

HOUSING COMMITTEE REPORT relative to the enforcement of Ellis Act provisions and the preservation of the City's rent-controlled housing stock.

Recommendations for Council action:

1. DIRECT the Department of Housing and Community Investment (HCIDLA), the City Planning Department, the Department of Building and Safety and the Chief Legislative Analyst (CLA) to report in 120 days relative to:
  - a. An annual cap on demolitions of rental units regulated by the City Rent Stabilization Ordinance (RSO) based on an appropriate percentage of the overall RSO housing stock.
  - b. Withholding the issuance of demolition permits for RSO units until all discretionary and ministerial permits for new construction on the property are formally issued.
  - c. Adapting the concept of Assembly Bill 2222, which calls for density bonus projects to replace pre-existing affordable units on a one-to-one basis, for City use, including projects that seek zone changes, receive government subsidies or remove RSO or other affordable units, and mandate on-site replacement.
  - d. Reviewing the impact the Small-Lot Subdivision Ordinance is having on RSO units when they are replaced by multiple single-family homes that subsequently are renter-occupied, and identifying mechanisms to preserve RSO status or other affordability, minimizing use of the ordinance to evade Ellis Act re-use restrictions.
2. INSTRUCT the HCIDLA, in conjunction with the Department of Building and Safety and the City Planning Department, to:
  - a. Develop a process to require a clearance from the HCIDLA for building permits for major construction, alteration, and addition to, or demolition of properties subject to the RSO.
  - b. Report relative to the inventory of RSO units removed through the Ellis process, and additional recommendations to strengthen enforcement, maximize preservation of the rent-stabilized housing stock, and eliminate any other loopholes that result in the loss of rent-stabilized units or denial of tenant protections under the Ellis provisions of the RSO.
3. INSTRUCT the HCIDLA to:
  - a. Report to the Housing Committee relative to the enforcement of Ellis Act provisions in the City of Los Angeles.
  - b. Review the RSO and how the City regulates implementation of the Ellis Act and report to Council in 120 days with findings and recommendations, including but not limited to potential technical amendments responding to changes in State law, changes mandated by case law, and market conditions, as well as fees, rents, and

amendments to State law that could be pursued.

Fiscal Impact Statement: Neither the City Administrative Officer nor the CLA has completed a financial analysis of this report.

Community Impact Statement: Yes.

For: Westside Neighborhood Council  
Los Feliz Neighborhood Council

## SUMMARY

On May 21, 2015, during its budget deliberation, Council instructed HCIDLA to report to the Housing Committee on enforcement activities for the Ellis Act (Council file No. 15-0600-S36). Budget instruction was referred to the Housing Committee for consideration.

On June 10, 2015, Council considered Motion (Koretz – O'Farrell, Council file No. 15-0728) relative to options for preserving the City's rent-controlled housing stock. Motion states recent real estate financial pressures are spurring activity in the multi-family apartment development market. Given a need for additional housing to meet both current and future demand for safe and affordable places to live, the City is looking at various mechanisms for producing more for-sale and rental units.

As a matter of housing and planning policy, efforts are underway to target transit station areas and commercial corridors for a substantial portion of this housing production. This would allow the City to take advantage of opportunities for targeted density that does not place as much strain on traffic, air quality, neighborhood preservation, and infrastructure.

However, many development proposals are targeting property with existing residential development already in place. Typically this puts at risk the City's affordable housing stock and dislocates tenants, many of whom cannot afford increased rents. And, with state law placing constraints on which units can be rent-controlled and housing construction subsidy limitations impeding the production of an adequate number of new restricted affordable rental units, the preservation of existing units covered by the City's RSO becomes a policy and pragmatic imperative.

For the purposes of ensuring affordability, diversity, and fairness for the renters who constitute a majority of the City's population, the City should develop mechanisms that preserve as many RSO units as is feasible. Council referred Motion to the Housing Committee for consideration.

On June 10, 2015, Council considered Motion (Koretz – O'Farrel, Council file No. 14-0268-S4) relative to amending the RSO and the City's Ellis Act provisions. Motion states that real estate values in Los Angeles have been rising steadily at rates that have outstripped the rate of economic growth. This trend has had an alarming impact on the rental housing market in the City. Los Angeles has been identified as the least affordable housing market in the United States.

Motion movers go on to state that with more than half of all residents being renters and more former homeowners being added to the market after losing jobs and ownership of their homes, the upward pressure on rents has been tangible. The promise of increasing profitability in the rental market has sparked an increase in application of the state Ellis Act to evict tenants and

take rent-controlled units off the market so buildings can be demolished and replaced by market-rate rental projects or condominiums. The total number of Ellis Act - impacted units (including those both occupied and vacant) surged by more than 300% from 2013 to 2014, dislocating thousands of tenants who for the most part are severely pressed to locate new places to live that they can afford. At the same time, the City's efforts to prompt construction of new affordable units has been averaging about 1,100 a year for the last decade, well below the 5,000-plus that housing experts suggest are needed to accommodate the need. Most newly built rental housing is aimed at a much pricier market and is completely exempted by state law from any rent control regulation.

The City's RSO was last reviewed in 2011, with a number of technical amendments subsequently being adopted. In the current evolving market, with more RSO units and tenants at risk than in many years, Motion movers believe that the HCIDLA should review the RSO again. Council referred Motion to the Housing Committee for consideration.

On June 30, 2015, Council considered Motion (Cedillo – Bonin, Council file No. 14-0268-S5) relative to developing a process to require a clearance from HCIDLA for building permits for major construction, alteration, and addition to, or demolition of properties subject to the RSO. Motion states that the Ellis Act establishes the right of landlords to withdraw existing housing accommodations, other than guestrooms or efficiency units within a residential hotel, from rent or lease. Local jurisdictions are allowed to adopt regulations controlling the withdrawal process, the return of withdrawn units to the rental market including penalties for return within two years, and the transfer of these constraints to successors in interest.

Motion goes on to state that there is ongoing discussion on how to amend the RSO and the City's Ellis Act provisions to ensure maximum tenant protections and to protect the existing RSO stock of rental units. In the interim, there is an immediate need to ensure that HCIDLA has the resources and the data necessary to adequately monitor RSO properties, specifically those who may invoke Ellis Act provisions. Motion movers believe that that the Department of Building and Safety and the City Planning Department should immediately begin to coordinate with HCIDLA to guarantee proper monitoring of these properties. Council referred Motion to the Housing Committee for consideration.

At its meeting held October 7, 2015, the Housing Committee discussed this matter with HCIDLA staff. The Department representative stated that under current policy, owners of rental property must give notice to tenants no less than 120 prior to removing the property from the rental property market. Longer notification is required for vulnerable tenants such as the disabled and seniors. HCIDLA has already begun to improve internal procedures and administration, as well as coordinating with other City Departments.

During the public comment period, speakers expressed support for the Koretz Motion. It was stated that preserving existing affordable housing units is more desirable than constructing new ones. Concerns were expressed that some property owners are not acting in good faith. Rental units are purposely kept vacant by owners to bypass the City's Ellis provisions and the RSO. It was suggested that the City declare a housing emergency and implement a moratorium on all new evictions under Ellis. A call was made for greater transparency as too much responsibility for compliance becomes the duty of tenants who are often misled by property owners. An apartment owner stated that rental properties will dilapidate if owners cannot afford to invest in needed renovation.

The Housing Committee recommended that Council approve the recommendations of the various Motions as they appear above. Committee member Harris – Dawson also discussed the need for an escrow type program for the rental housing market to protect tenants from bad faith evictions.

Respectfully Submitted,

HOUSING COMMITTEE

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

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**-NOT OFFICIAL UNTIL COUNCIL ACTS-**