

MOTION

HOUSING & HOMELESSNESS

According to the U.S. Census Bureau, over 60% of Angelenos are renters. Additionally, the vast majority of renters in Los Angeles are rent burdened, spending over 30% of their income on housing. Simply put, rental housing in Los Angeles is extremely unaffordable for many, and the situation is getting worse. Beyond the economic hardship placed on working families, rising rents are also the largest contributing factor to homelessness. A study by the U.S. Government Accountability Office found that median rent increases of \$100 a month were associated with a 9% increase in homelessness in the areas examined.

Los Angeles adopted the Rent Stabilization Ordinance (RSO) in 1979 to address some of these issues. The ordinance limits the allowable rent increase for units covered by the RSO, tying the increase to the Consumer Price Index (CPI), a measure of inflation, and capping the rent increase to 8%. It also, however, set the minimum allowable rent increase to 3%, regardless of whether CPI was below 3%, or if it was even negative. In the last 30 years, change in CPI was less than 3% in 23 of the last 30 years. That means rents were increased greater than inflation 23 times in the last three decades. For RSO units that were occupied for the last 30 years, allowable rent increases under RSO have led to rents that are 26% higher than they would be if they had been adjusted with CPI.

Landlords that pay for gas and/or electricity are allowed to increase rent an additional 1-2% per year even if the cost of providing these utilities is accounted for in the base rent. A review of the RSO by the Economic Roundtable found that there was “no connection” between this additional allowed rent increase and the cost of providing the utilities, and that the 1-2% per year supplemental increase has “substantially exceeded the actual cost increases” of providing the utilities. Lastly, units that are vacated under RSO face no restriction on rent increase and can be set to market rate for the next tenant, a process called vacancy de-control, further exacerbating the housing costs in Los Angeles.

The City’s COVID-19 rent freeze for RSO units kept rent affordable for thousands of Los Angeles tenants during the pandemic. However, with the rent freeze set to expire on January 31, 2024, landlords will be able to resume rent increases. According to guidance from the Los Angeles Housing Department (LAHD), the annual allowable rent increase under the RSO from February 1, 2024 through June 30, 2024 will be 7%, with an additional 1% for gas and 1% for electric service if the landlord provides the service to the tenant. Simply put, such an increase would devastate renters in Los Angeles, and lead to substantial displacement driving countless Angelenos out of their communities and into homelessness.

With CPI reaching its highest levels in decades, and with hundreds of thousands of tenants already suffering from devastating economic hardship exacerbated by COVID, all in the midst of a growing homelessness crisis, it is of the utmost importance that the City adjust the RSO allowable rent increase to safeguard tenants and to stop the inflow of tenants into homelessness which is devastating our communities.

To this effect, Council authorized LAHD to conduct an economic study on “*the formula for setting the RSO annual allowable rent increase (...), analyzing, in particular, the recent changes in RSO allowable rent increases in the California cities, including but not limited to, Oakland, Bell Gardens, Antioch, Pomona, Santa Ana, and Oxnard; including a review of mandated City fees (i.e. RSO, SCEP, LASAN, RecycLA, DWP, etc) impacting operating expenses in rental properties*” (CF #21-0042-S3). Additionally, another motion was introduced to help expedite the completion of this study (CF #23-1134). While this effort to inform a permanent adjustment to the RSO rent increase formula progresses, it is imperative that Council act swiftly to ensure that Los Angeles RSO tenants do not experience a devastating 7-9% rent increase in February, and an ordinance change will be required.

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Given this situation, and the fact that the legislative process for requesting and implementing an ordinance often takes months, I respectfully submit the following proposal for Council to consider as soon as possible. This proposal would move back the February 1st, 2023 date by six months, allowing time for the economic study to be completed and for LAHD to receive and compile the recommendations. It will also allow time for ample outreach to tenants and landlords about any adopted changes to the RSO. Finally, if the study is completed faster than anticipated, the suggested date can be moved up as is deemed appropriate.

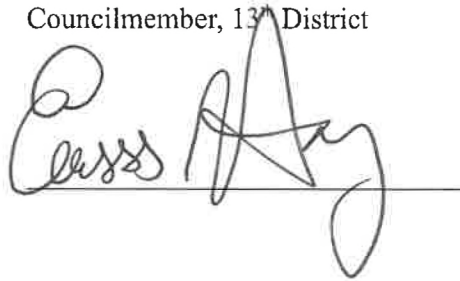
I THEREFORE MOVE that the City Council request the City Attorney to draft an ordinance disallowing rent increases for units covered under the Rent Stabilization Ordinance until July 31st, 2024.

PRESENTED BY:



HUGO SOTO-MARTÍNEZ
Councilmember, 13th District

SECONDED BY:



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