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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  
02/27/2020  
Agenda Item No.  
4

## Transmittal Checklist

Petitioner Name: Alex Hardy  
Case Number: RSQ19-11184  
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: Analú Fernandini



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**Case Number**  
RSQ19-11184

**Hearing Date**  
2/27/2020

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## PETITION SUMMARY

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### PETITIONER NAME

Alex Hardy

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### PETITION DATE

September 17, 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

1114 W. 102<sup>nd</sup> Street Los Angeles, CA 90044

1116 W. 102<sup>nd</sup> Street Los Angeles, CA 90044

1118 W. 102<sup>nd</sup> Street Los Angeles, CA 90044

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### KEY ISSUES

- The three rental units on the property are currently rented out for a reported total of \$3,852.00 monthly
- Petitioner is requesting an increase total monthly rent to \$4,559.00 – which constitutes a 18.35% increase
- Petitioner has not requested the allowable 3% rent increase

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### STAFF RECOMMENDATION

Denial

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

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February 20, 2020

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

**FROM:** Shannon Louis

**Case No. RSQ19-11184**

**Alex Hardy vs. Tenants of 1114–1118 W. 102<sup>nd</sup> Street Los Angeles, CA 90044**  
**Hearing Officer Meeting: February 27, 2020 – Agenda Item: 4**

### **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 1114–1118 W. 102nd Street Los Angeles, CA 90044 in the unincorporated area of West Athens in Los Angeles County.

The Petitioner reports receiving \$44,458.00 annually in rental income for the three units located at the address listed above. In the base year, the Petitioner reports a total of \$6,610.82 annually in operating expenses. In the petition year, the Petitioner reports a total of \$14,750.69 annually in operating expenses. The Petitioner reports the following operating expenses: mortgage, property taxes, property insurance, fire insurance, maintenance and repairs, water, and pest control. Based on the supporting documentation provided by the Petitioner, DCBA has calculated the annual income and expenses for the property in Figure 1.

### **Use Type**

Multi-Family Residential; 0300

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

1953

### **Previous Petitions/History**

The Petitioner filed a Petition for Relief from Moratorium (RSQ19-03071) with DCBA on March 21, 2019. Case RSQ19-08872 was withdrawn by the Petitioner on May 21, 2019.

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

According to Ordinance No. 2018-0045, DCBA has determined that the property 2156-1114–1118 W. 102<sup>nd</sup> Street Los Angeles, CA 90044 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 \$707.00 would increase the total rental income for the properties from \$3,852.00 to \$4,559.00 per month or by 18.35% monthly. According to the ordinance, the Petitioner may already be allowed to increase the rental income by 3%, which would allow for a total of \$3,967.56 monthly for the three rental units, depending upon the date of the most recent rent increases for the units. It should be noted that the Petitioner has not issued the allowable increase for the three units as of yet. **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	\$42,252.00	\$42,252.00	\$44,458.00	\$44,458.00
Operating Expenses	\$6,610.82	\$6,430.82	\$14,750.69	\$8,156.69
<b>Net Operating Income (NOI)</b>	<b>\$35,641.18</b>	<b>\$35,821.18</b>	<b>\$29,707.31</b>	<b>\$36,301.31</b>
CPI	268.032	268.032	274.114	274.114
Change in CPI	2.27%	2.27%		6.082 (2.27%)
Adjusted NOI	\$36,450.23	\$36,634.32		
<b>NOI Difference:</b>	<b>\$6,742.92</b>	<b>\$333.01</b>		

Numbers provided are per year

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 an annual net operating income (NOI) in 2018 (the "Base Year") equaling \$ \$35,641.18. The Petitioner reports an annual NOI in 2019 (the "Petition Year") equaling \$29,707.31. It appears the decrease in annual NOI between the Base Year and Petition Year is due to an increase in operating expenses between the Base Year and Petition Year. The evidence provided includes utility bills, canceled checks, property tax and insurance statements, and maintenance receipts/invoices provided by the landlord petitioner. 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 – thus, mortgage costs were not calculated in the numbers listed above.

The DCBA has calculated a reported net operating income (NOI) in 2018 (the "Base Year") equaling \$35,821.18 annually. The DCBA reports an NOI in the 2019 (the "Petition Year") equaling \$36,301.31 annually. It should be noted that the DCBA arrived at this number with consideration of the Petitioner's expenses related to property taxes, property and fire insurance, maintenance and repairs, and utilities for the property. As stated above, mortgage costs are not considered to be an eligible expense for the purposes determining fair return in the implementation of the IRSO – thus, were not included in the numbers listed above. It appears the DCBA calculated decrease in NOI between the Base Year and Petition Year is due to an increase in operating expenses, although there was an increase in income, between the Base Year and Petition Year. The evidence provided includes utility bills, canceled checks, property tax and insurance statements, and maintenance receipts/invoices provided by the landlord petitioner.

DCBA was unable to substantiate the following expenses reported by the Petitioner:

- **P.O. Box Rental** – The Petitioner provided a paid invoice for a P.O. Box Rental in the amount of \$90.00 in the Base Year and \$154.00 in the Petitioner Year. DCBA did not substantiate the expense as the Petitioner reported the P.O. Box is for general use and not dedicated to the property.
- **Bath Heater Repair** – The Petitioner reports repairing the Bath Heater for the Unit Located at 1116 W. 102<sup>nd</sup> Street Los Angeles, CA 90044 in the Base Year. However, DCBA did not substantiate the expense as the Petitioner reports billing the respondents for the expense in the amount of \$190.00.
- **Lock Change** – The Petitioner reports changing the locks for the unit located at 1116 W. 102<sup>nd</sup> Street Los Angeles, CA 90044 in the Base Year. However, DCBA did not substantiate the expense as the Petitioner reports billing the respondents for the expense in the amount of \$90.00.
- **Sun Pacific Roofing** – The Petitioner provided DCBA with an invoice and canceled checks related to repairing the garage roof at the property in the amount of \$6,000.00. However, DCBA did not substantiate the repairs as both the Petitioner and Respondents reported the repairs were related to deferred maintenance at the property and had been delayed accordingly.
- **Paralegal Money Order** – The Petitioner provided a money order in the amount of \$50.00 and stated it was to serve one of the Respondents in the Petition Year. However, DCBA did not substantiate the expense as the receipt showed no relationship to the property and DCBA received no invoice of demonstration of this.
- **Toilet Stoppage** – The Petitioner reports repairing a toilet stoppage for the unit located at 1118 W. 102<sup>nd</sup> Street Los Angeles, CA 90044 in the Petition Year. However, DCBA did not substantiate the expense as the Petitioner reports billing the respondents for the expense in the amount of \$200.00.

The CPI for the Base Year (September 2018) is 268.032. The average CPI for 2019 published by the BLS is 274.114, which reflects an increase of 6.082 (2.27%) from the Base Year. For the Petitioner to maintain the value of the NOI earned from the Property in the Base Year (\$35,821.18) that amount must have increased in accordance with the change in CPI (2.27%). Accordingly, the CPI-inflated monthly NOI should equal at least \$36,634.32 ( $\$35,821.18 \times 1.0227$ ). Here, DCBA calculates a reported NOI of \$36,301.31 which does not exceed the CPI-inflated NOI. Therefore, the Petitioner should be entitled to an increase in rent in order to maintain the value of the NOI earned in the Base Year. However, the three units at the property are eligible to have rents increased by the allowable limit (currently 3%). If the Petitioner were to have increased rent by 3%, this would have resulted in a NOI of \$37,635.05 (\$45,791.74 - \$8,156.69). Accordingly, this exceeds the CPI-inflated NOI of \$36,634.32 and does not entitle the Petitioner to an increase beyond the allowable limit.

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

The Petitioner, Alex Hardy, returned the Proof of Service form to DCBA on September 18, 2019. The DCBA sent the original Notice of Hearing on January 15, 2019.

Staff Report  
RSQ19-11184

**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 RSQ19-11184.

**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 RSQ19-11184 IS **DENIED**, SUBJECT TO THE ATTACHED CONDITIONS.

**Suggested Denial Statement**

Prepared by Shannon Louis  
Reviewed by Analu Fernandini

**Attachments**

Initials JMN:AF: sl  
(2/20/20)

## BURDEN OF PROOF STATEMENT

DCBA Case #: **RSQ19-11184**

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

*To Receive Relief From Rent Stabilization Ordinance  
see attached petition*

Current Rent: *please see documents* Proposed Rent (if known):

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):

### Section IV: Respondent Information

Respondent Type: ☒ Tenant(s) ☐ Landlord ☐ Mobilehome Homeowner(s) ☐ Mobilehome Park Owner

*Deborah Washington* *1116 W. 102ND ST*  
*Los Angeles CA 90044*  
Respondent Name/Organization (Please list the names of each Tenant or Mobilehome Homeowner who received a copy of this petition below)

*Cynthia Gambrell* *1114 W. 102ND ST.*  
*Los Angeles CA 90044*  
Respondent Title (Tenant, Landlord, Mobilehome Homeowner or Mobilehome Park Owner)

*Shanita Rogers* *1118 W. 102ND ST*  
*Los Angeles, CA 90044*  
Respondent Telephone Number & Email