

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

Wednesday, June 27, 2018  
Hall of Administration • 500 West Temple Street • Conference Room 743  
8:00 a.m. – 10:30 a.m.

PLEASE NOTE ROOM NUMBER & EXTENDED TIME

**AGENDA**

- |   |                  |
|---|------------------|
| I. Welcome and Review of Agenda   | Lisa Cleri Reale |
| II. Carryover from Prior Meetings   | Working Group    |
| • Review and discuss draft narratives for report to the Board re: recommendations for Tenant Protection |                  |
| • Review final meeting schedule dates and agenda  |                  |
| III. Group Discussion   | Working Group    |
| • Circle back to all open Issues  |                  |
| IV. Public Comment  |                  |
| V. Adjournment  |                  |

Attachments (6):

- Policy Outline for Discussion (originally presented by Goldfarb and Lipman on 5/16/18)
- Draft Narratives prepared by members of the Tenant Protections Working Group

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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.

**TENANT PROTECTIONS WORKING GROUP**  
**County of Los Angeles**  
**Materials for Discussion on May 16, 2018**

This packet includes an outline of rent stabilization policies that the Working Group has recommended to date and prompts for areas where additional discussion is warranted to provide details about the Working Group's framework for rent stabilization.

The outline includes six sections that address components of a rent stabilization program.

**Please review in advance of the May 16, 2018 Meeting so that you can present your individual preferences and discuss recommendations with the Working Group.**

- **Section I: Covered Rental Units** provides for the direct regulation of the frequency and amount of rent increases applicable to rental units that are not exempt under the Costa-Hawkins Rental Housing Act (discussed in Section II) or otherwise exempt (discussed in Section III). In addition to defining thresholds for regulating the frequency and amount of rent increases, Section I includes options to implement the regulations: a complaint-based regulatory system or an information-based system.
- **Section II: Costa-Hawkins Units** discusses potential mechanisms to indirectly regulate rent increases for units exempt from Section I based on the Costa-Hawkins Rental Housing Act, including the potential for default lease terms for oral rental agreements.
- **Section III: Exempt Units** discusses potential exemptions from regulation of rent increases, including an option to define regulations if Costa-Hawkins were repealed.
- **Section IV: Rent Board** addresses the composition and authority of a rent board, including the election or appointment, and the affiliations of potential members.
- **Section V: Program Financing** addresses program financing, as it relates to fees and any potential support from the County general fund. .
- **Section VI: Rent Registration** addresses a registry of rents and rental units, which could be implemented as a component of a complaint-based regulatory system (discussed in Section I).

Throughout the outline, areas warranting policy decisions are denoted by blanks, with initial policy recommendations that were discussed at the May 2, 2018 meeting highlighted and entered in blue text. Additional prompts for areas of discussion are included in bracketed, italic text.

Furthermore, this packet includes two exhibits, which were requested by the Working Group to provide additional points of comparison to inform the Working Group's recommendations.

- Exhibit 1 compares changes in the U.S. and Los Angeles County/Orange County consumer price indices (CPIs) over time, and supplements information from the U.S. Department of Labor, Bureau of Labor Statistics.
- Exhibit 2 compares limits on pre-approved rent increase by California jurisdictions.

**Policy Outline for Discussion**

**I. COVERED RENTAL UNITS** (Direct Regulation)

*[Potentially applies to all units not exempted by Costa-Hawkins – as described in Section II, or specifically exempted – as discussed in Section III.]*

**A. Regulate Frequency of Rent Increases.** *[Choose either/or both of the following options]*

1. One increase per 12 months
2. Any number of increases within \_\_\_\_\_ months that would collectively equal \_\_\_\_\_ percent of the rent previously paid

**B. Regulate Amount of Rent Increases** (and decreases).

*[Both pre-approved increases and petition-based changes in rent are necessary components of a system that directly regulates rent increases, but policy options exist within each category. Then, mechanisms to enforce the regulation of rent increases are considered.]*

**1. Pre-Approved Increases.**

*[Applicable to all regulated units. Generally related to inflation and may be imposed once per year.]*

- a) Equal to 100% of \_\_\_\_\_ consumer price index  
*[Exhibit 1 includes information for the L.A. and U.S. indices for comparison.]*
- b) What happens if increase is not implemented?  
*[Choose one:]*
  - i. Bank/holdover unused increase for a future year.  
*[With potential limits based on overall amount, and/or new owner/tenant.]*
  - ii. Prohibit banking (i.e., use the pre-approved increase or lose it)
- c) Minimum/Maximum based on percentage of rent previously paid:  
*[Exhibit 2 provides min./max. applicable in other jurisdictions.]*
  - i. Minimum pre-approved increase: \_\_\_\_\_ percent
  - ii. Maximum pre-approved increase: \_\_\_\_\_ percent

**2. Petition-Based Changes.** Changes in rent outside of a Pre-Approved Increase require individualized approval from administrator/hearing officer.

- a) Rent Increase Above Maximum Pre-Approved Increase:  
*[Option (i) is a necessary component of rent increase regulations; Options (ii) through (iv) are optional.]*
  - i. Allow landlord to earn a fair return through *[choose one:]*
    - (a) Investment-, or equity-, based calculation
    - (b) Property value-based calculation
    - (c) Other: \_\_\_\_\_

- ii. Specified repairs or rehabilitation? \_\_\_\_\_
- iii. Debt or refinancing? \_\_\_\_\_
- iv. Other? \_\_\_\_\_

b) Rent Decreases.

*[Optional policy to allow tenants to petition for decreased rent under specified circumstances.]*

- i. Reduction in services (parking, pool, laundry, other)? \_\_\_\_\_
- ii. Escrow process for repair habitability outside of courts? \_\_\_\_\_
- iii. Other? \_\_\_\_\_

C. Enforcement Mechanism.

*[Choose Option (1) or Option (2). Both options include pre-approved annual increase related to inflation plus the opportunity to petition for rent increases or decreases based on special circumstances.]*

1. **Complaint-Based System** (similar to City of Los Angeles model).

*[Option (1) requires the landlord and/or tenant to calculate the maximum-allowable rent for each unit; the County/regulation administrator would confirm the calculation only if a complaint or petition to increase rent were received.]*

2. **Information-Based System** (similar to Santa Monica model).

*[Option (2) requires the County/regulation administrator to calculate the maximum-allowable rent for each rental unit; the calculation is provided to the landlord and/or tenant, either of whom may contest the calculation via a petition.]*

a) Define "Base Rent"

*[Defining the Base Rent is necessary for information-based regulation, but could also be combined with a complaint-based system.]*

- i. Rent charged for unit on a specified date: \_\_\_\_\_  
*[Usually, some date prior to the regulation of rent increases.]*
- ii. Plus or minus adjustment based on inflation: \_\_\_\_\_  
*[See discussion of pre-approved increases, above.]*

b) Rent registry (e.g. require landlords to register units)

*[Unit registration is necessary for information-based regulation, but could also be implemented with a complaint-based system – see Section VI, below.]*

- i. Collect information \_\_\_\_\_ *[annually or less frequently]*
- ii. Identify public access to data *[choose one:]*
  - (a) Require California Public Records Act request? \_\_\_\_\_
  - (b) Provide online database? \_\_\_\_\_
  - (c) Other: \_\_\_\_\_

**II. COSTA-HAWKINS UNITS** (Indirect Regulation)

*[Although direct regulation of rent increases is generally prohibited for single-family homes, condos, and units built after 1995 under the Costa-Hawkins Rental Housing Act, the County may govern some aspects of the landlord-tenant relationship.]*

A. Voluntary or mandatory mediation based on:

1. Proposed rent increases that cumulatively exceed \_\_\_\_\_ percent of the lowest monthly rent paid in the last \_\_\_\_\_ months
2. Other? \_\_\_\_\_

B. Define default lease terms for oral rental agreements

*[Patrick Spillane shared this idea, which could be further explored for a potential minimum lease term, standard occupancies, or other issues: \_\_\_\_\_.]*

**III. EXEMPT UNITS**

*[Some units must be exempt due to state and federal law (e.g. Costa-Hawkins and certain Section 8 units; the County may choose to exempt other units as a matter of public policy.)]*

A. Landlord-occupied units that share \_\_\_\_\_ facilities with tenant (e.g. kitchen, bathroom, other: \_\_\_\_\_)

B. Short-term rentals (e.g. hotels/motels)

C. Accessory dwelling units (e.g. ADUs or "granny flats") \_\_\_\_\_

D. Hospitals, convents and monasteries, extended medical care facilities, nonprofit homes for the aged, school dormitories? \_\_\_\_\_

E. Units for which a government subsidy is received? \_\_\_\_\_

F. Units for which a rent limit is recorded against the property? \_\_\_\_\_

G. New construction. *[Only applicable if Costa-Hawkins were repealed; choose one:]*

1. Exemption for \_\_\_\_\_ from issuance of certificate of occupancy *[years/months]*
2. Exemption for units built after \_\_\_\_\_ *[select date]*

**IV. RENT BOARD**

*[Define composition and scope of authority.]*

A. Selection *[independent office elected by voters or appointed by Board of Supervisors]*

B. \_\_\_\_\_ total members including:

1. \_\_\_\_\_ landlords *[number]*
2. \_\_\_\_\_ tenants *[number]*
3. \_\_\_\_\_ homeowners or "unaligned" persons *[number]*

C. Scope of authority:

1. Enact policy? *[yes or no]*

Regulating Rent Increases  
*Policy Outline for Discussion*

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2. Hire program director? *[yes or no]*
3. Adjudicate petitions and/or appeals of petitions for rent increases *[yes or no]*
4. Adjudicate habitability issues *[yes or no]*
5. Other: \_\_\_\_\_

**V. PROGRAM FINANCING**

*[How to pay for implementation of regulating rent increases.]*

A. Cost neutral to County general fund

1. Fee per covered unit
2. Portion of fee effectively paid by: landlord \_\_\_% and tenant \_\_\_%
3. Fee to offset costs of filing or appealing a petition

B. Subsidized by County general fund

1. 100% subsidy (e.g. no new financing mechanism)
2. Partial subsidy complimenting Option A

**VI. Rent Registration**

*[If complaint-based regulatory system is recommended, would some form of rent registry be helpful for the County and its residents/business owners?]*

A. What is registered and compliance method:

1. Per-unit or per-landlord (i.e. business license)? \_\_\_\_\_
2. Mandatory or voluntary? \_\_\_\_\_
3. Verification by tenants? \_\_\_\_\_

B. Database accommodates:

1. Notices of termination requested by County? \_\_\_\_\_
2. Fee collection process? \_\_\_\_\_
3. Complaints and/or habitability issues? \_\_\_\_\_

**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.

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**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.

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**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**

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

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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.

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## **Draft Narrative for Report to the Board Re Recommendations for Tenant Protection**

### **Working Group Recommendation re: Relocation Assistance and Right of Return**

**Drafted by Barbara Schultz**

*Initially discussed on June 13, 2018*

The majority of the Working Group recommends

1. that relocation assistance should be offered for no fault evictions to tenants, regardless of whether the unit is rent stabilized or only covered by just cause;
2. the County use the same relocation calculations as used by the City of Los Angeles; and
3. the right of return be as robust as permitted by state law.

### **Working Group Recommendation re: Costa Hawkins Repeal**

The majority of the Working Group recommend that if Costa Hawkins is repealed in November:

1. All units older than X should be covered by the rent stabilization ordinance;
2. New units will be exempt, until they age into the rent stabilization ordinance when the unit is X years from the original certificate of occupancy; and
3. Vacancy control be implemented whereby no unit can have an increase greater than 10% a year if vacated or if exempt from rent stabilization.

X is likely somewhere between 10 and 20 years, ensuring developers get a fair rate of return on their property.

### **Working Group Recommendation re: Section 8 Discrimination (from the last session)**

The working group reached unanimous agreement with respect to recommending an adoption of an ordinance that prohibited landlords from refusing to rent to Section 8 voucher holders, or other similar federal, state or local rent assistance programs.

## **Draft Narrative for Report to the Board Re Recommendations for Tenant Protection**

### **Discussion re rent floor, ceiling and CPI**

**Drafted by Barbara Schultz**

*For initial discussion on June 27, 2018*

The original proposal made was that, for rent stabilized units, the annual allowable rent increase would be based on CPI, with a floor of zero percent and a ceiling of five percent. Since then we have had much discussion and the following proposals regarding a floor were made:

1. 0 percent;
2. 2 percent;
3. 3 percent; or
4. 3 percent or CPI plus 2, whichever is lower.

The following proposal have been made regarding a ceiling:

1. 5 percent;
2. 7 percent; or
3. No ceiling

In addition, while everyone agreed to base the increase on CPI, no one proposed whether it should be based on the national CPI or the local CPI. In addition, there were the following proposals regarding the percentage of CPI used

1. Use the whole CPI percentage; or
2. If the floor is above zero then CPI should be 65 or 75%, as in other jurisdictions.