



"Great Apartments Start Here!"

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Via Electronic Mail

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

RE: Extension of Interim Ordinance & Advancement of a Permanent Ordinance to Limit Rent Increases and Provide Tenant Protections (Agenda Item 2-D, 20,51,52)

Dear Board of Supervisors:

The Apartment Association of Greater Los Angeles (AAGLA) is strongly opposed to the County's advancement of a permanent rent stabilization ordinance (RSO) inclusive of "just cause" eviction requirements, broad-based relocation assistance, a rental registry and related regulatory measures. The County's decision to move forward with the establishment of a permanent RSO is particularly disconcerting as the State only recently enacted Assembly Bill 1482, the statewide rent control and renter protection law, which will go into effect on January 1, 2020, the same time as the County's interim ordinance is set to expire. **At this juncture, what is the urgency for the County's advancement of its RSO? Would it not be more prudent for the County to first evaluate the impact of the state law before adopting an RSO which is extremely costly? Would it not be far better if the County allocated funds in a targeted manner to assist renters in need of financial assistance (e.g., means testing), including by providing rent subsidies and related supportive services?**

Establishment of Need to Extend Interim RSO and Adopt a Permanent RSO

The County's unincorporated areas have been subject to the interim RSO for over a year, yet no substantive data has been presented reflecting the impacts and/or demonstrated benefits of the interim RSO. The only such reference is in the proposed permanent RSO's "Declaration of Purpose and Findings" which states "even while the interim Rent Stabilization Ordinance was in place, the average percentage rent increase request from landlords was



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28.23%, amounting to an average increase of \$313.59 per month per unit". Since the interim ordinance caps rents at 3%, one can deduce that the percentage noted is based on increases established due to vacancy de-control.

Our Association has repeatedly expressed the negative consequences of price control measures such as rent control. When small "mom and pop" rental housing providers, known for providing the bulk of the County's affordable rental housing with a track record of minimally increasing or often forgoing rent increases for many years, are limited to increasing rents by a low set percentage, they are compelled to consistently increase up to the allowable maximum limitations, and rarely ever forgo a rent increase. Inevitably, the loss of financial flexibility to respond to ever increasing costs will result in higher rental rates following vacancies due to the severe shortages caused by price controls and in order to avoid potential future, unanticipated financial consequences.

If the interim RSO did not achieve the County's goal, what is the likelihood that the permanent RSO will be successful in doing so? Moreover, the Declaration of Purpose and Findings refers to the housing shortage and the resulting difficulties in obtaining "adequate, safe, and habitable rental housing at reasonable rents," yet rent control measures will never beneficially affect that situation. **Rent control will not result in the construction of one new unit and will only discourage development.** Moreover, rent control has been proven to lead to the deterioration of housing stock as housing providers with limited financial resources will be forced to significantly reduce maintenance and repairs beyond what is essential. Additionally, many small rental housing providers will simply leave the industry by converting their units into condominiums or other uses, resulting in the further depletion of affordable housing in the County's unincorporated areas.

Rent Limitations

The proposed permanent RSO imposes rent increase limitations of one increase per 12-month period based on the change in the Consumer Price Index (CPI) with a maximum increase of 8%. While this formula may appear to provide owners with the ability to obtain a fair and reasonable return, in reality, because the CPI has rarely exceeded 3% in recent years, it is highly improbable that an 8% increase would ever be permitted. Further, the RSO does not provide for a "floor", thereby allowing for the possibility that no rental increase will be permitted under certain circumstances.

It is important to note that the CPI, while often used by the State and Local governments as the standard for rent increase limitations, is not an appropriate measure. The CPI does not account for any of the costs of operating and maintaining rental property. **In recent years, owners have been subject to astronomical increases in costs for bond initiatives appearing on property tax bills, water and other utility costs, and property and liability insurance, all of which continue to increase at disproportionate rates**



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compared to the CPI- all of which cannot be controlled by the owner or the renter. Small rental property owners will simply be unable to properly maintain their buildings when their operating expenditures are increasing by 7% to 8% annually according to a study conducted by the National Apartment Association, when permissible rent increases are set at 3% or less.

We appreciate the County's inclusion of a process that allows owners to pass through costs to offset 50% of the proposed Rental Registration Fee, the ability for small rental housing providers to pass through the Safe, Clean Water Act parcel tax to renters and an application process allowing for the pass through of up to 50% of the costs of capital improvements and primary renovations. **We suggest that the Board of Supervisors also provide small owners with the ability to pass through future voter approved assessments and bond initiatives as they provide a benefit to both owners and renters.** For most of these allowances to be meaningful, the Association urges the Board of Supervisors to establish a simple, streamlined process that facilitates and encourages owners to submit applications and not one that is difficult to navigate and overly burdensome which will deter small owner participation.

The ordinance also specifically prohibits rent banking, a practice that is often beneficial to both renters and owners, as it allows the owner to defer a rent increase and apply it later. Again, this practice reflects the importance of financial flexibility, where an owner may determine that he or she does not need to increase the rent during a specific year and knows that by forgoing the increase one year, it isn't going to result in a "use it or lose it" scenario. With rent banking, an owner does not feel compelled to consistently increase rent by the allowable maximum, and results in a far better relationship between owners and their renters.

Just Cause Eviction Requirements

Both the extension of the interim RSO and the proposed permanent RSO include "just cause" eviction requirements requiring the rental housing provider to demonstrate either a "for cause" or "no-fault" basis for an eviction that falls within the parameters of the applicable ordinance. "Just Cause" eviction requirements create additional, costly hurdles for housing providers when evicting a problematic renter who is creating a nuisance or engaging in illegal activity at a property that effects other renter's quiet and peaceful enjoyment of their homes.

The proposed permanent ordinance allows for a very limited number of reasons for which a rental housing provider may evict a renter. **We recommend that the Board of Supervisors consider the inclusion of one additional "for cause" reason: failure of a renter to allow the owner entry into the rental unit for a lawful purpose and after reasonable notice.** Additionally, within the provisions related to tenancy terminations based on nuisance or illegal purpose, the ordinance language states "Any crime or act of violence committed by a tenant of a dwelling unit which involves use of a gun or a deadly weapon, or

inflicts serious bodily injury and for which a police report has been filed, **but not a crime or act of violence that is committed against a person residing in the same Dwelling unit as the person committing the crime.**” The intent of this qualifying language (bolded) is unclear and can create a dangerous environment within a building by preventing an owner from evicting the individual committing acts of violence. If the purpose is to protect victims of domestic violence, that is accomplished within subsection 3(d) which specifically precludes “acts constituting domestic violence, sexual assault, or stalking against the tenant or a member of the tenant’s household” as a basis for an eviction.

Relocation Assistance

The proposed permanent RSO requires the payment of relocation assistance equal to three times the County median rent plus estimated packing and moving expenses. In addition, enhanced relocation assistance is to be provided to seniors, individuals with disabilities, households with minors, and low-income households. **The proposed ordinance provides broad-based assistance, regardless of a renter’s actual need for such assistance and contains explicit language indicating that “a tenant cannot waive his or her right to receive relocation assistance.”**

Moreover, the ordinance mandates that owner’s hire, at the owner’s expense a relocation specialist “with experience in providing relocation services to the tenant’s in the County” and that such specialist be approved by the Department prior to providing relocation services to the renter. **What is the County’s basis for requiring owners to hire a relocation specialist? This mandate is completely unnecessary, unduly burdensome and imposes additional costs upon small rental housing providers who are already being limited in the use and occupancy of their property and the required payment of relocation assistance regardless of the renter’s actual need for such assistance.**

Small rental housing providers often have limited financial resources to make large, lump sum relocation payments to renters that may be better financially situated. Relocation benefits should be based on actual financial need (e.g., income, liquidity and assets test) and only for renters in good standing under their lease. The threshold for assessing need should include household income of either 200% Federal Poverty Level or 80% Average Median Income (AMI). The amount of relocation assistance should be based on actual rent paid or U.S Department of Housing and Urban Development (HUD) Fair Market Rent.

If the Board of Supervisors truly wish to address affordability, then work to promote housing development, and not draconian 1970’s regulations and expansive lists of rent regulations. Rent Control will not alleviate the financial circumstances of the County’s rent burdened renters, nor does expansive rent regulation bring about affordable housing. The Board of Supervisors merely need to look to cities such as Santa Monica and West Hollywood, cities that have instituted rent control and housing regulations for nearly four



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decades. **Instead of advancing age-old, draconian 1970's "housing solutions" that have provided very little temporary relief and will result in long-term negative consequences, we urge the Board of Supervisors to take an "outside-the-box" approach to address affordability within the County's unincorporated areas. We urge the Board of Supervisors to think innovatively and not follow the "same-old" concepts advanced by neighboring jurisdictions.**

Thank you for your time and consideration of these matters. If you have any questions, please call me at (213) 384-4131; Ext. 309 or contact me via electronic mail at danielle@aagla.org.

Very truly yours,

Danielle Leidner-Peretz