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# COUNTY OF LOS ANGELES DEPARTMENT OF CONSUMER AND BUSINESS AFFAIRS

*"To Enrich Lives Through Effective and Caring Service"*



Joseph M. Nicchitta  
Director

Joel Ayala  
Chief Deputy

Rafael Carbajal  
Chief Deputy

## Hearing Officer/Department of Consumer & Business Affairs

Hearing Date  
04/29/2019  
Agenda Item No.  
1

## Transmittal Checklist

**Petitioner Name:** Chris Karageuzian  
**Case Number:** RSQ19-02084  
**Case(s):** IRSO Petition for Relief from Moratorium  
**DCBA Staff:** Shannon Louis

- ☒ Petition Summary
- ☒ Parcel Profile Report (separate attachment)
- ☒ Staff Report
- ☒ Draft Findings
- ☒ Burden of Proof Statement(s)

☐☐

**Reviewed By:** Dana Pratt



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**Case Number**  
RSQ19-02084

**Hearing Date**  
4/29/2019

## PETITION SUMMARY

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### PETITIONER NAME

Chris Karageuzian

### PETITION DATE

February 22, 2019

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### PETITION OVERVIEW

Petitioner filed a Petition for Relief from Moratorium, requesting to increase rent in excess of the allowable limit as outlined in the Interim Rent Stabilization Ordinance, Ordinance Number 2018-0045. The Petitioner states that he is not receiving a fair return on the property.

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### PROPERTY ADDRESS

**759 Fraser Avenue Los Angeles, California 90022**

**760 Fraser Avenue Los Angeles, California 90022**

**761 Fraser Avenue Los Angeles, California 90022**

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### KEY ISSUES

- Two of the three units are currently rented out for a reported total of \$3,200.00 monthly
- Petitioner is requesting an increase between \$450.00 and \$800.00 monthly *or* authorization to pass cost of utilities on to tenants
- 760 Fraser Ave, Los Angeles, California 90022 is reportedly vacant, which provides the landlord the ability to set rent for the unit without approval from the County per the IRSO

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### STAFF RECOMMENDATION

Denial

**DCBA STAFF:** Shannon Louis 213-974-4118 SLouis@dcba.lacounty.gov

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April 22, 2019

**TO:** Gina Natoli, AICP  
Hearing Officer

**FROM:** Shannon Louis

**Case No. RSQ19-02084**

**Chris Karageuzian vs. Tenants of 759-61 Fraser Avenue Los Angeles, California  
90022**

**Hearing Officer Meeting: April 29, 2019 – Agenda Item: 1**

## **Petition Description**

*Interim Rent Stabilization Ordinance(IRSO) Petition for Relief from Moratorium*

Petitioner is requesting a rent increase above the maximum allowable limit (currently 3%) for the covered rental units located at 759-61 Fraser Avenue Los Angeles, California 90022 in the unincorporated area of East Los Angeles in Los Angeles County.

The Petitioner reports receiving \$3,200.00 monthly or \$38,400.00 annually in income for two of the three units located at the addresses listed above. The Petitioner reports a total of \$3,110.06 or \$37,320.72 annually in operating expenses. The Petitioner reports the following operating expenses: mortgage, property taxes, insurance, maintenance and repairs, and all utilities. Based on the supporting documentation provided by the Petitioner, DCBA has calculated the monthly income and expenses for the property in Figure 1.

## **Use Type**

Multi-Family Residential; 0200

## **Year Built/Certificate of Occupancy(COO)**

1936

## **Previous Petitions/History**

N/A

## **Staff Evaluation & Burden of Proof**

According to Ordinance No. 2018-0045, DCBA has determined that the property 759-61 Fraser Avenue Los Angeles, California 90022 is covered under the Los Angeles County Interim Rent Stabilization Ordinance and is subject to its conditions.

The IRSO covers residential dwellings on properties with two or more units in the unincorporated areas of Los Angeles County with initial certificates of occupancy or equivalent issued on or before February 1, 1995. **Ordinance No. 2018-0045 Section 1(A) and Section 1(B).**

The IRSO limits rent increases to 3% once per 12-month period and applies to any rent increase taking effect on or after September 11, 2018, unless a greater rent increase is authorized in order to allow a landlord to earn a fair return. **Ordinance No. 2018-0045 Section 3(A).**

The IRSO regulates Housing Service Adjustments and indicates that a decrease in Housing Services can be considered an increase in Rent. Rent and Housing Services are defined in Section 2 of the IRSO. **Ordinance No. 2018-0045 Section 3(C).**

The IRSO and implementing rules/regulations define a fair return as ensuring a landlord may maintain the value of the net operating income (NOI) earned from the property prior to the regulation of rents under the IRSO and continue those earnings during the pendency of the IRSO. NOI is defined as gross income less operating expenses. Maintaining the value of the NOI is achieved by ensure NOI increases no less than any increase in the consumer price index (CPI) for the Los Angeles area, as reported monthly by the [U.S. Department of Labor, Bureau of Labor Statistics \(BLS\)](#). To maintain NOI, the County compares a landlord's NOI prior to the IRSO and at the time the landlord petitions the County for a rent increase, to ensure the NOI received when the petition is submitted has increased in value equal to the change in CPI. This evaluation is summarized in [Figure 1](#), below and discussed thereafter.

The proposed monthly increase ranging from \$450.00 to \$800.00 would increase the total rental income for the properties from \$3,200.00 to between \$3,650.00 and \$4,000.00 per month or by 14.06% - 25.00% monthly. The Petitioner is requesting to connect both the occupied unit, 759 Fraser Avenue Los Angeles, California 90022, and vacant unit, 760 Fraser Avenue Los Angeles, California 90022 and increase the rent from its current rate of \$2,100.00 to \$2,700.00. If the petitioner is unable to connect the two units, the Petitioner would like the tenants to begin paying for the gas and electricity bills, which constitutes a reduction in housing services. Similarly, the Petitioner would like to raise rent for the occupied 761 Fraser Avenue Los Angeles, California 90022 unit from \$1,100.00 to \$1,300.00. If the petitioner is unable to raise the rent to the requested amount, the Petitioner would like the tenant to begin paying for the gas and electricity bills, which constitutes a reduction in housing services. At this time, the DCBA is unable to evaluate the vacant unit based on the data provided. Additionally, the DCBA cannot address the connection of the 759-60 761 Fraser Avenue Los Angeles, California 90022 units as it is outside of the jurisdiction of the IRSO and department. According to the ordinance, the landlord may already be allowed to increase the rental income by 3%,

which would allow for a total of \$3,296.00 monthly, depending upon the date of the most recent rent increases for the units. **Ordinance No. 2018-0045 Section 3(A)(1).**

Figure 1: Petitioner vs. DCBA Staff Income and Expense Calculations

	Base Year (2018)		Petition Year (2019)	
	Petitioner	DCBA Staff	Petitioner	DCBA Staff
Gross Income	\$ 3,200.00	\$ 3,200.00	\$ 3,200.00	\$ 3,200.00
Operating Expenses	\$3,110.06	\$820.65	\$ 2,868.15	\$ 619.94
<b>Net Operating Income (NOI)</b>	<b>\$ 89.94</b>	<b>\$ 2,379.35</b>	<b>\$ 331.85</b>	<b>\$ 2,580.06</b>
CPI	268.032	268.032	271.311	271.311
Change in CPI	1.22%	1.22%		3.279(1.22%)
Adjusted NOI (Base Year NOI x Change in CPI)	\$ 91.03	\$ 2,408.38		
<b>Funds necessary to maintain NOI (Adjusted NOI less Petition Year NOI):</b>	<b>\$ (240.82)</b>	<b>\$ (171.68)</b>		

Numbers provided are per month

Figure 1: Petitioner vs. DCBA Staff Income and Expense Calculations

The following expenses were reported by the Petitioner: mortgage, property taxes, insurance, maintenance and repairs, and bills for water, gas, and electricity. The Petitioner reports a monthly net operating income (NOI) in 2018 (the "Base Year") equaling \$89.94 per month. The Petitioner reports a monthly NOI in 2019 (the "Petition Year") equaling \$331.85 per month. It appears the increase in monthly NOI between the Base Year and Petition Year is due to a decrease in operating expenses between the Base Year and Petition Year. Additionally, the DCBA was unable to substantiate any maintenance and repair expenses for the Petition Year, which also contributed to an increase in the monthly NOI between the Base Year and Petition Year. Based on the numbers and documentation provided by, the petitioner's net operating income appears to have increased. The evidence provided includes utility bills, bank statements and maintenance receipts/invoices provided by the landlord petitioner. However, the maintenance related costs were all from the 2018 Base Year.

The DCBA has calculated a reported monthly net operating income (NOI) in 2018 (the "Base Year") equaling \$2,379.35 per month. The DCBA reports a monthly NOI in the 2019 (the "Petition Year") equaling \$2,580.06 per month. It should be noted that the DCBA arrived at this number with consideration of the landlord petitioner's expenses

related to property taxes, insurance, maintenance and repairs, and utilities for the property. Mortgage costs are not considered to be an eligible expense for the purposes determining fair return in the implementation of the IRSO. This is done in an effort to treat tenants fairly irrespective of a landlord's creditworthiness. It appears the DCBA calculated increase in monthly NOI between the Base Year and Petition Year is due to a decrease in operating expenses between the Base Year and Petition Year. Due to a lack in demonstration of maintenance and operation expenses for the Petition Year, based on the numbers and documentation provided by the landlord petitioner, the petitioner's net operating income appears to have increased. The evidence provided includes bank statements and maintenance receipts provided by the landlord petitioner, all of which were from the base year.

The CPI for the Base Year (September 2018) is 268.032. The most recent CPI published by the BLS is 271.311, which reflects an increase in 3.279 or 1.22 percent from the Base Year. For the Petitioner to maintain the value of the monthly NOI earned from the Property in the Base Year (\$2,379.35) that amount must have increased in accordance with the change in CPI (1.22%). Accordingly, the CPI-inflated monthly NOI should equal at least \$2,408.38 ( $\$2,379.35 \times 1.0122$ ). Here the DCBA calculates a reported monthly NOI of \$2,580.06 which exceeds the CPI-inflated monthly NOI. Therefore, the Petitioner is not entitled to an increase in rent in order to maintain the value of the NOI earned in the Base Year.

#### **Proof of Service/Notice of Hearing**

The Petitioner, Chris Karageuzian, returned the Proof of Service form to DCBA on February 22, 2019. The DCBA sent the original Notice of Hearing on March 27, 2019.

#### **Public Comments**

N/A

#### **Fees/Deposits**

N/A

#### **Staff Recommendation**

The following recommendation is made prior to the public hearing and is subject to change based upon testimony and/or documentary evidence presented at the public hearing:

Staff recommends DENIAL of the Interim Rent Stabilization Ordinance Petition for Noncompliance – Case Number RSQ19-02084.

#### **SUGGESTED STATEMENT**

I, THE HEARING OFFICER, CLOSE THE PUBLIC HEARING AND FIND THAT THE INTERIM RENT STABILIZATION ORDINANCE PETITION FOR RELIEF FROM MORATORIUM CASE NUMBER RSQ19-02084 IS **DENIED**, SUBJECT TO THE ATTACHED CONDITIONS.

Staff Report  
RSQ19-02084

**Suggested Denial Statement**

Prepared by Shannon Louis

Reviewed by Dana Pratt

**Attachments**

Initials JMN:DP: sl  
(4/22/19)



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**COUNTY OF LOS ANGELES  
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Director

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Chief Deputy

**April 22, 2019**

Re: 759-61 Fraser Avenue Los Angeles, California 90022

**Case No. RSQ19-02084**

**Chris Karageuzian vs. Tenants of 759-61 Fraser Avenue Los Angeles, California  
90022**

Hearing Officer, Gina Natoli, by her action of April 29, 2019 has denied the Interim Rent Stabilization Ordinance (IRSO) Petition for Relief from Moratorium hearing for the above referenced project. Enclosed are the Hearing Officer's Findings and Conditions. Please carefully review the included information.

The Hearing Officer's decision is final. Any person directly aggrieved by an administrative decision of a Hearing Officer pertaining to a Petition for Relief from Moratorium may seek judicial review in the Superior Court pursuant to Government Code sections 53069.4 and/or Code of Civil Procedure sections 1094.5 and 1094.6.

For questions or for additional information, please contact Shannon Louis of the Rent Stabilization Program at 213-974-4118, or by email at [slouis@dcba.lacounty.gov](mailto:slouis@dcba.lacounty.gov). Our office hours are Monday through Friday, 8:00 a.m. to 4:30 p.m.

Sincerely,  
DEPARTMENT OF CONSUMER AND BUSINESS AFFAIRS  
Shannon Louis

Dana Pratt, Chief  
Rent Stabilization Program

Enclosures: Draft Findings

JMN:DP: sl





**DRAFT FINDINGS AND CONDITIONS OF THE HEARING OFFICER  
AND ORDER  
COUNTY OF LOS ANGELES  
CASE NUMBER RSQ19-02084**

1. The Los Angeles County ("County") Hearing Officer conducted a duly-noticed public hearing in the matter of Interim Rent Stabilization Ordinance Petition for Relief from Moratorium, Case Number RSQ19-02084 on April 29, 2019.
2. The petitioner(s), Chris Karageuzian, is proposing a rent increase in excess of three percent (3%) for the covered rental unit(s) located at 759-61 Fraser Avenue Los Angeles, California 90022 in an amount ranging from \$450.00 to \$800.00 or 14.06% - 25.00% monthly. The \$450.00 to \$800.00 proposed rent increase would raise the petitioner's rental income from \$3,200.00 to between \$3,650.00 and \$4,000.00. According to Ordinance 2018-0045, the Petitioner may already be allowed to increase the rental income by 3%, which would allow for a total of \$3,296.00 monthly, depending upon the date of the most recent rent increases for the units. Based on Figure 1, which uses the supporting evidence provided by the Petitioner, the Petitioner is maintaining the NOI at a monthly average of \$171.67 above the adjusted monthly NOI.

Figure 1: Petitioner vs. DCBA Staff Income and Expense Calculations

Column1	Base Year (2018)		Petition Year (2019)	
	Petitioner	DCBA Staff	Petitioner	DCBA Staff
Gross Income	\$ 3,200.00	\$ 3,200.00	\$ 3,200.00	\$ 3,200.00
Operating Expenses	\$3,110.06	\$820.65	\$ 2,868.15	\$ 619.94
<b>Net Operating Income (NOI)</b>	\$ 89.94	\$ 2,379.35	\$ 331.85	\$ 2,580.06
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Change in CPI	1.22%	1.22%		3.279(1.22%)
Adjusted NOI (Base Year NOI x Change in CPI)	\$ 91.03	\$ 2,408.38		
<b>Funds necessary to maintain NOI (Adjusted NOI less Petition Year NOI):</b>	<b>\$ (240.82)</b>	<b>\$ (171.68)</b>		

Numbers provided are per month

3. The following expenses were reported by the Petitioner: mortgage, property taxes, insurance, maintenance and repairs, and bills for water, gas, and electricity. The Petitioner reports a monthly net operating income (NOI) in 2018 (the "Base Year") equaling \$89.94 per month. The Petitioner reports a monthly

NOI in 2019 (the "Petition Year") equaling \$331.85 per month. It appears the increase in monthly NOI between the Base Year and Petition Year is due to a decrease in operating expenses between the Base Year and Petition Year. Additionally, the DCBA was unable to substantiate any maintenance and repair expenses for the Petition Year, which also contributed to an increase in the monthly NOI between the Base Year and Petition Year. Based on the numbers and documentation provided by the petitioner's net operating income appears to have increased. The evidence provided includes utility bills, bank statements and maintenance receipts/invoices provided by the landlord petitioner. However, the maintenance related costs were all from the 2018 Base Year.

The DCBA has calculated a reported monthly net operating income (NOI) in 2018 (the "Base Year") equaling \$2,379.35 per month. The DCBA reports a monthly NOI in the 2019 (the "Petition Year") equaling \$2,580.06 per month. It should be noted that the DCBA arrived at this number with consideration of the landlord petitioner's expenses related to property taxes, insurance, maintenance and repairs, and utilities for the property. Mortgage costs are not considered to be an eligible expense for the purposes determining fair return in the implementation of the IRSO. This is done in an effort to treat tenants fairly irrespective of a landlord's credit worthiness. It appears the DCBA calculated increase in monthly NOI between the Base Year and Petition Year is due to a decrease in operating expenses between the Base Year and Petition Year. Due to a lack in demonstration of maintenance and operation expenses for the Petition Year, based on the numbers and documentation provided by the landlord petitioner, the petitioner's net operating income appears to have increased. The evidence provided includes bank statements and maintenance receipts provided by the landlord petitioner, all of which were from the base year.

The CPI for the Base Year (September 2018) is 268.032. The most recent CPI published by the BLS is 271.311, which reflects an increase in 3.279 or 1.22 percent from the Base Year. For the Petitioner to maintain the value of the monthly NOI earned from the Property in the Base Year (\$2,379.35) that amount must have increased in accordance with the change in CPI (1.22%). Accordingly, the CPI-inflated monthly NOI should equal at least \$2,408.38 ( $\$2,379.35 \times 1.0122$ ). Here the DCBA calculates a reported monthly NOI of \$2,580.06 which exceeds the CPI-inflated monthly NOI. Therefore, the Petitioner is not entitled to an increase in rent in order to maintain the value of the NOI earned in the Base Year.

4. The property is located in the unincorporated area of East Los Angeles in Los Angeles County, is a residential dwelling on property with two or more units, and was built in 1936, as indicated by public records.
5. Ordinance 2018-0045 was adopted on November 20, 2018, which established rent levels as they existed on September 11, 2018 and limited rental increases to no more than three percent (3%) within a twelve month period.
6. No comments have been received from the public at this time.
7. The petitioner, Chris Karageuzian, visited the Department of Consumer and Business Affairs(DCBA) on February 22, 2019 to determine if the property was

covered under the newly approved IRSO and filed an Interim Rent Stabilization Ordinance Petition for Relief from Moratorium. The Petitioner states that he would like to raise rents between \$450.00 to \$800.00 monthly, and has only raised rent once since purchasing the property. If the Petitioner cannot raise the total rental income by the maximum requested amount of \$800.00, the Petitioner would like to passthrough the cost of the gas and electricity utilities to the tenants and raise the total rental income by a minimum of \$450.00. Based on the IRSO, passing through the cost of the utilities to the tenants would constitute a reduction in Housing Services and is considered a rent increase. The Petitioner's NOI does not demonstrate that a reduction in Housing Services is justified and does not justify a rent increase.

8. The Hearing Officer finds that:
  - a. RSQ19-02084 Interim Rent Stabilization Ordinance Petition for Relief from Moratorium is denied subject to the following conditions:
    - i. Total rental income shall not exceed \$3,296.00 (total rental income plus the current allowable limit) pending the date of the last rent increase and shall not be increased again until 12 months from the date of the implementation of the allowable rent increase. The landlord may then increase the rent an additional 3% (or whatever allowable cap is established) without the approval of DCBA, per Ordinance 2018-0045 and in accordance with California Civil Code Section 827. If the landlord desires to increase rent in excess of the allowable 3% limit during that time, the landlord may file a Petition for Relief from Moratorium with DCBA. Rent increases above 3% for the affected unit(s) shall not occur until a decision is issued by the Hearing Officer.

**BASED ON THE FOREGOING, THE HEARING OFFICER CONCLUDES THAT:**

- A. The Petitioner's requested residential rent increase is in excess of the allowable 3% per the Los Angeles County Interim Rent Stabilization Ordinance 2018-0045.
- B. The Petitioner has not proven that a rent increase in excess of the allowable 3% is necessary in order to meet a fair return on the property.

**THEREFORE, THE HEARING OFFICER:**

1. Denies RSQ19-02084 Interim Rent Stabilization Ordinance Petition for Relief from Moratorium subject to the above conditions.
2. If monthly rent is due before the Hearing Officer decision is received by the petitioner and respondent, the tenant respondents are responsible for their currently monthly rent of:
  - **\$2,100.00** for the unit located at 759 Fraser Avenue Los Angeles, California 90022
  - **\$1,100.00** for the unit located at 761 Fraser Avenue Los Angeles, California 90022
  - An amount to be determined by the landlord (petitioner) without the approval of the County for the unit located at 760 Fraser Avenue, Los Angeles, California 90022

If the landlord petitioner should wish to raise rents, they may do so without County approval in accordance with the IRSO and California Civil Code Section 827—provided their rental agreements allow for such an increase at the time of this hearing. If the landlord proceeds with the rent increase, the tenant respondents are responsible for the base rent as of September 11, 2018 plus 3% as allowed by Ordinance 2018-0045, not to exceed:

- **\$2,163.00** for the unit located at 759 Fraser Avenue Los Angeles, California 90022
- **\$1,133.00** for the unit located at 761 Fraser Avenue Los Angeles, California 90022
- An amount to be determined by the landlord (petitioner) without the approval of the County for the unit located at 760 Fraser Avenue, Los Angeles, California 90022

**ACTION DATE:** 4/29/2019

JMN: DP: sl

4/22/2019

**BURDEN OF PROOF STATEMENT**

DCBA Case # **RSQ19-02084**

**Section IV: Reason for Petition** (explain in detail why you are requesting a hearing)

- I am renting 759 Fraser for \$3,100.00 & I pay for all utilities, the house is 1,458 sq ft. I would like to connect a (legal) living area that measures 320 sq. ft. to the rest of the house & raise the rent to \$2,700.
- I am renting 761 Fraser for \$1,100.00, it is a 440 sq. ft. unit. I would like to raise the rent to \$1,300.
- I feel that I am not making a fair return on the property being that rents are low & I pay for all utilities.

**IS THIS MATTER URGENT?**

☒ Yes ☐ No

**REASON FOR URGENCY** (must attach relevant documents in order to be considered):

**Section V: Signature of Petitioner**

Christopher Karageuzian

Petitioner Name (Print)

Landlord

Petitioner Title (Tenant, Landlord, Mobilehome Homeowner or Park Owner)

323 253 7000

Petitioner Telephone Number

Chris K

Signature

2-22-19

Date