

# HOUSING REPORT

## CITY OF WEST HOLLYWOOD

Provided by the  
Rent Stabilization and Housing Division

# 2016



Published November, 2017

# Table of Contents



**1**  
INTRODUCTION



**2**  
TRENDS AFFECTING  
HOUSING



**10**  
ACTIVITIES OF RENT  
STABILIZATION & HOUSING



**16**  
FUNDING  
AFFORDABLE HOUSING



**18**  
RENT STABILIZATION  
COMMISSION



**20**  
LEGAL SERVICES AND  
LEGISLATIVE AFFAIRS



**22**  
RENT STABILIZED HOUSING  
INVENTORY AND RENT



**26**  
LOOKING AHEAD TO 2017



**29**  
REFERENCES (citations)

# Introduction 2016

The City of West Hollywood has demonstrated its commitment to maintaining existing housing while at the same time developing new permanent affordable housing. Since incorporation, the City has protected tenants against large rent increases and unwarranted evictions, and set minimum property maintenance standards and other measures aimed at improving quality of residential life, a core value of the City.

West Hollywood has six goals and 26 programs addressing housing needs. These goals and programs were developed through an extensive and inclusive community process in 2013 and are intended to meet housing needs for 2014 – 2021.

## **HOUSING GOALS FOR 2014 TO 2021**

- *Provide Affordable Rental Housing*
- *Maintain and Enhance the Quality of the Housing Stock and Residential Neighborhoods*
- *Encourage a Diverse Housing Stock to Address the Needs of All Socioeconomic Segments of the Community*
- *Provide for Adequate Opportunities for New Construction of Housing*
- *Provide for a Governmental Environment that Facilitates Housing Development and Preservation*
- *Promote Equal Access to Housing for All*

The City hosts two community conversations on housing at the beginning of each year. The events are open to all members of the community and comments, suggestions, and

feedback received are used to ensure the City's programs continue to address West Hollywood's housing needs.

The Rent Stabilization and Housing Division administers the City's Housing Programs including the Rent Stabilization Ordinance (RSO), Inclusionary Housing Program, and Affordable Housing Trust Fund. The City addresses housing needs for moderate, low, and very-low income earning individuals and households in the community by limiting rent increases through the RSO, requiring affordable housing in new housing developments<sup>1</sup>, and by collaborating with non-profit housing providers to create housing opportunities for those in greatest need. The Division also works with other Divisions in the City to preserve tenancies for vulnerable households and support property owners in maintaining their buildings.

In 1996, the state limited the City's ability to control rents through the Costa-Hawkins Act. The Act allows landlords to increase rents to what they want when a unit becomes vacant. Initial rents reported for rent stabilized one-bedroom apartments in West Hollywood have increased 28 percent on average since 2013.<sup>2</sup> This has prevented community members from being able to move to other housing in West Hollywood when their housing needs change. Rents have also increased in the areas surrounding West Hollywood and all over the Westside of Los Angeles in general. This situation makes it extremely difficult for renters whose housing needs change to find new housing that fits their needs and remain in the West Hollywood area.



# TRENDS AFFECTING HOUSING

California is experiencing a statewide housing crisis. The state leads the nation in homelessness, poverty rates, rental overcrowding, and populations experiencing severe rent burden. It also has the largest shortage of affordable rental homes.<sup>3</sup> According to the California Housing Partnership Corporation, every county in California has an affordable housing shortfall.<sup>4</sup> This is due to supply-side issues such as the elimination of redevelopment funds, and demand-side issues such as an overall increase in the number of renters.

photo by Tony Coelho

## Affordability is a Statewide Issue

In the regional context, West Hollywood is a small real estate market that contributes a small number of units to the overall housing stock in the Los Angeles region. Therefore, the cost of both for-sale and rental housing in West Hollywood is subject to regional pressures as well as those within the borders of the city. In recent years, California has outpaced the nation in job growth as well as economic output.<sup>5</sup> As the economy prospers, home prices increase and housing affordability decreases. Builders respond, but, in general, the incentives and constraints they face affect the mix of homes, leading to more higher-priced homes and an undersupply of lower-priced homes than needed regionally.

Not enough new housing is built in California. Nationally, outside of California, production of 5+ unit buildings has been at the highest level since 1987.<sup>5</sup> This new supply has led to

increased vacancy rates in many regions. In Southern California, however the situation is different. Features that are unique to California's housing market alter the supply-demand balance and keep the markets tight. One factor is that there is the constriction of overall housing supply that comes from regulatory and zoning controls. A result of constraints on housing production is that the Los Angeles region in 2015 had the lowest rate of housing production in the nation.<sup>6</sup>

This shortage threatens to push many families into poverty. While the state's overall poverty rate is 16%, when high housing costs are included in the calculation, that rate increases to 21%.<sup>7</sup> Affordability is especially challenging in Los Angeles County, where inflation adjusted housing prices have risen 27% in the last 13 years while inflation adjusted wages have declined 7%.<sup>8</sup>

**NOTICEABLY, IN 2016 SEVERAL COMMUNITIES CONSIDERED IMPLEMENTATION OF OR STRENGTHENED RENT STABILIZATION ORDINANCES.**

### PRIOR TO 2015

Berkeley  
Beverly Hills  
Campbell  
East Palo Alto  
Fremont  
Hayward  
Los Angeles  
Los Gatos  
Oakland  
Palm Springs  
San Francisco  
San Jose  
Santa Monica  
Thousand Oaks  
**West Hollywood**

### ACTIONS IN 2015 TO 2017

Alameda (new)  
Mountain View (new)  
Richmond (new)  
Santa Rosa (new)  
Berkeley (strengthened)  
East Palo Alto (strengthened)  
Oakland (strengthened)  
San Jose (strengthened)  
Beverly Hills (strengthened)  
Burlingame (failed)  
San Mateo (failed)

## Trends in West Hollywood

West Hollywood has prioritized rent stabilization and affordable rental housing since incorporation 33 years ago. However, the City cannot control regional and state trends driving housing market dynamics. Despite a Rent Stabilization Ordinance and a variety of other policies, affordability remains a challenge in West Hollywood. In a 2016 Study, 75% of survey respondents stated there is not enough housing within their price-range. In addition, there is a lack of agreement about the type of multifamily development residents want in their neighborhoods.<sup>9</sup>

The city's housing affordability challenges remain constant. Between 2000 and 2016, the City's population grew by 0.4%, far slower than the County rate of 7.6%.<sup>10</sup> Since 1990, the proportion of West Hollywood renters versus homeowners has remained constant at 78% renters and 22% owners. This is in contrast to Los Angeles County, which has 45.5% renters versus 54.5% owners.<sup>11</sup>

In 2015, the California Department of Finance estimated there were 23,012 households in West Hollywood. Approximately 40.5% of households in the city earn lower incomes, and another 16.9% of households earn moderate income. The remaining 42.7% of households earn above moderate income (also referred to as Market-Rate Income).

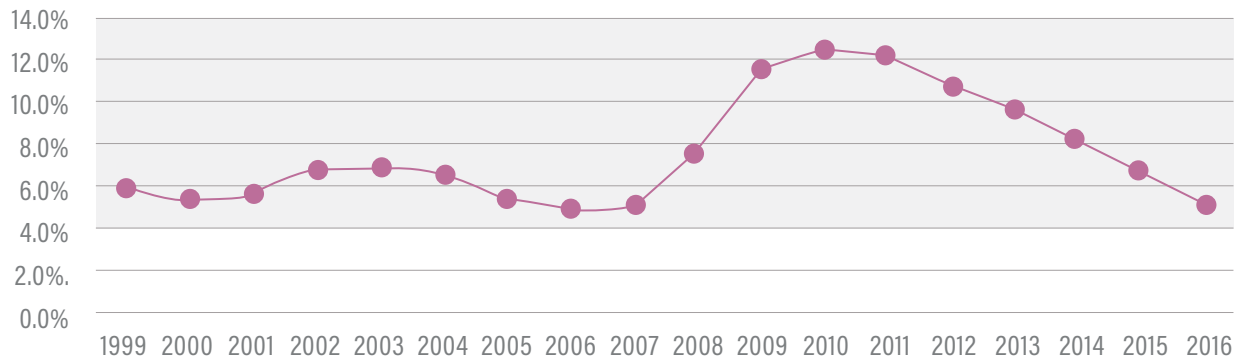
In 2016, rent charged for non-rent stabilized apartments in West Hollywood averaged **\$3,070 per unit**. Market-rate apartments are units built after July 1, 1979, as units built before this date are governed by the RSO. On average, 2016 market-rate rents saw an increase of around 1.9% over 2015 prices.

Market-rate rents tend to fluctuate due to several variables including the number of local vacancies and potential renters, as well as the rental-price for nearby comparable units. In addition, factors involving the southern California regional economy can have consequences. On average, one-half of all households in the Los Angeles region move every 5 years (US Census). This rate of movement may or may not be reflected in the vacancies in West Hollywood market-rate and rent-stabilized apartments. However, it is clear that the rate RSO apartments turn over in West Hollywood mirrors the unemployment rate in Los Angeles County. In bad economic times, residents could struggle to find work and become rent-challenged. When the economy is good, more residents are able to afford rent and they remain in their current housing.

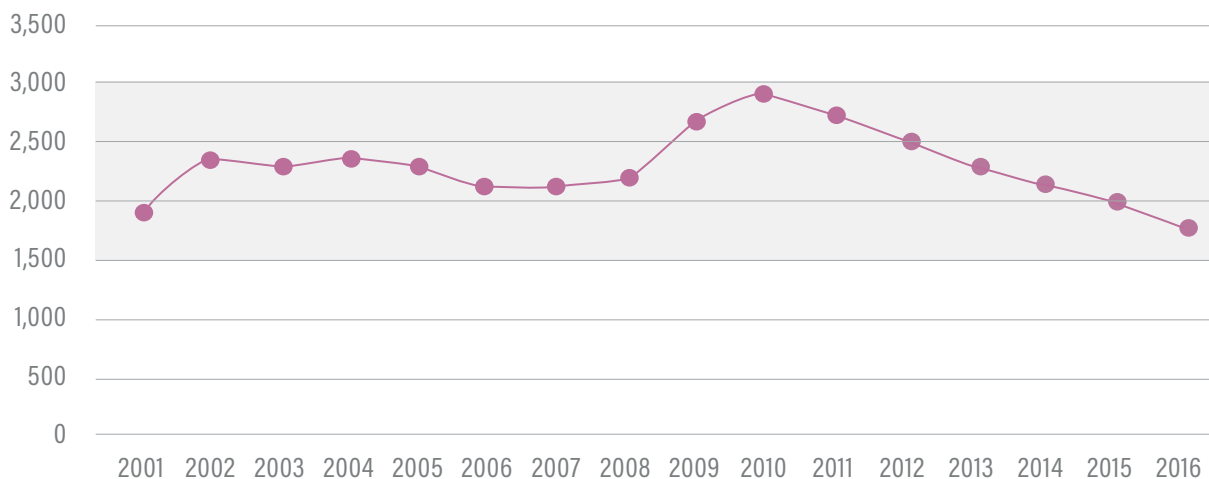
## Distribution of Household Income in West Hollywood

	Very Low (0-50% AMI)	Low (>50 – 80% AMI)	Moderate (>80 – 120% AMI)	Above Moderate (>120% AMI)
Percent of Households <sup>12</sup>	<b>24.8%</b>	<b>15.7%</b>	<b>16.9%</b>	<b>42.7%</b>
Number of Households (estimated)	5,707	3,613	3,889	9,826

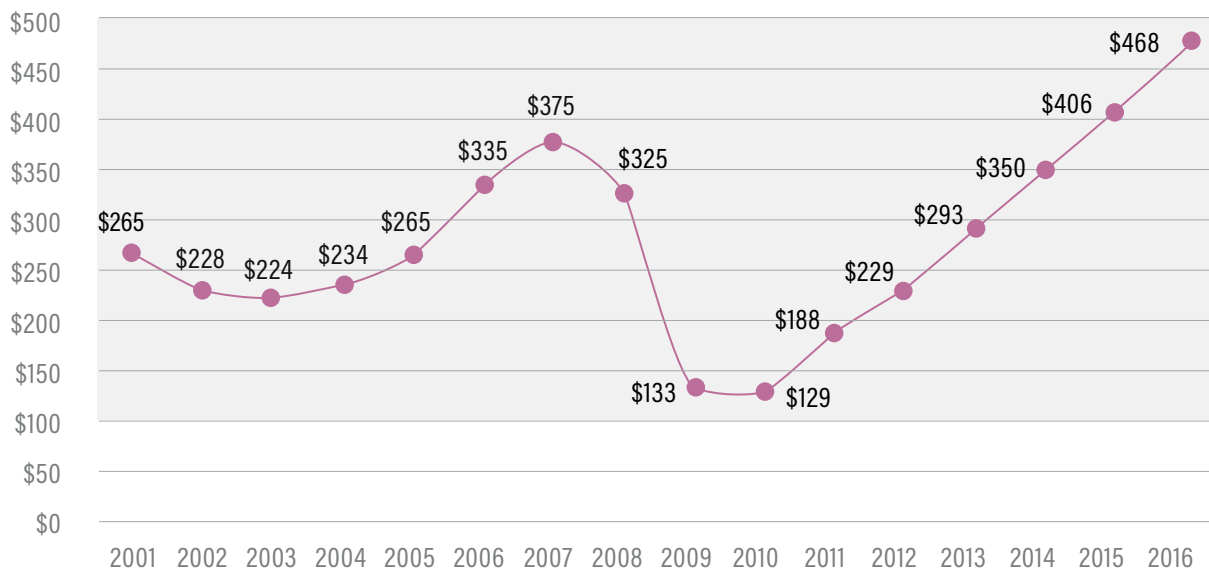
Unemployment Rate, Los Angeles County



Rate of Turnover, Rent Stabilized Units in West Hollywood



Average Increase in Rent Following a Vacancy West Hollywood



However, when the economy is doing well there is also intensified housing pressure. Current residents earning adequate incomes and new residents moving into the region seek housing that they can afford. This creates increased demand and the supply of housing in West Hollywood and the Los Angeles region has not kept pace with this demand. In this situation, landlords are able to increase the initial rent following a vacancy thereby creating an overall rise in housing cost.

Average increase in rent received by landlords following a vacancy in RSO units in West Hollywood is presented in the chart on page 5. When the economy is doing well, there is higher demand for housing and housing costs rise following a vacancy at a higher rate than in economic downturns. This prevents residents whose housing needs change, but who can otherwise pay their rent and are earning a decent salary from moving to housing that better fits their needs.

In West Hollywood, nearly 53% of renters are rent burdened, paying 30% or more of their income on housing costs.<sup>13</sup> Rent burden falls especially hard on West Hollywood residents earning lower income<sup>14</sup> (\$48,525 or less, single person household). Cost burdened renters are at a significant risk in the short term (potentially risking displacement in the face of rising costs related to housing and other daily essentials, food, medications) and in the long term (limiting their ability to build wealth, and ladders to home ownership).

With 78% of residents renting their housing and 75% of rental housing being rent stabilized, the City's Rent Stabilization Ordinance is a primary means of ensuring rents rise at a level tenants are able to pay, while ensuring owners a return on their investment. However, rent stabilization can only limit rent increases as long as a tenant remains in his or her unit.

## Removal of Rental Units from the Market

Under the State's Ellis Act, property owners have the right to remove rental buildings from the rental market. From January 1, 1986 to December 31, 2016, 203 rent-stabilized properties with 764 units were removed from the West Hollywood Rental Market. In 2016, eight buildings with 29 apartments were removed from the rental market.

A review of City records indicated the most common property types removed in West Hollywood are properties with two, three, and four units. These properties either were converted to single-family homes or remained unchanged and off-market.<sup>15</sup> Approximately 12 percent of rent-stabilized properties in West Hollywood, 788 properties with 2,124 units, have two, three, and four units (duplex, triplex, and quadruplex, respectively).

STATUS (November 7, 2016)	PERCENT	PROPERTIES
Off Market or converted to a single family home	51.7%	105
New and pending condominiums	31.0%	63
New and pending apartments	1.5%	3
Returned to market	7.9%	16
Change of Use (commercial, bed & breakfast, affordable housing)	7.9%	16
<b>Total</b>	<b>100%</b>	<b>203</b>



As of November 7, 2016, 124 properties with two, three, and four units have been removed from West Hollywood's rental market. This represents 14% of properties with two, three, and four units, and 61% of all properties removed from the rental market using the Ellis Act in West Hollywood. Eighty-nine of the two, three, and four unit properties removed remain off the rental market unchanged or have been converted to single-family homes; 35 have been demolished and rebuilt.

### Rent Stabilized 2, 3, and 4 Unit Properties in West Hollywood

PROPERTY TYPE	Properties	Units
2 units	415	830
3 units	198	594
4 units	175	700
<b>TOTAL</b>	<b>788</b>	<b>2124</b>

### Status of Rent Stabilized 2, 3, and 4 Unit Properties Previously Removed from the Rental Market

PROPERTY TYPE	Properties Removed	Off Market/ Unchanged	Converted to Single-Family	Demolished/ Site Rebuilt
Duplex	88	41	28	19
Triplex	19	6	4	9
Fourplex	17	9	1	7
<b>TOTAL</b>	<b>124</b>	<b>56</b>	<b>33</b>	<b>35</b>

The table (right) highlights the status of properties Ellised between 1986, when the Ellis Act came into effect, and October 12, 2016

The "Change of Use" category includes properties converted to uses such as bed and breakfast lodging, non-profit affordable housing, and commercial or hotel uses. The "Proposed Units" category includes projects currently under construction, approved for construction, and currently under review by the City.

### Properties Removed from the Rental Market Using the Ellis Act (\*) and Current Uses as of October 12, 2016

PROPERTY STATUS	Properties Ellised	Units Ellised	Current Units	Proposed Units
Change of Use	16	126	128	22
Converted to SFR	37	96	45	0
New Construction	45	187	391	0
New Construction Pending	21	94	80	298
Off Market (No Changes to Property)	68	186	186	0
Returned to Market	16	75	72	0
<b>TOTAL</b>	<b>203</b>	<b>764</b>	<b>902</b>	<b>320</b>

## Sneak Peek at 2017

In the 2017 legislative session, City staff and the City's lobbyist in Sacramento, Helyne Meshar & Associates, collaborated with Assemblymember Richard Bloom on Ellis Act reform. AB 982 would have extended the Ellis Act 1 year notice to vacate, currently provided to senior and disabled tenants, to all tenants living in the building. Currently, the Ellis Act allows all other tenants 120 days. The bill was introduced in the Assembly on February 16, 2017. The California Apartment Association (CAA) objected to aspects in the bill and proposed amendments that were not acceptable to Assemblymember Bloom or the City of West Hollywood. Assemblymember Bloom opted to hold the bill until the 2017-18 session so he could work on amendments with the City, other allies, and CAA. The bill could be heard in the Housing and Community Development Committee as early as January, 2018.



Sacramento, California Capitol building dome detail

On March 9, 2017, the City hosted a community forum focused on the impacts of the State's Ellis Act on West Hollywood. The forum was free and all members of the community were invited. A panel of experts including Assemblymember Richard Bloom and Senator Ben Allen were in attendance to hear concerns and issues from the community.

## Legislative Advocacy to Reform the Ellis Act

As a team, Rent Stabilization and Housing, Legal Services and Legislative Affairs, and the City's legislative advocate in Sacramento actively encourage the California legislature to reform the Ellis Act and support tenant's rights legislation.

Reforming the State Ellis Act requires action by the California legislature. Since its adoption in 1986, the Ellis Act has been unchanged. Ellis Act reform has been a priority of the City Council for many legislative cycles; however, recent proposals to amend the Act have failed in part because of strong opposition from real estate and property owner interest groups. On January 23, 2017, the City Council directed staff to increase lobbying efforts and return to City Council with a request for increased funds if necessary. Amendments the City will lobby for include extending the Ellis Act relocation period to one year for all tenants on a property when at least one household qualifies.<sup>16</sup>



# ACTIVITIES

## RENT STABILIZATION AND HOUSING DIVISION

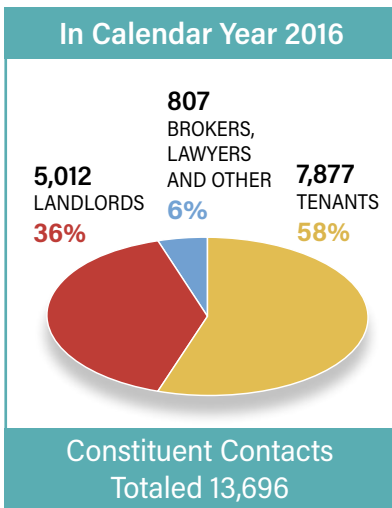
The Rent Stabilization Ordinance protects tenants from unlawful eviction and sets a limit on annual rent increases. The City continues to administer the ordinance and to help tenants know and exercise their rights.

The Inclusionary Housing Program requires 20 percent of new residential development to be deed-restricted for lower and moderate households or, in certain instances, the developer may pay a fee. Fees are collected in the City's Affordable Housing Trust Fund and used to partner with non-profit housing providers to construct new, 100 percent affordable apartment buildings.

photo by Tony Coelho

**A MAJOR PART OF THE RENT STABILIZATION AND HOUSING DIVISION'S ROLE IS PROVIDING INFORMATION TO THE PUBLIC.**

During calendar year 2016, staff members spoke with 13,696 individuals, of whom 7,877 were tenants, 5,012 were landlords, and 807 were brokers, lawyers, or other interested parties.



**RESIDENTIAL RENTAL REFERRALS PROVIDED FREE-OF-COST**

The Division maintains a list of available rental units in West Hollywood. Updated weekly, it is free-of-cost for owners to post their rental listings and free-of-cost for potential renters to use.

**MAINTAINING THE CITY'S HOUSING INFORMATION CENTER**

The Division's housing information center is located

in the City Hall lobby and on the City's website. It contains information for prospective tenants, current tenants, and developers about affordable housing. Handouts contain information about inclusionary and affordable housing programs, referral information for Section 8 vouchers, housing rights, and information from the Department of Consumer Affairs on how to become tenant ready (how to improve one's credit and rental history).

**HOME SECURE**

The City offers low-income seniors and disabled residents safety and security devices such as no-slip strips and grab bars in the bathroom, and security deadbolts and window locks on doors and windows free of cost.

**OFFERING RSO BUILDING BLOCKS SEMINARS**

The City's ongoing efforts to communicate with and inform the members of the community resulted in 13 workshops that were free-of-cost for the participants. The popular Building Blocks program, offered in both English and Russian, helps to educate tenants, landlords, and other community members. Topics include Emergency Preparedness for Apartment Buildings, Tenants 101 Workshop, Pets 101, and Reasonable Accommodations for Disabled Tenants.

**HEARINGS ON MAXIMUM ALLOWABLE RENT AND RENT DECREASES**

Hearings are held if a tenant or landlord wants to ascertain the legal maximum allowable rent (MAR) for a unit or if a tenant believes they have had a substantial reduction in housing services and are due a decrease in rent. The Rent Stabilization and Housing Division coordinated the hearings process with the Legal Services Division, which held 87 hearings in 2016.

**GUIDING NEW PROPERTY OWNERS, TENANTS AND PROSPECTIVE MULTI-UNIT HOUSING BUYERS**

All new owners and new tenants in rent-stabilized apartments receive an information packet introducing them to West Hollywood's Rent Stabilization program. The packet contains a fact sheet, a guide to Rent Stabilization, a voter registration form and a welcome letter. In 2016, the Division mailed welcome packets to 137 new landlords and 1,715 new tenants.

**RENT REGISTRATION FEES**

Fees collected from rent-stabilized units fund the Rent Stabilization program. In 2016, the 16,832 rent stabilized units generated \$1,887,424 in rent registration fees. For units rented under Section 8, only the landlord portion of the fee is collected, which is \$60. Owner-occupied units do

not pay the registration fee and in 2016, there were 1,315 units with this exemption. In 2017, the registration fee will increase from \$120 to \$144 per unit per year. This will be the first increase since 1993 and is lower than the AGA for the same time-period (if the AGA was applied the annual registration fee would be \$180). Landlords will be able to pass through to tenants one-half of the increase, increasing the tenant's share of the registration fee from \$5 a month to \$6.

### TENANT REGISTRATION FEE REBATES

The RSO allows landlords to pass through to tenants one-half of the registration fee per unit in \$5 increments per month. Very low-income tenants who are over 62 years of age or disabled may obtain an annual rebate if they paid registration fees to their landlord in the previous year. A tenant has up to three years to file for this rebate. In 2016 there were 365 tenants granted registration fee rebates.

### TENANT HARASSMENT

The City of West Hollywood investigates complaints of tenant harassment. A tenant may initiate an investigation by filing a harassment complaint at the Rent Stabilization public counter. Once received, a tenant harassment complaint is assigned to staff who review the allegations made in the complaint, and may contact

parties and witnesses to the alleged harassment. Because tenant harassment is a criminal offense, no charges will be filed unless the Legal Services



Division and City Prosecutor are satisfied that all of the elements of the offense can be proven beyond a reasonable doubt. While few complaints are ultimately prosecuted, the investigation frequently alerts tenants and landlords to their rights and responsibilities under the RSO and helps bring parties into compliance. In 2016, the Division received 11 tenant harassment complaints.

The Division also collaborates with other City Divisions, including Legal Services, Building and Safety, and Code Compliance to respond to situations, such as high-impact renovations, that sometimes could lead to incidents of tenant harassment.

### TRACKING RENTAL STATUS TO MONITOR NEW RENTS AFTER EACH VACANCY

The Rent Stabilization Division maintains digital records of residential properties. Each time the owner rents a unit they must file a Re-Registration of New Tenancies in a Unit form, which includes the move-in date, the initial rent paid, and housing services provided (parking, storage, laundry, etc.). Both the landlord and the tenant must sign the form. After verification and processing of the form by the City, the parties receive a letter of confirmation. This information is stored in the City's database as a record of the move-in rent and housing services provided for the tenancy. The City requires all new tenancies to be registered. If a tenant is not registered, the landlord cannot apply rent increases. In 2016, the Division received and processed 1,715 re-registrations.

### PARTICIPATING IN THE RENT CONSORTIUM

Each year, City Staff meet with staff from Berkeley, Oakland, San Francisco, Santa Monica, Los Angeles, and East Palo Alto. In 2016, topics discussed included current court cases affecting rent stabilization, collaboration on new legislation and responding to proposed legislation, and recent changes or issues affecting each jurisdiction's RSO.

**ENERGY EFFICIENCY AND WATER CONSERVATION**

In 2016, the City provided information and links on energy efficiency and water conservation on its website, with outreach to RSO property owners on HERO financing for energy efficiency upgrades.

**CONDUCTING SPECIAL STUDIES AND INITIATIVES**

► **Reinvestment in Aging Apartment Buildings**

Almost 91 percent of housing stock in the city is at least 30 years old, a time-threshold when housing generally shows signs of aging and requires major upgrades to the physical structure and systems. In 2016, the Division completed a study to identify incentives the City could provide to encourage landlords to reinvest in aging rent-stabilized apartment buildings.

► **Seismic Retrofit Program**

Recognizing the need to ensure apartments will survive a major earthquake, the City initiated a study of seismic retrofitting in West Hollywood in 2015. This study is currently underway and the City anticipates the release of a draft ordinance requiring property owners to upgrade apartment buildings for earthquake safety in 2017.

► **Research into Affordable Housing Strategies**

Special studies and research in 2016 included a study of

innovative housing financing aimed at identifying new funding sources and approaches to increasing housing affordability, and an analysis of City records to ensure units are being properly registered.

**ENGAGING THE COMMUNITY**

Annually the City hosts two community conversations on housing to create a forum to discuss pressing issues such as increased rents, tenant displacement, affordable housing requirements in new developments, and other housing related topics. These meetings are free-of-cost to the participants and all members of the community are encouraged to attend. The conversations are held at the beginning of the calendar year, one at the West Hollywood Park Community Room and the other at Plummer Park. The events are announced

through the City's website, press releases, and at the first City Council meeting in January. Invitations are sent by electronic mail to all City Commissioners and Board Members, and community members who signed up for updates when they participated in the 2012/13 General Plan and Housing Element Update. The winter rent stabilization newsletter, mailed to all rent stabilized addresses and all rent stabilized landlords (about 17,000 addresses, 1,900 landlords), includes the announcement. Displacement caused by the Ellis Act is a pressing concern, as is addressing homelessness. Participants express a desire for more housing that is inclusionary and non-profit owned affordable housing, incentives for property owners to maintain existing apartment buildings, and programs to help seniors age in place.



## PROVIDING NEW HOUSING OPPORTUNITIES

### Inclusionary Housing

The City of West Hollywood administers an Inclusionary Housing Program in which developers are required to make a percentage of newly constructed housing units available to low and moderate-income households. In an effort to generate a mix of income levels within residential areas, builders must locate affordable units (or inclusionary units) throughout the building. In addition, access must be available to all building amenities, regardless of renter economic status and/or income level. The number of inclusionary housing units in West Hollywood will increase in the coming years, primarily in mixed-use buildings in the commercial areas along Santa Monica Boulevard.

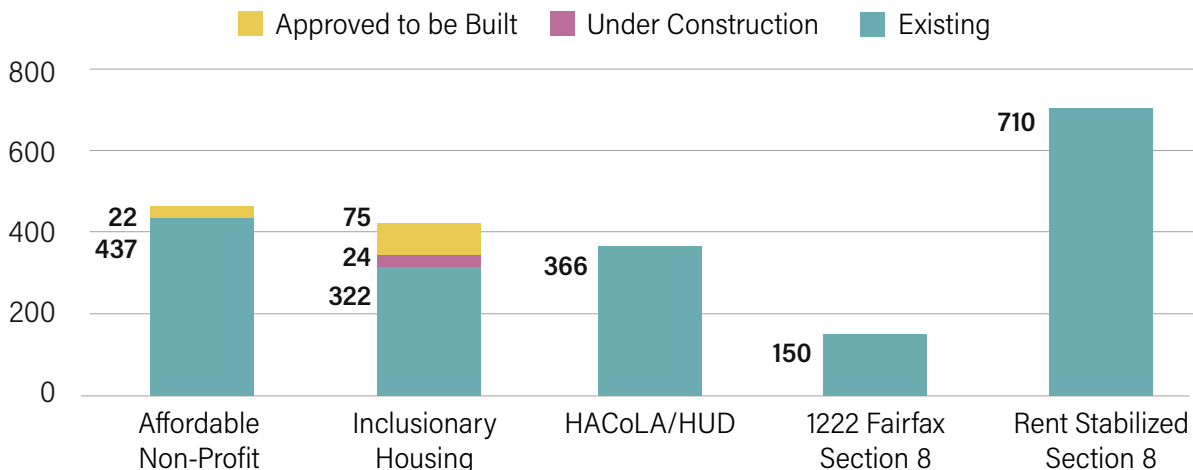
		Increase	Total Units
Recent Increase in Number of Inclusionary Units	1986-2013	108	108
	2014-2016	214	322
	2017-18	99	421

### Nonprofit Developers & Affordable Housing

In 2016, construction began on a new 22-unit affordable housing project, which will serve a very low-income population including persons living with HIV/AIDS, mental health challenges, and transitional age youth emerging from foster care and at risk of homelessness. Financing for the project will come from the Los Angeles County Housing Innovation Fund (LACHIF) and the

California Department of Housing and Community Development's (HCD) Predevelopment Loan Program, as well as the County of Los Angeles Community Development Commission and HCD's Infill Infrastructure Grant Program, plus 21 project-based rental vouchers. In addition, the City committed \$2 million in affordable housing trust funds as a local match to leverage over \$7.2 million from the California Tax Credit Allocation Committee.

### Affordable Housing in West Hollywood



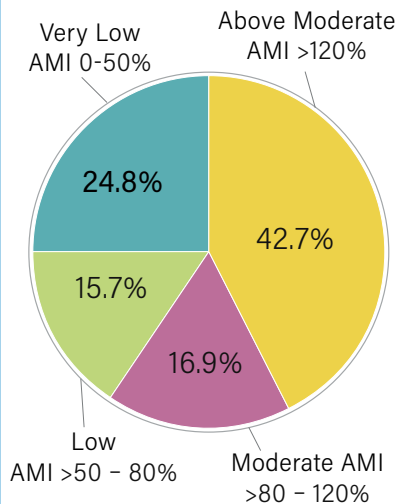


## AFFORDABLE HOUSING PRODUCTION IN 2016

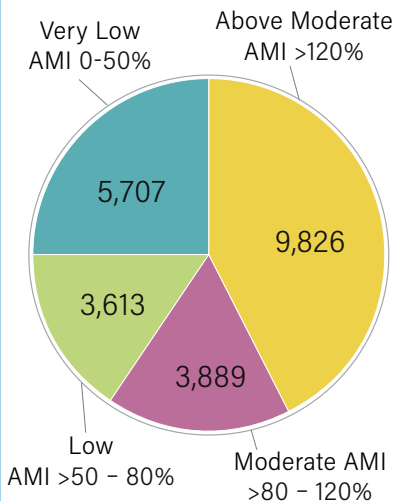
In 2016, 77 new affordable units were produced through the City's inclusionary housing program.

### Housing Need in West Hollywood<sup>17</sup>

#### Percent of Households



#### Estimated Number of Households



In recent years the amount of affordable housing produced through the Inclusionary Housing Program has increased from 108 units in 2013 to 322 units by the end of 2016. An additional 99 affordable units are anticipated in 2017 and 2018.

Most of this new housing has been located along West Hollywood's commercial corridors and not within existing residential neighborhoods. Importantly, the new affordable housing units produced through Inclusionary Housing have made it possible for the City to offer permanent

\$47,386 annually. Additionally, 16.9% or 3,889 households qualify as moderate income, earning less than \$59,232.

Most new residential development in West Hollywood is out of reach to low and moderate wage households. 54% of new residential development in 2016 was market-rate 2-10 unit condominium buildings providing the City's Affordable Housing In-Lieu Fee instead of affordable units onsite. When affordable units are included in new buildings, those units



Movietown Senior Housing (construction), photo courtesy of Hunter Kerhart

affordability to lower and moderate income households facing displacement from West Hollywood due to the Ellis Act.

Although housing production in West Hollywood has performed better than anticipated in the state's current planning cycle for housing (State Regional Housing Needs Assessment, or RHNA 2013-2021<sup>18</sup>), affordability is still an issue. The California Department of Finance estimates 40.5% or 9,320 households in West Hollywood are Very Low or Low income, earning less than \$29,616 or

become available when the building is completed. When the In-Lieu fee is paid new affordability is postponed until the fee can be utilized.

Because of high demand for housing in West Hollywood, non-profit housing providers struggle to compete with developers. Therefore, meeting West Hollywood's needs for housing requires an ongoing multi-faceted approach of rent stabilization, inclusionary housing units, non-profit affordable housing, and advocating for state and federal funding.



# FUNDING AFFORDABLE HOUSING DEVELOPMENT

As an ongoing strategic goal of the City of West Hollywood, the Rent Stabilization and Housing Division works with private and nonprofit developers to develop, preserve, and rehabilitate affordable housing.

photo by Tony Coelho

**AFFORDABLE HOUSING FUNDING - STATE OF CALIFORNIA COLLABORATIVE REPORT**

The State's four housing agencies, the California Tax Credit Allocation Committee (TCAC), the California Debt Limit Allocation Committee (CDLAC), the Department of Housing and Community Development (HCD), and the California Housing Finance Agency (CalFHA), have collaborated to collect and analyze data on the costs of building affordable housing in the state.<sup>19</sup> The report suggests that several factors including land cost, community opposition, building quality and durability, and economies of scale, affect the costs of building affordable housing as well as creating challenges to building affordable housing.

Currently, it is necessary to leverage several sources of funding in order to help address the huge demand for housing and the high costs of development. The sections below discuss some of these possible funding sources. Affordable housing developed in West Hollywood has utilized a combination of these and other funding sources.

**CITY OF WEST HOLLYWOOD AFFORDABLE HOUSING TRUST FUND**

The Affordable Housing Trust Fund, established 31 years ago by the City Council, serves as a source of funds for the creation and support of permanently affordable housing in West

Hollywood. To qualify for these funds, each allocation approved by the City Council, a project must have at least 60% of units affordable for low and moderate-income households, with 20% of those units reserved for low-income households. The Affordable Housing Trust Fund continues to enable new housing projects including the Blue Hibiscus project, a 22-unit development that will serve a mixed very-low income population including persons living with HIV/AIDS, mental illness, and transitional age youth emerging from foster care and at risk of homelessness.

**LOW-INCOME HOUSING TAX CREDITS**

The Low Income Housing Tax Credits (LIHTC) Program is a federal program, which provides tax credits to developers of affordable rental housing. The tax credits are for the first 10 years of a minimum 30-year compliance period during which rent and income restrictions apply. The LIHTC Program, although established in the U.S. Internal Revenue Code (IRC), is structured such that state-allocating agencies administer most aspects of the program, including income and rent compliance, with the Internal Revenue Service (IRS) providing oversight and guidance. Local administration allows states to address affordable housing needs specific to their populations.

Some states, including California, have established tax credit programs in addition to the federal program. In California, the demand for tax credits exceeds

the supply by approximately two to one. The state has developed a competitive scoring process to determine which applicants receive the credits. The scoring includes points for projects that serve lower income tenants, leverage public and private funds, include high-energy efficiency features, and for developers who have previously received the credits, among other factors. The California Tax Credit Allocation Committee (CTCAC) administers the federal and state Low-Income Housing Tax Credit Programs.

Developments in West Hollywood that have been recently built using tax credits include the Courtyard at La Brea and the inclusionary housing units in the Huxley, the Dylan and Movie Town Seniors.

**ADDITIONAL FUNDING SOURCES**

Similar to the LIHTC Program, HOME Funds and Section 8 Project-Based Vouchers are HUD (federal) programs administered locally through the Community Development Commission of the County of Los Angeles and the Housing Authority of the County of Los Angeles. These additional funding sources are available through competitive application processes. Developers achieve higher scores for projects that include a certain number of units for special needs populations. Buildings in West Hollywood developed using these funds include the Courtyard at La Brea (32 units), Janet L. Witkin Center (17 units) and Blue Hibiscus (22 units).



# RENT STABILIZATION COMMISSION

The Rent Stabilization Commission provides a forum for tenants and property owners to appeal decisions issued by the hearing examiner concerning rents, property maintenance, housing services, and other important landlord-tenant issues. The Commission also reviews the City's Rent Regulations to propose appropriate changes to better implement and enforce the law.

photo by Tony Coelho

<p><b>HEARING APPEALS</b> The Rent Stabilization Commission's priority is to hear appeals of rent adjustment hearings. Tenants or landlords may appeal the hearing officer's decision to the Rent Stabilization Commission on any application for rent adjustment. The hearing officer's decision may be appealed for any one 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 RSO.</p> <p>In 2016, the Commission heard 11 appeals. Eight of these cases were appeals of rent-decrease hearing decisions, seven cases were on Maximum Allowable Rent determinations, and one case was on a compliance determination.</p>	<p>The Commission also announces the annual general adjustment. The annual general adjustment is 75% of the increase in the Consumer Price Index rounded to the nearest quarter (0, 0.25, 0.50, 0.75). In 2016, the annual general adjustment was set at 1.25 percent.</p> <p>Newsletters were sent to landlords and tenants in July and in December 2016 announcing the general adjustment and the security deposit interest rates.</p>	<p>other Cities do? What are the key RSO concerns?</p> <ul style="list-style-type: none"> <li>▪ Information on Owner Occupancy</li> <li>▪ Non-smoking Apartments</li> <li>▪ Section 8 Updates</li> <li>▪ Commissioner Training (Robert's Rules of Order/By Laws/Brown Act)</li> <li>▪ Emergency Preparedness for Apartment Dwellers (In connection with Public Safety)</li> <li>▪ Illegal Units &amp; Impacts (Including Parking &amp; Safety)</li> <li>▪ Review Annual Report</li> <li>▪ Outreach - targeted specifically to different groups</li> <li>▪ Building Blocks - Increased Outreach</li> <li>▪ Short Term Rentals</li> <li>▪ What is the market pressure affecting the RSO?</li> </ul>
<p><b>IMPLEMENTING THE RENT STABILIZATION ORDINANCE (RSO)</b> In addition to hearing appeals, the Commission has other responsibilities in relation to the implementation of the RSO. The Commission announces the annual interest rate on tenant security deposits that are held by landlords. The interest rate for 2016 was 0% because of the low interest rates offered at banks throughout the region.</p>	<p><b>CONDUCTING ANNUAL RENT STABILIZATION COMMISSION STUDY SESSION (November 10, 2016)</b> Each year the Commission conducts a study session to determine possible topics and compiles these into Suggested Priorities for the remainder of the fiscal year. At the annual study session, the Commission developed the following top 17 ongoing and new priorities for the remainder of fiscal year 2016.</p> <ul style="list-style-type: none"> <li>▪ Appeals (Hearings)</li> <li>▪ Harassment</li> <li>▪ Periodic review of existing statutes/regulations</li> <li>▪ RSO - Notice of last registrations</li> <li>▪ Annual Affordable Housing Update</li> <li>▪ Code Enforcement- What</li> </ul>	<p><b>THINGS TO KNOW EDUCATIONAL SERIES</b> In 2014, the Rent Stabilization Commission agreed with staff to use the Rent Stabilization Commission meetings on WeHo-TV as an educational tool. In 2016, staff continued to make presentations covering topics that are of high interest to the public based on data received from the counter contacts and telephone inquiries. These <u>Things to Know</u> educational presentations discuss Relocation Benefits, the Re-registration process, Leases and Maintenance, Mediation, and Hoarding.</p>

# LEGAL SERVICES & LEGISLATIVE DIVISION

The City's Legal Services and Legislative Affairs Division provides legal services to the City to support the enforcement of rent stabilization laws, including tenant harassment complaints. The Division is comprised of staff attorneys, a governmental affairs liaison, support staff, and a mediator who provides free-of-cost mediation services to help resolve landlord-tenant disputes between businesses and residents, and other disputes. The City also contracts with Bet Tzedek legal services for the provision of free-of-cost legal services to assist with eviction issues, when appropriate.

photo by Tony Coelho

### RENT ADJUSTMENT HEARINGS

One of the ways in which the RSO prevents unlawful rent increases is through its rent adjustment hearings process. If an owner eliminates or substantially reduces a housing service or fails to perform required maintenance, a tenant may apply for a corresponding

reduction in rent. This process may also be used to determine the Maximum Allowable Rent (MAR) and whether the landlord has retained rent in excess of the MAR. The hearings are held at city hall and are heard by a neutral hearing examiner.



#### 2016 Rent Adjustment Hearing Statistics

	2016	2015	2014	2013
Hearings Filed	113	113	106	97
Hearings Held	99	87	74	56
Hearing Requests Withdrawn	11	14	22	15
Postponed to later date or dismissed administratively	3	12	10	26

### 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 will 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 1,000 individuals in 2016, and resolved 440 conflicts

through a combination of telephone calls and face-to-face meetings. Attempts are made to resolve most rent adjustment applications prior to scheduling a hearing. In 2016, the City's mediator held 15 formal mediations. 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.





# RENT STABILIZED HOUSING INVENTORY AND RENT

According to the American Community Survey, there are a total of 24,039 Residential Housing Units in the City of West Hollywood.<sup>20</sup> Of these 16,784 fall under the City's Rent Stabilization Program.<sup>21</sup>

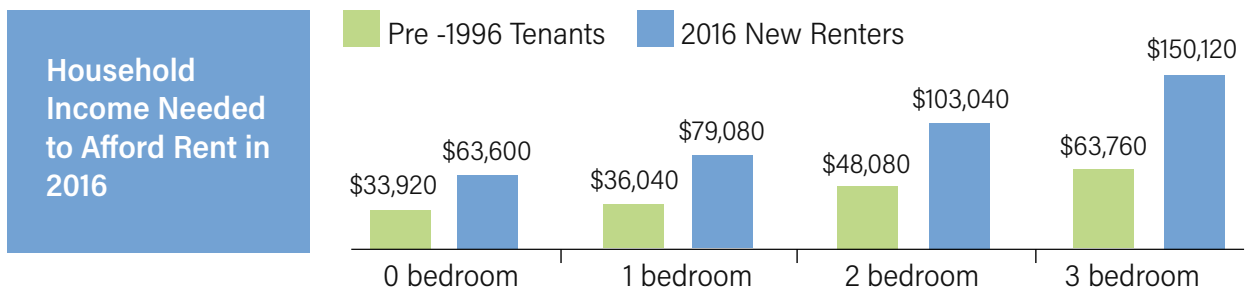
photo by Tony Coelho



## RENT INCREASES AND VACANCY DECONTROL

Rent-stabilized properties in West Hollywood 2016	Size	Units	%	Rent Stabilized Apartments <b>15,234</b>  Owner Occupancy, Section 8, Other <b>1,550</b>
	0 bedroom	2,430	15	
	1 bedroom	8,999	53	
	2 bedroom	4,862	29	
	3 bedroom	473	3	
4 + bedroom	20	0		
<b>Totals</b>		<b>16,784</b>	<b>100</b>	

The chart below shows the household income needed in 2016 to pay the rent in rent-stabilized units broken down by number of bedrooms. Affordability was defined by using the housing industry standard of 30 percent of gross household income.



Year	Increase Differences	Units
2016	+345	11,256
2015	+119	10,911
2014	+244	10,792
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

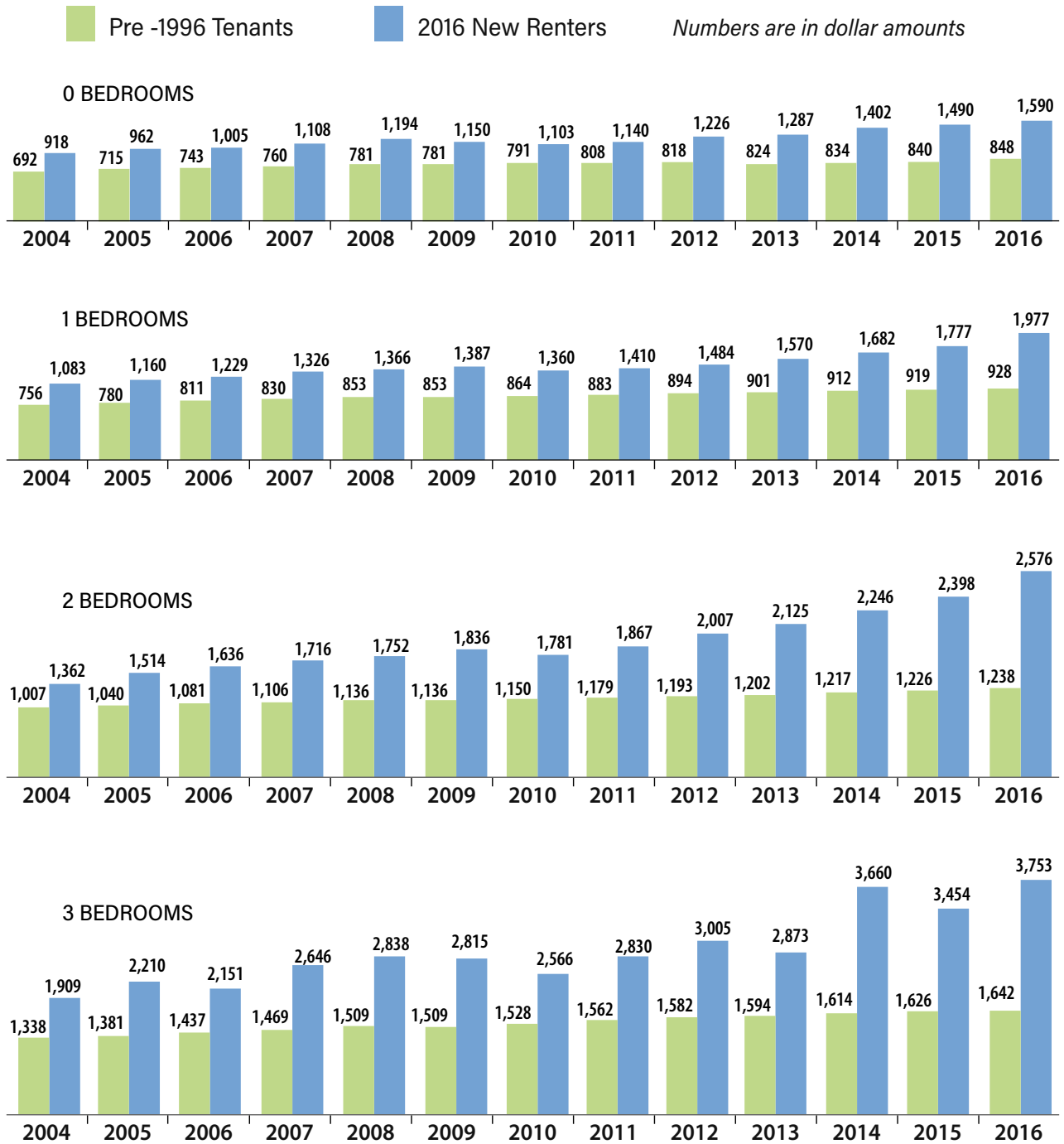
Numbers are cumulative

**The chart on the left illustrates the increased number of apartments that have had rents brought to market rates.**

In the 21 years since Costa-Hawkins has been in effect, 64 percent of West Hollywood apartments have had at least one market-rate increase upon vacancy.

Under the RSO, existing tenancies may be given an annual rent increase that is limited to 75% of the increase in the Consumer Price Index (CPI) rounded to the nearest quarter (0, 0.25, 0.50, 0.75). However, under California's Costa-Hawkins Act, effective since 1996, State law allows the rent to increase to what the market will bear upon vacancy.<sup>22</sup> Rent stabilization requirements are then reset at the new rent level, creating a greater increase in the rents charged for newly rented units versus those where the tenant has remained in the same apartment for a number of years.

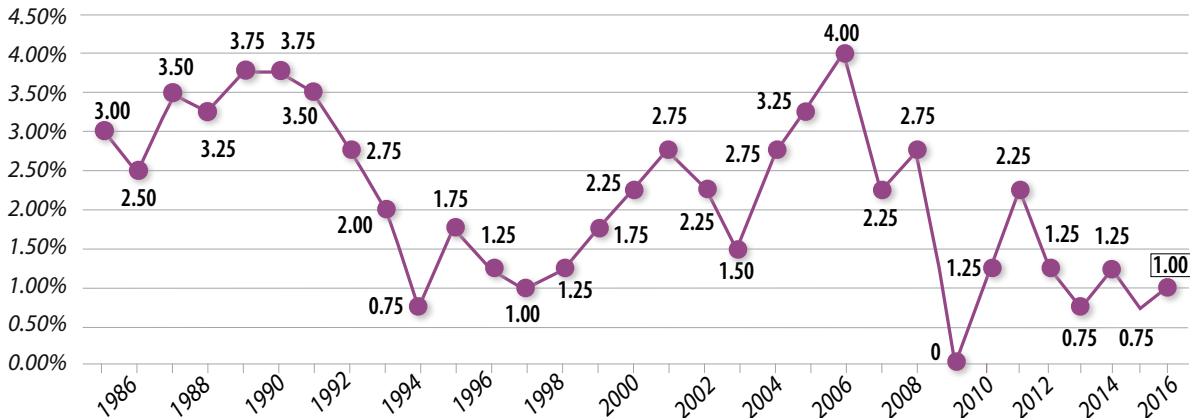
## RENT STABILIZED APARTMENTS IN WEST HOLLYWOOD BY NUMBER OF BEDROOMS - 2016



The above charts show the yearly average rents paid by long term, pre-1996 tenants who are still in their units. It compares these average rents to the average move-in rents paid by new tenants in rent-stabilized buildings broken down by the number of bedrooms in the unit. The average rent amounts for pre-1996 tenants were determined by taking the December 31, 1995 MAR (Maximum Allowable Rent) and imputing all of the subsequent Annual General Adjustments (AGA) through 2016. The rent amounts for new tenancies were determined by averaging the rent levels listed by landlords on *Re-Registration of New Tenancies in a Unit* forms required for new tenancies.

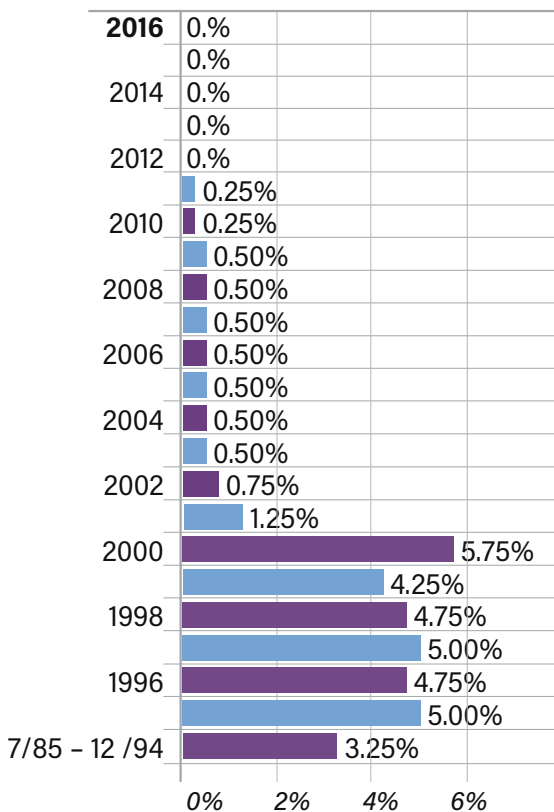
### 2016 ANNUAL GENERAL ADJUSTMENT

The AGA is in effect from September 1 to August 31. Each year before July 1, the Rent Stabilization Commission announces the amount of the adjustment so landlords who are current with their registration fees can start giving 30-day advance increase notices by August 1. To find out what the current AGA is, visit [www.weho.org/rsh](http://www.weho.org/rsh) or call the City's Rent Stabilization and Housing Information Coordinators at **323-848-6450**.



### 2016 SECURITY DEPOSIT INTEREST

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.



# Looking Ahead to 2017

Since incorporation in 1984, the City of West Hollywood has been committed to protecting and enhancing affordable housing opportunities with an emphasis on rent stabilization laws. Looking ahead to 2017, the Rent Stabilization and Housing Division will continue to administer the RSO and inclusionary housing programs, providing community education, policy analysis, and implementation of program components.

In 2017, the Los Angeles region and California as a whole will face serious challenges in the availability of housing for very low, low, and moderate-income households. To help address these challenges, the City of West Hollywood will remain committed to the RSO and the development and preservation of affordably priced housing, and to supporting residents to continue to live and thrive in the community.

## Specific Actions the Division Will Take in 2017

- Continue to educate tenants, landlords and members of the public about the rent stabilization program.
- Initiate a study of financing various innovative housing types to provide insight on any alternative ways to support housing opportunities.
- Explore a tenant's option-to-purchase program for West Hollywood.
- Establish a requirement that landlords provide a plan to ensure a building remains habitable when major renovations are planned.
- Introduce guidelines for landlords who wish to buy-out households.
- Increase awareness of City rental requirements for all rental housing in the City.
- Continue exploring incentives to encourage reinvestment in rent-stabilized buildings, upgrading plumbing, electrical, roofing and other major systems.
- Continue the Home Secure Program by providing low-income seniors and disabled residents with bathroom grab bars and other safety and security upgrades.
- Collaborate with the Building and Safety Division and Planning Division to develop a program to retrofit existing buildings for earthquake/seismic upgrades.
- Administer the Building Blocks Educational Series.
- Collaborate with nonprofit developers on future affordable housing.
- Support legislative advocacy efforts to encourage lawmakers to revise the Ellis Act and other rent stabilization and housing acts, and to create a permanent source of funding for affordable housing.
- Continue implementing the Aging in Place/Aging in Community 5-Year Strategic Plan.

# THE CITY OF WEST HOLLYWOOD

## CITY COUNCIL

*Mayor* Lauren Meister  
*Mayor Pro Tempore* John Heilman  
*Council member* John J. Duran  
*Council member* John D'Amico  
*Council member* Lindsey P. Horvath

## RENT STABILIZATION COMMISSION

*Chair* Richard Maggio  
*Vice-Chair* David Gregoire  
Robert Bergstein  
Alexander Gurfinkel  
Stephanie Harker  
Josh Kurpies  
Gail Sanes

## STAFF

*City Manager* Paul Arevalo  
  
Human Services and Rent Stabilization Department  
*Director* Elizabeth Savage  
  
Rent Stabilization and Housing Division  
*Manager* Peter Noonan

## ACKNOWLEDGEMENTS

*Co-writer/editing* Sharon Collins  
*Photos* courtesy of the City of West Hollywood  
*Photography* Tony Coelho  
*Graphic Design* Joanne Shannahoff

## REFERENCES:

- page 1 <sup>1</sup> Generally, paying the affordable housing in-lieu fee is an option for projects with 10 or fewer residential units.
- <sup>2</sup> Rent for new tenancies in one bedroom apartments built prior to July 1, 1979 increased on average from \$1,570 in 2013 to \$1,977 in 2016.
- page 2 <sup>3</sup> Mission Impossible? Meeting California's Housing Challenge. Southern California Association of Governments. October, 2016 <http://www.scag.ca.gov/Documents/CaliforniaHousingSummitReport.pdf>
- <sup>4</sup> California Housing Partnership Corporation Website. <https://chpc.net/>
- page 3 <sup>5</sup> USC Lusk Center For Real Estate Casden Real Estate Economics Forecast 2016 Multifamily Report. USC Lusk Center for Real Estate. Beacon Economics. [www.lusk.usc.edu/casden](http://www.lusk.usc.edu/casden) (accessed January 22, 2017)
- <sup>6</sup> California's High Housing Costs: Causes and Consequences. California State Legislative Analyst's Office. Mac Taylor. March 17, 2015. [www.lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.aspx](http://www.lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.aspx)
- <sup>7</sup> California Housing Partnership Corporation Website. <https://chpc.net/>
- <sup>8</sup> Mission Impossible? Meeting California's Housing Challenge. Southern California Association of Governments. October, 2016 <http://www.scag.ca.gov/Documents/CaliforniaHousingSummitReport.pdf>
- page 4 <sup>9</sup> City of West Hollywood Multi-Unit Housing Resident Survey. Maslin, Maullin, Metz & Associates. 11-21-2016 [http://weho.granicus.com/MetaViewer.php?view\\_id=&event\\_id=960&meta\\_id=128467](http://weho.granicus.com/MetaViewer.php?view_id=&event_id=960&meta_id=128467)
- <sup>10</sup> Profile of the City of West Hollywood. Southern California Association of Governments. May, 2015 <https://www.scag.ca.gov/Documents/WestHollywood.pdf>
- <sup>11</sup> Profile of the City of West Hollywood. Southern California Association of Governments. May, 2015 <https://www.scag.ca.gov/Documents/WestHollywood.pdf>
- page 4 <sup>12</sup> Southern California Association of Governments, 5th Cycle Regional Needs Assessment Final Allocation Plan, 1/1/2014 – 10/1/2021
- page 6 <sup>13</sup> United States Census Bureau/American Fact Finder. "Selected Housing Characteristics, Year 2015." 2011-2015 American Community Survey 5-Year Estimates. U.S. Census Bureau's American Community Survey Office, 2010. Web. 24 February 2017. <http://factfinder2.census.gov>.
- <sup>14</sup> City of West Hollywood. General Plan 2035: 2013-2021 Housing Element Technical Appendix. December 2013. Web. 17 March 2017. <http://www.weho.org/home/showdocument?id=15166>.
- <sup>15</sup> November 7, 2016 City Council report Chart on Page 3, 51.7% of removed properties remain off-market unchanged or converted to single family homes.
- page 8 <sup>16</sup> The Ellis Act allows seniors and disabled tenants one year to relocate; all other tenants currently have 120 days.
- page 15 <sup>17</sup> Southern California Association of Governments, 5th Cycle Regional Needs Assessment Final Allocation Plan, 1/1/2014 – 10/1/2021
- <sup>18</sup> In the current state housing cycle (RHNA), minimums were allocated based on mass transit. For example, on the Los Angeles Westside the City of Santa Monica received the bulk of anticipated new housing growth, in part, because of the new Expo light rail line. Beverly Hills, in contrast, received only 3 units.
- page 17 <sup>19</sup> California Department of Housing and Community Development. "Affordable Housing Cost Study: Analysis of the Factors that Influence the Cost of Building Multi-Family Affordable Housing in California" (October 2015). <http://www.hcd.ca.gov/>
- page 22 <sup>20</sup> 2009-2013 American Community Survey 5-Year Estimates.
- <sup>21</sup> A unit is considered part of the rent stabilization program if it was constructed prior to January 1, 1979.
- page 23 <sup>22</sup> California Civil Code §1954.53



## 2016 ANNUAL REPORT

City of West Hollywood  
Rent Stabilization and Housing

City of West Hollywood  
8300 Santa Monica Boulevard  
West Hollywood, California 90069

Telephone: (323) 848-6400

TTY hearing impaired  
(323) 848-6496

[www.weho.org](http://www.weho.org)



@wehocity

City of West Hollywood  
Rent Stabilization and Housing  
(323) 848-6450

### HOURS

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

