

MOTION

HOUSING & HOMELESSNESS

The City of Los Angeles' Rent Stabilization Ordinance (LARSO) was designed to protect tenants from excessive rent increases while allowing landlords a reasonable return on their investments. Under the LARSO, there are two types of increases: the annual rent increase and increases for additional tenants, and increases that require departmental approval, such as capital improvements, seismic work and rehabilitation, and Just and Reasonable (J & R) rent increases. The Just & Reasonable Program is a mechanism to obtain a fair return on the landlord's investment in rental property. It compares the Net Income from the first year for which records are available with the Net Income in the current year. If the business is currently unprofitable compared with its first year of operation, a permanent rent increase adjusted for inflation may be permitted to be added to the rent to improve the property's profitability and permit a fair return on the owner's investment through federal, state, and local policies.

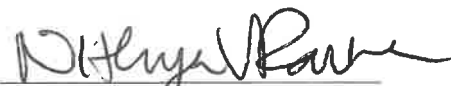
Under the United States and California Constitutions, investors, including investors in residential rental property, are entitled to "a fair and reasonable return on their investment." In the context of controls on residential rentals, the Courts have determined that a government regulation does not prevent a fair and reasonable return so long as the regulation itself does not prevent the owner-investor from collecting an amount of rent sufficient to cover the owner's costs of operation, the servicing of reasonable financing, and at least some profit.

Presently, under existing LARSO regulations, only a minimal amount of landlords petition to use the J & R program. This may be due to sufficient profit margins, but anecdotally, landlords have shared that the application process is confusing, cumbersome, inefficient and often delayed. With a forthcoming change in the LARSO annual rent increase formula, the City should ensure that existing relief programs like J & R are being maximized.

I THEREFORE MOVE that the City Council instruct the Los Angeles Housing Department to report back within 15 days on fair return petition procedures from other jurisdictions including the cities of Pasadena, Cudahy, and Alameda, and Los Angeles County that are less burdensome on landlords than the City of Los Angeles' current program, including due to a more streamlined application process, appropriate program guidelines, greater responsiveness from city staff, and efficient program management and data synthesis.

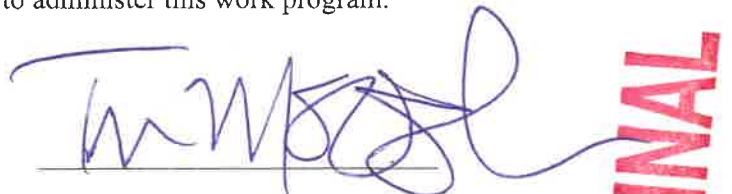
I FURTHER MOVE that the City Council instruct the Los Angeles Housing Department to report back within 15 days to work with the Rent Adjustment Commission (RAC) to update the existing Rent Adjustment Commission Guidelines governing the Just and Reasonable Rent Increase Program based on best practices from other jurisdictions and conduct an outreach campaign to inform landlords on how to utilize the program and other cost reimbursement provisions of the RSO in order to ensure a fair return on their rental units, and to create a new position authority through the Measure ULA Staffing Plan in the Regulatory Code and Compliance Bureau to administer this work program.

PRESENTED BY:



NITHYA RAMAN

Councilmember, 4th District


ORIGINAL

SECONDED BY:


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