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July 30, 2021

The Honorable Public Safety Committee
200 N. Spring Street
Los Angeles, CA 90012

Council File 20-0146

Honorable Councilmembers:

In response to the City Council action on September 29, 2020, and the motion introduced by Councilmembers Mike Bonin, Bob Blumenfield, and Paul Koretz, the Los Angeles Fire Department (LAFD) appreciates the opportunity to submit the following report regarding recommendations to retrofit all previously exempt non-sprinklered residential high-rise buildings in the City of Los Angeles. This report is hereby transmitted to the City Council's Public Safety Committee for consideration and approval.

Should you need additional information, please contact Assistant Chief Orin Saunders, Acting Fire Marshal at (213) 978-3750.

Sincerely,

Assistant Chief Orin Saunders
Acting Fire Marshal

Attachments

Summary:

On September 29, 2020 the City Council adopted a Motion (Bonin - Rodriguez) instructing the Fire Department (LAFD) and Department of Building and Safety (DBS), with the assistance of the City Attorney and the Housing and Community Investment Department (HCID) to report with a plan and process to require residential high rise buildings built between 1943 and 1974 to retrofit and install sprinkler systems.

Specifically, the departments were instructed to report with:

- A. Recommended options for implementation.
- B. A timeline for implementing the program, including phases and milestones.
- C. An assessment of all buildings and prioritization of the most vulnerable buildings.
- D. Requirements for privately owned buildings and corporately owned buildings.
- E. Considerations for tenant protections and owner rights.
- F. Considerations of Rent Stabilized Ordinance units and issues around them.
- G. A general overview of the costs associated with these types of retrofits.

The Council also instructed the City Administrative Officer (CAO), with the assistance of the Chief Legislative Analyst (CLA) to report in regards to financing options and the feasibility of using Federal Housing and Urban Development or Federal Housing loans, multifamily housing revenue bonds, state and local funds and finance tools to assist building owners with the costs of these upgrades. The CAO's response to this direction is included as part of this report.

Recommendations:

That the Council:

1. Instruct LADBS and LAFD Inspectors to survey a sample of a mix of high-rise buildings including both commercial and condominiums of different construction types
2. Request the City Attorney to report on the feasibility of waiving building permit fees for property owners seeking compliance with a high-rise sprinkler compliance ordinance

Background

The existing High-Rise Retrofit Ordinance was enacted in 1988 providing the path for approximately 365 non-residential high-rise buildings to become fully sprinklered. The Los Angeles Department of Building and Safety administered the program since the inception and still maintains a Senior Investigator for this function. This ordinance did not capture residential high-rise buildings in the City of Los Angeles. There are fifty-five residential high-rise buildings made of condominiums and Corporate owned buildings. There have been significant fires in residential high-rise buildings in the City, some of which have had loss of life and sprinklers can provide a tremendous benefit in fire protection.

Options for Implementation

There are a variety of options for implementation of this program. The initial focus should be

the main support infrastructure. This would encompass water storage tanks, fire pumps, supply pipes for water systems and standpipes. The initial approach could be in multiple phases. One approach would be to install the sprinklers inside all units working on one floor of a building at a time, once the entire floor has no occupancy in the units. An alternative approach could be having piping installed in the hallways and as tenants move out, extend the piping and add sprinklers inside the individual units. Additional important life safety systems such as smoke evacuation, stairwell pressurization and elevator vestibule construction can be installed without tenants moving out of units and on a regular prearranged schedule.

Assessment of buildings and prioritization of the most vulnerable buildings

Currently in the City, there are 55 residential high-rise buildings that have not been sprinklered. 36 of these buildings are corporately owned and 19 are condominiums. Six residential high-rise buildings are senior living, four of which are corporately owned and two are listed as condominiums.

Our departments recommend that a team of LADBS and LAFD Inspectors survey a sample of a mix of High-Rise buildings both commercial and condominiums of different construction types prior to the implementation of any retrofit mandate, in order to get a full range of potential challenges. This survey will also enable the departments to determine a realistic timeframe for sprinkler installation. After a sample of buildings have been analyzed, the remaining non-sprinklered residential High-Rise buildings should be inspected. A General Fund Appropriation would be needed to compensate LADBS Inspectors that are paid for out of the Enterprise Fund. This cost for LADBS would be approximately \$33,000. Buildings that have had previous structure fires should be prioritized for inspection and required to install sprinkler systems before buildings that have no history of fire. Other Important factors, such as the age of the building, type of fire protection systems previously installed and specific hazards will also aid in determining a priority order.

Requirements for privately and corporate owned buildings

A total of 9,253 residential units are located in non-sprinklered residential high-rise buildings with a mix of ownership types, as reflected in the table below:

Ownership Type

	Corporate	Non-Profit Corporation	City	Natural Person
Apartment Properties (APN)	17	5	1	0
Apartment Units	5,188	1,010	196	0
Condo Units	158	0	0	2,701

Most apartments are corporately-owned. There is no major difference between individually-owned and corporately-owned apartments. However, all the non-profit corporations have an affordable housing covenant that will regulate tenant protections.

Unlike apartments, there is a difference between individually-owned and corporately-owned condos. Only 2.5 percent of condos are corporately-owned. Therefore, this small number of condo units are subject to state rent control laws under Assembly Bill (AB) 1482. Note that most condo rent rates are not regulated by the Rent Stabilization Ordinance (RSO) because the Costa Hawkins Act prohibits regulation of rents in condominiums for tenancies that were initiated after December 31, 1995.

Generally, privately and corporately owned buildings include, but are not limited to, apartment buildings and condominiums. The ownership entity type will dictate the notification process by the departments of any new retrofitting requirement in order to comply with legal notification requirements for corporations versus individuals.

- 1) For condominiums, Homeowner Associations (HOAs) must also be considered for all related notifications.
- 2) Noticing requirements to LLC, LLP and Corporations involves multiple mailings versus noticing a single private owner.
- 3) For LLC, LLP and Corporations, noticing must include any Agent of Service, Managing members, and Managing Partners.
- 4) Corporate owned condominiums that are not subject to the Rent Stabilization Ordinance (RSO) are regulated by state law Assembly Bill 1482.

Considerations for tenant protections and owner rights

Tenant protections and landlord cost recovery options under existing local and state laws vary depending on the unit type. The unit types are: (1) RSO apartments and condominiums, (2) Non-RSO units that are subject to state law AB 1482, (3) Properties that are not regulated by the RSO nor AB1482 (*See Attachment 1*). Generally, RSO properties have greater tenant protections which provide for either temporary relocation of tenants or permanent relocation at the option of the tenants when work is projected to take 30 days or more. The RSO also has cost recovery programs for landlords. Units exempt from the RSO may still have state law eviction and relocation rights under AB 1482, but these are weaker than the city laws. Condo units are unique because the RSO offers some tenancy protections, but due to the Costa Hawkins Act the RSO can not regulate rent increases for tenancies initiated after December 31, 1995. Most condos do not have rent increase regulations under either the RSO or AB 1482.

Considerations of Rent Stabilized Ordinance units and issues around them

Properties subject to the RSO have tenant protections. When a unit becomes uninhabitable due to the renovation work, the RSO allows for temporary relocation under a Tenant Habitability Program (THP) with a tenant option to permanently move out in exchange for relocation assistance ranging between \$8,950 to \$22,350 when the work is projected to take 30 days or more. If a tenant chooses to return to their unit their rent remains the same and only increases if the Housing Department approves a cost recovery application.

There are two ways a landlord can recover costs under the RSO. First, if tenants do not voluntarily choose to permanently relocate and instead return to the same unit, then the landlord may apply

for 100% cost recovery either as a permanent rent increase capped at a monthly rate of a 10% rent increase or as a temporary \$75 monthly surcharge until the 100% of the costs are recovered (*See Attachment 2*). Second, when tenants voluntarily move out either by choosing to permanently relocate under a THP or with a buyout agreement, the initial rent for the subsequent tenant can be set at market rate which may serve as a method of cost recovery. In contrast, if a landlord terminates the tenancy, then the initial rent for the subsequent tenant is not decontrolled (not set to market) and the subsequent initial rents for new tenants must be the amount the prior tenants were paying. Landlords who evict tenants for a no-fault reason can generally never set the rent to market for the subsequent tenant resulting in inability to recover costs for renovation work. If the City seeks to explore an alternative cost recovery and relocation program designed to address the specific needs of the fire-sprinkler retrofit program, then amendments to the existing rules may be required.

The Non-RSO units have state law protections under AB 1482 with no cost recovery programs and limited tenancy protections. Under AB 1482, if the tenancy is not terminated, then the maximum increase within a 12-month period is 5% plus inflation, as measured by the Consumer Price Index (CPI), or 10%, whichever is lower. If the work takes at least 30 days, then tenancies can be terminated for one month's rent in relocation assistance and rents on a subsequent tenancy can be market rate. Affordable units are not regulated by either AB 1482 or the RSO, but are subject to the THP rules. Cost recovery options for landlords of affordable units will likely be limited by the terms of the covenants.

Unit Type

Unit Type	Apartment Units	Condo Units	Total
RSO Units	4,664	2,842	7,506
Non - RSO Units <i>(Also, not subject to AB 1482)</i>	1,412 (1,005 Affordable Covenant, 196 HACLA, 211 Hotel)	17	1,429
AB 1482 Units	318	158	476

General overview of the costs associated with these types of retrofits

The Mechanical Division of LADBS conducted an analysis to estimate the cost of installing Fire Protection Systems in 21 of the existing highrise buildings that are included in the Residential High Rise Retrofit list. Ten of the buildings selected were between 75 ft and 150 ft in height and the other 11 were more than 150 ft high. This analysis includes plan check and permit fees, cost estimates of material and installations for sprinkler heads, standpipes and hose valves, firepumps, FDC connections, water storage tanks, and water supply piping from the City water main to the building. To generate these cost estimates, engineers from the Mechanical Division contacted more than ten fire protection contractors that have experience and knowledge in designing and installing fire protection systems in residential high rise buildings. The contractors were given building specifics related to building height, residential unit average area and number of floors. The

contractors were also asked to provide high and low cost estimates for each of the cost categories listed above. Each contractor provided cost estimates for two buildings, one building less than 150 ft in height and one more than 150 ft in height.

Results

The cost estimate of two of the 21 buildings selected for this analysis were more than three times higher than the average cost calculated. Since the same contractor provided these high estimates, the cost of these two buildings were discarded to obtain a more accurate average cost. The results of this analysis are summarised in the three tables provided below, Table C-1 shows the cost estimate for a typical 12 story building, Table C-2 shows the high and low cost estimates in \$ per SQ FT for the 9 buildings selected that are 150 ft or less in height, and Table C-3 shows the high and low cost estimates in \$ per SQ for the 10 buildings that are more than 150 ft high. Please note that the average cost estimate in \$ per SQ FT for buildings higher than 150 ft is approximately 7% higher than the buildings that are 150 ft or less. This additional cost is attributed to the cost and installation of additional equipment like backup pumps, water storage tank, tank and fill lines which are normally required for buildings that are higher than 150 ft.

Plan Check and Permit Fees	Sprinkler Installation	Standpipes and Hose Valves	Fire Pumps , FDC and Water Supply	Total
\$40,000	\$812,000	\$136,000	\$125,000	\$1,113,000

Table C-1 . Estimated cost to install sprinkler and standpipe systems in a typical existing 12 story residential building

No	Low Cost Estimate (\$/SQ FT)	High Cost Estimate(\$/SQ FT)
1	\$4.59	\$7.66
2	\$4.65	\$5.65
3	\$6.36	\$8.00
4	\$2.43	\$4.12
5	\$2.88	\$3.57
7	\$5.30	\$6.74
8	\$6.08	\$8.50
9	\$4.15	\$5.44
Average	\$4.56	\$6.21

Table C-2. Cost estimate in \$/SQ FT for the 9 buildings selected that are 150 FT or less in height.

No	Low Cost Estimate (\$/SQ FT)	High Cost Estimate (\$/SQ FT)
1	\$4.64	\$5.96
2	\$5.40	\$8.20
3	\$2.47	\$4.16

4	\$6.36	\$8.00
5	\$3.53	\$6.64
6	\$3.98	\$4.81
7	\$7.08	\$9.52
8	\$4.18	\$5.55
9	\$5.34	\$8.12
10	\$4.17	\$5.43
Average	\$4.72	\$6.64

Table C-3. Cost estimate in \$/SQ FT for the 10 buildings selected that are less more than 150 FT in height.

Timeline for implementing the program, including phases and milestones

There are 4 major phases to implement the High-Rise Residential Fire Protection Retrofit program, System Design and Plan Development, Plan Check and Permit Issuance, Construction, and Inspection and Final Approval. The table below provides the entity responsible for each phase and, estimated timeline for each phase, the milestones in each phase and remarks providing additional information. It is estimated that it could take from 2.5 years to 5 years to complete one building.

Phases and Timelines For Completion				
Phase	Responsibility	Estimated Time to Complete	Milestones	Remarks
System Design & Plan Development	Design Engineer/Contractor	6 to 7 months	<ul style="list-style-type: none"> - Survey the building - Generate architectural plans if not available - Complete system design - Generate Fire Sprinkler plans 	Fire protection systems designers were contacted to obtain this information.
Plan Check and Permit Issuance	LADBS- Mechanical Division	4 to 12 months	<ul style="list-style-type: none"> - initial plan review and writing corrections - Meetings with designers to verify that all corrections have been addressed - Design approval and plan stamping - Permit issuance 	It usually takes from 6 weeks to 4 month for LADBS to approve the plans depending on how fast the designer addresses the plan check corrections and submit the revised plans for a second review. There is about a 10 % chance that the plans may take about 12 month to be approved, however, this only happens when the developers/designers are not in hurry and they do not respond to the plan check corrections in a timely manner.

Construction and Installation	Fire Protection Contractor	1.5 to 2.5 years	<ul style="list-style-type: none"> - Standpipe and hose valves installations - Underground water supply piping and tankfill lines - Fire pump installation - Branch piping and sprinkler installations - testing 	LADBS contacted several industry professionals to obtain information related to the construction and installation of sprinkler systems in high rise residential buildings.
Inspection and Final Approval	LADBS and LAFD Inspection	2- 4 months	<ul style="list-style-type: none"> - Inspect Standpipes, pumps and underground water supply pipes. - Inspect branch lines and sprinkler installations - Final approval and sign off 	LADBS and LAFD will perform the majority of the required inspections during the system installation period. Final inspections will include wiring of alarm and trigger devices, water flow tests, backflow devices and final walk through.

Average Cost Per Unit Fire Sprinkler Installation Projections

The projections listed below are based on the average improvement square footage identified by the Los Angeles County Assessor Parcel Information for each apartment building, in conjunction with the average cost per square foot study provided by LADBS. These projections do not include the average cost based on the square footage for the condominiums. The average costs projected below were calculated utilizing; 12 properties up to 150 feet tall and three properties over 150 feet tall.

Preliminary Average Cost Per Unit Estimates		
Up to 150 feet	Median =	\$6,768.42
	Average =	\$6,012.70
	Mode =	\$6,768.42
	1st Quartile =	\$5,387.32
	3rd Quartile =	\$6,768.42
	Minimum =	\$3,014.09
	Maximum =	\$8,292.90
Over 150 feet	Median =	\$7,738.20
	Average =	\$8,112.25
	Mode =	#N/A
	1st Quartile =	\$7,670.58
	3rd Quartile =	\$8,366.89
	Minimum =	\$7,602.95
	Maximum =	\$8,995.59

Existing and Ongoing Mandatory Earthquake Hazard Reduction in Existing Non-Ductile Concrete Buildings LAMC Section 91.9502

City records indicate approximately 30 of the subject buildings discussed in this report have been classified as Non-Ductile Concrete buildings subject to LAMC Sec. 91.9502. This is an important finding that should be considered alongside this proposed fire sprinkler retrofit program. Both the Non-Ductile Concrete and High Rise Fire Sprinkler retrofit programs will substantially impact the existing residences. Consideration should be given to options that would allow completion of both retrofits during the same compliance period. The statutory timeline for compliance with the Non-Ductile Concrete Retrofit is 25 years, and includes associated benchmarks at years 3, 10 and 25 from the effective date of the Order.

Financing options and the feasibility of using Federal, State or local funding to provide financial assistance to building owners with the costs associated with sprinkler system retrofitting

One of the biggest obstacles in retrofitting existing older, high-rise residential buildings with fire sprinklers is the cost of installing the system. As noted elsewhere in this report, the total cost to retrofit a high-rise residential building is estimated to range between \$4.56 to \$6.21 per square foot in buildings above 75 feet in building height, to \$4.72 to \$6.64 for buildings above 150 feet in height. Given these cost estimates, and notwithstanding the complexities associated with older buildings, the total cost of a building's retrofit work could translate into the millions of dollars. This could pose a substantial financial capital expense for building owners to undertake.

In order to address this issue, Council instructed the Office of the City Administrative Officer (CAO), with the assistance of the Office of the Chief Legislative Analyst (CLA), to explore the availability of financial assistance to building owners in addressing the costs of sprinkler system retrofit work. Based upon our research and analysis, it was determined that no direct funding, financing or loan options were readily available at any level of government locally, for the specific purpose of retrofitting existing residential high-rise buildings.

Council also requested we explore the feasibility of utilizing Federal Housing and Urban Development (HUD) or Housing Administration loans for residential fire sprinkler upgrade work. Although these Federal agencies have financing programs for this purpose, they are limited to nursing homes, intermediate care facilities, board and care homes, and assisted-living facilities, as provided for under Section 232(i) of the National Housing Act. Further, financial assistance offered through the Federal Emergency Management Agency's Hazard Mitigation Assistance program grants are not applicable for this purpose, as these funds are limited to those projects designed to reduce risk associated with disasters and natural hazards.

The Housing and Community Investment Department administers the City's Federal HUD allocation of HOME Investment Partnerships Program (HOME) funds, which are then provided in the form of a loan to affordable housing projects with units for individuals and/or families with a household income of 60 percent or less of the Area Median Income. These funds could only be used for fire sprinkler upgrade work if they are part of an acquisition and/or rehabilitation for affordable housing, provided that the owner repays the loans and enters an affordable housing

covenant for 55 years or more.

Local financial assistance for building acquisition and rehabilitation for affordable housing projects that include fire sprinkler retrofit work can be obtained through the use of multifamily conduit revenue bonds; however, these bond issuances are subject to allocation approval from the California Debt Allocation Committee and subsequent issuance by a local government agency. The supportive and affordable housing projects would be required to have affordable housing covenants for at least 55 years. Similarly, other local funding sources such as the City's Affordable Housing Trust Fund are strictly limited in project scope and contingent upon available funding for affordable housing purposes.

For comparative purposes, we have included examples below of other jurisdictions across the United States that have addressed the issue of local financing of high-rise residential sprinkler retrofit work.

Comparative Initiatives for Fire Sprinkler Retrofit Financing

Jurisdiction	Initiative
State of Hawaii	House Bill 1822 (2018) – Established an automatic sprinkler system revolving fund to provide low-interest loans for installing automatic fire sprinkler systems in residential high-rise apartments and condominiums built before 1975. Funded by the State's General Fund, Federal/State grants, private donations and accrued interest.
State of New York	Senate Bill 3519 (2017-18) Would provide a 25% tax credit to residential building owners for the labor and materials cost of installing fire sprinkler systems (Referred to Committee).
State of Minnesota	Tax assessment - Minnesota allows a local jurisdiction to make improvements to any properties and assesses the costs to property owners via a special tax assessment. Essentially, the local jurisdiction pays for the improvements, and then recoups the costs from the property owner by assessing their taxes over a period of 30 years. Fire protection systems (sprinklers) are included in the definition of allowed improvements.

<p>State of Florida</p>	<p>HB 723 – Would allow cities and counties to utilize the State’s PACE (Property Assessed Clean Energy) program to assist in providing low or no interest loans to help facilities finance the cost of fire safety improvements.</p>
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It should be noted that although the State of Florida has proposed legislation to enable the State’s PACE program to provide financial assistance for fire sprinkler retrofit work, the current State of California PACE programs are limited to home improvement projects including the replacement of broken or failing heating and cooling systems and hot water heaters; air sealing and insulation; Energy Star doors, windows, roofing and appliances; solar photovoltaic systems; and water conservation and resiliency measures (e.g., seismic retrofits and wind hazard protection). Further, on a local level, the Los Angeles County PACE program has been discontinued effective May 13, 2020, due to widespread programmatic fraud, abuse and unaffordable, predatory consumer loans. The status of the City’s remaining participation in the PACE program will be provided in a future report pending from the CAO.

Current Federal Legislation related to Fire Sprinkler Systems

- H.R. 7617 – Defense, Commerce, Justice, Science, Energy and Water Development, Financial Services and General Government, Labor, Health and Human Services, Education, Transportation, Housing, and Urban Development Appropriations Act, 2021. Provides \$25,000,000 for competitive grants to public housing agencies for the installation of automatic sprinkler systems. (Pending consideration before the Senate Committee on Appropriations).
- H.R. 5959 - Public Housing Fire Safety Act. This bill creates a grant program, to be administered by the Department of Housing and Urban Development, for public housing agencies to install automatic sprinkler systems in certain public housing projects.
- 2017 Tax Cuts and Jobs Act/2020 CARES Act – Modified Sections 179 and 168 of the U.S. Internal Revenue Code of 1986. Section 179 was amended to add "fire protection" to the list of improvements allowed to be expensed as depreciable business assets for small businesses; and, Section 168 was amended to allow an immediate depreciation deduction of 100 percent of the costs associated with the installation of fire protection systems applicable to small businesses.

Possible Financial Incentives for Fire Sprinkler Retrofit Work

- State of California - Senate Constitutional Amendment No. 9 (2018) Provides for an exclusion for the construction or installation of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement fire sprinkler systems from the category of ‘newly constructed’ under property tax assessment provisions, effective on or after January 1, 2019.
- High Rise Fire Sprinkler Incentive Act of 2019 - On October 15, 2019, the House of Representatives introduced a bill to amend the Internal Revenue Code of 1986 to classify

certain automatic fire sprinkler system retrofits as 15-year property for purposes of depreciation from the current period of 27.5 years. This proposal could potentially provide a tax incentive to recover the costs of high-rise fire sprinkler retrofit work. As of October 2019, the House of Representatives did not vote on this proposal and referred the item to the Ways and Means Committee and remains pending before Congress.

- Waiver of local building permit fees – The Council could explore the feasibility and legality of amending (AdCode Section or Ordinance) to waive the fees associated with fire sprinkler retrofit work in high-rise residential buildings to assist property owners with the costs for retrofitting the sprinkler systems in compliance with the City’s high rise ordinance.
- Insurance Premium Discounts – Building owners could seek lower premiums from their insurance carrier based upon the installation of an automatic fire sprinkler system, which could recoup the investment in the system over a period of time.

ADDENDUM

Attachment 1

Tenant Protections and Landlord Rights by Unit Type

	Unit Type	Tenant Protections	RSO Cost Recovery Programs	Rent Increase Regulations
1	RSO Apartment Units	THP provides for temporary relocation benefits or may allow tenants to elect permanent relocation.	1) Rehabilitation (100% recovery with temporary surcharge) 2) Primary Renovation (100% recovery with permanent rent increase)	RSO allowable annual percentage plus approved cost recovery program increases.
2	RSO Condo Units	Tenancy before 1/1/1996 THP provides for temporary relocation benefits or may allow tenants to elect permanent relocation.	Tenancy before 1/1/1996 1) Rehabilitation 2) Primary Renovation	Tenancy before 1/1/1996 RSO allowable annual percentage plus approved cost recovery program increases.
		Tenancy on or after 1/1/1996 THP provides for temporary relocation benefits or may allow tenants to elect permanent relocation.	Tenancy on or after 1/1/1996 None, because per Costa Hawkins Act, the rent is not regulated by the RSO.	Tenancy on or after 1/1/1996 Rent can be set at market rate for current and future tenants unless the condo is corporate owned & subject to <u>AB 1482</u> in which case the current tenant's rent may only be increased 5% + inflation, as measured by the Consumer Price Index (CPI), or 10%, whichever is lower.
3	AB 1482 Condo and Apartment Units (RSO Exempt Apts and Condos + RSO Condos with Post 1/1/1996 tenancies)	No THP program. Eviction allowed if retrofit work makes the units uninhabitable for at least 30 days.	None	If <u>current tenant is not evicted</u> 5% + inflation, as measured by the Consumer Price Index (CPI), or 10%, whichever is lower. If <u>current tenant is evicted</u> Rent can be set at market rate for future tenants.
4	Non-RSO & Non-AB 1482 Apartments and Condos (RSO exempt condos owned by natural persons & affordable, HACLA or Hotel units)	No THP program unless units are restricted under an affordable covenant.	None	Rent can be set at market rate for current and future tenants unless restricted under an affordable covenant.

Attachment 2

Existing RSO Cost Recovery Programs

Program Type	Program Purpose	% Cost Recovery	Max Monthly Rent Increase	Amortization	Duration
Rehabilitation	Work required by a change in the health, safety or building codes or to comply with an order as a result of fire or natural disaster.	100%	\$75	60 months	Temporary Surcharge Until 100% is Recovered
Primary Renovation	Permitted work on major building systems. Requires Tenant Habitability Plan. Allowed once every 5 years.	100%	10% of the unit's rent	180 months	Permanent Increase (phased in 50% year 1 & 50% year 2)
Seismic Retrofit	Only for seismic retrofit work	50%	\$38	120 months	Temporary Surcharge Until 50% is Recovered