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Honorable Eric Garcetti
Mayor, City of Los Angeles
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Attention: Heleen Ramirez,
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Honorable Members of the City Council
c/o the City Clerk, City Hall
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Attention: Keyonna Kidd,
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COUNCIL TRANSMITTAL: SUPPLEMENTAL REPORT AND UPDATE ON THE CITYWIDE EMERGENCY RENTAL ASSISTANCE SUBSIDY PROGRAM (ERAS) FOR TENANTS UNABLE TO PAY RENT DUE TO CIRCUMSTANCES RELATED TO THE CORONAVIRUS (COVID-19) PANDEMIC

SUMMARY

The General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA), respectfully requests that the Mayor and City Council approve the recommendations in this report, which reports on the progress of the COVID-19 Citywide Emergency Renters Assistance Subsidy Program (CF No. 20-0401-S1). The program was adopted to provide a temporary subsidy for renters with incomes at or below 80% of Area Median Income (AMI) who have suffered a rent deficit due to the coronavirus pandemic. The rent subsidy was designed as a grant to be paid directly to the landlord on behalf of the tenant, with a maximum of \$1,000 per month or up to \$2,000 per household. Through this transmittal, HCIDLA seeks approval for a policy change and various actions necessary to ensure a successful conclusion of the disbursement of the \$103,100,000 million in funds allocated for the rent subsidy program.

RECOMMENDATIONS

That the City Council, subject to the approval of the Mayor:

- A. AUTHORIZE HCIDLA to modify the ERAS program to approve a change in policy authorizing payment of the rent subsidy directly to eligible renters as a one-time grant if the tenant's landlord opts out of the program or does not timely respond to notification of their eligibility;

- B. INSTRUCT the City Attorney, in consultation with HCIDLA, to amend ordinance number 186605 which created the Emergency Rental Assistance Subsidy Program Fund (Fund) in keeping with the revised program parameters described above;
- C. INSTRUCT the City Attorney, with the assistance of HCID, to prepare and present a draft ordinance to amend Los Angeles Administrative Code Section 5.596 to delegate the authority to the General Manager of HCID to accept donations for the Emergency Rental Assistance Subsidy Program, including those previously provided, and to allocate those donations to the Emergency Rental Assistance Subsidy Program Trust Fund.

BACKGROUND

On July 1, 2020, in response to the coronavirus (COVID-19) pandemic, the City Council approved the COVID-19 Emergency Rental Assistance (ERAS) Program, allocating \$103,000,000 in City and federal CARES Act funding to provide a rent subsidy of up to \$2,000 per household for tenants with household incomes at or below 80% of AMI. The program is intended to prevent evictions for non-payment of rent and displacement of lower-income renters, while assisting landlords, particularly “mom and pop” landlords, who rely on rents as a primary or sole source of income.

The ERAS program was launched on July 13, 2020, with a one-week application period during which tenants could apply either online or by phone. During that period, 221,089 applications were received, approximately 110,000 of which were determined to be from eligible Los Angeles renters. Approximately 70% of the eligible applications received were from renters of RSO units. Subsequently, 50,550 renters on were notified of their eligibility and provided information to complete their application, either online or by making an appointment at one of the 16 FamilySource Centers. In order to comply with safety and social distancing protocols, the program was designed to allow completion of the entire process online. However, in order to accommodate applicants who do not have internet or computer access, a special Call Center was created to assist tenants with filing applications by phone and scheduling in-person appointments at the HCID FamilySource Centers. At peak points in the process, more than 650 applicants per day were assisted at the FamilySource Centers.

Current Status of Program – The ERAS is designed to assist 50,550 renters and landlords. Under the federal rules for the CARES COVID-19 funding, costs for use of the funds must be incurred by December 30, 2020. Therefore, it is imperative that applicants be processed and approved expeditiously and expenditures must be incurred by December 30, 2020. HCID has developed and implemented a comprehensive online system to track all application statuses, funding and subsidies in real time. As of November 6, 2020, key statistics include:

Applicant Status – November 6, 2020	~ Number
Number of eligible tenants notified	110,000
Number of tenants approved	38,000

Number of tenants pending completion of application	39,000
Number of eligible landlords approved	18,000
Number of landlords who have opted out	234
Number of tenants who have opted out	218
Number of landlords who have not yet responded	15,000
Number of rent subsidies paid to date	13,831 (\$27,662,000)
Number of rent payments in process	4,269

After the initial 50,550 tenants were selected and notified in July, approximately 59,000 additional tenants have been gradually pulled from the Waitlist, in order to maximize the pool of qualified tenants approved for the subsidy. A significant number of both tenants and landlords have delayed in submitting their proof of eligibility. Therefore, the decision was made to expand the candidate pool notified from the Waitlist. Both tenants and landlords have been informed that available funds are limited and will be awarded based on their timely corroboration their eligibility.

Landlord Participation – As noted above, almost 14,000 landlords have been paid the rent subsidy on behalf of their tenants. An additional 4,269 landlord payments are currently in process. In order to qualify for the rent subsidy, the criteria for landlords approved by the City Council included:

- Not to impose any interest or late fees for rents owed;
- Not to evict the tenant during the declaration of emergency;
- Not to impose a rent increase during the repayment period.

After a tenant is approved for the subsidy, their landlord is notified and requested to submit three things: identification, a completed W-9 form for tax purposes, and a signed Landlord Agreement. Basically, landlords must confirm that they will comply with federal, state and local laws and that they will not raise the tenant's rent for 12 months. The 12-month limit on rent increases for ERAS grantees is based on the program requirement approved by the City Council, Ordinance number 186585 which established a 12-month repayment period for rents in arrears due to COVID (applicable to all rental units citywide), and Ordinance 186607 which prohibits rent increases for RSO units for 12 months after the expiration of the Emergency Declaration. Seventy percent of eligible applications are for RSO units.

The ERAS program was designed to assist both tenants and landlords by providing a rent subsidy to landlords on behalf of their eligible tenants. Participation in ERAS is optional and landlords cannot be compelled to participate. As noted above, only 234 landlords have formally opted out of the ERAS program, which represents less than 1%. However, a number of tenants have reported that their landlords have stated that they will not accept the ERAS subsidy. Some landlords have informed HCID staff that they will not sign a Landlord Agreement stating that they will not increase the rent for 12 months. While the number of tenants and landlords in various stages of the process changes daily as more tenants and landlords are pulled from the Waitlist, the number of landlords who have not yet responded to at least two emails and/or phone calls has typically hovered at about 12,000 landlords. In order to assist tenants who have qualified for the subsidy but whose landlords decline to participate, HCID recommends that the Council approve a policy change to allow payment of the rent subsidy as a one-time grant directly to the tenant if their landlord has opted out or does not timely respond to HCID notifications about the ERAS program.

ERAS Donations - Based on the Council instructions as implemented in Ordinance 186605, a special fund, the Emergency Rental Assistance Subsidy Program Fund (Fund) was established for the purposes of receiving and disbursing monies in order to accept private donations from individuals and philanthropic organizations. Ordinance 186605 provides that private donations to support the ERAS program shall be deposited to the Fund and all interest and other earnings attributable to monies in the Fund shall be credited to the Fund and devoted to the purposes of the Fund. A donation link was created on HCIDLA's web page. As of November 6, 2020, approximately \$269,388 has been donated to the ERAS fund by private individuals. Subsequently, the City Attorney has advised that additional authority is necessary to authorize HCID to accept private donations so that subsidies can be dispersed to tenants and landlords in need. Therefore, the City Council should instruct the City Attorney, with the assistance of HCID, to prepare and present a draft ordinance to amend Los Angeles Administrative Code Section 5.596 to delegate the authority to the General Manager of HCID to accept donations for the ERAS, including those previously provided, and to allocate those donations to the Emergency Rental Assistance Subsidy Program Trust Fund.

FISCAL IMPACT STATEMENT

HCIDLA's proposed actions have no impact on the General Fund. Funding for the Emergency Rental Assistance Subsidy Program is provided by COVID-19 Federal Relief Funds, as well as private donations received.

Approved By:



ANN SEWILL
General Manager
Housing+Community Investment Department