

REVISED MOTION BY SUPERVISOR HOLLY J. MITCHELL

June 4, 2024

Updating the Rent Stabilization and Tenant Protections Ordinance

Since the COVID-19 pandemic, Angelenos have experienced significant economic loss, hardship, inflation, as well as rising housing costs causing increased housing instability. Rent stabilization ordinances provide moderate annual increases to support maintaining housing stability and overall property maintenance. Low-income Black and Brown residents, who disproportionately are renters, experienced immense public health impacts, loss of employment, and increased healthcare expenses during the pandemic. Consequently, many are still facing significant rental debt. As many tenants arrange payment plans for unpaid rent, their monthly payments will increase even if their base rent remains the same.

According to the March 2024 Chief Executive Office’s (CEO) report, the median household income for renters in the unincorporated Los Angeles County (County) is \$61,000, and approximately 30% of households who rent have incomes below \$35,000. A majority of renters who make \$75,000 or less are cost-burdened, meaning they spend over 30% of their income on housing costs.¹ Significantly, the report underscores that “rising rents tend to impact lower-income households more severely than higher-income households, as the same percentage increase in rent represents a larger portion of

¹ March 22, 2024 CEO Report <https://file.lacounty.gov/SDSInter/bos/supdocs/185786.pdf>

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income for a low-income household.”² Meanwhile, mom-and-pop landlords, many of whom rely on their units for retirement income or to create generational wealth, have faced pandemic-era loss of income, which in turn has also led to constraints, such as deferred maintenance. Importantly, these trends have occurred while the County continues to face both housing and homelessness crises.³

In November 2019, the Board of Supervisors (Board) adopted the County’s first Rent Stabilization and Tenant Protections Ordinance (RSTPO)⁴. The purpose of the ordinance is to regulate rent increases and evictions while ensuring that property owners can earn a fair return on their rental properties as defined by applicable legal standards. The RSTPO was set to become effective on April 1, 2020, however, the COVID-19 pandemic emerged in early 2020. As a result, the Board adopted an emergency resolution in March 2020 that established a temporary prohibition on all rent increases, new charges, and new pass-throughs for fully covered units subject to the RSTPO.⁵ The Board voted to extend the resolution several times. In November 2022, the Board voted to allow for a 3% rent increase on units covered by the RSTPO from January 1, 2023, to December 31, 2023.⁶

On November 7, 2023, the Board adopted a motion to slightly increase and extend the temporary cap on rent increases to allow rental property owners with covered units to increase rent by 4% through June 30, 2024.⁷ Additionally, the motion directed the CEO, in collaboration with the Department of Consumer and Business Affairs (DCBA), to report back with analyses and recommendations regarding the current rental increase formula and other critical information including, a review of rent stabilization policies across other jurisdictions, an analysis of potential economic impacts of rental increases to tenants and property owners located in unincorporated areas, an assessment of the impact of COVID-

²March 22, 2024 CEO Report <https://file.lacounty.gov/SDSInter/bos/supdocs/185786.pdf>

³ March 22, 2024 CEO Report <https://file.lacounty.gov/SDSInter/bos/supdocs/185786.pdf>

⁴ <https://file.lacounty.gov/SDSInter/bos/supdocs/141998.pdf> ⁵

<https://file.lacounty.gov/SDSInter/bos/supdocs/144974.pdf>

⁵ <https://file.lacounty.gov/SDSInter/bos/supdocs/144974.pdf>

⁶ <https://file.lacounty.gov/SDSInter/bos/supdocs/174331.pdf>

⁷ <https://file.lacounty.gov/SDSInter/bos/supdocs/185724.pdf>

19 pandemic-related costs and assistance programs, an assessment of the impacts of other property ownership costs, and feedback from stakeholders.⁸

Though the original RSTPO was never fully implemented, it has been over four years since it was adopted. As such, the Board must consider the most recent data that reflects the current socio-economic realities of our unincorporated tenants and landlords, as well as the options outlined in the report back to determine how to update the formula and maximum allowable rent increase.

There are 109,000 renter households in the unincorporated County. Approximately 51,700 units across 10,900 properties are subject to rent stabilization under the current RSTPO, most of which are in South Los Angeles, East Los Angeles, and the San Gabriel Valley. Nearly half of all rent-stabilized units are located in fourplexes or smaller. Since the County's Rent Registry launched in 2021, only 5,300 properties have been registered. About 2,000 of these properties are covered under the RSTPO and receive a homeowner exemption, which is the clearest available indicator the County has to determine which properties are likely to be owned by small property owners.⁹ Around 80% of the regulated units with known ownership are owned by individuals, trusts, or estates, but the County does not know if these properties have the same owner. Furthermore, some small property owners have ownership structures such as LLCs. This lack of ownership data demonstrates the difficulty in defining who is considered a "small property owner" (previously referred to as a "mom-and-pop landlord").¹⁰ We must continue to fight for transparency of rental buildings owned by corporations to have accurate data for policies that support non-corporate and small property owners and tenants. In the meantime, the Board must create a RSTPO rental increase formula that is balanced and seeks to capture the best definition possible for a "small property owner" with the information that is available for the purpose of this motion.

I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

1. Extend the current 4% rental increase cap in the unincorporated County through December 31, 2024.

⁸ <https://file.lacounty.gov/SDSInter/bos/supdocs/185773.pdf>

⁹ March 22, 2024 CEO Report <https://file.lacounty.gov/SDSInter/bos/supdocs/185786.pdf>

¹⁰ March 22, 2024 CEO Report <https://file.lacounty.gov/SDSInter/bos/supdocs/185786.pdf>

2. Direct County Counsel, in consultation with the Department of Consumer and Business Affairs (DCBA), to return to the Board with an amendment to Chapter 8.52 of the Los Angeles County Code (Rent Stabilization and Tenant Protections Ordinance (RSTPO)) reflecting the above extension of the current 4% rental increase cap, from July 1, 2024, through December 31, 2024, for fully covered rental units in the unincorporated County.
3. Instruct DCBA, in consultation with the Chief Executive Officer (CEO) and County Counsel, to return to the Board with a further amendment to the RSTPO to reflect the following, effective January 1, 2025:
 - a. Limit annual rent increases for fully covered rental units subject to the RSTPO to 60% of the percentage change in the average Consumer Price Index (CPI) over the previous 12-month period ending in September not to exceed a maximum rent increase of 3%, unless otherwise determined by DCBA.
 - b. ~~Prior to December 31, 2026, a~~ A Small Property Owner may increase rent on a rental unit by an additional one percent (1%) annually above the allowable annual rental increase specified above for a rental unit, which shall not exceed four percent (4%), unless otherwise determined by DCBA, if the following criteria are met. For purposes of this section, a Small Property Owner shall not include any of the following: (i) a real estate investment trust, as defined in § 856 of the Internal Revenue Code; (ii) a corporation; (iii) a limited liability company in which at least one member is, or is controlled by, a corporation; or (iv) a partnership in which at least one partner is, or is controlled by, a corporation. Define a A "Small Property Owner" shall also as a landlord that meets the requirements below:
 - i. Is qualified for and receives a Homeowners' Property Tax Exemption for the property on which the subject rental unit is located; or

- ii. ~~Owns~~ Has an ownership interest or beneficial interest in or controls only one rental property with no more than 20 ~~50~~ rental units; or
 - iii. ~~Owns~~ Has an ownership interest or beneficial interest in or controls no more than 3 rental properties with a combined total of no more than 10 rental units, including any outside of Los Angeles County.
 - c. A Landlord may increase rent on a Luxury Unit by an additional two percent (2%) annually above the allowable annual rent increase specified in section 3a. for a rental unit, which shall not exceed five percent (5%), unless otherwise determined by DCBA.
4. Instruct the Director of DCBA to update the Rent Registry registration process to require registrants who identify as Small Property Owners and meet the definition above and wish to qualify under section 3(b) to provide self-certification under penalty of perjury.
5. Instruct DCBA to report back to the Board in writing by March 31, 2026, on the status and outcomes of RSTPO updates per this motion (items 1-4 above). The report should include, but not be limited to:
- a. A review and assessment of the number and outcomes of fair return cases; and
 - b. ~~Recommendations on the~~ Assessment and recommendations on the three formulas in sections 3a-c, pass-throughs, and streamlined application processes.

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