**Background Report –**
**Motion regarding RSO housing replacements**

**WRAC Land Use and Planning Committee (LUPC)**
**February 13, 2023**

Motion: The ____ NC/CC requests that the Los Angeles Housing Department presume that 100% of RSO units slated for demolition per the Ellis Act are inhabited by low-income households, and 100% of the replacement units shall be rented at the corresponding low-income rent.

If the Housing Department or the developer wish to lower that standard and require that fewer replacement units are affordable, then they must do the outreach and secure estoppels from the tenant households that demonstrate their income exceeds the low-income requirements (instead of putting the burden on low-income households to prove that they are low-income tenants).

We further request that the Housing Department formulate and implement alternative income verification methods for current tenants who are elderly, disabled or undocumented to be able to qualify for their right of return.

**Recommended to the WRAC Board by WRAC LUPC**
**Approved 8-1-1 (Vote in LUPC)**

Background/Summary of issue:

1. SB 330 and SB8 require that RSO and affordable units be replaced at 1 to 1, so there is no net loss of affordable units (in discretionary and ministerial cases).
2. The Housing Dept. (LAHD) presumes that 64% of households are low-income in Ellis Act evictions, per LAMC, and therefore, only 64% of replacement units will be restricted as low-income units.
3. LAHD requires that the tenants compile and submit financial documentation to demonstrate that they are low-income as part of their "right to return" to the replacement units.

Findings/ Justification:

1. The city may be "losing" affordable units if only 64% of replacement units are restricted as affordable, and it may be because the tenants are required be proactive and navigate a byzantine city process.
   a. We are unsure if developers or the Housing Dept. sufficiently educates and properly notifies these low-income tenants fully of their rights, and how to apply for low-income replacement units as part of their "right to return."
2. Many low-income households may not have nor retained the 5 years of tax returns and pay stubs (may be paid cash, under the table), and may lose the opportunity to return to a low-income unit.
3. Example of 2450 Barrington Ave.: 10 units to be demolished in rundown apartment with likely low-income tenants. All 10 units will be replaced as RSO (restricted rent increases, but start at market-rate rent), and only 7 of the 10 units will start as low-income units at reduced rent.

Impact on region: All NCs are affected by Ellis Act developments and demolitions of RSO units.

From LAHD (Marites Cunanan, Sr. Manager – Email Message to J. Ross/January 2023):

“Per the attached guidelines (section copied and pasted below), the housing replacements can count towards the on-site requirements of TOC.
“Documents are requested directly from the tenants to provide the income documents, most owners will not have these documents. However, this is strictly voluntary and tenants are not required to submit their income documents but if they are currently low income, it is highly recommended to submit their documents for their right to return to a comparable bedroom type and rents.

“If the owners have this information, they can also provide the information to us. In the absence of income documents, the presumption is the units are 64% affordable. This was the percentage when the owner submitted the SB 8 application to LAHD.”

3. **Housing Replacement.** A Housing Development must meet any applicable housing replacement requirements of California Government Code Section 65915(c)(3), as verified by the Department of Housing and Community Investment (HCIDLA) prior to the issuance of any building permit. Replacement housing units required per this section may also count towards other On-Site Restricted Affordable Units requirements.

From CD11 (Jeff Khau, Planning Deputy – Message to J.Ross/January 2023):

“My colleague at the Housing Dept sent me this. I wasn't able to look into this further but I do hope this answers your question.

“To determine the default affordability, we use the HUD CHAS database.

“The latest numbers (as of Sept 2022) require us to assume 70% of tenants are low-income (this is up from 64% last year). If it's a TOC project this breaks down into 33% ELI, 18% VLI and 19% LI. For all other projects, it's 51% VLI and 19% LI. These numbers are all calculated using the same HUD CHAS database.

“For the 10 unit example, if it's a TOC project, 3 units will be ELI, 2 VLI and 2 LI. If the project is not using TOC, the requirements are 5 VLI and 2 LI.”

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