



"Great Apartments Start Here!"

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Via Electronic Mail

City of Los Angeles Housing Committee
City Hall
200 North Spring Street
Room 1010
Los Angeles, California 90012

Re: 20-0922: Los Angeles Housing and Community Investment Department and City Administrative Officer (CAO) Reports and CAO to Report Relative to Authority to Amend Section 161.352 of the Los Angeles Municipal Code (LAMC) for a Fee Adjustment to the Systematic Code Enforcement Program Fee (Agenda Item 2)

Dear Housing Committee Members:

At the April 14th Housing Committee meeting, the Committee will consider the Los Angeles Housing + Community Investment Department (HCID+LA) report relative to the City's Systematic Code Enforcement Program (SCEP) and recommendations for a program fee increase. The Apartment Association of Greater Los Angeles (AAGLA or Association) strongly opposes the proposed fee increase. We urge the Committee to reject its advancement and direct HCID+LA to conduct a comprehensive programmatic evaluation inclusive of cost-effective modifications prior to consideration of any fee increase.

In July 2020, HCID+LA submitted a report proposing an astronomical 88% increase in the city's SCEP fee. In its report, HCID+LA acknowledged that "this is a worst time for asking any type of fee increase due to the impact of COVID-19 pandemic." During that same month, COVID-19 cases were surging once more and stay-at-home orders were re-enforced. We commend the Housing Committee for rejecting the proposed initial increase and directing HCID+LA to return in six months.

In February 2021, HCID+LA submitted an updated report and second request for a SCEP fee increase. While the increase sought has been presented in a new configuration, the result is the same, it remains a significant increase at a time when rental housing providers and renters are experiencing catastrophic financial effects from the COVID-19 pandemic which is now into its second year. The City's eviction moratorium and rent increase freeze, which has now been in effect for over a year, has resulted in rental housing providers struggling today to collect little if any rent. As the Los Angeles Times pointed out "More than half of 1,300 property owners surveyed in

December last year said their business would face financial distress within six months if their situations didn't improve.” As finances have deteriorated, many of our members have been forced to make cutbacks, deferring non-essential property maintenance and repairs, and many have had to seek loan forbearances or in worse cases, have had to sell their properties.

The initial proposal sought an increase from the current fee of \$43.32 to a total of \$81.25, reflecting an 88% increase. The new proposed fee increase would require rental housing providers to pay the entirety of a mid-year fee adjustment of \$24.85 per unit invoiced in June 2021 followed by an annual fee increase effective in February 2022 from \$43.32 to \$68.17 per unit to be shared by housing providers and renters. This new fee proposal is equally burdensome and is effectively the same astronomical increase previously proposed.

Particularly concerning is that the updated HCID+LA report contained no program assessment or consideration of programmatic changes that could effectuate cost savings while maintaining a robust compliance structure. This was a recommendation that had been suggested by the Association in our letter dated September 21, 2020 to the Housing Committee.

The SCEP program, established in 1998, conducts routine and complaint-based inspections. Routine inspections are conducted over the course of four-year inspection cycles, with non-compliant, higher risk tier properties subject to more frequent two-year inspection cycles. As noted in the July HCID+LA report, “after four inspection cycles over the last 20+ years, HCIDLA data indicates that 95% of property owners are maintaining well-kept rental properties.” The lessons learned over these last two decades can provide valuable insight into ways to streamline the program in the coming decade.

The past six months presented an opportunity for HCID+LA to evaluate the SCEP program and consider modifications to reduce programmatic costs while maintaining program objectives. In the initial fee study conducted by Bae Urban Economics (BAE), the consultants surveyed similar rental inspection programs in other jurisdictions including the cities of San Jose, Seattle, Minneapolis, and Washington D.C. The study noted that the City's SCEP program “is the only program survey by BAE that commits to inspecting 100 percent of eligible units at a given property. In addition, SCEP is the only program surveyed by BAE that strives to achieve a four-year inspection frequency for units – even for “Tier 1” properties with minimal risk for code violations.”

Rental inspection programs can be configured in a variety of ways under a range of fee methodologies as evidenced by these other jurisdictions while maintaining a robust code enforcement program. While the initial fee study provided several fee options utilizing the current SCEP program operating structure, it did not include any analysis relative to ways the program could be reconfigured under the current operating budget. Moreover, the most recent fee analysis conducted by BAE in January 2021, focused on “calculating the fee amounts that would be necessary to achieve full cost recovery for operating the City of Los Angeles Housing + Community Investment Department's (HCIDLA) Systematic Code Enforcement Program (SCEP) for the four-and-a-half-year period ending December 31, 2024.” The updated fee study provided multiple budget scenarios; none of which included programmatic re-configuration that could afford potential cost savings.



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AAGLA strongly urges the Housing Committee to direct HCID+LA to conduct an in-depth program evaluation with a focus on the programmatic structure and options to reduce costs. We recommend that such an evaluation include the City retaining a reputable management consulting firm that can identify program modifications and efficiencies such as: inspecting a sampling (percentage) of building units instead of all units, instituting a sliding scale fee structure whereby higher fees are charged per unit for properties that have a history of violations, extending inspection cycles from every 4 to 6 years. Other jurisdictions referred in the initial fee study utilize some of these suggested programmatic elements. Any fee increase must only be considered following a thoughtful evaluation of the SCEP program and the advancement of cost-effective modifications and solutions.

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

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