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POLICE ADMINISTRATION BUILDING  
100 WEST FIRST STREET, SUITE 134  
LOS ANGELES, CA 90012-4112

(213) 236-1400 PHONE  
(213) 236-1410 FAX  
(213) 236-1440 TDD

March 28, 2024

CF # 22-0822-S2

The Honorable City Council  
City of Los Angeles, Room 395  
c/o City Clerk's Office  
Los Angeles, CA 90012

**RE: RESPONSE OF THE BOARD OF POLICE COMMISSIONERS (BOARD) REGARDING  
THE IMPLEMENTATION OF THE RESPONSIBLE HOTEL ORDINANCE (RHO) POLICE  
PERMIT REQUIREMENT.**

Dear Honorable Members:

As approved by both the Los Angeles City Council (Council) and the Mayor, the RHO is scheduled to become effective on July 1, 2024. As indicated in a previous letter from Commission Investigation Division (CID) dated February 6, 2024, I would like to call your attention to a few of the significant challenges encountered as they relate to the implementation of this ordinance.

**DISCUSSION - IDENTIFIED CHALLENGES**

A Request for Proposal (RFP) is recommended

To adhere to the ordinance's mandate (under section 103.403) and to streamline operations to effectively process applications, an electronic portal is an essential component of this permit. CID's current permitting software does not allow for online or cloud-based application processing, data validation, permit issuance, and payment of fees. Such an application would dramatically reduce clerical time by rejecting erroneous applications, validating data, and streamlining the permit's workflow drastically improving the end user's experience and improving efficiency for the City. CID has explored procurement options for an online portal, but upon the advice of the Los Angeles City Attorney, the most prudent course of action would be to utilize a competitive bid process through the release of an RFP. The standard timeline for issuance and acceptance of an RFP is between 12-18 months.

It should be noted that the Department of City Planning (Planning) anticipates seeking an RFP for their Home Sharing Registration (HSR) online platform in the next year (the expiration of the current contract is April 2025). It is recommended that both CID and Planning work together to find a cohesive platform that can handle both HSR and permitting. This could streamline the registration and permitting process for both end users and both City Departments, as well as achieve cost savings for the City.

#### Public Information Listing Mandate

The ordinance requires CID to maintain a publicly available list of all applicants according to section 103.403(c). Without an online applicant portal to collect and provide data, staff would be required to manually aggregate the data for this purpose or be unnecessarily encumbered by requests for information which would dramatically slow administrative processes. The advantages of identifying a vendor capable of providing an online portal capable of automating this information far outweighs the challenges required to hire numerous additional staff to satisfy this requirement.

#### Inadequate Staffing

On January 19, 2024, the Office of the City Administrative Officer (CAO) issued a report entitled "Fiscal Concerns and Prioritization of Critical Hiring." This report directed City Departments to limit hiring to critical areas as identified within the report. Administrative, clerical, and the vital positions needed for staffing as it pertains to police permits were not identified as "critical hires." Consequently, CID remains without any additional staff to handle the anticipated 172% influx of additional applications. Additionally, the hiring freeze has prevented CID from filling two critical administrative vacancies from within other sections (further stretching current staff workloads).

Upon the request of the Chief Legislative Analyst's Office, CID has conducted a preliminary analysis of staffing needs for a hotel section to implement the additional permits required under the hotel ordinance.

On March 13, 2024, Planning transmitted a supplemental report to Council regarding an analysis of the Home Sharing Ordinance (HSO) (CF No. 14-1635-S10). In that report Planning indicated that they are staffed by "26 budgeted, full-time positions dedicated to Home-Sharing program administration, including 10 augmented positions."

In that same report, Planning indicated that the Los Angeles Housing Department (Housing) would need an enforcement team of "25 positions ranging from inspection to administrative support."

Similarly, CID would suggest a team of at least 25 staff members to handle the administrative and enforcement tasks required of the RHO. A preliminary estimate of suggested staff would include 15 civilian personnel: Senior Management Analyst (SMA) II (1), SMA I (1), Management Analysts (7), Senior Administrative Clerks (2) Administrative Clerks (4); and 10 sworn personnel: Sergeant II (1), Sergeant I (1), Police Officer IIs (8).

The estimated annual staffing costs for the section would be approximately \$2,850,000. Although, these funds would be recovered in permitting fees in subsequent years, the initial funding would be needed to initially staff the section.

Similar to a plan in place in the City of San Diego, CID would deploy a uniformed response team to handle issues occurring in the evenings and weekends as they pertain to short-term rentals and hotels.

Note: The suggested minimum staffing requirements assumes that the permit's online portal handles a multitude of administrative tasks including data validation, payment collection, public information dissemination, etc. as discussed earlier within this response. Without those key components built into the software platform, additional staff would be required.

#### Fee study needed

To date, without any additional positions or hires, CID has been unable to staff a section dedicated to the administrative or enforcement processing of a hotel and short-term rental permit (Section 103.406). Additionally, the online portal and subsequent clerical and enforcement staff based on those streamlined operations have yet to be determined. Consequently, a fee study (as required by the code) has not been completed to determine the appropriate costs for permits. Simply put, without identifying what tasks can be handled electronically and automatically, it is difficult to determine how much staff must be directed to handle subsequent administrative and enforcement tasks.

#### Permit Denial Obstacles

There exists a reasonable likelihood that labor unions and short-term rental neighbors will inundate CID with public complaints regarding the operation of both hotels and short-term rentals in violation of the permitting rules as established under this ordinance (section 103.404). This must be considered in addition to the significant workload needed to bring the more than 10,000 businesses into permit compliance. CID does not have a mechanism (nor the staff) in place to receive, process, or investigate such complaints. This may be achieved only upon implementation of a robust online permitting platform which should be sourced to accept, file, and flag the concerned businesses upon receipt of a qualified complaint.

#### Liability

Since CID does not have the proper staffing or the implemented portal to accept and streamline the processing of applications, the City may be exposed to unnecessary liability. Currently, due to inevitable administrative delays in the processing and issuance of permits, many lodging businesses will be operating without an issued permit and the timeframe to review their application is indefinite. Rentals without a permit could conceivably stop operation while awaiting required permits. Such disruptions to a business' revenue and operation could result in city liability. Additionally, clerical errors within permits will remain unchecked due to the massive, anticipated backlog. Finally, complaints (whether legitimate or intended to delay the issuance of permits) will overwhelm CID and unnecessarily expose the City to liability since rogue operators may continue to operate unchecked.

### Funding

The ordinance was approved without providing the Department with any additional funding to implement the police permit. This is particularly problematic since the fiscal year ends on June 30<sup>th</sup> and budgeting for the subsequent fiscal year has already been determined. According to the Department's Fiscal Group, no additional funding exists for the implementation of an online portal, which as discussed above, should undergo a competitive bid process. It is estimated that the initial annual cost for such a portal with appropriate service and training would cost between \$350,000 to \$550,000.

### **RECOMMENDATIONS AND CONCLUSION**

As an alternate and recommended solution, I echo the opinions of my colleagues across the City that are particularly knowledgeable regarding both HSO and RHO and I urge the Council to act responsibly and deliberately. Instruct the CAO to establish a single multidisciplinary office dedicated to administration and enforcement of both these hospitality ordinances. Involved departments should include the Los Angeles Department of Building and Safety, the Office of Wage Standards, Housing, Planning, and the Police. Professionals from each of these offices can provide valuable administrative and enforcement expertise to ensure successful and meaningful implementation of these ordinances to ensure safety and far-reaching compliance.

If the Council is unwilling to seek alternatives to a police permit, I urge you to delay implementation of the ordinance until July 1, 2025. In this instance, Council should direct Planning and CID to work together toward an RFP that can handle both HSR and RHO permitting so that constituents can achieve compliance through a singular platform and the city can realize both efficiency and cost savings.

Finally, although a Board permit is intended to achieve cost recovery, the initial implementation of the process must be done without the benefit of such funding in place. The initial set-up costs and staffing need to be addressed promptly. It is recommended that the Council identify and approve funding to pay for the implementation of an online portal and provide funding to allow the hiring of critical staff positions within CID to meet the demands of this ordinance.

Should you have any questions regarding this response, please contact Lieutenant Scott Moffitt, Commanding Officer, Commission Investigation Division at (213) 996-1230.

Very truly yours,

  
RICHARD M. TEJADA, Executive Director  
Board of Police Commissioners