

TRANSMITTAL

To:

THE COUNCIL

Date: 10/19/2016

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero)

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

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October 13, 2016

Council File: **New**
Council District: All
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Honorable Eric Garcetti
Mayor, City of Los Angeles
200 North Spring Street, Room 303
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: REQUEST TO AMEND SECTIONS OF THE HOUSING CODE PERTAINING TO THE FREQUENCY OF INSPECTIONS PERFORMED UNDER THE SYSTEMATIC CODE ENFORCEMENT PROGRAM

SUMMARY

The Los Angeles Housing and Community Investment Department (HCIDLA) respectfully requests approval of a draft ordinance (Attachment A) amending Sections 161.353 and 161.602.1 of Article 1 of Chapter XVI of the Los Angeles Municipal Code (Housing Code) to modify the frequency of periodic housing inspections performed under the Systematic Code Enforcement Program (SCEP). The amendments will change the frequency of inspections from once every three years to once every four years to align the Housing Code with the program's well-established inspection patterns. In addition, HCIDLA requests approval of proposed regulations developed by the Department in accordance with the existing provisions of the Housing Code governing the frequency of inspection of non-compliant properties. These regulations will establish standard criteria to identify problem properties where attention and maintenance are lacking, and will establish the frequency of inspections as once every two years.

These proposed amendments and regulations will create a tiered SCEP inspection program structure: well-maintained and code compliant properties will be inspected once every four years, and non-compliant properties will be inspected on a shorter cycle - once every two years. With these changes, HCIDLA plans to decrease the number of non-compliant properties through more

frequent inspection, and through education provided to owners on the importance of making quality repairs for long-term preservation of their properties.

Hundreds of thousands of families residing in the City's rental housing rely on the SCEP program to provide them with safe, healthy and livable housing units. We believe this objective is best achieved through modification of the Housing Code to meet the needs of City residents who deserve this vital City service, and to advance the Mayor's "Back to Basics" Priority Outcomes of creating safer, more livable and more sustainable neighborhoods.

This request will not result in the creation of any new positions or change the existing annual fee structure. To implement the SCEP tiered inspection structure, the Department intends to maximize its existing staffing resources, and reorganize and redeploy resources where necessary. We are mindful of the City's economic condition, and understand the importance of exercising fiscal prudence. The SCEP program is fully supported by the Systematic Code Enforcement Trust Fund; there is no impact to the General Fund.

We have discussed this proposal with representatives of the Apartment Association of Greater Los Angeles and the California Apartment Association to facilitate a cooperative and participatory process.

RECOMMENDATIONS

The General Manager of the Los Angeles Housing and Community Investment Department respectfully requests that:

- I. Your office schedule this transmittal at the next available meeting(s) of the appropriate Council committee(s) and forward it to City Council for review and approval immediately thereafter;
- II. The City Council, subject to approval of the Mayor, take the following actions:
 - A. Instruct the City Attorney to work with HCIDLA to prepare an ordinance amending Sections 161.353 and 161.602.1 of the Los Angeles Municipal Code pursuant to the recommendations included in this report and summarized below:
 - i. Amend the Housing Code to provide for inspection of all buildings subject to the Housing Code once every four years.
 - ii. Conformance of Section 161.353 to Section 161.602.1 regarding the frequency of periodic inspections.
 - B. Approve Regulations promulgated by the Los Angeles Housing and Community Investment Department in accordance with Section 161.602.1 of the Housing Code.
- III. Authorize the General Manager of the Los Angeles Housing and Community Investment Department, or designee, to prepare Controller's instructions for any necessary technical adjustments consistent with the Mayor and Council Action on this matter, subject to the approval of the City Administrative officer, and authorize the Controller to implement the instructions; and

- IV. Authorize the City Administrative Officer, or his designee, to make technical adjustments to comply with the intent of these recommendations.

DISCUSSION

HCIDLA is committed to continually evaluating our programs to find opportunities for enhancements in the smartest and most innovative ways to deliver quality services to our residents. Recently, staff focused their attention on an evaluation of the Systematic Code Enforcement Program (SCEP) - one of the City's most important programs in advancing the Mayor's "Back to Basics" Priority Outcomes of creating safer, more livable and more sustainable neighborhoods.

Through proactive and comprehensive inspection of both the interior and exterior of the City's multifamily rental housing properties and enforcement pursuant to the Housing Code, we have made incredible progress towards improving living conditions and quality of life for millions of Los Angeles residents. Since the Mayor and City Council first enacted SCEP in 1998, the program has evolved and matured into one of the most successful inspection programs to the point that 96 percent of properties within the program's inventory are code compliant. It has a profound impact on the 60 percent of Los Angeles residents who live in rental housing by preserving safe and healthy living conditions for these residents, and reducing neighborhood blight in their communities.

We have now completed three full inspection cycles of the 100,000 plus rental properties in the City, comprised of over 760,000 units. Despite many challenges, the results of the SCEP program's efforts are remarkable: we have decreased the number of number of substandard rental housing units from 150,000 in 1998 to less than 1,800 today; of all properties inspected, 31 percent are free of code violations and are not issued a Notice to Correct; 96 percent of property owners make timely corrections of cited code violations and restore rental properties to clean and safe condition; and property owners have resolved more than 5 million code violations to date.

We value the strong relationships we have created with both tenants and property owners. Without the cooperation and diligence and of the City's rental housing property owners, we would not have achieved this level of success. We appreciate their hard work and commitment, and acknowledge their efforts to maintain well-kept, healthy homes for hundreds of thousands of families.

Now, it is time to concentrate our efforts on the small proportion of blighted properties in our City where compliance remains a challenge. We believe this is best achieved through implementation of a shortened, two-year inspection cycle for poorly maintained properties, and a four-year cycle for better-maintained and managed properties. As always, a robust complaint system will continue to provide rapid response to tenant and owner-reported code violations that occur between the systematic inspections.

SCEP: History

The Los Angeles City Council first considered a systematic inspection program in 1993 when it recognized that the 15,000 complaint inspections performed each year by the Los Angeles Department of Building and Safety (LADBS) did not prevent the deterioration of the City's multifamily residential housing stock. Despite the passage of local laws to establish stringent

building codes and habitability standards, housing conditions progressively worsened in Los Angeles. Simply responding to complaints was ineffective at ensuring all of the City's rental units were safe and habitable, as required by State and local law.

The Housing Code was developed through a public-private partnership, after an independent panel of concerned citizens organized themselves and invited the Mayor and City Council to appoint additional representatives to the group. The Blue Ribbon Citizens Committee on Slum Housing examined the City's housing conditions and proposed the framework for a three-year periodic housing inspection program. In 1998, the Los Angeles City Council enacted the Housing Code as law and established the Systematic Code Enforcement Program to address the citywide rental housing crisis of neglected and deplorable living conditions in the City's residential rental buildings.

Through the implementation of proactive, routinely scheduled housing inspections of all multifamily rental properties in the City, the program enforced compliance with the Housing Code and restoration of properties to acceptable living conditions for the City's rental population. Although the Department strived to meet a three-year cycle, it was impossible to achieve due to the lack of adequate resources and a rapidly expanding program. The City Controller recognized this fact, and, in two previous audits, recommended that the Department analyze the resources needed to move to a three-year inspection cycle as mandated in the Housing Code, or amend the Housing Code to align with actual inspection cycle times.

The City Controller's Audits

In 2001, the City Controller evaluated the SCEP and identified significant resource and staffing problems that prevented the SCEP from achieving the goal of inspecting multifamily units once every three years. Due to the uniqueness of the program, the City Controller employed the services of an independent auditor with expertise in code enforcement. To quote directly from the audit, the report indicated the following: "SCEP goals of inspecting every multifamily unit every three years is not possible...the target of three-year inspections of all multifamily units is not feasible." As a result, the Controller made 15 recommendations for program improvement and noted that, in its current state, the Department would need to increase SCEP inspection staffing levels by 400% to meet the goal of inspecting every property once every three years. Later, the Mayor and Council took actions to increase the Department's staffing by 87%.

In 2007, the Controller conducted a "Follow-up Audit" of the SCEP. This audit found that the SCEP had fully implemented 12 of the original 15 recommendations and had increased SCEP staffing by 87%. Moreover, the audit finding reiterated that it is highly unlikely that the Department would be able to achieve the three-year mandated inspection cycle without considerable additional resources. In late 2007, the City was affected by the 'Great Recession' and experienced financial problems, and implemented a hiring freeze, thus further limiting the Department's ability to obtain additional resources and staffing needed. Despite these challenges, the SCEP program continued to create efficiencies through technological enhancements.

In 2008, the program replaced outdated data collection devices with technologically advanced handheld computer tablets to document inspection findings. These devices facilitated the seamless transfer of data to the Department's database that integrated several different data sources into one

system to improve accuracy, eliminate duplication of data, and track ownership and property information. As a result of these enhancements, the program achieved a 4 year inspection cycle in Cycle 2 (1/1/06 – 12/31/09), and a 4.5 year inspection cycle in Cycle 3 (1/1/10 – 6/30/14) with a fraction of the staffing initially recommended in the Controller's first audit.

TIERED INSPECTION APPROACH

HCIDLA has carefully reviewed these past audit recommendations and examined the appropriateness of a three-year inspection cycle across all properties in the City. We have evaluated data collected over the previous three inspection cycles. We realize that application of the same inspection cycle for all properties does not meet the current needs of our residents.

After three inspection cycles over the last 18 years, our data indicates that 96 percent of property owners are continuing to maintain well-kept rental properties, and about four percent are not maintaining their properties. We recognize that we should focus more attention and enforcement efforts on these non-compliant properties that are more likely to fall into persistent disrepair on a shorter inspection cycle. This is best achieved through modification of the Housing Code.

How will it work?

Under a tiered inspection program, the City's rental properties will be inspected on a two- or four-year cycle, depending on the assigned service level tier. Based on HCIDLA's most recent data, 96% (97,689) of the City's rental housing properties will fall under a four-year inspection interval, and about 4% (4,035) will fall under a shortened, two-year inspection interval.

A tiered inspection cycle maintains the original intent of the Housing Code as it provides for more frequent inspection of problem properties on a more accelerated inspection schedule, with the frequency and intensity of inspections determined by each building's current condition. This approach adds an incentive to property owners by encouraging regular maintenance of their properties in order to be moved out of the two-year inspection cycle and into a four-year cycle.

We are building upon the existing SCEP inspection process and structure. It is important to underscore that the existing inspection process will not change. The only change will be in the frequency at which an identified non-compliant property will be inspected.

Under the current process, Inspectors conduct an initial inspection to identify and document observed Housing Code violations and issue written notices to property owners for corrective action. For most violations, property owners must abate conditions within 30 days; however, if life-threatening conditions are present, the compliance period is reduced accordingly. After the compliance period ends, the inspector performs a reinspection of the property to determine if compliance is met. If the property owner fails to comply within the mandated compliance period, the property owner is summoned to an administrative General Manager's Hearing to explain the reason for non-compliance. The General Manager may forward non-compliant cases to the City Attorney for prosecution.

Inspection Regulations

HCIDLA has developed regulations (Attachment B) to clarify a provision of the ordinance governing the inspection of problem properties. These regulations establish standard criteria to identify problem properties and implements a shorter inspection cycle (once every two years) to concentrate enforcement efforts on properties where attention and maintenance are lacking. The criteria is based on the Department's Reliable Information to Score Effectively data (RISE).

HCIDLA created RISE in response to the Controller's prior audit recommendations to assign risk scores to each property under the SCEP program depending on condition of the property. The inspections would be prioritized based on the properties' risk scores.

Under the RISE scoring methodology, all properties start with a base score of 10, and subsequently lose points based on the scale below for a number of factors such as failing to timely comply with Department-issued orders, being issued a substandard property notice, or receiving more than three complaints.

Criteria	Points (subtracted from 10)
Case takes over 120 days for compliance	-1
Number of violations is over 5 per unit	-1
Case is referred to enforcement	-1
Property had more than 3 valid complaints	-1
Case required a GM Hearing	-1
Property was issued a substandard order	-3

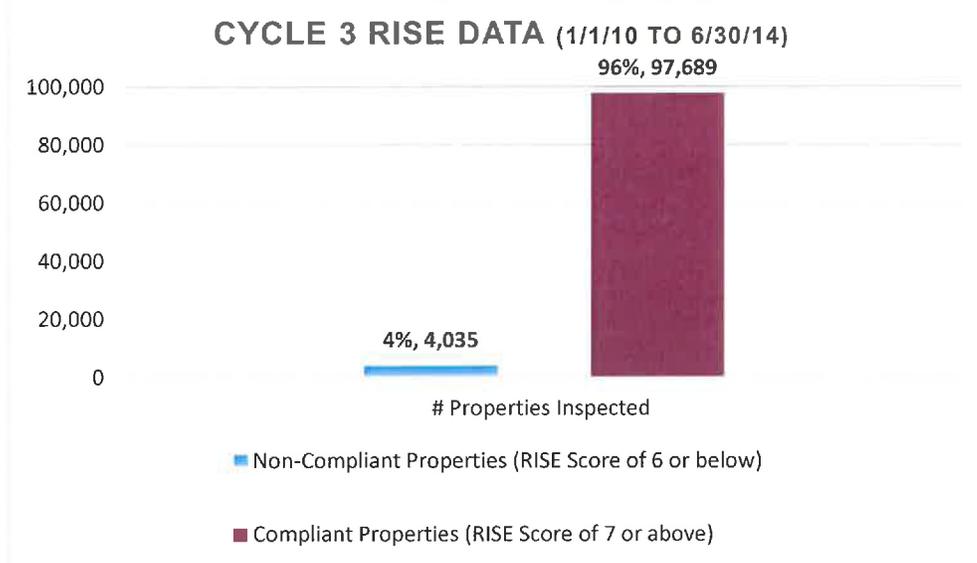
Properties that score six or below are identified as low-scoring RISE properties. Inspections will be conducted on a two- or four-year inspection cycle, depending on the assigned service level tier.

- **Tier 1 - 4 Year Cycle**
 - Well-maintained properties that are free of cited code violations, or have resolved cited violations within the mandated timeframe.
- **Tier 2 - 2 Year Cycle**
 - Poorly maintained properties with a history of multiple cited violations, complaints, and failure to resolve violations within the mandated timeframe.

At the beginning of each inspection cycle, HCIDLA will review RISE reports for the preceding inspection period and assign properties to the appropriate tier. If a property scored six or below in

the previous inspection period, the property will be assigned to Tier 2 for inspection. If a property scored seven or above, the property will be assigned to Tier 1 for inspection.

The bar graph below represents the results of the RISE scores for properties inspected in Cycle 3.



How does a property move from Tier 2 to Tier 1?

A property that earns a low RISE score (6 or below) in the previous inspection cycle is placed into a two-year cycle (Tier 2). At the completion of the next two-year inspection cycle, a property may move out of Tier 2 into Tier 1 if the property earns a RISE score of seven or above during the cycle. Removal from one tier to another is contingent upon the property’s performance during the cycle.

FISCAL IMPACT

The SCEP program is supported by the Code Enforcement Trust Fund; there is no impact to the General Fund. The program is fully cost recovery through assessment of the Systematic Code Enforcement Program Fee. LAMC Section 151.05.1 authorizes pass through of the Systematic Code Enforcement fee to tenants. Additional inspections beyond the initial inspection and reinspection are assessed at \$201.50 per inspection; however, there is no allowable passthrough to tenants.

CONCLUSION

With these changes, HCIDLA can focus resources on buildings that require the most attention, while ensuring all buildings are inspected on a reasonable inspection cycle. Most importantly, these changes will expedite the City’s ability to address neglected housing conditions for the

tenants who are subjected to live in such conditions, and incentivizes owners to timely correct cited code violations.

One of the most important features of this proposal is that tenants will not have to bear the financial burden of additional inspection fees; there is no cost to the tenants. The additional inspections will be billed to the property owner under the Department's existing fee structure for additional inspection billing. Under this fee structure, there is no provision for passthrough to tenants.

Another significant aspect of this proposal is that we plan to execute these changes utilizing existing staffing in lieu of additional resources. We intend to restructure and reorganize, where necessary, to implement these program changes. There is no change required in the fundamental structure and process of the SCEP program.

These changes will not result in a reduction of services for properties assigned to a four-year cycle. As stated earlier, our robust complaint system is still in place, and will continue to provide rapid response to tenant and owner-reported code violations that may occur between systematic inspections for both Tier 1 and Tier 2 assigned properties.

Additionally, through our Enhanced Repair Pilot Program recently approved by the Mayor and City Council (CF: 15-0463), we are promoting increased communication between HCIDLA, tenants and owners in an unprecedented way during complaint response. For the first time, we are offering pre-repair conferences where inspection staff meet personally with owners to provide guidance on obtaining quality repairs using lead-safe work practices, acquiring permits, and educating them on the inspection process. We are enthusiastic about this pilot program and expect positive outcomes. Although our program is regulatory in nature, we believe that working with owners in a cooperative spirit will encourage timely compliance and ultimately reduce the likelihood of these properties falling back into disrepair. Both Tier 1 and Tier 2 assigned properties located in the designated Pilot Program areas (East and Central regions) will benefit from these enhanced services when the Department responds to complaints initiated by occupants or owners of rental units.

The reality is that our program must evolve to meet the changing needs of housing conditions in the city. Our primary objective is to preserve habitable and livable housing units for the residents of our city in the spirit of the original legislation, and prevent deterioration of rental housing through enforcement of the Housing Code. A tiered inspection approach will facilitate attainment of this goal.

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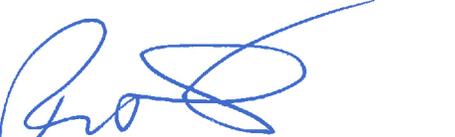
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Attachments

- Attachment A: Proposed amendment - LAMC §161.353
Proposed amendment - LAMC §161.602.1
Attachment B: Inspection Regulations

cc: Housing Committee

ORDINANCE NO. _____

An ordinance amending Sections 161.353 and 161.602.1 of Article 1(Housing Code) of Chapter XVI (Housing Regulations) of the Los Angeles Municipal Code to modify the frequency of periodic inspections conducted under the Systematic Code Enforcement Program.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. Section 161.353 of Division 3.5 of Article 1 of Chapter XVI of the Los Angeles Municipal Code is amended to read:

ARTICLE 1, DIVISION 3.5

SEC. 161.353 FREQUENCY OF INSPECTION.

The frequency with which a building is inspected over a four year period shall be determined by the General Manager or an authorized representative based on its condition, however, each building shall be inspected at least once every four years.

Sec 2. The first sentence of the first unnumbered paragraph in Section 161.602.1 of Division 6 of Article 1 of Chapter XVI of the Los Angeles Municipal Code is amended to read:

ARTICLE 1, DIVISION 6

SEC. 161.602.1 PERIODIC INSPECTIONS.

Except as specified otherwise in this article, the Department shall make every effort to conduct a periodic inspection, once every four years, of the common areas and all buildings and dwelling units within the scope of this article.

PURPOSE

The purpose of these regulations is to establish criteria based on a risk-based approach to determine when a property shall be inspected more frequently because it poses a substantial risk of violations of the Los Angeles Housing Code (LAMC Chapter XVI, Article 1).

AUTHORITY

These regulations are established in accordance with authority set forth in LAMC §161.602.1.

DEFINITIONS

RISE. (Reliable Information to Score Effectively): Inspection activity data utilized to assign risk scores to each property under the SCEP program to determine tier service level assignment.

Reliable Information. Inspection data collected in the Department’s proprietary database known as the Code, Compliance and Rent Information System.

RISE Score. A risk score assigned to a property based on risk-assessment profile results generated from the RISE Report at the end of each inspection cycle.

Low RISE Score. A RISE score of six or below.

RISE SCORE METHODOLOGY

Tier assignments will be reviewed after the inspection cycle is completed. A property starts with a base score of ten (10) points. Points are deducted based on the following objective Tier Assessment Criteria:

Tier Assessment Criteria

Case takes over 120 days for compliance	- 1
The average number of violations is over 5 per unit	- 1
Case is referred to enforcement	- 1
Property received more than 3 valid complaints	- 1
Case required a GM Hearing	- 1
Property was issued a substandard order	- 3

FREQUENCY

Except as otherwise specified in these regulations, a property shall be inspected once every four years.

MORE FREQUENT INSPECTION

A property with a low RISE score shall be inspected once every two years.

EXCEPTION

A property shall be inspected more frequently than provided in these regulations when ordered by the General Manager or General Manager's representative pursuant to the Los Angeles Housing Code.

APPEALS

Any person or entity subject to periodic inspection pursuant to Subsection 600.10.42 of this regulation may appeal to the Department in accordance with Los Angeles Housing Code.