

TRANSMITTAL

To:
THE COUNCIL

Date: **DEC 01 2015**

From:
THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



Ana Guerrero

ERIC GARCETTI
Mayor



Regulatory Compliance & Code Bureau
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Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

November 24, 2015

CF No. 13-1534-S1
Council District: Citywide
Contact Persons:
Anna Ortega (213) 808-8551
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Honorable Eric Garcetti
Mayor, City of Los Angeles
200 North Spring Street, Room 303
Los Angeles, California 90012

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: REQUEST TO AMEND SECTION 49.95 OF ARTICLE 14.1 CHAPTER IV OF THE LOS ANGELES MUNICIPAL CODE TO EXTEND THE SUNSET DATE OF THE FORECLOSURE EVICTION ORDINANCE FROM DECEMBER 31, 2015 TO DECEMBER 31, 2017

SUMMARY

The Los Angeles Housing and Community Investment Department (HCIDLA) administers the City's Foreclosure Eviction Ordinance, also known as the Foreclosure Eviction Moratorium. The Ordinance prohibits banks or lenders who foreclose on single family homes or new multi-family properties not otherwise subject to the Rent Stabilization Ordinance (RSO) from evicting any tenants in the City merely because of foreclosure. The Ordinance sunset date has been extended annually and is set to expire on December 31, 2015.

The HCIDLA respectfully requests authority to amend Section 49.95 of Article 14.1 Chapter IV of the Los Angeles Municipal Code to extend the sunset date of the Foreclosure Eviction Ordinance from December 31, 2015 to December 31, 2017.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that:

- I. Your office schedule this report back at the next available meeting(s) of the appropriate City Council committee(s) and forward it to City Council for review and approval immediately thereafter; and

II. The City Council request that HCIDLA work with the City Attorney to amend the Los Angeles Municipal Code pursuant to the recommendations contained in this report and summarized below:

- Amend Article 141.1 of the Los Angeles Municipal Code to extend the sunset date of the Foreclosure Eviction Ordinance from December 31, 2015 to December 31, 2017.

III. The Mayor concur with the action of the City Council.

BACKGROUND

The City's Rent Stabilization Ordinance (RSO) prohibits eviction of tenants from RSO-regulated properties solely for the reason that a lender has foreclosed on a rental property; however, this protection does not apply to properties that are not subject to the RSO. Census data establishes that 20-25% of single family homes in the City are occupied by non-RSO renters. Lenders foreclosing on delinquent property owners have repeatedly sought to vacate tenants from foreclosed properties even when the tenants are current in their rent payments on their rental homes.

In 2008, then Councilman Garcetti introduced a motion to address the foreclosure crisis in the City of Los Angeles which had significantly affected rental properties. At that time, data indicated that lenders had foreclosed upon approximately 1,300 multi-family rental properties, creating housing instability for tenants when the lenders opted to evict. Sixty percent (60%) of the foreclosures were in census tracts where average incomes were below 120% of the Area Median Income and renters could not afford to pay expensive market rents.

On December 17, 2008, the Los Angeles City Council adopted the nation's first Foreclosure Eviction Moratorium (Ordinance No. 180441) to prevent the displacement of all tenants in foreclosed rental properties in which landlords obtain title through foreclosure on or after December 17, 2008. The Ordinance provides that in order for a landlord to recover possession of a rental unit from a tenant, the landlord must comply with all the requirements and provisions for eviction under Section 151.09 of the RSO, including the payment of relocation fees for no-fault evictions. Since the passage of the Ordinance, more than 59,000 properties containing over 79,000 units have been foreclosed on in the City.

The City Attorney's Office has successfully utilized HCIDLA's foreclosure related complaint information to pursue criminal filings against the nation's four largest banks. The City accused banks of allowing vacant properties to turn into nuisances, neglecting to maintain occupied properties, and illegally evicting low-income tenants to clear the way for a potential sale of the property. The banks were also circumventing the Ordinance by offering "cash for keys," in which the bank offers small amounts of cash to tenants so they will vacate properties at short notice and avoid paying the amount of relocation assistance the tenants may be entitled to receive per the Ordinance.

The HCIDLA Foreclosure Registry data for 2015 indicates that the foreclosure crisis continues to affect City residents and neighborhoods. A total of 10,381 properties were registered in the City's Foreclosure Registry from January through November 8, 2015, comprised of 4,273 first time property registrations

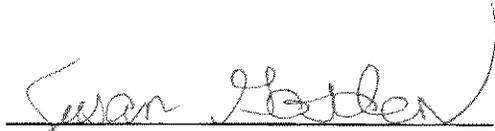
and 6,108 re-registered properties (with a notice of default and/or foreclosure from 2014). This reflects a ten percent increase from 2014 registrations, which totaled 9,431.

As the City continues to grapple with the effects of the epidemic of rental property foreclosures, the Council has extended the sunset date of the Foreclosure Eviction Ordinance in order to ensure that tenants in foreclosed properties continue to be protected from no-fault evictions. Los Angeles now has the largest number of rent burdened households (spending more than 30% of their income on rent) among major U.S. cities. At the same time, as former homeowners remain renters, tenants must compete for housing in a tight rental market with a vacancy rate hovering at 5%. Given the continued number of foreclosure notices issued, an extension to the Foreclosure Eviction Ordinance is necessary in order to ensure that tenants of foreclosed non-RSO rental properties continue to be protected from no-fault evictions as they confront the continued economic challenges posed by the City's current housing market. HCIDLA recommends that the moratorium be extended through 2017 to continue to protect City residents and stabilize neighborhoods impacted by the foreclosure crisis.

FISCAL IMPACT

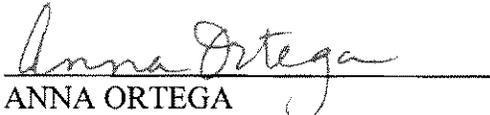
There is no impact to the General Fund.

Prepared By:



SUSAN GOSDEN
Senior Management Analyst II

Reviewed By:



ANNA ORTEGA
Director, Rent Stabilization Division

Reviewed By:



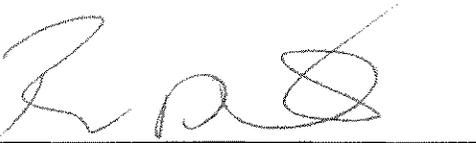
ROBERTO H. ALDAPE
Assistant General Manager

Reviewed By:



LAURA GUGLIELMO
Executive Officer

Approved By:



RUSHMORE CERVANTES
General Manager

Attachment:

Draft Foreclosure Eviction Ordinance