

CITY OF LOS ANGELES

CALIFORNIA



ANTONIO R. VILLARAIGOSA
MAYOR

October 26, 2006

Council File: 06-1325

Council District(s): All

Contact Persons:

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The Honorable Members of the
Housing, Community, and Economic
Development Committee (HCED)
Councilmember Herb Wesson, Chair
Office of the City Clerk
Room 395, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attn: Alan Alietti, Legislative Assistant

REPORT BACK ON CONDOMINIUM CONVERSIONS, DEMOLITIONS, TENANT PROTECTIONS, AND OTHER RELATED ISSUES, CF# 06-1325

BACKGROUND

In May 2006, the Housing, Community and Economic Development Committee (HCED) and the Planning and Land Use Management Committee (PLUM) held three joint hearings on condominium conversions (condo conversions). In response to the hearings, Councilmembers Wesson, Reyes, Greuel, and Rosendahl issued a letter on August 11, 2006 relative to the loss of rental and rent-controlled units to condo conversions, demolitions, and new for-sale units in Los Angeles (Attachment 1). As a result, on August 18, 2006, the HCED issued a series of motions directing the Los Angeles Housing Department (LAHD), the Department of City Planning (DCP) and the City Attorney to analyze the issues and prepare recommendations and necessary ordinances to address condominium conversions, demolitions, tenant protections, and other related matters (Attachment 2).

REPORT FORMAT

Because this report is responding to a number of motions, the directives have been grouped into two sections. The first section (Section A) discusses the motions that impact tenants directly such as: long-term lease guarantees, tenant notification, relocation assistance, and homebuyer purchase assistance programs. The second section (Section B) consists of discussions related to the directives that impact internal City processes such as: the rental

housing production fee, monitoring compliance of tenant protections, and elements of the General Plan. The motion number is listed before each item, followed by the discussion, with the recommendations listed at the end of each section. As noted, the complete list of motions is attached (See Attachment 2).

SUMMARY OF RECOMMENDATIONS

- 1) The Council should grant the Departments an additional 90 days to work with the City Attorney to ensure that long-term lease guarantees would not violate the Ellis Act (Motion 3).
- 2) The Council should provide the Departments an additional 90 days to report back on a Demolition Permit Monitoring Fee and Tenant Relocation Assistance Services Fee and to work with the City Attorney to determine the necessary amendments to the Los Angeles Municipal Code (LAMC) Section 47.07 (Motion 4 & 10).
- 3) The Council should provide the Departments an additional 90 days to work with the City Attorney on a draft ordinance to amend appropriate sections of the LAMC to provide tenants with \$1,000 for moving expenses in addition to the relocation assistance package (Motion 7).
- 4) If the Council adopts the recommended Tenant Relocation Assistance Fee, the program should market the LAHD Downpayment Assistance Programs to tenants displaced by condominium conversions as a core component of this marketing plan (Motions 8 & 9).
- 5) The Council should provide the Departments with an additional 90 days to determine the appropriate fee for the Rental Housing Production Fee and whether the fee adjustment and future adjustments should be determined by the CPI or by an index that measures changes in land and construction costs, and whether the fee should differ based on the number of units in a building (Motion 1 & 2).
- 6) The Council should consider a monitoring and compliance program separate from and in addition to the Rental Housing Production Fee as proposed on page 4 of this report (Motion 1 & 2).
- 7) The Council should request a briefing on the Development Services Cabinet (Motion 8e).
- 8) The Council should direct the LAHD to create an on-line registry for buildings removed through the Ellis process (Motion 10).
- 9) The Council should direct the Planning Department to draft appropriate amendments to the LAMC after the Committee acts on all matters in this report to ensure that, before drafting a final ordinance, all related issues have been resolved, there are no conflicts among the final recommendations and that the recommendations are internally consistent with one another (Motion 6).

SECTION A. LONG-TERM LEASE GUARANTEES, TENANT NOTIFICATION, RELOCATION ASSISTANCE, AND HOMEBUYER PURCHASE ASSISTANCE

DISCUSSION

Motion 3- Long-term Lease Guarantees

The Los Angeles Municipal Code (LAMC) provides different protections for disabled and elderly tenants in cases of condo conversions than it does for demolitions. The LAMC section 12.95.2.G provides that when a residential rental unit is being converted to a residential condominium, the owner must pay the difference in rent for a period of one year from the date of relocation to tenants who qualify for "special protection." A tenant is entitled to "special protection" if they are disabled, 62 years of age or older, reside with one or more minor dependent children, or are a resident of a low to moderate cost housing unit. There is no similar provision in the LAMC for tenants displaced due to demolitions for new condominium construction.

In addition, the Subdivision Map Act (California Government Code Section 66410, *et seq.*), requires that tenants be given a 180-day written notice of the intent to convert before termination of the tenancy owing to the conversion. Separately, the Ellis Act, which was incorporated into the LAMC Section 151.09, requires that tenants be given a 120-day notice before a property is removed from the rental market for new condos and conversions. Tenants who are 62 years of age and older or disabled, and have lived in a rental unit covered by the Rent Stabilization Ordinance (RSO) for at least one year, receive a one year extension from the date the owner files the Notice to Withdraw the Unit with the LAHD, before their tenancy is terminated.

The policy aim of a lease guarantee is to provide assurance to all tenants or a certain class of tenants in a building that is proposed to be converted or demolished that they can lease units in the converted or new condominium for a guaranteed period of time and/or for a guaranteed rent. Other cities in California, such as San Francisco, Berkeley, San Leandro, Oakland, Hayward and Sacramento, have similar measures related to lease guarantees for tenants in instances of condo conversions. In each of the jurisdictions, rents are restricted during the initial period of the lease guarantee in order to make the lease guarantee a feasible option for a qualified tenant. However, it must also be noted that condo conversions are infrequent in these cities because of other restrictions. For instance, San Francisco and Berkeley have a cap on the number of conversions, 200 and 100 units per year, respectively. In other cities, the down zoning and parking and open space requirements render conversions infeasible.

If the City were to require a lease guarantee of one year for tenants in buildings being demolished, the Council would also have to consider requiring the landlord to pay, for a period of up to one year, the difference between qualified tenants' prior rent and the rent of the new unit to which they relocate during the period of construction.

The Council may also consider restricting the amount of rent for the period of the lease guarantee. These two additional requirements would allow the lease guarantee to offer a measure of protection to elderly and disabled tenants in instances of demolition.

With conversions, if the building has a certificate of occupancy issued prior to October 1, 1978, the tenancy will become a month-to-month tenancy after the expiration of the lease guarantee, subject to the eviction protections of the RSO. However, because of the Costa Hawkins Law (Civil Code section 1954.52.3), the owner can increase the rental amount without restriction because the unit is now a condominium. With demolitions, the new building would not be subject to the eviction or rent control protections of the RSO.

Motion 7, 8c and d –Relocation Assistance and Moving Expenses

The LAMC Sections 47.06 and 47.07 provide that the landlord must furnish relocation assistance to qualified tenants in cases where the landlord intends to construct a new condominium, convert a rental unit to a condominium, stock cooperative or community apartment project on the site or to otherwise use the property for any commercial purpose. The landlord's relocation assistance consists of the following:

- a) Making available to each tenant, at no cost, a reasonably complete and current list of vacant and available rental units within a one and half mile radius of the building being demolished or relocated, including units comparable in size and amenities to the unit occupied by the tenant;
- b) Making a reasonable and good faith effort to ensure that tenants without cars are driven, at no cost, and tenants with cars are assisted, in order to inspect replacement rental units;
- c) Hiring an ambulance or similar vehicle, at no cost to the tenant, and otherwise take reasonable steps to assist any disabled tenant with relocation-related activities; and
- d) Paying a relocation fee of \$8,550 (as of July 1, 2006) to qualified tenants and \$3,450 (as of July 1, 2006) to all other tenants.

The Council may wish to consider revising the current relocation assistance provisions of LAMC Section 47.06 and 47.07. Verification of a landlord's compliance with these provisions could prove onerous and contentious. Moreover, as currently written, they do not provide the City with a standard in determining a landlord's compliance with these provisions. To determine compliance with these provisions, staff would have to determine whether a landlord has provided a reasonable and complete list of vacant and available rental units within a one and a half mile radius that are comparable in size and amenities to the tenant's unit. Staff would also have to determine whether the landlord has made a reasonable and good faith effort to assure that tenants without cars have been driven, at no cost, and tenants with cars have been assisted with inspection of replacement units. Staff would also have to determine if an ambulance or similar vehicle has been hired to assist with disabled tenants and if other reasonable steps have been taken to assist them with their relocation-related activities.

As an alternative implementation mechanism to the relocation assistance provisions in Sections 47.06 and 47.07, the Council could consider adoption of a program similar to that of the City of West Hollywood to address the relocation assistance needs of tenants being displaced. West Hollywood requires that owners pay a fee to the City, which in turn uses the fee to contract with a relocation assistance service provider, who performs all of the same duties currently required by the owner in LAMC Section 47.06 and 47.07. Owners pay a higher fee for disabled and elderly tenants because their needs require greater attention in the relocation process.

By using a contractor, a property owner easily establishes compliance with the requirement through payment of the requisite fee. Moreover, the City is ensured of a common reasonable standard in the relocation assistance provided to each tenant.

In regards to an increase for moving expenses, staff conducted a survey of moving companies in the region. This survey confirmed that the average moving cost based on six hours of hired labor, is over \$900. An increase to \$1,000 is reasonable as an amount to offset incurred moving expenses.

Motion 8 and 9 – Homeownership Purchase Assistance Programs

The LAHD examined two homeownership programs for tenants displaced by condo conversions: the Washington D.C. Tenant Opportunity to Purchase Act (TOPA) and the Tenant Ownership Rights Charter Amendment (TORCA) provided by the City of Santa Monica. Below is a review of each of the two programs.

TOPA

The TOPA's goal is the preservation of rental housing and the creation of homeownership opportunities for D.C. residents. The TOPA offers tenants the opportunity to purchase their respective unit/building. Pursuant to TOPA, owners of residential properties are required to give tenants the opportunity to purchase the property prior to the owner transferring the property to a third party. In addition, tenants are allowed to assign their right to purchase to a third party, co-develop the unit/building, or obtain a cash payment or other consideration if they decide not to co-develop or buy the property. The TOPA program can be very complex and tenants must be provided with technical assistance, education and training regarding the process.

TORCA

The City of Santa Monica's TORCA program was established to assist low and moderate income households in purchasing their condominiums when their buildings are converted to condos. Pursuant to TORCA, the City provides loans to persons who would otherwise encounter difficulty purchasing their apartments upon conversion to condos. Applications to the City may only be submitted for assistance if the building has received final map approval.

Some features of TORCA include: income limits based on the State of California, Housing and Community Development Low (80%) and Moderate (120%) income limits; tenants must currently live in the units which they seek to purchase; loan amounts up to \$110,000 depending on household size, size of the condominium, purchase price and income of the borrower.

TOPA & TORCA Program Outcomes

Program staff observations include a mix of outcomes. The staff responsible for monitoring TOPA stated that although some tenants have successfully utilized the Program to purchase their rental unit, the majority of the tenants opted to accept a buyout offer from the owner/developer. Staff stated that many of the tenants did not have a solid understanding of the TOPA process and their rights under the program. Additionally, an insufficient cadre of technical assistance providers, including pro bono attorneys, development consultants and management companies has hindered the program's success. We note that the findings are qualitative, as

program staff did not have any statistical data regarding the number of tenants who chose to accept an offer of sale from the owner.

The Santa Monica TORCA program staff related similar findings. Staff indicated that the City has not utilized the TORCA Program in several years and that overall, the loan program has not been as successful as the City had envisioned. Since the Program's inception in 1989, the City has funded approximately 52 loans. The main reason for the low number of loans is the fact that many of the TORCA units were subject to rent control and many tenants were not interested in significantly increasing their monthly housing expense through homeownership. Consequently, many of the tenants sought other rent controlled units in which to live. Santa Monica currently has a moratorium on condominium conversions.

Notwithstanding the mixed results of the TOPA and TORCA programs, should the Council adopt this concept of homeownership assistance and direct the LAHD to implement, additional staff would be required to monitor the numerous condominium conversions occurring throughout the City. Monitoring staff would also need to ensure that tenants are duly notified of their rights. In addition to condominium conversions, the LAHD would also have to ensure that tenants residing in rental properties that are sold, with the intention of remaining rental properties, are also notified of their rights. Additional budget allocations would also be required in order to obtain the assistance of organizations that are able to provide technical assistance to tenants on issues pertaining to the conversion of rental units to condominiums. Currently, the LAHD does not have the staffing or funding to implement this type of program.

However, the LAHD does have excellent homeownership programs to assist low and moderate income prospective homebuyers purchase a single family home, condominium or townhome anywhere in the City of Los Angeles. Tenants who are subject to the conversion of their rental units to condominiums may utilize the LAHD homeownership programs to purchase a condominium in their building.

For low income homebuyers, the LAHD offers up to \$90,000 for downpayment assistance. A low income homebuyer is defined as a household earning less than 80% of the Area Median Income (AMI). For example, for a 4-member household, the maximum allowable income is \$55,450. In addition, LAHD leverages funds from HUD's American Dream Down Payment Initiative (ADDI) and the California Housing Finance Agency (CalHFA) to offer additional down payment assistance to low-income, first-time homebuyers.

The LAHD also provides down payment assistance to moderate income, first-time homebuyers. Specifically, for households earning between 81-120% of AMI the amount of purchase assistance is \$75,000 and for households earning between 121-150% the purchase assistance amount is \$50,000. As with the low income program, LAHD leverages funds from CalHFA in order to provide borrowers with additional downpayment assistance.

RECOMMENDATIONS

- 1) The Council should grant the Departments an additional 90 days to work with the City Attorney to ensure that long-term lease guarantees would not violate the Ellis Act.

- 2) The Council should provide the Departments an additional 90 days to report back on a Tenant Relocations Assistance Services Fee and to work with the City Attorney to determine the necessary amendments to LAMC Section 47.07.
- 3) The Council should direct the Departments to work with the City Attorney to draft an ordinance to amend appropriate sections of the LAMC to provide tenants with \$1,000 for moving expenses in addition to the relocation assistance package.
- 4) If the Council adopts the recommended Tenant Relocation Assistance Fee for a relocation contractor, the program should as a matter of course, market the LAHD Downpayment Assistance Programs to tenants displaced by condominium conversions.

SECTION B. RENTAL PRODUCTION FEE, DEMOLITION PERMITS, MONITORING AND THE HOUSING AND TRANSPORTATION ELEMENTS OF THE GENERAL PLAN

DISCUSSION

Motions 1 and 2 – Rental Housing Production Fee

The intent of the Rental Housing Production Fee, as stated in the condominium and stock cooperative conversion projects ordinance, Number 153024, enacted in 1979, is to assist in the development of low and moderate income housing. The ordinance states that the funds in this account “shall be used exclusively for the development of low and moderate income rental housing in the City,” (LAMC Section 12.95.2). The \$500 per unit fee has not been increased since its enactment in 1979. Although the fee was not intended to be a housing unit replacement fee, its sole purpose is to assist the City in the production of affordable units. The LAHD manages the Rental Housing Production Fee Account. These funds are regularly transferred to the Affordable Housing Trust Fund to finance the production of affordable rental housing throughout the City.

The condo conversion data suggests that conversions impact buildings throughout the City, regardless of the individual building’s size (number of units). From January 1, 2001 to May 2, 2006, forty-three (43) percent of condominium conversion cases approved by the Department of City Planning were for buildings with 11 units or less, the remaining fifty-seven (57) percent were buildings with more than 11 units. Consequently, as proposed, the two-tier system would impose a disproportionate burden on the larger residential buildings if the \$1,000 per unit fee would be utilized to cover the monitoring of condominium conversions for all buildings (both small and large).

As the Council motion states, this fee should be adjusted. However, because it is critical for the City to finance affordable rental housing, the Council should consider a separate fee for a monitoring and compliance program as discussed on Page 4.

Motion 8b – Apartment Construction Incentive task force

The LAHD provides incentives for apartment construction by providing financing through the Affordable Housing Trust Fund (AHTF). The Department of City Planning has adopted a number of ordinances that create incentives for multi-family residential construction and has created an “expediting unit” which has significantly reduced the case processing time for housing projects throughout the City.

In addition, the City's Development Services Cabinet (DSC), established in 1997 and chaired by the LADBS, is comprised of all the City Departments that impact development. Its mission is to "make the City of Los Angeles more housing and business friendly by streamlining internal processes within each department and providing better coordination among all departments involved in the approval of development projects." Though the motion refers to an "apartment construction incentives taskforce," the cabinet already undertakes activities that embody the spirit of streamlining the City's development processes.

Motion 4 and 8a – Demolition Permits & Tenant Protection Compliance

The Los Angeles Department of Building and Safety (LADBS) requires that an applicant for any demolition permit obtain clearance from LAHD prior to the issuance of a demolition permit. However, this clearance does not verify a landlord's compliance with the notification and relocation protections afforded to tenants under the LAMC. The LAHD's current review is limited to verification of the landlord's filing of the Notice of Intent to Withdraw Units in RSO buildings only. If the Council were to adopt an ordinance which would require verification of the landlord's compliance with tenant protections, the LAHD would have to evaluate the staffing resources necessary to process the necessary review and sign off on all demolition permits for multi-family rental buildings.

Motions 10a and b – Monitoring and Enforcement of Ellis Act Evictions

The Ellis Act allows landlords to evict tenants to permanently remove a property (all units) from the rental market (LAMC, Section 151.09). The Ellis Act also allows jurisdictions to restrict a landlord's ability to re-rent units when those units have been permanently removed from the rental market, (LAMC Sections 151.22 -151.28). Pursuant to these provisions, an owner cannot re-rent any unit within two years of removing them from the market. If the owner re-rents a unit within five years, he/she may have to offer the unit to the prior tenant, re-rent the unit at the prior rental amount plus annual adjustments available under the RSO, and limit future increases to the annual adjustments under the RSO.

The Ellis Act requires that the owner file a Notice of Intent to Withdraw with the LAHD when the owner decides to notify the tenants of the termination of their tenancy. Within 90 days of the date of delivery of the Notice of Intent to Withdraw to LAHD, the landlord must also notify LAHD if he/she has elected to extend the date of withdrawal and identify the new date of withdrawal as a result of a tenant's request for an extension based on age or disability. The LAHD will then record a Notice of Constraint on the property with the County. The Notice will notify prospective buyers that this property has been removed from the rental market and subject to the re-rental limitations noted above for five years. In addition, the LAHD will create an on-line registry of properties removed from the rental market through Ellis with the five-year expiration date. Prospective tenants, therefore, will be able to check the registry to determine if the property is subject to the re-rental limitations noted above.

If a landlord fails to comply with the requirements of the LAMC to grant a timely request for an extension of tenancy based on age or disability, or if the landlord fails to pay the appropriate relocation assistance amount under the RSO, the tenant may file a complaint with the LAHD's Rent Investigations and Enforcement Unit. In addition, a tenant may file a complaint with LAHD if a landlord re-rents a unit within two years of the permanent withdrawal of the units from the

rental market, or if the landlord re-rents the unit within five years without offering the unit to the prior tenant, or if the landlord re-rents the unit within five years but charges a rent that is not equivalent to the prior rent plus annual adjustments. A Housing Investigator will investigate any of these complaints and issue a determination. If the landlord fails to comply with LAHD's determination, the case will be referred to the City Attorney's office for prosecution.

The Council also requested clarification as to the provisions of the Ellis Act that are inconsistent with the LAMC. The City Attorney has advised that certain provisions of Section 12.95.2 related to vacancy and continued tenancy conflict with the Ellis Act. Section 12.95.2 will be revised to address this issue as part of the amendments to the LAMC recommended in this report. Another portion of the Ellis Act that has not yet been incorporated into the LAMC is a provision that allows a City to subject to the RSO any new rental building that replaced an RSO building. This draft ordinance is pending scheduling at HCED.

Motions 11a and b – City's Housing and Transportation Elements of the General Plan

City Planning staff has begun work on updating the Housing and Transportation Elements of the General Plan. State law imposes different procedures and public input requirements for each of these Elements. Thus, the timeline for completing each is defined to a large degree by State law; nonetheless, staff has prioritized completing the work on these Elements, which together will facilitate more sustainable development across the City. The following is a brief discussion of DCP's work and progress on these Elements of the General Plan.

The Framework Element is the foundation of the City's General Plan. It is a smart growth plan that links land use and transportation and encourages growth to occur where the city has made the greatest investments in infrastructure, particularly transit. The policies in the Framework Element direct growth to transit-rich areas and to areas that have been designated as higher density, mixed use centers. The smart growth policies are the foundation for policies in the Community Plans, as well as for the policies and programs of the Housing Element and the Transportation Element. The Framework Element was recently re-adopted by the City Council and as such, established the City's policies related to growth, land use, and the distribution of housing, jobs, and open space.

Eight Community Plans are currently being updated. These updates will include more refined land use designations that will implement the Framework Element in ways that are tailored to each unique community. This increased specificity will ensure implementation of comprehensive land use, housing and transportation policies that direct growth in accordance with the smart growth principles of the Framework Element.

A comprehensive update to the Housing Element is also underway. Pursuant to State law, our updated Housing Element must be completed, adopted by the City Council and submitted to the State by July 1, 2008. Staff in the Planning and the Housing Departments will complete a draft within the next 12 months, in order to then proceed with the required public review, public hearings with the City Planning Commission and City Council, and review by the State Department of Housing and Community Development prior to final adoption by the City Council by July 1, 2008. A public outreach plan will be created to insure that there is ongoing involvement in the development of the Element by all those interested and knowledgeable about housing issues. The Element will include estimates of future housing needs, including housing needs by income level as well as financial resources and other programs necessary to facilitate

and support the actual development of the housing. This comprehensive update will accommodate anticipated growth in housing need by identifying the capacity for residential development in transit-served areas, such as along the city's commercial corridors. The Framework Element makes it clear that such capacity exists along our streets and boulevards and encourages growth to be directed in this way.

A comprehensive update to the Transportation Element is also in the initial stages. This update will be a complete overhaul of our existing Element and will likely be renamed the Mobility Element. It will address all aspects of movement through the City—walking, driving, bicycling, transport of goods--and the issues that relate to such movement. An experienced consultant will soon begin working with the Department to help define this improved multi-faceted approach and the methodology to complete the update. The new Mobility Element will better serve the purpose of meeting all forms of mobility needs, and linking mobility to land use policies, decisions, and funding opportunities.

In addition to these updates to the General Plan, the Department of City Planning is preparing several Transit Oriented Development (TOD) plans for transit stations along subway lines, light rail lines and busways. These transit stations are significant opportunities to accommodate growth, minimize impacts and improve mobility by linking development to transit resources. They will establish specific land use, urban design, and zoning regulations and incentives to ensure that high quality development occurs at these locations and that such development is at appropriate scale, is well designed, and enhances transit ridership. These TOD plans will be incorporated into the relevant revisions to the Community Plans, most of which are currently underway.

While the General Plan encourages residential development throughout the City, the Department of City Planning has developed a number of implementing ordinances to create incentives for such development. The RAS zones grant additional floor area for integrating residential and commercial uses in proximity to transit stations and along the city's commercial corridors. The small lot subdivision ordinance permits the development and sale of more affordable fee simple single family homes to address the city's very low home ownership rate. The density bonus program permits increased density and provides development incentives when affordable units are included in a project, including incentives specific to projects that are close to transit.

On an on-going basis, City Planning, LAHD and the Community Redevelopment Agency (CRA) work together to develop new tools and incentives to support the development of all types of housing in all areas of the City.

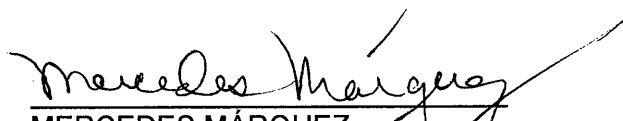
RECOMMENDATIONS

- 5) The Council should provide the Departments with an additional 90 days to determine an appropriate Rental housing Production Fee and whether the fee adjustment and future adjustments should be determined by the CPI or an index that measures changes in land and construction costs and if the fee should differ based on building size (number of units).

- 6) The Council should consider a monitoring and compliance program separate from and in addition to the Rental Housing Production Fee as proposed on page 4.
- 7) The Council should request a briefing on the Development Services Cabinet.
- 8) The Council should provide the Departments an additional 90 days to report back on a Demolition Permit Monitoring Fee and to work with the City Attorney to determine the necessary adjustments to the LAMC Section 47.07.
- 9) The Council should direct the LAHD to create an on-line registry for buildings removed through the Ellis process.

Respectfully submitted:


S. GAIL GOLDBERG
Director of Planning


MERCEDES MÁRQUEZ
General Manager, LAHD

cc: Honorable Antonio R. Villaraigosa, Mayor
Attn: June Lagmay, Legislative Coordinator

Attachments

- Attachment 1 - August 11, 2006 letter from Councilmembers Wesson, Reyes, Greuel, and Rosendahl
- Attachment 2 - August 18, 2006, CF #06-1325



August 11, 2006

CITY HALL
LOS ANGELES, CALIFORNIA 90012

Honorable Members of the HCED and PLUM Committees
Los Angeles City Council
City of Los Angeles
200 S. Spring Street
Los Angeles, CA 90012


Dear Honorable Members of the HCED and PLUM Committees:

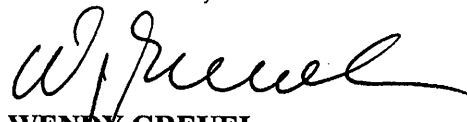
RE: Response to Joint HCED-PLUM Hearings relative to the loss of rental and rent-controlled units to condominium conversions, demolitions, and new for-sale units in Los Angeles


After reviewing the testimony and materials presented at the three HCED-PLUM joint hearings earlier this year, we submit the following recommendations (**see attached**) to address the concerns of tenants and property owners. We feel that with the adoption of these proposals, the City will be able to provide better protections for tenants who become displaced due to condominium conversions, as well as demolitions which lead to new condominium construction.


We look forward to developing various policy options in consultation with various stakeholders including the City Family toward reaching a comprehensive solution on the matter.

Sincerely,


HERB J. WESSON, JR.
Councilmember, 10th District


WENDY GREUEL
Councilmember, 2nd District


ED P. REYES
Councilmember, 1st District


BILL ROSENDAHL
Councilmember, 11th District

AMENDMENT 06-1325-A

I MOVE that the HCED and PLUM Committees amend the CLA Report to make the following recommendations:

Relative to the Rental Housing Production Fee

1. Instruct the Planning Department, with the assistance of the City Attorney's office, to draft an ordinance within 90 days, increasing the Rental Housing Production Fee (LAMC Sec. 12.95.2) in the following manner:
 - a. Residential buildings with less than 11 units will pay \$500/unit, with annual increases based on the Consumer Price Index- All Urban Consumers (CPI-U) for the Los Angeles-Riverside-Orange County Metropolitan Statistical Area (MSA) as calculated at the beginning of the fiscal year.
 - b. Residential buildings with 11 units or more will pay \$1,500/unit, with annual increases based on the CPI-U for the Los Angeles-Riverside-Orange County MSA as calculated at the beginning of the fiscal year.

All fees collected on applications with 11 units or more, above and beyond \$500/unit, will be used by the City to monitor evictions, relocations, and ensure compliance.

2. Instruct the Housing Department, in anticipation of enactment of this ordinance, to report back within 60 days, on the feasibility of increasing the Rental Housing Production Fee, as well as anticipated costs for providing a program which monitors evictions, relocations, and ensure compliance.

Relative to Disabled and Elderly Tenants

1. Instruct the Housing Department and Planning Department, with the assistance of the City Attorney's Office, to report back within 60 days on the feasibility of amending the Code to require applicants to provide long-term lease guarantees in the following manner:
 - a. With regard to condominium conversions, a two-year lease guarantee for the disabled residents or residents age 62 years and older as a condition for tract map or parcel map approval.
 - b. With regard to new condominium projects or demolitions, to provide a lease guarantee of one-year for disabled residents or residents age 62 years and older.

Relative to Demolition Permits

1. Instruct the Planning Department, with the assistance of the Housing Department and City Attorney's office, to draft an ordinance within 60 days to require review and sign off on all Department of Building and Safety demolition applications for all multi-family residential rental buildings, to ensure compliance with all sections of the Municipal Code, including all provisions for protection of tenants. The Department of Building and Safety would also be required to ensure the application has provided the documentation necessary to ensure tenant protection.

AMENDMENT 06-1325-A

Relative to Increasing Incentives to Build Apartments

1. Request the Mayor's office, in consultation with the President of the City Council, the Chair of the HCED Committee, and the Chair of the PLUM Committee, create an Apartment Construction Incentives Taskforce, to draft and submit a report within 120 days. Members of the taskforce should include representatives of the Rent Adjustment Commission, Affordable Housing Commission, development community, affected City Departments, and other important stakeholders.

This report will contain recommendations and suggestions of incentives to encourage the construction of new multi-family rental residential buildings throughout the City. The City Council will act on this report within 60 days of its submission to the City Clerk's office.

Relative to Tenants Notification and Relocation Assistance for Demolitions

1. Instruct the Planning Department, with the assistance of the City Attorney's office, to draft an ordinance within 60 days to amend Section 12.95.2, 47.06, and 47.07 of the Los Angeles Municipal Code so that its provisions are consistent and applied to tenants residing in buildings which are being converted to condominiums, or to be demolished.
2. Instruct the Planning Department, with the assistance of the City Attorney's office, to draft an ordinance within 60 days to amend 12.95.2 of the Los Angeles Municipal Code to provide tenants \$1,000 dollars for moving expenses in addition to their relocation assistance package.

Relative to a Purchase Assistance Program for Displaced Tenants

1. Instruct the Housing Department to report back to the HCED Committee within 90 days on the development of a Purchase Assistance Program specifically for tenants displaced from condominium conversions or demolitions.

Relative to Abuses of the Condo Conversion and New Condominium/Demolition Process

1. Instruct the Housing Department and the Planning Department and the City Attorney's Office, to report back within 90 days, with recommended procedures, fines, and self-sustaining financing for a program which ensures monitoring and enforcement of Ellis Act evictions, condominium conversions, and demolitions/new condominium construction.

Relative to Meeting the Housing Needs of the City of Los Angeles

1. Instruct the Planning Department to fast track the updates to the City's Housing and Transportation Elements of the General Plan, as well as the framework, in order to provide all City Departments with a comprehensive plan for population, housing, and transit growth in the City of Los Angeles. Further instruct the Planning Department to consider the placement of housing throughout the City, projecting a stable mix of for-sale and rental housing concentrations for all neighborhoods, emphasizing transit-oriented residential developments, and ensuring that the need for affordable housing will be met in the future.

CITY OF LOS ANGELES

CALIFORNIA



ANTONIO R. VILLARAIGOSA
MAYOR

FRANK T. MARTINEZ
City Clerk

KAREN E. KALFAYAN
Executive Officer

When making inquiries
relative to this matter
refer to File No.

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06-1325

August 25, 2006

Councilmember Reyes
Councilmember Garcetti
Chief Legislative Analyst
City Administrative Officer
City Attorney
Los Angeles Housing Department

Community Redevelopment Agency
City Planning Department
Rent Adjustment Commission
Department of Building & Safety
Affordable Housing Commission

RE: CONDOMINIUM CONVERSIONS AND DEMOLITIONS, INCREASING THE RENTAL HOUSING PRODUCTION FEE, PROVIDING LONG-TERM LEASE GUARANTEES TO DISABLED AND SENIOR TENANTS, INCREASING INCENTIVES TO BUILD APARTMENTS, TENANT NOTIFICATION AND RELOCATION ASSISTANCE FOR DEMOLITIONS, PURCHASE ASSISTANCE PROGRAMS FOR DISPLACED TENANTS, AND RELATED CONSIDERATIONS

At the meeting of the Council held August 18, 2006, the following action was taken:

Attached report adopted.....	_____
Attached motion (-) adopted.....	_____
Attached resolution adopted.....	_____
FORTHWITH.....	<u> X </u>
Motion adopted to approve committee report recommendation(s)...	<u> X </u>
Findings adopted.....	_____
Negative Declaration adopted.....	_____
Categorically exempt.....	_____
Generally exempt.....	_____

Frank T. Martinez

City Clerk
et

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

File No. 06-1325

Your HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE reports as follows:

	<u>Yes</u>	<u>No</u>
Public Comments	<u>XX</u>	<u>—</u>

HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to condominium conversions and demolitions, increasing the Rental Housing Production Fee, providing long-term lease guarantees to disabled and senior tenants, increasing incentives to build apartments, tenant notification and relocation assistance for demolitions, purchase assistance programs for displaced tenants, and related considerations.

Recommendations for Council action:

1. REQUEST that the City Attorney, with the assistance of the Planning Department:
 - a. Draft an ordinance within 90 days, increasing the Rental Housing Production Fee (LAMC Sec. 12.95.2) in the following manner:
 - 1). Residential buildings with less than 11 units will pay \$500/unit, with annual increases based on the Consumer Price Index- All Urban Consumers (CPI-U) for the Los Angeles-Riverside-Orange County Metropolitan Statistical Area (MSA) as calculated at the beginning of the fiscal year.
 - 2). Residential buildings with 11 units or more will pay \$1,500/unit, with annual increases based on the CPI-U for the Los Angeles-Riverside-Orange County MSA as calculated at the beginning of the fiscal year; all fees collected on applications with 11 units or more, above and beyond \$500/unit, will be used by the City to monitor evictions, relocations, and ensure compliance.
 - b. To report relative to the amounts of existing fees, for what these fees have historically been used, what department manages the accounts into which these fees are paid, if the two-tier system in the recommendation (\$500 per unit in complexes of 11 or less units, and \$1500 per unit in complexes with 11 or more units) is the best structure for this fee, and what purpose a fee increase would serve.
2. INSTRUCT the Los Angeles Housing Department (LAHD), in anticipation of enactment of the above requested ordinance, to report to Council within 60 days, on the feasibility of increasing the Rental Housing Production Fee, as well as anticipated costs for providing a program which monitors evictions, relocations, and ensure compliance.
3. INSTRUCT LAHD and the Planning Department, with the assistance of the City Attorney, to report back within 60 days on the feasibility of amending the Code to require applicants to provide long-term lease guarantees in the following manner:
 - a. With regard to condominium conversions, a two-year lease guarantee for the disabled residents or residents age 62 years and older as a condition for tract

map or parcel map approval; said report to address how these protections would be applied in cases of demolition, to determine whether the demolition would be postponed for the two years, and to determine what protections would be available to the tenant after the two-year lease expires.

- b. With regard to new condominium projects or demolitions, to provide a lease guarantee of one-year for disabled residents or residents age 62 years and older; said report to address how these protections would be applied in cases of demolition, and whether the demolition would be postponed for the one year, and to discuss the protections available to the tenant after the one-year lease expires.
4. REQUEST that the City Attorney, with the assistance of the Planning Department and LAHD, to draft an ordinance within 60 days to require review and sign off on all Department of Building and Safety demolition applications for all multi-family residential rental buildings, to ensure compliance with all sections of the Los Angeles Municipal Code (LAMC), including all provisions for protection of tenants; the Department of Building and Safety would also be required to ensure the application has provided the documentation necessary to ensure tenant protection.
5. REQUEST that the Mayor's office, in consultation with the President of the City Council, the Chairs of the Housing, Community, and Economic Development and the Planning and Land Use Management Committees create an Apartment Construction Incentives Taskforce, to draft and submit a report within 120 days; members of said taskforce should include representatives of the Rent Adjustment Commission, Affordable Housing Commission, development community, affected City Departments, and other important stakeholders; and, to further REQUEST that said report contain recommendations and suggestions of incentives to encourage the construction of new multi-family rental residential buildings throughout the City.
6. REQUEST that the City Attorney, with the assistance of the Planning Department, draft an ordinance within 60 days to amend Section 12.95.2, 47.06, and 47.07 of the LAMC so that its provisions are consistent and applied to tenants residing in buildings which are being converted to condominiums, or to be demolished.
7. REQUEST that the City Attorney, with the assistance of the Planning Department, draft an ordinance within 60 days to amend 12.95.2 of the LAMC to provide tenants \$1,000 dollars for moving expenses in addition to their relocation assistance package.
8. INSTRUCT LAHD to report to the Housing, Community, and Economic Development Committee within 90 days on the development of a Purchase Assistance Program specifically for tenants displaced from condominium conversions or demolitions, said report to consider:
 - a. The increased review of demolition applications for multi-family buildings.
 - b. The creation of an apartment construction incentives task force.
 - c. Clean up conversion and relocation ordinances.
 - d. Providing additional required funds for moving on top of required relocation benefits.

9. DIRECT LAHD to create a purchase assistance program for tenants displaced by conversions, said report to include information on the Tenant Opportunity to Purchase Act (TOPA), how this is used in other cities, and what actions are needed for the City to implement TOPA.
10. REQUEST that LAHD and the City Attorney report back within 90 days, with:
 - a. Recommendations for procedures, fines, and self-sustaining financing for a program which ensures monitoring and enforcement of Ellis Act evictions, condominium conversions, and demolitions/new condominium construction.
 - b. Clarification as to what the City is doing now and what will change or be enhanced once the City provides a strategy for closing the loopholes between State and Federal Ellis eviction regulations.
11. INSTRUCT the Planning Department to:
 - a. Fast track the updates to the City's Housing and Transportation Elements of the General Plan, as well as the framework, in order to provide all City Departments with a comprehensive plan for population, housing, and transit growth in the City of Los Angeles.
 - b. Consider the placement of housing throughout the City, projecting a stable mix of for-sale and rental housing concentrations for all neighborhoods, emphasizing transit-oriented residential developments, and ensuring that the need for affordable housing will be met in the future.

Fiscal Impact Statement: None submitted. Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

(The Planning and Land Use Management Committee waived consideration of the above matter.)

Summary:

At its meeting held August 15, 2006, the Housing, Community, and Economic Development Committee considered the Chief Legislative Analyst report dated May 25, 2006 to the members of the Housing, Community, and Economic Development and Planning and Land Use Management Committees (attached to the Council file), relative to condominium conversion, along with the August 11, 2006 letter from Councilmembers Wesson, Reyes, Greuel, and Rosendahl (attached to the Council file), relative to the loss of rental and rent-controlled units to condominium conversions, demolitions, and new for-sale units in Los Angeles. During the public comment period, representatives of apartment owner associations and developers expressed concern over proposed regulations for condominium conversions but expressed support for new incentives for the development of new apartment building construction. It was suggested that the shortage of affordable housing units is a result of a lack of supply of such units. A suggestion was also made for the City to increase home-owner assistance programs for residents displaced from converted apartment buildings.

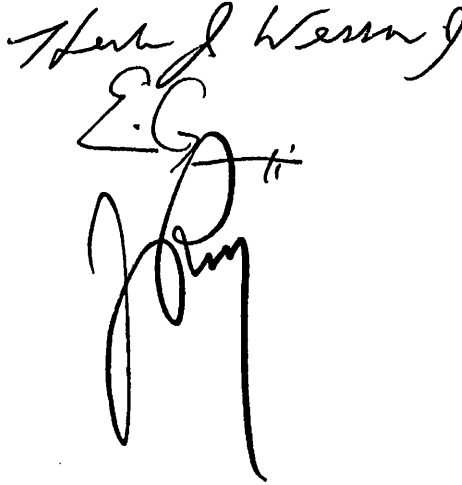
Tenant advocates and residents of rental housing expressed support for a citywide moratorium on condominium conversion. Displaced tenants are unable to find suitable housing at fair rents

in the communities they live. It was further stated that condominium conversions and speculation are also displacing middle-income tenants from their homes.

The Housing, Community, and Economic Development Committee recommended that Council approve the recommendations presented in the Wesson-Reyes-Greuel-Rosendahl letter, as amended to reflect additional requests for report back from Councilmembers Garcetti and Perry, as reflected above.

Respectfully submitted,

HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
WESSON:	YES
REYES:	ABSENT
CARDENAS:	ABSENT
GARCETTI:	YES
PERRY:	YES

JAW
8/17/06

#061325.wpd

ADOPTED
MOTION ADOPTED TO APPROVE COMMITTEE REPORT RECOMMENDATION
AUG 18 2006

LOS ANGELES CITY COUNCIL
FORTHWITH