


**REPORT OF THE  
CHIEF LEGISLATIVE ANALYST**

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DATE: May 10, 2019

TO: Honorable Members of the Rules, Elections & Intergovernmental Relations Committee

FROM: Sharon M. Tso   
Chief Legislative Analyst

Council File No: 19-0002-S67  
Assignment No: 19-04-0394

SUBJECT: Resolution to SUPPORT S. 1106 (Harris), the Rent Relief Act.

CLA RECOMMENDATION: Adopt Resolution (Wesson – Harris-Dawson) to include in the City’s 2019-2020 Federal Legislative Program, SUPPORT for S. 1106 (Harris), the Rent Relief Act, which would provide a tax credit to individuals who are paying 30 percent of their income on their monthly rent.

SUMMARY

The Resolution (Wesson – Harris-Dawson), introduced April 16, 2019, advises that according to the National Low Income Housing Coalition, individuals in 99% of counties nationwide earning minimum wage are unable to afford a one bedroom apartment at fair market rent. In addition, according to Forbes, Los Angeles was the worst city for renters in 2018, with the average monthly rent being 2/3 higher than the national average and the cost of rent accounting for 41 percent of local median income. More than 565,000 new low-income rental units are needed in Los Angeles. Estimates show that 21 million Americans spend more than 30 percent of their income on rent.

The Resolution further advises that Senator Kamala Harris has introduced S.1106, the Rent Relief Act which would provide a tax credit to individuals who are paying 30 percent of their income on their monthly rent. Congressman Gomez is expected to introduce a companion bill in the House of Representatives. Senator Harris has asserted that housing is a human right, but affordability remains out of reach for too many individuals. Congressman Gomez has also stated that urban centers are facing an unprecedented crisis of skyrocketing rents and shortages of affordable housing. The Columbia Center on Poverty and Social Policy advises that this legislation would reduce the poverty rate by as much as 2.4 percent, taking 7.8 million Americans out of poverty. The City should support the Rent Relief Act due to rapidly increasing rental rates and the high poverty rate in LA County.

The Resolution recommends that the City support S. 1106 (Harris), the Rent Relief Act, which would provide a tax credit to individuals who are paying 30 percent of their income on their monthly rent.

BACKGROUND

Following recovery from the Great Recession, rental housing rates throughout the United States have continued to rise and outpace incomes. The resulting nationwide housing crisis which has left families throughout the United States struggling to meet their financial obligations. Rental housing has seen increased demand resulting in historically low vacancy rates and high market rental rates, especially in metropolitan areas. These conditions have caused a significant number of households to become rent-burdened, spending more than 30 percent of their monthly income on rental payments. High rental prices also affect local economic conditions by restricting the amount of money families have available to pay for other necessities and patronize local businesses.

According to a Pew report, the lack of excess funds left after rent and other necessities has resulted in an inability to save money for many families, causing a decline in the financial security. In 2015, renting families had on average less than \$1,000 cash in the bank, however rent-burdened households had less than \$10 in savings. These conditions have seen a decline in homeownership and have removed the option homeownership for low-income renting families. The unavailability and falling stock of affordable housing has also magnified the burden caused by the rental market on low income families. A report by the National Low Income Housing Coalition illustrates that there is a shortage of 7.4 million affordable rental units for the country's 11.4 million extremely low-income families. Nearly 1/3 of California renters are rent burdened and, according to Freddie Mac, Los Angeles is the third most rent-burdened city in the country.

The Rent Relief Act would provide renters who spend more than 30 percent of their gross income on rent or utilities payment a tax credit of up to 100 percent of the excess, depending on income. Families earning no more than \$25,000 per year would be eligible to receive 100 percent of their excess rental payments over 30 percent of their income. Those receiving housing assistance under a federal, state, or local program would also be eligible to receive a credit equal to 1 months' worth of their non-subsidized rent. This tax credit would only be available to families earning up to \$100,000 and would not take into account rental payments in excess of 100 percent of the area median market rate. The bill would also give taxpayers the option to request advanced payments of the tax credit and receive them as monthly payments.

There is a possibility that as a result of the subsidy, market prices would increase in response to the increased capacity of taxpayers to make rental payments, however a 2015 study found no correlation between rental assistance and increased rental rates. As written, the bill would provide most benefit to renters in metropolitan areas, due to the higher rental rates in cities.

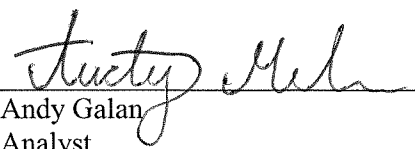
Support for the Rent Relief Act would be consistent with City policy to aid low-income families, provide relief to all renters, and assure the financial security of City residents.

DEPARTMENTS NOTIFIED

Housing and Community Investment Department

BILL STATUS:

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| 03/12/19 | Introduced in the House   |
| 03/12/19 | Referred to Committee on the Judiciary and the Committee on Education and Labor               |
| 03/14/19 | Referred to the Subcommittee on Immigration and Citizenship of the Committee on the Judiciary |

  
Andy Galan  
Analyst

Attachments: 1. Resolution (Wesson – Harris-Dawson)

**RESOLUTION**

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, according to the National Low Income Housing Coalition, in 99% of counties nationwide, individuals working full-time earning minimum wage are unable to afford a one bedroom apartment at Fair Market Rent; and

WHEREAS, Forbes magazine advised in 2018 that Los Angeles was the worst City for renters; that the average monthly rent of \$2,172, is two-thirds higher than the national average; and that the cost of rent accounts for 41 percent of the local median household income (2<sup>nd</sup> highest in their study of 46 cities); and

WHEREAS, estimates show that 21 million Americans spend more than 30 percent of their income on rent and more than 565,000 new low-income rental units are needed in Los Angeles; and

WHEREAS, United States Senator Kamala Harris has introduced the Rent Relief Act, which would provide a tax credit to individuals who are paying more than 30 percent of their income on their monthly rent, and California Congressman Jimmy Gomez is expected to introduce a companion bill in the House or Representatives; and

WHEREAS, Senator Harris has said that housing is a human right, yet affordability remains out of reach for too many individuals, and Representative Gomez states that urban centers are facing an unprecedented crisis of skyrocketing rents and shortages of affordable housing; and

WHEREAS, the Columbia Center on Poverty and Social Policy advises that this legislation would reduce the poverty rate by as much as 2.4 percent, as 7.8 million Americans would be taken out of poverty; and

WHEREAS, the City should support the Rent Relief Act because over the past two decades in Los Angeles rental rates have risen nearly three times as fast as renter's income, California has the highest poverty rate in the Country, and LA County has the highest poverty rate in the State;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2019-20 Federal Legislative Program SUPPORT for the Rent Relief Act as introduced in the United States Senate and any similar legislation that would provide tax credits to individuals who are paying more than 30 percent of their income on their rent.

PRESENTED BY: \_\_\_\_\_

HERB J. WESSON, Jr.  
Councilmember, 10<sup>th</sup> District

SECONDED BY: \_\_\_\_\_