

**COUNTY OF LOS ANGELES
TENANT PROTECTIONS WORKING GROUP**

Wednesday, May 30, 2018
Hall of Administration
500 West Temple Street, Conference Room 743
8:00 a.m. – 10.00 a.m.

AGENDA

- | | | |
|------|---|-------------------|
| I. | Welcome and Review of Agenda | Lisa Cleri Reale |
| II. | Carryover from Prior Meeting <ul style="list-style-type: none">• Discuss City of LA Presentation for June 13• Discuss Format for Feedback from Public• Review open issues re: Draft Narratives and Process Moving Forward | Working Group |
| III. | Presentation: Potential Costa Hawkins Repeal Impact | Goldfarb & Lipman |
| IV. | Group Discussion <ul style="list-style-type: none">• Relocation Assistance and Right of Return Benefits• Potential Costa Hawkins Repeal Impact | Working Group |
| V. | Review Next Agenda | Working Group |
| VI. | Public Comment | |
| VII. | Adjournment | |

Attachments:

- Draft narratives
- Letter from LA Coalition for Responsible Housing Solutions

ACCOMMODATIONS: Accommodations, American Sign Language (ASL) interpreters, or assisted listening devices are available with at least three business days' notice before the meeting date. Agendas in Braille and/or alternate formats are available upon request. Please telephone (213) 974-1740 (voice) or (213) 633-0901 (TDD), from 8:00 a.m. to 4:30 p.m., Monday through Friday. Para información en español, por favor llame al (213) 974-1431 entre 8:00 a.m. y 5:00 p.m. lunes a viernes.

SUPPORTING DOCUMENTATION: Written agenda materials, including supporting documentation not posted within the 72-hour notice period, can be obtained at the CEO's Office, Kenneth Hahn Hall of Administration, 500 West Temple Street, Room 726, Los Angeles, CA 90012, and at <http://ceo.lacounty.gov/agendas.htm>. Public Comment should not exceed the allotted time for each speaker and must be on items of interest which are within the subject matter jurisdiction of the Tenant Protections Working Group.

Submitted by Jessie Kornberg 5/26/18
Revised Narrative based on discussions of Working Group on Tenant Protections

Working Group Recommendations re: Just Cause Eviction Regulation

The working group reached unanimous agreement with respect to the adoption of robust just cause eviction requirements for all tenants in unincorporated Los Angeles County, regardless of unit type, ownership type, and any other rent stabilization or additional tenant protections. The working group understood these just cause eviction protections to supplement the provisions of California State law that provide for eviction under a set of circumstances already defined by state law.

The working group recommends that just cause evictions be limited to circumstances where:

- 1 an owner or owner's immediate family member will reside in the unit, with relocation assistance at the owner's expense and a requirement that if the owner or immediate family member does not continuously reside in the unit for 24 consecutive months following the eviction, the evicted tenant has a right to return to the unit at the prior rent. [NOTE: relocation calculation and definition of immediate family member required]
- 2 an owner will undertake substantial rehabilitation of the unit, with tenant relocation assistance and right of return protections modeled on the City of Los Angeles's Tenant Habitability Program

The working group further recommends that landlords would not be permitted to use any eviction procedure based solely on property foreclosure or to tenant families with school-aged children during the Los Angeles Unified School District academic year.

Finally the working group recommends that Los Angeles County adopt additional eviction notice requirements, including tenants rights information, legal services information, and required County recording of eviction notices, including the reason for eviction and the outcome of the eviction proceeding.

Submitted by Jessie Kornberg 5/26/18
Revised Narrative based on discussions of Working Group on Tenant Protections

Working Group Recommendations re: Rent Stabilization

The working group reached consensus with respect to the adoption of robust rent stabilization for all tenants in unincorporated Los Angeles County, to the maximum extent permitted by state law. The only units exempt from these protections would be those owner-occupied units that shared kitchen or bathroom facilities with tenants. [NOTE: there was an ongoing discussion about other possible exemptions, but none that reached consensus]

- 1 Rent increases limited to a single increase per year, regardless of lease term
- 2 Annual rent increases limited to the increase in the previous year of the Greater Los Angeles Consumer Price Increase, but never to exceed 5% of the previous year's rent [NOTE: 0-5% range still under discussion]
- 3 No rent increase may be applied to any unit vacated through eviction
- 4 No rent increase may be applied while a habitability complaint remains unresolved
- 5 Notice of any rent increase must be provided to the tenant at least [NOTE: Need to identify ideal notice period] days in advance of any increase taking effect
- 6 All effected units must be registered with a County oversight body, with all rents and rent increases submitted and made publicly available
- 7 Landlords have an opportunity to seek waiver from these rent increase limitations and a fair value adjustment where improvements or other extraordinary circumstances result in the rent increase limitation otherwise unfairly depriving that landlord of a fair value from the property. A fair return on a unit shall be determined based on an investment or equity-based calculation. Investments made to correct code violations would not qualify for adjustment. Debt or refinancing of a unit would not qualify for an adjustment. This waiver procedure would be heard by a representative body including tenants, tenants rights advocates, landlords, and other appropriate stakeholders, to be appointed by the Supervisors' offices.

The working group further recommends that if the November ballot proposition repealing the Costa-Hawkins limitation to local rent stabilization for buildings built after 1994, that the County consider a more moderate aged-based exemption from these rent stabilization limitations. [NOTE: a separate proposal for a post-Costa Hawkins landscape is still under discussion]

The working group also contemplated and had no objection to the County providing a voluntary, non-binding dispute resolution venue for landlords and tenants as part of the rent increase process, provided that procedure did not

create added costs for tenants. In particular mediation of rent increases for units subject to Costa Hawkins and a proposed rent increase exceeding that which would otherwise be allowed under the rent stabilization ordinance but for the Costa Hawkins exemption was favored.

Finally the working group recognized that the implementation and ongoing oversight of these recommendations will require County staff and administrative resources. To the extent these resources represent an increased cost to the County, it was the working group's recommendation that the cost of those ongoing oversight and enforcement costs be shared by tenants and landlords with the bulk of those costs applied to those landlords who reap the bulk of the benefits of income-producing property ownership: those with 100 or more units.

DRAFT

Dr. Richard Green's Comments to Draft Submitted by Jessie Kornberg 5/26/18: Revised Narrative based on discussions of Working Group on Tenant Protections

Working Group Recommendations re: Just Cause Eviction Regulation

The working group reached unanimous agreement with respect to the adoption of robust just cause eviction requirements for all tenants in unincorporated Los Angeles County, regardless of unit type, ownership type, and any other rent stabilization or additional tenant protections. The working group understood these just cause eviction protections to supplement the provisions of California State law that provide for eviction under a set of circumstances already defined by state law.

The working group recommends that just cause evictions be limited to circumstances where:

- 1 an owner or owner's immediate family member will reside in the unit, with relocation assistance at the owner's expense and a requirement that if the owner or immediate family member does not continuously reside in the unit for 24 consecutive months following the eviction, the evicted tenant has a right to return to the unit at the prior rent. [NOTE: relocation calculation and definition of immediate family member required]
- 2 an owner will undertake substantial rehabilitation of the unit, with tenant relocation assistance and right of return protections modeled on the City of Los Angeles's Tenant Habitability Program

Commented [Office1]: I do not agree to this. People should be able to move into units they own without friction.

The working group further recommends that landlords would not be permitted to use any eviction procedure based solely on property foreclosure or to tenant families with school-aged children during the Los Angeles Unified School District academic year.

Finally the working group recommends that Los Angeles County adopt additional eviction notice requirements, including tenants rights information, legal services information, and required County recording of eviction notices, including the reason for eviction and the outcome of the eviction proceeding.

Dr. Richard Green's Comments to Draft Submitted by Jessie Kornberg 5/26/18: Revised Narrative based on discussions of Working Group on Tenant Protections

Working Group Recommendations re: Rent Stabilization

The working group reached consensus with respect to the adoption of robust rent stabilization for all tenants in unincorporated Los Angeles County, to the maximum extent permitted by state law. The only units exempt from these protections would be those owner-occupied units that shared kitchen or bathroom facilities with tenants. [NOTE: there was an ongoing discussion about other possible exemptions, but none that reached consensus]

- 1 Rent increases limited to a single increase per year, regardless of lease term
- 2 Annual rent increases limited to the increase in the previous year of the Greater Los Angeles Consumer Price Increase, but never to exceed 5% of the previous year's rent [NOTE: 0-5% range still under discussion]
- 3 No rent increase may be applied to any unit vacated through eviction
- 4 No rent increase may be applied while a habitability complaint remains unresolved
- 5 Notice of any rent increase must be provided to the tenant at least [NOTE: Need to identify ideal notice period] days in advance of any increase taking effect
- 6 All effected units must be registered with a County oversight body, with all rents and rent increases submitted and made publicly available
- 7 Landlords have an opportunity to seek waiver from these rent increase limitations and a fair value adjustment where improvements or other extraordinary circumstances result in the rent increase limitation otherwise unfairly depriving that landlord of a fair value from the property. A fair return on a unit shall be determined based on an investment or equity- based calculation. Investments made to correct code violations would not qualify for adjustment. Debt or refinancing of a unit would not qualify for an adjustment. This waiver procedure would be heard by a representative body including tenants, tenants rights advocates, landlords, and other appropriate stakeholders, to be appointed by the Supervisors' offices.

The working group further recommends that if the November ballot proposition repealing the Costa-Hawkins limitation to local rent stabilization for buildings built after 1994, that the County consider a more moderate aged-based exemption from these rent stabilization limitations. [NOTE: a separate proposal for a post-Costa Hawkins landscape is still under discussion]

The working group also contemplated and had no objection to the County providing a voluntary, non-binding dispute resolution venue for landlords and tenants as part of the rent increase process, provided that procedure did not create added costs for tenants. In particular mediation of rent increases for

Commented [Office2]: Would "banking" be permitted?

Commented [Office3]: This seems arbitrary. We had a decade long period in the 1970s when CPI growth was well above five percent (see attached graph). While this seems unlikely now, given current the administration's trade and fiscal policy, going back to +5 percent CPI growth is a possibility.

Commented [Office4]: How will this be paid for, organized, etc?

Commented [Office5]: Does this mean if interest rates rise, everything adjusts? Suppose mortgage rates rise to 10 percent (again, unlikely, but not unprecedented), which means a fair return would be at least 10 percent. Is there a blanket waiver, or does every landlord have to ask for an exception? How does this work administratively?

Commented [Office6]: On improvements—placing an administrative burden on landlords means they won't get done (check the city of LA experience). The best piece in the literature on residential housing depreciation is Harding, Sirmans and Rosenthal <https://www.sciencedirect.com/science/article/pii/S0094119006000763>, who show that depreciation before maintenance is 2.5 percent per year. This implies that for the stock to not shrink (wither via reduced quality or reduced number of units), landlords need to be allowed to get CPI + depreciation, or about 2.5 percent.

Dr. Richard Green's Comments to Draft Submitted by Jessie Kornberg 5/26/18: Revised Narrative based on discussions of Working Group on Tenant Protections

units subject to Costa Hawkins and a proposed rent increase exceeding that which would otherwise be allowed under the rent stabilization ordinance but for the Costa Hawkins exemption was favored.

Finally the working group recognized that the implementation and ongoing oversight of these recommendations will require County staff and administrative resources. To the extent these resources represent an increased cost to the County, it was the working group's recommendation that the cost of those ongoing oversight and enforcement costs be shared by tenants and landlords with the bulk of those costs applied to those landlords who reap the bulk of the benefits of income-producing property ownership: those with 100 or more units.



Los Angeles Coalition for Responsible Housing Solutions

May 16, 2018

Ms. Sachi Hamai
Chief Executive Officer
County of Los Angeles
500 West Temple Street, Room 713
Los Angeles, CA 90012

Dear Ms. Hamai,

On behalf of the members of the Los Angeles Coalition for Responsible Housing Solutions, we are writing to express our position on the upcoming Tenant Protections Working Group meeting on May 16, 2018.

We believe that homelessness, affordable housing and housing issues are shared challenges with shared solutions which must be addressed by working *with* property owners, tenants and the County of Los Angeles. Unilateral or bilateral approaches will surely maintain the status quo, which is not desirable.

We will work collaboratively and support policy solutions that address the housing crisis and are not visceral responses to unique facts between a narrow set of tenants and property owners. We believe that the Working Group has predetermined its positions, has set a course and the recommendations will reflect a bias against most property owners. It continues to be our honest desire to provide meaningful dialogue to this conversation, as our interests are also at stake.

Based on our continued observations, interactions and insight, we provide the following feedback on the "Draft Narratives" document submitted to the agenda for the May 16, 2018 meeting:

1. The unincorporated areas of Los Angeles are economically, demographically and socially diverse. The Department of Regional Planning, in the Los Angeles County Affordable Housing Action Plan, recognized six defined submarkets (South LA, Coastal South Los Angeles, East Los Angeles/Gateway, San Gabriel Valley, Santa Clarita Valley, Antelope Valley) because it recognized that a one-size-fits-all approach would not succeed. The County should not mandate a wholesale approach for tenant protections. The needs of both tenants and property owners vary significantly throughout the county.
2. The working group agrees that the elderly and families with school-aged children should benefit from tenant protections. We have concerns that just as there are "bad landlords," some tenants will use their children as a shield to prevent them from evictions proceedings. We believe that preventing just-cause evictions during the LAUSD academic school year will create a loophole for tenants to use their children against property owners to prevent a justifiable eviction.
3. The suggested rental board and subsequent enforcement actions against tenants and property owners will be costly. The coalition recommends that instead of expending financial and fully loaded employee benefits, the County allocate the same funding back to tenants in the greatest

need by expanding a rental voucher program to protect the most in-need tenants who are already housed.

4. If revenue is necessary to fund the proposed tenant protections, the coalition fundamentally believes there must be a shared cost between the tenants, property owners and the County. Moreover, we believe that on a unit-to-unit basis, each tenant and property owner must pay the same fee based on the rent for each unit.
5. We support an approach that will protect tenants, like requiring property owners to offer **fixed term leases** to tenants. Fixed term lease agreements will help provide stability, prevent displacement and reduce the burden on our legal system. We believe fixed term leases will also prevent “bad” property owners from unreasonably increasing rents on tenants who raise habitability, discrimination or other claims.

The property owners cannot exist without tenants and tenants will not have a home without property owners. It is our goal to continue to support each other as we weather the storm of the current housing crisis. However, the approaches suggested unilaterally by the Tenant Protections Working Group, will likely result in a one-sided result which are frequently unworkable or litigated, which is an undesirable outcome for everyone.

We appreciate your consideration,

The Los Angeles Coalition for Responsible Housing Solutions, including:

Apartment Association of Greater Los Angeles
Apartment Association, California Southern Cities
Arcadia Association of REALTORS®
Beverly Hills Greater Los Angeles Association of REALTORS®
Building Owners and Managers Association International
Burbank Association of REALTORS®
California Apartment Association
Greater Antelope Valley Association of REALTORS®
Greater Downey Association of REALTORS®
Los Angeles County Business Federation
Long Beach Chamber of Commerce
NAIOP – Commercial Real Estate Development Association
Pacific West Association of REALTORS®
Pasadena Foothill Association of REALTORS®
Rancho Southeast Association of REALTORS®
South Bay Association of REALTORS®
Southland Regional Association of REALTORS®
Tri Counties Association of REALTORS®
United Chambers of Commerce San Fernando Valley Region
Valley Industry and Commerce Association
West San Gabriel Valley Association of REALTORS®