



LOS ANGELES

# Daily Journal

## To Prevent Injustice, Los Angeles City Council Should Suspend Rent Increase

### Perspectives

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The Los Angeles Rent Stabilization Ordinance was designed to balance the ability of tenants to access affordable housing with the ability of landlords to make a fair profit. For the 630,000 rental units built before 1979, the ordinance affects that balance by limiting annual rent increases until a unit is vacant. Upon vacancy, the landlord can raise rents to whatever he or she chooses. Today, 32 years after the ordinance went into effect, that balance between landlord and tenant is seriously out of whack.

A recent study commissioned by the city's Housing Department found that the majority of tenants in Los Angeles' rent-stabilized apartments are rent-burdened, meaning they pay more than a third of their income for rent. In fact, most of these rent-burdened tenants pay more than one half of their incomes for rent. In contrast, the study finds that landlords of rent-stabilized units are prospering - the returns on investments in rent-stabilized properties have kept pace with those in apartments not covered by the ordinance and net operating income has exceeded inflation. Moreover, rent increases in stabilized properties have kept pace with national rents.

The study makes several recommendations to relieve the burden on tenants including one to get rid of one of the more problematic provisions of the ordinance: a mandated minimum annual 3 percent rent increase for all rent-stabilized units. The annual increase, to go into effect on July 1, is tied to the Consumer Price Index (CPI), a measure of inflation. However, even when the CPI is below 3 percent, as it has been for 11 of the last 16 years, landlords still get a 3 percent rent increase. This increase is in addition to a 2 percent rent increase that tenants are assessed to compensate landlords for gas and electric costs. The CPI for 2009 as determined by the Housing Department was a *negative* 0.62 percent. Given that most incomes are flat or decreasing, local unemployment is at historic highs, and government programs are reducing benefits to the poor, renters are in a terrible position to bear the burden of a rent increase that so dramatically overstates costs. If the City Council removed the floor, it would be acting in concert with other California rent-stabilized cities. Neither West Hollywood, Berkeley, San Francisco nor Oakland has a floor, and this year all will have rent increases between zero and 1 percent.

Although the study was released over one year ago, City Council still has not evaluated its recommendations, including removal of the floor. While City Council fiddles, tenants face the July 1 imposition of the 3 percent rent

increase. To avoid this unfair result, today, the City Council should adopt the motion to suspend the rent increase for four months in order to provide breathing room to consider all the recommendations.

Opponents of the suspension argue that some landlords are struggling and cannot afford even a four-month suspension. Some in City Council support exempting buildings with five or fewer units as an effort to protect the most vulnerable landlords. This exemption is misguided. While undoubtedly some landlords are hurt economically, such a broad exemption does not address the vulnerable and instead creates a loop-hole for wealthy landlords. More than one-third of rent stabilized units in Los Angeles are in buildings of five or fewer units. Many wealthy landlords own buildings with five or fewer units. One notorious L.A. slumlord, who has been criminally prosecuted by the city three times for failure to maintain his buildings, owns close to 100 buildings in Los Angeles. More than 60 of them have five or fewer units and would thus be exempt under the current proposal. In addition, the recent tidal wave of foreclosures has resulted in several multi-national banks becoming the landlord of numerous buildings with five or fewer units.

Do we really want to give slumlords and large financial institutions an exemption so they may raise rents on those who can least afford it? Instead



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owners who own *four or fewer rental units in Los Angeles*. These are more likely to be the small landlords who may need the exemption.

Without City Council action, a rent increase that is unwarranted by the economy will fall entirely on low-income renters who can least afford it. Instead, the City Council should pass the temporary suspension of the increase to give the city time to consider reforms that would reset the proper balance between tenants and landlords.

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