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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
08/15/2019
Agenda Item No.
2

Transmittal Checklist

Petitioner Name: Lonzell Branch
Case Number: RSQ19-04419
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)
- Supporting Documents (separate attachment)
- _____

Reviewed By: Dana Pratt



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Case Number
RSQ19-04419

Hearing Date
8/7/2019

PETITION SUMMARY

PETITIONER NAME

Lonzell Branch

PETITION DATE

April 24, 2019

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 they are not receiving a fair return on the property.

PROPERTY ADDRESS

10200 S. Wilton Place Los Angeles, California 90047

10202 S. Wilton Place Los Angeles, California 90047

KEY ISSUES

- The two rental units on the property are currently rented out for a reported total of \$2,472.00 monthly
- Petitioner is requesting a monthly increase of \$328.00 (13.27%)
- Petitioner initially issued rent increases to the tenants in October 2018 above 3% and is currently returning any overpayments that occurred
- Petitioner will be increasing rent by 3% in October 2019

STAFF RECOMMENDATION

Approval

DCBA STAFF:

Shannon Louis 213-974-4118 SLouis@dcba.lacounty.gov



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Joseph M. Nicchitta
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August 7, 2019

TO: Gina Natoli, AICP
Hearing Officer

FROM: Shannon Louis

Case No. RSQ19-04419

**Lonzell Branch vs. Tenants of 10200-02 S. Wilton Place Los Angeles, California 90047
Hearing Officer Meeting: August 15, 2019 – Agenda Item: 2**

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 10200-10202 S. Wilton Place Los Angeles, California 90047 in the unincorporated area of West Athens in Los Angeles County.

The Petitioner reports receiving \$2,472.00 monthly or \$29,592.00 annually in income for two of the two units located at the addresses listed above. The Petitioner reports a total of \$311.39 or \$3,736.79 annually in operating expenses. The Petitioner reports the following operating expenses: property taxes, property insurance, maintenance and repairs, plumbing, gardening, pest control and water. 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)

1947

Previous Petitions/History

N/A

Staff Evaluation & Burden of Proof

According to Ordinance No. 2018-0045, DCBA has determined that the property 10200-10202 S. Wilton Place Los Angeles, California 90047 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 of \$328 would increase the total rental income for the property from \$2,472.00 to \$2,800.00 (13.27%) monthly. According to the ordinance, the landlord may already be allowed to increase the rental income by 3%, depending upon the date of the most recent rent increases for the units. It should be noted that the Petitioner issued the allowable increase (3%) for all units at the property dating back to October 2018. Therefore, the Petitioner is not entitled to any more than \$2,472.00 (base rent plus 3% allowable IRSO increase) until after October 2019 – unless another determination is made by the Hearing Officer. **Ordinance No. 2018-0045 Section 3(A)(1).**

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

	Base Year (September 2017-August 2018)		Petition Year (September 2018-August 2019)	
	Petitioner	DCBA Staff	Petitioner	DCBA Staff
Gross Income	\$28,800.00	\$28,800.00	\$29,592.00	\$29,592.00
Operating Expenses	\$4,888.98	\$4,613.81	\$3,736.79	\$4,899.07
Net Operating Income (NOI)	\$23,911.02	\$24,186.19	\$25,855.21	\$24,692.93
CPI	265.962	265.962	274.380	274.380
Change in CPI	3.17%	3.17%		8.418(3.17%)
Adjusted NOI (Base Year NOI x Change in CPI)	\$24,669.00	\$24,952.89		
Funds necessary to maintain NOI (Adjusted NOI less Petition Year NOI):	\$(1,186.21)	\$259.96		

Numbers provided are per year

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

The following expenses were reported by the Petitioner: property taxes, property insurance, maintenance and repairs, plumbing, gardening, pest control and water. The Petitioner reports a net operating income (NOI) in 2018 (the "Base Year") equaling \$23,911.02. The Petitioner reports a NOI in 2019 (the "Petition Year") equaling \$25,855.21. It appears the increase in NOI between the Base Year and Petition Year is due to a decrease in operating expenses and an increase in the total rental income between the Base Year and Petition Year. Based on the numbers and documentation provided, the petitioner's net operating income appears to have increased. The evidence provided includes utility bills, bank statements, canceled checks, and maintenance invoices provided by the Petitioner.

DCBA calculated a reported net operating income (NOI) in 2018 (the "Base Year") equaling \$24,186.19. DCBA reports a NOI in the 2019 (the "Petition Year") equaling \$24,692.93. 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 NOI between the Base Year and Petition Year is due to an increase in total rental income between the Base Year and Petition Year. The evidence provided includes utility bills, bank statements, canceled checks, and maintenance invoices provided by the Petitioner.

The CPI for the Base Year (annual average) is 265.962. The most recent CPI published by the BLS is 274.380, which reflects an increase of 8.418 or 3.17 percent from the Base Year. For the Petitioner to maintain the value of the NOI earned from the property in the Base Year (\$24,186.19) that amount must have increased in accordance with the change in CPI (3.17%). Accordingly, the CPI-inflated NOI should equal at least \$24,952.89 (\$24,186.19 x 1.0317). Here the DCBA calculates a reported monthly NOI of \$24,692.93 which does not meet or exceed the CPI-inflated NOI. Therefore, the Petitioner appears to be entitled to an increase in rent in order to maintain the value of the NOI earned in the Base Year. Based on Figure 1 calculations, the Petition Year NOI falls short of the CPI-inflated NOI by \$259.96. To make the Petitioner whole, DCBA recommends a monthly increase for the two units at the property in the amount of \$10.83 per unit. DCBA arrived at this number by dividing the shortfall in CPI-inflated NOI by a 12-month period and the number of units at the property ($\$259.96 / 12 \text{ months} = \$21.66 / 2 \text{ units} = \10.83). Rent is currently set at \$1,236.00 monthly for both units at the property. The recommended increase of \$10.83 monthly would bring rent to \$1,246.83 – which constitutes an additional .88% increase above the allowable limit for both units at the property.

Proof of Service/Notice of Hearing

The Petitioner, Lonzell Branch, returned the Proof of Service form to DCBA on April 25, 2019. The DCBA sent the original Notice of Hearing on May 17, 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 APPROVAL of the Interim Rent Stabilization Ordinance Petition for Noncompliance – Case Number RSQ19-04419.

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 RSQ19-04419 IS **APPROVED**, SUBJECT TO THE ATTACHED CONDITIONS.

Staff Report
RSQ19-04419

Suggested Statement

Prepared by Shannon Louis
Reviewed by Dana Pratt

Attachments

Initials JMN:DP: sl
(8/7/19)

BURDEN OF PROOF STATEMENT

DCBA Case #: RSQ19-04419

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

* RENTAL INCREASE FOR PROPERTY DUE TO
INSUFFICIENT INCOME TO MAINTAIN PROPERTY
* OWNER IS NOT RECEIVING A FAIR RATE OF
RETURN ON PROPERTY
* RENTS IN AREA ARE 20% MORE THAN BASE RENTS

	Current Rent:	Proposed Rent (if known):
#1	1200	16.7% (\$1400.00)
#2	1200	16.7% (\$1400.00)

HAVE YOU RECEIVED OR ISSUED A NOTICE OF RENT INCREASE IN EXCESS OF THE ALLOWABLE LIMIT?

Yes No

IS THIS MATTER URGENT?

Yes No

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