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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**  
05/23/2019  
**Agenda Item No.**  
6

**Transmittal Checklist**

**Petitioner Name:** Antonio Perez  
**Case Number:** RSQ19-01207  
**Case(s):** IRSO Petition for Relief from Moratorium  
**DCBA Staff:** Shannon Louis

- Petition Summary
- Parcel Profile Report (separate attachment)
- Staff Report
- Burden of Proof Statement(s)
- Substantiated Documentation – Attachment 1
- Unsubstantiated Documentation – Attachment 2

**Reviewed By:** Dana Pratt



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**Case Number**  
RSQ19-01207

**Hearing Date**  
5/23/2019

## PETITION SUMMARY

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**PETITIONER NAME**  
Antonio Perez

**PETITION DATE**  
February 1, 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

**8738 Graham Ave Los Angeles, California 90002**

**8740 Graham Ave Los Angeles, California 90002**

**8742 Graham Ave Los Angeles, California 90002**

**8744 Graham Ave Los Angeles, California 90002**

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## KEY ISSUES

- Three of the four units are currently rented out for a reported total of \$3,004.00 monthly
- Petitioner is requesting to increase total rental income by \$546.00 (or 18.18%) monthly
- 8738 Graham Ave Los Angeles, California 90002 reportedly became vacant on March 15, 2019, 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

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

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



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Rafael Carbajal  
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May 16, 2019

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

**FROM:** Shannon Louis

**Case No. RSQ19-01207**

**Antonio Perez vs. Tenants of 8738-44 Graham Ave Los Angeles, California 90002**  
**Hearing Officer Meeting: May 13, 2019 – Agenda Item: 6**

## **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 8738-44 Graham Ave Los Angeles, California 90002 in the unincorporated area of Florence-Firestone in Los Angeles County.

The Petitioner reports receiving \$3,004.00 monthly or \$36,048.00 annually in income for the four units located at the addresses listed above. When the petition was filed, the Petitioner reported that three of the four units were occupied, and that he was receiving \$2,560.00 monthly or \$30,720.00 annually in income. As of March 2019, the unit located at 8738 Graham Ave Los Angeles, California 90002 became vacant, which allows the Petitioner to set the rent without County approval. It should also be noted that the Petitioner reported that the additional unit at the property located at 8744 Graham Ave Los Angeles, California 90002 is currently occupied for a reported total of \$1,300.00 monthly – although the landlord does not intend to increase rent for this particular unit.

## **Use Type**

Multi-Family Residential; 0400

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

1946

## **Previous Petitions/History**

N/A

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

According to Ordinance No. 2018-0045, the DCBA has determined that the rental units

located at 8738-44 Graham Ave., Los Angeles, California 90002 are covered under the Los Angeles County Interim Rent Stabilization Ordinance and 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 (Petitioner) 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 ensuring 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.

To review and determine the maintenance of the NOI between the base year and petition year, the Petitioner must provide substantive documentation related to the reported income and expenses. The Petitioner reports the following operating expenses: mortgage, property taxes, utilities, maintenance and improvements. DCBA received the following expense-related documentation from the Petitioner:

- Payment history from January 2018 – April 2019;
- Golden State Water Company bill issued January 2019 for the period of November-December 2018
- A copy of the property insurance policy from October 2018 – October 2019;
- (2) Home Depot purchase statements from January 2017 – September 2018;
- Mortgage payment history for October 2018 – March 2018

The Petitioner also reports needing to increase rents to qualify for a refinance.

Based on the supporting documentation provided by the Petitioner, DCBA is unable to accurately substantiate the reported expenses. The Petitioner reports that the payment history is for the water bills, however, there is no identifying information on the document to indicate that the payment history is from a water company.

The Petitioner provided a utility bill from Golden State Water Company issued January 2019 for the period November and December 2018. However, because the Petitioner did not provide water bills from the petition year or any months other than November and December 2018 in the base year, DCBA cannot accurately compare this expense between the two years.

The insurance policy does not demonstrate the amount of insurance paid for the entire base year (2018). Instead, only October – December 2018 in the base year is accounted for. Since this is a new policy, and not a renewed policy, DCBA is unable to substantiate what was paid in the months prior to October 2018.

The Home Depot purchase statements only cover purchases in the base year (2018) and prior to the base year – in this case 2017, do not fully demonstrate that the purchases were related to the subject property.

Lastly, mortgage costs are not considered to be an eligible expense for the purpose of 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.

Due to the lack in substantive documentation, DCBA is unable to capture the Petitioner's income and expenses to accurately calculate the NOI in the base year and petition year.

### **Landlord Contact**

On March 26, 2019, DCBA contacted the Petitioner to retrieve additional supporting documentation. The following documents were requested: additional water bills, mortgage statements, property insurance, property tax statements, spreadsheet with rents & rent receipts, lease agreements, ongoing maintenance receipts, and the grant deed. The Petitioner informed DCBA the documentation could be provided the next day, March 27, 2019 and DCBA also informed the Petitioner that the documentation was necessary to prevent a continuance of the hearing and for proper evaluation of a fair and reasonable return.

On March 28, 2019, DCBA contacted the Petitioner regarding the additional supporting documentation to inform the Petitioner that the documentation was not received. DCBA also informed the Petitioner that the documentation was necessary for proper evaluation of a fair and reasonable return and to prevent a continuance of the hearing.

On April 2, 2019, DCBA contacted the Petitioner regarding the additional supporting documentation to inform the Petitioner that the documentation was not received. DCBA also informed the Petitioner that the documentation was necessary for proper evaluation of a fair and reasonable return and to prevent a continuance of the hearing. Petitioner stated he would provide documents to DCBA in-person by April 3, 2019.

On April 3, 2019, DCBA contacted the Petitioner regarding the additional supporting documentation to inform the Petitioner that the documentation was not received. DCBA also informed the Petitioner that the documentation was necessary for proper evaluation

of a fair and reasonable return and that the hearing scheduled for April 8, 2019 would need to be continued to April 29, 2019 as a result. Petitioner stated he would provide documents to DCBA in-person by April 4, 2019. The documentation was not received.

On April 4, 2019, DCBA received additional documentation from the Petitioner, which included: notices of increase, rent roll and rental agreements for units 8738-42 Graham Ave Los Angeles, California 90002; unidentified payment history from January 2018 – April 2019; a copy of the insurance policy from October 2018 – October 2019; (2) Home Depot purchase statements from January 2017 – September 2018; mortgage payment history for October 2018 – March 2018.

On April 16, 2019, DCBA contacted the Petitioner regarding the additional supporting documentation provided by the Petitioner. DCBA requested itemized receipts related to the Home Depot purchase statement, along with proof that the purchases were related to the subject property. Petitioner stated he would provide documents to DCBA by April 19, 2019.

On April 17, 2019, DCBA followed up with the Petitioner regarding the additional supporting documentation provided by the Petitioner. The Petitioner stated he was on vacation and would not actually be able to provide documents to DCBA by April 22, 2019. During that time, DCBA informed Petitioner that the documentation must be received within a sufficient timeframe for review and analysis and provide the information to the Hearing Officer.

On April 19, 2019, after following up with the tenant respondents, DCBA contacted the Petitioner to determine if the unit at 8744 Graham Ave Los Angeles, California 90002 was occupied and if the unit at 8738 Graham Ave Los Angeles, California 90002 was vacant, as this information was not DCBA was not reported. The Petitioner confirmed that this information was accurate, but that he did not intend to increase rent at the 8744 Graham Ave Los Angeles, California 90002 unit. During that call, the Petitioner also stated he wanted to move forward in the hearing without including the Home Depot operating expenses. Also during that time, DCBA requested additional insurance information by the April 22, 2019 deadline.

On April 22, 2019, DCBA contacted the Petitioner regarding the insurance information, to which the Petitioner stated that the insurance information had not changed, despite the documentation stating that the new policy had been opened. DCBA also informed the Petitioner that the documentation related to maintenance (Home Depot) was not received and no maintenance calculated in NOI. The Petitioner stated that DCBA can proceed without the information and that he would show up to hearing with additional information. DCBA, informed the Petitioner that hearing may be continued as a result of additional documentation requiring review.

On May 2, 2019, DCBA contacted the Petitioner regarding the insurance information provided at the April 29, 2019 hearing. The Petitioner was informed that the insurance information was the same as previously provided and DCBA needs to see the insurance information from the base year. DCBA also informed the Petitioner that the updated

documentation related to the Home Depot expenses need to demonstrate relationship to property and demonstrated payment – which bank statements may be able to satisfy. Petitioner stated he would provide documents to DCBA until May 8, 2019.

On May 8, 2019, DCBA contacted the Petitioner and the Petitioner’s wife to inform them that no updated information had been received. DCBA informed the Petitioner without substantive documentation, DCBA will be recommending a denial to the Hearing Officer – as the documents are pertinent for review and analysis. The Petitioner stated that he would provide the documentation by May 9, 2019.

On May 9, 2019, DCBA contacted the Petitioner and the Petitioner’s wife to inform them that no updated information had been received. DCBA left a voicemail. As of the date of this report, DCBA has not received a return call or voicemail from the Petitioner or Petitioner’s wife.

**Proof of Service/Notice of Hearing**

The Petitioner, Antonio Perez, returned the Proof of Service form to DCBA on February 1, 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 Relief from Moratorium – Case Number RSQ19-01207.

**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 RSQ19-01207 IS **DENIED**.

**Suggested Statement**

Prepared by Shannon Louis

Reviewed by Dana Pratt

**Attachments**

Initials JMN:DP: sl

(5/16/19)

### BURDEN OF PROOF STATEMENT

DCBA Case #:

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

not a fair return on investment

**IS THIS MATTER URGENT?**

Yes  No

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

income from rents necessary to pay mortgage, property taxes, utilities, maintenance and improvements (for refinance qualification)

**Section V: Signature of Petitioner**

Antonio Rivas  
Petitioner Name (Print)

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

(323) 251-8300  
Petitioner Telephone Number

  
Signature

2/1/19  
Date