

ANNUAL REPORT 2013



CITY OF WEST HOLLYWOOD

Rent Stabilization and Housing





INTRODUCTION

Since incorporation of the City thirty years ago, in 1984, housing affordability and quality have been priorities in West Hollywood. Three of the most important reasons for the creation of the City of West Hollywood were affordability of apartments, protection from unfair eviction of tenants, and greater local governmental control as opposed to governance by unincorporated Los Angeles County.

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Prior to 1984, the five-member County Board of Supervisors, responsible for 4,752 square miles of county lands, also provided public services in West Hollywood. In the early 1980's, apartment rents were increasing and the County's rent control program was diminishing. Residents concerned over the loss of housing affordability and other issues banded together. With the help of organizations such as the Coalition for Economic Survival, the community passed a ballot measure in the November 1984 election to form the City of West Hollywood.

One of the first actions the newly formed City of West Hollywood took was to pass a Rent Stabilization Ordinance, protecting tenants from large rent increases and unwarranted evictions.

As described in the Rent Stabilization Ordinance, the purpose of this law is:

Purpose of the Rent Stabilization Program

- To protect tenants from unreasonable and excessive rents,
- To protect tenants from involuntary displacement,
- To keep rents within the city at a moderate level and at the same time to ensure a just and reasonable return to landlords.

These reasons continue to be foundational to the Rent Stabilization Program and City policies. A goal of the **City's Vision 2020 Strategic Plan** is to *"Protect and enhance affordable housing opportunities, with emphasis on Rent Stabilization laws."*



The West Hollywood Rent Stabilization Program is managed by the City's Rent Stabilization and Housing Division. The Rent Stabilization and Housing Division's mission is to:

Promote a strong and vibrant residential community, with particular emphasis on rent stabilization, affordable housing production and preservation.

The Division implements its mission through the following goals:

- Fair regulation of rental housing
- Preservation of existing affordable housing
- Creation and continuation of housing opportunities

Rent Stabilization and Housing Staff assist with the fair administration of the Rent Stabilization Ordinance (RSO). Information Coordinators are available in person, over the phone, and by email to respond to Rent Stabilization and Housing questions. Rent Stabilization and Housing staff also provide a series of free educational seminars throughout the year focusing on different aspects

of the RSO. The Division manages an extensive collection of information, materials and handouts, which are available at the Division's public counter in City Hall and on the City's website. The Division also focuses on maintaining and increasing affordable housing opportunities and improving the supply of housing throughout the City. The Division focuses on developing new affordable housing through the administration of the City's Inclusionary Housing Ordinance, and through partnerships with nonprofit affordable housing developers. Housing policy is guided by the City's Housing Element, which is a part of the City's General Plan and discussed later in this report.

We welcome your questions and comments.

Visit us on the web: www.weho.org/rsh

Contact the Rent Stabilization and Housing Division by phone: (323) 848-6450

by email: rsd@weho.org

**or in person at City Hall
8300 Santa Monica Boulevard
West Hollywood, California, 90069**

TRENDS AFFECTING HOUSING IN WEST HOLLYWOOD IN 2013

High Rents for Lower-income Households

California continues to have the highest share of low- and moderate-income working households who are paying more than they can afford for their housing. A household is considered rent-burdened if they spend more than 30 percent of their income on rent. In California, 32 percent of low- and moderate-income are “severely rent-burdened”, meaning they spend more than half of their income on housing costs.¹ The situation is more severe in the Los Angeles region, where 38 percent of low- and moderate-income residents pay more than half of their income for rent. According to a recent study by California Housing Partnership Corporation, there is a shortfall of 490,000 affordable homes in Los Angeles County for very low-income and extremely low-income households.² From 2000 to 2012, incomes in Los Angeles County declined by nine percent, while rents increased by 25 percent, creating a more difficult situation for many renters.

West Hollywood’s Rent Stabilization Ordinance helps stabilize the cost of housing for existing tenants and helps prevent evictions and homelessness among rent-burdened households. Rent stabilization limits annual rent increases allowed for apartments with existing tenants to a specific rate based on the Consumer Price Index (CPI). The rate by which a landlord may raise the rent is calculated each year and is effective from September 1 to August 31. The rate is referred to as the “Annual General Adjustment” or “AGA”, and is in effect for all rental properties built before January 1, 1979.

In 1996, the State Legislature passed the Costa-Hawkins Act, which allows landlords to reset the rent on a rent stabilized rental unit after an existing tenant has moved out. While a tenant remains in their apartment the City’s Rent Stabilization Ordinance dictates the rate by which the rent can be increased. Once a tenant has moved out of an apartment, however, a landlord may reset the rent on the unit to a price they see fit, which is the new base rent.

Post Costa-Hawkins, the City’s Rent Stabilization Ordinance therefore continues to offer strong protections for tenants in place, but cannot control new rents. The result of this is that, since 2000, 62 percent of the rent stabilized inventory has gone to new, market rent. Thus, it is more expensive to live in the city.

Federal Budget Cuts and Sequestration Limited the Availability of Rent Subsidies

In 2013, Federal budget cuts impacted housing resources, specifically the Housing Choice Voucher Program (Section 8). This is a program of the Department of Housing and Urban Development and provides rent subsidies to landlords who rent to low-income individuals and households. Over 800 West Hollywood residents, most of whom are seniors or disabled, hold Section 8 vouchers and have their rent subsidized by this federal program, which is locally administered by the Housing Authority of the County of Los Angeles (HACoLA).

The City of West Hollywood has actively advocated to protect rent subsidies offered through the Section 8 Program. Sequestration, a series of across the board federal budget cuts that took effect in March 2013, exacerbated the budget cuts to housing programs, including Section 8. Though some funding has been restored, many program changes that were implemented have not, and the restored funding is still not adequate to return the federal programs back to pre-sequestration levels. The federal government shut-down in October threatened to interrupt housing payments, but was averted in time to prevent evictions. An added impact of the budget cuts is the reduction of administrative support within housing authorities, such as HACoLA, leading to staff reductions and consequential challenges in handling the demands of the Section 8 program. The City continues to work with HACoLA in an effort to ensure that vulnerable low-income senior or disabled residents are protected from further budget cuts.

¹ Center for Housing Policy. “Housing Landscape 2014.” (February 2014) <http://www.nhc.org/media/files/Landscape2014.pdf>

² California Housing Partnership Corporation. “How Los Angeles County’s Housing Market is Failing to Meet the Needs of Low-Income Families.” (May 2014) http://www.chpc.net/dnld/Housing_Need_LA_Final_060414.pdf

Challenges of Building Affordable Housing

In 2011, the state legislature dissolved the local redevelopment agencies. Since the redevelopment agencies were dissolved, there has been no permanent State resource for funding affordable housing. The decision to eliminate the redevelopment agencies has dramatically reduced available funding for production of new affordable housing throughout California, impacting future development of affordable housing.

New construction of affordable housing has a development timeline of three to seven years, so even though the redevelopment agencies were dissolved in 2011, some projects continue to be built. Several large projects in West Hollywood that were funded through redevelopment before its dissolution and through the City's Inclusionary Housing program are nearing completion, and will add to the City's inventory of units available for very low-, low- and moderate-income households. Future development, however, will be dependent on other public funding sources, and possibly look more to private development to include affordable housing. The City Council's legislative policy directs staff to actively encourage the California legislature to create new funding mechanisms so that affordable housing construction can resume throughout the state and specifically in the City of West Hollywood.





CITY OF WEST HOLLYWOOD 2013 GUIDING POLICIES

COMMUNITY STUDY AND INSIGHTS REGARDING HOUSING

The City currently allocates \$4.2 million annually from the General Fund to social service nonprofits that serve the West Hollywood community. In order to more fully understand the current social services needs of the community and how the needs have changed over time, the City commissioned an extensive

Community Study in 2013 that collected and analyzed available demographic data. In addition, the study team conducted a statistically valid community survey, and an extensive public outreach and engagement campaign to collect feedback on community services in the city. This was the fourth such study in the City's history, and the study provided the following insights related to Housing:



Housing conditions were surveyed in the 2013 Community Study. Key findings from the 2010 U.S. Census included:

- The composition of the city's housing stock has changed relatively little over the past ten years. There has been a two percent growth in housing stock in the city, which equates to 375 new housing units.
- Since 1990, the proportion of residents who are renters to homeowners has remained constant at 78 percent renters, and 22 percent homeowners. West Hollywood has a higher proportion of renters than elsewhere in Los Angeles County, where countywide only 52% of residents are renters.
- More than ¾ of households (78%) live in buildings with five or more units, and only 12 percent of households live in single-family houses.

Housing Conditions and Housing Priorities

Through the community survey and public outreach and engagement activities, the Community Study highlighted several key findings related to housing:

The majority of respondents (56%) have lived in West Hollywood for ten years or more. Almost half (48.1%) of survey respondents live alone.

Of those surveyed, 56% said they would feel comfortable asking their landlord to repair or replace any of these household items if they were in poor condition. Fifteen percent of those surveyed said they had contacted City Hall for a property maintenance issue.

Key themes that emerged from the Community Survey included:

- A desire to increase the amount of affordable housing so that low- and moderate-income community members can continue to live in West Hollywood.
- A need to improve the city's aging housing stock.
- A concern for those residents who are aging in place and may need additional resources and support to remain in their current homes.

UPDATE: THE HOUSING ELEMENT OF WEST HOLLYWOOD'S GENERAL PLAN

All California cities are required to update the Housing Element of their General Plan periodically to address housing needs across the economic and social spectrum. Over the past two years, the City conducted research, held community workshops, and collected data to inform the programs in the most recent Housing Element update which will guide City housing policy through the year 2021.

The new Housing Element was reviewed by the Planning Commission and adopted unanimously by the West Hollywood City Council on December 2, 2013. It was certified by the California Department of Housing and Community Development on January 14, 2014. Having a certified Housing Element allows the City to apply for state funding for the construction of new affordable housing when such funding becomes available.

Key themes of the programs in the 2013-2021 Housing Element include:

Addressing Aging Housing Stock and Incentives for Rehabilitation

The Housing Element outlines a strategy to address the City's aging housing stock

that includes incentives, financial and technical assistance to property owners, and the acquisition and rehabilitation of deteriorating housing. Over the next eight years, West Hollywood will work to improve the quality of its older apartment buildings, with the goal of preserving rent stabilized housing in the City.

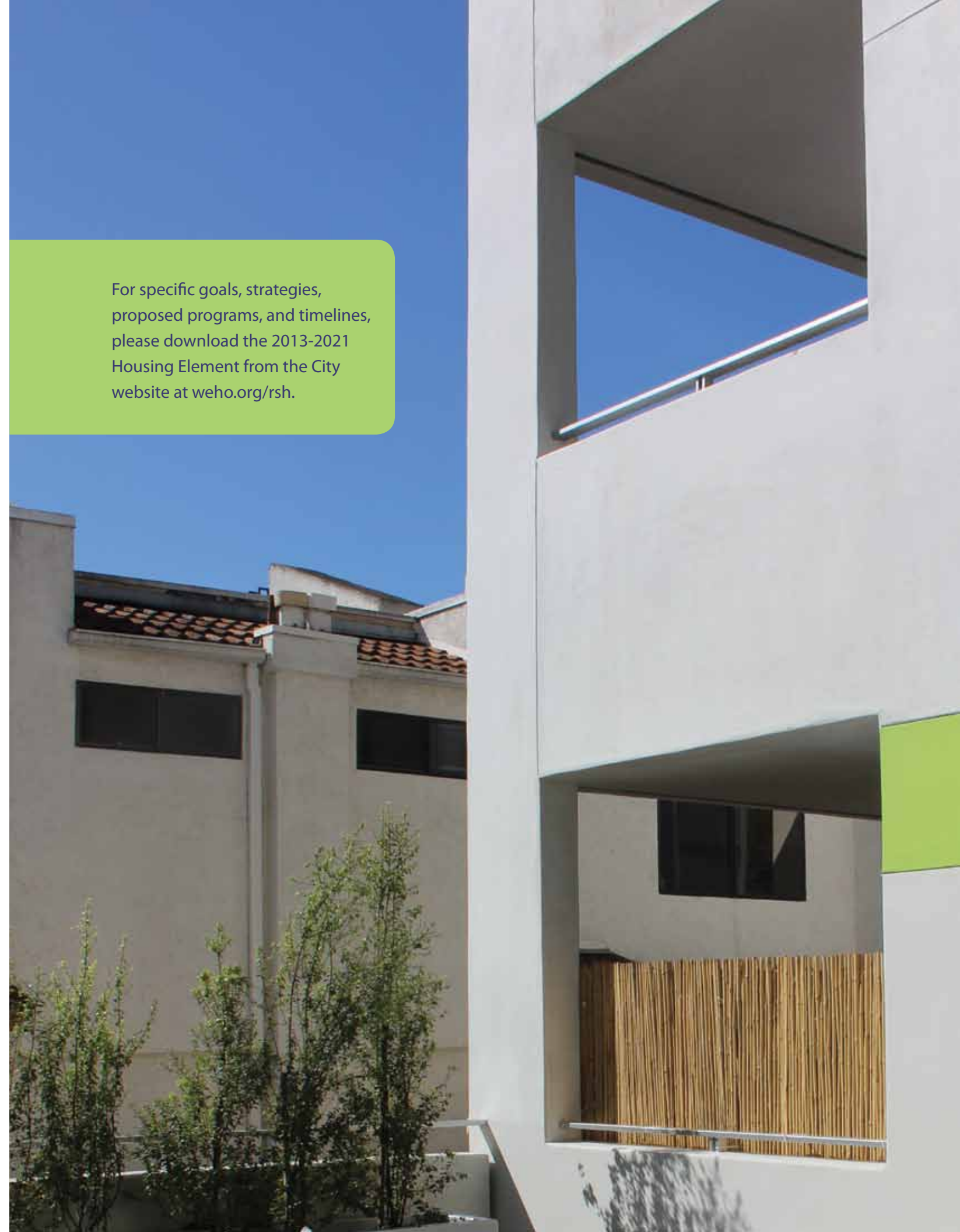
Production and Protection of Affordable Housing

The Housing Element reconfirms West Hollywood's commitment to expanding availability of housing that is affordable to lower-income working people, seniors and people living with disabilities. The updated element outlines strategies for maintaining local resources for new housing, and preserving existing affordable housing

Partnerships with Non-Profits and Social Services Agencies

The Housing Element highlights the City's commitment to the provision of supportive services. The City will continue to support the West Hollywood Community Housing Corporation and other non-profit organizations in the development of affordable and special needs housing. The Housing Element also outlines the City's fair housing program and partnership with non-profit service providers that help meet the diverse needs of the City's residents.

For specific goals, strategies, proposed programs, and timelines, please download the 2013-2021 Housing Element from the City website at weho.org/rsh.



ACTIVITIES OF THE RENT STABILIZATION & HOUSING DIVISION IN 2013

Rent Stabilization and local control was a central reason for West Hollywood's incorporation. Also, the preservation and development of affordable housing is an ongoing, critical and strategic goal of the City.

One of five goals of the City's Vision 2020 Strategic Plan, "Protect and enhance affordable housing opportunities, with emphasis on Rent Stabilization laws," is a foundation of City programs and policies.

Implementation of the rent stabilization program is assigned to the Rent Stabilization and Housing Division, which develops programs and recommends policies for the City Council's approval. The main goals of the division are:

- **Preservation and improvement of the existing housing infrastructure,**
- **Fair regulation of rental housing; and**
- **Creation of new market-rate and affordable housing.**

Customer Service and Support: The Rent Stabilization and Housing Division is often the gateway for both property owners and tenants to have their questions answered or to be provided with referrals to other divisions such as Code Compliance, Building and Safety, or Social Services. Rent Stabilization and Housing works with other City Divisions to find the most workable solution for all involved, to preserve tenancies for vulnerable individuals, and to support property owners in making their buildings safe and stable.

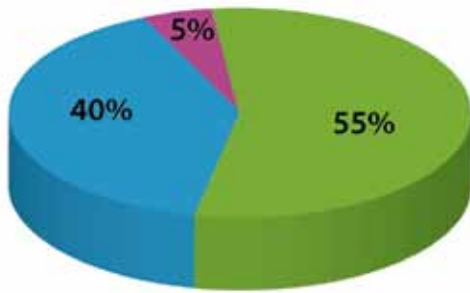
Public Inquiries: The Division serves the public on a daily basis by responding to telephone and in-person inquiries about the Rent Stabilization Ordinance and landlord/tenant issues in general, and the City's Inclusionary Ordinance and Affordable Housing Program and Waitlist. During calendar year 2013, staff members spoke with 9,233 individuals, of whom 5,084 were tenants, 3,666 were landlords, and 483 were brokers, lawyers, or other interested parties. The most common topics of concern were evictions, maintenance requests, lease issues, hearings, re-registrations, and housing services.

How many contacts/questions were received in 2013?

There were 9,233 total

Who made inquiries?

- 5,084 - Tenants
- 3,666 - Landlords
- 483 - Brokers, or others



CONTACTS

- Tenants 55%
- Landlords 40%
- Brokers, other 5%

Top Eight Reasons Constituents Contacted Rent Stabilization

1. Eviction
2. Lease Issues
3. Maintenance
4. Hearings
5. General Information
6. Re-registrations
7. Housing Services
8. Housing

Public Outreach: The Division has daily contact with members of the public who have questions or problems, and members of the Division strive to ensure that all residents are aware of rent stabilization services and feel comfortable using the Division's services when they are needed. A strong public outreach program, evaluated regularly for its effectiveness in reaching residents, ensures that tenants and property owners know how to use City services to resolve housing-related issues. In 2013, the Rent Stabilization and Housing Division collaborated with the Social Services Division to continue the expansion of outreach opportunities.

"Building Blocks" – Education for Tenants and Landlords: During 2013, the Division offered nine seminars in its educational series, called "Building Blocks," for tenants and landlords on issues such as Emergency Preparedness, Tenants 101 Workshop, Landlords 101 Workshop, Evictions and Relocations: A Primer, and Basic Property Maintenance. An average of seven people attended each seminar,

and each was asked to complete an evaluation survey. Of the surveys received, 85% indicated that the seminars were useful. Based on participation and feedback, a new curriculum has been developed for 2014, with additional topics of interest to West Hollywood constituents.

Residential Rental Referral List: The Division maintains a list of available West Hollywood rental units, on which landlords can advertise without charge. The Residential Rental Referral List is updated weekly and shows an available unit's address, number of bedrooms/bathrooms, asking rent, and who to contact for more information. A brief description of desirable amenities or the landlord's willingness to accept Section 8 vouchers is included. In addition to being available at City Hall, the Rental Referral List is distributed to community organizations and published on the City's website. The Rental Referral List is one of the most frequently accessed points of information on the City's website. www.weho.org/rsh

General Adjustment and Interest Rate for Security Deposits: The Rent Stabilization Commission sets the Annual General Adjustment (AGA) in rents each year based on the increase in the Consumer Price Index. Based on the increase from May 2012 to May 2013, the AGA was set at 0.75 percent for the months between September 1, 2013 and August 31, 2014. For the upcoming period between September 1, 2014 to August 31, 2015, the AGA has been set at 1.25 percent. The Rent Stabilization Ordinance also requires that tenants be paid interest on their security deposits by January 31 of each year in an amount determined by the City based on prevailing interest rates. The rate is determined by averaging the interest percentage paid by five local banks for regular savings accounts. Based on the staff analysis, the security deposit interest rate for 2013, and for 2014 was set at 0 percent.

Hearings on Maximum Allowable Rent and Rent Decreases: The Division held 56 hearings in 2013 on rent-stabilized units. Hearings are held if a tenant or

landlord wishes to determine the maximum allowable rent for a unit. Hearings are also held if a tenant believes they have had a substantial reduction in housing services and are due a rent decrease. If granted, a rent decrease remains in effect until the service is restored. For example, a tenant might believe that his or her lease includes the use of amenities such as a laundry room that may have become inoperative. The hearing examiner evaluates the evidence presented at the hearing and determines if the tenant is eligible to receive a rent decrease. If granted, the rent decrease is applied and reduces the tenants rent until the housing service is restored. If there is a disagreement between the parties over the hearing finding, either of the parties can file an appeal, which is taken to the Rent Stabilization Commission for its consideration. The Rent Stabilization Commission issues its determinations in the form of a resolution. Resolutions of the Commission are final decisions, for which a further appeal process is for either party to file a case in Superior Court.

Newsletters for Tenants and Landlords: Every year the Division sends newsletters to all tenants and landlords who are subject to rent stabilization. The Division sent newsletters to landlords and tenants in July 2013, announcing the general adjustment and in December 2013, announcing the security deposit interest rates. In addition to these announcements the newsletters offered other information of interest to those who rent or own apartments in West Hollywood such as information about available social services, utility discount programs, and information on the Building Blocks educational seminar series on Rent Stabilization topics. Newsletters are sent in English, with Russian versions available in City Hall and on the City's website and at Plummer Park.

New Property Owner and New Tenant Mailings: All new owners and new tenants receive an information packet introducing them to the City's Rent Stabilization program. The packet of general information contains fact sheets, a Guide to Rent Stabilization, a voter registration form, and a welcome letter.

The Division mails packets out once a month. In 2013, approximately 130 new landlord and/or property manager and 2,149 new tenant packets were mailed.

Prospective Buyer Information Assistance for West Hollywood Multi-Family Housing: Whether rental property in West Hollywood is purchased or inherited, the new owners will need to become familiar with the City's rent stabilization requirements, including registering the property, paying fees, maintenance standards, and complying with rent stabilization laws. Division members meet with prospective or new property owners to review rent stabilization and other City ordinances, and provide information regarding re-registration after a vacancy, and code compliance issues. Division members also provide information about how to deal with building renovations while there are tenants-in-place. In addition, meeting with members of the Division provides an opportunity for prospective owners and their brokers to gain a better understanding of the City's Rent Stabilization and Housing requirements.

Registration Fees: The Rent Stabilization program is funded through fees paid for rent stabilized rental units. In 2013, there were 16,916 units under the jurisdiction of the rent stabilization program. Units with rents subsidized by the federal Section 8 program and units whose owners are living in them are temporarily exempted from the Rent Stabilization registration fee. There were 1,890 units with such exemptions. Rental units in the Section 8 program and owner-occupied units are charged a different registration fee because of the unit's exempt status. Section 8 units pay only the landlord's portion of the registration fee, which is \$60, and owner-occupied units do not pay the registration fee at all. In 2013, the Division collected \$1,898,653 in rent registration fees.

Tenant Registration Fee Rebate: Landlords are allowed to pass through half of the registration fee per unit (\$60) to their tenants in \$5 increments per month. The pass through portion of the fee is considered to be in addition to the monthly rent. Very low-income tenants who are over 62 years of age or disabled may obtain an annual rebate of this \$60

if they paid it to their landlord for the previous year. Tenants may apply to be reimbursed retrospectively for up to three years of paid registration fees. Application forms are on the Division's web page. During 2013, 345 tenants were granted rebates.

Tracking Rental Status: The Rent Stabilization Division maintains records for residential properties in the city. Both paper and digital files are maintained for each property. Each time a unit is rented to a new tenant, the owner must file a *Re-Registration of New Tenancies in a Unit* form with the Division, signed by both the landlord and the tenant. The form includes information such as the move-in date, the initial rent paid, and housing services that are provided with the unit (parking, storage, laundry, etc.). If the unit has outstanding health and safety violations that have been cited by an appropriate governmental agency, the landlord is not allowed to increase the new tenant's rent. Once the form is processed and verified, a letter of confirmation is sent to both the landlord and the tenant, and the information is also stored in the City's database. This letter becomes the record of the initial

agreement between the landlord and each tenant, from which rent increases are computed and level of housing service is documented.

Inclusionary Housing Waiting List Opportunities: In July of 2013, anticipating new inclusionary rental housing opportunities for low-income households in new residential buildings, the Division accepted applications for the low-income waiting list and used a lottery system to queue the waiting list. In this period, the City received over 3,000 new applications.

Housing Information Center: The Division's housing information center in the City Hall lobby, and on the City's website, contains a variety of information for prospective tenants, current tenants, and developers about affordable housing. Handouts include information about inclusionary and affordable housing programs, referral information for Section 8 vouchers, housing rights information and information from the Department of Consumer Affairs on how to become "tenant ready" (how to improve one's credit and rental history).

EXPANDING OPTIONS FOR AFFORDABLE HOUSING IN WEST HOLLYWOOD

While construction of new affordable housing slowed during 2013 as builders sought new financing alternatives to replace the redevelopment agencies, West Hollywood saw two major projects for low-income tenants in construction during the year.

West Hollywood Community Housing Corporation's new building, the Courtyard at La Brea, was under construction in 2013. Located at 1145 N. La Brea, the building opened in January 2014 with 16 units assigned by lottery to very low-income households, and 17 "special needs" units reserved for people living with disabilities, including HIV/AIDS, and youth transitioning out of foster care.

The Affordable Living for the Aging's new West Hollywood development, the Janet L. Witkin Center, is currently under construction at 937 N. Fairfax Avenue.





DEPARTMENT OF CITY MANAGER LEGAL SERVICES DIVISION

The building will provide 17 housing units for very-low income seniors and will also provide offices for Affordable Living for the Aging (ALA). It is currently under construction, and will open in 2014. A tribute to ALA founder Janet L. Witkin, the Witkin Center will allow very-low income seniors at risk of homelessness or who have become homeless to be safe and secure in the West Hollywood community.

The City's Inclusionary Housing program has also seen an increase in inventory because of the construction of new developments. Projects currently under construction or ready to begin construction will double the number of inclusionary units in the City's inventory. In anticipation of these new units, the City opened its waiting list for low-income households for the first time in seven years. Prior to opening its waiting list, the City conducted six weeks of outreach in the community. The outreach included flyers at sites throughout the

City; including City Hall and Plummer Park; and announcements on the City cable channel, at the City Board and Commission meetings, and at City Council. The waiting list was opened from July 1, 2013 through July 31, 2013. In this four week period, over 3,000 households submitted applications.

Developed by Monarch, the Huxley and the Dylan are two new private development projects on the eastside of West Hollywood at the corner of Santa Monica Boulevard and La Brea Avenue and the corner of Fountain Avenue and La Brea Avenue. The buildings were under construction in 2013. Lease-up of the units began in the beginning of 2014. Together the two buildings will add 75 inclusionary units to the City's inventory. With the addition of the Huxley and the Dylan, the City now has 185 inclusionary units completed. There are an additional 165 units expected to be completed in the next three to five years.

The City's Legal Services Division provides legal services to support the enforcement of rent stabilization laws, including tenant harassment complaints. The Division is staffed by lawyers, support staff, and a mediator who provides no-cost mediation services to help resolve landlord-tenant disputes, disputes between businesses, residents, and other disputes within the City.

Rent Adjustment Hearings: These hearings are heard by a hearing examiner to determine whether there has been a reduction in housing services, failure to perform required maintenance, or if a tenant is being charged rent in excess of what is permitted by the Rent Stabilization Ordinance and State Law.

| 2013 RENT ADJUSTMENT HEARING STATISTICS | | | |
|--|-----------|------------|------------|
| | 2013 | 2012 | 2011 |
| Hearings Filed | 97 | 133 | 116 |
| Hearings Held | 56 | 75 | 69 |
| Hearing Requests Withdrawn | 15 | 46 | 26 |
| Postponed to a later date or dismissed administratively | 26 | 12 | 21 |

Tenant Harassment: The Legal Services Division investigates complaints of tenant harassment. A tenant may initiate an investigation by filing a harassment complaint with the Division. In 2013, the Division received 44 tenant harassment complaints compared to 38 complaints in 2012. Once received, a tenant harassment complaint is assigned to a staff attorney who reviews the allegations made in the complaint, and contacts all parties and any witnesses to the alleged harassment. Because tenant harassment is a criminal offense, no charges will be filed unless the Legal Division and City Prosecutor are satisfied that all of the elements of the offense can be proven beyond the standard of a reasonable doubt. While few complaints are ultimately prosecuted, the investigation frequently alerts tenants and landlords to their rights and responsibilities under the Rent Stabilization Ordinance and helps bring parties into compliance.

Mediation: Many problems can be solved through a communication and negotiation process in which a neutral third party assists participants to resolve disputes. Mediation is confidential, voluntary and requires parties who can bargain in good faith. The mediator does not tell parties what to do but rather assists them in identifying and creating mutually beneficial solutions to their conflict. The City's mediator spoke with approximately 1,040 constituents in 2013, and resolved 485 conflicts through a combination of telephone calls and face to face meetings. Attempts are made to resolve most rent decrease applications prior to scheduling a hearing. Typical issues for mediation include maintenance, parking, pets, roommates, and relocation when tenants must move out due to fires, fumigation, or other habitability concerns. The mediator also deals with issues involving condominium homeowner associations.





THE RENT STABILIZATION COMMISSION

The Rent Stabilization Commission is comprised of five West Hollywood residents, each of whom is appointed by a City Council member.

The Commission provides a mechanism by which tenants and property owners may appeal decisions issued by hearing examiners concerning rents, property maintenance, housing services, and other important landlord-tenant issues. The Commission also reviews the Rent Stabilization Ordinance and Regulations, proposing appropriate changes to the City Council to better effectuate, implement, and enforce the law. Additionally, the Commission considers recommendations to the City Council regarding housing policy.

GOALS AND ACCOMPLISHMENTS IN 2013

Appeals

The Rent Stabilization Commission's priority is to hear appeals in rent adjustment hearings. The decision by the hearing officer on an application for a rent adjustment may be appealed to the Rent Stabilization Commission by a tenant or landlord. The hearing decision may be appealed for any of three reasons: if the applicant believes the decision was made in error, if the determination is not reasonably supported by the evidence, or if the decision in some way violates the City's Rent Stabilization Ordinance.

In 2013, the Commission heard 19 cases that primarily were appeals of rent decrease applications. Several other cases were regarding Maximum Allowable Rent determinations.

Implementation of the Rent Stabilization Ordinance (RSO)

In addition to hearing appeals, the Commission has other responsibilities in relation to the implementation of the RSO. The Commission is authorized to establish the annual interest rate on tenant security deposits that are held by landlords. The interest rate for 2013 was 0% because of the low interest rates offered at banks throughout the region.

Also, the Commission is authorized to set the annual general adjustment. The annual general adjustment is 75% of the increase in the Consumer Price Index. In 2013, the annual general adjustment was set at 0.75%, and in 2014 it will be 1.25%. Lastly, staff presented recommended changes to the Rent Stabilization Ordinance to the Commission. The Commission provided feedback and edits before the final version of the changes was presented to City Council for its approval.

Hearings and Remedies Brochure

The Commission reviewed the design and information provided in the new Hearings and Remedies brochure. The brochure was created by the Rent Stabilization and Housing Division in collaboration with the Legal Services Division. The purpose of the brochure is to provide user-friendly information about the rent adjustment hearings for tenants and landlords who are new to the process. It provides tenants and landlords with answers to their questions to help them decide to file a case, prepare for a hearing, and anticipate the decision that will be made. The brochure is available at City Hall and online, in English and Russian.

RSO Building Blocks Educational Seminars

The Commission reviewed the curriculum of the first year of the RSO Building Blocks Educational Seminars, as completed in 2013. The Building Blocks Educational Series was created because of the need to educate property owners, managers, tenants, and other community members about the Rent Stabilization Ordinance. The 2013 series included nine seminars that were presented by staff and community agencies and covered topics such as Tenants 101, property maintenance requirements, and eviction and relocation protections. An average of seven people attended each seminar and 85 percent of the evaluation remarks received were positive. The Commission was also presented with the draft curriculum for the 2014 Building Blocks series and provided feedback to staff on ways to continue to improve the program in the future.

Valuations

In 2013, the Commission began a discussion of the City's Valuation Guidelines. The Guidelines are a set of values that are used to assist the Hearing Examiner and Commission to determine the appropriate rent reduction if there is an unresolved maintenance issue or if a housing service is removed. The

Commission decided to form an Ad Hoc Committee to work with staff to learn more about the Guidelines and determine the most effective way for the City to update the values. The Ad Hoc Committee regularly reported back to the full Commission on its findings. In 2014, the Commission established an updated set of Guidelines based on these discussions.

Collaboration with Housing and Other Divisions

Although the Rent Stabilization Commission's focus is on issues related to appeals and administration of the Rent Stabilization Ordinance, many times these topics overlap with other City priorities or services. The Commission received updated information on many issues related to housing, including the opening of the City's low-income waiting list, the Housing Element Community Event and public outreach process, and legislative updates from staff on pending legislation that could impact the development of affordable housing in the City. The Commission was particularly interested in learning about the protection of tenants through inter-departmental activities such as code enforcement, social services, legal services, and public safety.

Annual Rent Stabilization Commission Study Session

Each year the Commission conducts a study session to determine possible work program topics and compiles these into "Suggested Priorities" for the following year. The Commission tracks the work plan throughout the year and evaluates the progress in completing these priorities. At the annual study session, the Commission developed the following top ten ongoing and new priorities to focus on in 2014:

1. Holding hearings on appeals
2. Review of the City's valuation guidelines
3. Addressing the City's aging housing stock through infrastructure modifications, accessibility ramps, lighting, inspections, and proactive code compliance.
4. Affordable housing
5. RSO Building Blocks educational seminars
6. Review of relocation benefits
7. Review of Commission policies with recommendations to update the Rent Stabilization Ordinance if necessary
8. Provide education and transparency about rent stabilization processes through Commission meetings
9. Identifying key questions from hearings or appeals
10. Addressing illegal units while protecting tenants



RESIDENTIAL HOUSING Inventory and Rents in 2013

Rent-stabilized Properties in West Hollywood - 2013

According to the American Community Survey, there are a total of 24,468 residential housing units in the City of West Hollywood. ³Of these, 16,916 fall under the City's rent stabilization program.⁴

The majority of units in West Hollywood are one-bedroom, which is reflective of the community's household size.

| SIZE | UNITS |
|--------------|---------------|
| 0 bedroom | 2,429 |
| 1 bedroom | 9,092 |
| 2 bedroom | 4,904 |
| 3 bedroom | 472 |
| 4 + bedroom | 19 |
| TOTAL | 16,916 |

³ 2008-2012 American Community Survey 5-Year Estimates

⁴ A unit is considered part of the rent stabilization program if it was constructed prior to January 1, 1979

Household Income Needed to Afford Rent in 2013

The chart below shows the household income needed in 2013 to "afford" the rent in rent-stabilized units broken down by number of bedrooms. Affordability was defined by using the housing industry standard of 30% of gross household income.



Vacancy Decontrol

Under the Rent Stabilization Ordinance rent increases in West Hollywood for existing tenants are limited to 75 percent of the increase in the Consumer Price Index (CPI). Once a tenant is living in a rent stabilized apartment, the Rent Stabilization Ordinance helps rent remain affordable for current residents.

California's Costa-Hawkins Act, adopted in 1995, allows a landlord to increase the rent without legal limit when a tenant moves out and the unit is left vacant. This "vacancy decontrol" has the effect of lifting rent stabilization limits for new tenants. Rent stabilization requirements are then reset at the new rent level, creating a considerable difference in the rents charged for newly-rented units versus those where the tenant has remained in the same apartment for many years.

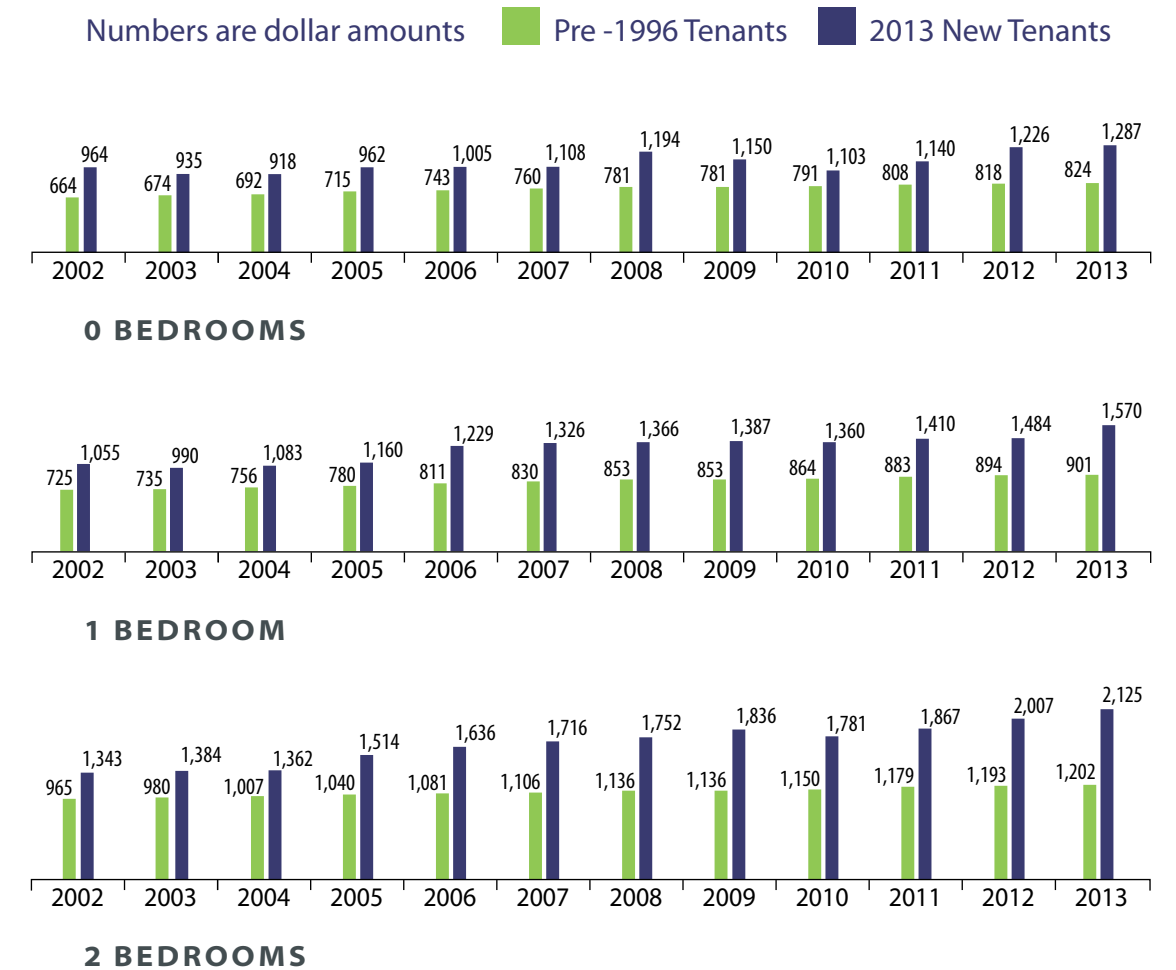
In the nineteen years since Costa-Hawkins was adopted, 62% of West Hollywood apartments have had at least one market-rate increase upon vacancy. The chart illustrates the increased number of apartments that have had rents brought to market rates. In 2013, 295 West Hollywood apartments had an increase to market rate upon a vacancy.

Number of Apartments with Vacancy Increases 2001 – 2013

| YEAR | CUMULATIVE INCREASE Approx. 62% | UNITS TOTAL |
|------|------------------------------------|----------------|
| 2013 | +295 | 10,548 |
| 2012 | +349 | 10,253 |
| 2011 | +181 | 9,904 |
| 2010 | +219 | 9,723 |
| 2009 | +397 | 9,504 |
| 2008 | +427 | 9,107 |
| 2007 | +543 | 8,680 |
| 2006 | +693 | 8,137 |
| 2005 | +654 | 7,444 |
| 2004 | +834 | 6,790 |
| 2003 | +942 | 5,956 |
| 2002 | +1,104 | 5,014 |
| 2001 | +1,000 | 3,910 |

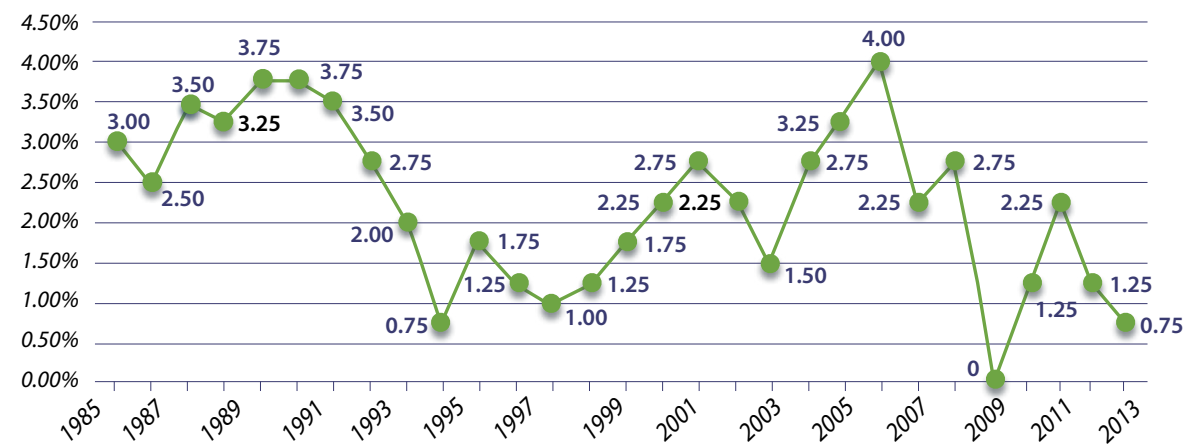
Numbers are cumulative

Rent Stabilized Apartments in West Hollywood by Number of Bedrooms - 2013



The above charts show the yearly average rents paid by long term, pre-1996 tenants who are still in their units and compares it to the yearly average move-in rents paid by new tenants after a unit is decontrolled. Both groups are broken down by the number of bedrooms in the unit. The rent amounts for pre-1996 tenants are determined by taking the unit's December 31, 1995 MAR (Maximum Allowable Rent) and imputing all of the subsequent general adjustments through 2011. The rent amounts for new tenancies are determined by averaging the rent levels listed by landlords on "Re-Registration of New Tenancies in a Unit" forms required for new tenancies.

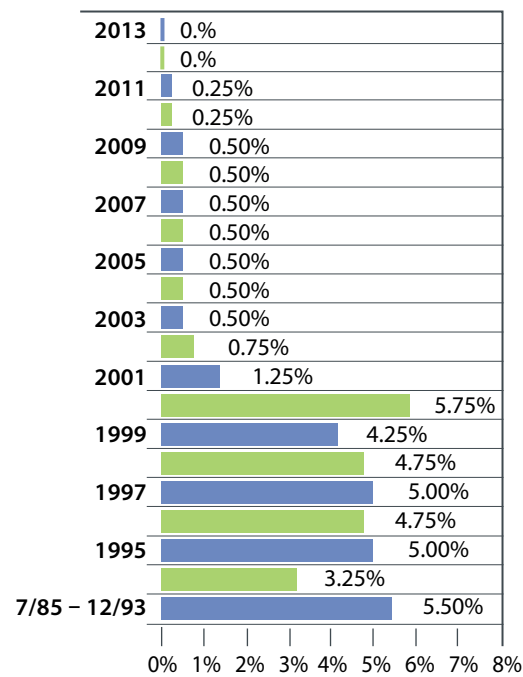
Annual General Adjustment



The Annual General Adjustment in rent is based on 75% of the Consumer Price Index for the area. The amount of the adjustment is announced by the Rent Stabilization Commission each year before July 1st. Landlords who are current with their registration fees are notified of the adjustment's amount during July so that they can start giving increase notices by August 1st. The adjustment covers the period of September 1st through August 31st of the following year.

Security Deposit Investment

The City of West Hollywood's Rent Stabilization Ordinance requires that tenants be paid interest on their security deposits by January 31 of each year in an amount determined by the City based on prevailing interest rates. The rate is determined by averaging the interest percentage paid by five local banks to their customers for regular savings accounts. The Rent Stabilization Commission announces the required interest rate annually, and notifies the city's landlords and tenants by mail in December of each year.



Removal of Rental Units from the Market

Under California's Ellis Act⁵, property owners have the right to remove apartment buildings from the rental market for development or repurposing. If a property is "Ellised", the State does not require the owner to report the purpose of its removal. As a result, West Hollywood does not always know the landlord's intentions when a property is removed. For the thirteen years since the Ellis Act was signed into law, from January 1, 2000 through December 31, 2013, 596 units in West Hollywood were removed under the Ellis Act. Of these, 107 apartments have been returned to the rental market, amounting to 489 total units withdrawn.

During 2013, 87 units were withdrawn from the market. Many of these units were in small buildings, usually a duplex or triplex.

The Rent Stabilization and Housing Division staff monitors Ellised properties,

working closely with other City Divisions, such as Legal Services and Code Compliance. At least once every six months, staff members visit the buildings and make sure they are in compliance with all health and safety standards. Staff members assist landlords in the Ellis process to make certain they understand the legal timelines and relocation requirements. Staff members assist tenants while they are in place to help them through the process and, especially in the cases of disabled, low-income, or senior households, to ensure that they have up to a full year to find new housing. Additionally, the City requires the property owner to pay tenants a relocation fee, and cover the costs of providing tenants with relocation services. As directed by City Council, tenants being Ellised from their current building are considered a high priority for the City's low- and moderate-income housing program.

⁵ The Ellis Act is a state law that allows property owners to remove a building or buildings from the rental housing business. This means that jurisdictions cannot prohibit owners from removing rent stabilized units from the private market. In fact, landlords may file an Ellis Act eviction to change the use of the building rather than sell it.



LOOKING AHEAD TO 2014

The lasting effects of the recession continue to shape the economy and housing recovery, which will continue to impact the Rent Stabilization and Housing programs in West Hollywood for the coming years. The slow economic recovery has reconfigured the job market and shrunk the middle class, creating a larger population of low-income households in need of supportive services and affordable housing.

Recovery has not been equally distributed. Although in the country, as a whole, the number of jobs available has increased since the peak of the recession in 2009, many of these newer jobs have been in lower-paying industries such as fast food restaurants.⁶ On the other side of the spectrum, the recovery has helped the richest Americans recover their losses from the recession and gain new wealth. While industries that support the middle class, such as construction and manufacturing, have had the slowest

recovery, the growing number of low-wage jobs has led to a lower median household income, higher poverty rate, and a higher number of families needing government support. In Los Angeles County, the median income has declined by 9 percent between 2000 and 2012, while the median rents have increased by 25 percent in the same time period, creating an increased number of tenants that are rent burdened.⁷

Nevertheless, the City of West Hollywood continues to have a strong and diverse economy. The City has recovered from the recession quicker than most cities in the nation and anticipates continued revenue growth. For very low-, low-, and moderate-income residents, the City continues to have a commitment to the development and preservation of affordable housing. The City also encourages a diverse housing stock to address the needs of all socioeconomic segments of the community.

⁶ Parlapiano, A., Dewan, S., & Schwartz, N. D. (2014, June 14). The Nation's Economy, This Side of the Recession. *The New York Times*.

⁷ CHPC (May 2014).

Through the implementation of the 2013-2021 Housing Element programs, the City will continue to address the housing needs of extremely low- to moderate income households. A focus will be placed on programs to facilitate the rehabilitation of aging housing stock, to expand the opportunities for seniors to age in place, and for the Rent Stabilization and Housing Division to strengthen its community engagement efforts through continued dialogue with tenants and landlords about their issues and changing needs.

With sharply increasing rents in the region, the importance of administering the Rent Stabilization Ordinance will continue to be an important factor in steadying rents for West Hollywood tenants. In 2014, the City's rent stabilization program will have been in effect for 30 years. This anniversary represents an important milestone and

shows the significant role this ordinance has had in the City's history. The Division will continue to be available to the community by phone, email, or in person, and make available literature materials such as the Rent Stabilization Guide and affordable housing referrals. Additionally, the Building Blocks Educational Series will continue to be expanded to meet the needs of the community.

Although the demand for affordable housing is constantly increasing, since the dissolution of redevelopment in 2011, there has been a lack of funding for affordable housing development. The Division, with support of the City Council, will continue to closely monitor state and federal legislation that could impact the availability of additional funding for affordable housing development. Also, staff will continue to watch for grant and other funding opportunities that might help build affordable housing.

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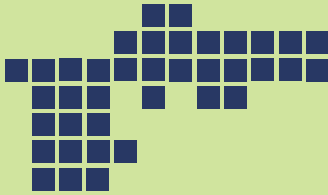
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Monday to Thursday
8:00 am to 5:00 pm
Every Friday
8:00 am to 4:30 pm