

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 27, 2016

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Council District: Citywide

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer 

Reference: Housing and Community Investment Department transmittal dated April 15, 2016, Received by the City Administrative Officer on April 19, 2016; Additional Information Received through October 13, 2016

Subject: **REPORT BACK ON ENFORCEMENT OF ELLIS PROVISIONS OF THE RENT STABILIZATION ORDINANCE (RSO) AND RECOMMENDATION TO AMEND LOS ANGELES MUNICIPAL CODE 151.22 – 151.28 ON WITHDRAWAL AND DEMOLITION OF RSO UNITS (“ELLIS” WITHDRAWALS) AND REPLACEMENT RENTAL UNITS**

RECOMMENDATIONS

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

1. Instruct the City Attorney to work with the Housing and Community Investment Department (HCID) to draft an amendment to the Los Angeles Rent Stabilization Ordinance (RSO) to amend the Ellis provisions in the Los Angeles Municipal Code (LAMC) Sections 151.22 through 151.28 to address vacant units, re-rental of withdrawn units, annual property status reporting, demolished RSO units lacking a filed Ellis application, constraints filed with the County, withdrawal of residential hotel units, and relocation services, as described in pages eight to nine of HCID's April 15, 2016 transmittal;
2. Adopt a resolution in support of recommendations to amend the State Ellis Act to require a one year notice to all displaced tenants, and notification of re-rental of vacated units for all displaced tenants; and,

That the Council adopt one of the following two recommendations:

3. Amend the requirements of an exemption from the RSO replacement provisions in the LAMC Section 151.28 to require the property owner to execute and record a regulatory

agreement that guarantees:

- a. A term of at least 55 years;
 - b. Housing accommodations which are affordable for low or very low income households at or below 80% of the Area Median Income as established by the California Department of Housing and Community Development; and
 - c. The number of affordable housing units provided is at least equal to the number of RSO units withdrawn; or,
4. Amend the requirements of an exemption from the RSO replacement provisions in the LAMC Section 151.28 to require the property owner to execute and record a regulatory agreement that guarantees:
- a. A term of at least 55 years; and
 - b. Housing accommodations which are affordable for low or very low income households at or below 80% of the Area Median Income as established by the California Department of Housing and Community Development; and
 - c. The number of affordable housing units provided is at least 20% of the total newly constructed rental units.

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to amend Sections 151.22 through 151.28 of the Los Angeles Municipal Code (LAMC) to strengthen enforcement of the State Ellis Act (Ellis) provisions, preserve Rent Stabilization Ordinance (RSO) units, prevent displacement of tenants, and to conform the RSO requirements to State law. The HCID also requests amending the requirements of an exemption from the RSO replacement provisions to extend affordability for low income households, and to conform to the one-for-one replacement criteria under the density bonus requirements. Finally, HCID also requests that the Council adopt resolutions to support state legislation to amend the Ellis Act to require a one year notice to all displaced tenants, and notification of re-rental of vacated units for all displaced tenants. This Office recommends approval of HCID's request.

BACKGROUND

The City Council adopted ordinances in 2006 and 2007 that incorporated the Ellis provisions into the City's RSO and the LAMC. These provisions require that rental units constructed to replace units demolished or removed from the rental housing market and offered for rent within five years are subject to the RSO. Further, property owners may obtain an exemption from the RSO for the replacement units by making a certain number of rental units affordable housing units.

Amendments to Strengthen RSO

The HCID reports that it identified several areas where the RSO can be strengthened to better

inform both property owners and tenants, and preserve the RSO housing stock. The HCID recommends the following amendments to improve enforcement of the RSO Ellis provisions:

- Require Ellis constraints and restrictions on replacement units for demolition or withdrawal of all RSO units, whether occupied or vacant, to discourage landlords from enticing tenants to voluntarily vacate their units and avoid RSO requirements;
- Clarify that the re-renting of withdrawn units nullifies a previously filed application to withdraw units from the rental market;
- Require owners of withdrawn properties to file annual status reports to ensure that the new units constructed are registered and operated in compliance with the RSO;
- Require compliance with the RSO Ellis provisions if it is discovered that after September 29, 2006 RSO properties were demolished without filing an Ellis application, making replacement units subject to the RSO;
- State that HCID will file constraints with the County Recorder which apply to the property owner and any successors in interest, as permitted under the Ellis Act;
- Prohibit the withdrawal of accommodations in residential hotels, as permitted under the Ellis Act; and,
- State that services of a relocation consultant shall be made available to tenants who have signed waivers of relocation assistance if they have resided in their rental unit for at least a year.

Amendment to Exemption from RSO Replacement Provisions

The current RSO allows an exemption of the newly constructed housing accommodations from the RSO if the property owner agrees to record a 30-year covenant to maintain a percentage of the newly constructed rental units as affordable to households at or below 80% of Area Median Income as established by the U.S. Department of Housing and Urban Development. Further, the newly constructed rental units may be exempted from the RSO if the owner replaces the number of demolished RSO units with an equal number of affordable housing units or 20% of the newly constructed rental units, whichever is less.

The HCID recommends amending the requirements for an exemption from RSO replacement to conform to the 55-year term and affordability levels typically required for HCID sponsored affordable housing projects.

The Department also recommends that Council determine whether the exemption should apply to only owners with a one-for-one replacement of affordable units, or only owners with affordable units that are at least 20% of the total newly constructed rental units, and then amend the exemption provisions accordingly. The HCID supports a one-for-one replacement criteria to conform with the criteria under the density bonus requirements. The Department also states that the one-for-one replacement criteria would prevent the potential loss of affordable units under the existing RSO replacement provisions, as illustrated in the Table on page 8 of HCID's report.

Amendments to the State Ellis Act

Subsequent to the release of HCID's transmittal, the State Legislature did not pass SB 1267, which would have required one year notification of eviction for families with children enrolled in elementary or high school. However, the HCID requests that Council adopt resolutions in support of other amendments of the Ellis Act, such as requiring one year notice to all displaced tenants, and notification of re-rental of vacated units for all displaced tenants.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The recommendations in this report comply with the City's Financial Policies in that there is no additional cost to the City.

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