

# TRANSMITTAL

To:

**THE COUNCIL**

Date: 11/22/2017

From:

**THE MAYOR**

**TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.**



(Ana Guerrero) for

**ERIC GARCETTI**  
Mayor



Eric Garcetti, Mayor  
Rushmore D. Cervantes, General Manager

**Regulatory Compliance & Code Bureau**

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hcidla.lacity.org

November 20, 2017

CF No. 13-1534-S1  
Council District: Citywide  
Contact Persons:  
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Honorable Eric Garcetti  
Mayor, City of Los Angeles  
200 North Spring Street, Room 303  
Los Angeles, California 90012

Attention: Mandy Morales, Legislative Coordinator

**COUNCIL TRANSMITTAL: REQUEST TO AMEND SECTION 49.95 OF ARTICLE 14.1 CHAPTER IV OF THE LOS ANGELES MUNICIPAL CODE TO EXTEND THE SUNSET DATE OF THE FORECLOSURE EVICTION ORDINANCE FROM DECEMBER 31, 2017 TO DECEMBER 31, 2020**

**SUMMARY**

The Los Angeles Housing and Community Investment Department (HCIDLA) administers the City's Foreclosure Eviction Ordinance, also known as the Foreclosure Eviction Moratorium. The Ordinance prohibits banks or lenders who foreclose on single family homes or new multi-family properties not otherwise subject to the Rent Stabilization Ordinance (RSO) from evicting any tenants in the City merely because of foreclosure. The Ordinance sunset date has been extended annually from 2008 through 2015 and was extended for two years in 2016. It is set to expire on December 31, 2017.

The HCIDLA respectfully requests authority to amend Section 49.95 of Article 14.1 Chapter IV of the Los Angeles Municipal Code to extend the sunset date of the Foreclosure Eviction Ordinance from December 31, 2017 to December 31, 2020.

**RECOMMENDATIONS**

The General Manager of HCIDLA respectfully requests that:

- I. Your office schedule this report back at the next available meeting(s) of the appropriate City Council committee(s) and forward it to City Council for review and approval immediately thereafter; and

II. The City Council request that HCIDLA work with the City Attorney to amend the Los Angeles Municipal Code pursuant to the recommendations contained in this report and summarized below:

- Amend Article 141.1 of the Los Angeles Municipal Code to extend the sunset date of the Foreclosure Eviction Ordinance from December 31, 2017 to December 31, 2020.

III. The Mayor concur with the action of the City Council.

## **BACKGROUND**

The City's Rent Stabilization Ordinance (RSO) prohibits eviction of tenants from RSO-regulated properties solely for the reason that a lender has foreclosed on a rental property; however, this protection does not apply to properties that are not subject to the RSO. Lenders foreclosing on delinquent property owners have repeatedly sought to vacate tenants from foreclosed properties even when the tenants are current in their rent payments on their rental homes.

In 2008, then Councilman Garcetti introduced a motion to address the foreclosure crisis in the City of Los Angeles which had significantly affected rental properties. At that time, data indicated that lenders had foreclosed upon approximately 1,300 multi-family rental properties, creating housing instability for tenants when the lenders opted to evict. Sixty percent (60%) of the foreclosures were in census tracts where average incomes were below 120% of the Area Median Income and renters could not afford to pay expensive market rents.

On December 17, 2008, the Los Angeles City Council adopted the nation's first Foreclosure Eviction Moratorium (Ordinance No. 180441) to prevent the displacement of all tenants in foreclosed rental properties in which landlords obtain title through foreclosure on or after December 17, 2008. The Ordinance provides that in order for a landlord to recover possession of a rental unit from a tenant, the landlord must comply with all the requirements and provisions for eviction under Section 151.09 of the RSO, including the payment of relocation fees for no-fault evictions. Since the passage of the Ordinance, more than 59,000 properties containing over 79,000 units have been foreclosed on in the City.

The City Attorney's Office has successfully utilized HCIDLA's foreclosure related complaint information to pursue criminal filings against the nation's four largest banks. The City accused banks of allowing vacant properties to turn into nuisances, neglecting to maintain occupied properties, and illegally evicting low-income tenants to clear the way for a potential sale of the property. The banks were also circumventing the Ordinance by offering "cash for keys," in which the bank offers small amounts of cash to tenants so they will vacate properties at short notice and avoid paying the amount of relocation assistance the tenants may be entitled to receive per the Ordinance.

The HCIDLA Foreclosure Registry data for 2017 indicates that the foreclosure crisis continues to affect City residents and neighborhoods. A total of 7,195 properties were registered in the City's Foreclosure Registry from January through November 6, 2017. Tenants in foreclosed properties continue to be a vulnerable group in need of rent increase and eviction protection as evidenced by the filing of 219 tenant RSO complaints related to foreclosure from 2014 through October 2017.

- II. The City Council request that HCIDLA work with the City Attorney to amend the Los Angeles Municipal Code pursuant to the recommendations contained in this report and summarized below:
  - Amend Article 141.1 of the Los Angeles Municipal Code to extend the sunset date of the Foreclosure Eviction Ordinance from December 31, 2017 to December 31, 2020.
- III. The Mayor concur with the action of the City Council.

**BACKGROUND**

The City’s Rent Stabilization Ordinance (RSO) prohibits eviction of tenants from RSO-regulated properties solely for the reason that a lender has foreclosed on a rental property; however, this protection does not apply to properties that are not subject to the RSO. Lenders foreclosing on delinquent property owners have repeatedly sought to vacate tenants from foreclosed properties even when the tenants are current in their rent payments on their rental homes.

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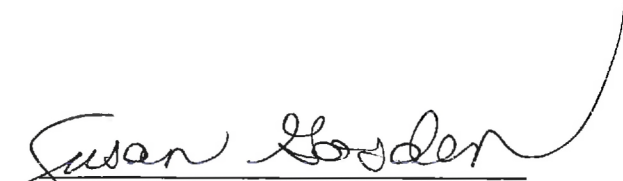
The HCIDLA Foreclosure Registry data for 2017 indicates that the foreclosure crisis continues to affect City residents and neighborhoods. A total of 7,195 properties were registered in the City’s Foreclosure Registry from January through November 6, 2017. Tenants in foreclosed properties continue to be a vulnerable group in need of rent increase and eviction protection as evidenced by the filing of 219 tenant RSO complaints related to foreclosure from 2014 through October 2017.

As the City continues to grapple with the effects of the epidemic of rental property foreclosures, the Council has extended the sunset date of the Foreclosure Eviction Ordinance in order to ensure that tenants in foreclosed properties continue to be protected from no-fault evictions. Los Angeles now has the largest number of rent burdened households (spending more than 30% of their income on rent) among major U.S. cities. At the same time, as former homeowners remain renters, tenants must compete for housing in a tight rental market with a vacancy rate at 5.3% for the third quarter 2017. Given the continued number of foreclosure notices issued, an extension to the Foreclosure Eviction Ordinance is necessary in order to ensure that tenants of foreclosed non-RSO rental properties continue to be protected from no-fault evictions as they confront the continued economic challenges posed by the City's current housing market. HCIDLA recommends that the moratorium be extended through 2020 to continue to protect City residents and stabilize neighborhoods impacted by the foreclosure crises.


### **FISCAL IMPACT**

There is no impact to the General Fund.

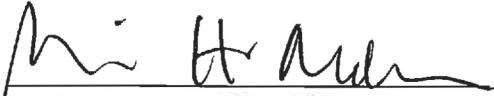
Prepared By:

  
\_\_\_\_\_  
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Assistant General Manager

Reviewed By:

  
\_\_\_\_\_  
LAURA GUGLIELMO  
Executive Officer

Approved By:

  
\_\_\_\_\_  
RUSHMORE CERVANTES  
General Manager

Attachment:  
Draft Foreclosure Eviction Ordinance

**ORDINANCE NO. \_\_\_\_\_**

An ordinance amending Section 49.95 of Article 14.1 of Chapter IV of the Los Angeles Municipal Code to extend the sunset date of the Foreclosure Eviction Ordinance from December 31, 2017 to December 31, 2020.

**THE PEOPLE OF THE CITY OF LOS ANGELES  
DO ORDAIN AS FOLLOWS:**

Section 1. Section 49.95 of the Los Angeles Municipal Code is amended to read:

**SEC. 49.95. SUNSET PROVISION.**

The provisions of this Article shall be in effect through December 31, 2020, unless the City Council acts by ordinance to amend this Section to extend its effective period.

**Sec. 2. Urgency Clause.** The City Council finds and declares that this ordinance is required for the immediate preservation of the public peace, health and safety due to continuing unprecedented numbers of foreclosures of rental properties not subject to the Rent Stabilization Ordinance (RSO), LAMC Chapter XV, in the City of Los Angeles.

Foreclosures occur primarily in lower-income neighborhoods where evicted tenants of foreclosed properties can least afford relocation costs. The City Council adopted the Foreclosure Eviction Ordinance (No. 180441) to protect tenants in non-RSO rental properties from eviction on the grounds of foreclosure and to abate the blight and destabilization caused by vacant properties. (C.F. 07-2438-S9). Section 49.95 of the Ordinance was amended on December 16, 2009, to extend the sunset date by one year from December 23, 2009, to December 31, 2010, (CF 07-2438-S9; No. 181032), amended on December 14, 2010, to extend the sunset date by an additional year from December 31, 2010, to December 31, 2011, (C.F. 10-1706; No. 181496), amended on December 14, 2011 to extend the sunset date from December 31, 2011 to December 31, 2012 (CF 10-1706-S1; No. 181964), amended on December 14, 2012, from December 31, 2012 to December 31, 2013 (CF 10-1706-S2; No. 182358), amended on December 26, 2013 (CF 13-1534; No. 182829), from December 31, 2013 to December 31, 2015, and amended again on January 25, 2016 (CF 13-1534; No. 184132), from December 31, 2015 to December 31, 2017, and is due to expire on December 31, 2017.

Since 2007, approximately 59,000 properties have been subject to foreclosure. The foreclosure crisis continues to have a significant negative impact on renters. HCIDLA Foreclosure Registry data for 2017 indicates that the foreclosure crisis continues to affect City residents and neighborhoods. A total of 7,195 properties were registered from January through November 6, 2017. Foreclosures continue to occur in primarily lower income neighborhoods where evicted tenants of foreclosed properties cannot afford relocation costs. As a result, an extension in the Foreclosure Eviction Ordinance is necessary to ensure that tenants in foreclosed non-RSO rental properties

are protected from eviction. Pursuant to Los Angeles City Charter Section 253, This Ordinance shall become effective upon publication.



Sec. 3. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, **by a vote of not less than three-fourths** of all of its members, at its meeting of \_\_\_\_\_.

HOLLY L. WOLCOTT, City Clerk

By \_\_\_\_\_ Deputy

Approved \_\_\_\_\_

\_\_\_\_\_  
Mayor

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By \_\_\_\_\_  
DEBORAH BREITHAUPT  
Deputy City Attorney

Date \_\_\_\_\_

File No. CF 13-1534-S1