



Office of the Los Angeles City Attorney
Hydee Feldstein Soto

REPORT NO. **R 25 - 0035**
FEB 05 2025

PUBLIC REPORT RE: PRICE GOUGING

The Honorable Los Angeles City Council
Room 340, City Hall
200 North Spring Street
Los Angeles, CA 90012

Honorable Members:

The Los Angeles City Attorney's Office provides this public report in response to your motion filed on January 14, 2025 requesting information related to our efforts to enforce state price gouging laws, as well as the need for additional resources to address the price gouging problem.

I. California's Price Gouging Law

On January 7, 2025, following the onset of multiple fires in Los Angeles County, Governor Gavin Newsom declared a State of Emergency. This declaration triggered the provisions of California Penal Code Section 396, which prohibits price gouging for various goods and services, including hotel/motel accommodations and housing rentals, during a state of emergency.

Under Penal Code Section 396(e), it is unlawful after the declaration of a State of Emergency “for any person, business, or other entity, to increase the rental price . . . advertised, offered, **or charged** [emphasis added] for housing, to an existing or prospective tenant, by more than 10 percent” above the rate offered before the declaration of the State of Emergency, subject to limited exceptions. By Executive Order N-9-25, issued on January 16, 2025, Governor Newsom extended, to March 7, 2025, the time period during which the provisions of Penal Code Section 396(e) are in effect.

Violations of Penal Code Section 396 may result in misdemeanor prosecution, punishable by up to one year in jail and/or a fine of up to \$10,000. (Pen. Code. Section 396(h).) Additionally, such price gouging practices constitute violations of California’s Unfair Competition Law (Business & Professions Code section 17200 et seq.), empowering the City Attorney to bring civil law enforcement actions to enjoin unlawful business practices, assess monetary penalties of up to \$2,500 per violation, and provide restitution to victims.

Potential liability under Penal Code Section 395(e) is not limited to property owners, but extends to “any person, business, or other entity [that] increase[s] the rental price . . . advertised, offered, or charged for housing.”

II. Status of Price Gouging Investigations

Our Office has received reports of potential violations through the City’s 311 system, as well as through dedicated telephone and e-mail hotlines that our Office established. On or about January 30, 2024, our Office’s telephone and e-mail hotlines will direct to the City’s forthcoming 311 price gouging public intake portal in order to maintain one dedicated source of public communication.

Our Office also has access to the crowdsourced list created by Strategic Actions for a Just Economy. If a community member has logged a report through the crowdsourced list, there is no need to submit a new report to the City’s 311 system.

Through all of these sources, we are in receipt of more than 1,250 reports of price gouging violations. We have a dedicated team in place to investigate these reports and have partnered with the California Department of Justice to ensure that we are maximizing the resources, speed and efficiency of our response.

As of January 29, 2025, we have mailed approximately 200 written notices of potential violations to landlords and listing agencies demanding (1) immediate compliance with Penal Code Section 396, (2) the amendment of any lease or rental agreement to reduce the rent (and any excess deposit demanded as a result of the unlawful rental rate) to a lawful amount, (3) a refund of all unlawfully charged amounts

plus interest, and (4) a response to our Office within five days confirming compliance with our demand plus supporting documentation substantiating such compliance. If the landlord or agent believes no laws have been violated, they are also invited to explain the basis for their belief and to provide supporting documentation.

We anticipate sending hundreds more cease and desist letters.

In addition, a number of reports of violations were directed to the Office's Criminal Branch for review and coordination with our criminal law enforcement partners. We also have attorneys reviewing reports for potential civil litigation, which would seek injunctive relief and penalties under the Unfair Competition Law described above.

We are in contact with and are collaborating and coordinating our enforcement efforts with the Federal Trade Commission, US Attorney's Office, California Attorney General, the Los Angeles District Attorney, the Los Angeles County Department of Consumer and Business Affairs, and with other law enforcement partners. As of January 22, 2024, we will have a table and staff at the FEMA Disaster Recovery Center (DRC) located at 10850 West Pico Boulevard in West Los Angeles to help the public with law enforcement issues arising out of the fires including price gouging and tickets issued.

Given the law enforcement nature of this work, we are unable to provide additional details at this time. Please rest assured, however, that the Los Angeles City Attorney's Office is committed to vigorously enforcing the laws prohibiting price gouging.

III. Need for Additional Resources to Address Price Gouging

The Office requests authority and funding to hire two Deputy City Attorneys and one investigator to address price gouging, and a legal clerk to assist with the increasing number of civil claims being filed related to the Palisade fire.

The two Deputy City Attorneys would be assigned to the Public Rights Branch. They would help the existing team continue to investigate complaints of price gouging, to review responses from landlords and property managers to whom the Office has already sent cease and desist letters, and to evaluate referrals for potential civil litigation. With this increase in resources, the Branch would be able to provide more robust civil enforcement of the law, including by filing more civil lawsuits. Additionally, while our work so far has largely focused on investigating the roughly 1,250 complaints we have received, additional resources would allow us to proactively investigate market segments not addressed by the reports we have so far received. Significantly, most

reports we have received to date pertain to single family homes or higher end condominiums. Additional resources would allow us to proactively investigate price gouging violations in lower income housing accommodations. Finally, even after the declaration of emergency expires such that rental rates are no longer regulated by price gouging laws, we expect to see an increase in fraud associated with the City's and residents' efforts to rebuild from the fires. Thus, we think the need for these resources will continue for the foreseeable future.

The investigator we seek would be assigned to the Criminal Branch's Regulatory Prosecution Division, which handles price gouging matters. The investigator would assist the Criminal Branch evaluate complaints that are referred for potential criminal prosecution. Presently, the Regulatory Prosecution Division does not have an investigator. Even after the declaration of emergency expires, an investigator is needed in the Regulatory Prosecution Division to assist the Division with wage theft matters.

The legal clerk would be assigned to the Claim Unit, and would assist in the intake and processing of government claims filed related to property damage and injuries resulting from the wildfires that occurred within the City of Los Angeles. We anticipate hundreds, if not thousands, of these claims to be filed in the coming months, and we do not have sufficient staffing to process them as they come in. The Claims Unit has been understaffed with legal clerks for some time, resulting in an increasing backlog of claims. Once all of the wildfire claims have been received, the legal clerk would then assist with reducing the backlog and handling all other government claims as they are received.

Thank you for helping our office continue to help the people of our community.

Very truly yours,

HYDEE FELDSTEIN SOTO, City Attorney

By Denise C. Mills
Denise C. Mills, Chief Deputy