

REHABILITATION WORK

Rent Adjustment Commission Regulations • Section 250.00
• Effective November 20, 1989 • Amended July 9, 2009;
March 7, 2024

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250.00 REHABILITATION WORK

- 250.01 Rehabilitation work is defined for the purposes of this Regulation as any work done on or in a rental unit, or common area of a property containing a rental unit, to comply with an order issued by the Los Angeles Housing Department (LAHD), the Los Angeles Department of Building and Safety (LADBS), the Los Angeles County Health Department, or the Los Angeles Fire Department as a result of changes in the building, fire or health codes enforced by these agencies since January 1, 1979, or to repair damage resulting from natural disasters such as a fire or an earthquake. (LAMC 151.02).
- 250.02 A landlord may apply for an adjustment in rent pursuant to this Regulation for rehabilitation work completed in a rental unit or in the common area of a property containing a rental unit (LAMC 151.07.1.b)
- 250.03 Rent adjustments implemented pursuant to this Regulation constitute a temporary surcharge, which expires in accordance with the provisions set forth in this Regulation. Rent adjustments approved in accordance with this Regulation do not constitute a component of the Maximum Adjusted Rent, as defined in LAMC 151.02, for a rental unit, for calculation of annual automatic rent increases under the Rent Stabilization Ordinance (RSO) in accordance with LAMC 151.06.D.
- 250.04 Any improvement made to a rental unit or rental property which was not mandated by an order resulting from changes in the applicable building, fire or health codes, or natural disasters such as a fire or an earthquake, is not eligible for rent adjustments pursuant to this Regulation.
- 250.05 The Rent Adjustment Commission (RAC) promulgates this Regulation to specify procedures for processing applications for rent adjustment for rehabilitation work, appeals of LAHD determinations and procedures for termination of rent adjustments where there is a complete failure of the rehabilitation work (LAMC Section 151.07 (b)).

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250.06 A landlord may only impose a rent increase for an application submitted pursuant to this Regulation upon LAHD's approval of the application.

251.00 RENT ADJUSTMENTS FOR REHABILITATION WORK

251.01 Temporary surcharges for rehabilitation work may not exceed 1/60th of the per unit rehabilitation cost and shall not be imposed for more than five years unless otherwise provided in this Regulation (LAMC 151.07.1.b).

251.02 Temporary surcharges for rehabilitation work may not exceed \$75.00 per month or 10% of the Maximum Adjusted Rent, as the term is defined in LAMC 151.02, whichever is less, unless otherwise mutually agreed upon in writing by a landlord and a tenant (LAMC 151.07.1.b).

251.03 If the average per unit rehabilitation cost exceeds the lesser of \$75 or 10% of the Maximum Adjusted Rent, the landlord may extend the period of imposition of the temporary surcharge period of five years until the allowable rehabilitation expenses are recovered.

251.04 If the landlord received a loan made with public funds to perform the rehabilitation work, and the loan provides for deferment of the loan repayment, the temporary surcharge shall also be deferred for the same amount of time. (LAMC 151.07.1.b)

251.05 If the landlord obtained any loan to perform the rehabilitation work, the landlord shall only be entitled to a temporary monthly rent increase amortized over the life of the loan calculated solely based on the loan's principal. (LAMC 151.07.1.b)

251.06 If the landlord receives compensation for any portion of the money spent on rehabilitation including, without limitation, insurance, court awarded damages, federal or state subsidies, cash rebates, and federal or state tax credits (other than tax deductions and depreciation), this compensation must be deducted from the cost of the work before amortizing the costs among the units.

A. In the event the compensation is received after the landlord receives approval for a rent increase and the compensation was not deducted at the time of the approval, the landlord must prorate and refund such compensation among the tenants for that portion of the rent increase covered by the compensation. (LAMC 151.02.B)

251.07 The temporary surcharge shall terminate upon LAHD's determination that the rehabilitation work has completely failed in accordance with Section 257.00 of this Regulation.

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- 251.08 If the work benefits one or more but not all of the units, LAHD shall only approve the temporary surcharge for the benefitting units. However, rehabilitation work in common areas or structural rehabilitation work which benefits all units in a building shall be equally apportioned to all units.
- 251.09 Units exempt from the RSO in a building subject to the RSO (e.g. units with LAHD approved luxury exemptions from the RSO) shall be included in determining the per unit rehabilitation cost.
- 251.10 A landlord may not impose an approved temporary surcharge on the tenant(s) of a unit if the tenancy commenced after completion of the rehabilitation work and the landlord lawfully set the initial rent for the unit at market rate in accordance with LAMC 151.06.
- 251.11 If a lease establishes the rent for a period of time, the landlord may not impose an approved temporary surcharge until the provisions of the lease which control the rent expire unless otherwise provided in the lease. The unit, however, must be included in calculating the per unit rehabilitation cost.
- 251.12 The LAMC and this Regulation do not require the landlord to obtain approval from tenants before performing rehabilitation work.
- 252.00 PROCEDURES FOR APPLYING FOR RENT ADJUSTMENTS FOR COMPLETED REHABILITATION WORK**
- 252.01 A landlord may only apply for a rent adjustment pursuant to this Regulation after completion of the rehabilitation work that is the subject of the application.
- 252.02 LAHD shall not approve any rent adjustments for rehabilitation work if the work was completed more than 12 months prior to the filing of the application for rent adjustment.
- A. Rehabilitation work is completed on the last date on which any physical work took place. For improvements which require a permit from LADBS, the date of completion certified by the LADBS inspector may be used as the date for determining the completion of work. The landlord bears the burden of proof in establishing the date of completion of work (LAMC 151.07.A.2.b).
- 252.03 A landlord shall apply for a rent adjustment pursuant to this Regulation on a form approved by LAHD which is submitted to LAHD on the address indicated therein.
- 252.04 The applicant shall enclose a \$25 filing fee with the application.

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- A. The filing fee does not constitute an eligible expense for the purpose of calculating the per unit rehabilitation cost.
- B. The fee shall not apply to the first application for the property made by a landlord within a calendar year (LAMC 151.07.A.2).

252.05 LAHD shall not approve a temporary surcharge pursuant to this Regulation until the landlord has registered the affected units with LAHD in accordance with the provisions of LAMC 151.05. The applicant shall attach to the application a photocopy of the applicable registration certificate issued by LAHD.

252.06 The applicant shall include photocopies of all information and documents relevant to LAHD's review of the application, including any government orders requiring the rehabilitation work. The landlord shall also attach photocopies of all invoices, bids, building permits, financial inspection records, financial documents, applicable loan documents, and cancelled checks. The landlord may also include contractor estimates and cost comparisons submitted by various vendors on equipment and supplies. Bids, estimates, and invoices must be broken down to show each item of work to be done, and where applicable, the unit or common area in which the work is to be completed. LAHD shall not accept composite bids which fail to conform to this subsection. LAHD shall not return materials attached to the application. LAHD may request presentation of the original document from which a photocopy is made. The landlord may submit photographs of the property and the rehabilitation work to assist LAHD in processing the landlord's application.

252.07 Labor costs must be calculated on the basis of actual costs of contractors or hired laborers. Cancelled checks, receipts, social security payments, and W-2 forms are among the types of evidence which shall be required to substantiate labor costs.

- A. If the landlord, the landlord's family member or the landlord's agent or employee provides the labor for work which requires a permit under the LAMC, the labor costs are not allowable unless the person contracted to perform the work is a state licensed contractor for the type of work performed. Proof of state licensing must be included in the application. In addition, the landlord must submit a minimum of two estimates of bids by non-related licensed contractors specifying both material and labor costs. Labor costs on these bids must be identified by the type of labor performed, the number of hours to perform the work, and the rate paid for the work. Documented time cards must be submitted for all work performed by the landlord, family member, agent or employee.
- B. If the landlord, the landlord's family member or the landlord's agent or employee provides the labor for work which does not require a permit under the LAMC, the labor costs are allowable if documented time cards are submitted

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for all work performed by the landlord, family member, agent or employee. Documented time cards must specify the number of hours spent on each task and identify the specific building on which the work was performed. In addition, for work costing over \$200.00, the landlord must submit a minimum of two estimates or bids by non-related contractors specifying both material and labor costs.

- C. Documented time cards refer to the records of an employee which list the date worked, hours worked, the job performed and the rate of pay. All documented time cards must be signed by the employer.

- 252.08 The eligibility of any particular improvement included in the landlord's application for a rent increase based on rehabilitation work shall be determined by LAHD.
- 252.09 For rehabilitation work which requires a permit from LADBS, the landlord must submit a photocopy of the necessary permit(s) and final inspection record card with the rent adjustment application.
- 252.10 All applications shall be accompanied by a declaration stating that the information submitted in the application is true and correct (LAMC 151.07.A.2.a).
- 252.11 In completing the application, the landlord must indicate the date each improvement was begun and the date each improvement was completed.
- 253.00 LAHD PROCEDURES FOR PROCESSING OF RENT ADJUSTMENT APPLICATIONS FOR REHABILITATION WORK**
- 253.01 LAHD shall review the documents submitted to determine if the landlord's application conforms to the requirements set forth in this Regulation.
- 253.02 LAHD shall return by mail to the landlord any application which lacks required documents, contains major errors in calculations, and pertains to rehabilitation work completed more than 12 months prior to the filing of the application or for work otherwise ineligible for rent adjustment pursuant to this Regulation. LAHD shall include a statement which explains the reason LAHD did not accept the application.
- 253.03 If LAHD returns an application for error or missing documents, the landlord may re-submit the application after correcting the error or obtaining the necessary documents. If the landlord resubmits the application within 60 days of the date on which LAHD returned the initial application by mail, LAHD shall use the date of the filing of the initial application for processing the application in accordance with this Regulation.

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- 253.04 Where LAHD initially accepts an application but subsequently determines that the landlord made errors in calculation or submitted incomplete documentation, LAHD may suspend the application process for a 30 day period (or longer with the consent of the applicant) to allow the landlord to submit the requested information and documentation. The 30-day period shall commence on the date LAHD mails the notification to the landlord requesting additional information, documentation, or calculation.
- 253.05 Unless otherwise provided in this Regulation, LAHD shall issue a determination on an application for rehabilitation work within 45 days of the date the landlord filed the application. LAHD shall notify the applicant and tenant by mail. (LAMC 151.07.A.2.C)
- 253.06 The 45-day processing requirement set forth in Subsection 253.05 shall not apply to the suspension period set forth in Subsection 253.04. If the landlord fails to submit the information or documentation requested pursuant to Subsection 253.04, LAHD shall make a determination based on the documentation and application already submitted by the applicant.
- 253.07 LAHD shall notify each tenant listed in the landlord's application that the landlord has requested approval of a rent increase for completed rehabilitation work. The notification will include a work description of the rehabilitation work, the cost, and the proposed rent increase.
- 253.08 LAHD shall notify tenant(s) that they have 10 days from the date of mailing of LAHD's notification to object to the rent increase requested by the landlord (LAMC 151.07.A.2.b). Tenants may not object merely based on their objection to a rent increase. Examples of possible basis for objection include the following: the landlord is attempting to add a rent increase in conflict with this Regulation; the rehabilitation work was not actually completed; the work was completed more than 12 months prior to the date of the application.
- 253.09 LAHD shall make a final determination regarding the application based on the information and documentation provided by the landlord and the tenant(s).
- 253.10 LAHD may consider industry standards and pricing in reviewing documents submitted in the application.
- 253.11 LAHD may contact the landlord, tenant(s), and contractors and vendors listed the submitted documentation in processing the application.
- 253.12 LAHD may approve, disapprove, or modify the landlord's request for rent adjustment.

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- 253.13 LAHD may not approve a rent increase greater than the amount requested by the landlord.
- 253.14 LAHD may approve a smaller rent increase than the amount requested by the landlord based on minor mathematical errors in the application, lack of eligibility of a portion of the completed rehabilitation work or errors in allocation of cost to various units.
- 253.15 LAHD may modify or deny the requested rent adjustment if it determines that the landlord, without LAHD approval, increased the rent to reflect the cost of the rehabilitation work for which the landlord submitted the application.
- 253.16 Upon LAHD's approval of a rent adjustment application, the landlord may impose the temporary surcharge upon satisfaction of statutory notice requirements set forth under state law regardless of the filing of a request for a hearing.
- 253.17 Upon receipt of LAHD's approval of a rent adjustment for rehabilitation work, the landlord must give each affected tenant a notice stating:
- A. The amount of the monthly rent increase;
 - B. The effective date of the commencement of the rent increase;
 - C. The duration of the rent increase and the date of termination of the rent increase.

254.00 PROCEDURES FOR APPEAL OF LAHD DETERMINATION

- 254.01 The landlord and/or the tenant may appeal LAHD's determination by filing a "Request for Hearing" form along with the filing fee of \$35 within 15 days of the date of the mailing of LAHD's determination. (LAMC 151.07.A.3.a)
- 254.02 Appellant(s) who qualify for a waiver of the filing fee based on their income may file a fee exemption form with the "Request for Hearing" in lieu of the filing fee within 15 days of the date of mailing of LAHD's determination (LAMC 151.14.C).
- 254.03 Appellant(s) shall file their appeal in a timely manner in person or by mailing the appeal to the address listed on the "Request for Hearing" form. If mailed, the appeal shall be considered filed on the date postmarked.
- 254.04 Parties may appeal LAHD's determination if they believe that (a) LAHD committed error because its determination does not conform to the requirements and provisions of this Regulation; or (b) LAHD abused its discretion in its determination; or (c) there is new relevant information which was not submitted to LAHD at the time of the initial determination due to mistake, surprise, inadvertence, or excusable

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neglect, and this information would have affected LAHD's determination if it had been earlier submitted. (LAMC 151.07.A.3.b)

254.05 The "Request for Hearing" form must state the reason(s) for the appeal.

255.00 HEARING PROCEDURES

255.01 Upon LAHD's receipt of an appeal of its determination that conforms to the requirements set forth in Section 254.00, LAHD shall hold a hearing before a hearing officer designated by LAHD within 30 days of the receipt of the appeal form (LAMC 151.07.A.3.c).

255.02 LAHD shall notify by mail the landlord and affected tenants of the time and place of the hearing at least 10 days prior to the hearing. (151.07.A.3.c)

255.03 The hearing officer shall exercise all power related to the conduct of a hearing. The hearing officer shall have the discretion to grant a continuance of the hearing upon a showing of good cause. The hearing officer has the power to administer oaths and affirmations during the hearing. The hearing officer shall require the maintenance of order in the hearing room, may order the exclusion of witnesses, may expel anyone who disturbs the hearing, and may secure the aid of the Los Angeles Police Department for these purposes.

255.04 LAHD staff, the landlord, tenant(s) and their agents may present oral, photographic, or documentary evidence that is relevant to the case for consideration by the hearing officer (LAMC 151.07.A.3.d).

255.05 Appellant(s) shall have the burden of proof and shall present relevant evidence and specific facts to support their appeal.

255.06 LAHD shall audio-record the hearings.

255.07 After consideration of all relevant evidence and arguments, the hearing officer shall make a determination upholding, reversing, or modifying LAHD's determination within 45 days of the deadline for filing a request for a hearing. (LAMC 151.07.A.3.f)

255.08 If the hearing officer reverses or modifies LAHD's determination, the hearing officer shall specifically set forth the reasons for the reversal or modification. (LAMC 151.07.A.3.e)

255.09 The hearing officer may revise or deny a rent increase if the hearing officer determines that the rent on an affected unit was already increased without LAHD ap-

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proval to reflect the cost of the rehabilitation work prior to LAHD's approval of a rent adjustment for completed rehabilitation work.

255.10 LAHD shall mail copies of the hearing officer's determination to the applicant and all affected tenants. (LAMC 151.07.A.3.f)

256.00 PROCEDURES SUBSEQUENT TO HEARING OFFICER'S DETERMINATION

256.01 If the hearing officer approved an increase in rent, the landlord may impose the increase upon compliance with statutory notice requirements set forth under state law.

256.02 If the hearing officer reversed a rent increase previously approved by LAHD, the landlord shall cease collecting the rent increase and must refund any previously collected increase or credit the amount already collected against the next rent payment due by the affected tenant(s).

256.03 If the hearing officer reduced a rent increase previously approved by LAHD, the landlord shall cease collecting the amount of the rent increase in excess of the hearing officer's determination; the landlord shall also refund all excess rent increase collected and credit the amount against the next rent payment due by the affected tenant(s).

256.04 The hearing officer's determination is the final administrative decision except as provided in accordance with LAMC 151.14.D.

257.00 COMPLETE FAILURE OF AN APPROVED RENT ADJUSTMENT FOR COMPLETED REHABILITATION WORK

257.01 Any rent increase approved by LAHD shall terminate upon LAHD's determination that there has been a complete failure of the rehabilitation work.

257.02 LAHD may find that there is complete failure of the rehabilitation work if:

- A. The entire improvement is no longer operational or does not provide the intended service or benefit for which it was designed;
- B. A component of the rehabilitation work is no longer operational and the costs of the failed component can be distinguished from the entire approved rehabilitation work;
- C. The rehabilitation work is no longer functional because of the malfunction of another component in a larger building system which was not the subject of the application for rehabilitation work.

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- 257.03 If a tenant in a unit subject to a rent increase pursuant to this Regulation believes that the rehabilitation work has completely failed within five (5) years of the approval of the rent increase, the tenant may apply for a rent reduction on a form provided by LAHD.
- 257.04 Prior to filing the application for a rent reduction, the tenant shall notify the landlord in writing of the failure of the rehabilitation work and provide the landlord with reasonable time to correct the alleged failure.
- 257.05 If the landlord fails to comply with the tenant's request, the tenant may file the rent reduction claim with LAHD; the tenant shall include a copy of the written notification to the landlord pursuant to Section 257.03.
- 257.06 The tenant shall have the burden of proof of proving the complete failure of the rehabilitation work.
- 257.07 The tenant shall include relevant evidence to substantiate the claim of total failure with the application for rent reduction.
- 257.08 Within 10 days of receipt of the tenant's rent reduction claim, LAHD shall notify, by mail, the landlord, and the tenants of the rental units which received an increase in rent due to the rehabilitation work which is alleged to have completely failed, of the rent reduction claim.
- 257.09 The landlord and the tenants of the other affected units shall have 10 days from the date of LAHD's mailing of its notification to provide any written replies or relevant evidence in response to the alleged complete failure of the rehabilitation work.
- 257.10 After consideration of all relevant evidence submitted by the claimant, the landlord and other affected tenant(s), LAHD shall make a determination as to whether there is sufficient evidence of a complete failure of the approved rehabilitation work and the date when the rehabilitation work completely failed.
- 257.11 The landlord's failure to correct an improvement, within 30 days of the tenant's notification of its failure pursuant to Section 257.03, constitutes a rebuttable presumption of the complete failure of the improvement.
- 257.12 Upon determination of complete failure of the improvement, and the date of its failure, LAHD shall order the landlord to reduce the monthly rent by the amount of monthly rent increase attributable to the failed improvement pursuant to LAHD's approval of a rent increase for rehabilitation work in accordance with this Regulation. LAHD shall further order the landlord to decrease the monthly rent of all af-