



CAPITAL IMPROVEMENT PROGRAM

Rent Stabilization Bulletin

Landlords in the City of Los Angeles may make capital improvements to their rental property at any time without the consent of their tenants. However, before the rents may be increased to cover the costs of the improvement, the landlord must submit an application to the Rent Stabilization Division. Landlords are not required to obtain the approval of the tenant before making a capital improvement. A rent increase based on a capital improvement does not apply to a tenant who moves into a unit after the work is completed. The Rent Stabilization Division must review the application and approve the amount and duration of the rent increase before the landlord may increase the tenants' rent.

WHAT IS A CAPITAL IMPROVEMENT?

A capital improvement is defined by the Rent Stabilization Ordinance as: "The addition or replacement of the following improvements to a rental unit or common areas of the housing complex containing the rental units, provided such new improvement has a useful life of five years or more: roofing, carpeting, draperies, stuccoing the outside of a building, air conditioning, security gates, swimming pool, sauna or hot tub, fencing, garbage disposal, washing machine, or clothes dryer, dishwasher, children's play equipment permanently installed on the premises, smoke detectors, and similar improvements as determined by the Commission"(LAMC 151.02.C).

HOW DOES THE LANDLORD APPLY FOR A CAPITAL IMPROVEMENT RENT INCREASE?

After completing the work, the landlord must secure a capital improvement application from the Rent Stabilization Division. The landlord must complete the application and attach photocopies of all pertinent documentation. Capital improvement applications will be returned if incorrectly completed. Application and information are available from 9:00 a.m. to 4:00 p.m., Monday through Friday, at any of the offices listed below.

WHAT CRITERIA IS USED TO REVIEW AND GRANT CAPITAL IMPROVEMENT APPLICATIONS?

All capital improvement applications are reviewed in accordance with the Rent Adjustment Commission's Capital Improvement Regulations. Among the criteria set forth in the regulations are the following five guidelines:

Central (Wilshire) Regional Office
3550 Wilshire Blvd., 15TH Floor
Los Angeles, CA 90010

East Regional Office
2130 E. 1st St, Suite 2600
Los Angeles, CA 90033

South Regional Office
690 Knox St., Suite 125
Los Angeles, CA 90502

CD-8 Satellite Office
8475 S. Vermont Ave., 2nd Floor
Los Angeles, CA 90044

West Regional Office
1645 Corinth Ave., Suite 104
Los Angeles, CA 90025

North (Valley) Regional Office
6400 Laurel Canyon Blvd., Suite 610
North Hollywood, CA 91606



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- ◆ The improvement must primarily benefit the tenant rather than the landlord.
- ◆ The improvement must have a life expectancy of five years or more.
- ◆ Normal routine maintenance is not a capital improvement.
- ◆ The improvement must be permanently fixed in place or relatively immobile.
- ◆ The application must be submitted within 12 months of the completion of the work.

TENANT OBJECTIONS

All timely tenant letters of objection received during the review period are considered by the Department in rendering its decision.

COMPUTING THE CAPITAL IMPROVEMENT RENT INCREASES

For Capital Improvement applications filed on or after October 1, 1989, the landlord is entitled to pass through a monthly rent increase of 1/60 of 50% of the costs of the improvement. The cost is divided over all the units that benefit from the improvement and collected for 72 months. This surcharge is limited to \$55 per unit unless agreed upon in writing by the landlord and tenants. However, if the surcharge as calculated (1/60 of 50%) exceeds \$55 per month, then the surcharge period of six (6) years may be extended until the allowable capital improvement expenses are covered (LAMC 151.07.A.1.a).

PERMANENT INCREASE FOR APPLICATIONS PRIOR TO OCTOBER 1, 1989

The approved or modified rent increase with the exception of any amount approved between February 13, 1981, to May 31, 1982, or for the installation of smoke detectors, is a permanent increase. A permanent rent increase has no termination date and may be included as part of the maximum adjusted rent for purposes of computing an automatic annual rent increase. However, any rent increase approved for smoke detectors must be terminated once the landlord has recovered the full cost of the purchase and installation of the smoke detectors; this amount is not part of the maximum adjusted rent for purposes of computing an automatic annual rent increase.

TEMPORARY RENT INCREASE FOR APPLICATIONS RECEIVED AFTER OCTOBER 1, 1989

Capital Improvement surcharges approved by the Department for those applications submitted by the landlord after October 1, 1989 are temporary rent surcharges not included in the Maximum Adjusted Rent in the calculation of the annual allowable rent increase (LAMC 151.07.A.1.a). The Department recommends that both landlords and tenants maintain any/all copies of Departmental notifications received during the entire period of tenancy in the/all affected unit(s).



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LEASES

Where a lease exists which establishes the rent for a period of time, no increase based on a capital improvement can be given to that tenant until the lease expires, unless the lease provides otherwise. However, such a unit must be included in calculating the proportionate cost of the improvement as in the case of exempt units. That portion of a capital improvement cost, attributable to units where the rent cannot be raised, may not be allocated to other tenants.

COMPENSATION

If a landlord is eligible for compensation for any portion of the money spent on capital improvements, including insurance court awarded damages, federal or state subsidies, cash rebates, and federal or state tax credits (other than tax deductions and depreciation), the amount of compensation must be deducted from the cost of the capital improvement (s) before amortizing the costs among the units. In the event that any of the compensation described above is received by the landlord after a capital improvement increase has been approved, and where such compensation has not been deducted at the time of approval, the landlord must prorate and refund such compensation among the tenants for that portion of the rent increase covered by the compensation.

FAILURE OF A CAPITAL IMPROVEMENT

Any Capital Improvement rent increase or surcharge approved by the Department shall terminate if the Department determines that there has been a complete failure of the Capital Improvement (LAMC 151.07.A.1.a).

THIS INFORMATION IS OFFERED FREE OF CHARGE TO THE GENERAL PUBLIC.

While this publication is designed to provide accurate and current information about the law, readers should consult an attorney or other expert for advice in particular cases, and should also read the relevant statutes and court decisions when relying on cited material. Laws and guidelines are frequently amended. The HCIDLA recommends that you verify information in the event that new changes are not yet reflected in this publication. The HCIDLA does not assume and hereby disclaims any liability to any party for any loss, damage, or disruption caused by errors or omissions, whether such errors or omissions result from negligence, accident, or any other cause.

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