



Client Alert: Protecting Against Residential Price Gouging During the Los Angeles Wildfires

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As devastating wildfires displace thousands in Los Angeles County, Governor Newsom has [declared a state of emergency](#). In the wake of this crisis, California's price-gouging laws impose strict limits on rental price increases to prevent exploitation of displaced individuals.

Key Protections for Renters

Under California Penal Code section 396:

1. **Rent Increase Cap.** Residential landlords may not raise rents by more than **10%** unless the increase reflects verified additional costs or pre-existing contracts.
2. **New Rentals.** Properties not rented or advertised before the emergency cannot exceed **160%** of the U.S. Department of Housing and Urban Development's (HUD) fair market rental determination (FMR).¹ In some localities (e.g., Beverly Hills), rental rates included in the schedule may be less than fair market value prior to the emergency declaration, as the rates are based on regional market valuations.
3. **Evictions & Relisting.** It is illegal to evict tenants and relist properties at a higher rate than the previous rental price.

These Section 396 protections last **30 days** following the emergency declaration and may be extended.

What Landlords Should Know

1. **Compliance Is Critical.** Violating price-gouging laws can result in significant penalties, such as:
 - **Criminal Penalties:** Up to one year in jail and \$10,000 in fines.
 - **Civil Penalties:** Additional fines under California's Business and Professions Code and the Los Angeles County Code.
2. **Scrutiny Is High.** State and local authorities are actively investigating violations, and penalties can apply to each separate act of non-compliance.

¹ A schedule of HUDs fair market rental rates is available at this [link](#).

What To Keep in Mind

1. **Audit Your Pricing.** Ensure any rental increases during the emergency align with the law.
2. **Document Costs.** Keep detailed records of any price increases justified by added expenses or repairs.
3. **Stay Informed.** Follow updates from the California Attorney General's Office and other state agencies.

Why It Matters

Price gouging not only violates the law but undermines community trust during a critical time. Landlords play a pivotal role in helping Los Angeles recover by providing fair and compliant housing solutions to those in need.

We will continue to provide updates as they become available from the California Attorney General's Office and other regulatory agencies.

For more information or assistance, contact Timothy Reimers. Together, we can navigate this challenging period responsibly.

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