

MOTION

The City Council has been working to address the housing affordability crisis through a number of measures. The City has supported the construction of new units, implemented land use measures to support the creation of affordable units, and made a significant financial investment in the expansion of affordable housing. Recent news reports have documented that certain companies are using algorithm-based tools to establish rent prices that increase eviction rates and add fees to inflate rent. Since 60 percent of the City’s housing units are renter-occupied, it is critical that the City take action to support housing stability for its residents.

Recent reports note that some corporate landlords are using Artificial Intelligence and algorithm-based software to estimate supply and demand for their listings, allowing them to maximize rents. The software sets new daily prices for every available unit by drawing from competitor data on the actual rent tenants pay, as opposed to the publicly advertised rent. This tool can be used by companies to stifle rental competition, which is a potential violation of antitrust law.

One of the companies that provides this software is RealPage, a revenue management company whose rent-setting algorithm is said to hold lease transaction data for more than 13 million units across the country. It is reported that twenty (20) companies that use RealPage’s rent-setting tool in Los Angeles account for more than 52 percent of all rental apartment buildings in the City.

Action is being taken to address the negative impacts caused by algorithm-based software. It is reported that RealPage is currently being investigated by the Department of Justice over a concern that RealPage’s software is “used as a shield for competitors to exchange sensitive pricing data that their rivals would otherwise not be able to access.” Numerous other lawsuits have been filed against RealPage and similar companies, including the District of Columbia Attorney General in November 2023, the Arizona Attorney General in February 2024, and more than 20 private class action lawsuits nationwide. In July 2024, the San Francisco Board of Supervisors approved legislation to ban property owners and managers from using algorithm-based tools that recommend or set rental prices. It is imperative that the City understand the impact that these tools have on its rental stock and its residents, and what measures can be taken to address any negative outcomes.

I THEREFORE MOVE that the City Council instruct the Los Angeles Housing Department to report on the number of ownership and management entities that are using algorithm-based software to establish rents and the feasibility of instituting a ban on the use of this software to set rents in the City.

PRESENTED BY: *Heather Hutt*  
HEATHER HUTT  
Councilmember, 10<sup>th</sup> District

SECONDED BY: *Monica Rodriguez*

ORIGINAL

SEP 03 2024

PK