

COMMUNICATION FROM VICE-CHAIR AND MEMBER, HOUSING COMMITTEE relative to the feasibility of implementing a Tenant Buyout Notification Agreement Program for Rent Stabilization Ordinance (RSO) properties.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. INSTRUCT the General Manager, Housing and Community Investment Department (HCIDLA), or designee, to:
  - a. Assist the City Attorney in preparing an ordinance to amend the Los Angeles Municipal Code (LAMC) incorporating the provisions of the Tenant Buyout Notification Agreement Program as described in the HCIDLA report to the Mayor dated February 26, 2016 and the City Administrative Officer (CAO) report to the Mayor and Council dated May 16, 2016.
  - b. Report to the Mayor and Council relative to the financing, staff, and costs required to implement the new Tenant Buyout Notification Agreement Program, including any necessary RSO rental registration fee increases once the RSO amendment is approved.
  - c. Schedule this matter for consideration by the RSO Working Group for the purpose of seeking input from members of the public.
2. REQUEST the Rent Adjustment Commission (RAC) to adopt rules and/or amend existing RAC regulations to effectuate the changes relative to language proposed in the RSO amendment and adopted by Council.
3. RESOLVE that the following positions are APPROVED and CONFIRMED in the HCIDLA's Rent Stabilization Division for the remainder of the Fiscal Year (FY) 2016-17, subject to the approval of the Civil Service Commission for classification:

| <u>No.</u> | <u>Classification</u>       | <u>Class Code</u> |
|------------|-----------------------------|-------------------|
| 1          | Housing Inspector I         | 8516-1            |
| 1          | Senior Administrative Clerk | 1368              |

4. AUTHORIZE the Controller to:

- a. Transfer appropriations within Rent Stabilization Trust Fund No. 440/43 for FY 2015-16, as follows:

| <u>Account Title</u>     | <u>Amount</u> |
|--------------------------|---------------|
| From: 43M411 Unallocated | \$130,384     |

| <u>Account Title</u>            | <u>Amount</u> |
|---------------------------------|---------------|
| To: 43M900 Contract Programming | \$60,000      |
| 43M143 HCIDLA                   | 49,163        |

43M299 Related Costs, General Fund 21,221  
Total: \$130,384

b. Increase appropriations in General Fund No. 100/43 for FY 2015-16, as follows:

| <u>Account Title</u>    | <u>Amount</u> |
|-------------------------|---------------|
| 001010 Salaries General | \$46,790      |
| 006030 Lease            | <u>2,373</u>  |
| Total:                  | \$49,163      |

5. AUTHORIZE the General Manager, HCIDLA, or designee, to make any necessary technical adjustments consistent with this action, subject to the approval of the City Administrative Officer (CAO); and, AUTHORIZE the Controller to implement these instructions.

Fiscal Impact Statement Submitted: The CAO reports that this action will not impact the General Fund. The costs for a Tenant Buyout Notification Agreement program would be funded by the Rent Stabilization Trust Fund. The HCIDLA will report at a later date relative to any impact the new program, if approved, would have on the annual RSO rental unit registration fee. The above recommendations comply with City financial policies in that they only include proposed amendments to the LAMC for the proposed creation of a new program.

Community Impact Statement: None submitted.

**(Personnel and Animal Welfare Committee waived consideration of the above matter)**

Summary:

In a report to the Mayor dated February 26, 2016, HCIDLA discusses the implementation of a tenant buyout agreement program similar to the City of Santa Monica's Tenant Buyout Agreement. According to HCIDLA, the RSO provides relocation assistance to tenants evicted for no-fault reasons. Relocation assistance amounts range from \$7,550 to \$19,500, depending on a tenant's income, age, length of tenancy, family, and disability status.

HCIDLA reports that the RSO does not currently include a program to monitor voluntary vacancies which may involve a cash buyout offer in exchange for tenants vacating their rental units. Unlike no-fault evictions, these buyouts are unregulated and can enable landlords to circumvent many of the restrictions that apply when a landlord executes a no-fault eviction. Tenants may accept buyout agreements without being fully informed of their rights under the RSO and unknowingly accept substantially less relocation than they are entitled to under the law for no-fault evictions. Current rental and real estate market conditions provide landlords a greater incentive to induce tenants in RSO units to voluntarily move out.

In April 2015, the City of Santa Monica approved new provisions requiring landlords to give a tenant a written disclosure of the tenant's rights, including the right not to enter into a buyout agreement, to consult with an attorney and/or the Rent Control Board before signing the agreement, and to cancel the buyout agreement within 30 days. The regulation provides that any agreement not meeting all of the required elements is unenforceable and may be rescinded by

the tenant at any time. In addition, all buyout agreements must be filed with the City of Santa Monica's Rent Control Board.

The HCIDLA recommends amending the City of Los Angeles RSO in order to prevent tenants from entering into buyout agreements without a full understanding of their rights. Creating a tenant buyout notification program would increase tenant protections by promoting full disclosure of tenants' rights, assist in the negotiation of a fair buyout agreement and dissuade landlords from attempting to circumvent the RSO's limits on the grounds for eviction and the obligation to provide relocation assistance for no-fault evictions. The proposed RSO provisions would require landlords to provide tenants with a statement of their RSO rights and allow tenants to rescind a buyout agreement within a specified time after signing such an agreement. This will provide tenants sufficient time to consult with an attorney, tenants' organization, or the HCIDLA staff.

HCIDLA's proposes the following RSO amendments:

Define Buyout Agreement and Buyout Offer.

Require that landlords provide tenants with a written disclosure notice of the tenant's rights under the RSO with regard to eviction and relocation assistance in a format prescribed by the Rent Adjustment Commission, including contact information for the HCIDLA landlord/tenant hotline.

Allow tenants to rescind buyout agreements for any reason for up to 30 days after the agreements are fully executed.

Further provide that agreements that do not satisfy the stipulated requirements may be rescinded by the tenant at any time.

Require that landlords file copies of all buyout agreements with HCIDLA's Rent Stabilization Division.

Provide tenants with an affirmative defense to an unlawful detainer and a civil remedy for actual damages and civil penalties against landlords who fail to comply with the buyout agreement regulations.

HCIDLA goes on to report that implementation of educational and enforcement measures for the proposed amendments will require enhancing the existing RSO complaint processing system, as well as hiring additional staff to handle the increased customer service inquiries, records requests, and tenant complaint investigations.

In a report to the Mayor and Council dated May 16, 2016, the CAO states that HCIDLA requests various Mayor and Council authorizations to amend the RSO in order to prevent tenants from entering into buyout agreements without a full understanding of their rights. Creating a Tenant Buyout Notification Agreement Program would increase tenant protections by promoting full disclosure of tenants' rights, assist in the negotiation of a fair buyout agreement, and dissuade landlords from attempting to circumvent the RSO's limits on the grounds for eviction and the obligation to provide relocation assistance for no-fault evictions. HCIDLA also requests resolution authority and funding for two new positions as discussed above.

The CAO recommends approval of HCIDLA's recommendations to amend the RSO to create the new program. The CAO does not, however, recommend approval of the requested staff positions at this time. Instead, the CAO suggests that HCIDLA report to the Mayor and Council once the program has been approved relative on the costs required for implementation, incorporating the requests for additional staffing and new system module as well as any necessary RSO rental registration fee increases.

At the Housing Committee meeting held August 17, 2016, the Committee Vice-Chair and Member discussed this matter with representatives of the CAO and the HCIDLA. The HCIDLA representative stated that the proposed ordinance will amend the RSO by establishing new tenant buy-out provisions and protections. The proposed ordinance will address attempts made by landlords to pressure tenants to vacate an RSO unit or to accept less than the relocation amount they are entitled to pursuant to the RSO. Voluntary evictions of RSO units are vacancy decontrolled, after rent can be increased to market rate.

The HCIDLA representative further stated that the Department requests two position authorities for which no additional funding or fees is required.

Proposed RSO amendments allow for cash-for-keys buyouts but will require full disclosure of the agreement to prohibit attempts to pressure tenants to evict. Landlords will be required to provide certain information to the tenant and to file documents with the City of Los Angeles. HCIDLA will conduct extensive outreach to tenants and owners of RSO units to provide notice of the proposed RSO amendment.

During the public comment period, support was expressed for the proposed RSO amendment. It was stated that Ellis Act evictions are increasing and landlords are paying tenants less than the required relocation amount. Tenants have been misled by unscrupulous landlords and pressured to vacate their apartments. A representative of the Apartment Association stated that the proposed RSO amendments are unnecessary and that the City already pays contractors to conduct outreach to tenants relative to their rights and RSO provisions. Concerns were also expressed relative to an increase of regulatory burden and the violation of privacy.

The Committee Vice-Chair and Member recommended that Council approve the recommendations of the CAO and HCIDLA reports, as amended to instruct HCIDLA to schedule this matter with the RSO working group to seek input from the community.

Respectfully Submitted,

COUNCILMEMBER FELIPE FUENTES, VICE-CHAIR  
HOUSING COMMITTEE



COUNCILMEMBER CURREN D. PRICE, JR., MEMBER  
HOUSING COMMITTEE

| <u>MEMBER</u>  | <u>VOTE</u> |
|----------------|-------------|
| CEDILLO:       | ABSENT      |
| FUENTES:       | YES         |
| HUIZAR:        | ABSENT      |
| PRICE:         | YES         |
| HARRIS-DAWSON: | ABSENT      |

JAW

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**