

# ALLOWABLE RENT INCREASES

## Rent Stabilization Bulletin

The Rent Stabilization Ordinance (RSO) 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 RSO.

### 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 by:

1. Three percent (3%) to eight percent (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. The annual adjustment may be applied once to each year. An exception to this allowable increase exists for substandard housing units 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, 2011 THROUGH JUNE 30, 2012 IS THREE PERCENT (3%). The allowable rent increase for the period of July 1, 2012 through June 30, 2013 will also be 3%.** 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 that are less than 10% of the tenant's rent, or provide a 60-day notice for rent increases over 10% of the tenant's rent 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. Nineteen percent (19%), plus 2% if the landlord provides the gas and electricity, for a rental unit which has not had a rent increase since May 31, 1976.
4. Thirteen percent (13%), plus 2% if the landlord provides the gas and electricity, for a rental unit which has not had a rent increase since May 31, 1977.
5. Ten percent (10%) 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.



6640 VAN NUYS BLVD.  
VAN NUYS, CA 91405

3550 WILSHIRE BLVD.  
15TH FLOOR  
LOS ANGELES, CA 90010

2215 N. BROADWAY AVE.  
LOS ANGELES, CA 90031

8475 S. VERMONT AVE.  
2ND FLOOR  
LOS ANGELES, CA 90044

690 KNOX ST. STE. #125  
LOS ANGELES, CA 90502

1645 CORINTH AVE.  
STE. #104  
LOS ANGELES, CA 90025



ANTONIO R. VILLARAIGOSA, MAYOR  
MERCEDES MARGUEZ,  
INTERIM GENERAL MANAGER

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6. An increase of 3% to 8% in the security deposit which is allowed at the same time and by the same percentage as the annual rent increase.
7. A landlord may collect a monthly surcharge of \$3.61 from the tenant to recover the paid Systematic Code Enforcement fee.
8. A \$12.25 surcharge collected only in June to recover half of the \$24.51 paid registration fee.

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

CHRONOLOGY OF ALLOWABLE RENT INCREASES SINCE 1979			
DATE	PERCENTAGE ALLOWED	DATE	PERCENTAGE ALLOWED
5/1/79 - 6/30/85	7%	7/1/99 - 6/30/00	3%
7/1/85 - 6/30/86	4%	7/1/00 - 6/30/01	3%
7/1/86 - 6/30/87	5%	7/1/01 - 6/30/02	3%
7/1/87 - 6/30/88	4%	7/1/02 - 6/30/03	3%
7/1/88 - 6/30/89	4%	7/1/03 - 6/30/04	3%
7/1/89 - 6/30/90	5%	7/1/04 - 6/30/05	3%
7/1/90 - 6/30/91	5%	7/1/05 - 6/30/06	3%
7/1/91 - 6/30/92	5%	7/1/06 - 6/30/07	4%
7/1/92 - 6/30/93	5%	7/1/07 - 6/30/08	5%
7/1/93 - 6/30/94	3%	7/1/08 - 6/30/09	3%
7/1/94 - 6/30/95	3%	7/1/09 - 6/30/10	4%
7/1/95 - 6/30/96	3%	7/1/10 - 6/30/11	3%
7/1/96 - 6/30/97	3%	<b>7/1/11 - 6/30/12</b>	<b>3%</b>
7/1/97 - 6/30/98	3%	<b>7/1/12 - 6/30/13</b>	<b>3%</b>
7/1/98 - 6/30/99	3%		

### **RENT ADJUSTMENTS THAT REQUIRE APPROVAL BY THE 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. A landlord may apply to the Rent Stabilization Division for a rent adjustment:

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 Work - 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.
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).

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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 RSO provides that the rent may be raised to any amount upon re-rental if the vacancy resulted because:

- ◆ 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:

- ◆ An eviction of the previous tenant to recover the unit for the use of the landlord, his immediate family or resident manager.
- ◆ 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.
- ◆ An eviction 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.
- ◆ An eviction based on the tenants refusal to enter into a new written rental agreement, with similar provisions, and terms which are not inconsistent with the Ordinance.
- ◆ An eviction based on the tenant's refusal to allow the landlord reasonable access to the rental unit.
- ◆ The rental unit is the land upon which a mobile home is located and it is a new tenant renting a mobile home already in place at a mobile home park. (Rent increase limited to 10 percent.)
- ◆ Rental assistance paid to the tenant was terminated when the landlord canceled or failed to renew a Section 8 Housing Assistance Payment contract. As of April 9, 2002, Section 151.04 - ARestriction on Rents<sup>@</sup> of the RSO was amended by Ordinance 174,501, which states: AB. 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.<sup>@</sup> (LAMC 151.04)