


**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: June 25, 2018

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

FROM: Sharon M. Tso 
Chief Legislative Analyst Council File No: 18-002-S64 and 18-0002-S62
Assignment No: 18-05-0484 and 18-05-0466

SUBJECT: Resolution to SUPPORT AB 2364

CLA RECOMMENDATION: Adopt Resolution (Ryu - Wesson) and Resolution (Koretz - Bonin) to include in the City's 2017-2018 State Legislative Program, SUPPORT for AB 2364 (Bloom) which would extend the period in which landlords must re-offer rental units to residents displaced by the withdrawal of those units.

SUMMARY

The Resolutions (Ryu - Wesson) (Koretz - Bonin), introduced May 15, 2018 and May 18, 2018, respectively, advise that the City is undergoing a major rental housing crisis and that the Ellis Act was originally adopted with the intent to allow landlords a method of removing their rental units from the market but has become a method used to remove rent stabilized units from the market for more profitable uses. Compounded alongside low vacancy rates, displacement and lack sufficient eviction notice represent a substantial hurdle for displaced residents.

The Resolutions further advise that AB 2364, currently pending in the California State Assembly, would give displaced residents increased flexibility to seek damages when landlords withdraw and subsequently re-rent units within five years. AB 2364 would also extend the period in which a landlord who re-rents previously withdrawn units must offer them to former residents and prohibits gradual re-introduction of units withdrawn from the rental market. AB 2364 would stabilize neighborhoods by stopping withdrawals for rental rate increases and would provide displaced residents a simpler process for reclaiming their former homes.

The Resolution recommends that the City support AB 2364.

BACKGROUND

The Ellis Act, adopted in 1985, allows landlords to exit the rental market by evicting tenants without cause under stipulated procedures. The law was created in response to the California Supreme Court decision of *Nash v. City of Santa Monica* (1984) which upheld the power of a city to require a property owner to obtain a permit to demolish their rental property and cause its removal from the market.

The law currently allows landlords to withdraw units, including rent controlled units, and re-offer the units at market rate after five years of being withdrawn from the rental market. This has resulted in no-fault evictions intended to clear the way for the raising of rental rates, demolishing of affordable units for the development of new market rate units, and gradual re-introduction of units at market value rental rates.

According to the Coalition for Economic Survival, the number of Ellis Act evictions peaked during the housing bubble and has climbed again significantly following recovery from the Great Recession. The number of withdrawals has consistently increased since 2013, contributing to the loss of rent controlled units Citywide.

In order to strengthen enforcement and protect the intent of the Ellis Act, AB 2364 seeks to extend the period in which the landowner is liable to a displaced resident from 2 to 5 years after the withdrawal. Within this period, a re-introduced unit must be first offered to the displaced tenant who has notified the landlord of their interest in returning to the unit. Furthermore, AB 2364 would change the time period in which the landlord could be liable for damages from within 3 years of withdrawal to within 1 year of re-introduction. The bill would also eliminate the cap on punitive damages which was formerly set at an amount no to exceed the value of 6 months' rent and prevent landowners from gradually re-introducing units they have withdrawn. The revisions proposed by AB 2364 would require a landowner who wants to return one unit to return all units from the same property.

AB 2364 was denied passage on May 31, 2018.

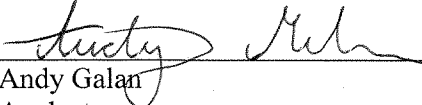
Support of AB 2364 is consistent with City efforts to expand protections for renters, prevent the displacement residents from their communities, and preserve the affordable housing stock Citywide.

DEPARTMENTS NOTIFIED

Housing and Community Investment Department

BILL STATUS

02/14/18	Introduced
03/22/18	Amended and referred to Committee on Housing & Community and the Judiciary Committee
04/25/18	Approved by Committee on Housing & Community Development and re-referred to the Judiciary Committee
04/30/18	Amended and re-referred to Judiciary Committee
05/03/18	Amended and re-referred to Judiciary Committee
05/08/18	Approved as amended by the Judiciary Committee
05/10/18	Ordered to third reading
05/31/18	Read third time, refused passage


Andy Galan
Analyst

Attachments: 1. Resolution (Ryu - Wesson)
2. Resolution (Koretz – Bonin)

RESOLUTION

ELECTIONS INTERGOVERNMENTAL RELATIONS

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, in 1985, the California Legislature adopted the Ellis Act in response to the California Supreme Court decision in the case of Nash v. City of Santa Monica, which allows landlords to remove their rental units from the market after providing sufficient notice to tenants; and

WHEREAS, landlords have withdrawn rental units from the rental market and gradually reintroduced them at higher rental rates, which was not an intended use of Ellis Act withdrawals and represents a significant loophole that has resulted in unjustly increased rent and the displacement of many residents; and

WHEREAS, alongside low vacancy rates citywide, displacement and a lack of sufficient eviction notice represent a substantial hurdle for displaced residents; and

WHEREAS, currently pending in the California State Assembly is AB 2364 (Bloom) which gives displaced residents increased flexibility to seek damages when landlords displace them by withdrawing a property from the rental market and proceed to re-rent units within five years; and

WHEREAS, the bill would extend the period in which landlords who re-enter the rental market must re-offer units to the former tenants and ensures that landlords cannot gradually re-introduce units withdrawn from the rental market; and

WHEREAS, AB 2364 (Bloom) would stabilize neighborhoods by stopping withdrawal of units for rental rate increase purposes and would provide displaced tenants with a simpler process of reclaiming their former homes.

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 2017-2018 State Legislative Program SUPPORT of AB 2364 (Bloom) which would extend the period in which rental accommodations withdrawn from the market must be offered to displaced tenants and would increase the available penalties for rental units withdrawn and re-rented within five years.

PRESENTED BY: David E. Ryu
DAVID E. RYU
Councilmember, 4th District

SECONDED BY: Steph Wang

MAY 15 2018

RESOLUTION

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

WHEREAS, California, and Los Angeles in specific, are undergoing a rental housing crisis of major proportions; and

WHEREAS, the state Ellis Act ("the Act"), originally adopted to provide small-scale property owners an orderly way to evict tenants and withdraw their multi-family rental buildings from the market while giving local jurisdictions an opportunity to require relocation assistance for displaced tenants, arguably has become a method by which many units of rental housing are removed from the market or rent stabilized status so that owners can pursue more lucrative uses of the property; and

WHEREAS, the Ellis Act could be amended to provide evictees additional protections against the hardships that sometimes stem from property owners invoking the Act; and

WHEREAS, AB 2364 (Bloom) proposes to amend the Act to require only one withdrawal date for an entire property and that if any unit in the building is returned to the rental market, then the whole building would be back on the market; and

WHEREAS, the bill also proposes to revise the circumstances and procedures whereby an owner is required to offer displaced tenants and lessees an opportunity to return to their units if they come back onto the rental market within 10 years; and

WHEREAS, the bill also would require that the rental agreement or lease to be offered be the same as that in effect at the time of the displacement; and

WHEREAS, the bill also would extend the time period from two to five years during which the various provisions of the Act govern an owner who returns the withdrawn units to the rental market; and

WHEREAS, THE BILL would reduce the time limit to one year from the date when the withdrawn accommodations are offered again for rent or lease that a legal action may be brought under these provisions, but eliminate the limit on punitive damages specified in the Act as being no more than six months' rent; and

WHEREAS, the City has previously sought or supported amendments to the Ellis Act and AB 2364 is consistent with its goal of offering additional protections to tenants.

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 2018 State Legislative Program SUPPORT for Assembly Bill 2364 to amend the Ellis Act to provide stronger protections for displaced tenants.

PRESENTED BY: _____
PAUL KORETZ, Councilmember, Fifth District

SECONDED BY: _____

MAY 18 2018