

HOUSING COMMITTEE REPORT relative to evaluating the Rent Stabilization Ordinance (RSO).

Recommendation for Council action, pursuant to Motion (O'Farrell - Wesson - Cedillo - Bonin - Harris-Dawson - Price):

INSTRUCT the Los Angeles Housing and Community Investment Department, with the assistance of the Chief Legislative Analyst (CLA) and City Attorney, to evaluate the City's RSO and report with recommendations on how to expand the City's ability to help more renters.

Fiscal Impact Statement: Neither the City Administrative Officer nor the CLA has completed a financial analysis of this report.

Community Impact Statement: None submitted.

Summary:

On November 28, 2018, your Committee considered a Motion (O'Farrell - Wesson - Cedillo - Bonin - Harris-Dawson - Price) relative to evaluating the RSO. According to the Motion, for decades, there has been a well-documented housing crisis in the State of California, and in particular urban centers like the City of Los Angeles. According to the State of California's Legislative Analyst Office in 2015, at that time California's home prices and rents were higher than just about anywhere else and continue to this day. Housing in California has long been more expensive than most of the rest of the country. Between 1970 and 1980, California home prices went from 30 percent above U.S. levels to more than 80 percent higher and this trend has continued.

Today, an average California home costs \$544,900 according to the real estate website Zillow, about two-and-a-half times the average national home price (\$220,100). Also, in Los Angeles, the average monthly rent is about \$1,370 for a one-bedroom and \$1,760 for a two-bedroom according to the website Apartment List, 40 percent higher than the rest of the country (\$951 and \$1,180 per month respectively). According to a recently released USC Dornsife/Los Angeles Times survey, 28 percent of respondents stated that a lack of rent control was the number one reason California housing is unaffordable. The Costa-Hawkins Rental Housing Act (Costa-Hawkins), a California statute enacted in 1995, imposes limitations on the types of rent control measures cities may adopt. While Costa-Hawkins does not prevent cities from adopting rent control, it does restrict rent control from being imposed on residential structures receiving their Certificate of Occupancy on February 1, 1995 and after or the year an existing Rent Control Ordinance was adopted if it was earlier. The City adopted the RSO on October 1, 1978.

Given the passage of the City's RSO nearly 40 years ago, a new approach is needed that provides more certainty to tenants, while recognizing the need for owners of rental units to make a reasonable return on their investments before and after absorbing the costs associated with developing property. It is estimated that more than 24,000 RSO units have been removed from the market since 2001. Also, it is estimated that over half the renters in the City of Los Angeles are rent burdened, meaning they spend over 30 percent of their income on rent. This continues to leave a large gap in available housing that provides renters with necessary tenant protections

related to evictions and rent increases. The City should examine all available options to adjust the Rent Stabilization Ordinance as well as how best to offset this reduction in rent stabilized housing now, before it becomes an even more critical issue. After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the Motion as detailed in the above recommendation. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

HOUSING COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
CEDILLO:	YES
KREKORIAN:	YES
HARRIS-DAWSON:	ABSENT

ARL
11/28/18

-NOT OFFICIAL UNTIL COUNCIL ACTS-