

Housing Advocates* RSO Reform Recommendations

Economic Study of the Rent Stabilization Ordinance & the LA Housing Market

STUDY FINDINGS ON RENT BURDEN

- **58% of tenants are rent burdened (spend over 30% on housing)**
- **31% of tenants are severely rent burdened (over 50% on housing)¹**
 - **56% of those earning \$35k or less are severely rent burdened²**

RSO reform must focus on reducing the rent burden. RSO landlords are doing well financially-- investments in RSO buildings out performing non-RSO buildings³. LAHD's current recommendations do not significantly address rent burdens. Therefore, Housing Advocates urge the City Council to oppose any recommendation that INCREASES tenants' rent burden and to implement the following reforms to REDUCE the rent burden on tenants:

	Recommendations (➤ are recommendations by Economic Roundtable)	Reasons
1.	➤ Eliminate 3% minimum rent increase	• Overinflates rent when CPI is below 3% ⁴
2.	➤ Eliminate 2% pass-through for gas/electric (LAHD also recommends)	• Do not reflect actual costs and are a windfall for landlords ⁵
3.	Combine all fees (registration, SCEP) and split between LL and tenants	• Simplify a confusing system • Tenants presently pay 100% of SCEP fees. Landlords benefit from SCEP and should share costs. ⁶
4.	➤ Require landlords to register rents with LAHD;	• 27% of rent increases are illegal • 33% of rent increases for tenants earning \$25k or under are illegal ⁷
5.	Limit rent increases to 75% of CPI	• Several other jurisdictions use a percentage of CPI <ul style="list-style-type: none"> • West Hollywood- 75% • San Francisco- 60% • Berkeley- 65% • Palm Springs- 75% • RSO increases exceed national market rents ⁸

***Housing Advocates** include: Bet Tzedek Legal Services; Coalition for Economic Survival; Inquilinos Unidos, Inner City Law Center; Legal Aid Foundation of Los Angeles; Los Angeles Center for Law & Justice; Los Angeles Coalition to End Hunger & Homelessness; Los Angeles Community Action Network; Public Counsel.

¹ See. Exec Summary, p. 1.

² See study, p.71.

³ "On average, investments in RSO apartments have performed superior to the average performance of investments in apartment buildings in the United States and comparable to non-RSO apartments in the Los Angeles region." LAHD June 25, 2009 Transmittal to City Council, page 3. (See "Major Findings" pp. 4-6.)

⁴ See study, p. 254, 10 yrs below 3% btm 1993-2007.

⁵ "There is no connection betw the annual master-metered increase authorized by the RSO and actual cost increases." See study, p. 259.

⁶ 48% of owners said SCEP was either "very helpful" or "a useful service". See Study, p. 163.

⁷ See Study, p. 127.

⁸ In 23 of the past 29 years, the RSO annual allowable rent increase exceeded or roughly equaled the percentage increase in national market rents. Over the past eight years, RSO annual rent increases exceeded market rent increase in 15 of 23 metropolitan areas in the U.S. LAHD Transmittal to City Council, page 6.

LAHD Reform Recommendations

	LAHD Recommendations	Housing Advocates Position
<p>A.</p>	<p>Landlord and tenant outreach plan to tenants and landlords;</p> <p>34% of RSO tenants are misinformed or unaware of RSO status 48% of RSO tenants with incomes under \$25k know there are limited reasons for evictions 59% of RSO limited english speakers knew that rent increases are limited (pp. 100-102)</p>	<p>Support with two additions</p> <ul style="list-style-type: none"> In all written communication to tenants in RSO properties, landlords must include one paragraph that states that the property is governed by RSO, that it is subject to limited rent increases, that there are limited grounds for eviction. Should also include LAHD phone and website information where tenants can get more information. LAHD include a similar paragraph of basic RSO information in all LAHD mailings to landlords and tenants.
<p>B.</p>	<p>Retain the current scope of coverage of the RSO and the Consumer Price Index (CPI) as the basis for setting the annual allowable rent increase under the RSO</p>	<p>1. Support retaining use of CPI but rent increases should be limited to 75% of CPI, similar to other cities.</p> <ul style="list-style-type: none"> West Hollywood- 75% San Francisco- 60% Berkeley- 65% <p>2. Stop rounding percentages. For example, use 3.6% or 3.4% rather than 4% or 3%.</p> <ul style="list-style-type: none"> Rounded up 21 times, down twice⁹ <p>3. Oppose retaining current scope of coverage</p> <ul style="list-style-type: none"> As each year passes, older RSO units are demolished or converted and are replaced with new non-RSO units. To stop the ever-shrinking stock of affordable, RSO housing, LAHD and the City Council should pursue strategies, including seeking amendments to state legislation, that expand the scope of the RSO coverage. One approach is to amend state law to allow RSO to apply to buildings that are at least twenty years old.
<p>C</p>	<p>Restructure RSO capital improvement, primary renovation and tenant habitability plan provisions.</p>	<p>Considerations</p> <ul style="list-style-type: none"> Landlords already recoup the costs of capital improvements at vacancy when they increase rent to market rates for the improved unit <ul style="list-style-type: none"> 1 in 4 units turnover every year¹⁰ Capital improvements increase landlord's property values. Tenants should not have to subsidize when landlords also benefit.

⁹ See study, p. 254, table 5-3.

¹⁰ See study, p.151.

	LAHD Recommendations	Housing Advocates Position
		<ul style="list-style-type: none"> Advocates have suggested changes to streamline the program by shortening time frames, tying THP to compliance orders, and allowing LAHD more flexibility in reviewing plans.
D.	Replace the current pass-through provision for the gas and electricity utility allowance	Support immediate elimination <ul style="list-style-type: none"> Because they do not reflect actual costs and are a windfall for landlords, <i>immediately eliminate all current utility pass-throughs</i>
E.	Evaluate the delivery of services and adequacy of the number of hours under the contract scope of work for the tenant relocation assistance contract	Support changes to improve services, not a costly evaluation <ul style="list-style-type: none"> Improve services to “qualified tenants.” The average time that a relocation specialist works on a case is 4 hours. This is insufficient to truly meet tenant needs, particularly for qualified tenants. Raise relocation fee to pay for more effective assistance.
F.	Continue housing inspector training	Support with modification to emphasize training on: <ul style="list-style-type: none"> Quality Control Training- Inspectors should ensure work isn’t substandard. Could reduce costs in long run by reducing number of future inspections. Cross-training in RSO issues- Inspectors should be able to disseminate basic RSO information.
G.	Increase the annual rental unit registration fee to implement LAHD recommendations	Oppose and propose alternative <ul style="list-style-type: none"> Combine the present monthly unit registration and annual SCEP fees, split the total cost evenly between landlords and tenants. Tenants pay monthly. From the study, landlords believe they benefit from SCEP. If landlords benefit, they should also share costs.