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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
08/22/2019
Agenda Item No.
2

Transmittal Checklist

Petitioner Name: Matt Pearson
Case Number: RSQ19-04033
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: _____



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Case Number
RSQ19-04033

Hearing Date
8/22/2019

PETITION SUMMARY

PETITIONER NAME
Matt Pearson

PETITION DATE
April 15, 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

453 N. RECORD AVE. LOS ANGELES, CA 90063

455 N. RECORD AVE. LOS ANGELES, CA 90063

457 N. RECORD AVE. LOS ANGELES, CA 90063

459 N. RECORD AVE. LOS ANGELES, CA 90063

KEY ISSUES

- The four rental units on the property are currently rented out for a reported total of \$6,498.00.00 monthly
- The Petitioner is requesting a monthly increase of \$247.00 (3.80%), which the Petitioner only intends to apply to one unit
- The Petitioner participated in the Homeless Incentive Program (HIP) and believes 457 N. Record Ave. Los Angeles, CA 90063 should be exempt from the IRSO

STAFF RECOMMENDATION

Denial

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



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Joseph M. Nicchitta
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August 14, 2019

TO: Gina Natoli, AICP
Hearing Officer

FROM: Shannon Louis

Case No. RSQ19-04033

Antonio Perez vs. Tenants of 453 - 459 N. Record Ave. Los Angeles, CA 90063
Hearing Officer Meeting: August 22, 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 453 - 459 N. Record Ave. Los Angeles, CA 90063 in the unincorporated area of Belvedere in Los Angeles County.

The Petitioner reports receiving \$6,498.00.00 monthly or \$77,976.00 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 at market rate. The Petitioner states their participation in the Los Angeles County Development Authority's Homeless Incentive Program (HIP) for the unit located at 457 N. Record Ave. Los Angeles, CA 90063 resulted in rental rate that is below market. While the Petitioner understands that IRSO Petitions for Relief from Moratorium are for the entire property, the Petitioner would only like to increase rent for the unit located at 457 N. Record Ave. Los Angeles, CA 90063. The Petitioner was under the impression that they could increase rent for the unit once the 12-month rental agreement was renewed. Initially, a rent increase in excess of the allowable limit was approved for the unit. However, the rent increase was set to occur after September 11, 2018, resulting in the increase being rescinded in accordance with the IRSO.

Use Type

Multi-Family Residential; 0400

Year Built/Certificate of Occupancy(COO)

1945

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 453 - 459 N. Record Ave. Los Angeles, CA 90063 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 has provided a rental agreement and a rental payment summary for the 457 N. Record Ave. Los Angeles, CA 90063 unit. No additional documentation has been provided for the remaining units at the property. Based on the supporting documentation provided by the Petitioner, DCBA cannot fully capture the Petitioner's expenses and income for the property.

While the rental agreement and rent payment history provide DCBA with an idea of the income for the unit at 457 N. Record Ave. Los Angeles, CA 90063 – DCBA has not received documentation for the remaining three units on the property. Without an accurate depiction of the Petitioner's income and expenses for the entire property, DCBA is unable to capture the Petitioner's maintenance of NOI, resulting in the inability to determine whether the Petitioner is receiving a fair return on the property. 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.

Furthermore, DCBA contacted the Homeless Incentive Program and County Counsel, which did not recommend the Petitioner's exemption from the IRSO due to participation in the Homeless Incentive Program.

Landlord Contact

On May 30, 2019, DCBA contacted the Petitioner to retrieve additional supporting documentation. DCBA requested documentation to demonstrate income and operating expenses for the subject property. The Petitioner informed DCBA that they would begin compiling documentation, although the basis for their petition is not centered around the maintenance of NOI as a fair return, but instead their participation in HIP.

On May 31, 2019, DCBA informed the Petitioner that the hearing date would be continued to research whether participation in HIP exempted the unit from the ordinance. DCBA encouraged the Petitioner to continue to compile documentation as no guarantee of exemption was being made. DCBA also informed the Petitioner that should an exemption not occur, the requirement for documentation to be reviewed for the hearing was still necessary.

On June 28, 2019, DCBA informed the Petitioner that continued Notices of Hearings would be sent out that same day and checked in regarding the Petitioner's documentation.

On July 1, 2019, DCBA contacted the Petitioner regarding the additional supporting documentation to inform the Petitioner that an answer regarding the exemption was still pending, but that required documentation should be submitted no later than July 9, 2019 to allow for review pending no exemption granted. The Petitioner informed DCBA that they had not compiled their documentation and did not know if they would be able to provide the documents to DCBA since they were on summer vacation.

On July 16, 2019, DCBA contacted the Petitioner regarding the additional supporting documentation and was unsuccessful. DCBA left a voicemail to inform the Petitioner that documentation is required.

On July 16, 2019, DCBA contacted the Petitioner regarding the additional supporting documentation and was unsuccessful. DCBA left a voicemail to inform the Petitioner that documentation is required.

On August 12, 2019, DCBA contacted the Petitioner regarding the additional supporting documentation to allow DCBA time to complete the analysis required to determine fair return. The Petitioner stated that he had not compiled the required documentation and was not sure if he would be able to provide it to DCBA in time for review, since it is a large amount of documentation. The Petitioner was informed that without the required documentation, DCBA would have to recommend a denial. The Petitioner understood and stated that he would try to provide DCBA with the required documents.

Proof of Service/Notice of Hearing

The Petitioner, Matt Pearson, returned the Proof of Service form to DCBA on April 15, 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 DENIAL of the Interim Rent Stabilization Ordinance Petition for Relief from Moratorium – Case Number RSQ19-04033.

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 RSQ19-04033 IS **DENIED**.

Suggested Statement

Prepared by Shannon Louis
Reviewed by Dana Pratt

Attachments

Initials JMN:JG: sl
(8/15/19)

BURDEN OF PROOF STATEMENT

DCBA Case #:

04033

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

The rental amount on this unit (457) is artificially low because we agreed to work with the HIP program for 1 year. HIP representatives assured me that we could return the rental amount to normal levels after the 1 year lease term. We only agreed to the lower amount of \$1,505/mo. because the HIP representative made up for most of the shortfall in the 1st year. I am requesting that all 4 units (453, 455, 457, 459) all be granted market rents of a maximum of \$1,750 per mo.

Current Rent:

\$1,505.00

Proposed Rent (if known):

\$1,750.00

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):*

HACOLA already approved the rent increase, but then had to rescind the approval due to the temporary RSO.