



# RENT *Stabilization*

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## ALLOWABLE RENT INCREASES BULLETIN

The Rent Stabilization Ordinance was designed to protect tenants from excessive rent increases while allowing landlords a reasonable return on their investments. The Ordinance became effective May 1, 1979. The following information reviews the allowable rent increases for those rental units subject to the Ordinance.

### AUTOMATIC ADJUSTMENTS

The rent for a rental unit may be increased without the permission of the Rent Adjustment Commission or the Rent Stabilization Division under the following circumstances:

1. Three to 8% every 12 months in accordance with the annual rent increase percentage, which is based on the Consumer Price Index (CPI) average for the twelve (12) month period ending September 30, of each year. This annual adjustment may be applied once to any annual rent increase which first becomes effective on or after July 1, through June 30, of each year. An exception to this increase would exist in the case of a substandard housing unit for which a notice of non-compliance has been sent to the Franchise Tax Board. The 3% to 8% annual increase is **not** cumulative or retroactive.

**THE CALCULATED ANNUAL INCREASE PERCENTAGE EFFECTIVE JULY 1, 2006 THROUGH JUNE 30, 2007 IS FOUR PERCENT (4%).** Effective July 1, 2007, the allowable annual increase is 5%. This annual increase may be imposed only if twelve (12) months or more have elapsed since the last such rent increase.

Landlords are required to serve tenants with a written 30-day notice for rent increases and a 60-day notice for rent increases over 10% within a 12 month period.

2. An additional 1% for gas and 1% for electric service into the dwelling unit when service is provided by the landlord.
3. A 19% (plus 2% if the landlord provides gas and electricity) for a rental unit which has not had a rent increase since May 31, 1976.

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4. A 13% (plus 2% if the landlord provides gas and electricity) for a rental unit which has not had a rent increase since May 31, 1977.
5. A \$3.00 per month for each electrically installed smoke detector until the actual cost to the landlord for the purchase and installation has been recovered. Landlords have two months following installation to notify tenants. Replacement units are applied for through the Capital Improvement Increase process.
6. Ten percent for each additional tenant exceeding the number of tenants allowed in the original rental agreement. A corresponding reduction in rent is required when the additional tenant vacates the unit. Security deposits may be raised for additional tenants by the same dollar amount as the rent is raised.
7. The rental unit shall be decontrolled and the rent reset to any level when all the tenants who were parties to the original rental agreement establishing the tenants have vacated the unit, even if an additional tenant accepted under these regulations remains in the real unit, when no revised rental agreement including the additional tenant has been made. (R.A.C. 310.12).
8. An increase of 3% to 8% in the security deposit is allowed at the same time and by the same percentage as the annual rent increase.
9. A landlord may collect a monthly surcharge from the tenant to recover the **paid** Systematic Code Enforcement fee. Below is a breakdown of how much the landlord can demand and collect from the tenant:
  - a. \$1.00 per unit per month - January 1, 2004 - May 31, 2004
  - b. \$3.16 per unit per month - June 2004
  - c. \$3.18 per unit per month - July 1, 2004 - December 31, 2004
  - d. \$2.27 per unit per month - Beginning January 1, 2005
  - e. \$2.96 per unit per month - Beginning January 1, 2006

**Effective 12/18/05 the annual SCEP fee was increased to \$35.52. (Ordinance Number 177106.)**

- 10.A \$9.35 surcharge collected only in June to recover half of the \$18.71 paid registration fee.

**Effective 12/18/05 the annual RSO fee was increased to \$18.71 and the surcharge is \$9.35 as of June 2006. (Ordinance 177107.)**

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The chart below briefly illustrates the chronology of allowable rent increases:

DATE	PERCENTAGE ALLOWED
5/1/79 - 6/30/85	7%
7/1/85 - 6/30/86	4%
7/1/86 - 6/30/87	5%
7/1/87 - 6/30/88	4%
7/1/88 - 6/30/89	4%
7/1/89 - 6/30/90	5%
7/1/90 - 6/30/91	5%
7/1/91 - 6/30/92	5%
7/1/92 - 6/30/93	5%
7/1/93 - 6/30/94	3%
7/1/94 - 6/30/95	3%
7/1/95 - 6/30/96	3%
7/1/96 - 6/30/97	3%
7/1/97 - 6/30/98	3%
7/1/98 - 6/30/99	3%
7/1/99 - 6/30/00	3%
7/1/00 - 6/30/01	3%
7/1/01 - 6/30/02	3%
7/1/02 - 6/30/03	3%
7/1/03 - 6/30/04	3%
7/1/04 - 6/30/05	3%
7/1/05 - 6/30/06	3%
7/1/06 - 6/30/07	4%
7/1/07 - 6/30/08	5%

### ADJUSTMENTS APPROVED BY RENT STABILIZATION DIVISION

The rent for a rental unit may also be increased through the proper submission and approval of the appropriate application to the Rent Stabilization Division. Listed below are the purposes for which the landlord may apply to the Rent Stabilization Division for a rent increase:

1. Capital Improvement - When the landlord makes an addition or replacement to the rental unit or to the common areas, provided that the improvement has a useful life of five years or more.
2. Rehabilitation - Rehabilitation or repair work done by the landlord due to changes in the housing code since January 1, 1979 or to repair damage resulting from fire, earthquake or other natural disasters.

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3. Just and Reasonable - When the automatic adjustment prescribed by the Ordinance does not provide a just and reasonable return on the rental unit or units (refer to the Just and Reasonable Regulations issued by the Rent Adjustment Commission).
4. Primary Renovation - The landlord has completed Primary Renovation Work and any Related Work in accordance with a Tenant Habitability Plan accepted by the Department and has not increased the rent to reflect the cost of such improvement.

## **RENT LEVEL AFTER A VACANCY**

The allowable rent level after a vacancy depends on the reason for the vacancy. The Rent Stabilization Ordinance provides that the rent may be raised to any amount upon re-rental if the vacancy is due to any of the following reasons:

- ◆ The tenant voluntarily vacated the unit.
- ◆ The tenant was evicted for non-payment of legal rent.
- ◆ The tenant was evicted for violating the terms of the rental agreement and failing to cure the violation.

The Ordinance requires the rent to a new tenant to remain the same if the vacancy occurred for any other reason. Examples of circumstances under which the landlord may **not** raise the rent upon re-rental include the following:

- ◆ The landlord evicted the previous tenant to recover the unit for the use of the landlord, his immediate family or resident manager.
- ◆ Following an eviction for occupancy by the landlord, his immediate family or resident manager, where the landlord, his family member or resident manager subsequently vacated the rental unit.
- ◆ The tenant was evicted for using or permitting the rental unit to be used for an illegal purpose, unless the eviction is based upon information provided by a law enforcement agency.
- ◆ The tenant was evicted for refusing to enter into a new written rental agreement, with similar provisions, and the terms of which are not inconsistent with the Ordinance.
- ◆ The tenant was evicted for refusing the landlord reasonable access to the rental unit.
- ◆ The rental unit is the land upon which a mobile home is located.

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- ◆ The landlord evicted a tenant for the purpose of performing major rehabilitation work and failed to perform the work.
  
- ◆ Rental assistance paid to the tenant was terminated when the landlord canceled or failed to renew a Section 8 Housing Assistance Payments contract. As of April 9, 2002, Section 151.04 - "Restriction on Rents" of the RSO was amended by Ordinance 174501, which states: "B. It shall be unlawful for any landlord to terminate or fail to renew a rental assistance program with the Housing Authority of the City of Los Angeles (HACLA), and then demand that the tenant pay rent in excess of the tenant's portion of the rent under the rental assistance contract."

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