

HOUSING COMMITTEE REPORT relative to passing through the costs of seismic retrofits from property owners to tenants of rental units, financing options for the Seismic Retrofit Program, and Mandatory Seismic Retrofit Ordinance technical amendments.

Recommendations for Council action:

1. REQUEST the City Attorney, with the assistance of the Los Angeles Housing and Community Investment Department (HCIDLA), to prepare and present an ordinance to amend the Rent Stabilization Ordinance (RSO) to incorporate the following:
 - a. Allow for a 50 percent pass-through of seismic retrofits costs amortized over 120 months with no phase in.
 - b. Cap the total pass-through at \$38 per month.
 - c. Stipulate that the pass-through cost to be a temporary rent adjustment.
 - d. Allow the pass-through of an imputed interest expense.
 - e. Language requesting the Rent Adjustment Commission (RAC) to adopt rules and/or amend existing RAC regulations to effectuate the RSO changes adopted by Council.
 - f. Additional language to require landlords to adjust the pass-through if new funding becomes available.
2. REQUEST the City Attorney, with the assistance of the Department of Building and Safety, to prepare and present an ordinance to:
 - a. Amend Division 93 of Article 1 of Chapter IX of the Los Angeles Municipal Code to modify deadlines for compliance with seismic retrofit mandates for soft-story buildings to require property owners to acquire the necessary permit(s) within one and one-half years after the program's initial two-year period; and, that all retrofit construction must be complete within three and one-half years after permits have been issued by the Department of Building and Safety.
 - b. Clarify the Ordinance's engineering analysis terms and specifications.
 - c. Reduce the amount of required parking spaces if parking spaces are displaced as a result of compliance with the mandatory seismic retrofit provisions of Divisions 93 and 95 of Article 1 of Chapter IX of the Los Angeles Municipal Code.
3. INSTRUCT the HCIDLA to report relative to:
 - a. Funding recommendations for resources, including systems development and staffing, necessary to implement the seismic retrofit program.
 - b. A new application that streamlines the pass-through process.

- c. An option that allows the pass-through application to commence at the moment permits are pulled from the Department of Building and Safety.
4. INSTRUCT the City Administrative Officer (CAO), with assistance from the Mayor and City Attorney, to report relative to pursuing a partnership with the California Residential Mitigation Program, or other appropriate State agencies, to create or expand grant fund opportunities available to property owners in the City who are required to seismically retrofit their properties.
5. INSTRUCT the CAO and Chief Legislative Analyst to report, in conjunction with recommendations made relative to the Program Year 42 Con Plan on the use of Community Development Block Grant funds to support the seismic retrofit program.
6. INSTRUCT the CAO, with assistance from the Mayor, City Attorney, Department of Building and Safety, and HCIDLA to report relative to hosting a workshop with banks and lenders to encourage low-interest loans to property owners whose properties are subject to the Mandatory Seismic Retrofit Ordinance.

Fiscal Impact Statement: The HCIDLA reports that the proposed RSO changes will not impact the General Fund. The CAO reports that the financial impact of any program financing option to be considered by the Mayor and Council will be addressed in future reports, if necessary.

Community Impact Statement: None submitted.

SUMMARY

In a report to the Mayor dated September 9, 2015, HCIDLA discusses the Seismic Retrofit Program. The Department states that based on the discussions with a landlord-tenant working group, a new seismic retrofit program could be designed to allow a pass-through of 50% of seismic retrofit costs amortized over a ten-year period. Under the available data with an average retrofit cost of \$4,300 per unit, a \$38 maximum monthly rent increase would be sufficient to cover the estimated monthly rent increase for seismic work and would allow recovery of 50% of work costing up to \$9,120 per unit in 120 months. A \$38 monthly rent increase is 2% of the average monthly RSO rent, and would protect tenants from exorbitant rent increases if the cost of the seismic work is greater than projected.

HCIDLA goes on to discuss interest costs and a phase period. The Department anticipates that additional staff and technology resources will be needed to implement and operate this program. Implementation of a new seismic retrofit program would require development of a new electronic system program to process the applications and modification of the existing online application process.

In the December 4, 2015, report to Council, the CAO identifies potential financial options, including the option of working with lenders, as possible tools to support the proposed seismic retrofit program. The intention of the CAO's report is to serve as the first step in starting the discussion about possible options; most options will require much more input and analysis to fully develop. The CAO presents nine options for financing seismic retrofits, each with an instruction for further analysis if requested.

At its special meeting held December 7, 2015, the Housing Committee discussed this matter

with representatives of the CAO, HCIDLA, and the Department of Building and Safety. The CAO discussed the nine policy options for financing the cost of seismic retrofits. The CAO requested that the Committee decide which option(s) should receive further analysis.

The HCIDLA representative stated that the 171,000 units are affected by the City's Mandatory Seismic Retrofit Ordinance, almost all of which are subject to the terms of the RSO. It was stated that the estimated seismic retrofit cost would increase a tenant's monthly rent by \$36 under a 50 percent pass-through allowance. This amount would fall to \$18 if the cost of retrofits were to be amortized over a ten, rather than five years. The Department representative stated that policy determinations were needed for whether interest costs should be included and should the pass-through be permanent or a temporary surcharge.

The Department of Building and Safety representative stated that the Department will not issue orders to carry out the requirements of the City's Seismic Retrofit Program until after related policy matters are in place and outreach meetings have been held with property owners. The Department representative also presented technical amendments needed to clarify the City's Mandatory Seismic Retrofit Ordinance.

During the public comment period, tenants and tenant advocates opposed the proposed 50% pass-through. It was stated that inasmuch as the retrofits are capital improvement, the owner benefits in the form of improved property value and should therefore pay for the retrofits. Also, owners will continue to receive the benefit of raising rents after units have become vacant. Other stated that even small increases in rent, along with annual rent increases permitted by the RSO, are too expensive for renters to afford. A representative of an apartment building owners association and a property owner stated that the full cost of retrofits should be passed on to tenants, pursuant to the terms of the RSO. Others stated that a 50% pass-through was agreeable and that there is a need for alternative finance options other than PACE.

Housing Committee members acknowledged that the proposed 50 percent pass-through is a compromise resulting from negotiations with both tenants and landlords. It was stated that the program will protect and preserve affordable housing and tenants in the event of a major earthquake. Committee members expressed support for CAO finance policy options B, C, and H, and recommended that Council request the City Attorney to prepare an ordinance to establish the 50 percent pass-through for seismic retrofit costs and to implement the other details and amendments listed above. Finally, the Committee recommended that HCIDLA report with recommendations for needed resources, a new application that streamlines the pass-through process, and for an option that allows the pass-through application to commence at the moment permits are pulled from the Department of Building and Safety.

Respectfully Submitted,

HOUSING COMMITTEE

A handwritten signature in black ink, appearing to read "Gilbert Cealillo". The signature is written in a cursive, flowing style.

MEMBER

VOTE

CEDILLO: YES
FUENTES: YES
HUIZAR: ABSENT
PRICE: YES
HARRIS-DAWSON: ABSENT

jaw

-NOT OFFICIAL UNTIL COUNCIL ACTS-