

TRANSMITTAL

To: **THE COUNCIL**

Date: **05/14/20**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garcetti', is written over a large, faint, light blue watermark that reads 'CITY OF LOS ANGELES'.

(Ana Guerrero) for

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Regulatory Compliance & Code Bureau
1200 West 7th Street, 8th Floor, Los Angeles, CA 90017
tel 213.808.8888 | toll-free 866.557.7368
hcidla.lacity.org

May 7, 2020

Council File: 14-0268-S13
Council District: Citywide
Contact Persons:
Valerie Steffens (213) 922-9631
Anna Ortega (213) 808-8551
Roberto Aldape (213) 808-8826

Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 300, City Hall
Los Angeles, CA 90012
Attention: Heleen Ramirez
Legislative Coordinator

**COUNCIL TRANSMITTAL: REPORT BACK ON COSTS AND FUNDING
ASSOCIATED WITH IMPLEMENTATION OF A CITYWIDE TENANT ANTI-
HARASSMENT PROGRAM**

SUMMARY

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA), respectfully requests that the Mayor and City Council approve the recommendations in this report, relative to funding necessary to implement a citywide Tenant Anti-Harassment ordinance, as recommended by the Housing Committee. In response to escalating reports of harassment by landlords to induce their tenants to involuntarily vacate their housing, the Tenant Anti-Harassment ordinance would prohibit harassment of renters in multi-family units and corporate-owned single-family homes and condominiums.

Through this report back, HCIDLA requests an increase of \$2.86 per unit in the annual Rent Stabilization Ordinance (RSO) rental unit registration fee effective in January 2021, approval of a new fee for rentals in non-RSO units in order to fund investigation, enforcement, mediation and referrals services for the Tenant Anti-Harassment Program.

HCIDLA was requested to prepare recommendations to implement this program without hiring staff during the City's Hiring Freeze related to the COVID-19 pandemic. HCIDLA is, therefore, recommending that the City Council instruct the City Attorney to draft the ordinance defining and prohibiting tenant harassment, which will provide tenants with immediate protections in the law and the ability to seek legal assistance when faced with prohibited conduct which constitutes harassment.

RECOMMENDATIONS

That the City Council, subject to the approval of the Mayor:

- A. AUTHORIZE HCIDLA to provide program oversight to implement the Tenant Anti-Harassment Program and conduct a public outreach campaign to inform City residents about the availability of this program to prevent displacement and constructive eviction of the City's renters;
- B. APPROVE an increase of \$2.86 per unit in the annual rental unit registration fee under the Rent Stabilization Ordinance (RSO) from \$38.75 to \$41.61 in order to fund services related to tenant anti-harassment for rental units subject to the RSO;
- C. APPROVE the establishment of a new annual fee of \$2.86 for all non-RSO multi-family rentals, as well as rentals in corporate owned single-family homes and condominiums in order to fund the enforcement of tenant anti-harassment efforts for non-RSO rental units;
- D. INSTRUCT the City Attorney, in consultation with HCIDLA, to:
 - 1. Draft an ordinance to define tenant harassment as described on pages five to six of this report and to draft specific amendments to strengthen the RSO to deter tenant harassment by amending the provisions on reductions in services and penalties and remedies for violations of the RSO, as described on pages four through six of this report (pages five through seven of HCIDLA's report of December 3, 2018);
 - 2. Draft the ordinance(s) necessary to provide remedies consistent with those available to renters in RSO units to renters in all multi-family rental units, as well as corporate-owned single-family homes and condominiums;
 - 3. Draft an ordinance to adjust the RSO fee by \$2.86 in order to fund the Tenant Anti-Harassment program for RSO units;
 - 4. Draft an ordinance to create the new fee of \$2.86 for all non-RSO multi-family rentals, as well as rentals in corporate owned single-family homes and condominiums in order to fund the enforcement of tenant anti-harassment efforts for non-RSO rental units. The fee shall be paid annually by landlords, who may pass through 1/12th of 50% of the fee to their tenants on a monthly basis;
 - 5. Draft an ordinance that will establish within the Treasury of the City of Los Angeles a new fund to be known as the "***Non-RSO Rental Unit Fund***" (Fund) for the receipt of the new \$2.86 annual fee for non-RSO multi-family rentals and for the disbursement of funds to support the program. All interests and other earnings attributable to monies in the new Fund shall be credited to the Fund and devoted to the purposes of the Fund;
 - 6. Report back on the feasibility of adopting a rent-roll back provision for RSO units, when there is a finding of tenant harassment;
- E. AUTHORIZE one (1) position authority in the Office of the City Attorney to oversee the mediation and dispute mediation component and related litigation associated with the Tenant Anti-Harassment Program, effective July 1, 2020, subject to paygrade determination by the Office of the City Administrative Officer (CAO):

Number	Position Title	Class Code	Department
1	Deputy City Attorney III	0596	City Attorney

- F. EXEMPT the position above from the Hiring Freeze;
- G. INSTRUCT HCIDLA to work with the Rent Adjustment Commission (RAC) to adopt rules and regulations to implement a Tenant Anti-Harassment ordinance; and
- H. INSTRUCT HCIDLA to report back with recommended contracting authorities necessary to provide personnel resources to implement the program.

BACKGROUND

A minority of unscrupulous landlords are reported to employ coercive tactics such as reducing housing services, issuing eviction notices based on false grounds, threatening to contact immigration authorities or refusing to conduct repairs required by law in order to induce tenants to vacate their RSO housing, subsequently allowing landlords to raise rents to market rate. Often, these activities are conducted by new owners of long-time rent-stabilized properties interested in profiting in a tight, expensive real estate market. In response to similar trends statewide, several jurisdictions such as San Francisco, Santa Monica and West Hollywood have adopted tenant anti-harassment statutes.

On May 8, 2019, the Housing Committee considered a December 3, 2018 HCIDLA report relative to recommendations to adopt a Tenant Anti-Harassment ordinance, in response to a motion by Councilmembers Jose Huizar and Marqueece Harris-Dawson (Council File No. 14-0268-S13) instructing HCIDLA to review tenant harassment ordinances of other jurisdictions and to report back on the feasibility of adopting a similar ordinance for the City of Los Angeles. After consideration, the Committee agreed to recommend that the City Attorney draft an ordinance to prohibit the harassment of renters in both RSO and non-RSO multifamily housing units. On May 17, 2019, the file was transmitted to the Budget and Finance Committee for further consideration related to funding of the new program.

The motion instructed HCIDLA to review the ordinances of San Francisco, Santa Monica, and West Hollywood and report on the feasibility of adopting a similar ordinance in Los Angeles. HCIDLA staff additionally reviewed ordinances in Berkeley, San Jose and Oakland and spoke with Rent Board and City Attorney staff in most of these jurisdictions. Managers of the statewide Rent Stabilization programs report that their respective ordinances often serve as a deterrent to illegal conduct and assist tenants in their legal defense against landlords who engage in harassment. Only the most egregious cases are prosecuted as violations of tenant anti-harassment laws.

HCIDLA's recommendations incorporated the best practices in the various jurisdictions consulted and, in particular, recommend the adoption of enhanced penalties for harassment of vulnerable tenants as adopted by the City of Santa Monica, which imposes additional civil penalties of \$5,000 for harassment of elderly and disabled tenants in order to deter owner misconduct directed at long-term tenants who may be prime targets of property owners who would prefer higher-paying renters.

Additionally, the City of West Hollywood (WEHO) offers services through the City's Mediator Office. If mediation fails, their Legal Services Division initiates an investigation and determines whether the landlord's actions constitute a violation of the harassment code. If the evidence supports a finding of harassment, the case is referred to the City Prosecutor for further action. HCIDLA recommends a similar model for the City of Los Angeles and, therefore, the recommendations include funding and position authority for staff in HCIDLA as well as in the Office of the City Attorney. Of note, West Hollywood provides for a roll-back of rent levels when there is a finding of harassment. HCIDLA recommends that the City Attorney report back on the feasibility of adopting a rent roll-back provision in RSO units when there is a finding of tenant harassment.

After reviewing the application of statewide Tenant Anti-Harassment ordinances, HCIDLA presented a number of recommendations for a Tenant Anti-Harassment Program to:

- Define and codify illegal harassment activities and provide remedies for the range of "harassment" activities;
- Serve as a deterrent to landlords who may be inclined to illegally pressure tenants to vacate their rental units ("constructive eviction");
- Prevent harassment through landlord/tenant outreach and education;
- Expand resources to resolve landlord-tenant conflict through mediation through the City Attorney's Dispute Resolution Program;
- Provide an affirmative defense for tenants in eviction cases when landlords engage in actions that constitute tenant harassment;
- Deter tenant harassment by strengthening civil penalties in affirmative actions against landlords who engage in such actions by:
 - a. Providing that any aggrieved party or the City may institute a civil proceeding for injunctive relief and damages for violations of the Tenant Anti-Harassment ordinance which may include costs and reasonable attorneys' fees;
 - b. Giving courts discretion to award a penalty of up to \$10,000 depending on the severity of a case (similar to the City of Santa Monica);
 - c. Adding a separate civil penalty of up to \$5,000 for violations of the Tenant-Anti Harassment ordinance committed against elderly or disabled tenants (as provided by the City of Santa Monica);
- Amend LAMC Section 151.10.B to classify violations of the eviction provisions of the RSO in LAMC 151.09.A (legal reasons for eviction), 151.09.B (retaliation), and 151.09.D (evictions for changes in terms of tenancy related to pets) as misdemeanors which are grounds for criminal prosecution;
- Amend the maximum fines levied for violations of the RSO which are misdemeanors from "not more than \$1,000" to not more than \$10,000, with an added penalty of up to \$5,000 for violations committed against elderly or disabled tenants. (LAMC 151.10);
- Specify that violations of the Tenant Harassment provisions are misdemeanors subject to the remedies available under the LAMC 151.10; and
- Disallow the removal of parking when this service is included in an existing lease, as recommended by the Rent Adjustment Commission, which noted that removal of parking is often one of the first elements in a pattern of harassment.

The Housing Committee considered this item on two separate occasions on January 23, 2019, and May 8, 2019, after requesting HCIDLA to meet with advocates and refine the proposed definition of “Tenant Harassment.” At the meeting of May 8, 2019, the Housing Committee endorsed a revised definition of Tenant Harassment, as follows:

Tenant Harassment shall be defined as a knowing and willful course of conduct directed at a specific person that seriously alarms, annoys, or harasses the person, and that serves no legitimate purpose (Code of Civil Procedure 527.6(b)(3), including but not limited to:

- 1. Reducing or eliminating housing services required by a lease, contract or law, including the elimination of parking services if provided in the tenant’s lease or contract.***
- 2. Failing to perform and timely complete necessary repairs and maintenance required by State, County or local housing, health, or safety laws or failure to follow appropriate industry standards to minimize exposure to noise, dust, lead paint, asbestos or other building materials with potentially harmful health impacts.***
- 3. Abuse of the right of access into a rental housing unit as established and limited by California Civil Code Section 1954, including entering or photographing portions of a rental housing unit that are beyond the scope of a lawful entry or inspection.***
- 4. Threatening a tenant, by word or gesture, with physical harm.***
- 5. Misrepresenting to a tenant that the tenant is required to vacate a rental housing unit or enticing a tenant to vacate a rental housing unit through an intentional misrepresentation(s) or the concealment of a material fact.***
- 6. Threatening or taking action to terminate any tenancy including service of any notice to quit or other eviction notice or bringing action to recover possession of a rental housing unit based on facts which the landlord has no reasonable cause to believe to be true or upon a legal theory which is untenable under the facts known to the landlord. No landlord shall be liable under this subsection for bringing an action to recover possession unless and until the tenant has obtained a favorable termination of that action.***
- 7. Threatening to or engaging in any act or omission which interferes with the tenant’s right to use and enjoy the rental unit or whereby the premises are rendered unfit for human habitation and occupancy.***
- 8. Refusing to acknowledge or accept receipt of lawful rent payments as set forth in the lease agreement or as established by the usual practice of the parties.***
- 9. Inquiring as to the immigration or citizenship status of a tenant, prospective additional tenant, occupant or prospective additional occupant of a rental unit, or requiring any of these to make any statement, representation or certification concerning his or her immigration or citizenship status.***
- 10. Disclosing or threatening to disclose to any person or entity information regarding the immigration or citizenship status of a tenant.***
- 11. Threatening to report tenants to immigration authorities, whether in retaliation for engaging in legally protected activities or to influence them to vacate.***
- 12. Engaging in an activity prohibited by federal, state or local housing discrimination laws.***
- 13. Retaliating, threatening or interfering with tenant organizing activities, including forming or participating in tenant associations and unions.***
- 14. Interfering with a tenant’s right to privacy or requesting information that violates a tenant’s right to privacy including, but not limited to, residence or citizenship status or social security number, except as required by law or, in the case of social security number, for the purpose of obtaining information for the qualifications for a potential tenancy.***
- 15. Offering payments to a tenant to vacate without providing written notice to the tenant of his or her rights under LAMC 151.31 (Tenant Buyout Notification Program), using the form prescribed by the Housing + Community Investment Department. However, this shall not prohibit offers made in pending unlawful detainer actions.***

Implementation of the Tenant Anti-Harassment Ordinance

Triaging Complaints - In its report of December 3, 2018, HCIDLA proposed a comprehensive program to address and reduce harassment of tenants intended to induce tenants to involuntarily vacate their homes (constructive eviction). HCIDLA proposed to triage harassment complaints through existing legal avenues and existing programs to address habitability and code violations, violations of the RSO, and referrals to the Housing Rights Center when there are allegations of housing discrimination. Adoption of a Tenant Anti-Harassment ordinance will result in a significant increase in the 10,000 annual RSO tenant complaints currently filed.

Once the City's hiring freeze is lifted, HCIDLA proposes to employ a Senior Housing Investigator and Housing Investigator to triage allegations of tenant harassment and determine the best avenue to resolve a complaint. In the interim, HCIDLA will seek to obtain these services in part by hiring paralegal staff through a legal temporary agency and will report back on further contract authorities necessary to provide personnel resources for the Tenant Anti-Harassment Program.

Landlord-Tenant Mediation Services - While existing laws can be utilized to address RSO, Housing Code, and fair housing violations, charges of harassment will often be difficult to resolve. HCIDLA currently collaborates with the Dispute Resolution Program of the Office of the City Attorney on certain types of tenant complaints. In order to address more subjective situations which may involve misunderstandings or cultural differences that can be perceived as harassment, HCIDLA's recommendations in its December 3, 2018 report included augmenting staff resources in the City Attorney's Dispute Resolution Program to provide landlord-tenant mediation services and assist in complaint resolution.

Once the City's hiring freeze is lifted, the Office of the City Attorney recommends hiring two (2) City Attorney Administrative Coordinator positions. In the interim, HCIDLA recommends that temporary paralegal staff be hired through a temporary agency to coordinate cases and provide mediation services under the direction of the Office of Dispute Resolution. However, the City Attorney reports that paralegals must be supervised by attorneys. According to the City Attorney's Office, which provides legal counsel to HCIDLA on the civil side and prosecutes cases on the criminal side, the supervising attorney must be a Deputy City Attorney. The Office of the City Attorney does not have available staff resources to take on this work; therefore, the City Attorney's Office is requesting approval for hiring authority and an exemption from the hiring freeze to allow the City Attorney to hire one (1) Deputy City Attorney to oversee the mediation component and related litigation for the Tenant Anti-Harassment Program.

Outreach & Education – Public awareness will play a major role in the success of the ordinance. HCIDLA is engaged in ongoing Landlord-Tenant outreach and education efforts and proposes to expand those efforts to conduct a public outreach campaign to inform City residents about the availability of the Tenant Anti-Harassment Program to prevent displacement and constructive eviction of the City's renters. Outreach tools include informational bulletins; fact sheets, Frequently Asked Questions (FAQs) and regular updates on the HCIDLA webpage; webinars and virtual community “tele-town hall meetings”; a social media campaign on platforms such as Facebook, Instagram and Twitter; development of informational materials in multiple languages including Spanish, Korean, Armenian, Russian, Chinese, and Tagalog; and outreach to Spanish and Korean media. HCIDLA will conduct a “Train the Trainers” campaign to leverage resources and involve community organizations to inform landlords and renters about the new law.

Once the City's hiring freeze is lifted, HCIDLA recommends hiring one (1) Housing Investigator and one (1) Communication Information Representative to perform these duties. In the interim, HCIDLA will seek to obtain these services through temporary staffing agencies for paralegal and clerical personnel, or alternatively, an outside consultant. HCIDLA will report back on the additional contract authorization necessary to do so.

Scope of the Ordinance

HCIDLA requested direction on the scope of the ordinance and whether the ordinance should apply only to RSO units or to all rental units. A citywide ordinance applicable to all rental units would expand the scope by about 200,000 units. Additionally, there was discussion during public testimony on whether the ordinance should apply to rentals of single-family homes. The Housing Committee approved the application of the proposed Tenant Anti-Harassment ordinance to all multi-family rentals. Since the consideration of this item, Assembly Bill (AB) 1482, which expands rental protections to non-RSO units built more than 15 years ago, became effective on January 1, 2020. In addition to multi-family rentals, AB 1482 regulates rentals in corporate owned single-family homes and corporate owned-condominiums. Therefore, HCIDLA is modifying its recommendation to include rentals in corporate owned single family homes and condominiums in the provisions of the Tenant Anti-Harassment ordinance.

Whether the City Council approves authorization for hiring of program staff or elects to initially implement the Tenant Anti-Harassment Program through contract services, the City Attorney should immediately draft the ordinances necessary to codify these protections in the Los Angeles Municipal Code.

Staffing and Resources

Adoption of a Tenant Anti-Harassment ordinance will be ineffective without adequate enforcement tools. With approximately 640,000 RSO units, Los Angeles has the second largest inventory of rent-stabilized housing in the nation (second only to New York's 1.1 million units). The total number of units subject to the Tenant Anti-Harassment ordinance in the first year of the program is approximately 852,000 units, including 640,000 RSO units, 191,000 multi-family non- RSO units, 14,000 corporate owned single-family homes and 7,000 corporate- owned condominiums built after 1978. HCIDLA currently investigates approximately 10,000 annual tenant complaints of possible RSO violations for illegal rent increases, illegal evictions, failure to post the RSO notification, non-registration of rental units, illegal tenant buy-out agreements, and denial of relocation assistance, based on existing provisions of the RSO. Thirty-six percent (36%) of complaints filed are for illegal evictions, 23% are for illegal rent increases, and 20% are based on reductions in housing services. Adoption of an Anti-Harassment ordinance will result in an expansion of the number and types of complaints received, as well as in in-person and telephone inquiries.

HCIDLA's report of December 3, 2018 recommended approval of sufficient staff resources to launch a comprehensive citywide program applicable to both RSO and non-RSO rental units. HCIDLA's recommendations for launch of a comprehensive citywide program included the authorization to employ a total of seven (7) positions: two (2) Housing Investigators, a Senior Housing Investigator, and one (1) Communications Information Representative to be employed at HCIDLA, as well as a dedicated City Attorney and two (2) City Attorney Administrative Coordinators in the City Attorney's Office of Dispute Resolution. The estimated annual cost for the seven (7) positions is \$2 million, to be funded by fees to be shared equally by landlords and

tenants. The program, therefore, does not rely on funding by the General Fund. If approved, these positions would need to be approved effective July 1, 2020, as part of the Fiscal Year 2020-21 Budget and exempted from the Hiring Freeze.

Tenant Anti-Harassment Staffing – Citywide Program

Number	Position Title	Class Code	Department
1	Communication Information Rep	1461-2	HCIDLA
2	Housing Investigator	8516-1	HCIDLA
1	Sr. Housing Investigator	8517-1	HCIDLA
2	City Attorney Administrative Coordinator	0567	City Attorney
1	Deputy City Attorney III	0596	City Attorney
7	TOTAL POSITIONS		

Successful implementation of a robust citywide Tenant Anti-Harassment Program requires adequate personnel resources. Alternatively, the City can adopt an ordinance which provides tenants with the legal grounds to pursue cases civilly, together with penalties sufficient to deter harassment, as described in HCIDLA's recommendations.

HCIDLA and the Office of the City Attorney's analysis of the resources necessary to administer this new ordinance indicated the need to increase staffing. However, due to the current citywide hiring freeze, HCIDLA is not seeking position authorities at this time and will report back under separate cover with service contract recommendations. While noting that these positions would be funded by a fee for service to be paid 50%-50% by landlords and tenants, the program could be initially launched by hiring paralegal staff and a hotline operator through temporary employment agencies. Once the citywide hiring freeze is lifted, HCIDLA will report back on additional authorities necessary to secure staff resources through outside contractors in order to fully implement the program. However, approval of position authority and an exemption from the hiring freeze is needed for one (1) Deputy City Attorney.

Funding

HCIDLA included an estimated staffing request with its December 3, 2018 recommendations on the adoption of a Tenant Anti-Harassment Program that presented two options - one for an RSO only program and one for a citywide program. On May 8, 2019, the Housing Committee endorsed adoption of a citywide program. At that time, HCIDLA was estimating the citywide program to require seven (7) staff positions, including three (3) in the Office of the City Attorney for the dispute resolution component, at an estimated annual cost of \$1.6 million, representing an annual fee of \$3.00 per unit (Attachment 1).

Subsequently, in October 2019, HCIDLA submitted a report recommending an adjustment to the annual fee RSO rental unit registration fee (Council File No. 19-1202), which funds the administration and enforcement of the RSO. The fee analysis was prepared by an independent consultant, BAE Urban Economics. The Tenant Anti-Harassment Program is one of four proposed new programs that would strengthen protections and establish resources for Los Angeles renters.

Included in HCIDLA's October 2019 fee analysis and recommended adjusted fee of \$44.31 were fees of \$0.98 for implementation of a Just Cause evictions program, \$1.32 for Rent Division

components of an Eviction Defense Program, and \$3.00 for the Tenant Anti-Harassment Program. These portions of the fee were not recommended for approval because the Just Cause, Eviction Defense and Tenant Anti-Harassment programs had not been formally adopted at that time and are still pending adoption. Consequently, the annual RSO fee ultimately approved in December 2019, was \$38.75. HCIDLA was instructed to conduct a new fee study and request funding approval for the new programs once the programs were approved.

Fee Analysis

HCIDLA requested BAE Urban Economics to update the recommended fee to implement the Tenant Anti-Harassment Program, to commence on July 1, 2020. BAE completed an updated review of the program costs (Attachment 2). BAE was tasked to complete an updated analysis that would determine a recovery fee amount that would fund this new program for a three-year term commencing on July 1, 2020 through December 31, 2023. In the first year, the Tenant Anti-Harassment ordinance would apply to approximately 640,000 RSO units, 14,000 corporate-owned single-family homes, 7,000 corporate owned condominiums and 191,000 multi-family units built after 1978.

Based on the revised analysis estimating an annual cost of approximately \$2 million per year, the recommended program fee for the Tenant Anti-Harassment Program is \$2.86 per unit per year, which would fund the program through December 31, 2023. HCIDLA recommends that the current annual RSO fee of \$38.75 be increased by this amount beginning with the 2021 annual bill for RSO units, for a total new annual fee of \$41.61. The RSO rental unit registration fee is paid by landlords on an annual basis; 50% of the fee may be passed through to tenants as a monthly surcharge. Tenants' share of the new fee would be \$1.43 per year, or \$0.12 per month. The total new annual RSO fee of \$41.61 will continue to be the lowest fee for any rent-controlled jurisdiction in California.

In order to provide services for non-RSO units, HCIDLA recommends the establishment of a new Rental Unit registration fee for rentals in non-RSO multi-family buildings, as well as corporate-owned single family homes and corporate-owned condominiums constructed after October 1, 1978, to be known as the ***“Non-RSO Rental Unit Fund.”*** The RSO fee is utilized to provide a variety of services to renters and landlords of rental units subject to the RSO, which are generally units constructed on or before October 1, 1978, but as referenced in prior reports, cannot be utilized for services for non-RSO units. In the current housing and economic climate, there is a need for programs, such as Tenant Anti-Harassment and Just Cause eviction protections, which address the needs of renters of the approximately 200,000 rental units constructed in the last 42 years. Additionally, HCIDLA's transmittal report on the implementation of AB 1482 is pending Council consideration. AB 1482, which became effective January 1, 2020, extends protections against excessive rent increases and arbitrary evictions to rental units constructed after 1978 but more than 15 years ago. Each of these program components will be vetted separately for Council approval in the coming weeks. At this time, HCIDLA is recommending the establishment of the fee for non-RSO rental units and approval of an initial annual fee of \$2.86 per unit for the Tenant Anti-Harassment Program. Similar to the RSO fee structure, HCIDLA recommends that the fee amount be billed annually to landlords, who may pass through 50% of the fee (\$0.12) on a monthly basis to their tenants.

Role of the Rent Adjustment Commission

LAMC Chapter XV, Article 1, Section 151.00 et seq. establishes the Rent Adjustment Commission (RAC) and tasks the commission with the responsibility to issue orders and promulgate policies, rules and regulations to carry out the RSO. Testimony to the RAC and complaints filed with HCIDLA describe on-going issues with landlords who remove services, such as parking, laundry

or utilities. Because parking is a scarce, expensive commodity and the removal of parking may result in a constructive eviction (where the tenant is forced to relocate due to unreasonably burdensome changes in the terms of tenancy), the RAC has proposed to amend their Regulations to bar the removal of parking when that service is included in the lease. HCIDLA, therefore, recommends that the RSO be amended to disallow parking removal when this service is included in an existing lease. The Tenant Anti-Harassment ordinance should include an instruction to the Commission to adopt additional regulations necessary to implement the ordinance.

FISCAL IMPACT STATEMENT

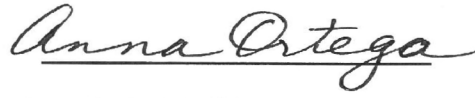
Implementation and enforcement of an effective Tenant Anti-Harassment ordinance will require resources and funding. HCIDLA recommends an increase of \$2.86 in the annual RSO rental unit registration fee effective in January 2021 and authorization of a new annual fee of \$2.86 for non-RSO multi-family rental units, as well as rentals of corporate-owned single family homes and condominiums. These new fees are forecast to provide sufficient funding to administer the Tenant Anti-Harassment Program effective July 2020. If the proposed fees are approved, HCIDLA's proposed actions will have no impact on the General Fund. Fees collected will fund program services, whether delivered through City staff or through hiring outside contractors to perform part of this work.

Prepared By:




VALERIE STEFFENS
Senior Management Analyst I

Reviewed By:



ANNA ORTEGA
Director, Rent Stabilization

Reviewed By:



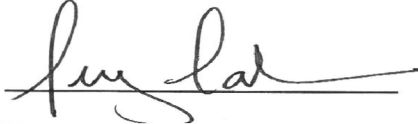
ROBERTO H. ALDAPE
Assistant General Manager

Reviewed By:



LYNDON O. SALVADOR
Director of Accounting

Reviewed By:



LUZ SANTIAGO
Assistant General Manager

Reviewed By:



LAURA K. GUGLIELMO
Executive Officer

Approved By:



RUSHMORE D. CERVANTES
General Manager

ATTACHMENTS:

Attachment 1 - Tenant Anti-Harassment Staffing
Attachment 2 - Fee Study Bae Urban Economics



Tenant Anti-Harrassment Staff Budget FY 2019-20

Rent Stabilization Ordinance (RSO)

NO	Job Classification	FTE	Salaries	Lease	GASP	TOTAL	Related Costs CAP 41	GRAND TOTAL
1	COMMUNICATIONS INFORMATION REPRESENTATIVE II	100%	\$ 71,293.51	\$ 10,694.03	\$ 16,297.70	\$ 98,285.23	\$ 57,319.98	\$ 155,605.21
1	HOUSING INVESTIGATOR I	100%	\$ 82,568.92	\$ 12,385.34	\$ 18,875.26	\$ 113,829.51	\$ 66,385.41	\$ 180,214.92
1	SENIOR HOUSING INVESTIGATOR I	100%	\$ 121,511.16	\$ 18,226.67	\$ 27,777.45	\$ 167,515.29	\$ 97,694.97	\$ 265,210.26
1	CITY ATTORNEY ADMIN. COORDINATOR I	100%	\$ 89,509.64	\$ 13,426.45	\$ 20,461.90	\$ 123,397.99	\$ 71,965.75	\$ 195,363.73
1	DEPUTY CITY ATTORNEY III	100%	\$ 185,759.47	\$ 27,863.92	\$ 42,464.61	\$ 256,088.01	\$ 149,350.61	\$ 405,438.62
5	TOTALS		\$ 550,643	\$ 82,596	\$ 125,877	\$ 759,116	\$ 442,717	\$ 1,201,833

Non-Rent Stabilization Ordinance (RSO)

NO	Job Classification	FTE	Salaries	Lease	GASP	TOTAL	Related Costs CAP 41	GRAND TOTAL
1	HOUSING INVESTIGATOR I	100%	\$ 82,568.92	\$ 12,385.34	\$ 18,875.26	\$ 113,829.51	\$ 66,385.41	\$ 180,214.92
1	CITY ATTORNEY ADMIN. COORDINATOR I	100%	\$ 89,509.64	\$ 13,426.45	\$ 20,461.90	\$ 123,397.99	\$ 71,965.75	\$ 195,363.73
2	TOTALS		\$ 172,079	\$ 25,812	\$ 39,337	\$ 237,227	\$ 138,351	\$ 375,579

NOTE:

- * FTE: Full Time Equivalent
- * Salaries per FY 2019-20 Wages and Count with 3% Cost of Living Adjustment (COLA)
- * City Attorney Admin. Coordinator I salary per Step 15 on City Pay with 3% Cost of Living Adjustment (COLA)
- * Lease Calculation 15%
- * General Administration Support Program (GASP) cost 22.86%
- * Related Costs: Cost Allocation Plan (CAP) 41 Enforcement Rate 80.40%

Last Update: 06/26/2019

POSITION COUNT
7
GRAND TOTAL
\$ 1,577,411

Memorandum

To: Anna Ortega, Director
Rent Stabilization Division, HCIDLA

From: Lisa Varon, Vice President
Denim Ohmit, Senior Analyst

Date: April 28, 2020

Re: Tenant Anti-Harassment Ordinance Fees Update

This Tenant Anti-Harassment Ordinance Fees Update determines a three-year cost recovery fee amount that, in addition to other projected revenues, will fund the City of Los Angeles Housing + Community Investment Department's (HCIDLA) administration of this new program for a three-and-a-half-year term from July 1, 2020 through December 31, 2023.

In response to escalating reports of harassment by landlords to induce tenants to involuntarily vacate their housing, the Tenant Anti-Harassment Ordinance would prohibit harassment of renters in Rent Stabilization Ordinance (RSO) units, non-RSO multifamily units, corporate-owned single-family rentals, and corporate-owned condominium rentals. The City of Los Angeles' Housing Committee approved the recommendations for adoption of a Tenant Anti-Harassment Ordinance on May 8, 2019 and referred the matter to the Budget & Finance Committee on May 17, 2019.

The Tenant Anti-Harassment Ordinance is one of four potential new programs in the City of Los Angeles that would strengthen protections and establish resources for renters. The other three potential new programs are a Just Cause Evictions Ordinance that extends rights available to RSO unit renters to Non-RSO unit renters, an Eviction Prevention and Defense program, and local monitoring and enforcement of the State of California Tenant Protection Act of 2019 (AB 1482).

HCIDLA enforces a variety of housing rules, regulations, and policies, including Rent Stabilization Ordinance (RSO) policies to guarantee the implementation of rent control; Housing Trust Fund policies related to the financing, construction, and operations of deed-restricted affordable housing; Systematic Code Enforcement Program (SCEP) activities to ensure the safety and habitability of rental units; and the Accessible Housing Program (AcHP) to implement policies and oversee building design that incorporates physical accessibility

San Francisco

2600 10th St., Suite 300
Berkeley, CA 94710
510.547.9380

Sacramento

803 2nd St., Suite A
Davis, CA 95616
530.750.2195

Los Angeles

448 South Hill St., Suite 701
Los Angeles, CA 90013
213.471.2666

www.bae1.com

Washington DC

1140 3rd St. NE, 2nd Floor
Washington, DC 20002
202.588.8945

New York City

234 5th Ave.
New York, NY 10001
212.683.4486

features. The Rent Stabilization Division will be charged with implementing the new tenant protection programs listed above.

BAE conducted an RSO Fee Study (August 2019) that reviewed revenues and expenses associated with RSO implementation, and that calculated an update to the Annual Unit Registration Fee. An Annual Registration Fee of \$38.75 per unit per year was approved by the Housing Committee in October 2019 and is effective as of January 1, 2020. The fee is calculated to fully cover RSO implementation costs for a three-and-a-half-year term ending on December 31, 2023.

As a part of the 2019 RSO Fee Study, BAE reviewed program expenses and per-unit cost recovery fees for three of the four potential new programs: 1) Tenant Anti-Harassment; 2) Just Cause; 3) and Eviction Prevention and Defense. The proposed new programs were yet not approved at the time the RSO Annual Registration Fee was adopted. Since then, the design for all three programs has evolved to include a larger pool of rental units, and the State of California legislature passed the Tenant Protection Act of 2019. RSO Fees would be increased as a result of implementing these proposed new programs and Non-RSO units would be charged for the proposed new programs as well. This update is the first standalone fee study of the four potential new programs.

Specific to the Tenant Anti-Harassment Ordinance implementation, this study assumes that the implementation will begin on July 1, 2020 and that staff costs, non-staff costs, and indirect costs will increase from the original August 2019 projections.

Process to Calculate the Fee

To update the fee calculation for the Tenant Anti-Harassment Program, BAE established a set of budget assumptions including the projected number of units subject to the fee in each fiscal year, projected fee payment participation, and projected program costs for each fiscal year. BAE summed all projected costs and divided by projected and participating units over the three-and-a-half-year fee term to calculate a single annual fee rate for the first three years of program operations.

Budget Assumptions

The budget and fee scenarios and year-to-year budget changes in this study are based on a common set of assumptions for revenues and expenses. The report section below describes these budget assumptions.

Total Units Projected to Pay Fees

The Tenant Anti-Harassment Ordinance will apply to RSO units, and to Non-RSO units including multifamily units not subject to RSO, corporate-owned single-family rentals, and corporate-owned condominium rentals built after 1978 (those built in 1978 or earlier are already reflected in the RSO inventory). HCIDLA estimates that there are 640,000 rental units subject to the RSO ordinance and that are therefore potentially subject to a Tenant Anti-Harassment Ordinance. BAE estimates that 221,071 Non-RSO rental units would initially be subject to the Tenant Anti-Harassment Ordinance.

To arrive at these numbers, BAE projected:

- The number of Non-RSO units by using average annual growth in multifamily units at a rate of 4,780 rental units per year.
- The proportion of Non-RSO units that will participate in paying fee by applying a 75 percent factor in the first year and an 80 percent factor in years two through four.

A detailed description of the methodology used to calculate total units, and total units projected to pay the fee, is provided in the Appendix.

In FY21, a total of 861,071 rental units would be initially subject to the Ordinance. Table 1, below, reports the units subject to the fee through FY24.

Table 1: Total RSO and Non-RSO Rental Units Initially Subject to the Ordinance by Fiscal Year

Fee Year	Projected Number of RSO Units Initially Subject to the Ordinance	Projected Number of Non-RSO Units Initially Subject to the Ordinance	Total Projected Number of Units Initially Subject to the Ordinance
FY21	640,000	221,071	861,071
FY22	640,000	225,851	865,851
FY23	640,000	230,631	870,631
FY24	640,000	235,411	875,411

Sources: City of Los Angeles Systematic Code Enforcement Program (SCEP), 2019; HCIDLA 2019, ListSource, 2019; BAE, 2020.

In FY21, a total of 679,037 rental units are projected to pay the fee to implement the Tenant Anti-Harassment Ordinance. This number increases each year, as shown below in Table 2. Additionally, RSO units comprise the majority of units subject to the fee.

Table 2: RSO and Non-RSO Units Projected to Pay the Tenant Anti-Harassment Ordinance Fee by Fiscal Year

Fee Year	Projected Number of RSO Units to Pay Fee	Projected Number of Non-RSO Units to Pay Fee	Total Projected Number of Units to Pay Fee
FY21	513,234	165,803	679,037
FY22	512,007	180,681	692,688
FY23	510,783	184,505	695,288
FY24	509,562	188,329	697,891

Sources: City of Los Angeles Systematic Code Enforcement Program (SCEP), 2019; HCIDLA 2019, ListSource, 2019; BAE, 2020.

Revenues

It is anticipated that revenue to implement the Tenant Anti-Harassment Ordinance will need to be generated from cost recovery fees. Staff proposes that these funds be placed into the Trust Fund and set-aside (appropriated) solely for this program.

Revenue timing is an important consideration in this analysis. This fee study update assumes that the fee for the Tenant Anti-Harassment Ordinance will be incorporated into the existing Rental Registration Fee, which is effective as of January 1 of each year and mostly collected during January and February. The HCIDLA fiscal year runs from July 1 through June 30. In order to predict this program's revenue needs, the analysis takes into account how cash flows from one year to the next. The fee is paid on a calendar year basis but collects funds to run the program on a fiscal year basis, as shown in Table 3. Therefore, this analysis incorporates costs associated for operations at the end of the fee term, from July 1, 2023 through December 31, 2023. HCIDLA's approach is to budget 40 percent of the anticipated expenses for these last six months of the fee term.

Table 3: Anticipated Payment Schedule for Tenant Anti- Harassment Program Cost Recovery Fee

Fiscal Year	Dates Covered by Fee	Fee Paid During
FY21	July 1, 2020 to June 30, 2021	January 1 to February 28, 2021
FY22	July 1, 2020 to June 30, 2022	January 1 to February 28, 2022
FY23	July 1, 2023 to June 30, 2023	January 1 to February 28, 2023
First half FY24	July 1, 2023 to December 31, 2024	Part of fees above (a)

(a) Program costs associated with the first half of FY24 are incorporated into the three-year fee. Following the methodology of the 2019 RSO Rental Registration Fee Study, the analysis for the FY24 fee will incorporate the Trust Fund balance available at that time.

Sources: HCIDLA 2020; BAE, 2020.

Expenses

The expense projections to implement the Tenant Anti-Harassment Ordinance apply several common assumptions, as follows:

- Salaries are drawn from the FY21 Chief Administrative Officer Wages and Count – Employee Compensation Department Summary.
- Cost of Living Adjustments (COLA) are applied to salaries and are assumed to increase at three percent annually for years two, three and four of the fee term.
- Indirect costs are calculated using the following factors applied to all program expenses (staff and non-staff):
 - Indirect Costs (CAP) at 80.40 percent;
 - Allocated Lease and Parking at 15 percent; and
 - The City's General Administration Support Program (GASP) rate, which estimates overhead, at 22.86 percent.

Staff Expenses

The Tenant Anti-Harassment Ordinance would be implemented by a team, under the management of the Rent Stabilization Division Director, including the following seven staff:

- One Communications Information Representative II
- Two Housing Investigator I
- One Senior Housing Investigator
- Two City Attorney Administrative Coordinator I
- One Deputy City Attorney III

Direct salaries for these seven positions are projected at \$901,698 during the first year of operations, increasing to \$985,310 by the fourth year of operations. BAE modeled three staffing scenarios at zero percent staffing vacancy, three percent staffing vacancy, and ten percent staffing vacancy.

Non-Staff Expenses

Non-staff expenses include printing and binding at \$10,000 per year for the fee term. Office and administration are projected at a one-time, first-year expense of \$42,000 for staff workstations, phones, computers and other office tools and materials.

Program Operations Budget

The Tenant Anti-Harassment Ordinance program operations budget includes direct salaries, and expense allocations associated with leasing and parking, related expenses (CAP), and general administration support (GASP). As indicated in the budget assumptions above, allocated leasing and parking is projected at 15 percent of program expenses, CAP is projected at 80.40 percent of program expenses, and GASP is projected at 22.86 percent of program expenses.

The total annual budget is estimated at \$2,020,046 in the first year of operations and increases to \$2,196,537 by the fourth year. Table 4, below, provides the annual budget and breakdown for FY21 through FY24.

Table 4: Program Operations Budget, Tenant Anti-Harassment Ordinance

Year	Direct Salaries	Leasing & Parking	Related Costs (CAP)	General Administration Support (GASP)	Non-Salary Expenses	Total
FY21	\$901,698	\$135,255	\$724,965	\$206,128	\$52,000	\$2,020,046
FY22	\$928,749	\$139,312	\$746,714	\$212,312	\$46,000	\$2,073,087
FY23	\$956,611	\$143,492	\$769,116	\$218,681	\$46,000	\$2,133,900
FY24	\$985,310	\$147,796	\$792,189	\$225,242	\$46,000	\$2,196,537

Sources: HCIDLA, 2020; BAE, 2020

Proposed Fee

As detailed in Table 5, the proposed fee for full implementation of the Tenant Anti-Harassment Ordinance over a three-and-a-half-year term, from July 1, 2020 through December 31, 2023, is \$2.94 per unit per year. If a three percent staff vacancy budget is assumed for the same fee term, the fee would be \$2.86 per unit per year, and a ten percent staff vacancy budget would result in a cost recovery fee of \$2.65 per unit per year.

Table 5: Proposed Fee to Implement the Tenant Anti-Harassment Ordinance, at Full Capacity, Three Percent Vacancy and Ten Percent Vacancy

Fee Year	Total Units (a)	100 Percent Budget	Per-Unit Fee at 100 Percent Budget	Budget at Three Percent Staff Vacancy (b)	Per-Unit Fee at Three Percent Staff Vacancy	Budget at Ten Percent Staff Vacancy (c)	Per-Unit Fee at Ten Percent Staff Vacancy
FY21	679,037	\$2,020,046	\$2.97	\$1,961,005	\$2.89	\$1,823,241	\$2.69
FY22	692,688	\$2,073,087	\$2.99	\$2,012,275	\$2.91	\$1,870,379	\$2.70
FY23	695,288	\$2,133,900	\$3.07	\$2,071,263	\$2.98	\$1,925,110	\$2.77
FY24	697,891	\$878,615 (d)	\$1.26	\$852,808 (d)	\$1.22	\$792,593 (d)	\$1.14
Totals	2,067,013	\$7,105,648	\$10.30	\$6,897,351	\$9.99	\$6,411,324	\$9.29
Avg.	691,226	\$1,776,412	\$2.94	\$1,724,338	\$2.86	\$1,602,831	\$2.65

Notes:

- (a) Number of RSO units plus all Non-RSO units anticipated to pay the fee during the associated fiscal year.
- (b) Staff salaries at three (3) percent vacancy rate. Indirect costs calculated from the resulting salaries budget.
- (c) Staff salaries at ten (10) percent vacancy rate. Indirect costs calculated from the resulting salaries budget.
- (d) Equals 40 percent of FY24 program operating expenses.

Sources: HCIDLA, 2020; BAE, 2020.

APPENDIX

There are approximately 640,000 rental units are subject to the City of Los Angeles' Rent Stabilization Ordinance. Approximately 20 percent of Rent Stabilization Ordinance (RSO) units receive temporary exemptions because they are owner-occupied, relative-occupied, collected no rent, or are vacant year-round. Therefore, the fee participation rate is 80 percent. The total RSO units anticipated to pay the fee, is based on historical patterns of total units paying the RSO registration fee.

For RSO units, this analysis utilizes an annual reduction factor of -0.239 percent for the total number of units projected to pay fees. The factor of -0.239 percent is based on the average change in number of RSO units with fees paid from 2010 through 2019, as shown in Table 6. The analysis assumes this rate of decline will continue throughout the three-and-a-half-year fee term.

Table 6: Historic Change in Total RSO Units Paying Fees

Calendar Year	# of RSO Units	# Change	% Change
2010	525,820		
2011	521,806	(4,014)	-0.763%
2012	521,013	(793)	-0.152%
2013	523,089	2,076	0.398%
2014	522,174	(915)	-0.175%
2015	526,120	3,946	0.756%
2016	527,703	1,583	0.301%
2017	524,719	(2,984)	-0.565%
2018	525,563	844	0.161%
2019	514,464	(11,099)	-2.112%
Average Change Per Year		(1,262)	-0.239%

Sources: HCIDLA, 2019; BAE, 2020.

Starting with 514,464 RSO units in calendar year 2010, and using the annual factor, it is projected that 513,234 RSO unit registration fees will be paid in 2020 and that this number will reduce to 508,343 in 2024 (Table 7).

Table 7: Projected Number of RSO Units Paying Fees by Fiscal Year

Calendar Year	Anticipated Number of RSO Units That Will Pay Fees
2020	513,234
2021	512,007
2022	510,783
2023	509,562
2024	508,343

Sources: HCIDLA, 2019; BAE 2020.

Non-RSO units include all multifamily units and corporate-owned condominium rental units built since 1979, as well as all corporate-owned single-family rental units in the City of Los Angeles. For Non-RSO units, BAE utilized multifamily unit data provided by HCIDLA's Systematic Code Enforcement Program (SCEP) plus absentee- and corporate-owned single-family and condominium unit data from ListSource, a private real estate market data company. As of 2019 (FY20), the total Non-RSO units in the City of Los Angeles totals 198,804.

- According to SCEP data, there are a total of 191,185 multifamily units built in the City of Los Angeles from 1980 through 2020-to-date that are not subject to the RSO. To calculate annual growth in the number of Non-RSO units subject to the Tenant Anti-Harassment Ordinance, BAE utilized the SCEP data since 1979 to assume average growth of 4,780 rental units per year.
- According to ListSource data, there are 6,781 absentee- and corporate-owned condominium units constructed after 1978 in the City of Los Angeles. The City also records 13,545 absentee- and corporate-owned single-family units. The sum of these values, 20,326, is included in the Non-RSO unit inventory. Given available data, it is difficult to project the year-to-year change in absentee/corporate-owned units, as a unit may change its ownership status numerous times over its lifetime with no reliably predictable pattern. For that reason, BAE did not calculate a growth rate for this relatively small segment of the Non-RSO inventory and instead held the number of units constant over the fee term.

Applying the growth factor above, a total of 221,071 Non-RSO units would be subject to the Tenant Anti-Harassment Ordinance during FY21, the first year of operations (Table 8, next page).

Table 8: Non-RSO Rental Unit Calculations

Type of Rental	FY20 Y0	FY21 Y1	FY22 Y2	FY23 Y3	FY24 Y4
Corporate Single-Family Homes	13,545	13,545	13,545	13,545	13,545
Corporate Condominiums Built 1979 or Later	6,781	6,781	6,781	6,781	6,781
Multifamily Units	195,965	200,745	205,525	210,305	215,085
Total Non-RSO Unit Projections	216,291	221,071	225,851	230,631	235,411
# Units Increase Over Previous Year		4,780	4,780	4,780	4,780

Sources: City of Los Angeles Systematic Code Enforcement Program (SCEP), 2019; HCIDLA 2019, ListSource, 2019; BAE, 2020.

Anticipating that some owners will apply for, and qualify for, temporary exemptions from paying the fee, BAE applied the RSO Rent Registration fee participation rate of 75 percent in the first year and 80 percent in years two through four. The 75 percent rate is modeled on the response rate of for the Rent Registry, which is now in its third year of full operations. The 80 percent rate is modeled after the rate of RSO units that pay the fee and do not receive temporary exemptions. The calculations to arrive at this number of units paying the fee in the first year are as follows:

- FY20-21 RSO units anticipated to pay the fee totals 513,234 units.
- This number divided by total RSO units of 640,000 equals 80 percent.
- Non-RSO units subject to the fee in the first year totals 221,071 units.
- This number times 75 percent equals 165,803 units.
- Non-RSO units subject to the fee in the second year totals 225,851 units.
- This number times 80 percent equals 180,681 units .

The same calculations were applied, with an 80 percent participation rate, to all four fiscal years (Table 9).

Table 9: Non-RSO Unit Participation Projections

Fee Year	Units Subject	75% Participation	80% Participation
FY 21	221,071	165,803	n.a.
FY 22	225,851	n.a.	180,681
FY 23	230,631	n.a.	184,505
FY 24	235,411	n.a.	188,329

Sources: City of Los Angeles Systematic Code Enforcement Program (SCEP), 2019; HCIDLA 2019, ListSource, 2019; BAE, 2020.