

Cost Recovery Pass-Throughs for Seismic Improvements, Comparison Jurisdictions

	Los Angeles City	Los Angeles County	Santa Monica	West Hollywood	Culver City Interim
Standalone Seismic Pass-Through?	Yes	No	Yes, as Hazardous Structure Mitigation	Yes, but identical to Capital Improvements	Not Currently
Seismic Included in Other Pass-Through Program?	No	Yes; Primary Renovation	No	No	Yes; Capital Improvements (f)
Seismic Included in Fair Return (NOI) Test?	No	No (a)	No (d)	Yes	Yes, for costs not covered via pass-through
Mandatory Retrofitting?	Yes	No (b)	Yes	Yes	Yes
Pass-Through Details					
Allowable Pass-Through (%)	50%	50%	50%	N/A	50%
Pass-Through Type	Cost Recovery	Cost Recovery	Cost Recovery	NOI-Based	Cost Recovery; NOI-Based for remainder not covered initially.
Deadline to File Applications	Within 12 months of completing improvement.	"Upon completion" of improvement.	Before or after completion; no more than 4 years after seismic engineering report.	Not published	Within 120 days of completion.
Defined Amortization Period? (# years)	10 Years	Applicant proposes appropriate amortization period based on DCBA guidelines. Likely at least 5 years.	20 years for materials, labor, and construction. 5 years for engineering, architecture, permits, etc.	N/A	10 years (g)
Interest Costs Allowed?	No	No (a)	No	No	To be determined.
Soft Costs Allowed?	Yes	To be determined.	Yes	To be determined.	To be determined.
Maximum Passthrough Surcharge	Lesser of \$38 or 10% of rent.	8% increase from previous year (c)	Greater of 12 percent; or 2x the Employment Cost Index (ECI); or \$50; for any low or moderate income tenant.	60% of CPI between base year and current year for up to three years.	No more than 3% of previous year rent.
Surcharge Expiration	Upon full eligible cost recovery or at vacancy.	Upon full eligible cost recovery or at vacancy.	Vacancy or expiration of amortization period.	3-year rent increase limit. Returns to maximum allowable rent afterward.	Upon full eligible cost recovery.

Table Continued

	Los Angeles City	Los Angeles County	Santa Monica	West Hollywood	Culver City Interim
MNOI Test Details					
Amortization Period	N/A	N/A	N/A	N/A	Over useful life of improvement.
Allowable Rent Increase	N/A	N/A	N/A	60% of CPI between base year and current year for up to three years, as determined by City.	Up to 5% annually. If the CPI change is less than 2%, 2% maximum.
Interest Costs Allowed?	N/A	N/A	N/A	No	To be determined.
Soft Costs Allowed?	N/A	N/A	N/A	To be determined.	To be determined.
Tenant Habitability Guidelines					
Habitability Plan Required?	Yes	Yes	Yes (e)	Yes	Yes (h)

- (a) LA County allows capital improvements to be considered for fair rent increases and allows financing expenses to be considered an expense for capital improvements. This does not explicitly apply to primary renovations.
- (b) LA County only mandates retrofitting of concrete tilt-up structures. This is not a common building type for residential structures.
- (c) The eight percent maximum increase must include the regular annual allowable rent increase. "Luxury units" (defined as units with rents of at least \$4,000 in September 2018) may be subject to a 10 percent maximum increase.
- (d) If a petitioner accepts the hazardous mitigation pass-through, they waive the right to an NOI or fair return rent increase for qualifying expenditures.
- (e) Known as a "Means and Methods Plan" in Santa Monica, it is administered by the Building and Safety Division, not the Rent Control Agency.
- (f) Currently, seismic retrofits are eligible for the Capital Improvements pass-through.
- (g) Assuming soft story reinforcement via shear wall installation based on current Rent Adjustment Application Amortization Schedule.
- (h) A Tenant Impact Mitigation Plan is sometimes required.

Sources: City of Los Angeles; Los Angeles County; City of Santa Monica; City of West Hollywood; State of California; City of Culver City; BAE, 2022.