

**TRANSMITTAL**

To:

**THE COUNCIL**

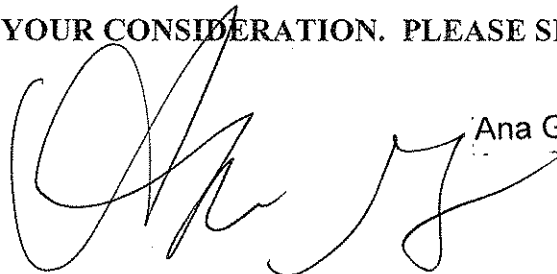
Date:

NOV 15 2013

From:

**THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



Ana Guerrero)

**ERIC GARCETTI**  
Mayor



Eric Garcetti, Mayor  
Mercedes M. Márquez, General Manager

**Rent Stabilization Division**  
1200 West 7th Street, 8th Floor, Los Angeles, CA 90017  
rent hotline 866.557.RENT | fax 213.808.8818  
hcidla.lacity.org

November 13, 2013

CF No. 10-1706-S3  
Council District: Citywide  
Contact Persons:  
Anna Ortega (213) 808-8551  
Marcella DeShurley (213) 922-9681

Honorable Eric Garcetti  
Mayor, City of Los Angeles  
200 North Spring Street, Room 303  
Los Angeles, California 90012

Attention: Mandy Morales, Legislative Coordinator

OFFICE OF THE MAYOR  
CITY OF LOS ANGELES  
NOV 15 PM 4:10

**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, 2013 TO DECEMBER 31, 2015**

**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 and is set to expire on December 31, 2013.

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, 2013 to December 31, 2015.

**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 instructs HCIDLA to 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 (182358) from December 31, 2013 to December 31, 2015.
- 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. Census data establishes that 20-25% of single family homes in the City are occupied by non-RSO renters. 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, approximately 56,000 properties containing over 76,500 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.

Data for 2013 indicates that the foreclosure crisis continues to affect City residents and neighborhoods. Over 6,500 properties were issued Notice of Defaults during the first nine (9) months of 2013, with an increase of 33% from 1,819 to 2,425 from the first to second quarter of 2013. Data from the Bureau of

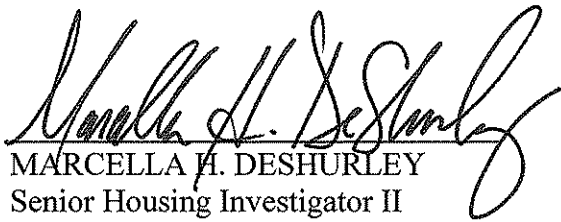
Labor Statistics indicates that from January 2007 to January 2013, the unemployment level in Los Angeles more than doubled from 5.6% to 12.1%.

As the City continues to grapple with the effects of the epidemic of rental property foreclosures, the Council has annually 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. 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 during the continued economic challenges facing City residents as a result of the unemployment and housing mortgage crises. HCIDLA recommends that the moratorium be extended through 2015 to continue to protect City residents and stabilize neighborhoods impacted by the foreclosure crises.


**FISCAL IMPACT**

There is no impact to the General Fund.

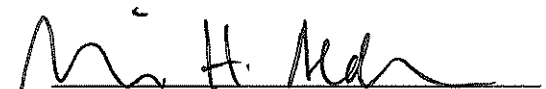
Prepared By:

  
MARCELLA H. DESHURLEY  
Senior Housing Investigator II

Reviewed By:

  
ANNA ORTEGA  
Director, Rent Stabilization Division


Reviewed By:

  
ROBERTO H. ALDAPE  
Assistant General Manager

Reviewed By:

  
RUSHMORE CERVANTES  
Executive Officer

Approved By:

  
MERCEDES M. MÁRQUEZ  
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, 2013, to December 31, 2015.

**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, 2015, 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.

Census data indicates that 20-25% of single-family homes in the City are occupied by non-RSO renters. 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 again on December 14, 2011 to extend the sunset date from December 31, 2011 to December 31, 2012 (CF 10-1706-S1; No. 181964). Due to continuing foreclosures, the amended Ordinance was further extended on December 14, 2012, from December 31, 2012 to December 31, 2013 (CF 10-1706-S2; No. 182358), and is due to expire on December 31, 2013.

Since 2007, approximately 56,000 properties have been subject to foreclosure. Census data indicates that 25% of single-family homes in the city are occupied by renters. The foreclosure crisis continues to have a significant negative impact on renters. Approximately 2,275 properties, comprising 3,184 rental units, have been subject to foreclosure during the first nine months of 2013 alone. Notices of default have risen by 33% from the first to second quarter of 2013 from 1,819 to 2,425. 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

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, Interim 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 10-1706-S3