

Communication from Public

Name: Mike Semko

Date Submitted: 01/22/2025 11:39 AM

Council File No: 24-1031

Comments for Public Posting: RealPage, Inc comments on Item 13 CF 24-1031



January 22, 2025

The Honorable Nithya Raman
Chair, Los Angeles Housing Committee

Re: RealPage, Inc.
Council File 24-1031

Good afternoon, committee members. I am writing to you today on behalf of RealPage, Inc. to share our thoughts about this proposal to investigate banning the use of algorithmic analysis in tools used by housing providers and tenants to evaluate rental market conditions. This motion would have unintended consequences for both residents and housing providers and should be held in committee for further study. Algorithmic pricing tools, which leverage a combination of public and nonpublic data, play a critical role in creating a more balanced and fair housing market for residents and housing providers.

RealPage Software Helps Our Customers Comply with Emergency Anti-Gouging Statutes:

As the wildfires across California continue to devastate the region and cause terrible disruption to people's lives, RealPage wants to express its deepest sympathies and help support local communities by reassuring them that our software can help avoid the charging of inappropriate or illegal rents.

All three of RealPage's revenue management software solutions are specifically designed to allow property managers to quickly and comprehensively set rules to constrain rent adjustments or to hold rents flat in areas affected by the disaster. Customers can apply policies and guidelines to all their sites with one easy step, protecting residents against inappropriate rent increases and allowing them to ensure compliance with rent gouging laws in a declared state of emergency.

Last week, RealPage posted this guide on its website to help its customers navigate the unexpected disaster events. Through this First Response Guide, we provide recommendations for communicating important information to residents through our ActiveBuilding community portal product. The guide also includes information to assist in holding rents flat or constraining rent adjustments during the emergency, provides directions for suspending residents' automatic payments if a property is no longer inhabitable, and offers help for customers and their residents to file renters' insurance claims and manage other important issues.

Pricing Systems are Important Tools for Housing Providers:

Algorithmic pricing systems enable housing providers to set rent levels in a way that reflects real-time market conditions. This helps ensure that rental properties are priced fairly and competitively, while also maintaining the financial viability of housing operations. These tools analyze various market factors such as demand, vacancy rates, and comparable properties, enabling more informed pricing decisions. Removing or restricting access to these tools would hinder property managers' ability to adapt to market fluctuations and maintain efficient operations.

Algorithmic pricing tools exist in every industry and have been used for decades: The use of algorithmic pricing is not unique to the housing sector. Similar tools are used widely across industries, from airlines and hotels to retail and e-commerce. These systems help businesses adjust prices based on supply, demand, and other relevant factors. Algorithmic pricing has become a standard practice due to its ability to quickly process large amounts of data and respond to changes, which allows businesses to ensure better service to consumers.

The technology is not the cause of rent inflation. It is important to distinguish the role of algorithmic pricing from the broader economic factors that drive rent increases. Technology itself does not create higher rents; rather, it responds to market conditions. While algorithmic pricing tools adjust rates based on current demand and supply, they do not set the overall trajectory of the market. Blaming these tools for rising rents overlooks the underlying economic factors at play, such as the availability of housing units and the demand for them.

The primary driver of rent increases in Los Angeles and many other areas is the imbalance between housing supply and demand. Limited construction of new housing units, combined with growing population and demand, has put upward pressure on rents. Addressing this issue requires a comprehensive approach that includes increasing the supply of affordable housing units and improving zoning regulations. Restricting the use of technology will not resolve the fundamental supply-and-demand mismatch that underpins the affordability crisis.

The algorithmic pricing tools provided by companies like RealPage are designed to operate within the bounds of existing laws and regulations. RealPage's software is built with a focus on compliance with federal, state, and local housing regulations, and it offers transparency and accountability in its pricing methodologies. Given the complexity and scope of antitrust issues related to algorithmic pricing, it is best for the federal government to lead on this matter. The Federal Trade Commission and the Department of Justice are already examining the impact of algorithmic pricing tools across various sectors, including housing. Local legislation in this area could create a patchwork of regulations that would complicate compliance without addressing the root causes of housing affordability challenges – while stifling innovation and technological advancement.

Given the importance of these tools to the housing industry and the potential unintended consequences of a ban or restriction, we respectfully urge the Committee to vote against this motion or, at a minimum, to hold it for further study. Taking additional time to gather input from housing providers, economists, and other stakeholders will allow for a more informed decision that balances the needs of the community with the realities of the market. Prohibiting the use of these tools will cause housing providers to invest less in Los Angeles, and look to build their product in other markets, something the city cannot afford.

Thank you for your consideration of these points and hope that the Committee will choose a path that supports both the housing industry and the residents of Los Angeles.

Thank you for your consideration,

A handwritten signature in black ink, appearing to read "Mike Semko". The signature is fluid and cursive, with the first name "Mike" and last name "Semko" clearly distinguishable.

Mike Semko
Vice President, Legal
RealPage, Inc.