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April 22, 2020

To the Members of the Los Angeles City Council
200 North Spring Street
Los Angeles, California 90012

RE: Housing Committee Items 37, 38, 39 and 66

Dear Council Members:

I am writing to express my opposition to Items 37, 38, 39 and 66 which are unfair to rental property owners in the City of Los Angeles. Moreover, they will drive small “mom and pop” owners like me out of business, making the City’s housing crisis even worse.

For the record, I am a property owner in the City of Los Angeles and have owned, developed and or managed rental property for over 45 years. Like the majority of rental property owners in Los Angeles, I am a “pop” in the “mom and Pop” reference. So we are clear, I am in the rental housing business. I purchase, maintain and manage rental property for a living. The only real difference between me and other small businesses is that many of you don’t appreciate what it is to operate a rental housing business. I pay business taxes like a grocery store, I risk capital like a restaurant, and I must manage my investment like a dry cleaners. However, when the various support and financial relief for other small businesses is discussed, I’m left out. I have a contract with a mortgage company, they can and will foreclose on me and take my property if I fail to pay them every month.

There is sympathy for most of the other small businesses, as there should be, but when it comes to rental property owners, not only are we left out of consideration for support, we are actually penalized for being in this business! Your **Item 37** calls for “No Rental Increases During the Emergency Period.” Sounds fair? But let’s apply real life situations here.

Let’s say I own a four unit building where the rent per unit is \$1,500 per month. Pursuant to the Los Angeles Rent Stabilization Ordinance I can only raise the rent 4% every 12 months. So, if my anniversary month was April, I lose \$60 per unit or \$240 per month. The operative word here is “lose,” every month I am unable to increase my rent, I have no way to recover any of that \$240 lost because I can only raise the rent every 12 months and I will now have a new anniversary date, with no way to recover the income I lost at a rate of \$240 per month. So now I’m in effect subsidizing tenants, something that the government, and all taxpayers should be doing. Private Citizens who own rental property should not alone be responsible for providing public welfare.

Your **Item 38** would re-classify unpaid rent as consumer debt. Rental and lease payments are part of a contract between a rental property owner and his or her tenant. As a rental property owner I agree to provide a “decent, safe and sanitary” place for my tenants to live, in exchange for rent. I’m not his or her credit card company or any other unsecured lender, I have a contract which spells out the terms and conditions for payment. The City should not put itself in a position of interfering with a mutually agreed, legally binding contract between a rental property owner and tenants.

There is another problem here, the City has already instituted a moratorium on evictions, which unfairly altered the contract between my tenants and me. Even without this change, any tenant eviction in the County of Los Angeles after the emergency declaration has ended and courts again begin hearing eviction matters, will take a minimum of 6 months. So again, let’s do the math using the 4-unit

building in the previous example. 6 months at \$1,500 per month equals a loss of \$9,000 for the six-month period. Add legal/attorney fees equal to at least \$5,000 to this, I've now lost \$14,000 under the best-case scenario. This \$14,000 does not even factor in what it will cost to get the unit ready to rent again and to market it, all of that is real money.

In previous actions, the City provided legal support to tenants being evicted. So, at a minimum this could add 3 more months to the eviction process, and possibly another \$5,000 in legal fees. So where are we now in terms of cost? \$23,500! During this 9-month period, the tenant is still living in my unit rent free! Now you want to modify my contract again, and move my legal options from an action based on my contract, to a consumer debt making me an unsecured creditor? These cases have a much lower priority in the courts, getting a date could will take much more time. This is simply unfair and undue punishment for the fact that I am providing housing to individuals.

Item 39 would reinforce the eviction moratorium. So, if a tenant simply stopped paying rent, I could not enforce my contract. The tenant could stay up to 30 days beyond the emergency period which became effective as of March 4th. So, let's look at this in the real world. Let's say the emergency lasts 4 months. I'm down \$6,000 per unit. I am now obligated to finance this amount without charging the tenant any interest for up to 12 months. As we see from the previous Item, I can't use this deficiency as a reason for eviction, and I would have to pursue recovery in consumer court, not attached to the rental contract! Moreover, during the 12-month repayment period, my tenants would be obligated to pay another \$500 per month (\$6,000 divided by 12-months) in addition to regular rent of \$1,500, or a 33% increase – how in the world will I ever collect this money from my tenants?

Finally, **Item 66** would create an "Emergency Renters Relief Program" providing the tenant with funds to pay rent, with **absolutely no obligation** that they pay any rent to their housing provider whatsoever. So again, let's look at this in the real world. I'm at risk for over \$20,000, and you are going to give my delinquent tenant my tax

money to pay back rent without any requirement or assurances that he or she actually pays a dime of back rent. So, I can't evict him, and I can't seek damages pursuant to my rental contract. Then you are going to provide my tenants with tax dollars for rent which he or she can use for whatever he or she chooses, however frivolous.

Council members, I'm not rich. Like many of my mom and pop colleagues I draw Social Security and my rental property supplements my retirement income. Like others living in the Los Angeles Area, I struggle to make ends meet. I don't have a pension, however, 45 years ago, I elected to go into the rental housing business to supplement my retirement. We don't demand that grocery stores provide free food, for that the government issues CalFresh. We don't require utility companies to give free services, we add a surcharge to all consumers to provide some relief for those in need. We don't require drug companies to give away medications, for that we have Medi-Cal. So why is it even remotely fair to impose the costs of helping these disadvantaged tenants on my business, without just compensation? I agree, we should help tenants in actual need as much as possible, but that "HELP" should come from all taxpayers, not just rental property owners.

You don't even require that tenants be means-tested in order to obtain these benefits you are forcing me and others like me to provide. If this were a Department of Housing voucher program such as Section 8, you would scrutinize a tenants' financial history before granting aid. I have tenants who actually earn more money than I do! For whatever reason, they have decided not to purchase a home, and why should they, when they receive so much support at my expense?

I am in business just like all other businesses. I risk capital, with the intention of making a fair profit. I manage my property, pay taxes and mortgages, I perform and oversee repairs. I am entitled to a fair return on my investment, but you are interfering with my ability to receive a fair return on my property. It may not be your intention, but you are driving the mom and pops like me out of business. Today we provide the majority of affordable housing in the City. Your action will in

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the long run, make matters worse for the tenants you want to help as the City continues losing older, affordable rental units, at the expense of mom and pop owners like me. Please reject these unfair proposals and pursue equitable ways to assist tenants and housing providers alike.

Sincerely,

A handwritten signature in black ink, appearing to read "R.D. Wright", written in a cursive style.

RODERICK D. WRIGHT

Rental Property Owner