

City of Los Angeles

Tiena Johnson Hall, General Manager  
Tricia Keane, Executive Officer

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Anna E. Ortega, Assistant General Manager  
Luz C. Santiago, Assistant General Manager  
Craig Arceneaux, Acting Assistant General Manager



Karen Bass, Mayor

LOS ANGELES HOUSING DEPARTMENT  
1910 Sunset Blvd., Ste 300  
Los Angeles, CA 90026  
Tel: 213.808.8808

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[housing.lacity.gov](http://housing.lacity.gov)

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Council Files: 23-1126, 23-1122, 23-0257  
Council Districts: Citywide  
Contact Person(s): Anna Ortega (213) 808-8826  
Robert Galardi (213) 808-8502  
Michael Prendergast (213) 804-3562

Honorable Members of the City Council  
City of Los Angeles  
c/o City Clerk, City Hall  
200 N. Spring Street, Room 395  
Los Angeles, CA 90012

**COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT REPORT ON ENHANCEMENTS TO THE SYSTEMATIC CODE ENFORCEMENT PROGRAM, COMPLAINT-BASED INSPECTION PROCESSES, AND THE RENT ESCROW ACCOUNT PROGRAM COMPLIANCE PROCEDURES**

**SUMMARY**

The General Manager of the Los Angeles Housing Department (LAHD) respectfully submits this report in response to three council motions that instruct LAHD to evaluate the City's Systematic Code Enforcement Program (SCEP) and complaint-based inspection processes (C.F. No. 23-1126), as well as compliance procedures for the Rent Escrow Account Program (REAP) (C.F. Nos. 23-1122 and 23-0257) to identify existing limitations or challenges that affect tenants and landlord experiences with SCEP and REAP, including the implementation of expedited notifications to Council Offices when properties are recommended for removal from REAP. The motions also outline directives for consideration in the evaluation process.

As described in this report, significant improvements to both the SCEP and REAP programs have been initiated over the past year, informed by LAHD's expertise and valuable stakeholder input from both tenants and landlords. LAHD remains committed to the full implementation of these program enhancements and ongoing collaboration with community partners. The majority of the action items described in this report have already been implemented or are well underway.

## **RECOMMENDATIONS**

- I. That the City Council, subject to the approval of the mayor:
  1. INSTRUCT the General Manager of the Los Angeles Housing Department (LAHD), or designee, to report within 180 days on the following:
    - a. The implementation progress for the recommended improvements for the Systematic Code Enforcement Program (SCEP) and the Rent Escrow Account Program (REAP), including the distribution of enhanced educational materials, updated tenant rent escrow payment options, and revisions to the current Release of Escrow policy, procedures, and RAC Regulations.
    - b. Recommendations for the resolution of mold and lead-based paint conditions identified during inspections, including strengthening collaboration with the Los Angeles County Health Department.
    - c. The SCEP cost recovery analysis, including REAP administrative fees and penalty assessments, to ensure that they reflect the program's operational costs.
  2. INSTRUCT LAHD to assist the Rent Adjustment Commission (RAC) to amend the REAP Regulations to implement the enhanced procedures outlined in this report.

## **BACKGROUND**

### **Systematic Code Enforcement Program (SCEP)**

Established in July 1998, SCEP serves as the City's routine inspection program, ensuring that all rental properties with two or more units are inspected at least once every four years for compliance with local Building, Mechanical, Plumbing, and Electrical Codes, as well as California Health & Safety Codes.

Approximately 880,000 multifamily rental units are subject to SCEP, with inspections conducted on a four-year cycle. Additionally, tenants can file direct complaints with LAHD if they suspect code violations are present in their unit. When violations are confirmed, property owners receive a Notice to Comply (NTC), with a compliance period of generally 30 days to complete the needed repairs. Extensions of time to complete the necessary repairs may be granted based on the landlord's demonstrated willingness, ability, and significant progress in addressing violations. If violations are not corrected within the compliance period, rental units are referred to a General Manager's Hearing, where the properties may be placed into the City's Rent Escrow Account Program (REAP). Under REAP, tenants are granted rent reductions ranging from 10% to 50% based on the severity of outstanding violations. Tenants have the option to pay their reduced rents to the landlord or into an escrow account managed by LAHD.

### **Rent Escrow Account Program (REAP)**

Established in 1988, REAP was created to address health and safety violations in substandard rental properties. In 1999, the City expanded the program to include outreach and education services for REAP, whereby LAHD contracts with community organizations to increase tenant participation. These organizations provide outreach and education to the tenants residing in affected buildings (C.F. No. 93-1850-S1). The program was further expanded in 2003, to include outreach and education services for property owners, to provide guidance and awareness of the REAP process.

## **Evaluation of SCEP and REAP Compliance Procedures**

In November 2023, separate council motions instructed the Los Angeles Housing Department (LAHD) to evaluate the SCEP and complaint-based inspection processes (C.F. No. 23-1126) as well as REAP compliance procedures (C.F. Nos. 23-1122 and 23-0257), to identify existing limitations or challenges impacting the experience of tenants and landlords. In addition, the motions outlined specific directives for evaluation, leading to potential recommendations.

The issues raised in the various motions are sufficiently related that a single report can best provide a comprehensive response for potential program enhancements as well as information regarding the implementation of such enhancements. To develop a comprehensive response, LAHD hosted four stakeholder meetings, two with tenants and two with landlords, to gather informative feedback. The insight from the discussions with the landlord and tenant advocates have been integrated into the recommendations for program enhancements described in this report. A summary of the recommendations from the motions is provided below.

### **C.F. No. 23-1126 SCEP Motion**

1. Provide avenues to increase compliance with timely and good quality repairs, as well as strategies to maximize efficacy of SCEP inspections such as providing tenants and landlords more notice, information, and resources prior to inspections and providing transparent updates on schedules, open complaints and citations, and assigned inspectors. Reduce time property is in REAP with approved repairs. (SCEP/REAP)
2. Photographing violations, providing common types of repair bulletins, and verification completed. (SCEP/REAP)
3. Increased coordination between sections, departments, and agencies. (SCEP/REAP)
4. Inspection warrant process improvement.
5. Language accessibility.
6. Citation enforcement. (SCEP/REAP)
7. Financial assistance for “mom and pop” landlords. (SCEP/REAP)
8. Petition for rent reductions based on failure to remedy violations.
9. THP enhancements and expansion.

### **C.F. No. 23-1122 REAP Motion**

1. Reduce time property is in REAP with approved repairs. (SCEP/REAP)
2. Ensure full compliance prior to REAP removal.
3. Evaluate possible fines and penalties to motivate and provide cost recovery. (SCEP/REAP)
4. Conduct assessment of Outreach and Education strategies.
5. Increase tenant utilization of the escrow account and expedite access to said funds.
6. Ensure tenant protections for units in REAP.
7. Identify financial resources for “mom and pop” landlords to avoid sale of property to corporations. (SCEP/REAP)
8. Verification of repairs, before and after photos, repair plans, and receipts. (SCEP/REAP)
9. Increased frequency of inspections for problem properties, inspecting adjacent units, appeal process, payment options for tenants.
10. Coordinate and systemize efforts across local agencies code enforcement. (SCEP/REAP)
11. Identify opportunities for property disposal to community land trusts with willing owners when feasible.

12. Explore strategies to reduce the volume of cases pending General Manager hearings and expedite the timeline for REAP acceptance.
13. Staffing resources and implementation.

### **C.F. No. 23-0257 REAP Motion**

1. Analysis of the methodology used for removal of a unit from REAP.
2. Feasibility of implementing a notification system that automatically alerts relevant Council Offices when LAHD recommends a unit for removal from REAP. The notifications should include the original list of violations tied to the property to ensure that Council Offices are informed prior to any scheduled City Council meeting in which the property is to be considered.

### **Community Stakeholder Meetings**

LAHD hosted four community stakeholder meetings in June and August 2024, splitting them between tenants and landlords to collect feedback. The June 2024 meetings focused on gathering feedback on the specific directives detailed in the motions, while the August 2024 meetings provided updates on LAHD's preliminary proposals for program enhancements. Stakeholders shared their experiences and challenges with SCEP and REAP and were encouraged to offer recommendations for improvements.

### **Enhancements and Action Items for SCEP and REAP**

As a result of the program review and recommendations from community advocates, LAHD has developed and implemented the following ongoing and planned enhancements for SCEP, REAP, and complaint-based inspections. These updates are designed to improve service delivery for both tenants and landlords. Most of these initiatives have already been fully implemented or are currently in progress.

#### **I. Outreach and Education for SCEP and REAP**

##### **A. Implemented:**

1. Ongoing REAP Meetings: LAHD continues bi-monthly meetings with the outreach contractors to enhance landlord and tenant education, awareness, and best practices for effective escrow participation, including strategizing on targeted support and assistance for aged REAP cases, the release of escrow process, and how tenants and landlords may access escrowed funds for repairs.
2. Comprehensive Informational Package: An ADA-compliant "Introduction to REAP" informational package is issued to all tenants and owners immediately following acceptance into REAP. The package covers rights and responsibilities under the REAP Ordinance, as well as information on the City's Right to Counsel, TAHO, FAQs, etc. The materials are accessible on the LAHD website and available in multiple languages, including Spanish, Korean, and Cantonese.

##### **B. In Process:**

1. Translation/Language Accessibility
  - a) Increase the availability and accessibility of translated Code Enforcement and Rent Stabilization reference documents.

- b) Revise program informational materials to facilitate access to materials in multiple languages by adding webpage links and a QR code (quick response code), which is a two-dimensional barcode that can be scanned by smartphones or QR scanners to access information, like websites, contact details, or text, quickly and efficiently.
2. Institute biannual roundtable meetings with tenant and landlord advocates to promote and educate the community on the SCEP and complaint-based inspection processes, outcomes, and expectations for addressing code violations.
3. SCEP and complaint-based outreach to include providing informational cards and additional information on notices of inspections for tenants that provides access to services including how to file complaints for reductions in housing services and tenant harassment.

## **II. Increase Transparency and Enhance the Public's Understanding of City Code Inspections**

### **A. Implemented:**

Utilize a team inspection approach during inspections of large, multifamily communities, and/or apartment buildings over multiple days to allow sufficient inspection time for each unit and provide tenants the opportunity to engage with inspectors one-on-one, and also provide tenants the specific days their units are planned to be inspected.

### **B. Next Phase:**

1. Enhance the web portal for LAHD's Property Activity Report to provide tenants and landlords with access to orders issued, the findings of inspections by unit address, and advance notification of the schedule of inspections and reinspections (date and time).
2. Mailing of a post-inspection letter to individual tenants describing the inspector's findings and the next steps in the inspection process.

## **III. Facilitate Landlord Compliance/Education - In Process:**

1. Revision of Notices of Inspections to advise landlords that their maintenance staff and contractors should be present during the initial inspections in order to increase their understanding of the required repairs.
2. Provide greater guidance to landlords and repair contractors, such as:
  - a) Recommend that landlords hire professional contractors rather than a handyman or maintenance person for complex repairs or specialized tasks.
  - b) Distributing and advertising informational materials prepared by the California Environmental Protection Agency (Cal-EPA) regarding California Lead Laws and Regulations, including information such as Lead-Based Paint Safe Work Practices step-by-step.
  - c) Providing referrals to the Small Business Administration (SBA) to small landlords and operators suffering from financial hardships as a possible resource to finance required repairs.

#### **IV. Strengthen Resources for Problem Properties**

##### **A. Implemented:**

1. Continued liaison with the Los Angeles County Health Department in conjunction with the LAHD Inter-Agency Housing Task Force (IAHTF), to supplement the SCEP and TIER II inspection programs.
2. Expand the use of Administrative Citation Enforcement (ACE) for violations of the Los Angeles Municipal Code, California Health and Safety Code, and other violations, such as non-compliance with the Tenant Habitability Program.

#### **V. Operational Improvements**

##### **A. Implemented:**

Enhancements to the REAP closure process have been automated and implemented through the CCRIS system including:

1. Automated email notifications to the REAP outreach contractors to coordinate their final site visit during Code Enforcement's property inspection and facilitate sign-off on the REAP violations. This enables the outreach contractors to gain access to the units and reduces delays in obtaining clearance.
2. Immediately following the completion of the required clearances (sign offs), the CCRIS system generates an automated email notification of the pending REAP case closure to the appropriate Council Office, approximately 21 days prior to scheduling of the REAP removal on the City Council agenda by the Office of the City Clerk.

##### **B. In Process:**

1. When a pattern of denied consent for inspection is observed, LAHD inspectors will inform tenants and landlords that the inspections are required by law, educate the tenants and landlords regarding the benefits of the inspection, as well as the limited allowable reasons for denying consent. This will also be incorporated in the "Last Chance" letter described below.
2. Standardize the issuance of the "Last Chance" letter to landlords and tenants prior to the Department obtaining a forcible entry (locksmith entry) inspection warrant. Under state law, California Civil Code Section 1954, a landlord has the right to enter a rental unit to make necessary repairs.
3. Augment and implement enhanced tenant rent escrow payment options into REAP escrow accounts, expanded online, mobile, and in-person payment options, including digital wallets, i.e., Apple/Android Pay, Venmo, etc. This is currently in Beta testing, with an anticipated roll-out in late 2025.
4. Publicize and provide tenant education on the release of escrow process to facilitate tenant access to escrow funds in a timely manner. Escrow payment/release information is included in the "Introduction to REAP" educational materials, and emphasized during outreach contractor meetings.
5. In the Fiscal Year 2024-25 (FY24-25) budget, the Department requested 4 additional Hearing Officers and 5 new staff positions. The approved budget request increased

staffing levels to 9 Hearing Officers, along with 5 full time employees to provide administrative support and hearing logistics. The expanded hearing resources afford greater flexibility and availability to support a more robust hearing calendar, enabling tenants and property owners to receive timely hearing dispositions for addressing property violations. When fully staffed, the expedited process will allow cases referred to REAP and/or the City Attorney to be processed more quickly, enabling tenants to benefit from rent reduction through established due process without adding further delays by requiring review by another board or agency. Additionally, the LAHD Code Enforcement and Compliance Divisions revised hearing procedures to reduce hearing delays to improve case scheduling.

6. The REAP appeal and administrative fees are included in the fee study analysis, which is underway. The adjusted fees, reflecting total cost recovery, will encourage the timely disposition of violations rather than procedurally extending the administrative due process through appeals or delays, thus helping to incentivize timely repairs and removal of cited units from REAP.

### **C. Next Phase:**

1. Develop a model standardized reasonable relocation plan where temporary relocation details regarding emergency repairs and/or mold abatement are documented to support the tenants' rights and ensure that the tenants' belongings are protected.
2. Work with the Rent Adjustment Commission (RAC) to revise REAP RAC Regulation 1200.00 to require that a final inspection, including inspection of all rental units, must be conducted prior to a property being released from REAP.
3. Work with the RAC to revise the REAP Regulations to extend the number of months a property remains in the REAP with reduced rents prospectively to account for the months that an appeal is pending.
4. Work with the City Attorney and the RAC to amend REAP RAC Regulation 1200.14.B and Los Angeles Municipal Code (LAMC) 162.09.B.1 to defer any allowable rent increase for 2 years for tenants who participated in the City's escrow account.

### **VI. Improved Inspector Training - In Process:**

1. Provide "Customer Service" training for field inspection staff to train inspectors on explaining LAHD's role and services with regard to code inspections and encourage tenants to identify potential problems in their units.
2. Provide inspector training on identification of signs of potential tenant harassment and methods to manage situations that may arise during an inspection; modify the mobile inspection program to collect harassment indicators for referrals to LAHD's newly established Tenant Anti-Harassment Ordinance Task Force.
3. Train Housing Inspectors on the importance of documenting significant code violations through the collection of photographs during both complaint-based and SCEP inspections. During SCEP inspections, nonconforming or continuing violations are and will continue to be photographed in sufficient numbers to illustrate the overall conditions on the property.

## **SCEP Inspections Status**

Currently, Code Enforcement's *fifth cycle* of citywide inspections is projected to be completed by the end of calendar year 2025. Completion of the fifth inspection cycle was delayed due to the pandemic and staffing challenges. Moving forward, the FY24-25 budget approvals provide Code Enforcement a much-needed staffing increase of 15 Housing Inspectors to resume a four-year inspection cycle. Currently, of the 107,000 properties subject to SCEP, approximately 27,000 properties (25%) will have inspections conducted beyond the five-year mark.

## **Tier I and Tier II Inspection Status**

In October 2018, with City Council approval, LAHD Code Enforcement implemented a Tier I and Tier II periodic inspection framework. This regulation increases oversight on historically underperforming rental properties, with Tier II properties requiring inspections every two years, compared to the four-year cycle for Tier I properties (Council File 16-1190). Code Enforcement identifies underperforming properties based on the prior SCEP cycle (currently Cycle IV) and categorizes them into the Tier II inventory in Cycle V for more frequent inspections, in order to better ensure compliance with maintenance standards. Approximately 105,800 properties are identified as Tier I, while approximately 1,200 properties (1%) are identified as Tier II.

Due to the pandemic and broader LAHD staffing challenges, LAHD has not met the 2-year inspection frequency for 540 Tier II properties (45%). When the two-tier program was created in 2017-2018, the Department anticipated that Tier II properties would primarily consist of low-performing properties from the prior cycle, with fewer than 16 units per property. However, the actual Tier II inventory proved to be significantly more resource intensive, with a single Tier II property requiring approximately 84 working days (4 months) to complete inspection and necessary follow-up actions. The inspection of this one property required approximately 20% of staff time allocated to the Tier II program, significantly delaying the ability to timely conduct other Tier II inspections. Additionally, during this time, Code inspectors have been deployed to inspections necessary for the stabilization of the Skid Row Housing Trust Fund portfolio, which has impacted the Department's ability to meet the two-year inspection frequency. In the FY24-25 budget, additional inspection staffing was approved to reestablish the Inter-Agency Housing Task Force group that will also augment the Tier II staffing levels and maintain Tier II inspections on 2-year cycles.

## **REAP Hearings and Appeals Enhancements**

In the FY24-25 budget, the Department requested 4 additional Hearing Officers and 5 new staff positions. The approved budget request increased the staffing levels to 9 Hearing Officers, along with 5 fulltime employees to provide administrative support and hearing logistics. The expanded hearing resources afford greater flexibility and availability to support a more robust hearing calendar, enabling tenants and property owners timely hearing dispositions to address property violations. When fully staffed, the expedited process will allow for cases referred into REAP and/or the City Attorney to be processed more quickly, and enable tenants to benefit from the rent reduction through the established due process without adding further delays with another board or agency to review cases.

In 2024, the LAHD Compliance Division developed and introduced a series of educational and awareness outreach efforts for REAP. The tenant-focused measures included:



- 1) Revised educational awareness and informational materials (English, Spanish, Korean, Cantonese), which have been posted on the Department's website and provided to the Department's outreach service providers, for group mailings and individual tenant distribution. Translation of materials into additional languages is underway;
- 2) A new comprehensive and ADA-compliant "Introduction to REAP" informational package, which is issued to all tenants and owners immediately following acceptance into REAP. The package apprises the parties of their rights under the REAP Ordinance, with accompanying information including Right to Counsel, TAHO, FAQs, etc. The materials are available in several languages, including English, Spanish, Korean, and Cantonese, and are also available on the LAHD website (REAP). Translation of materials into additional languages is underway;
- 3) Bi-monthly meetings with the REAP outreach service providers, which are conducted to address tenant/landlord awareness/issues of the REAP processes and best practices to strategize effective escrow participation efforts, including a focus on targeted support and assistance for aged REAP cases; and
- 4) New tenant rent escrow payment options and expanded online, mobile, and in-person payment options, including digital wallets, i.e., Apple/Android Pay, Venmo, etc. These improvements are currently in Beta testing, with production roll-out anticipated in late 2025. Release of Escrow policy and procedures designed to enable tenants to access available funds in a timely manner are under review, with modifications anticipated to be completed in Fall 2025.

### **Proposed Revisions for Retroactive REAP Rent Reductions**

When a LAHD General Manager's Hearing Officer decision to place a property into REAP is appealed to the RAC Appeals Board, the property's placement into REAP, along with all associated rent reductions, are delayed and held in abeyance until the appeal process is final (LAMC §162.06.C).

If the appeal is denied, the ordinance mandates that the rent reductions be applied retroactively from the date of the Hearing Officer's determination (LAMC §162.06.B.3). This provision incentivizes landlords to appeal all REAP placement determinations, delaying the imposition of approved rent reductions. As a result, tenants must continue to pay full rent for several months, even when entitled to rent reductions for uncured housing violations. Under the current process, neither LAHD nor the affected tenants have a mechanism to obtain a retroactive rent reduction.

To address this, LAHD is proposing a revision to the RAC Guidelines to ensure the continuation of the approved REAP rent reduction for the number of months stayed between the Hearing Officer's decision and the actual placement of the property into REAP. The RAC decision will specify the number of additional months the REAP rent reduction must remain in place, and LAHD will adjust its procedures to ensure that a property is not released from REAP until the tenant has fully recovered all the approved months of reduced rents.

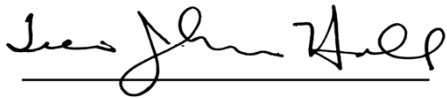
### **SCEP and REAP Cost Recovery Analysis**

In May 2025, the Department entered into a contract with BAE Urban Economic (BAE) to analyze the adequacy of the resources deployed to SCEP and REAP and ensure that the SCEP and REAP fees and penalties are sufficient for full cost recovery to achieve the program goals. The final report is anticipated to be completed by Fall 2025 with recommendations provided to the City Council by the end of 2025.

**FISCAL IMPACT**

There is no impact to the General Fund. The SCEP and REAP program enhancements and future implementation recommendations are supported through the Systematic Code Enforcement Fee Fund No. 41M/43 and the Rent Stabilization Trust Fund 440/43.

Approved By:

A handwritten signature in black ink, appearing to read "Tiena Johnson Hall", written over a horizontal line.

TIENA JOHNSON HALL

General Manager

Los Angeles Housing Department