Honorable Members of the City Council
City of Los Angeles
c/o City Clerk
Room 395, City Hall
200 N. Spring Street
Los Angeles, CA 90012

COUNCIL REPORT BACK: THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES AND THE LOS ANGELES HOUSING + COMMUNITY INVESTMENT DEPARTMENT WITH CONSULTATION FROM THE CITY ATTORNEY OFFICE’S REPORT REGARDING CITY ORDINANCE TO PROTECT AFFORDABLE HOUSING OPPORTUNITIES FOR RENTERS UTILIZING RENTAL ASSISTANCE OR OTHER SOURCES OF INCOME AS PAYMENT

SUMMARY

In response to a Council Motion request (C.F. #18-0462), the Housing Authority of the City of Los Angeles (HACLA) and the Los Angeles Housing + Community Investment Department (HCIDLA) have been instructed to report on policy options that include applicable enforcement mechanisms, which will increase acceptance and utilization of Section 8 vouchers, Rapid-Rehousing vouchers, Veterans Affairs Supportive Housing (HUD-VASH) vouchers, and other third-party payment programs.

Pursuant to the Housing Committee’s request, HACLA and HCIDLA in consultation with the City Attorney’s Office submits this joint-report summarizing the accompanying draft ordinance to protect affordable housing opportunities for renters utilizing rental assistance or other sources of income as payment.

RECOMMENDATIONS

The President and CEO of HACLA respectfully requests that:

I. Your office schedule this report for consideration at the next available meeting(s) of the appropriate City Council Committee(s) and the City Council thereafter;

II. The City Council receive and file this report.
BACKGROUND

As of October 26, 2018, HACLA has 1,168 vouchers on the street for new applicants searching for housing and an additional 2,490 vouchers for current participant families who have requested to move. Due to a combination of factors including source of income discrimination, low vacancy rates and the high cost of housing, at present only 53% of Section 8 voucher holders are successful in finding a unit. Even with increases in the voucher payment standard for the HUD-VASH program for veterans, only 45% of them are successful in finding a unit. While those applicants in HACLA’s special programs, like HUD-VASH, who do not locate housing can be re-referred for assistance, those from the Section 8 waitlist cannot and lose their opportunity to participate in the Section 8 program.

Utilized vouchers have a direct impact on the amount of federal funding the Housing Authority receives the following year. It is very important to successfully utilize all vouchers allocated in order to house the greatest number of families and maintain the level of funding that will assist them over time. The Housing Authority is funded for Housing Assistance Payments and Administrative Fees based on the total number of families assisted. If totals decrease and vouchers are not fully utilized, HUD reduces the federal funding proportionately.

HACLA administers over 58,000 vouchers across its portfolio of housing assistance programs. Over the past five years, the Housing Authority has experienced a decline in the number of landlords who participate in the various housing assistance programs. As shown on the chart below, HACLA’s pool of landlords has decreased by 7% since 2014 and continues to trend downward. With the shortage in housing stock in the City of L.A. and the increase in luxury rentals in upscale buildings, the availability of affordable housing is becoming scarce.

<table>
<thead>
<tr>
<th>Date</th>
<th>No. Landlords</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2014</td>
<td>14,339</td>
</tr>
<tr>
<td>October 2015</td>
<td>13,949</td>
</tr>
<tr>
<td>October 2016</td>
<td>13,714</td>
</tr>
<tr>
<td>October 2017</td>
<td>13,534</td>
</tr>
<tr>
<td>October 2018</td>
<td>13,306</td>
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</tbody>
</table>

In addition, the Los Angeles Homeless Services Authority (LAHSA), which administers Rapid Re-Housing programs, reports a total of approximately 5,500 households enrolled in Rapid Re-Housing programs and searching for housing, including both programs funded by LAHSA and programs funded by other sources. Rapid Re-Housing is a service model offering people experiencing homelessness quick reconnection to permanent housing using time-limited financial assistance, individualized supportive services, and connection to mainstream resources. LAHSA reports that the mean number of days from enrollment in the program to securing housing has increased from a mean of 80 days in FY 17 to 92 days in the third quarter of FY 18.

REPORT BACK

One tool cities and states have used to increase voucher utilization is Source of Income Discrimination Laws as it relates to Section 8 Vouchers and other forms of rental assistance. These Source of Income laws operate by including “source of income” as one of the tenant characteristics which are protected from housing discrimination and specifically defines “source of income” as including any type of rental assistance such as Section 8.
Appended below is a list of states that have statutes that prohibit discrimination in the housing market based on source of income as found in the Poverty & Race Research Action Council website which was last updated on June 19, 2018. For a full list of County/City ordinances, see Appendix 1.

1. California (covers source of income, but not Section 8)
2. Connecticut
3. Delaware
4. District of Columbia
5. Maine
6. Massachusetts
7. Minnesota (weakened by court interpretation)
8. New Jersey
9. North Dakota
10. Oklahoma
11. Oregon
12. Utah
13. Vermont
14. Washington
15. Wisconsin (covers source of income, but not Section 8)

**California Ordinances**

The California Fair Employment and Housing Act (FEHA) already prohibits discrimination based on "source of income," however rental assistance, including Section 8 vouchers, are not part of its definition of Source of Income. The Los Angeles Superior Court and California Court of Appeal, First District have held that this does not preempt local jurisdictions from enacting their own Source of Income policies in order to promote affordable housing opportunities.

Below is a list of local city/county Source of Income ordinances in California that are in place:

1. Berkeley
2. Corte Madera
3. East Palo Alto
4. San Diego
5. Marin County
6. San Francisco
7. Santa Clara County
8. Santa Monica
9. Woodland

**Source of Income policies impact on utilization rates**

According to research conducted by the Urban Institute (A Pilot Study of Landlord Acceptance of Housing Choice Vouchers, Cunningham, M. et.al, August 2018), people who use federal vouchers to help pay for their rent are denied housing by landlords at startling rates. However, the rates of discrimination were substantially less in cities that have passed laws protecting people who receive such federal housing vouchers.
The study looked at five sites: Washington D.C., Los Angeles County, except for 13 small cities, Fort Worth, Philadelphia and Newark. Researchers screened over 341,000 online advertisements and had “testers” call up landlords and track their interactions with potential voucher-holding tenants.

According to the study, landlords denied renting to voucher recipients 78 percent of the time in Fort Worth and 76.4 percent of the time in Los Angeles — two cities without legal protections for voucher renters. Philadelphia, where voucher holders were denied housing 66.8 percent of the time, has source-of-income anti-discrimination laws on the books.

Meanwhile, two cities where voucher holders are considered protected classes had the lowest discrimination rates: Washington D.C. had a denial rate of 14.8 percent and Newark, 30.9 percent.

Additionally, the study found that voucher holders were 12% more likely to find housing in those jurisdictions with a source of income ordinance. Another study showed a 5-12% boost in voucher acceptance in those areas.

**ENFORCEMENT / PENALTY OPTIONS**

Jurisdictions with Source of Income laws employ various options for enforcement. In the cities we contacted, the law was first enforced with a warning and either an informal or formal mediation process. Some cities, such as Denver and San Francisco have Human Relations/Rights Commissions who have power to hold formal hearing processes which come with their own set of penalties. Cities that do not have these types of bodies rely on either their City Attorney’s office or an outside legal organization to take legal action on behalf of the aggrieved person should the warning and mediation fail to achieve compliance. The presiding judge over the case ultimately makes the final determination on the damages owed to the aggrieved person. In these cities, there is a provision in the policy for attorney’s fees which helps recover the legal costs. The City of Los Angeles could enforce its own ordinance either through the City Attorney’s office or through the Housing and Community Investment Department’s (HCID) existing contract with the Housing Rights Center (HRC).

The table below outlines how various cities have addressed the penalty/enforcement piece:

<table>
<thead>
<tr>
<th>CITY</th>
<th>OVERSIGHT</th>
<th>COSTS</th>
<th>IMPLEMENTATION</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Monica</td>
<td>City Attorney</td>
<td>No additional funding necessary. Ordinance provides for recovery of attorney’s fees should the city prevail in the lawsuit</td>
<td>Complaint-driven. City sends letter and if it continues, City will file lawsuit against the landlord. Judge then makes determination about damages owed to the tenant. They will eventually begin to do proactive enforcement through testing as well.</td>
<td>Have been enforcing since April. Have had 12 cases brought to them so far (some referred from housing authority and others from LAFLA). All cases have been resolved through a letter that notifies landlords of the new law.</td>
</tr>
<tr>
<td>San Diego</td>
<td>Contract with third-party legal aid organization</td>
<td>Their Housing Authority used some of their Section 8 dollars to fund the contract as they are a Moving To Work agency which HACLA is not.</td>
<td>1 year grace period of education (also funded through contract). After 1 year, the third party contractor will begin mediation and if necessary, litigate landlords who are in violation of the ordinance. Will be complaint-driven with proactive testing elements as well.</td>
<td>Ordinance provides for one-year grace period. City just released an RFP to hire a contractor who will do education and outreach to landlords for one year before enforcement provisions of the law take effect.</td>
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</table>
HACLA Report Regarding City Ordinance to Protect Affordable Housing Opportunities

<table>
<thead>
<tr>
<th>CITY</th>
<th>OVERSIGHT</th>
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<th>IMPLEMENTATION</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denver</td>
<td>Anti-Discrimination Office; Human Rights and Community Relations</td>
<td></td>
<td>City hearing process administered through the Human Relations Commission. Complaint-driven, send letter, mediation, and then hearing if there is no resolution through mediation.</td>
<td>Their Human Rights Commission has not been enforcing due to FEHA preemption; now that the preemption issue has been settled, the Human Rights Commission may begin to enforce again, but as of now, both the Commission and City Attorney's office will send a letter to the landlord and so far all the cases have been resolved through the letter.</td>
</tr>
<tr>
<td>San Francisco</td>
<td>Human Rights Commission and City Attorney</td>
<td>No additional funding necessary.</td>
<td>Complaint-driven. Complaints are filed with the Human Rights Commission first; the Human Rights Commission investigates and tries to eliminate the unlawful practice through conciliation, if it is not resolved in 20 days then it goes through an internal hearing process within the City. Should the hearing officer determine it to be unlawful discrimination, they will send a cease-and-desist letter requiring the landlord to rent to the tenant. The Director of the Human Rights Commission may also refer the matter to the City Attorney's office for the appropriate legal action.</td>
<td></td>
</tr>
</tbody>
</table>

**ADDRESSING LANDLORD CONCERNS**

HACLA has already implemented and is in the process of reviewing several measures to streamline the Housing Choice Voucher program. In response to concerns raised by the apartment association regarding frequent inspections from both HACLA and HCIDLA, the two departments are in the process of developing a data sharing agreement to decrease the number of rental unit inspections conducted for the same housing unit. This in turn will save time for landlords and eliminate multiple inspection reports.

HCIDLA’s Code Enforcement attempts to inspect all rental units and property only once every 4 years. The scope of the HCIDLA inspections is more detailed related to the property as a whole which includes the approved use of the building and potential zoning violations. Currently all privately owned rental properties containing 2 or more rental units are subject to and pay for the Systematic Code Enforcement Program.

HACLA is reviewing whether complaint driven inspections originated by tenants can be routed to HCIDLA’s complaint department for processing in order to help streamline these inquiries across the City.

HACLA in partnership with HCIDLA is working on sharing inspection data related to properties with open Orders to Comply. Once inspectors from either department identify properties with deficiency violations, the other agency is notified. Also the two agencies are working on leveraging each other’s communications to gain quicker deficiency correction from landlords.

Additional existing efforts to streamline the process of leasing to a voucher holder include expedited processing of all new contracts (i.e. process the inspections and contracts for new participating landlords first), electronic signature and provision of documents by landlords, one vendor (landlord) set up per building in HACLA’s business system, checks issue to landlords every other week, an online Landlord Portal which displays check detail broken down by building, upfront negotiation of unit rents to prevent delays resulting from renegotiations, and a Homeless Incentive Program funded through Measure H that
provides financial incentives for landlords who rent to homeless applicants. Additionally, HACLA’s stated policy is that all initial inspections and re-inspections are scheduled within 2-3 days if the unit is ready for inspection. HACLA also is working to process annual rent increases timely, and does process rent increases retroactively, if applicable.
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President and CEO

Cc: Honorable Mayor Eric Garcetti

Attachment A: Ordinance No. _____________ (Draft)
Appendix 1: Full list of Counties and Cities with Source of Income ordinance

1. Wilmington, DE
2. Cities in Colorado
   - Denver
3. Counties in Florida
   - Broward County
   - Miami-Dade County
4. Counties/Cities in Illinois
   - Chicago
   - Cook County
   - Harwood Heights
   - Naperville
   - Urbana
   - Wheeling
5. Cities in Iowa
   - Iowa City
   - Marion
6. Counties/Cities in Maryland
   - Annapolis
   - Baltimore
   - Frederick
   - Frederick County
   - Howard County
   - Montgomery County
7. Cities in Massachusetts
   - Boston
   - Cambridge
   - Quincy
   - Revere
8. Cities in Michigan
   - Ann Arbor
   - East Lansing
   - Grand Rapids
   - Lansing
   - Jackson
9. Minneapolis, Minnesota
10. Saint Louis, Missouri
11. Counties/Cities in New York
    - Buffalo
    - Hamburg
    - Erie County
    - Nassau County
    - New York City
    - Suffolk County
    - Syracuse
    - Westchester
    - West Seneca