

# Memo: Data Brief on Ellis Act Filing Time by Landlord Entity Size and Type, Recommendation of Support for AB 854

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## Background

AB 854 would modify the Ellis Act by requiring landlords hold a property 5 years before invoking the law and prohibit invoking the law twice within 10 years by the same entity. The Ellis Act<sup>1</sup> is a state law which prohibits municipalities from compelling property owners to continue to furnish rental leases beyond the expiration of any existing contract. The law is intended to allow property owners to exit the rental business, but tenant advocates have long asserted that contrary to this intent, the law mostly promotes condominium conversion and redevelopment of existing rental properties.<sup>2</sup> Opponents of the bill have claimed that this will place an undue burden on small proprietors attempting to leave the rental market.<sup>3</sup>

The data indicates the Ellis Act is being used primarily for reasons contrary to the stated intention of the legislation and requires reform. The study finds AB 854 would effectively mitigate the current abuse of the Ellis Act, and would have prevented a substantial share of all Los Angeles Ellis Act evictions. From 2016-2019, over 75% of all Ellis Act filings in Los Angeles occurred within 5 years of the owner buying the property, and almost 45% occurred within 1 year in our study. Over 50% of filers were LLCs, and 55% were large landlords. Both landlord size and entity type significantly affected the time between purchase and filing (time to file).

## Methods

A dataset of Ellis Act Filings was acquired through public records request from HCIDLA. Filings were filtered to 2016-2019. Ownership information from 2019 LA County Assessor property rolls was joined to the dataset; entities were classified according to entity type and size according to methods laid out in previous research.<sup>4</sup> This was accomplished through the use of a classification algorithm, and entity size was established through matching properties by shared owner address. Records for which the property-owning entity was a public agency were discarded, as were records for which ownership could not be identified from the 2019 property rolls, leaving a

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<sup>1</sup> CA GOVT CODE CHAPTER 12.75.

[https://leginfo.ca.gov/faces/codes\\_displayText.xhtml?lawCode=GOV&division=7.&title=1.&part=&chapter=12.75](https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=7.&title=1.&part=&chapter=12.75).

<sup>2</sup> <https://latenantsunion.org/en/ellis-act-evictions/>

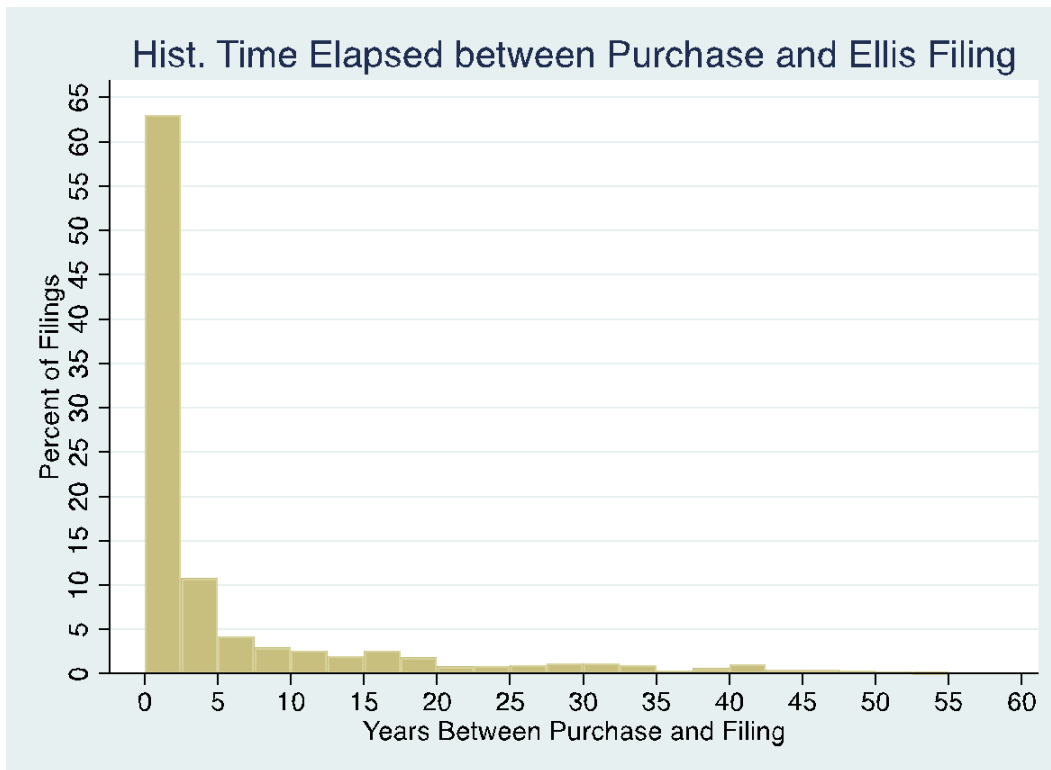
<sup>3</sup> <https://beyondchron.org/ellis-act-reform-faces-key-vote/> (note to Prof. Lens, not an ideal source, but could not find any written statements of opposition on the record).

<sup>4</sup> Ferrer, A. (2021). Beyond Wall Street Landlords: How Private Equity in the Rental Market Makes Housing Unaffordable, Unstable, and Unhealthy (Just Recovery). Strategic Actions for a Just Economy.

sample of 1083 filings. The data was entered into STATA and processed to generate basic descriptive statistics and regression.

### All Filings

Over 75% of filing occurred within 5 years of purchase of the building, which would be prohibited by the legislation under consideration. Roughly 45% of filings occurred within one year of purchase, the average filing occurred about 6 years from purchase, though this is heavily affected by the presence of a few long holding outliers. The median time to file was less than 1.5 year.



### Landlord Entity Type

The entity type of landlords was strongly associated with differences in filing. Over 50% of filers were LLCs, a far disproportionate share. Far fewer filers were individuals and trusts than would be expected given their share of properties.

Entity type	Filings	Total Units Removed	Mean Time to File	Median Time to File
Individual	290	713	8.410128	2.682192
Limited Liability	545	2078	3.024899	0.8438356
Other Corp	46	215	5.553484	1.060274
Partnership	78	404	3.733228	0.7041095
Trust	124	389	15.7327	10.0274
<i>All Entities</i>	<i>1083</i>	<i>3799</i>	<i>6.080345</i>	<i>1.339726</i>

The different classifications of entities were associated strongly with different times to file. Corporate entities filed much sooner after purchase than trusts and individuals.



## Landlord Size

Landlord size was also associated with differences in filing and time to file, though less so. Of filers, 55% were large landlords. Larger landlords filed faster and with greater frequency.

Landlord Size	Filings	Total Units Removed	Mean Time to File	Median Time to File
Mom & Pop (1-5 units)	486	1199	7.532595	1.767123
Medium (6-15 units)	217	779	6.162856	1.071233
Large (16-50 units)	210	911	4.439909	1.217808
Very Large (51-200 units)	106	536	3.512096	0.8630137
Institutional (>200 units)	64	374	4.408904	1.016438
<i>All Landlords</i>	<i>1083</i>	<i>3799</i>	<i>6.080345</i>	<i>1.339726</i>

The different classifications of landlord size were associated with different times to file. Larger entities filed much sooner after purchase than Mom and Pop landlords.



Mom and Pop sized landlords did not make up the bulk of the filings. The behavior of small landlords was inconsistent, however, with the majority filing very rapidly, but with a small proportion of longtime owners filing as well. This is potentially because there are a number of small entities that make regular use of the act. The data indicates that while the majority of landlords in the dataset employed the act once, a substantial number filed multiple times, including as many as six.

## Multivariate Regression: Landlord Characteristics and Time to File

Time to File	Coef.	Std. Err.	t	P>t	Beta
Entity Type	.	.	.	.	.
<i>Limited Liability</i>	-5.223	0.702	-7.440	0.000	-0.250
<i>Partnership</i>	-4.133	1.249	-3.310	0.001	-0.102
<i>Other Corporate</i>	-2.732	1.526	-1.790	0.074	-0.053
<i>Trust</i>	7.492	1.034	7.250	0.000	0.228
Landlord Size (Units)	-0.004	0.002	-2.260	0.024	-0.064
constant	8.468	0.565	14.990	0.000	.

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*r2=0.1574*

The regression of landlord entity characteristics with the time between purchase and filing (time to file) demonstrates that while the size of the landlord's portfolio, as ascertained by registered properties at owner address, is significantly related to the time to file, with larger landlords filing quicker, the type of landlord entity is much more predictive. A Limited Liability (LLC/LLP) landlord was associated with over 5 years reduction in time to filing when compared to an individual landlord, which explained 15% of the total variation in time to file and was extremely statistically significant (beyond 3 standard deviations). This suggests that larger landlords and corporate landlords file quicker than small and individual landlords, with the Limited Liability status being particularly significant.

### Implications

The research suggests AB 854 will likely have a significant impact on filings, with over 75% recorded being rendered unlawful. The research indicates that the vast majority of Ellis Filings 2016-2019 were not consistent with the stated intent of the law to let long time proprietors exit the rental business. Corporate landlords who recently bought the property make up the bulk of filers. The research also indicates, however, that small landlords and individuals who do use the act as intended will not be substantially burdened, as those small and individual landlords who use the act tend to hold onto the property much longer in advance of filing. The data further indicates that there are some small landlords, using corporate forms, who buy properties and quickly file for the Ellis act as part of a business strategy akin to "flipping,"<sup>5</sup> the provision against multiple filings within 10 years will likely curb this abuse entirely.

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<sup>5</sup> Mallach, A. (2018). Meeting The Challenge Of Distressed Property Investors In America's Neighborhoods. Local Initiatives Support Corporation.