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**COUNTY OF LOS ANGELES  
DEPARTMENT OF CONSUMER  
AND BUSINESS AFFAIRS**

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April 24, 2019

TO: DCBA Staff and Hearing Officers

FROM: Joseph M. Nicchitta  
Director

**SUBJECT: Hearing Officer Guidelines for Hearings Relating to the Interim Mobilehome Rent Regulation and Interim Rent Stabilization Ordinances**

These guidelines provide additional guidance to County of Los Angeles (County) employees and, particularly, Hearing Officers who are responsible for implementing the hearing procedures for the Interim Mobilehome Rent Regulation and Interim Rent Stabilization Ordinances, adopted by the Board of Supervisors on September 4, 2018, and November 20, 2018, respectively.

These guidelines are issued pursuant to County Ordinances 2018-0028 (Interim Mobilehome Rent Regulation Ordinance) and 2018-0045 (Interim Rent Stabilization Ordinance), which authorize the Director of the Department of Consumer and Business Affairs to issue guidelines for Interim Mobilehome Rent Regulation and Interim Rent Stabilization Ordinance petitions.

### Interim Mobilehome Rent Regulation—Ordinance 2018-0028

**(1) Petitions for Non-Compliance filed by a Mobilehome Homeowner**

- (a) Petitions may be filed by covered (as defined in Section 3(F) of the Interim Mobilehome Rent Regulation Ordinance) Mobilehome Homeowners alleging that a Mobilehome Park Owner has failed to comply with the Interim Mobilehome Rent Regulation Ordinance.
- (b) A Mobilehome Homeowner establishes a violation of the Interim Mobilehome Rent Regulation if she provides evidence sufficient to demonstrate to the Hearing Officer that the Mobilehome Park Owner has applied or sought to apply a space rent increase, or multiple combined space rent increases, in excess of

3% in any 12-month period after February 13, 2018.

- (c) For the purposes of subsection (1)(b), above, evidence provided by a Mobilehome Homeowner could include, but is not limited to, rent receipts, notices of rent increase, leases or rental agreements, and verbal testimony.

**(2) Petitions for Relief from Moratorium filed by a Mobilehome Park Owner**

- (a) Mobilehome Park Owners, as defined in Section 3(J) of the Interim Mobilehome Rent Regulation Ordinance , may file a petition for relief from the Interim Mobilehome Rent Regulation Ordinance. The Mobilehome Park Owner must provide sufficient evidence to demonstrate to the Hearing Officer that the application of the rent increase moratorium to her mobilehome park deprives her of a fair return on investment.
- (b) For the purposes of subsection (2)(a), above, evidence pertinent to whether a Mobilehome Park Owner is deprived of a fair return on investment includes the Mobilehome Park's net income, defined in section 5(A) of the Interim Mobilehome Rent Regulation Ordinance as gross rents from all spaces in the Mobilehome Park minus expenses for maintaining and operating the Mobilehome Park. Evidence provided by a Mobilehome Park Owner could include, but is not limited to, rent receipts, lease agreements, utility bills, receipts for other expenses in conjunction with providing services or physical upgrades to the park in question, evidence of deferred maintenance or property damage, and estimates showing the cost of improvements or repairs.
- (c) For the purposes of subsection (2)(a), above, the Hearing Officer may determine that the cost of certain improvements should be amortized over the useful life of the improvement, rather than credited to the Mobilehome Park Owner in a lump sum. The Hearing Officer may also determine, based on all evidence before her, that a claimed expense is unreasonable, unusually high, or irrelevant, and may exclude any unreasonable expense in calculations.
- (d) If the Hearing Officer concludes pursuant to section 5(A) of the Interim Mobilehome Rent Regulation Ordinance that application of the Interim Mobilehome Rent Regulation Ordinance to the Mobilehome Park deprives the Mobilehome Park Owner of a fair and reasonable return on her investment, the Hearing Officer may approve a mobilehome space rental increase in excess of the allowable cap. Pursuant to section 5(C)(7)(E) of the Interim Mobilehome Rent Regulation Ordinance, the Mobilehome Park Owner's net operating income (NOI) received for the most recent 12-month period as compared to the previous 12-month period before February 13, 2018 (the base NOI before mobilehome rent regulation), is conclusively presumed to be fair and reasonable. A Mobilehome Park Owner does not establish that she is deprived of a fair return on investment if the Hearing Officer determines the evidence shows that net operating income has not changed or has increased beyond the

level received on February 13, 2018.

- (e) Should a capital improvement, relating to the improvement of health or safety, be completed during the duration of the Interim Mobilehome Rent Regulation Ordinance, the Hearing Officer may review the capital improvement and consider the cost of the capital improvement, to determine whether and to what extent the expense was reasonable. To determine the monthly cost of this expense, the total cost should be divided by the number of affected spaces and should be amortized over the reasonable life of the improvement, which in most cases should not be less than 5 years, as determined by the Hearing Officer. The full cost of the capital improvement, may be passed on to the affected Mobilehome Homeowners as a space rent increase divided by the number of affected spaces and amortized over this period.
- (f) DCBA staff, in evaluating proposed rent increases for any covered space, should not recommend that the rent increase for any covered space exceed 10 percent of the base rent charged on February 13, 2018 or the date the tenancy began. The Hearing Officer retains discretion to adjust rent as provided in the Interim Mobilehome Rent Regulation Ordinance and based on the evidence provided.

## Interim Rent Stabilization Ordinance—Ordinance 2018-0045

### **(3) Petitions for Non-Compliance filed by a Tenant**

- (a) Petitions may be filed by covered Tenants, as defined in Section 2(Q) of the Interim Rent Stabilization Ordinance, alleging that a Landlord has failed to comply with the Interim Rent Stabilization Ordinance.
- (b) A Tenant establishes a violation of the Interim Rent Stabilization Ordinance if she provides evidence sufficient to demonstrate to the Hearing Officer that the Landlord has applied or sought to apply more than one rent increase in a 12-month period or a documented rent increase in excess of 3% in a 12-month period on or after September 11, 2018.
- (c) A Tenant may also establish a violation of the Interim Rent Stabilization Ordinance if she provides evidence sufficient to demonstrate to the Hearing Officer that the Landlord has decreased Housing Services as defined in Section 2(H) of the Interim Rent Stabilization Ordinance which, combined with any documented rent increase, would have the effect of increasing the Tenant's rent by more than 3% in a calendar year above the rent legally charged on the latter of September 11, 2018 or the first day of the tenancy.

For the purposes of subsection (3)(b) and (3)(c), above, evidence provided by a

Tenant could include, but is not limited to, rent receipts, notices of rent increase, lease agreements, documented loss of facilities or amenities promised in the rental agreement (or access thereto), the transfer of formally covered utilities, or the loss or discontinuance of previously provided services, and verbal testimony.

**(4) Petitions for Relief from Moratorium filed by a Landlord**

- (a) Landlords, as defined in Section 2(l) of the Interim Rent Stabilization Ordinance, may file a petition for relief from the Interim Rent Stabilization Ordinance. The Landlord must provide sufficient evidence to demonstrate to the Hearing Officer that the application of the interim rent stabilization moratorium to her rental property deprives her of a fair return on investment.
- (b) For the purposes of subsection (4)(a), above, evidence pertinent to whether a Landlord is deprived of a fair return on investment includes the Landlord's net operating income, defined in section 5(E) of the Interim Rent Stabilization Ordinance as gross rents from all units in the rental property minus expenses for maintaining and operating the rental property. Gross income includes income from rents and ancillary services offered by the Landlord on the property (e.g., laundry, vending machines, etc.). Evidence provided by a Landlord could include, but is not limited to, rent receipts, lease agreements, utility bills, receipts for other expenses in conjunction with providing services or physical upgrades to the rental property in question, evidence of deferred maintenance or property damage, estimates showing the cost of improvements or repairs, and verbal testimony.
- (c) If the Hearing Officer concludes pursuant to section 5(E) of the Interim Rent Stabilization Ordinance that application of the Interim Rent Stabilization Ordinance to the rental property deprives the Landlord of a fair and reasonable return on her investment, the Hearing Officer may approve a rent increase in excess of the allowable cap. Pursuant to section 5(E) of the Interim Rent Stabilization Ordinance, the Landlord's net operating income received for the most recent 12-month period as compared to the previous 12-month period before September 11, 2018 (the base net operating income before rent stabilization), is conclusively presumed to be fair and reasonable. A Landlord does not establish that she is deprived of a fair return on investment if the Hearing Officer determines the evidence shows that net operating income has not changed or has increased beyond the level received on September 10, 2018.
- (d) The Hearing Officer is authorized to adjust gross income for the base year if the Landlord demonstrates that the base year rents were unreasonably low due to peculiar circumstances (e.g. where base year rent for one or more units was not the result of an arms-length transaction), thereby artificially depressing the base year gross income, and, by extension, the base net operating income. The Landlord has the burden of demonstrating by a preponderance of the

evidence that actual rents received in the base year were unreasonably low with respect to similarly situated units with respect to quality, size, amenity, and location. There shall be a rebuttable presumption that an adjustment to base year gross income is warranted if the actual base year gross income for a particular property was less than the assumed base year gross income would have been had the applicable U.S. Department of Housing and Urban Development (HUD) Fair Market Rent been charged for each unit in the affected property.

- (e) Qualified operating expenses include property taxes, utility charges, professional fees and costs, reasonable repairs, and reasonable capital improvements amortized and divided by the number of affected units, as described below. Evidence may include but is not limited to: rent receipts, lease agreements, utility bills, receipts for other expenses in conjunction with providing services or physical upgrades to one or more units on the property, and verbal testimony.
- (f) The Hearing Officer has discretion not to include any expense deemed unreasonable in this calculation, and any expense determined to be unusually high for a certain limited duration may be reasonably amortized by the Hearing Officer for the purpose of this calculation.
- (g) Should a capital improvement, relating to the improvement of health or safety, be completed during the duration of the Interim Rent Stabilization Ordinance, the Hearing Officer may review the capital improvement and consider the cost of the capital improvement, to determine whether and to what extent the expense was reasonable. To determine the monthly cost of this expense, the total cost should be divided by the number of affected units and should be amortized over the reasonable life of the improvement, which in most cases should not be less than 5 years, as determined by the Hearing Officer. The full cost of the capital improvement, may be passed on to the affected Tenants as a rent increase divided by the number of affected units and amortized over this period.
- (h) DCBA staff, in evaluating proposed rent increases for any covered rental units, should not recommend that the rent increase for any covered rental unit exceed 10 percent of the base rent charged on September 10, 2018 or the date the tenancy began. The Hearing Officer retains discretion to adjust rent as provided in the Interim Rent Stabilization Ordinance and based on the evidence provided.

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