MOTION

On March 4, 2020, the Mayor of Los Angeles declared a local emergency in response to the COVID-19 pandemic. The Governor, the Mayor, the Centers for Disease Control and Prevention, the California Department of Public Health, and the Los Angeles County Department of Public Health have all issued recommendations encouraging people to stay in their homes and to cease operation of nonessential business. As a result of the public health emergency and the precautions recommended by health authorities, many residents and businesses in the City of Los Angeles have experienced or will soon experience sudden and unexpected loss of income. Nationally, millions of workers have filed claims for unemployment insurance in recent weeks.

In Los Angeles and across the country, people are being told to stay at home for their safety, risking financial and housing instability. In the interest of protecting the public health and preventing transmission of COVID-19, it is essential to avoid unnecessary housing displacement, to stabilize the City’s rental housing stock, and to prevent renters from falling into homelessness.

In response to this widespread loss of income and catastrophic threat to the housing market, certain mortgage and renter relief programs are beginning to emerge. Congress approved the CARES Act which allows forbearance for multifamily properties with federally backed multifamily loans. On March 25, Governor Newsom announced a 90 day mortgage payment relief package with support from Citigroup, JPMorgan Chase, U.S. Bank, Wells Fargo and nearly 200 state-chartered banks, credit unions, and servicers. And at least 23 different financial institutions across the country have voluntarily publicized support available to residential mortgage holders, including deferred mortgage payments, waived late fees, suspended foreclosure actions and stayed negative reporting to credit agencies.

Not all rental properties in Los Angeles are eligible for these programs, and none of these programs include a corresponding measure to cancel or suspend rent obligations for tenants living in those rental properties that receive mortgage relief. Tens of thousands of renters across Los Angeles are currently unable to pay rent and will continue to be unable to pay after the COVID-19 eviction protections end. Mortgage relief without rent payment relief is incomplete, placing the safety of property owners over renters, and threatening to spur displacement and homelessness. A comprehensive program that bundles mortgage and rent cancellations would protect our overall housing stability, support mom and pop landlords, and keep renters in their homes during the health emergency.

Currently, there is active pressure on the State and Federal government to work with financial institutions to adopt and modify mortgage relief programs to include rent cancellation. While comprehensive action is needed across the banking sector and at the Federal and State levels, the City is not powerless. As a consumer of banking services, the City may consider how the various financial institutions that it does business with are contributing to the overall financial health of the City, which is intertwined with foreclosure and eviction prevention.

The City’s Responsible Banking Ordinance (Ordinance No. 182138) establishes certain standards for financial institutions seeking the City’s banking business, ensuring that deposits and portfolio investments are made with the interest and benefits Los Angeles residents in mind. In a similar manner, facing a public health crisis that will only be made worse by foreclosures and evictions, the City should exercise its discretion as a customer of banking services to prioritize doing business with those
institutions that offer mortgage relief paired with rent relief, in a manner consistent with federal, state, and local laws.

I THEREFORE MOVE that the Chief Legislative Analyst and City Administrative Officer, with the assistance of the City Attorney as needed, be instructed to report back immediately on potential amendments to the Responsible Banking Ordinance to ensure that the City is doing business with financial institutions that are providing maximum protections during the COVID-19 emergency, including but not limited to:

- Requiring financial institutions already providing or seeking City banking business to disclose, within 30 days, the institution’s contributions to meeting the City’s goal of offering mortgage relief conditioned on rent suspension for rental properties during the COVID-19 emergency and the subsequent recovery.
- Requiring financial institutions already providing or seeking City banking business to disclose, every 30 days during the COVID-19 emergency, the number of foreclosures and evictions for nonpayment of rent in mortgage holding rental properties in the city.
- Scoring financial services bids to prioritize bidders that demonstrate they are providing the greatest available relief to rental property mortgage holders and their tenants during the COVID-19 emergency and the subsequent recovery, consistent with the City’s fiduciary responsibilities and other applicable investment rules.
- Requiring an evaluation and publicly accessible scorecard of financial institutions’ performance, specifically related to meeting the City’s goals of cancelling mortgage and rent payments and helping landlords maintain rental properties to help enable renters to stay in their homes during the COVID-19 emergency and the subsequent recovery.
- Any other recommendations to integrate linked mortgage and rent payment relief during the COVID-19 emergency and the subsequent recovery into the Responsible Banking Ordinance and regulations, and/or to strengthen enforcement of the Ordinance to better protect and sustain housing stability in Los Angeles during this crisis.

I FURTHER MOVE that the Chief Legislative Analyst and City Administrative Officer, with the assistance of the City Attorney as needed, report back immediately on other possible actions within the City’s authority to require or incentivize rent suspension, including mortgage relief conditioned on rent suspension for rental properties during the COVID-19 emergency and the subsequent recovery.

PRESENTED BY: MIKE BONIN
Councilmember, 11th District

SECONDED BY: