



BOARD OF SUPERVISORS

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COUNTY OF LOS ANGELES
DEPARTMENT OF CONSUMER
AND BUSINESS AFFAIRS

"To Enrich Lives Through Effective and Caring Service"



Joseph M. Nicchitta
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November 19, 2019

The Honorable Board of Supervisors
County of Los Angeles
Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

The Honorable Board of Commissioners
Los Angeles County Development Authority
Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors/Commissioners:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

2-D November 19, 2019

CELIA ZAVALA
EXECUTIVE OFFICER

**INTRODUCTION OF AMENDMENT TO INTERIM RENT STABILIZATION
ORDINANCE AND
INTRODUCTION OF A PERMANENT RENT STABILIZATION ORDINANCE
(ALL DISTRICTS) (3 VOTES)**

SUBJECT

Pursuant to your Board's direction on September 10, 2019, the Department of Consumer and Business Affairs (DCBA) and the Los Angeles County Development Authority (LACDA) recommend your Board introduce and set for adoption the attached Rent Stabilization Ordinance (Ordinance), to become effective on April 1, 2020, to limit rent increases and to prevent evictions without just cause for all covered residential rental properties in the unincorporated areas of Los Angeles County (County), and direct DCBA and LACDA to take necessary steps to implement the Ordinance. Additionally, DCBA and LACDA recommend your Board extend the Interim Rent Stabilization Ordinance through March 31, 2020 and include additional terms to address concerns raised by property owners and renters.

IT IS RECOMMENDED THAT THE BOARD OF SUPERVISORS:

1. Find that these actions are exempt from the California Environmental Quality Act (CEQA), for the reasons stated in this letter and in the record;

2. Introduce, waive reading, and place on the Board of Supervisors' agenda for adoption on November 26, 2019, the attached Permanent Rent Stabilization Ordinance (Ordinance) to regulate rent increases and evictions without just cause for rental properties in unincorporated areas of the County, while providing property owners a process to request rent increases to ensure a fair and reasonable return on their investment and to pass through up to 50 percent of the cost of certain eligible capital improvements, except for those properties that are exempt, to be effective on April 1, 2020;
3. Introduce, waive reading, and place on the Board of Supervisors' agenda for adoption on November 26, 2019, the attached amending ordinance to the Interim Rent Stabilization Ordinance (Interim Amending Ordinance) to extend the expiration date from December 31, 2019 to March 31, 2020, and address concerns raised by property owners and renters, to be effective on December 26, 2019.
4. Authorize the Director of DCBA, or his designee, to retain consultants as necessary to implement the Ordinance and Interim Amending Ordinance;
5. Instruct the Director of DCBA, or his designee, to work with the Chief Executive Officer (CEO) to identify funding and resources necessary to implement the Ordinance and Interim Amending Ordinance in the FY 2019-20 mid-year budget adjustment letter and the FY 2020-21 regular budget process;
6. Instruct the CEO, or her designee, in consultation with County Counsel, DCBA and the LACDA, to identify up to \$967,000 in one-time funding for costs related to the activities concerning rent stabilization, tenant protections, and other related matters;and
7. If necessary, authorize the CEO, or her designee, to execute and or amend, a Funding Agreement with the LACDA to transfer an amount not to exceed \$967,000 and alternatively, if necessary, authorize the County Counsel to amend the Memorandum of Agreement with the DCBA and/or LACDA for use of the funds for enforcement of consumer protection laws.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE LOS ANGELES COUNTY DEVELOPMENT AUTHORITY:

1. Authorize the Executive Director of LACDA, or her designee, to retain consultants as necessary to implement the Ordinance and Interim Amending Ordinance.

2. Instruct the Executive Director of LACDA, or her designee, in consultation with the CEO, County Counsel, and DCBA, to identify up to \$967,000 in one-time funding for costs related to the activities concerning rent stabilization, tenant protections, and related matters.
3. If necessary, authorize the Executive Director, or her designee, to execute, and or amend, a Funding Agreement with the County for an amount not to exceed \$967,000, alternatively, if necessary, authorize the Executive Director to amend the Memorandum of Agreement with DCBA and/or CEO for use of the funds for enforcement of consumer protection laws.
4. Authorize the Executive Director, or her designee, to accept and incorporate up to \$967,000 as needed into the LACDA's approved FY 2019-20 budget and future Fiscal Year budgets.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On May 16, 2017, your Board directed the CEO, in coordination with the Director of the Department of Regional Planning, the Executive Director of the LACDA, the Director of DCBA, the Director of Public Health, the Director of Public Works, the Assessor, and the County Counsel to convene and provide technical support for a Tenant Protections Working Group (TPWG) to, among other charges, provide recommendations to your Board regarding potential tenant protections to be developed for unincorporated areas of the County.

After a months-long public process involving thirteen public meetings, the TPWG issued a report to your Board on August 15, 2018, which included recommendations to adopt a rent stabilization program for residential rental units in unincorporated areas of the County and an eviction regulation program that would limit reasons a landlord could lawfully terminate a residential tenancy.

On September 11, 2018, your Board directed the LACDA and DCBA, in consultation with the CEO and County Counsel, to develop an interim ordinance to place a temporary limit on excessive rent increases and evictions without just cause, while your Board considered the TPWG recommendations. The departments above formed a work group to prepare the Interim Rent Stabilization Ordinance, which was adopted by the Board on November 20, 2018, went into effect on December 20, 2018, and was set to expire on June 18, 2019. On April 9, 2019, to give the Board more time to review the TPWG recommendations and consider the results of implementation of the Interim Rent Stabilization Ordinance, the Board approved an extension of the Interim Rent Stabilization Ordinance to December 31, 2019. On September 10, 2019, your Board directed the Director of DCBA and the Executive Director of LACDA to develop a permanent Rent Stabilization Ordinance.

The Ordinance will go into effect on April 1, 2020. Until then, the Interim Rent Stabilization Ordinance will be extended and amended to address concerns raised by

property owners and renters.

It is therefore recommended that the Ordinance and the Interim Amending Ordinance be adopted in order to protect tenants of rental units in unincorporated County from excessive rent increases and evictions without just cause, while also ensuring property owners receive a fair return on their property.

FISCAL IMPACT/FINANCING

During the FY 2019-20 recommended budget phase, DCBA received \$1.79M from Consumer Protection Settlement (CPS) funds to create the Rent Stabilization Unit (RSU), which includes 12.0 staff and the cost for services and supplies. Should a permanent ordinance be adopted, DCBA estimates that it will require an additional \$2.38M in CPS for 17.0 additional staff and funds to cover operational expenses. LACDA estimates that it will require \$340,000 in CPS to fund 3.0 staff and cover operational expenses for capital improvement passthroughs and relocation requests.

The total expected cost to support implementation of the Mobilehome Rent Stabilization Ordinance and Rent Stabilization Ordinance, and to provide staff support for the Rental Housing Oversight Commission in FY 2020-21 is \$5.60M. This total includes \$4.97M for DCBA and \$627,000 for LACDA to fund staff and cover operational expenses. DCBA and LACDA expect to collect registration fees in FY 2020-21. Additional CPS funding may be required depending on actual fee collections during the fiscal year. The program is expected to be cost neutral, as registration and application fees will cover the cost of the program as it matures.

The recommended actions will identify up to \$967,000 in one-time funding for costs for the LACDA for related activities concerning rent stabilization, tenant protections, and other related matters. The funds will be incorporated, as needed, into LACDA's approved FY 2019-20 budget and included in future fiscal year budgets, accordingly.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Rent Stabilization Ordinance allows for annual rent increases equal to the change in the Consumer Price Index (CPI), with a maximum of eight percent (8%) overall, including potential passthroughs or other fees, and a minimum of three percent (3%) or two percent (2%) plus CPI, whichever is less.¹ For luxury market-rate units with two bedrooms or less, in buildings of 25 units or more, where the unit had a base rent of \$4,000 per month or more on September 11, 2018, a property owner may increase rent by an additional 2% above CPI, once the property is certified as a luxury unit by DCBA. Under the Ordinance, a residential property owner may only evict a tenant for the following "just cause" reasons:

¹ If CPI is 8% or higher, the annual maximum allowable rent increase will be 8%; if CPI is between 3% and 8%, the maximum allowable annual rent increase will be equal to CPI; if CPI is between 1% and 3%, the maximum allowable annual rent increase will be equal to 3%; if CPI is between -2% and 1%, the maximum allowable annual rent increase will be equal to CPI plus 2%; and if CPI is less than -2%, the maximum allowable annual rent increase will be zero;

For Cause:

1. Non-payment of rent;
2. Breach of material lease term;
3. Causing or permitting of a nuisance;
4. Use of the residence for an unlawful purpose;
5. Tenant's failure to sign a new written, one-year lease with similar terms to an expiring written one-year lease, after the owner provides 90 days' notice;
6. Tenant's failure to vacate a rental unit as required by an approved relocation application, when the property owner has complied with requirements as necessary;

No-Fault:

7. Owner or owner's family intends to occupy rental unit (owner move-in), with exceptions and limitations; or
8. Owner withdraws the property from the rental market pursuant to the Ellis Act.

For evictions due to owner move-ins, the owner or family member must move in within 60 days of the tenant vacating the unit and stay for at least three years. Use of an owner move-in eviction may be limited if the renter household includes a senior, person with a disability, or low-income household. For evictions due to Ellis Act removals, a tenant must receive 120 days' notice of the eviction, or up to one year for seniors or persons with disabilities. For evictions due to either owner move-in or Ellis Act removal, the tenant has the right to return for failure of a property owner to comply with all requirements related to the no-fault reason for eviction. Accordingly, all notices of termination must identify a reason for the termination. Any notice without a reason is invalid and unenforceable.

Exemptions

This Ordinance shall not apply to any dwelling units expressly exempt pursuant to any provision of state or federal law. For the rent regulations, exemptions include units with a certificate of occupancy, or equivalent, issued after February 1, 1995, condos, single-family homes, public housing, or units subsidized by project-based housing choice vouchers. Where a tenant rents a dwelling unit and receives certain tenant-based rental assistance, the unit is covered by the "just cause" eviction provisions but is exempt from the rental increase limitations unless the tenant's base rent exceeds the applicable payment standard set by the LACDA. The Ordinance does not apply to hotels, hospitals, care facilities, or school dormitories.

Due Process and Appeals

The Ordinance provides both property owners and tenants due process. For property owners who believe the allowable rent increase does not provide them a fair return on their property, the Ordinance provides a process by which the owner may request an increase above the allowable limit. For tenants who believe their property owner has increased their rent above the allowable limit, or has reduced their services or amenities

enough to warrant a rent reduction, the Ordinance provides a process by which a tenant may request a rent reduction. The Ordinance authorizes the Director of DCBA to administer and enforce these processes and provide the relief sought based on evidence presented. An owner or tenant can contest such decisions by appealing to the Rental Housing Oversight Commission, which would be created by a separate ordinance.

Relocation Assistance

The Ordinance provides relocation assistance and benefits to tenants who are temporarily displaced or evicted for no-fault reasons. Tenants evicted for no-fault reasons are eligible for permanent relocation assistance and benefits. DCBA and LACDA will determine standard relocation assistance amounts based on a methodology intended to provide tenants with reasonable mitigation for the adverse impacts resulting from permanent displacement at no-fault to the tenant. The methodology used takes into account the following:

- Three times median rent for the unit type
- Estimated costs associated with disconnecting and reconnecting utilities
- Estimated packing and moving costs
- Estimated storage costs for three months
- Packing supplies
- Application fees
- Income taxes

The amount of relocation assistance shall be increased by an additional months' rent for seniors, persons with disabilities, or households with minors; or an additional two months' rent for low-income households. Based on the described methodology, the recommended relocation assistance amounts, based on room size, are as follows:

Standard Relocation Assistance

Studio	\$7,654.00
One Bedroom	\$8,662.00
Two Bedroom	\$10,797.00
Three Bedroom	\$13,115.00
Four Bedroom	\$14,759.00

Households with Seniors, Minors or Persons with Disabilities

Studio	\$9,272.00
One Bedroom	\$10,675.00
Two Bedroom	\$13,359.00
Three Bedroom	\$16,043.00
Four Bedroom	\$17,995.00

Extremely, Very, or Low-Income Households

Studio	\$10,980.00
One Bedroom	\$12,688.00
Two Bedroom	\$15,921.00
Three Bedroom	\$18,971.00
Four Bedroom	\$21,411.00

Tenants that are temporarily displaced due to repairs, rehabilitation, health and safety violations, or other work that cannot be completed while the tenant remains in the unit, may receive temporary relocation assistance. A tenant must be offered a per diem payment if they will be displaced for 30 days or less, and if the displacement will be 31 days or more, an owner may offer either a per diem payment or comparable temporary accommodations, if available. The per diem payment will be based on the Federal General Services Administration per diem rate for lodging in Los Angeles County, which is updated yearly. The 2019 rate is \$207 per night (including taxes), plus \$66 per person for meals and incidentals and \$33 per child 12 and under.

There will be an application process for both permanent and temporary relocations to notify DCBA and LACDA of a property owner's intent to displace tenants, to gather relevant information, and to ensure compliance with all requirements.

Tenant Buyout Agreements

Buyout agreements, commonly referred to as "cash for keys" agreements, involve a legal agreement in which a tenant agrees to vacate the rental unit in exchange for monetary compensation. Recognizing the right of property owners and tenants to enter buyout agreements, while also promoting fairness during the negotiation process, the Ordinance provides certain requirements to ensure that tenants are informed of their rights before signing a buyout agreement. Prior to making a buyout offer, a property owner must provide each tenant in the rental unit a written disclosure, using a form developed and authorized by the County, informing the tenant of several rights, including a right to not enter the buyout agreement, to consult with an attorney before entering, and to rescind the buyout agreement up to 45 days after signing it. The property owner must provide a copy of the disclosure, signed by the tenant, and the buyout agreement to the County. The buyout agreement itself must be written, with certain required statements in bold large font. A buyout agreement that does not satisfy all the requirements of the Ordinance shall not be effective and may be rescinded by the tenant at any time.

Passthroughs

Recognizing the importance and shared benefit of maintaining quality, safe housing, the Ordinance provides a process for property owners to apply to recover certain capital improvement or primary renovation costs from tenants. If approved, a property owner may pass through up to 50% of the cost of capital improvements to tenants over an amortization period of 60 months. The amortization period may be extended for certain capital improvements or primary renovation work. Improvements for regular maintenance

or wear and tear repairs are not eligible. Capital improvements include, but are not limited to, exterior painting, landscaping, or replacement of flooring, doors, windows, security features, and major appliances. Primary renovation improvements include replacement or substantial modification of any structural, electrical, plumbing, or mechanical system that requires a permit. Cost recovery for primary renovations cannot occur more than once every five years. Any fees for eligible capital improvements or primary renovation work must be identified and listed separately in rental invoices or notices. Total rent increases, plus capital improvement or primary renovation fees, may not exceed eight percent (8%) in one year. Property owners must provide proper notice to impacted tenants when an application is submitted, once it is approved, and before passthroughs are to begin.

Annual Registration and Reporting

The Ordinance requires property owners to annually register all tenancies through a web-based Rental Housing Registry System. Property owners must also update the registry with each change in tenancy. After a property owner has registered a rental unit, tenants will have the opportunity to verify their unit information. Property owners will be required to pay an annual registration fee per unit, which will fund the creation and maintenance of this registry, as well as implementation of the Ordinance. If the property owner properly registers by the annual deadline, the Ordinance allows for fifty percent of that fee to be passed through to tenants.

The Rental Housing Registry System will launch in the spring of 2020. The deadline for initial registration, which will be announced at a later date, will be in the fall of 2020. The initial registration fee will be determined and presented to the Board prior to the effective date of the Ordinance. DCBA will issue additional guidance prior to launch of the Rental Housing Registry System.

Anti-Harassment

Retaliation against tenants for exercising their rights under the Ordinance is prohibited. The Ordinance specifically prohibits actions meant to harass tenants for failure to sign a tenant buyout agreement, failure to vacate a unit when there is no just cause, filing a complaint, or otherwise exercising their rights under the Ordinance or other applicable federal, state, and local laws. Retaliation claims may only be brought in court and may not be addressed administratively. A court may consider the protections afforded by the Ordinance in evaluating a claim of retaliation.

Enforcement

DCBA and LACDA, at their sole discretion, may choose to enforce provisions of this Ordinance through administrative fines or other administrative procedures set forth in Chapter 1.25 of the County Code. Each violation may be subject to an administrative fine of up to \$1,000 per day. The County's decision to pursue or not pursue enforcement of any kind shall not affect an individual's right to pursue civil remedies.

Outreach

DCBA will contract with Community Based Organizations (CBOs) to conduct a culturally competent outreach campaign for the Rent Stabilization Ordinance. The conducted outreach will ensure that property owners, tenants, park owners, mobilehome owners and other stakeholders are made aware of their rights and responsibilities under the Ordinance. Additionally, DCBA has a dedicated phone number, website, and email address for the Rent Stabilization Program that interested parties may reach out to for counseling and additional information.

Future Board Actions

As stated above, LACDA is conducting a fee study to establish appropriate fees for the program. In addition, DCBA and LACDA will develop guidelines and rules to implement the policies identified in the ordinance, which must be adopted by your Board. DCBA and LACDA expect to return to your Board in the first quarter of 2020 with any necessary ordinance amendments to establish appropriate fees, adopt implementation guidelines, and approve other program components.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Adoption of the Ordinance and Interim Amending Ordinance will protect residential tenants and provide greater housing stability for those who are more vulnerable to displacement. The Ordinance and Interim Amending Ordinance also provide a mechanism to ensure that property owners are able obtain a fair return on their investment.

Implementation of the Ordinance and Interim Amending Ordinance will impose significant responsibilities on DCBA and the LACDA. Sufficient staff and budget resources will be required to ensure the successful implementation of the Ordinance and Interim Amending Ordinance.

ENVIRONMENTAL DOCUMENTATION

By adoption of this Ordinance and Interim Amending Ordinance, the Board finds that the implementation of this Ordinance are exempt from the provisions of California Environmental Quality Act (CEQA), pursuant to State CEQA Guidelines 15061(b)(3) in that the Board finds there is no possibility that the implementation of this Ordinance and Interim Amending Ordinance may have significant effects on the environment.

CONCLUSION

Upon Board approval, please return one adopted copy of this letter to the Department of Consumer and Business Affairs and the Los Angeles County Development Authority.

Board of Supervisors
November 19, 2019
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Respectfully submitted,



JOSEPH M. NICCHITTA
Director
Department of Consumer and Business
Affairs

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Executive Director
Los Angeles County Development
Authority

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