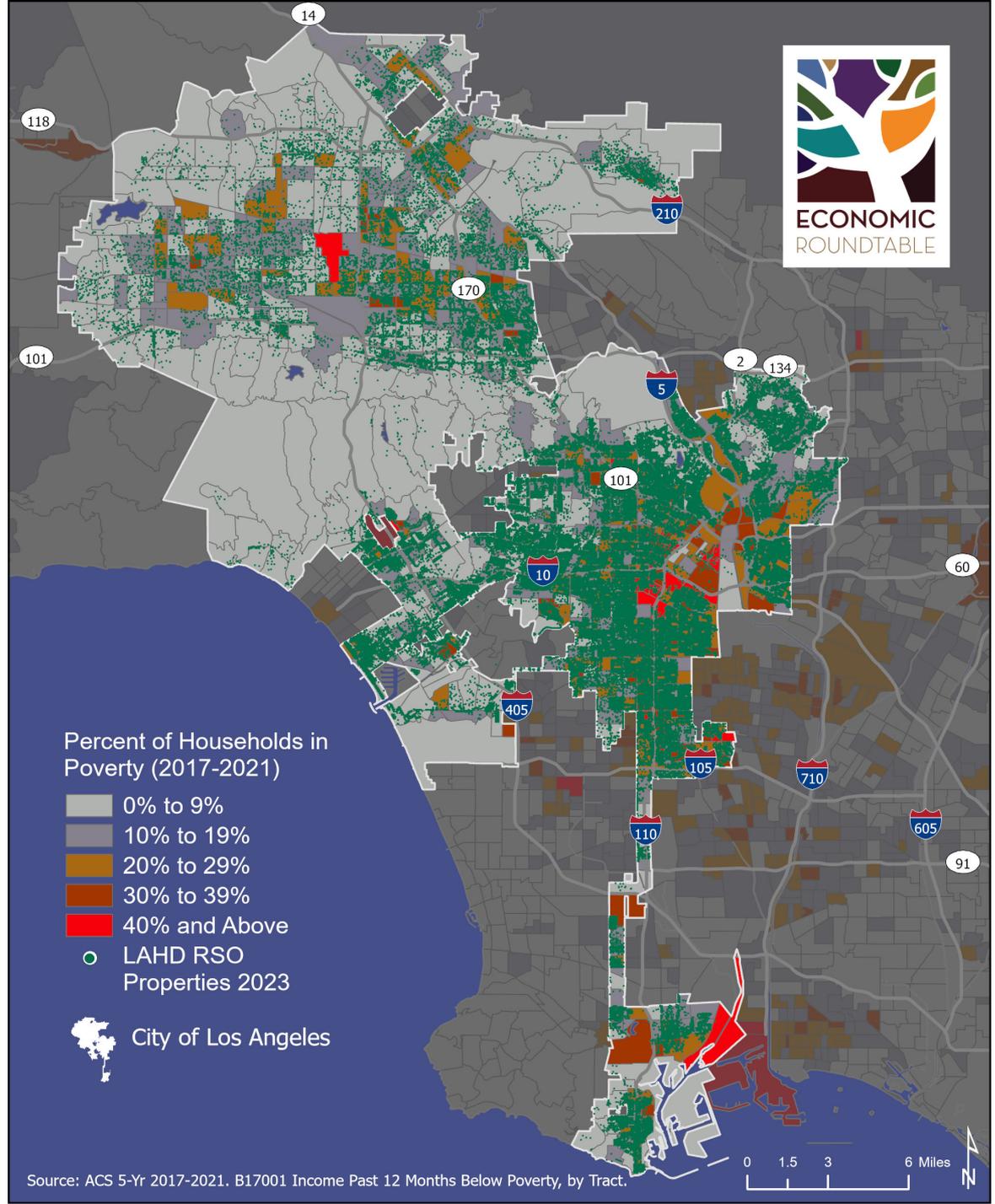
Mean Gross Rent as Percent of Household Income



**RSO units are most concentrated in Central and South Los Angeles, where there are higher rates of poverty.**



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# Summary

- **Over one-third of L.A. City households live in RSO housing.**
- **Citywide, the rent for non-RSO units is about 25% higher than for RSO units.**
- **The average income of non-RSO households about 22% higher than that of RSO households.**
- **The rent burden for non-RSO households is about 4% higher than for RSO households.**
- **RSO renters are more likely than non-RSO renters to be one-person households and to have moved recently.**



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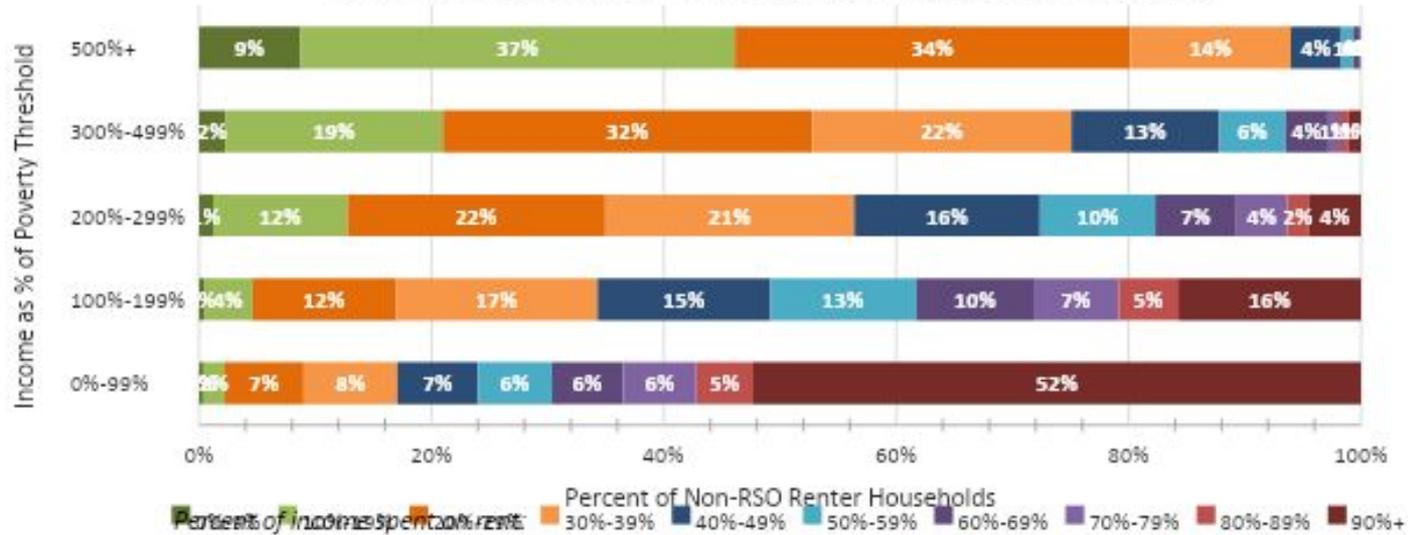
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## 2. Trends in the number and attributes of vulnerable renters

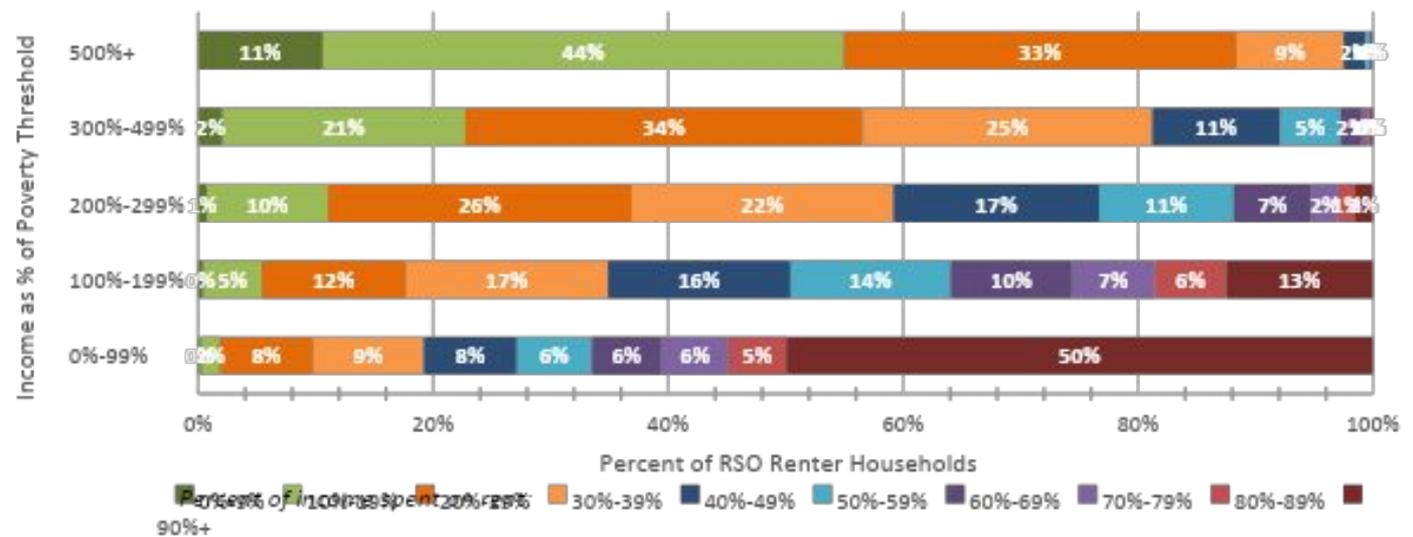
# 8% of all Los Angeles households are in poverty and pay 90%+ of their income for rent

- Over half of all renter households in poverty send over 90% of their income for rent.
- These are the most vulnerable renters.

Percent of Income Spent for Housing by Non-RSO Renters



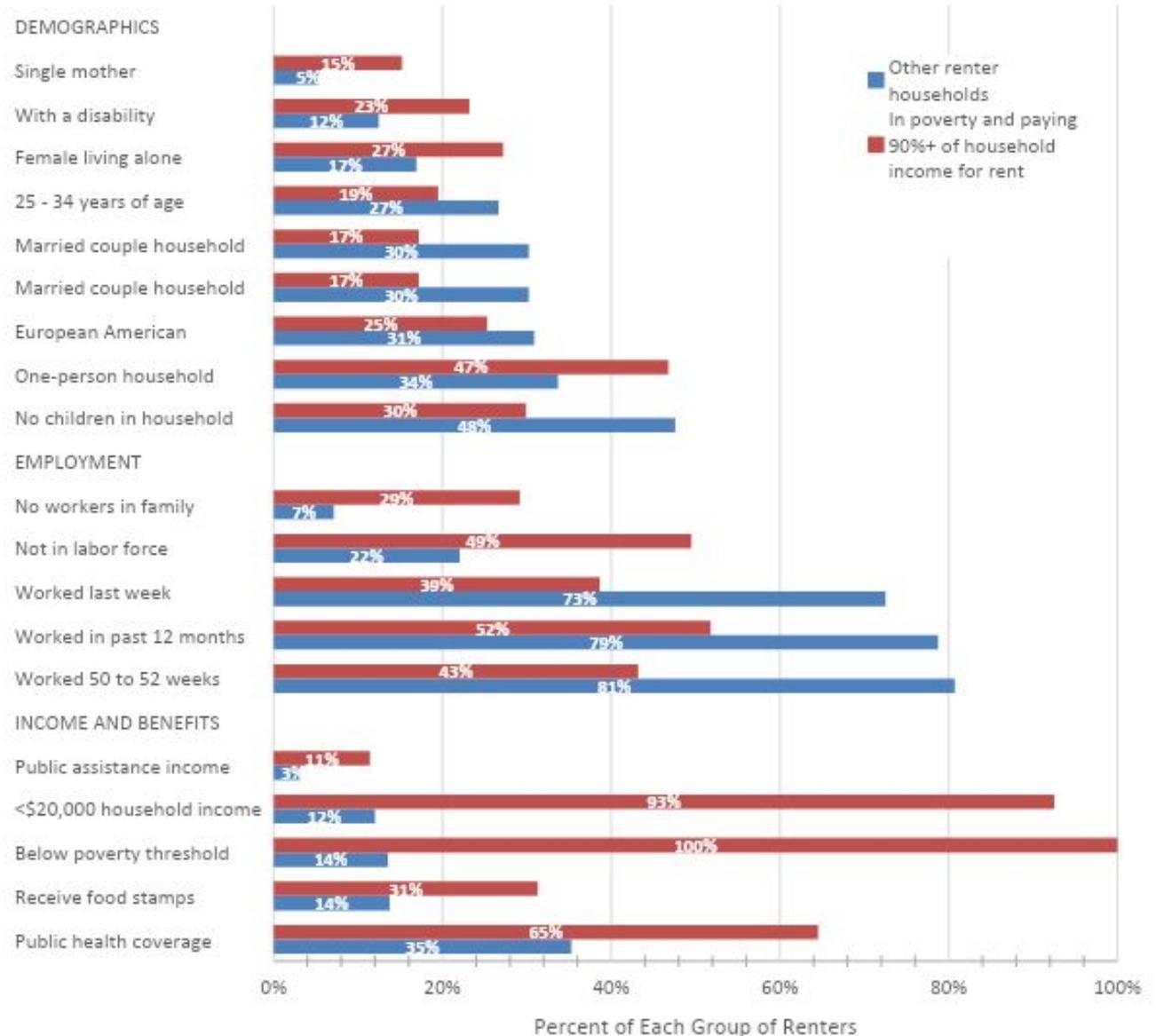
Percent of Income Spent for Housing by RSO Renters



## Highly vulnerable renters differ from other renters based on:

- Gender
- Age
- Household structure
- Employment status
- Income
- Public benefits

Attributes that Distinguish Los Angeles Renters in Poverty and Paying 90%+ of their Income for Housing from Other Renters





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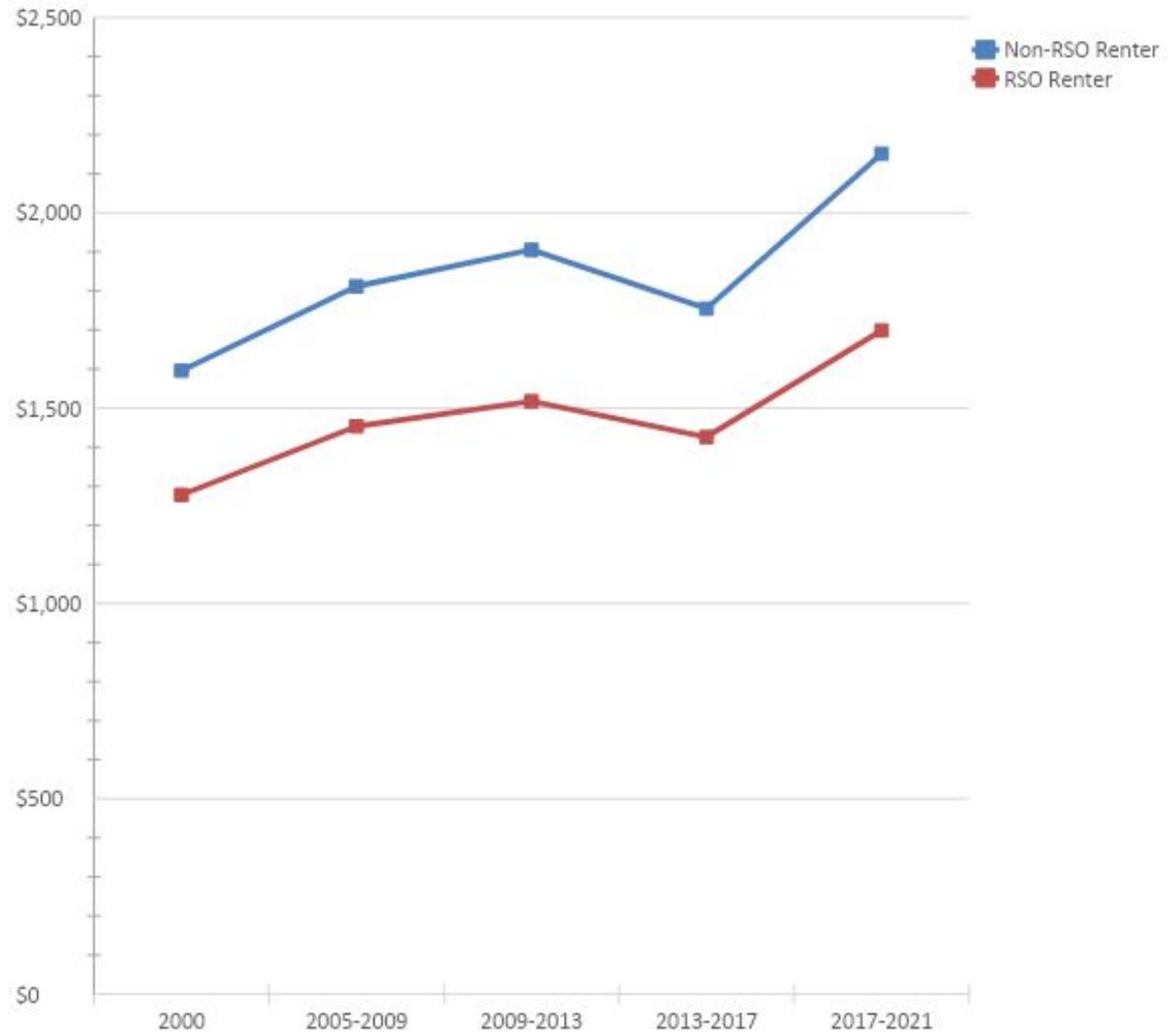
### **3. Rent savings to tenants from living in RSO units**

The average rent for non-RSO units is about 25% higher than for RSO units.

This is based on comparing all RSO units with all non-RSO units in the City of Los Angeles



Mean Monthly Gross Rent in 2022 Dollars  
Comparison of All RSO and Non-RSO units in the City of Los Angeles

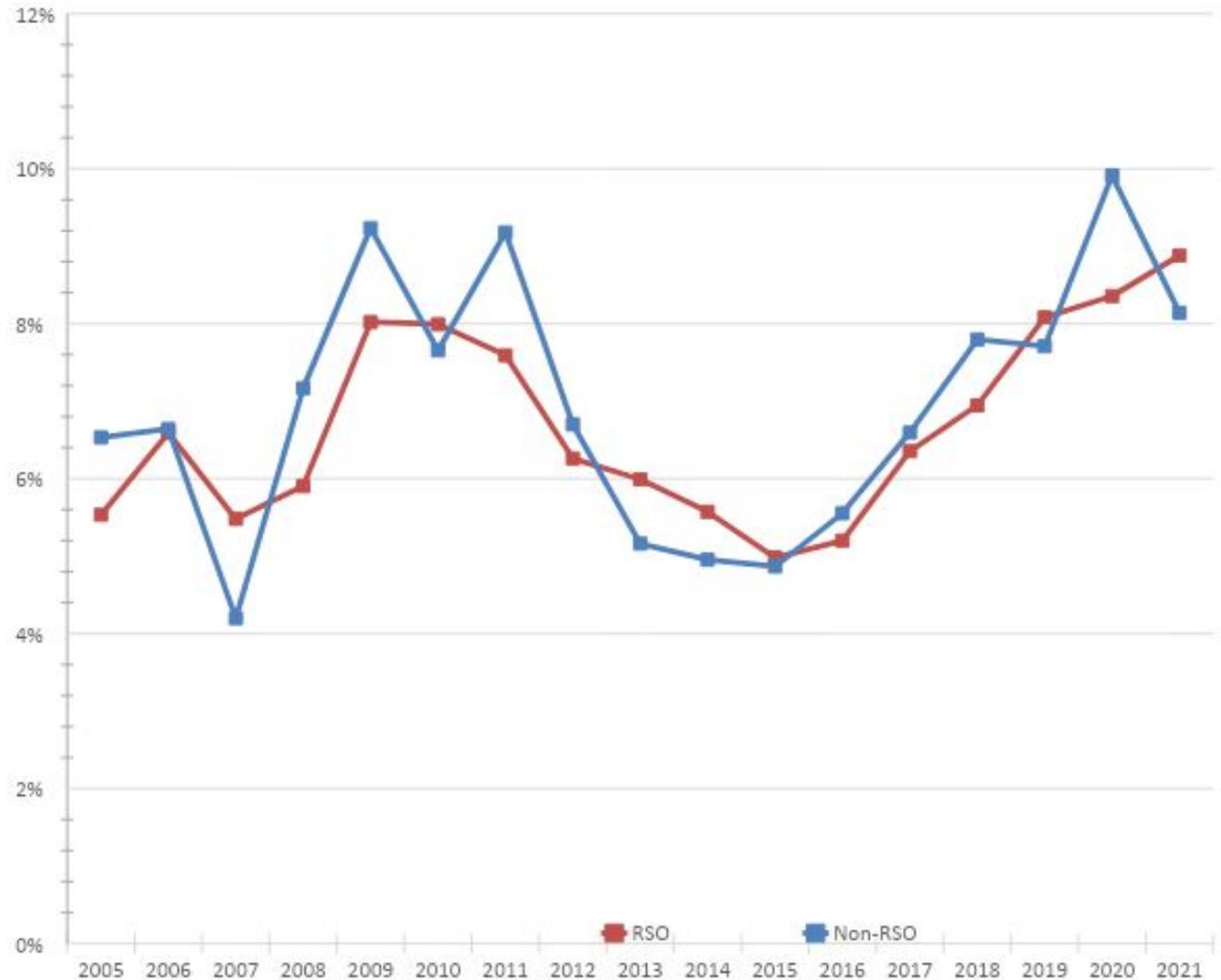


Data source: U.S. Census Bureau Public Use Microdata Samples.

## Vacancy rates are similar for RSO and non-RSO rental units

- Vacancy rates increased from 2015 to 2021.
- RSO vacancy rates are less volatile than non-RSO rates.

Annual Vacancy Rate in RSO and Non-RSO Rental Units  
City of Los Angeles, 2005-2021





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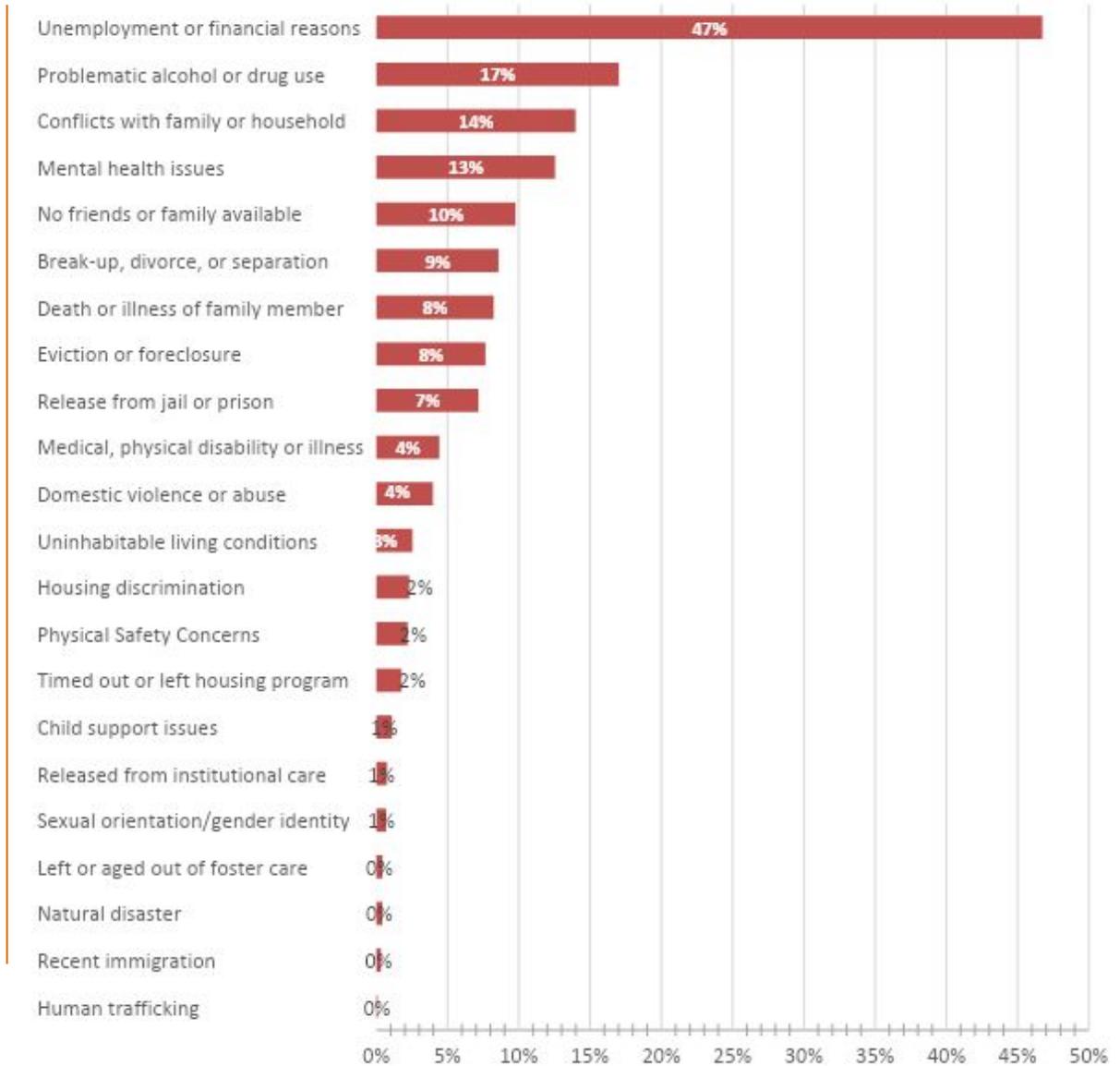
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# 4. Impacts of rent increases on homelessness in the City of Los Angeles

# Homelessness is an income problem

- Unemployment and lack of money are identified far more often than any other reason for loss of housing.
- When housing becomes less affordable for renters, it is likely to result in some renters becoming homelessness.

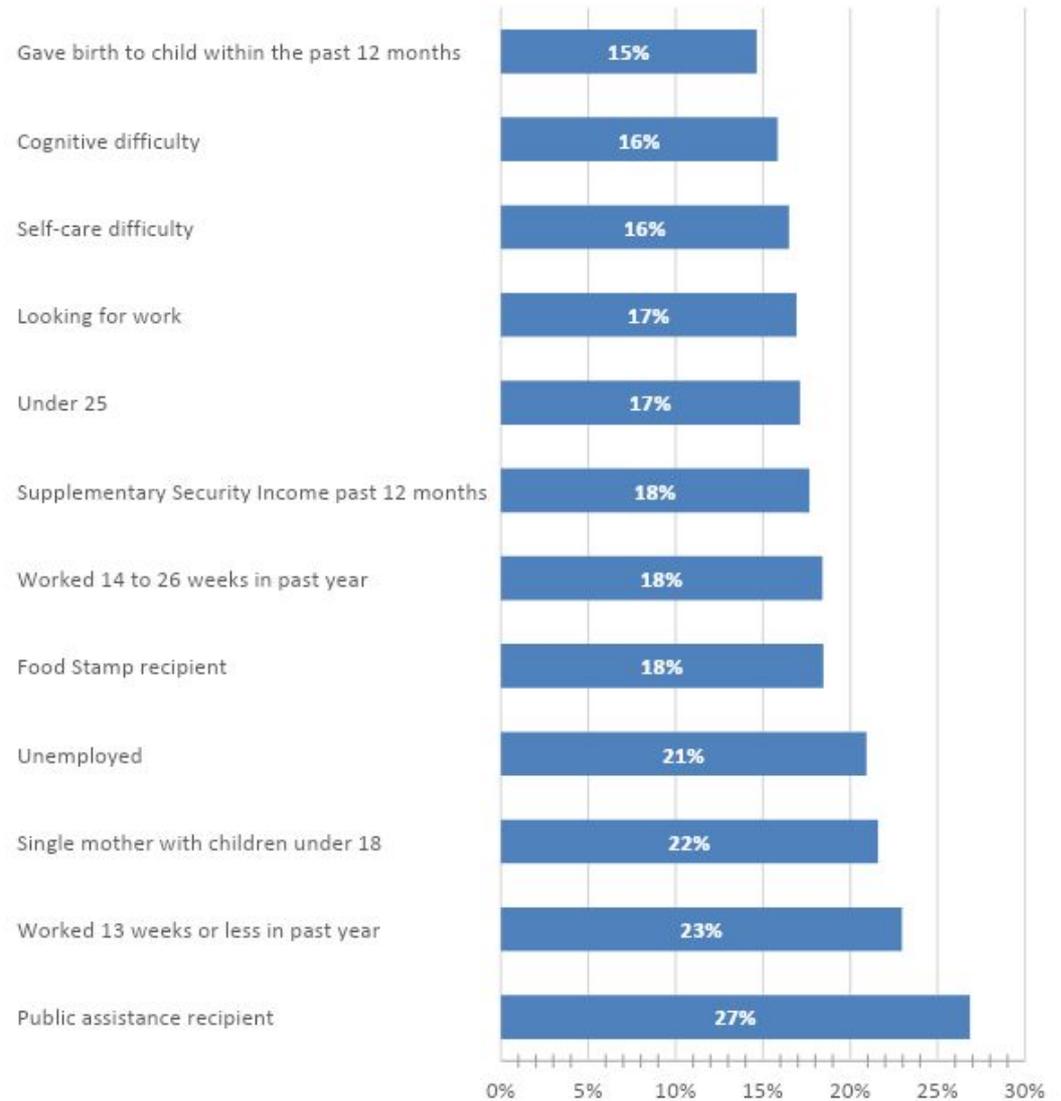
Reasons Given by Unsheltered Adults for Being Homeless



Source: LAHSA 2023 demographic surveys of unsheltered adults. Respondents identified an average of two reasons, so total responses exceed 100%.

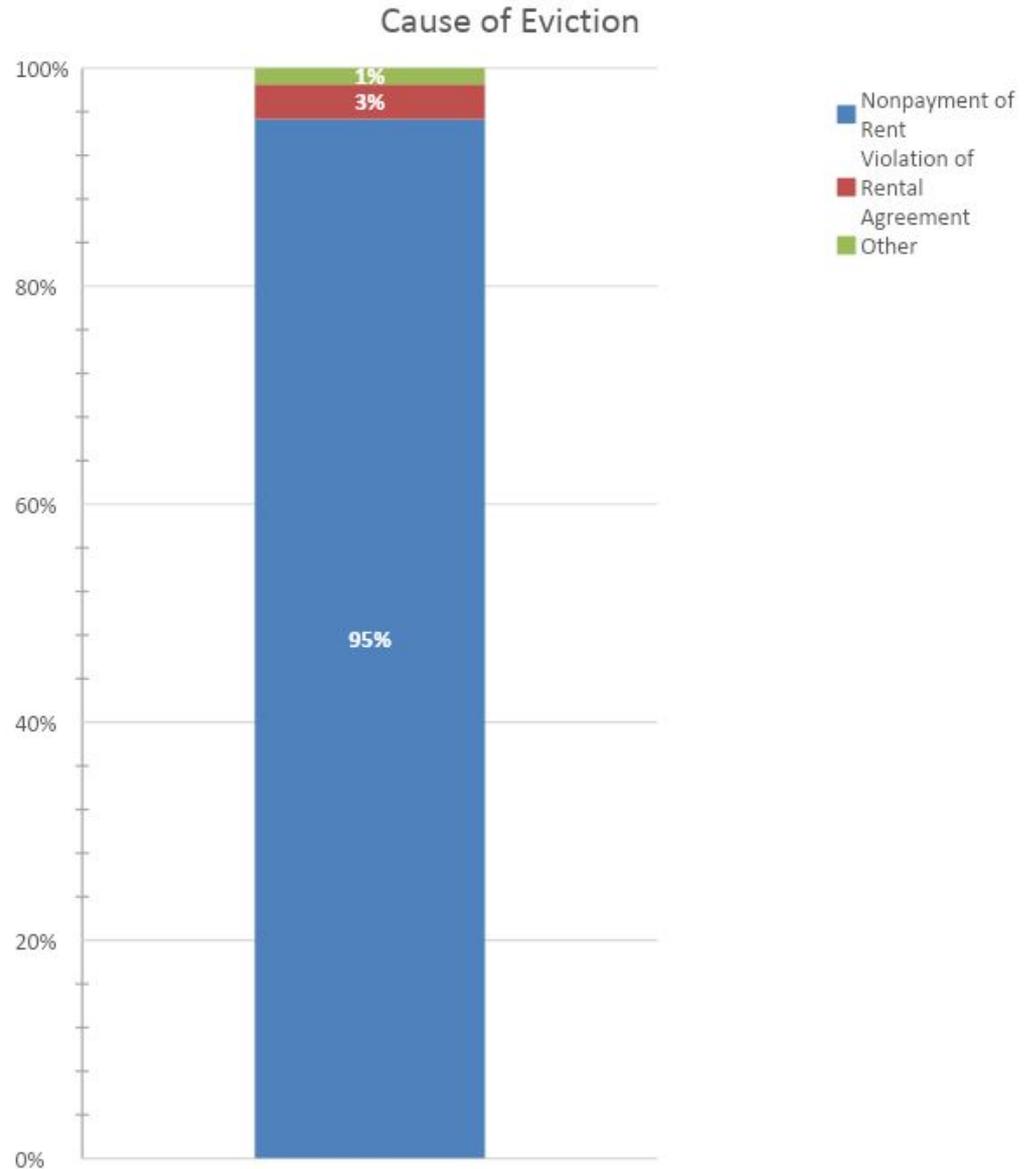
**Youth, disabilities, unsteady employment, and low income increase the likelihood that residents will be in poverty and pay 90%+ of their income for rent**

Probability of Being in Poverty and Paying 90%+ of Household Income for Rent



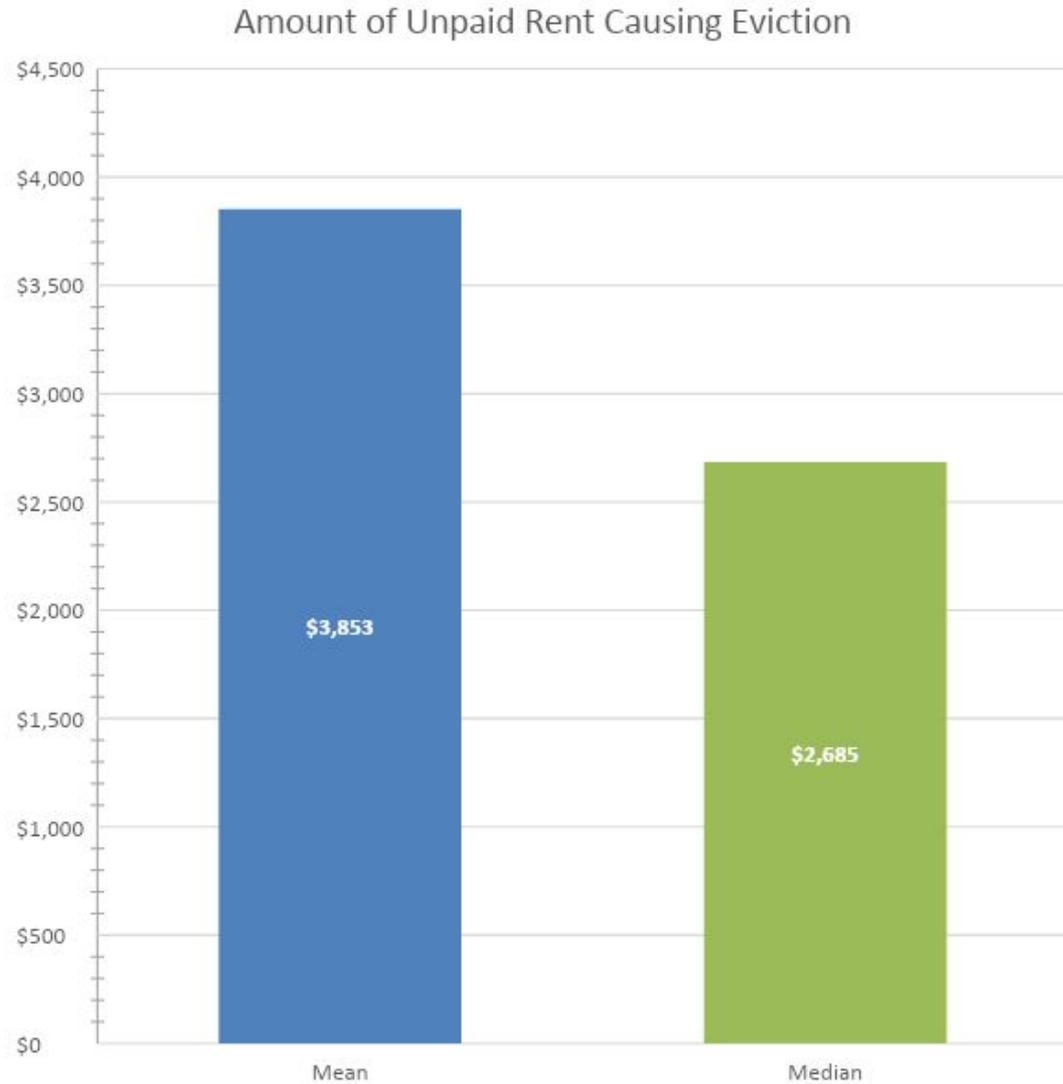
## Nonpayment of rent is reported as the cause of 95% of all evictions in the City of Los Angeles

- When rent increases, the risk of nonpayment increases.



**The typical amount of unpaid rent that leads to eviction is \$2,685**

- The average amount is \$3,853.





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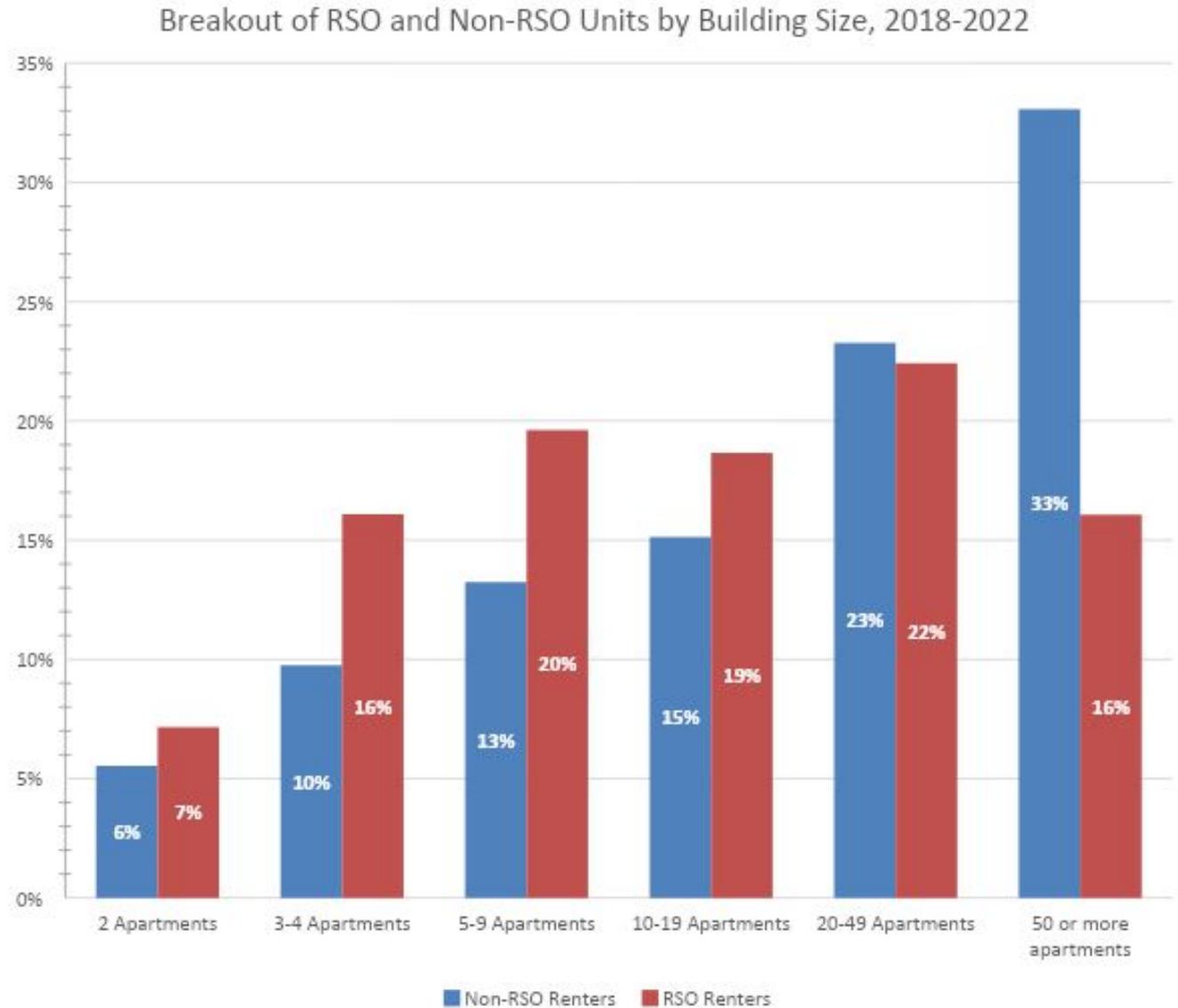
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## **5. Financial stress of RSO landlords by building size**

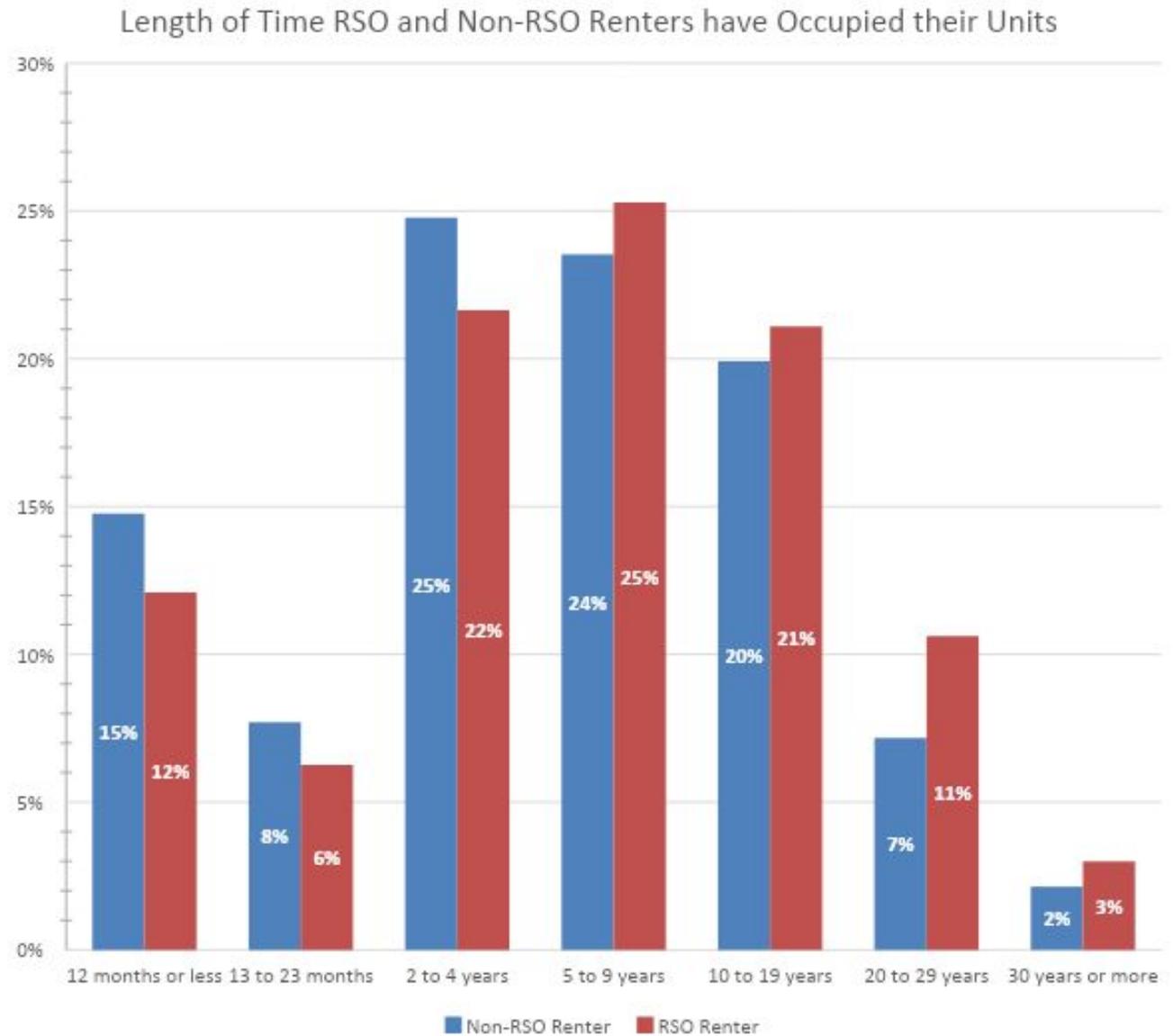
## RSO renters tend to live in smaller buildings than non-RSO renters

- 62% of RSO units are in buildings with less than 20 units compared to 44% of non-RSO units.
- 56% of non-RSO units are in buildings with 20 or more units compared to 38% of RSO units.



## RSO landlords have less tenant turn-over than non-RSO landlords

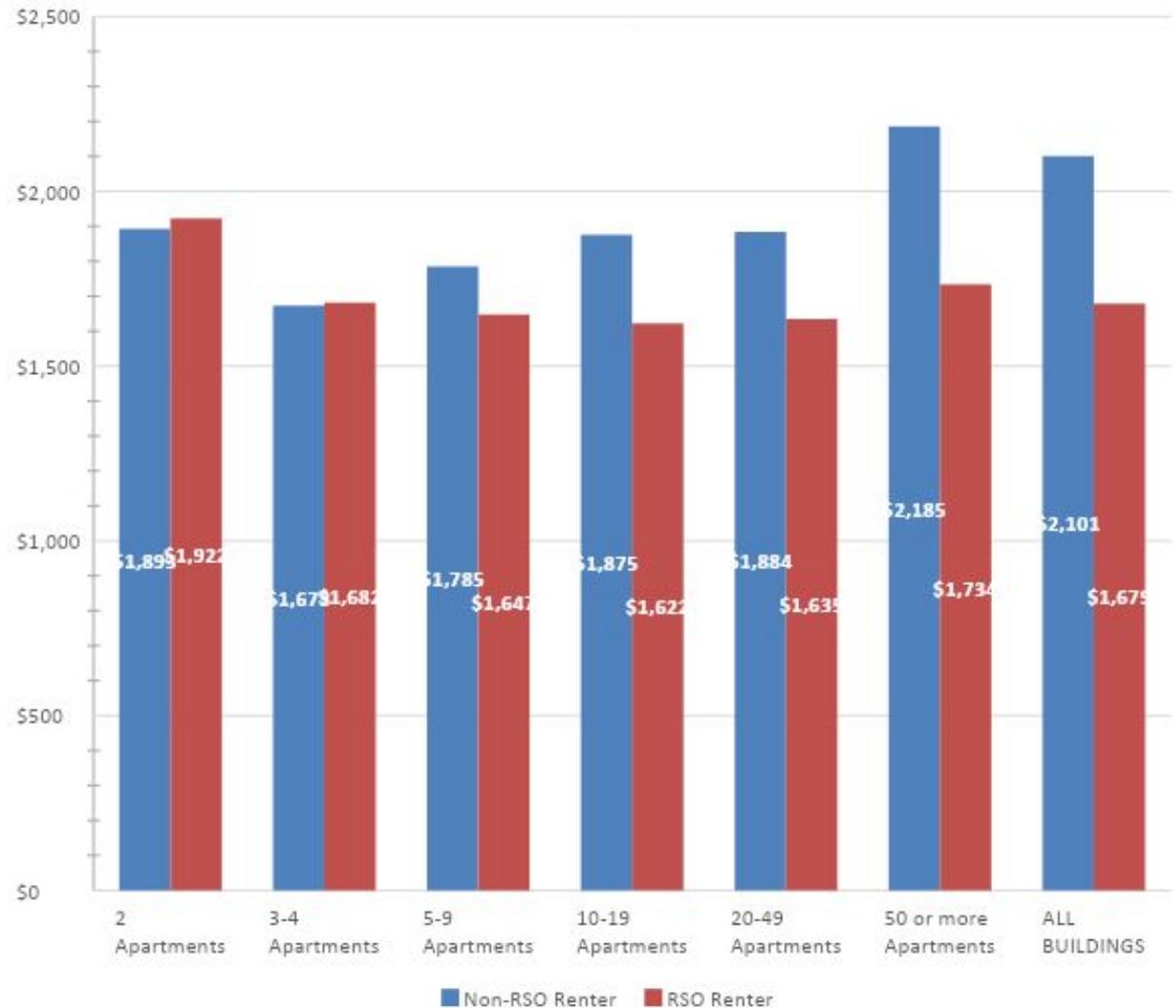
- 47% of non-RSO tenants have been in their units for 4 or less years compared to 40% of RSO tenants
- 60% of RSO tenants have been in their units for 5 or more years compared to 53% of non-RSO tenants.



**Average rent was higher for RSO units than for non-RSO units in buildings with 4 or less apartments from 2018 to 2022**

- RSO properties with just two units had higher rent than all other RSO properties.

Average Gross Monthly Rent from 2018 to 2022 for RSO and Non-RSO Units based on Building Size

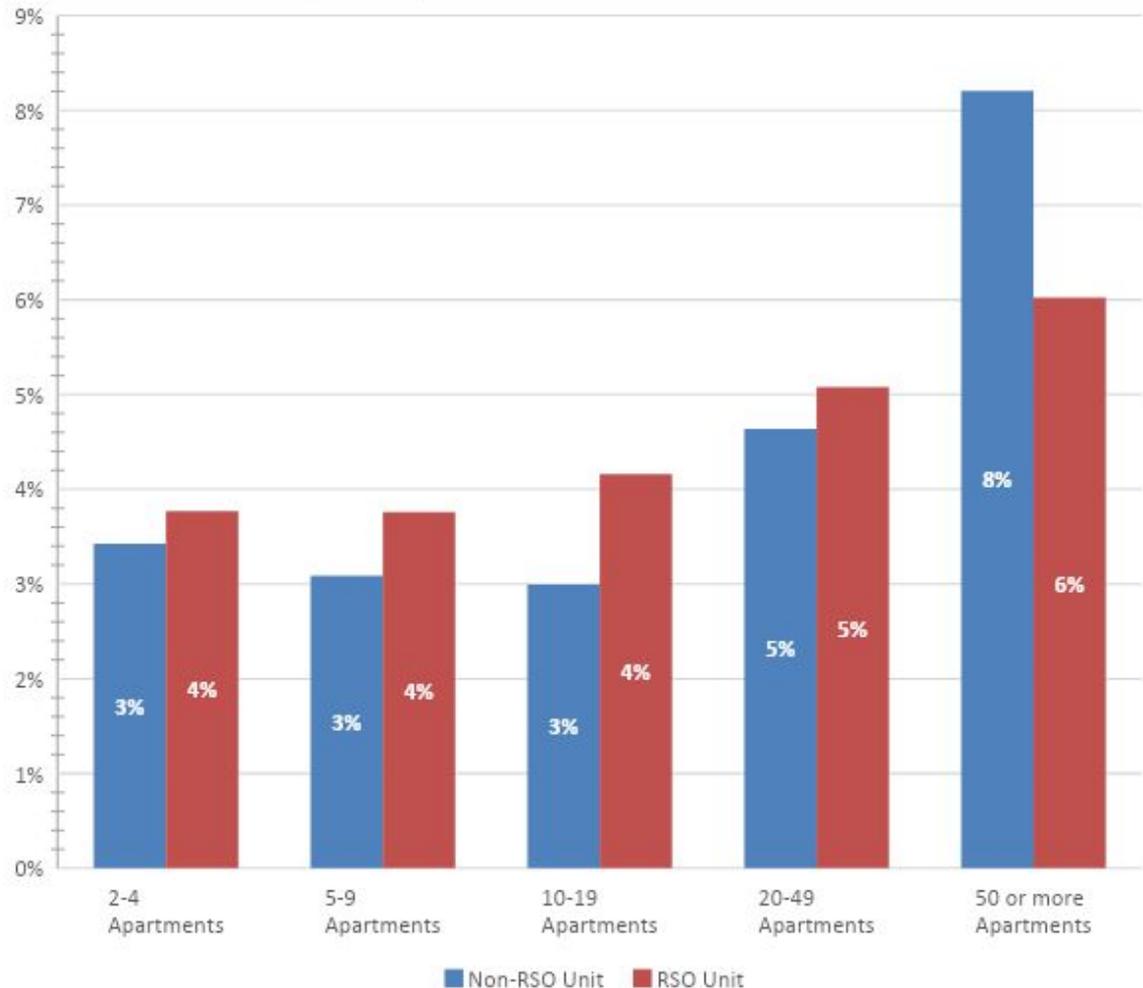


## The largest multi-family buildings (50+ units) had much higher vacancy rates for non-RSO landlords than for RSO landlords

- Average vacancy rates over the 3-year period of 2018-2022 were 1% higher for RSO buildings with less than 50 units than for non-RSO buildings of the same size.



Percent of RSO and Non-RSO Units that were Unoccupied and Available for Rent by Building Size, 2018-2022, American Community Survey



Data source: U.S. Census Bureau, American Community Survey Public Use Microdata Sample for the City of Los Angeles, 2018-2022.

# Summary

- **RSO buildings tend to be smaller than non-RSO buildings.**
- **RSO landlords have less tenant turnover than non-RSO landlords, which reduces lost rent when units are vacant as well as costs to refurbish units for new tenants.**
- **Rent is higher for RSO units in buildings with 4 or less units than in RSO buildings with 5 to 49 units.**
- **RSO landlords have lower vacancy rates than non-RSO landlords.**
- **Vacancy rates are lower in RSO buildings with less than 10 units than in RSO buildings with 10 or more units.**
- **Operating expenses may be higher per unit for smaller buildings, but this may be offset by self-management, which would reduce cash outlays for managing small RSO buildings.**
- **Smaller RSO landlords appear to receive higher rents and have lower vacancy rates than larger RSO landlords, which indicates that they do not have greater financial stress than large landlords.**



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# 6. Operating costs

**Operating costs for RSO apartments average 35% of rental income.**

## Average Income and Operating Expense Projections for Buildings Subject to the RSO

Expense	Avg. Per Unit/Mo	Explanation
Scheduled Gross Income	\$1,556	
3% Vacancy Allowance	\$47	Standard projection in OM – 2% or 3%
Effective Gross Income	\$1,509	
<b>OPERATING EXPENSES</b>		
Property Taxes	\$250	In the OM, property tax levels were imputed based on reassessments that would arise from a sale at the asking price
On Site Manager		Combined average of on-site & offsite management \$30 higher on properties with on-site manager
Offsite Management Fee	\$62	Standard projection in OM 4%
Insurance	\$ 40	
Utilities	\$ 70	Properties with separately metered gas & electricity
Refuse Collection	\$27	
Repair and Maintenance	\$42	Standard Projection in OM \$500/yr. unit
Landscaping	\$10	
Operating Reserves	\$31	Standard projection in OM – 2%
Other		Other categories commonly listed include internet, pest control, city fees
<b>Total Operating Expenses</b>	<b>\$542</b>	
<b>Net Operating Income</b>	<b>\$967</b>	





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# 7. Allowable rent increases for master-metered RSO units

- Los Angeles is the only jurisdiction that allows a 1% annual rent increase for each utility paid by the landlord.
- This provision affects one-fifth of RSO units.
- For a renter who was in their unit for five years, the additional rent increase would be in the range of \$150 to \$240 for each service provided.
- This increase exceeds the total cost of the utility service.

## Percent of RSO Units with Master-Metered Gas and Electricity Utilities

Service	Percent of Units
Gas & Electricity	7%
Gas, But Not Electricity	11%
Electricity, But Not Gas	1.4%

