

# AGENDA ITEM REQUEST FORM

Department: Rent Program

Department Head: Nicolas Traylor

Phone: 620-6564

Meeting Date: December 20, 2017

Final Decision Date Deadline: December 20, 2017

**STATEMENT OF THE ISSUE:** Section 11.100.070(g) provides Landlords have the right to a reasonable return on rental property investments. Since the definition or methodology for determining whether a "fair return" is achieved in the Ordinance, staff members are recommending the Rent Board adopt a fair return standard through regulations. Staff members are requesting guidance from the Board on the desired type of fair return standard to inform the drafting of future regulations.

## INDICATE APPROPRIATE BODY

- |   |   |  |  |   |
|---|---|--|--|---|
| <input type="checkbox"/> City Council               | <input type="checkbox"/> Redevelopment Agency                             | <input type="checkbox"/> Housing Authority     | <input type="checkbox"/> Surplus Property Authority          | <input type="checkbox"/> Joint Powers Financing Authority |
| <input type="checkbox"/> Finance Standing Committee | <input type="checkbox"/> Public Safety Public Services Standing Committee | <input type="checkbox"/> Local Reuse Authority | <input checked="" type="checkbox"/> Other: <u>Rent Board</u> |   |

## ITEM

- Presentation/Proclamation/Commendation (3-Minute Time Limit)
- Public Hearing                       Regulation                       Other:
- Contract/Agreement                       Rent Board As Whole
- Grant Application/Acceptance                       Claims Filed Against City of Richmond
- Resolution                       Video/PowerPoint Presentation (contact KCRT @ 620.6759)

**RECOMMENDED ACTION:** (1) RECEIVE an update from staff concerning recent community workshops regarding setting standards for changes in the maximum allowable rent; (2) RECEIVE a memorandum from Kenneth Baar regarding the Maintenance of Net Operating Income (MNOI) fair return standard; and (3) DIRECT staff to prepare implementing regulations utilizing the MNOI standard for the Rent Board's consideration in January and February 2018.

AGENDA ITEM NO:

**I-2.**

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# AGENDA REPORT

**DATE:** December 20, 2017  
**TO:** Chair Gray and Members of the Rent Board  
**FROM:** Nicolas Traylor, Executive Director  
**SUBJECT:** FAIR RETURN METHODOLOGIES

## **STATEMENT OF THE ISSUE:**

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## **RECOMMENDED ACTION:**

(1) RECEIVE an update from staff concerning recent community workshops regarding setting standards for changes in the maximum allowable rent; (2) RECEIVE a memorandum from Kenneth Baar regarding the Maintenance of Net Operating Income (MNOI) fair return standard; and (3) DIRECT staff to prepare implementing regulations utilizing the MNOI standard for the Rent Board’s consideration in January and February 2018.

## **FISCAL IMPACT:**

There is no fiscal impact to the Rent Board related to this item.

## **DISCUSSION:**

### Background

Section 11.100.070(g) of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance (“Rent Ordinance”) establishes a landlord’s right to a reasonable return on their investment. The Ordinance does not specify the precise calculation that must be used in order to determine whether a fair return is achieved. Instead, the Ordinance provides a list of relevant factors the Rent Board or Hearing Examiner shall

consider when factors when determining individual increases or decreases in the Maximum Allowable Rent. These factors include but are not limited to:

- 1) Increases or decreases in property taxes;
- 2) Unavoidable increases or any decreases in maintenance and operating expenses;
- 3) The cost of planned or completed capital improvements to the rental unit;
- 4) Increases in rent due to an increase in number of occupants allowed to live in the unit; and,
- 5) Increase in rent due to increase in services, space or amenities.

To ensure the intent of the Ordinance is preserved, the Rent Board contracted with Ken Baar, a consultant with considerable expertise in fair return law and policy to assist in drafting those regulations that will ultimately guide the Rent Board and Hearing Examiner in their allowance of upward adjustments in the Maximum Allowable Rent to ensure Landlords are afforded a fair return.

Ken Baar has prepared a memo for the Board's consideration to orient the Rent Board on the types of fair return standards that may be employed (Attachment 1). Staff members are requesting guidance from the Board on the desired type of fair return standard to inform the drafting of future regulations.

### Community Workshops

Regulations governing the rent adjustment petition process will have community-wide impact and are a critical task to further the intent and purpose of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance.

As a first step towards achieving this task, Rent Program staff members held Community Workshops on December 4, 2017, and December 9, 2017, to inform and solicit feedback from community members about possible models and standards for adjusting the Maximum Allowable Rent due to any of the following four broad topic areas:

1. Increases in operating expenses
2. Increases or decreases in space, services, or habitability
3. Capital improvements
4. Historically low rents

The presentation provided during the Community Workshop is included as Attachment 2. Approximately 90 community members attended one of the workshops, from which a total of 63 Feedback Worksheets were collected (Attachment 3).

As requested by attendees of the Community Workshops, Rent Program staff members are in the process of creating electronic community groups (using the google groups platform) to facilitate further communication among interested community members and stakeholders. Staff members anticipate additional workshops will be held during the month of January in conjunction with the public review period.

Blank Feedback Worksheets are accessible at <http://www.ci.richmond.ca.us/3521/Rent-Adjustment-Regulations>, and may be completed and submitted to the Rent Program by individuals who were unable to attend a Community Workshop.

Updates regarding the process of developing Rent Adjustment Regulations will be posted at <http://www.ci.richmond.ca.us/3521/Rent-Adjustment-Regulations> and disseminated via the Rent Program listserv.

Proposed Timeline and Next Steps

<b>Proposed Date</b>	<b>Event</b>
Early December	Staff held first Community Workshops
Late December	Rent Board receives memo from Ken Baar and provides direction to staff
Late December/Early January	Regulations drafted for review
Mid-January – Rent Board Meeting #1	Rent Board considers procedural regulations
Mid-January	Public review period begins; staff hold review sessions with community members
Late January – Rent Board Meeting #2 (Special Meeting)	Rent Board considers additional regulations
Mid-February	Public review period ends; feedback incorporated; Hearing Examiner onboarded
Mid-February – Rent Board Meeting #3	Rent Board considers additional regulations
Late February – Rent Board Meeting #4 (Special Meeting)	Rent Board adopts regulations; first hearings are scheduled

**DOCUMENTS ATTACHED:**

Attachment 1 – Memorandum from Ken Baar

Attachment 2 – Community Workshop Presentation

Attachment 3 – Completed Feedback Worksheets (submitted by Community Workshop attendees)

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MEMORANDUM

**TO:** Chair Gray and Members of the Rent Board  
**FROM:** Kenneth Baar, Consultant<sup>1</sup>  
**DATE:** December 20, 2017  
**SUBJECT:** FAIR RETURN METHODOLOGIES

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*Executive Summary*

This memo discusses fair return concepts and makes recommendations to the Rent Board for the selection of a fair return standard.

Richmond's "Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance" provides for a right to a fair return ("a Reasonable Return on ... Investment") and includes a list of factors to be considered in individual rent adjustment cases. However, it does not provide a methodology or standard for or calculating fair return.

The State Supreme Court has held that an ordinance with a list of factors, but without a specific fair return standard is constitutional. Also, the Courts have held that no single type of fair return formula is required. Instead, "a governmental entity may choose to regulate pursuant to any fairly constructed formula. While the selection of a fair return standard is a legislative task, the Courts are the ultimate arbiters of whether a particular standard or the application of the standard in a rent adjustment case permits a fair return. It is strongly recommended that the Rent Board adopt a specific standard to provide guidance to tenants, landlords and hearing officers and ensure consistency in decisions. In the absence of specific standards, fair return hearings commonly turn into legislative type hearings over what standard shall be used as well determinations of what rent increase is justified under the standard.

**Maintenance of Net Operating Income (MNOI) Standard**

Most jurisdictions with apartment rent controls (including Los Angeles and San Jose) have adopted a maintenance of net operating income (MNOI) fair return standard. "Net operating income" is rental income net of operating expenses. Mortgage interest is not considered an operating expense. In the apartment rental business typically 30 to 50% of rental income covers operating expenses and the balance is net operating income, which covers mortgage payments and provides cash flow.

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<sup>1</sup> Baar's publications and testimony on fair return issues have been cited frequently in published California appellate courts opinions. He has prepared fair return reports for 18 California jurisdictions in fair return cases.

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Under the MNOI standard, current year net operating income is compared with base year net operating income. "Fair return" is defined as base year net operating income adjusted by the percentage increase in the Consumer Price Index (CPI) since the base year or a portion of the percentage increase in the CPI since the base year. The amortized costs of capital improvement expenses are included as operating expenses. To the extent that reasonable increases in maintenance costs are not covered and growth in net operating income is not provided by annual allowable increases, the MNOI provides for the recovery of these increases.

For example, under a standard which provides for indexing the net operating income at 100% of the rate of increase in the CPI, if the net operating income was \$100,000 in the base year and the CPI has increased by 70% since the base year, the current fair net operating income would be \$170,000.

### **Fair Rate of Return on Investment Standard**

A second type of fair return standard is a "rate of return on investment" (ROI) standard. Under that standard, a fair return is a net operating income equal to a designated percentage of the investment.

$$\text{FAIR RENT} = \text{OPERATING EXPENSES} + X\% \text{ of INVESTMENT}$$

From an intuitive perspective a rate of return of investment standard is often viewed as very logical. Richmond's ordinance includes a provision stating that one of its purposes is to provide a fair "return on investment." (Sec. 11.100.070 (g)(8)). This type of provision is common among rent stabilization ordinances. However, none of the jurisdictions with apartment rent controls use a rate of return on investment standard.

Rate of return on investment is commonly used as a measure of return by real estate analysts in evaluating real estate investments and is based on the commonly accepted concept that investors should always be permitted a fair rate of return on their investments. However, in the context of a fair return determination under a rent regulation, the use of a fair rate of return on investment standard in rent regulation works in a **circular** manner.

In the market place, investment is determined by the expected returns. If the allowable returns in a rent-regulated environment are set at designated percentage of the amount invested in a property, the process of determining what is a fair return becomes circular. Under this type of standard, the investment (and, therefore, the investor) determines what return and, therefore, what rents will be fair. Apart from this conceptual defect, rates of return vary substantially among properties and experts have widely diverging opinions about what rate is fair.

### **A Standard Providing for Rent Adjustments Based on Increases in Operating Expenses over the Prior Year**

A third methodology for setting allowable rents pursuant to individual rent adjustments provides for rent increases to cover operating cost increases since the prior year, which are not covered by the allowable annual rent increase. This type of standard is in effect under San

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Francisco rent regulations. San Jose had this type of standard until it was replaced by an MNOI standard in 2017.

A concern about this type of standard is that substantial variations in annual maintenance expenses can be typical. This type of standard enables apartment owners to obtain increases due to unusually high operating expenses in a particular year or may reward intentional bunching of maintenance expenses which do not recur annually into a particular year.

### **The Exclusion of Debt Service Costs in Fair Return Standards**

The Richmond ordinance is silent on whether or not debt service costs should be considered.

Eight of the eleven apartment rent control ordinances in California (Los Angeles, San Jose, Oakland, Berkeley, Santa Monica, West Hollywood, East Palo Alto, and Mountain View) specifically **exclude** consideration of debt service in setting allowable rent levels, (except when the debt service is associated with capital improvements).

In three cases, the California Court of Appeal has ruled that a regulation which takes into account debt service and provides for varying allowing rents based on mortgage payments has no rational basis.

### **Recommendation**

It is recommended that the Rent Board adopt regulations that include a specific fair return standard. A fair return standard provides guidance not only to the hearing officer but also to the parties impacted by the Ordinance and provides an objective methodology for consistent decisions.

Furthermore, the adoption of a maintenance of net operating income (MNOI) standard is recommended. The standard guarantees a right to rent increases which cover operating cost increases and provide for growth in net operating income over a base year. The standard has been approved by the courts and in challenges to individual decisions applying the standard, its use has been consistently upheld.

### **I. Introduction**

This memo discusses fair return concepts and makes recommendations to the Rent Board for the selection of a fair return standard.

Under price regulation, including rent control, constitutional property rights include the right to a "fair return." The courts have held legislatures have the power to establish fair return standards. However, the Courts are the ultimate arbiters of what constitutes a fair return. As a consequence, the drafting of fair return standards is strongly guided by judicial precedent.

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Within this framework, rent stabilization ordinances provide for a petition process for adjudicating petitions based on claims that additional rent increases above the allowable annual rent increases and vacancy increases are needed in order to permit a fair return.

Cities with rent stabilization laws (except for a few cities with a small number of units) have adopted a specific method for calculating fair return and allowable rent increases pursuant to individual rent adjustment petitions. These methods are either set forth in the ordinance or in regulations that have been promulgated pursuant to more general fair return requirements in the ordinance.

Richmond's "Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance" provides for a right to a fair return ("a Reasonable Return on ... Investment") and includes a list of factors to be considered in individual rent adjustment cases. However, it does not provide a method for calculating fair return.

The applicable section states:

### **Landlords Have the Right to a Reasonable Return on Their Investment.**

**In making individual adjustments of the rent ceiling, the Board or hearing examiner shall consider the purposes of this chapter and shall specifically consider all relevant factors, including (but not limited to):**

- (1) Increases or decreases in property taxes;**
- (2) Unavoidable increases or any decreases in maintenance and operating expenses;**
- (3) The cost of planned or completed capital improvements to the rental unit (as distinguished from ordinary repair, replacement and maintenance) where such capital improvements are necessary to bring the property into compliance or maintain compliance with applicable local code requirements affecting health and safety, and where such capital improvement costs are properly amortized over the life of the improvement;**
- (4) Increases or decreases in the number of tenants occupying the rental unit, living space, furniture, furnishings; equipment, or other housing services provided, or occupancy rules;**
- (5) Substantial deterioration of the controlled rental unit other than as a result of normal wear and tear;**
- (6) Failure on the part of the Landlord to provide adequate housing services, or to comply substantially with applicable state rental housing laws, local housing, health and safety codes, or the rental agreement;**
- (7) The pattern of recent rent increases or decreases;**
- (8) It is the intent of this chapter that individual upward adjustments in the rent ceilings on units be made only when the Landlord demonstrates that such adjustments are necessary to provide the landlord with a fair return on investment. (Sec. 11.100.070)**

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While Richmond's ordinance does not set forth a methodology for calculating fair return or allowable rent increases pursuant to individual rent increase petitions, it states that: "The Board shall issue and follow such rules and regulations, including those which are contained in this Chapter, as will further the purposes of the Chapter." (Sec. 11.100.060 (f)).

Although a list of factors without a specific fair return standard may be constitutional, it is strongly recommended that the Rent Board adopt a specific standard to provide guidance to tenants, landlords and hearing officers and ensure consistency in decisions. In the absence of specific standards, fair return hearings commonly turn into legislative type hearings over what standard shall be used as well determinations of what rent increase is justified under a particular standard.

### II. Alternate Fair Return Methodologies

#### A. Judicial Guidance - General Directions Regarding Fair Return

Since rent regulations became widespread in California at the end of the 1970's and early 1980's fair return has been extensively litigated. Some of the cases have involved facial challenges to ordinances or regulations; however, most have involved challenges to individual rent board decisions in fair return cases. While most of the challenges have been to individual decisions commonly they have raised general issues about what methodologies are valid in making fair return determinations.

Since the mid-1980's, most of the cases have involved regulations of mobilehome park space rents. However, apartment and mobilehome park space rent regulations are guided by the same judicial doctrines and precedents regarding fair return.

The Courts have held that no single type of fair return formula is required.<sup>2</sup> Instead, "a governmental entity may choose to regulate pursuant to any fairly constructed formula."<sup>3</sup> The California Supreme Court has also held that a rent regulation does not have to include a specific method for calculating fair return.<sup>4</sup>

Some of the judicial guidance has been very general. In one case a court explained that fair return involves a "balancing...of investor and...consumer interests" and allowing for rents adequate to "maintain financial integrity."

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<sup>2</sup> *Carson Mobilehome Park Owners' Assn. v. City of Carson*, 35 Cal.3d 184, 191 (1983)

<sup>3</sup> *Carson Harbor Village, Ltd. Carson Mobilehome Park Rent Review Board* (1999) 70 Cal. App. 4<sup>th</sup> 281, 290.

<sup>4</sup> In 1983, in *Carson Mobilehome Park Owners' Assn. v. City of Carson*, the California Supreme Court rejected a claim that a fair return standard in a rent control ordinance which left the selection of a fair return standard open ended and did not prescribe the use of a particular formula was overly vague. The Court stated: That the ordinance does not articulate a formula for determining just what constitutes a just and reasonable return does not make it unconstitutional.

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“Determining prices that will provide a fair return “involves a balancing of the investor and the consumer interests” [cite omitted]. ... One of these investor interests is a “return ... commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover should be sufficient to ... attract capital.” ... a “court must determine whether the [regulation] may reasonably be expected to maintain financial integrity, attract necessary capital, and fairly compensate investors for the risks they have assumed, and yet provide appropriate protection for the relevant public interests, both existing and foreseeable.”<sup>5</sup>

The California Supreme Court has held that fair return is a “constitutional minimum” and the fact that a regulation reduces the value of a property does not render it unconstitutional.<sup>6</sup>

In *Galland v. Clovis*, the California Supreme Court stated:

“Although the term “fair rate of return” borrows from the terminology of economics and finance, it is as used in this context a legal, constitutional term. It refers to a constitutional minimum within a broad zone of reasonableness. As explained above, within this broad zone, the rate regulator is balancing the interests of investors, i.e. landlords, with the interests of consumers, i.e. mobilehome owners, in order to achieve a rent level that will on the one hand maintain the affordability of the mobilehome park and on the other hand allow the landlord to continue to operate successfully. [cite omitted]. For those price-regulated investments that fall above the constitutional minimum, but are nonetheless disappointing to investor expectations, the solution is not constitutional litigation but, as with nonregulated investments, the liquidation of the investments and the transfer of capital to more lucrative enterprises.”<sup>7</sup>

Another California Supreme Court opinion notes:

“[a]ny price-setting regulation, like most other police power regulations of property rights, has the inevitable effect of reducing the value of regulated properties. But it has long been held that such reduction in property value does not by itself rend a regulation unconstitutional.”<sup>8</sup>

The Courts have repeatedly reiterated the principle that a “range” of rents may be considered reasonable. One court explained:

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<sup>5</sup> *Galland v. City of Clovis*, 24 Cal. 4<sup>th</sup> 1003 (2001), *Kavanau v. Santa Monica Rent Control Board*, 16 Cal.4<sup>th</sup> 761, 771-772 (1997).

<sup>6</sup> Other types of land use regulations such as zoning amendments commonly reduce property values.

<sup>7</sup> *Galland v. City of Clovis*, 24 Cal.4<sup>th</sup> 1003, 1026 (2001)

<sup>8</sup> *Fisher v City of Berkeley*, 37 Cal.3d. at 686.

There is a range of rents which can be charged, all of which could be characterized as allowing a "just and reasonable" return. [cite omitted] [the terms "just and reasonable" and "confiscatory" are not precise formulations]; [cite omitted] [there is a zone of reasonableness which is higher than a confiscatory rate].) Thus, many decisions by rent control boards will focus on the issue of where the requested increases fall within the range of possible rents -- all of which rents would allow the owner a return sufficiently "just and reasonable" as to not be constitutionally confiscatory.<sup>9</sup>

The debate over what constitutes a fair return has been complicated by the fact the Courts have reached conflicting conclusions on fair return issues at times and the decisions contain some very general statements open to multiple interpretations.

One California Court of Appeal commented about the complexity of fair return issues and the lack of precision and sometimes conflicting nature of judicial guidance on the issues.

"What appears at first blush to be a simple question of substantial evidence turns out to be something considerably more complex when one realizes that the formula for determining a 'fair return' is hotly debated in economic circles and has been the subject of sparse, scattered, and sometimes conflicting comment by appellate courts. In particular, only the broad outlines have been discussed in California decisions."<sup>10</sup>

### ***B. "Specific" Judicial Guidance***

Apart from setting forth general principles about what constitutes a fair return, in the past few decades, there has been substantial precedent in regard to particular types of fair return concepts and standards that have either been commonly advocated and/or adopted.

### **The Courts Have Held that Return on "Value" Standards are Not Required and Are Circular in the Context of Rent Regulation**

In response to fair return claims made in the early 1980s, the Courts rejected the view that a fair *rate* of return on the *value* of a regulated property must be permitted in order to provide a fair return. The Courts have concluded that this type of standard is "circular" in the context of a rent regulation. In 1984, the State Supreme Court explained:

"The fatal flaw in the return on value standard is that income property most commonly is valued through capitalization of its income. Thus, the

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<sup>9</sup> *San Marcos Mobilehome Park Owners' Ass'n v. City of San Marcos*, 192 Cal.App.3d. 1492, 1502-1503 (1987)

<sup>10</sup> *Palomar Mobilehome Park Assn. v. Mobile Home Rent Review Com.* 16 Cal.App.4th 481, 484 (1993).

process of making individual rent adjustments on the basis of a return on value standard is meaningless because it is inevitably circular: value is determined by rental income, the amount of which is in turn set according to value. Use of a return on value standard would thoroughly undermine rent control, since the use of uncontrolled income potential to determine value would result in the same rents as those which would be charged in the absence of regulation. Value (and hence rents) would increase in a never-ending spiral."<sup>11</sup>

### **The Right to an Increasing Net Operating Income**

Other guidance from the court has come to play a central role in fair return doctrine. One guiding principal is that growth in net operating income (NOI) must be permitted. In *Fisher v. Berkeley* (1984), the State Supreme Court held that a regulatory scheme "may not indefinitely freeze the dollar amount...profits without eventually causing confiscatory results. ...If the net operating profit of a landlord continues to be the *identical* number of dollars, there is in time a real diminution to the landlord which eventually becomes confiscatory."<sup>12</sup> In other words, allowable rent increases must be adequate to cover increases in operating costs and permit growth in net operating income.

In the apartment rental business typically 30 to 50% of rental income covers operating expenses and the balance is net operating income, which covers mortgage payments and provides cash flow.

**Comment on Alternate Standards:** The following discussion addresses conceptual issues and judicial precedent associated with three types of fair return standards. – 1) maintenance of net operating income (MNOI), 2) rate of return on investment (ROI) , and 3) a pass-through of increases in operating costs over the level of the prior year. This section also includes a discussion of judicial precedent regarding consideration of debt service, which indicates that debt service may not be considered in setting allowable rents.

#### **C. Maintenance of Net Operating Income "MNOI" Standard**

##### **a. The MNOI Standard Is the Most Widely Used Standard**

The most widely adopted fair return standard has been the maintenance of net operating income (MNOI) standard. This standard has been adopted by the following jurisdictions with apartment rent controls: Los Angeles, San Jose, Oakland, Berkeley, Santa Monica, West Hollywood, East Palo Alto and Mountain View. Also, a substantial

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<sup>11</sup> . *Id.* 37 Cal.3d.at 680, fn 33.

<sup>12</sup> *Id.* 37.Cal.3d. at 683.

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number of the mobilehome park rent stabilization ordinances in California include an MNOI standard and this standard is commonly used to make fair return determinations pursuant to mobilehome park space rent stabilization ordinances which list factors to be considered in determining what is a fair return, without setting forth a formula.

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Jurisdiction	Type of Fair Return Standard (MNOI = maintenance of net operating income)
Berkeley	MNOI, adopted by regulation
East Palo Alto	MNOI, in ordinance
Santa Monica	MNOI, adopted by regulation
Los Angeles	MNOI adopted by regulation
West Hollywood	MNOI in ordinance
Alameda	list of factors, no specific standard
Oakland	MNOI and pass-through of cost increases over prior year
San Jose	MNOI, in ordinance
San Francisco	increase in costs over prior year
Beverly Hills	MNOI, in ordinance
Mountain View	MNOI, adopted by regulation
Los Gatos	consider increases in operating costs and debt service, no specific standard
Hayward	list of factors, no specific standard, limited pass-through increases in debt service

**b. Description of the Maintenance of Net Operating Income Standard**

This method is not an “intuitive” measure because it is not the measure that investors or laypersons commonly use to measure rate of return. Under the MNOI standard, current year net operating income is compared with base year net operating income. “Fair return” is defined as base year net operating income adjusted by the percentage increase in the Consumer Price Index (CPI) since the base year or a portion of the percentage increase in the CPI since the base year.

For example, under a standard which provides for indexing the net operating income at 100% of the rate of increase in the CPI, if the net operating income was \$100,000 in the base year and the CPI has increased by 70% since the base year, the current fair net operating income would be \$170,000. Under most MNOI standards, the year specified as the base year precedes the adoption of rent regulation.

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The hypothetical example below illustrates how an MNOI standard works, under a standard which defines a fair return as the base period net operating income adjusted by 100% of the percentage increase in the NOI since the base year

In this example, the gross income increased by \$50,000. The net operating income increased from \$60,000 in the base year to \$80,000 in the current year, a 33% increase, compared to a 50% increase in the CPI during this period. This amount would be adequate to cover operating cost increases, but would not provide adequate growth in net operating income. Through an individual rent adjustment petition (with adequate documentation of income and operating expenses) the owner would be able to obtain an additional rent increase. The allowable increase would be \$10,000 in order to raise the net operating income to a level that is 50% above the base year net operating income.

**(Table 1)  
Illustration of MNOI Standard**

	<b>CPI</b>	<b>Gross Income</b>	<b>Operating Expenses</b>	<b>Net Operating Income</b>	<b>Fair Return Allowable Rent Increase</b>
<b>Base Year</b>	<b>100</b>	<b>\$100,000</b>	<b>\$40,000</b>	<b>\$60,000</b>	
<b>Current Year</b>	<b>150</b>	<b>\$150,000</b>	<b>\$70,000</b>	<b>\$80,000</b>	
<b>Pct. Increase Base Year to Current Year</b>	<b>50%</b>	<b>50%</b>	<b>75%</b>	<b>33%</b>	
<b>Fair NOI (Base Year NOI Adjusted by the 50% increase in CPI)</b>				<b>\$90,000</b>	
<b>Allowable Fair Return Rent Adjustment (= Fair NOI - Current NOI) (\$90,000 - \$80,000)</b>					<b>\$10,000</b>

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Jurisdictions with MNOI standards provide for adjusting (“indexing”) base period of net operating income by varying percentages of the percentage increase in the Consumer Price Index, ranging from 40% to 100%. Berkeley and Santa Monica provide for 40% indexing. A majority of mobilehome ordinances provide for indexing by less than 100%. All of these indexing standards have been upheld by the Courts, which have consistently rejected the contention that indexing the net operating income by less than 100% of the percentage increase in the CPI is confiscatory<sup>13</sup>

### c. Rationale for Using the MNOI Standard

To the extent that reasonable increases in maintenance costs are not covered by annual allowable increases, the MNOI provides for the recovery of these increases.

By providing for growth in net operating income, the MNOI standard allows for growth in the portion of rental income (the net operating income) that is available to pay for increases in debt service, to fund capital improvements, and/or to provide additional cash flow (net income). Therefore, the growth in net operating income also provides for appreciation in the value of a property.

The standard provides all owners with the right to an equal rate of growth in NOI regardless of their particular purchase and financing arrangements. By measuring reasonable growth in net operating income by the rate of increase in the CPI, this approach meets the twin objectives of protecting tenants from excessive rent increases that are not justified by operating cost increases and increases in the CPI, and of providing regulated owners with a “fair return on investment.”

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<sup>13</sup> See *Berger v. City of Escondido*, 127 Cal.App.4<sup>th</sup> 1, 13-15 (2007); *Stardust v. City of Ventura*, 147 Cal.App. 4<sup>th</sup> 1170, 1181-1182 (2007); *Colony Cove Properties v. City of Carson*, 220 Cal. App.4<sup>th</sup> 840, 876 (2013) The rationale for less than 100% indexing has been that the rate of increase in equity may exceed 100% of the rate of increase in the CPI even if the rate of increase in the overall value of a property is lower. For example, the value of an apartment building may increase by 20% from \$1,000,000 to \$1,200,000, but the increase in the equity of an owner who purchased with a 70% loan may increase from \$300,000 to \$500,000.

In the Colony Cove opinion, the Court stated:

In *H.N. & Frances C. Berger Foundation v. City of Escondido*, the court explained why 100 percent indexing was not required for a rent controlled mobilehome park to achieve a fair return: "A mobilehome park's operating expenses do not necessarily increase from year to year at the rate of inflation, and . . . a 'general increase at 100% of CPI . . . would be too much if expenses have increased at a lower rate.'" (*H.N. & Frances C. Berger Foundation v. City of Escondido* [cite omitted].) Moreover, "the use of indexing ratios may satisfy the fair return criterion because park owners typically derive a return on their investment not only from income the park produces, but also from an increase in the property's value or equity over time." (*Ibid.*; accord [cite omitted] [explaining that "one reason for indexing NOI at less than 100 percent of the change in the CPI" is that "real estate is often a leveraged investment" in which "[t]he investor invests a small amount of cash, but gets appreciation on 100 percent of the value"]. *Id.*876-877.

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Under the MNOI standard, it becomes the investor's task to determine what investment and financing arrangements make sense in light of the growth in net operating income permitted under the fair return standard.

### d. Judicial Acceptance of the MNOI Standard

California appellate Courts have repeatedly upheld the use of an MNOI standard.<sup>14</sup> For example, one court found the MNOI standard was reasonable because it allowed an owner to maintain prior levels of profit<sup>15</sup>, and another concluded the MNOI formula is a "fairly constructed formula" which provides a "just and reasonable" return on ... investment," even if an alternative fair return standard – such as the rate of return on investment standard (discussed further below) – would provide for a higher rent.<sup>16</sup>

Several California courts have approved the MNOI fair return standard (*Oceanside Mobilehome Park Owners' Ass'n v. City Oceanside*, 157 Cal. App. 3d. 887 (1984). See also *Baker v. City of Santa Monica*, 181 Cal. App. 3d. 972 (1986). California appellate courts upheld maintenance of net operating income fair return standards. In *Oceanside* the Court found that the standard was reasonable because it allowed an owner to maintain prior levels of profit. See 157 Cal. App. 3d. 887, 902-905 (1984). "The maintenance-NOI approach has been praised by commentators for both its fairness and ease of administration." See *Palomar Mobilehome Park Assn. v. Mobile Home Rent Review Com.*, 16 Cal.App.4th 481, 486 (1993)

In *Rainbow Disposal v. Mobilehome Park Rental Review Board*, 64 Cal. App. 4<sup>th</sup> 1159, 1172 (1998), the Court of Appeal stated: [the] MNOI approach adopted by the Board is a "fairly constructed formula" which provided Rainbow a sufficiently "just and reasonable" return on its investment. The Board was not obliged to reject [an] MNOI analysis just because an historical cost/book value formula using Rainbow's actual cost of acquisition and a 10 percent rate of return would have yielded a higher rent increase.

In 2013, in *Colony Cove v. City of Carson*, the Court explained the rationale for an MNOI standard.

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<sup>14</sup> Most of the published appellate court opinions regarding fair return under rent regulation have involved mobilehome park rent regulations. This is a consequence of the facts that: 1) the mobilehome rent regulations are stricter – not allowing for increases upon vacancies, 2) some of the mobilehome rent ordinances have not allowed for annual across-the-board rent increases, thereby compelling owners to submit fair return petitions each time they desire to obtain a rent increase, 3) the stakes in mobilehome park cases are substantial due to the size of mobilehome parks, typically involving from one to several hundred spaces. However, in regards to fair return issues the fair return concepts are interchangeable with the courts relying on fair return opinions from apartment cases in mobilehome park cases and vice versa.

<sup>15</sup> *Oceanside Mobilehome Park Owners' Ass'n v. City Oceanside*, 157 Cal.App.3d.887 (1984); Also see *Baker v. City of Santa Monica*, 181 Cal.App.3d. 972 (1986)

<sup>16</sup>

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The MNOI approach does not focus on how much the owner chose to pay for a rent-controlled property or how the purchase was financed. That fact does not render it constitutionally invalid. In *Donohue v. Santa Paula West Mobile Home Park*, where the rent control ordinance permitted adjustments to " 'maintain net operating income' " and specifically excluded from consideration " '[m]ortgage principal [and] interest payments,' " the court rejected the owner's facial challenge to the ordinance: "Numerous courts ... have acknowledged that the [MNOI] approach is constitutionally valid ... ," even though it ignores "certain expenses incurred by landlords" in determining NOI, including "land acquisition costs ... ." (*Donohue v. Santa Paula West Mobile Home Park*, supra, 47 Cal.App.4th at p. 1178; see *Rainbow Disposal Co. v. Escondido Mobilehome Rent Review Bd.*, supra, 64 Cal.App.4th at p. 1172 [rent board need not reject MNOI merely because formula using owner's actual cost of acquisition yielded higher rent increase].) Indeed, the MNOI standard has been praised by courts and commentators for "its fairness and ease of administration" (*Palomar Mobilehome Park Assn. v. Mobile Home Rent Review Com.*, supra, 16 Cal.App.4th at p. 486), because it " 'recognizes that in the rental housing market, ratios of rental income to value, equity, and gross income vary substantially among buildings. Therefore, rather than designating a particular rate of return as fair, [MNOI] standards pursue the best available option, which is to preserve prior [net operating income] levels' " (*H.N. & Frances C. Berger Foundation v. City of Escondido* (2005) 127 Cal.App.4th 1, 9 [25 Cal. Rptr. 3d 19]). The advantage of the MNOI approach over other methods of determining fair rent was further explained in *Oceanside Mobilehome Park Owners' Assn. v. City of Oceanside*, where the court stated: " 'Use of a return on value standard would thoroughly undermine 220 Cal. App. 4th 840, \*868; ...rent control, since the use of uncontrolled income potential to determine value would result in the same rents as ... would be charged in the absence of regulation. Value (and hence rents) would increase in a never-ending spiral.' " [cites omitted] ....

Use of the MNOI formula " ' "avoids the necessity of having to undertake the administratively difficult (if not impossible) task of calculating equity and/or fair market value.["] ' " [cite omitted] ... Instead, it "permits park owners to obtain a just and [\*\*\*60] reasonable return under general marketing conditions in any given year" and "reflect[s] the tenant's interest by giving the park owner an incentive to incur all reasonable expenses for maintenance and services." [cite omitted].<sup>17</sup>

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<sup>17</sup> 220 Cal. App. 4<sup>th</sup> 849, 869-870 (2013)

**e. Adjustment of Low Base Year Rents (“Vega” Adjustments) under the MNOI Standard**

If an MNOI standard only permitted consideration of actual base year net operating levels, owners with very low base period rents may be locked into rents that do not reflect market conditions. This would occur because the current fair net operating income under the MNOI standard would be based on a CPI adjustment of a low base period net operating income.

However, this issue has been addressed by authorizing adjustments of base period rent which do not reflect market conditions in order to provide a level that reflects market conditions and provides a reasonable base period net operating income. Such adjustments are known as “Vega” adjustments, because the right to such adjustments was established in the case of *Vega v. West Hollywood*.<sup>18</sup>

The *Vega* case involved an apartment owner who charged rents that ranged from \$70 to \$180 per month, compared to a city average which was three times higher. The rents of several units had not been raised in 15 to 20 years and the tenants had taken over responsibility for maintaining the property, from the 84 year old owner. The Court held the peculiar circumstances in this case, in addition to low base period rents, justified a base period rent adjustment.

The entitlement to an increase in the base rent depends on the existence of circumstances that prevented the base rent from reflecting market conditions.”<sup>19</sup> Subsequent to *Vega*, an appellate court rejected the view that owners had a general entitlement to adjust base date rents which were below market rents and ruled that:

**Respondents' position that "Birkenfeld and Vega establish a constitutional standard of general application to all historically low rent properties without exception" is not supported by the opinions in those cases, and we hold that there is no general entitlement to an increase in base date rents predicated on market conditions.**<sup>20</sup>

In the context of mobilehome park space rent controls the historically low rent issue was considered in *Concord Communities v. City of Concord*,<sup>21</sup> in 2001. In that case the Court found a recent purchaser of the park met the “unique and extraordinary circumstances” test set forth in *Vega* based on the following facts:

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<sup>18</sup> 223 Cal.App.3d 1342 (1990); also, see *Concord Communities v. City of Concord*, 91 Cal. App.4th 1407 (2001)

<sup>19</sup> 24 Cal. App.4th 1730, 1737

<sup>20</sup> *Apartment Association of Greater Los Angeles v. Santa Monica Rent Control Board* [AGLA] 24 Cal. App.4th 1730, 1737.( 1994)

<sup>21</sup> 91 Cal. App.4th 1407 (2001)

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- 1) the applicant was locked into below market rents set by the prior owner, who had “not raised rents in a consequential manner since 1985”,
- 2) the current owner entered into a purchase contract just before the city adopted a rent regulation and
- 3) the current owner was not favored by particularly low property taxes of the previous owner.<sup>22</sup>

**D. Fair Rate of Return on Investment Standard**

A second type of fair return standard is a rate of return on investment (ROI) standard. From an intuitive perspective a rate of return of investment standard is often viewed as very logical. Furthermore, Richmond’s ordinance includes a provision stating that one of its purposes is to provide a fair “return on investment.” (Sec. 11.100.070 (g)(8)). This type of provision is common among rent stabilization ordinances. Sometimes it has sometimes been viewed as commanding the use of a rate of return on investment formula; however, usually this view has not been adopted.

**a. Description of Standard**

In the context of rent regulations, the most common rate of return on investment formula has been:

FAIR RENT = OPERATING EXPENSES + X% of INVESTMENT
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The allowable rent depends on what rate of return is considered fair. The following examples illustrate the outcomes under a 6% and a 9% rate of return on investment standard.

(Table 2)

**Variations in Outcomes under Rate of Return on Investment Standard  
Depending on What Rate is Deemed Fair  
(Hypothetical Investment - \$1.2 million)**

OPERATING EXPENSES		X% OF INVESTMENT (fair net operating income)		FAIR RENT
\$70,000	+	\$72,000 (6% of \$1,200,000)	=	\$142,000
Or				
\$70,000	+	\$108,000 (9% of \$1,200,000)	=	\$178,000

<sup>22</sup> *Id.*, 91 Cal. App.4<sup>th</sup> at 1417-1419.

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Investment is defined as the total investment (purchase price + improvements) rather than only as the cash investment (total investment minus mortgage borrowing). The return is the net operating income (income before mortgage payments), rather than only the cash flow (net operating income left after mortgage payments).<sup>23</sup> The fair net operating income is a net operating income which is a designated percentage of the total investment.

### **b. Use of Fair Rate of Return Standard in other jurisdictions**

None of the California jurisdictions with apartment rent regulations use the “rate of return on investment” standard. However, this type of standard has been used in making fair return determinations in some mobilehome park rent stabilization fair return cases.

### **c. Comment on the Fair Rate of Return on Investment Standard**

#### **i. Circularity Issues**

Rate of return on investment is commonly used as a measure of return by real estate analysts in evaluating real estate investments. and is based on the commonly accepted concept that investors should always be permitted a fair rate of return on their investments. However, in the context of a fair return determination under a rent regulation, the use of a fair rate of return on investment standard in rent regulation works in a **circular** manner.

In the market place, investment is determined by the expected returns. However, if the allowable returns in a rent-regulated environment are set at designated percentage of the amount invested in a property, the process of determining what is a fair return becomes circular. Under this type of standard, the investment (and, therefore, the investor) determines what return and, therefore, what rents will be fair.

A leading utility text identifies potential drawbacks using the investment (purchase price or “transfer cost”) as the measure of investment in order to calculate fair return, in the context of a rent regulation.

Transfer cost does not represent a contribution of capital to public service. Instead, it represents a mere purchase by the present company of

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<sup>23</sup> In some jurisdictions a fair return on cash investment (as opposed to total investment) standard has been used. However, such standards discriminate among owners based on their financing arrangements. In three cases, a California Court of Appeal has ruled that consideration of debt service in a rent setting standard has no rational basis. *Palomar Mobilehome Park Ass’n v. Mobile Home Rent Review Commission* [San Marcos], 16 Cal.App.4th 481, 488 (1993) and *Westwinds Mobilehome Park v. Mobilehome Park Rental Review Board* [Escondido], 30 Cal.App.4th 84, 94 (1994), *Colony Cove v. City of Carson*, 220 Cal.App.4th 840, 871 (2013).

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whatever legal interests in the properties were possessed by the vendor. Even under an original-cost standard of rate control, investors are not compensated for buying utility enterprises from their previous owners any more than they are compensated for the prices at which they may have bought public utility securities on the stock market. Instead, they are compensated for devoting capital to public service. ...

The unfairness, not to say the absurdity, of a uniform rule permitting a transferee of a utility plant to claim his purchase price was noted by Judge Learned Hand ...

The builder who does not sell is confined for his base to his original cost; he who sells can assure the buyer that he may use as a base whatever he pays in good faith. If the builder can persuade the buyer to pay more than the original cost the difference becomes part of the base and the public must pay rates computed upon the excess. Surely this is a most undesirable distinction. (*Niagara Falls Power Company v. Federal Power Commission*, 1943 ...) <sup>24</sup>

This reasoning has not been generally applied in rent control cases. However, federal courts in New York have concluded the return on investment approach does not make sense in the context of land use controls and rent regulation, noting how, the "regulated" investor can, in fact, regulate the allowable return under the rate of return on investment approach by determining the size of the investment. In a zoning case, the Court held:

In addition to being inconsistent with the case law, appellants' [return on investment] approach could lead to unfair results. For example, a focus on reasonable return would distinguish between property owners on the amount of their investments in similar properties (assuming an equal restriction upon the properties under the regulations) favoring those who paid more over those who paid less for their investments. Moreover in certain circumstances, appellants theory "would merely encourage property owners to transfer their property each time its value rose, in order to secure ... that appreciation which could otherwise be taken by the government without compensation..." [cites omitted] <sup>25</sup>

While the California courts have not held that a rate of return on investment standard may not be used they have noted the practical limitations of the rate of return on investment approach In the *Fisher* case, the California Supreme Court

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<sup>24</sup> Bonbright, Danielson, and Kamerschen, *Principles of Public Utility Rates*, 240-241 (1988, Arlington, Virginia, Public Utilities Reports, Inc.)

<sup>25</sup> *Park Avenue Tower Associates v. City of New York*, 746 F.2d. 135, 140 (1984).

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noted that the “mechanical” application of a return on investment standard could produce “confiscatory results in some ...cases” and alternatively in other cases could provide for “windfall” returns for recent investors, who paid high prices:

At the same time that mechanical application of the fair return on investment standard may have the potential to produce confiscatory results in some individual cases [cites omitted] it is also recognized that the that standard has the potential for awarding windfall returns to recent investors whose purchase prices and interest rates are high. If the latter aspect were unregulated, use of the investment standard might defeat the purpose of rent price regulation.<sup>26</sup>

Sometimes a “prudent” investor standard is used to try to rectify the shortcomings of a rate of return on investment standard by limiting what size investments will be considered in measuring what net operating income would be fair. However, under this the results become circular, especially if the investment may be considered “prudent” only if the current rents are already adequate to generate a return that would be considered fair.

Subsequent to the *Fisher* opinion, one Court of Appeal concluded that evaluation of a claim that a purchase cost may be viewed as high (imprudent) presents a “Catch-22.” situation. The Court explained:

... it is a “Catch-22” argument. It posits that a prudent investor will purchase only rent-controlled property for a price which provides a fair rate of return at the then-current (i.e. frozen) rental rates. Having done so, however, the fair market value is frozen ad infinitum because no one should pay more than the frozen rental rate permits; and existing rental rates are likewise frozen, since the investor is already realizing a “fair rate of return”.<sup>27</sup>

The foregoing judicial responses to the issues associated with rate of return on investment standards reflect the outcomes of two sides of a circular concept. On the one hand, there is the view that rate of return on investment standards should not provide windfall returns to recent investors who paid high prices. On the other hand, if a “prudent” investment concept is adopted, an investment may be considered imprudent if the current rents do not yield a fair return on that investment.

### **ii. Subjectivity in Measuring Fair Rate of Return under a Rate of Return on Investment Standard**

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<sup>26</sup> 37 Cal.3d. 644, 691 (1984)

<sup>27</sup> *Westwinds Mobile Home Park v. City of Escondido*, (1994), 30 Cal.App.4th. 84, 93-94.

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Apart from the circularity issues associated with the use of a rate of return on investment standard, the determination of an appropriate rate presents substantial problems.

In fact, rates of return vary substantially among properties, especially in times of significant inflation in property values. Therefore, the net operating income (and, consequently the rent) that will yield a fair return on an investment made decades ago might be a fraction of the rent required to provide the same rate of return on the investment of a recent purchaser.

Varying theories and/or statistical constructions” about how to compute what is a “fair rate” can lead to widely differing outcomes. One commentary, in a textbook on utility rate regulation, even characterizes expert presentations on which particular rate is as “witches brews of statistical elaboration and manipulation”:

“... as we begin sheer disgust to move away from the debacle of valuation, we will probably substitute a new form of Roman holiday – long-drawn-out, costly, confusing, expert contrived presentations, in which the simple directions of the *Hope* and *Bluefield* cases are turned into veritable witches’ brews of statistical elaboration and manipulation.<sup>28</sup>

In mobilehome park rent stabilization fair return cases, expert witness’ projections of a fair rate of return have ranged from 4% to 12% (and even higher). Typically, in recent years, experts on behalf of mobilehome park owners have testified that a rate of return of about 9% is fair, while experts on behalf of cities and/or residents have contended that a fair rate is equal to the prevailing capitalization rate, now about 5 to 6%.<sup>29</sup> Adjudicators’ (retired judges acting as arbitrators, rent commissions, trial courts, and appellate courts) conclusions about what rate is fair have ranged from 5% to 9%.

When rate of return on investment standards are used, a host of options appear for measuring the investment and for the determination of a reasonable rate of return. In an adjudicatory process the fair return determination can turn into a mix and match process, in which alternate measures of investment and of a fair rate are “juggled” in order to obtain a desired result.

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<sup>28</sup> Shepard and Gies, *Utility Regulation, New Directions in Theory and Policy*, 242-243 (1966, New York, Random House)

<sup>29</sup> The prevailing capitalization rate is the net operating income/purchase price rate that new purchasers are obtaining at the outset of their investments. When the purchase price is inflation adjusted in the fair return analysis the fair return also becomes inflation adjusted.

*iii. Issues Associated Measuring the Investment (The Rate Base)*

The selection of a rate base raises another set of issues. Large variations in the outcome of a fair return calculation result from alternate choices in regard to the measure of the investment (rate base). Whether the original investment should be used as a rate base or whether that investment costs should be adjusted for inflation has been debated. Typically, long-term owners have investments that are low by current standards, while recent purchase prices have low rates of return relative to their investment. In periods of inflation in the prices of real property, the fair return becomes a function of the length of ownership. As a result, the rate of return on investments in apartment buildings with comparable rents and operating costs will vary substantially based on the purchase date of the building.

Some courts have held the investment should be inflation adjusted to reflect the real amount of the investment in current dollars. In *Cotati Alliance for Better Housing v. City of Cotati*, the court concluded that Cotati's return on investment standard was not confiscatory because "[t]he landlord who purchased property years ago with pre-inflation dollars is not limited to a return on the actual dollars invested; the Board may equate the original investment with current dollar values and assure a fair return accordingly."<sup>30</sup> Commonly, if not usually, when rate of return on investment standards are used, the rent setting body has adjusted the original investment by inflation.

However, in other instances California courts have upheld the use of a standard under which investment was calculated in a manner virtually opposite to adjusting the original investment by inflation. Instead they have upheld "...taking the price paid for the property and deducting accumulated depreciation to arrive at a net historic value" See e.g. *Palomar Mobilehome Park Assn. v. Mobile Home Rent Review Com.* (1993), 16 Cal.App.4th 481, 487, the Court reasoned:

[The park owner] argues that "historic cost" approach effectively transfers to tenants the use of \$11 million in assets (the difference between the historic cost of the property and its current value) free of charge. It is true that in calculating a "fair" return, the City's proffered formula does not give park owners credit for any appreciation in the value of their property. Yet this is true any time a "fair return on investment" approach is used in lieu of a "fair return on value" formula. As we have explained ... both the United States and California Supreme Courts have approved the "investment" approach as constitutionally permissible. We are in no position to hold to the contrary by accepting Palomar's value-based test as a constitutional minimum. (*Id.* 16 Cal.App. 4<sup>th</sup> at 488)

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<sup>30</sup> 148 Cal.App.3d. 280, 289 (1983)

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**iv. Outcomes under Alternate Variations of the Rate of Return on Investment Standards**

The table on the following page illustrates how the wide range of possible rate bases and fair rates can lead to vastly diverging results under a rate of return on investment formula.

(Table 5)

**Alternate Outcomes under Rate of Return on Investment Standard  
(Investment x Fair Rate = Fair Net Operating Income)**

<b>Investment (Rate Base)</b>	<b>Fair Rate</b>	<b>Fair Net Operating Income* (fair rate x investment)</b>
<b>\$2,000,000</b> original investment (e.g. 40 apartments x \$50,000 / apartment unit)	5% capitalization rate (prevailing noi/purchase price ratio purchases in 2016)	<b>\$100,000</b>
	7%	<b>\$140,000</b>
	9%	<b>\$180,000</b>
<b>\$1,200,000</b> original investment minus depreciation of improvements	5%	<b>\$60,000</b>
	7%	<b>\$84,000</b>
	9%	<b>\$108,000</b>
<b>\$4,000,000</b> original investment adjusted by CPI	5%	<b>\$200,000</b>
	7%	<b>\$280,000</b>
	9%	<b>\$360,000</b>

\* Allowable rent = fair net operating income + operating expenses

Even if the original investment is inflation adjusted (adjusted by the percentage increase in the CPI since the purchase date), the outcome under a rate of return on investment standard depends heavily on whether an apartment owner purchased during an upward or downward cycle in real estate values. An owner who paid the same price for a property in 2010 (at the end of a flat cycle in apartment values) as an owner paid in 2000 (at the end of a surge in values) is permitted a much lower rent under standard, because the period of inflation used to adjust the purchase price is much shorter.

**v. An MNOI Standard Provides a Fair Return on Investment by Providing the Net Operating income that the Property Yielded in the Base Year**

The use of an MNOI fair return standard in the implementation of ordinances which contain the term “fair return on investment” has been standard.

While an MNOI standard does not incorporate the amount of an owner’s investment into a fair return calculation, it can be viewed as providing a fair return in the sense that it provides the return (net operating income) that the property yielded prior to rent regulation. As noted a California Court of Appeal held that the MNOI standard provides a fair return on investment.

**E. A Standard Providing for Rent Adjustments Based on Increases in Operating Expenses over the Prior Year**

A third methodology for setting allowable rents pursuant to individual rent adjustments provides for rent increases to cover operating cost increases since the prior year, which are not covered by the allowable annual rent increase. This type of standard is in effect under San Francisco and Oakland rent regulations. San Jose used this type of standard until it was replaced by an MNOI standard in 2017.

Under San Francisco’s standard, rent increases above the amount authorized by the annual increase, which are based on operating cost increases, are limited to seven percent.<sup>31</sup> In the past four years, the number of petitions pursuant to this standard has ranged from 43 to 70.<sup>32</sup>

A concern about this type of standard is that substantial variations in annual maintenance expenses can be typical. This type of standard enables apartment owners to obtain increases due to unusually high operating expenses in a particular year or may reward intentional bunching of maintenance expenses which do not recur annually into a particular year. In any case, as a result, this standard can provide for rent increases which cover a surge in operating expenses and allow for increases that are more than adequate in the following years when the operating expenses return to normal levels.

In contrast under the MNOI standard if claimed expenses for a particular year are unusually high, typically they will be adjusted or particular unusual expenses will be amortized.

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<sup>31</sup> S.F.Residential Rent Stabilization and Arbitration Board Rules and Regulations, Sec. 6.10

<sup>32</sup> See Rent Board, Annual Report 2015-2016, p. 11. San Jose’s experience with this type of standard is not “instructive” because it allowed annual rent increases of 8% from the 1982 through 2015.

**F. The Exclusion of Debt Service Costs in Fair Return Standards**

The Richmond ordinance is silent on whether or not debt service costs should be considered.

Eight of the eleven apartment rent control ordinances in California (Los Angeles, San Jose, Oakland, Berkeley, Santa Monica, West Hollywood, East Palo Alto, and Mountain View) specifically **exclude** consideration of debt service in setting allowable rent levels, (except when the debt service is associated with capital improvements).

(Table 6)  
**Treatment of Purchase Mortgage Interest Expenses  
Under Apartment Rent Stabilization Ordinances**

<i>Jurisdiction</i>	<i>Consideration of Purchase Mortgage Interest Expenses</i>	<i>Limitations on Allowance of Debt Service Expenses</i>
<b>Los Angeles</b>	<b>Excluded</b>	
<b>Oakland</b>		Debt service pass-through repealed on April 1, 2014. Pre-repeal purchasers exempted from repeal.
<b>Berkeley</b>		
<b>Santa Monica</b>		
<b>West Hollywood</b>		
<b>Mountain View</b>		
<b>East Palo Alto</b>		
<b>Beverly Hills</b>		
<b>San Jose</b>		

Most of the MNOI standards in mobilehome park rent stabilization ordinances preclude consideration of debt service. Also, consideration of debt service is usually excluded under rate of return on investment standards- because fair return is measured by the return on the total investment, rather than just the cash portion of the investment. (Consistent with using this measure of return, the rate base for measuring the return is the total investment, and the calculation of the return is based on consideration of the whole return, rather than return net of mortgage interest payments.)

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Under the San Francisco, Los Gatos, and Hayward ordinances, increases in debt service may be passed through. However, under the San Francisco ordinance, increases based on debt service increases are limited to 7% and in buildings with six or more units are allowed only once every five years.

### **Rationale for Exclusion of Consideration of Debt Service**

If debt service is considered, owners who make equal investments in terms of purchase price and have equal operating expenses, may be entitled to differing rents depending on differences in the size of their mortgages and/or the terms of their financing arrangements.

Passing through increases in debt service, apart from other allowable rent increases, sets the allowable rent at a level that both:

- 1) provides for reimbursement for the financed cost of purchasing a building, and
- 2) provides the allowable rent increases that would otherwise provide a fair return by providing for increases in net operating income which can be used to finance increasing debt service.

### **Judicial Precedent Regarding Consideration of Debt Service in Fair Return Cases**

The legal precedent, expands on the rationale for the standard policy of excluding consideration of debt service in calculating fair return.

As indicated, Courts have held there is no rational basis for consideration of debt service in a rent setting process.<sup>33</sup> Once court explained:

“Assume two identical parks both purchased at the same time for \$1 million each. Park A is purchased for cash; Park B is heavily financed. Under Palomar's approach, calculating return based on total historic cost and treating interest payments as typical business expenses would mean that Park A would show a considerably higher operating income than Park B. Assuming a constant rate of return, the owners of Park B would be entitled to charge higher rents than the owners of Park A. We see no reason why this should be the case.”<sup>34</sup>

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<sup>33</sup> *Palomar Mobilehome Park Ass'n v. Mobile Home Rent Review Commission* [of San Marcos], 16 Cal.App. 4th 481, 488 (1993);

<sup>34</sup> *Id.*, at 489.

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The same Court of Appeal reaffirmed its conclusion regarding the treatment of debt service expenses. “We have previously rejected the notion that permissible rental rates based on a fair rate of return can vary depending solely on the fortuity of how the acquisition was financed.”<sup>35</sup> More recently, another Court of Appeal again affirmed the view that tying rents to individual owners’ financing arrangements has no rational basis.

Apart from the inequities that would result from permitting a party who financed its purchase of rent-controlled property to obtain higher rents than a party who paid all cash, there are additional reasons for disregarding debt service. ...debt service arrangements could easily be manipulated for the purpose of obtaining larger rent increases, by applying for an increase based on servicing a high interest loan and then refinancing at a lower interest rate or paying off the loan after the increase was granted. Alternatively, an owner might periodically tap the equity in a valuable piece of rental property, thus increasing the debt load. In any event, we discern no rational basis for tying rents to the vagaries of individual owners' financing arrangements.<sup>36</sup>

However, in an earlier case, one Court of Appeal held that consideration of debt service costs was required when it held that mobilehome park owners have a vested right to have their debt service considered if debt service was specifically allowed as an expense under the fair return standard in effect under an ordinance at the time the property was purchased.<sup>37</sup> In that case, The Court concluded the guidelines in effect when the mobilehome park was purchased created vested rights. In 1991, the same court reaffirmed this conclusion.<sup>38</sup>

### III. RECOMMENDATION

As stated above, it is recommended that the Rent Board regulations that include a specific fair return standard. A fair return standard provides guidance not only to the hearing officer but also to the parties impacted by the Ordinance and provides an objective methodology for consistent decisions.

Furthermore, the adoption of a maintenance of net operating income (MNOI) standard is recommended. The standard guarantees a right to rent increases which cover

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<sup>35</sup> *Westwinds Mobile Home Park v. Mobilehome Park Rental Review Bd.*, 30 Cal.App.4th 84, 94 (1994)

<sup>36</sup> *Colony Cove Properties v. City of Carson*, 220 Cal.App. 840,871 (2013), . Courts in other states have reached similar conclusions. In 1978, when considering the constitutionality of an apartment rent control ordinance, the New Jersey Supreme concluded that: “Similarly circumstanced landlords ... must be treated alike. Discrimination based upon the age of mortgages serves no legitimate purpose.” *Helmsley v. Borough of Fort Lee*, 394 A.2d. 65, 80-81 (1978).

<sup>37</sup> *Palacio de Anza v. Palm Springs Rent Review Com.*, 209 Cal.App.3d. 116 (1989)

<sup>38</sup> *El Dorado Palm Springs, Ltd.v. Rent Review Com.*, 230 Cal.App.3d. 335 (1991)

## ITEM I-2 ATTACHMENT 1

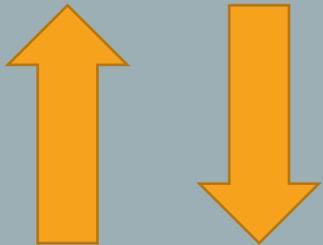
operating cost increases and provide for growth in net operating income over a base year. The standard has been approved in principle by the courts and in challenges to individual decisions applying the standard, its use has been consistently upheld.

In contrast, a rate of return standard would lead to a situation in which rent regulations could be overridden with investments which are not justified by the current rents. While the courts have not rejected a rate of return on investment standard in principle, courts have repeatedly qualified the scope of its use (e.g. for example, by holding that there is no right to a fair return on excessive investments.) In practice rate of return hearings require the application of a particular rate, when there is no single rate that is fair and the opinions of courts and experts about what rates of fair have widely diverged.

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# City of Richmond Rent Program

## SETTING STANDARDS FOR CHANGES IN THE MAXIMUM RENT



Community Workshops | December 2017



# AGENDA

- 1. Presentation**
  - 1. Purpose and Background**
  - 2. Standards for Maximum Rent Decreases**
  - 3. Standards for Maximum Rent Increases**
- 2. Breakout Groups**
- 3. Next Steps**
- 4. Closing**

# PURPOSE AND BACKGROUND



## PURPOSE OF THIS WORKSHOP

- 1. Provide an overview of the reasons for filing petitions for an individual increase or decrease in the maximum rent**
- 2. Gather community feedback on specific policy options**
  - All comments and notes will be shared with subject matter experts drafting regulations**
  - The Rent Board will consider regulations governing the petition process in December 2017 and January and February 2018**

# RENT REGULATION BASICS

- **The Richmond Rent Ordinance regulates the amount of rent that may be charged for a rental unit in two key ways:**
  1. **The Annual General Adjustment (Inflation, or Cost-of-Living Increase)**
    - **Equal to 100% of the change in the Consumer Price Index**
    - **2016: 3.0%**
    - **2017: 3.4%**
  2. **Individual increases or decreases in the maximum rent granted by the Rent Board Hearing Examiner during the petition process**

## NOT ALL RENTAL UNITS ARE REGULATED

- The following types of properties are exempt from limits on the amount of rent that may be charged (RMC 11.100.070):
  - Single family homes (one dwelling unit on one parcel)
  - Condominiums
  - New construction (unit built after 2/1/1995)
  - Units regulated by another governmental agency (e.g. Section 8, Tax Credit units)
  - Permitted small second dwelling units
  - Tenancies where the Landlord lives and shares a kitchen or bathroom with the Tenant(s)

# STANDARDS FOR MAXIMUM RENT DECREASES

# REASONS FOR FILING A PETITION TO DECREASE THE MAXIMUM RENT

- **Tenants may file a petition for a decrease in the maximum rent for the following reasons:**
  - 1. Habitability problems (e.g. broken appliances, pests) and/or code violations**
  - 2. Decrease in space or services**
  - 3. Decrease in the number of occupants allowed in the unit**
- **Tenants may also file an administrative complaint if the Landlord has failed to comply with the Rent Regulation standards and has charged more than the maximum allowable rent**

## HABITABILITY PROBLEMS: GENERAL STANDARD FOR RENT REDUCTION

- Generally, the amount of the rent reduction for habitability issues is calculated based on the following formula:

$$\text{Rent Decrease} = (\% \text{ of impairment of use}) \times (\text{maximum rent at the time})$$

### EXAMPLE

The washer and dryer in the rental unit have been broken for months. Upon reviewing the evidence, the Hearing Examiner determines the impairment of use to be 5%. At the time, the maximum rent was \$1,200.

$$\text{Rent Decrease} = (5\%) \times (\$1,200) = \$60 \text{ per month until washer and dryer are fixed.}$$

# CODE ENFORCEMENT VIOLATION: POTENTIAL MODELS FOR RENT REDUCTION

- The Landlord may be cited with a code violation if the “implied warranty of habitability” (Civil Code 1941.1) is breached.
- Rent reductions are calculated differently across rent control jurisdictions.

## Model #1: Percentage Decreases (Berkeley):

**Minor code violation (e.g. broken handrail) = no less than 10% rent reduction**

**Severe code violation (e.g. lack of heat) = 20% + rent reduction**

# CODE ENFORCEMENT VIOLATION: POTENTIAL MODELS FOR RENT REDUCTION (CONTINUED)

## [Model #2: Dollar Amount Ranges \(Santa Monica\):](#)

**Pest code violation: \$15 - \$175 reduction in monthly rent**

## [Model #3: Discretionary \(West Hollywood\):](#)

**Rent decreases are calculated on a case-by-case basis, depending on factors such as:**

- The extent to which the violation affected the Tenant(s)**
- Relative significance of the reduced habitability in relation to the safety, health, convenience and comfort of the tenants**
- Other factors deemed relevant by the Board**



## DECREASE IN SPACE OR SERVICES: GENERAL STANDARD FOR RENT REDUCTION

- **A rent reduction is typically granted in cases where the Landlord has caused the Tenant to suffer a decrease in housing services (e.g. security) or living space as compared to the space and services provided when the tenancy began.**
- **Generally, the amount of the rent reduction for a decrease in space or services is calculated based on the following formula:**

**Rent Decrease = (% of impairment of use) x (maximum rent at the time)**

### **EXAMPLE**

The Landlord was working to replace the windows in the living room. The contractors impaired the Tenant's ability to use the living room. Upon reviewing the evidence, the Hearing Examiner determines the impairment of use to be 10%. At the time, the maximum rent was \$1,200.

**Rent Decrease = (10%) x (\$1,200) = \$120 per month until the Tenant can utilize the living room**

## DECREASE IN SPACE OR SERVICES: ALTERNATIVE STANDARD FOR RENT REDUCTION

- **Alternatively, the Rent Board could adopt a formula based on the “commercially reasonable value of the service” at the time.**

$$\text{Reduced Rent} = (\text{maximum rent at the time}) - (\text{value of service})$$

### EXAMPLE

**A Landlord takes away a Tenant’s parking space. The Hearing Examiner determines the commercially reasonable value of a parking space in the area is \$100. At the time, the maximum rent was \$1,200.**

$$\text{Reduced Rent} = (\$1,200) - (\$100) = \$1,100 \text{ per month}$$

## DECREASE IN NUMBER OF OCCUPANTS: GENERAL STANDARD FOR RENT REDUCTION

- **The Richmond Rent Ordinance allows a Tenant to petition for a reduction in rent due to a decrease in the number of occupants allowed to live in the rental unit (based on the number of occupants allowed by the landlord at the beginning of the tenancy)**
- **Generally, the amount of the rent reduction for a decrease in occupants is calculated based on the following formula:**

$$\text{Rent Decrease} = (\% \text{ of reduction of allowable occupants}) \times (\text{maximum rent at the time})$$

### **EXAMPLE**

**A lease allows four Tenants to occupy a rental unit. One Tenant (25% of the total number of occupants) moves out. The Landlord does not allow that Tenant to be replaced.**

$$\text{Rent Decrease} = (25\%) \times (\$1,200) = \$300 \text{ per month}$$



# STANDARDS FOR MAXIMUM RENT INCREASES



# REASONS FOR FILING A PETITION TO INCREASE THE MAXIMUM RENT

- **Landlords may file a petition for an increase in the maximum rent for the following reasons:**
  - 1. Increase in maintenance or operating expenses (related to Fair Return)**
  - 2. Increase in property taxes (related to Fair Return)**
  - 3. Increase in the number of occupants**
  - 4. Increase in services, space, or amenities**
  - 5. Landlord has needed to make necessary capital improvements to comply with building, health, and/or safety codes**
  - 6. Landlord has charged extraordinarily low rents for an extended period of time**

## INCREASE IN NUMBER OF OCCUPANTS: STANDARDS FOR RENT INCREASE

- The Rent Board may adopt a percentage by which the maximum rent may be increased for each additional occupant above the base number.
- For legal reasons, the maximum rent may not be increased due to the addition of a Tenant's mother, father, child, or spouse.

**Example: Three Tenants live together in a rental unit. The rent is \$1,200. A sibling moves in with one of the Tenants, increasing the number of occupants to four.**

**The Rent Board determines the standard for increasing the rent is 10% for each additional occupant.**

**The new rent that may be charged is equal to:**

$$\mathbf{\$1,200 + (\$1,200 \times 10\%) = \$1,320}$$

## INCREASE IN SERVICES OR SPACE: POSSIBLE STANDARDS FOR A RENT INCREASE

City	Standard
<b>Berkeley</b>	Rent may be increased by a percentage (determined by the Rent Board) of the cost of adding additional space. For services, the rent increase is equal to the market value of the increased services or amenities.
<b>Santa Monica</b>	Utilizes a dollar amount range to calculate an increase in services provided (e.g. for the addition of laundry services rent may be increased \$30 - \$175)
<b>West Hollywood</b>	Utilizes a dollar amount range to calculate an increase in services provided (e.g. for the addition of parking rent may be increased \$77 - \$154)

**NOTE: Rent increases due to an increase in space or services must be pre-approved by the Tenant.**

## CAPITAL IMPROVEMENTS: POSSIBLE STANDARDS FOR A RENT INCREASE

- **Purpose of a Capital Improvement policy is to balance (1) a Landlord's ability to maintain and preserve quality rental units while receiving a fair rate of return, and (2) Tenants are afforded reasonable rent increases**
- **There is no single definition of the term "capital improvement" used by jurisdictions with rent control.**
  - **Narrowest definitions: Limited to structural improvements**
  - **Broadest definitions: May include aesthetic improvements**



## CAPITAL IMPROVEMENTS: POSSIBLE STANDARDS FOR A RENT INCREASE (CONTINUED)

- **Additional considerations for a Capital Improvement Policy:**
  - **Temporary vs. permanent rent increases**
  - **Capped percentages of pass-through costs (e.g. Landlord may pass-through 50% of cost, amortized such that rent increases may not exceed 10%)**
  - **Considering revenue associated with vacancy rent increases (“resetting” the rent to market rate) to offset costs of capital improvements**

## INCREASE IN EXPENSES: “FAIR RETURN” BASICS

- **Owners covered by rent regulations have a constitutional right to a fair rate of return on their rental property investment.**
- **The Courts are the ultimate arbitrators of what constitutes a fair rate of return.**
- **The Courts have not required the adoption of a particular standard for determining whether or not a fair return is achieved.**
- **Since a fair return standard is not specified in the Ordinance, determining what a fair return means in the City of Richmond must be done legislatively, through regulations adopted by the Rent Board.**



## INCREASE IN EXPENSES: “FAIR RETURN” BASICS ACCORDING TO THE COURTS

- In determining if a fair return has been achieved, Rent Boards must allow for growth in the Net Operating Income (NOI)

**Net Operating Income = All Revenue – All Expenses (excluding debt service)**

- The courts have determined that consideration of debt service has no rational basis. An owner’s individual financing scheme may not merit differences in the maximum rent that may be charged.

**Philosophical question: Should a Landlord who obtained less optimal financing terms (e.g. a higher interest rate) be able to charge higher rents?**

# INCREASE IN EXPENSES: POSSIBLE “FAIR RETURN” STANDARDS

Fair Return Standard	Calculation	Example Cities
<b>Maintenance of Net Operating Income (MNOI)</b>	Fair Rent = Base Year NOI adjusted by CPI increase since base year + operating expenses	Berkeley, East Palo Alto, Santa Monica, Los Angeles, West Hollywood, Oakland*, San Jose, Beverly Hills, Mountain View
<b>Return on Investment (ROI)</b>	Fair Rent = Operating expenses + X% of investment	None - Board would need to determine reasonable rate of return on investment
<b>Return on Value (ROV)</b>	Fair Rent = Operating expenses + X% of value	Not used – Courts determined this is circular
<b>Cost Pass-Through</b>	Fair Rent = Prior year rent + increase in operating costs over prior year	Oakland, San Francisco



# INCREASE IN EXPENSES: MNOI FAIR RETURN STANDARD

Definition of Maintenance of Net Operating Income (MNOI): The net operating income of the current year is compared to a base year, allowing for growth based on CPI and increases in operating expenses.

## Example Calculation:

- A Landlord owns a four-plex. In 2015, the rent was \$1,200 in each unit.

**Monthly revenue = \$1,200 x 4 units = \$4,800**

**Monthly expenses (30% of revenue) = \$1,440**

**Base Year (2015) monthly NOI = \$4,800 - \$1,440 = \$3,360**

## INCREASE IN EXPENSES: MNOI FAIR RETURN STANDARD (EXAMPLE CONTINUED)

- It is now the year 2020, and the Landlord's expenses have increased. The Landlord files a petition on the grounds that they are no longer able to receive a fair return since expenses have increased more than the rent pursuant to the Annual General Adjustment (*let's assume the combined AGA rent increases were 15% between 2015 and 2020.*)

**New monthly revenue = \$1,380 x 4 units = \$5,520**

**Monthly expenses (40% of revenue) = \$2,208**

**Year 2020 monthly NOI = \$5,520 - \$2,208 = \$3,312**

- The Hearing Examiner applies the change in the Consumer Price Index between 2015 and 2020 to the Net Operating Income and rents (*let's assume the combined change in the CPI was 15% between 2015 and 2020.*)

**Permitted 2020 Net Operating Income based on 15% change in CPI = \$3,864**

- The Hearing Examiner determines the rent in each unit may be increased to \$1,518, which allows the Landlord to maintain the same Net Operating Income as the Base Year, including the change in the Consumer Price Index.

- Examples: Berkeley, East Palo Alto, Santa Monica, Los Angeles, West Hollywood, San Jose, Beverly Hills, Mountain View

## INCREASES IN EXPENSES: ALTERNATIVE FAIR RETURN STANDARDS USED IN RENT CONTROL CITIES

**Modified MNOI:** The MNOI standard is modified slightly, to allow for pass-through of cost increases over the prior year without consideration of a base year NOI

- **Examples: Oakland, San Francisco**

**Some Rent Boards have not adopted one standard. Instead, they have a list of factors the Hearing Examiner can consider in making their determination.**

- **Examples: Alameda, Los Gatos, Hayward**



## HISTORICALLY LOW RENTS: POSSIBLE STANDARDS FOR A RENT INCREASE

- **Purpose of such a policy is to allow an adjustment of the Base Rent when the Base Rent drastically misrepresented market conditions at the time**
- **Option 1: Rent Program staff could prepare a study of market-rate rents for the base year (e.g. 2015) and current year. Landlord would then bring corresponding evidence of historically low rents.**
- **Option 2: Landlords could be required to present an appraisal report to substantiate the request; Rent Program staff would prepare an independent analysis**
- **Rent Board could consider a cap on the resulting rent increase to curb excessive rent increases**

# BREAKOUT GROUPS

**Group 1: Increases in Operating Expenses, Fair Return Standards**

*City Council Chambers – Main Room*

**Group 2: Increases or Decreases in Space, Services or Habitability**

*City Council Chambers – Side Staff Room #1*

**Group 3: Capital/Building Improvements**

*City Council Chambers – Side Staff Room #2*

**Group 4: Historically Low Rents**

*City Council Chambers – Shimada Room*

## NEXT STEPS

- Individual comment cards and breakout session notes will be shared with subject matter experts drafting regulations
- The Rent Board will consider standards for increasing and decreasing the maximum rent in December 2016, January 2017, and February 2017
- Comments may also be submitted in writing at the following addresses:
  - Email: [rent@ci.richmond.ca.us](mailto:rent@ci.richmond.ca.us) (please put “ATTN: BOARDMEMBERS” in subject line)
  - Mail: City of Richmond Rent Program, Attn: Rent Board, 440 Civic Center Plaza, Suite 200, Richmond, CA 94804

# THANK YOU

**Nicolas Traylor, Rent Program Executive Director**

**440 Civic Center Plaza, Suite 200**

**Richmond, CA 94804**

**(510) 620-6564**

**[nicolas\\_traylor@ci.richmond.ca.us](mailto:nicolas_traylor@ci.richmond.ca.us)**



City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops

FEEDBACK WORKSHEET

Group I: Increases in Operating Expenses, Fair Return Standards

Name: [Redacted]

Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [Redacted]

1.) What do you think are the most important factors to consider in setting a fair return standard?

Improvement cost, ~~Rep~~ Repair cost, Legal cost, insurance cost to landlord, ~~insurance cost~~ <sup>cost</sup> ~~lost in rent~~ due to not able to ~~enforce~~ ~~enforce~~ add addendum to the current lease. (Such as tenant not buy tenant insurance but landlord cannot enforce it, and now subject landlord of high risk and higher ~~cost~~ ~~of~~ ~~lost~~ and liabilities.

2.) What did you like or dislike about any of the fair return models presented?

~~Interest~~ mortgage is very different from one investor to another, my mortgage is not on the book of this calculation. So unfair for me to consider mortgage rate.

3.) Please share any additional comments in the space below:

[Empty lined space for additional comments]

**City of Richmond Rent Program  
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**FEEDBACK WORKSHEET**

**Group 1: Increases in Operating Expenses, Fair Return Standards**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in setting a fair return standard?

*So imp't that we don't have to jump through hoops to get a fair return - maybe something long in writing to give to tenants.*

2.) What did you like or dislike about any of the fair return models presented?

3.) Please share any additional comments in the space below:

City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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FEEDBACK WORKSHEET

Group I: Increases in Operating Expenses, Fair Return Standards

Name: [REDACTED]

Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant  Landlord  Realtor  Attorney  Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in setting a fair return standard?

insurance  
monthly costs - mortgage amt, ~~total~~ utilities, services (landscaping maintenance)  
yearly costs - fees - rent board, inspection, business license, property taxes  
+ % for maintenance - plumber services, painting, caulking, roof repairs  
depreciation of  
do not consider property value as this can't be realized unless selling property

2.) What did you like or dislike about any of the fair return models presented?

MNOI - OK but excluding debt service in face at roll back is a trap that has put some LL in red  $\bar{u}$  (no) return or negative return <sup>see</sup> <sub>back</sub>  
ROI what is the investment? - includes mortgage payment?  
ROV - vague - what is "value"  
Cost Pass-Through add in CPI: prior rent + CPI + increase in operating costs

3.) Please share any additional comments in the space below:

Renters protected by laws that keep rents low at the expense of others (property owners, taxpayers etc) should have to qualify for this benefit by showing financial need

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET**

**Group I: Increases in Operating Expenses, Fair Return Standards**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>  
Identity (check one): Tenant Landlord Realtor Attorney Other  
Phone Number [REDACTED]

1.) What do you think are the most important factors to consider in setting a fair return standard?

Allow the landlord to set their own fair rent for their unit. After that the rule can apply with a 3% per year increase if they choose to raise it.

2.) What did you like or dislike about any of the fair return models presented?

Why is Richmond ~~considering~~ adopting a Rent program?  
What is the rent fee used for?

If a landlord decides to lower the rent for whatever reason they want, do they need to file a petition?

3.) Please share any additional comments in the space below:

It's not fair that a single family dwelling is exempt but a duplex has to fall ~~under~~ under rent program. Another issue is a duplex shouldn't have pay for each unit. It should only be a single charge for the building. We are already paying business license fee per year.

NEXT PAGE

**City of Richmond Rent Program  
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**FEEDBACK WORKSHEET**

**Group 1: Increases in Operating Expenses, Fair Return Standards**

Name: \_\_\_\_\_ Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one):  Tenant  Landlord  Realtor  Attorney  Other

Phone Number: \_\_\_\_\_

1.) What do you think are the most important factors to consider in setting a fair return standard?

Tax courts

2.) What did you like or dislike about any of the fair return models presented?

To be adopted by the Rent Board

3.) Please share any additional comments in the space below:

I am very distrust about the fact  
that a Developer with tax credits  
and getting millions of dollars in  
grants they can increase and  
increase the rent

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET**

**Group 1: Increases in Operating Expenses, Fair Return Standards**

Name: \_\_\_\_\_

Date (circle one): Dec. 4<sup>th</sup>      Dec. 9<sup>th</sup>

Identity (check one):     Tenant       Landlord       Realtor       Attorney       Other

Phone Number: \_\_\_\_\_

1.) What do you think are the most important factors to consider in setting a fair return standard?

FOR 85 YEARS, FROM 1926 TO 2011, THE AVERAGE RETURN OF S.P 500 IS 11.69%. NOW THE GOVERNMENT DECIDE THAT MY ~~CAN~~ FAIR RETURN IS NGK TO NGK WITH INFLATION

2.) What did you like or dislike about any of the fair return models presented?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3.) Please share any additional comments in the space below:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET**

**Group I: Increases in Operating Expenses, Fair Return Standards**

Name: \_\_\_\_\_ Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: \_\_\_\_\_

1.) What do you think are the most important factors to consider in setting a fair return standard?

A - ~~the~~ Buildings with over 4-units are subject to refinancing every 3-5 years. That's a costly affair, plus the risk of increase in interest rate. A reserve must be built up to deal with this issue.

B - Amount of time it takes to manage all repairs and operations.

2.) What did you like or dislike about any of the fair return models presented?

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3.) Please share any additional comments in the space below:

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**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET**

**Group 1: Increases in Operating Expenses, Fair Return Standards**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant  Landlord Realtor Attorney Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in setting a fair return standard?

What to do about increase costs due to utilities?

we pay P&E, WATER + GARBAGE

2.) What did you like or dislike about any of the fair return models presented?

3.) Please share any additional comments in the space below:

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET**

**Group 1: Increases in Operating Expenses, Fair Return Standards**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant  Landlord  Realtor  Attorney  Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in setting a fair return standard?

QUALITY OF LIVABILITY OF PREMISES - ADDITIONAL IMPROVEMENT FOR RESIDENCE COMFORT - LOW RATES

2.) What did you like or dislike about any of the fair return models presented?

PRIOR TO RENT CONTROL - ADDITIONAL MEMBERS ADDED W/O RENT INCREASES - CAN THIS BE RETROACTIVE FOR RENT INCREASE -

3.) Please share any additional comments in the space below:

[Empty lined space for additional comments]

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET**

**Group 1: Increases in Operating Expenses, Fair Return Standards**

Name: \_\_\_\_\_

Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one):    Tenant    Landlord    Realtor    Attorney    Other

Phone Number: \_\_\_\_\_

1.) What do you think are the most important factors to consider in setting a fair return standard?

*Annual NOI stays above the AGI*

2.) What did you like or dislike about any of the fair return models presented?

*Did Not Agree 2 Any models!*

3.) Please share any additional comments in the space below:

**City of Richmond Rent Program  
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**FEEDBACK WORKSHEET**

**Group 1: Increases in Operating Expenses, Fair Return Standards**

Name: [REDACTED]

Date (circle one): Dec. 4<sup>th</sup>

Dec. 9<sup>th</sup>

Identity (check one):

Tenant

Landlord

Realtor

Attorney

Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in setting a fair return standard?

That operating expenses can increase suddenly based on changes in tax policy / code regulations / laws. Landlords have no control over this & the process should be simple to understand & simple for landlords to apply for rent increases based on the fair return standard.

2.) What did you like or dislike about any of the fair return models presented?

I do not like the ROI model. I do not trust the Rent Board to set a reasonable ROI. I like the MROI model since it allows the fact that the landlord made a good investment in the first place to be taken into account.

3.) Please share any additional comments in the space below:

**City of Richmond Rent Program  
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**FEEDBACK WORKSHEET**

**Group I: Increases in Operating Expenses, Fair Return Standards**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in setting a fair return standard?

Setting new lease in timely fashion; following the rules (all like/want to), if a new lease is produced by landlord (addendums of old) but tenant refuses to comply? Just paying at old lease rate [month-to-month] constitute tenant non-conformity?

2.) What did you like or dislike about any of the fair return models presented?

Inabilities to establish transparent remedial courses of action regarding tenant & landlord responsibilities for claims and actions.

3.) Please share any additional comments in the space below:

Previous to Rent Control Board (RCB) leases could provide advice only for "Renter's Insurance" as a maintenance of the lease; Would landlord creating a rule to require renter's insurance be considered a "rent increase"?

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name:

[REDACTED]

Date (circle one): Dec. 4<sup>th</sup>

Dec. 9<sup>th</sup>

Identity (check one):

Tenant

Landlord

Realtor

Attorney

Other

Phone Number:

[REDACTED]

- 1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

Rents should be based on values extrapolated from non rent controlled properties.  
Rents should be increased gradually over time rather than adjusted all at once.  
Two to three year time period.

- 2.) What did you like or dislike about any of the standards or policy options presented?

No account has been taken of the economic changes in the area, gentrification & high property values that are continuing to increase.

- 3.) Please share any additional comments in the space below:

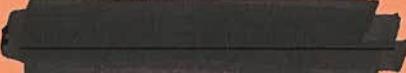
The rent control program is an insurance program for tenants, it serves the tenants interests exclusively. It is galling that the landlord should be required to pay for a service that serves the tenant and damages the landlord. Furthermore the city of Richmond collects the insurance premiums and then make the landlord provide the service without compensation.

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

*\*  
call me please*

**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

*Thanks*

Name: 

Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one):    Tenant    Landlord    Realtor    Attorney    Other

Phone Number: 

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

*It is essential to have the city do a basic analysis of market rate based on 2015*

2.) What did you like or dislike about any of the standards or policy options presented?

3.) Please share any additional comments in the space below:



**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name: [Redacted]

Date (circle one): Dec. 4<sup>th</sup> **Dec. 9<sup>th</sup>**

Identity (check one): Tenant Landlord Realtor Attorney **Other**  
*Spouse*

Phone Number: [Redacted]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

*Historically low rent should be exempt to rent control - with the understanding that the rent stays at a certain pay point.*

2.) What did you like or dislike about any of the standards or policy options presented?

*I dislike rent control all together - we only have three tenants and they are paying more than half the rent they could be paying - We are in the hole and are paying the City for what?*

3.) Please share any additional comments in the space below:

[Empty lined space for additional comments]

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name: [REDACTED] Date (circle one) Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant  Landlord  Realtor  Attorney  Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

Establishing a \$ amount for a unit + rent increases instead of taking the rents changed in 2015! This base year is ~~unjust~~ <sup>unfair</sup> for landlords!

2.) What did you like or dislike about any of the standards or policy options presented?

What would the appraisal report entail?  
The landlord can not be burdened with more <sup>research</sup> work. It is relatively easy to find out what a certain unit rents in a certain area.

3.) Please share any additional comments in the space below:

We have a situation with historically low rents, too many occupants per units (compared to the leases) + a building that needs a ton of work.

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name: [REDACTED]

Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents? INCREASE - DECREASE

Amount of tenants in the unit  
IF Tenant is disabled SSI SDI  
IF Tenant has disabled children

OPTION 2

2.) What did you like or dislike about any of the standards or policy options presented?

IL looks like is adress to landlords

3.) Please share any additional comments in the space below:

I wish there were more tenants in the audience.

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET**

**Group 4: Historically Low Rents**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant  Landlord  Realtor  Attorney  Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

- ① LENGTH OF OWNERSHIP OF PROPERTY
- ② LENGTH OF TENANT OCCUPANCY
- ③ HUD CONTRA COSTA RENTAL RATE 2015 (RENT ROLLBACK) (BASE RENT)

2.) What did you like or dislike about any of the standards or policy options presented?

THE ROLLBACK TO 2015 (BELOW MARKET)  
RENTAL RATES DUE TO RENTAL ORDINANCES

3.) Please share any additional comments in the space below:

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**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET**

**Group 4: Historically Low Rents**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant  Landlord  Realtor  Attorney  Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

- ① What are standard rents for a certain <sup>type of</sup> unit.
- ② How far below the standard is your current rent?
- ③ How much would you have to raise it to reach standard?
- ④ What other factors except # of bedrooms will determine value of unit? Sq. ft.; locations

2.) What did you like or dislike about any of the standards or policy options presented?

~~As~~ Landlords who are maintaining units in excellent condition or making improvements should be able to raise rents a certain amount. Historically low rents should be able to raise it up to average <sup>for condition, location, etc</sup>

3.) Please share any additional comments in the space below:

The City inspected my rental units and required me to repair certain things, which I did. However, that did not give me the right to raise the rent. If you maintain it, then you should be allowed to raise it if it is much lower than the average or standard.

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

X

Name: [REDACTED]

Date (circle one): Dec. 4<sup>th</sup>    Dec. 9<sup>th</sup>

Identity (check one):    Tenant    Landlord    Realtor    Attorney    Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

There are websites that report average rents - Base rent should be some percentage of average rent  
Average rent in July 2015 Average rent \$2000  
so base rent 80% of 2000 = \$1600 For 2 Bedr  
One Bath

2.) What did you like or dislike about any of the standards or policy options presented?

All About Rent  
Value of income property => RENT

3.) Please share any additional comments in the space below:

[Empty lined space for additional comments]

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

make it fair. It should not be based on what we historically charged

2.) What did you like or dislike about any of the standards or policy options presented?

3.) Please share any additional comments in the space below:

What about sweat equity?  
What about ~~what we have~~ doing our own work?

Rent-O-Meter 2015 was 2000 for 2 BR  
Rent Jungle 2015 was 2000 for 2 BR

Some landlords, like us, would be happy to help.

**City of Richmond Rent Program  
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December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

*what is current market rate?*

2.) What did you like or dislike about any of the standards or policy options presented?

3.) Please share any additional comments in the space below:

*Have A work shop  
specifically for  
historically low rents*

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name: 

Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one):    Tenant      Landlord      Realtor      Attorney      Other

Phone Number: 

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

We been getting low rents all the time when rent control was set we end up with low rents. I think we should set an average rent for 2015, the city should use the sec. 8 rent for 2015 and allowed owner to increase to used that as base rent.

2.) What did you like or dislike about any of the standards or policy options presented?

I like that the city is protecting our ~~zetta~~ people. But ~~rent~~ the increasing should start on 2015 ~~at~~ at the maximum amount of rent increase allowed.

3.) Please share any additional comments in the space below:

IF we go back to 2015 the city should allow us to at leas keep the rents that we got until now, and not return them.  
Fairnes for us who charged lower rents is very important.

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET**

**Group 4: Historically Low Rents**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one):    Tenant        Landlord        Realtor        Attorney        Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

*What is the standard      Take 3 years to adjust rent  
to current standard*

2.) What did you like or dislike about any of the standards or policy options presented?

3.) Please share any additional comments in the space below:

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant  Landlord  Realtor  Attorney  Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

~~the most important factors~~ Determine what's the average rent in your area for the last 2 years. allow landlord to increase at a % per year to get up to fair market rent within 3 years

2.) What did you like or dislike about any of the standards or policy options presented?

This workshop should have been broke up into the workshop that you're interested in. I wasn't concerned about the other workshops

3.) Please share any additional comments in the space below:

If your rent is low and the tenant moves out. Can you ~~you~~ set the new rent at the market value?

City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops

FEEDBACK WORKSHEET  
Group 4: Historically Low Rents

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

Flexibility in how long a landlord is able to take to get rent readjusted upwards. Landlords should not be punished for being nice to their tenants. The rent control ordinance that was passed feels like it is specifically punishing nice landlords.

2.) What did you like or dislike about any of the standards or policy options presented?

who are not taking advantage of their tenants. If rent was significantly below market in 2015 there should be procedures in place to get rents up to a fair level.

3.) Please share any additional comments in the space below:

The relocation fees should be tied to how much rent is currently being charged. One price for relocation does not fit all. It's unfair for landlords who have historically charged low rents to pay these high relocation fees which can be 5-10x the amount of the monthly rent.

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name: [redacted] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [redacted]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

*whether your rent in 2015 was at fair market value at that time.*

2.) What did you like or dislike about any of the standards or policy options presented?

*option 1 - are the landlords corresponding evidence weighed in the same amount as rent staff.*

3.) Please share any additional comments in the space below:

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name: [REDACTED]

Date (circle one): Dec. 4<sup>th</sup>

Dec. 9<sup>th</sup>

Identity (check one): Tenant

Landlord

Realtor

Attorney

Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

I would like the flexibility to reset to market rates over months or years. For example, rent is 50% of market, instead of raising 50% at once, raising 10% per year over 5 years, or 1% per month over 5 years. Without petitioning separately each year.

2.) What did you like or dislike about any of the standards or policy options presented?

3.) Please share any additional comments in the space below:

Relocation fees should be a percentage of rent, or number of months of rent. (for example, 3 months worth of rent currently charged). A flat fee does not take into consideration of differences in rent charged. The relocation fee for one property might be 2 months of rent, and equal 10 months of another. This incentivizes landlords to charge the most rent they can get away with, and penalizes landlords who charge below market.

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

f  
Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

- level of rent at base year vs market rate rent

- history of rent increases over duration of tenancy

- ensuring that market rates are established per neighborhood or zip code

2.) What did you like or dislike about any of the standards or policy options presented?

Option 1 seems fair

Option 2 ~~seems~~ makes landlords spend money on an appraisal when the City is already doing an analysis - seems like a duplicate effort. It should be that the City should do the analysis & ~~the~~ the landlord has

3.) Please share any additional comments in the space below: →

it's critical that the rent appraisals, both historic & current, are done by neighborhood, not city-wide since rents are vastly different in different areas in Richmond (ie Point Richmond vs Iron Triangle)

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> **Dec. 9<sup>th</sup>**

Identity (check one): Tenant **Landlord** Realtor Attorney Other

Phone Number: [REDACTED]

25% a year increase with Section 8

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

new buildy / units purchase and equate rent units to a proper market value

2.) What did you like or dislike about any of the standards or policy options presented?

3.) Please share any additional comments in the space below:

Ⓢ would like all consultations

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

*Prevailing Market Rates*

2.) What did you like or dislike about any of the standards or policy options presented?

*Look at clarity in the process plus the caps on adjustments.*

3.) Please share any additional comments in the space below:

*There should be flexibility and expediency in making adjustments based on market rate adjustments. The city should publish market rates on a zip code by zip code basis.*

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

*Landlords who have been fair all along  
Landlord are being penalized and unable  
to operate due to the reversing to 2015 rates.*

2.) What did you like or dislike about any of the standards or policy options presented?

*I like option 1. - Landlords would like to  
be made whole*

3.) Please share any additional comments in the space below:

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

f Name [redacted] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [redacted]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

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2.) What did you like or dislike about any of the standards or policy options presented?

Need to start w/ information about newly assigned rental properties & how how landlords can determine what the baseline should be or where to go to get this information.

3.) Please share any additional comments in the space below:

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**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name: [REDACTED]

Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant  Landlord  Realtor  Attorney  Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

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2.) What did you like or dislike about any of the standards or policy options presented?

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3.) Please share any additional comments in the space below:

For my 2 properties, I haven't really considered raising rents. Both tenants are exceptional, problem free, and actually help me maintain the dwellings. Since because of my current good standing & cooperation with tenants, I don't want to take part in this rent program. If either tenant should decide to move, I plan to take the property off the rental market & sell or offer the space to friend or family. Neither of my properties are good investments to make an income. Property #1 annual net = \$14,000  
Property #2 annual net = minus \$14,000

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name: [REDACTED]

Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

*the increases in taxes*  
*utilities*  
*costs of maintenance & repairs*  
*etc.*

2.) What did you like or dislike about any of the standards or policy options presented?

[Empty lines for response]

3.) Please share any additional comments in the space below:

*I feel for new owners of rent controlled bldgs. They have paid way too much and need to meet their high expenses in 2nd yr. at the latest.*

[Empty lines for response]

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET  
Group 4: Historically Low Rents**

Name: [REDACTED]

Date (circle one): Dec. 4<sup>th</sup>

Dec. 9<sup>th</sup>

Identity (check one): Tenant

Landlord

Realtor

Attorney

Other

Phone Number [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

*To obtain fair return for landlord*

2.) What did you like or dislike about any of the standards or policy options presented?

*It doesn't work*

3.) Please share any additional comments in the space below:

*Need more landlord meetings.*

City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops

FEEDBACK WORKSHEET  
Group 4: Historically Low Rents

Name: [REDACTED]

Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant  Landlord  Realtor  Attorney  Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent due to historically low rents?

Should use market rent ~~or~~ from other public source like zillows and single family home rent where rentrol is not being impacted to reflect a true Nutrual Rent baseline.

2.) What did you like or dislike about any of the standards or policy options presented?

Current Rate cap or base rent standard Penelize Landlords being kind to tenant.

and Penelized for not having professional staffing to keep up the ~~day~~ year to year rent update.

3.) Please share any additional comments in the space below:

I want ~~Rent~~ adjustment to allow lost in utilities fee (such as water, gabage fee) that was allowed in original contract, but not allowed now.

eg. I charge water \$45 Flat on contract least so my ~~but I now~~ rent can be lower. but I ~~na~~ ~~not~~ can not charging ~~ing~~ that now because no seperate water meter.

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET  
Group 3: Capital/Building Improvements**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for capital improvements?

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2.) What did you like or dislike about any of the standards presented?

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3.) Please share any additional comments in the space below:

*If a tenant and a landlord have a good working relationship and both agree that they do not want to be part of or participate in the rent control system they should be able to opt out. At the same time if the tenant wishes to join in later for a set minimum period of time that should be allowed as well.*

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET  
Group 3: Capital/Building Improvements**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup>    Dec. 9<sup>th</sup>

Identity (check one):    Tenant    Landlord    Realtor    Attorney    Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for capital improvements?

*to make improvement for rent increases*

2.) What did you like or dislike about any of the standards presented?

[Blank lines for response]

3.) Please share any additional comments in the space below:

[Blank lines for response]

X  
City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops

**FEEDBACK WORKSHEET**  
**Group 3: Capital/Building Improvements**

Name: [redacted] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [redacted]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for capital improvements?

~~THE~~ CAPITAL IMPROVEMENTS MEAN AN INCREASE  
THE PROPERTY VALUE. DOES THE TENANT HAVE TO  
PAY FOR THE LANDLORD'S INCREASE OF PROPERTY VALUE?

2.) What did you like or dislike about any of the standards presented?

3.) Please share any additional comments in the space below:

When I moved into the property  
gum fire was prevalent in the neighborhood  
because of stable rent like me moved in  
the neighborhood became more desirable,  
my rents go up, without regard for the  
fact that I helped improve property  
VALUE!!

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 3: Capital/Building Improvements**

Name: [REDACTED] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant  Landlord  Realtor  Attorney  Other

Phone Number: \_\_\_\_\_

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for capital improvements?

Allowing for reasonable time period for the cost of repair to be amortized. For example a maximum of 5 years and 75% pass through. Not allowing this creates an increasingly dilapidated housing market.

2.) What did you like or dislike about any of the standards presented?

Staff seems very considerate. I would like a bit more direction on what is really being considered.

3.) Please share any additional comments in the space below:

I've always advocated balance. This program does not as it is written provide that balance. Hopefully the rent board corrects some of this and restores some balance. It would help maintain a positive relationship between both parties.

Also some clarity on breach. For example after how many late payments is a tenant considered in breach.

**City of Richmond Rent Program  
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**FEEDBACK WORKSHEET  
Group 3: Capital/Building Improvements**

Name: [Redacted]

Date (circle one): Dec. 4<sup>th</sup>    Dec. 9<sup>th</sup>

Identity (check one):     Tenant     Landlord     Realtor     Attorney     Other

Phone Number: [Redacted]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for capital improvements?

*capped percentage of pass-through cost*  
*Rent increase NOT to exceed 10%*

2.) What did you like or dislike about any of the standards presented?

*It really does not apply to my living conditions.*

3.) Please share any additional comments in the space below:

[Empty lined space for additional comments]

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 3: Capital/Building Improvements**

Name: [redacted]

Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant  Landlord  Realtor  Attorney  Other

Phone Number: [redacted]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for capital improvements?

with Trump's new tax law, we may not be able to deduct these costs from our income  
capital improvements should increase should = 100% of cost of project  
increase should be in addition to CPI - total increases may be capped at 10% or 15% with proper notice.

2.) What did you like or dislike about any of the standards presented?

if cap is lower than 10%, the capital improvement increase should be permanent and add to the base rent of the unit  
costs should include the costs of financing

3.) Please share any additional comments in the space below:

consider low interest loans for capital improvement projects - it is hard to save for projects under rent control

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 3: Capital/Building Improvements**

Name: [redacted] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [redacted]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for capital improvements?

Owners need to be able to recoup capital impr.  
Tenant & LL should be able to negotiate  
Non capital improvements... Guidelines could help.  
The past RB should advocate cooperation.

2.) What did you like or dislike about any of the standards presented?

3.) Please share any additional comments in the space below:

I own property in Oakland & Berkeley ~~also~~ also.  
Please feel free to reach out ~~to~~ for additional comments  
~~I am a~~ I am very experienced in this area.

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 3: Capital/Building Improvements**

Name [redacted] te (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant  Landlord Realtor Attorney Other

Phone Number: [redacted]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for capital improvements?

*Should consider all items/improvements made on an individual basis. - including roof, heating, electrical, windows, new kitchens + baths.*

2.) What did you like or dislike about any of the standards presented?

*need to make sure the standard is not narrow. need to review most/all capital improvements to be passed on, if not, landlords will not provide the improvement. Then buildings become eyesores.*

3.) Please share any additional comments in the space below:

*We are long term landlords, and have always been fair + want to continue to be. But if capital improvements ~~at~~ a wide variety of them cannot be passed on, then most capital improvements will not be completed.*

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 3: Capital/Building Improvements**

Name: [REDACTED]

Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for capital improvements?

type of improvements, benefits to tenant,

2.) What did you like or dislike about any of the standards presented?

I like the change in historic rents, and questions and concerns around capital improvements

3.) Please share any additional comments in the space below:

City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops

**FEEDBACK WORKSHEET**  
**Group 3: Capital/Building Improvements**

Name: [redacted]

Date (circle one): Dec. 4<sup>th</sup>

Dec. 9<sup>th</sup>

Identity (check one):

Tenant

Landlord

Realtor

Attorney

Other

Phone Number: [redacted]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for capital improvements?

That capital improvements ~~should~~ are permanent improvements and the rent increases should be permanent based on capital improvements if

2.) What did you like or dislike about any of the standards presented?

Pass through costs ~~should~~ (the percentage you can pass on) should take into account how long the tenant has been there. I disagree on capping the percentage of pass through costs because if the tenant is never going to leave then they are getting

3.) Please share any additional comments in the space below:

all the benefit. "Capital improvements" should include aesthetic improvements

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET  
Group 3: Capital/Building Improvements**

X Name: [redacted]

Date (circle one): Dec. 4<sup>th</sup>

Dec. 9<sup>th</sup>

Identity (check one): Tenant

Landlord

Realtor

Attorney

Other

Phone Number: [redacted]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for capital improvements?

2.) What did you like or dislike about any of the standards presented?

3.) Please share any additional comments in the space below:

*I have concerns about the Temporary Relocation Payments:*

- Is there a cap on the payments?*
- What if the tenant caused damage that requires relocation? (!)*
- What about relocation due to "natural" disasters like earthquakes, wildfires, floods...*

*(My current tenants have 3 dogs and 1 cat... My future tenants might not be allowed to have any pets!)*

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET  
Group 3: Capital/Building Improvements**

Name: [REDACTED]

Date (circle one): Dec. 4<sup>th</sup>

Dec. 9<sup>th</sup>

X Identity (check one): Tenant

Landlord

Realtor

Attorney

Other

Phone Number: [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for "capital improvements"?

Determining whether the proposed work is required or necessary to ~~maintain~~ <sup>comply with</sup> health & safety codes or an optional upgrade. If it's an optional upgrade, ordinance doesn't allow for rent increases.

Even if work is necessary for code compliance, landlord is responsible for doing regular maintenance & this should be

2.) What did you like or dislike about any of the standards presented?

covered by base rent.

Painting, re-roofing, etc. are large expenses that are necessary from time to time + not optional capital improvements. Landlords could potentially use MNOI to ensure "fair return" based on these expenses amortized over time.

3.) Please share any additional comments in the space below:

Giving tenants the option to pre-approve optional capital upgrades along with a rent increase could be considered, but there is a danger that it could be misused, if tenants are unfairly pressured into agreeing to such upgrades.

\* Billing question - haven't rec'd invoice \* see bottom, too  
for my triplets (2 units are rentals)

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET  
Group 3: Capital/Building Improvements**

Name: [redacted] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [redacted]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for capital improvements?

*definition of capital improvements with primary examples*  
*how to get some fair return*  
*how handle this with new leases*

2.) What did you like or dislike about any of the standards presented?

3.) Please share any additional comments in the space below:

*retroactive*  
*more meetings! even on ordinance*

*Another issue: Hotels, motels, inns, tourist rentals, etc. are a separate business model & should NOT be subject to rent control or just cause for eviction if they stay more than 13 days. Reason: reservations are made in advance.*

MAY NEED TO GO TO VOTERS.

City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops

Wants  
to  
schedule  
appt

-page emailed

**FEEDBACK WORKSHEET**

**Group 3: Capital/Building Improvements**

X

Name: [redacted]

Date (circle one): Dec. 4<sup>th</sup>

Dec. 9<sup>th</sup>

Identity (check one): Tenant  Landlord  Realtor  Attorney  Other

Phone Number: [redacted]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for capital improvements?

should depend on if its necessary or not necessary

2.) What did you like or dislike about any of the standards presented?

very confusing needs to be explained clearly

3.) Please share any additional comments in the space below:

I would like to schedule appointment to resolve my bill but also have other questions

more meetings

City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops

FEEDBACK WORKSHEET

Group 3: Capital/Building Improvements

Name: [REDACTED]

Date (circle one): Dec. 4<sup>th</sup>

Dec. 9<sup>th</sup>

Identity (check one):

Tenant

Landlord

Realtor

Attorney

Other

Phone Number: [REDACTED]

- 1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for capital improvements?

It should be retroactive to year 2015 when I made capital improvements! (New bathroom, Appliances, Carpet, paint) and tenant moved in 1 mo later in May 15 2015 and rent was frozen & should be allowed to raise the rent to reflect these improvements.

- 2.) What did you like or dislike about any of the standards presented?

I thought the ~~presenter~~ presenter MB TRAYLOR was excellent. There are ~~no~~ little facts as yet so we are somewhat confused. Lets have more dialogue!!!  
+ workshops

- 3.) Please share any additional comments in the space below:

HISTORICALLY RENTS should be #1 PRIORITY! Why should benevolent landlords be punished?

Why are tenants incomes all not factored into to rent CONTROL formulas. My tenant teaches tennis 2 dgs a week. He doesn't need to work more because his rent is frozen.

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET  
Group 3: Capital/Building Improvements**

Name: [REDACTED]

Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number [REDACTED]

1.) What do you think are the most important factors to consider in establishing standards for increasing the rent for capital improvements?

Capital Improvement cost from past 5 Years  
Should be included to the rent rate adjustment

upgrade to the unit or the property Should be Consider to  
Adjust on rent.

2.) What did you like or dislike about any of the standards presented?

did not get to attend this group.

3.) Please share any additional comments in the space below:

I have very big Improvement cost.  
I want it to be allowed on use it on  
operating expense calculation

Call Back



# City of Richmond Rent Program Setting Standards for Changes in the Maximum Rent December 2017 Community Workshops

## FEEDBACK WORKSHEET

### Group 2: Increases or Decreases in Space, Services or Habitability

Name: [Redacted]

Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [Redacted]

1.) What do you think are the most important factors to consider in establishing rent increase or decrease standards for increases or decreases in services, or habitability issues?

? We pay <sup>AW</sup> utilities PGE, water, garbage  
if they are overusing  
overusing garbage - extra bills  
from Republic Services?

2.) What did you like or dislike about any of the standards presented?

Confusion - too many references to  
other cities.

3.) Please share any additional comments in the space below:

Confused about occupancy -  
i.e. if there are 4 people and one  
moves out - decrease by 25% \*  
but if another person moves in  
it only increases by 10%

\* Can we do a background check on  
the <sup>4<sup>th</sup></sup> person

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET**

**Group 2: Increases or Decreases in Space, Services or Habitability**

Name: \_\_\_\_\_

Date (circle one): **Dec. 4<sup>th</sup>**

Dec. 9<sup>th</sup>

Identity (check one):    **Tenant**        **Landlord**        **Realtor**        **Attorney**        **Other**

Phone Number: \_\_\_\_\_

1.) What do you think are the most important factors to consider in establishing rent increase or decrease standards for increases or decreases in services, or habitability issues?

~~DE~~ ASSUMING THAT LANDLORD DOESN'T CHANGE NUMBER OF OCCUPANCY, DOES LANDLORD HAS ANY CHOICES IN ~~WHAT~~ KIND OF PERSON CREDIT OF REPLACEMENT TENANT.

2.) What did you like or dislike about any of the standards presented?

ED FOR 85 YEARS, FROM 1926 TO 2011, THE AVERAGE RETURN OF S P 500 IS 11.69%. NOW THE GOVERNMENT IS GOING TO TELL ME THAT MY FAIR RETURN IS ONLY KEEPING NECK TO NECK WITH

3.) Please share any additional comments in the space below:

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**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET**

**Group 2: Increases or Decreases in Space, Services or Habitability**

Name: [Redacted]

Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one):    Tenant    Landlord    Realtor    Attorney    Other

Phone Number [Redacted]

1.) What do you think are the most important factors to consider in establishing rent increase or decrease standards for increases or decreases in services, or habitability issues?

*if the problem means renter has to move temporarily (w/d abatement) they would get a relocation payment so rent decrease should not apply*

2.) What did you like or dislike about any of the standards presented?

*I don't think landlords should be held liable for pests - (bed bugs) brought in by renters - nor should they have to pay relocation fees for time of abatement  
if my duplex laundry breaks (shared between both units) is the reduction of 5% per each unit or for total rental income?*

3.) Please share any additional comments in the space below:

*This is a complicated issue should be case by case  
Model #3 discretionary*

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET**

**Group 2: Increases or Decreases in Space, Services or Habitability**

Name: [redacted] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [redacted]

1.) What do you think are the most important factors to consider in establishing rent increase or decrease standards for increases or decreases in services, or habitability issues?

If a decrease in service is based on the landlord bringing the property into compliance ~~with~~ with the code then this should not be seen as a "decrease in service" & not be eligible for a rent decrease.

2.) What did you like or dislike about any of the standards presented?

I like the standards that take into account the market value of the service / space that is being decreased or increased. Using a dollar range seems arbitrary.

3.) Please share any additional comments in the space below:

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**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET**

**Group 2: Increases or Decreases in Space, Services or Habitability**

Name: \_\_\_\_\_ Date (circle one): Dec. 4<sup>th</sup>      Dec. 9<sup>th</sup>

Identity (check one):    Tenant     Landlord    Realtor    Attorney    Other

Phone Number: \_\_\_\_\_

1.) What do you think are the most important factors to consider in establishing rent increase or decrease standards for increases or decreases in services, or habitability issues?

Notations Entered Clearly Into Database for Responsibilities regarding claims of services or habitability → Tenant responsibility or Landlord responsibility.

2.) What did you like or dislike about any of the standards presented?

3.) Please share any additional comments in the space below:

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET**

**Group 2: Increases or Decreases in Space, Services or Habitability**

f  
Name: [Redacted]

Date (circle one): Dec. 4<sup>th</sup>

Dec. 9<sup>th</sup>

Identity (check one):

Tenant

Landlord

Realtor

Attorney

Other

Phone Number: [Redacted]

1.) What do you think are the most important factors to consider in establishing rent increase or decrease standards for increases or decreases in services, or habitability issues?

@ for habitability, the level of inconvenience, lack of safety, whether or not a code violation is involved.

2.) What did you like or dislike about any of the standards presented?

3.) Please share any additional comments in the space below:

Require landlords to respond to tenant notices in a reasonable amount of time - 5 bus. days, e.g. This should include a <sup>monetary</sup> penalty for non-compliance

**City of Richmond Rent Program  
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**FEEDBACK WORKSHEET**

**Group 2: Increases or Decreases in Space, Services or Habitability**

Name: [redacted] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one):  Tenant  Landlord  Realtor  Attorney  Other

X Phone Number: [redacted]

1.) What do you think are the most important factors to consider in establishing rent increase or decrease standards for increases or decreases in services, or habitability issues?

I would see the housing do an inspection on an annual basis. Also to have the tenant and landlord to cover the costs

2.) What did you like or dislike about any of the standards presented?

3.) Please share any additional comments in the space below:

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
December 2017 Community Workshops**

**FEEDBACK WORKSHEET**

**Group 2: Increases or Decreases in Space, Services or Habitability**

Name: \_\_\_\_\_ Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant  Landlord  Realtor  Attorney  Other

Phone Number: \_\_\_\_\_

1.) What do you think are the most important factors to consider in establishing rent increase or decrease standards for increases or decreases in services, or habitability issues?

LANDLORDS ~~ARE~~ HOLDING RENT INCREASE (complain) about my place is below MARKET price and needs to ~~bring~~ BRING rent up without doing any repairs, painting (peeling and mold), stove (oven not working), Entrance hall carpet matted and smells bad, light fixture IN LIVING ROOM no work (ceiling light), for years not fixed

2.) What did you like or dislike about any of the standards presented?

2 people held up conversation with their problems trying to get it fixed. Maybe to time for each person (2 minutes - 3, 5).

3.) Please share any additional comments in the space below:

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**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET**

**Group 2: Increases or Decreases in Space, Services or Habitability**

Name: [redacted] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant  Landlord  Realtor  Attorney  Other

Phone Number: [redacted]

1.) What do you think are the most important factors to consider in establishing rent increase or decrease standards for increases or decreases in services, or habitability issues?

THIS PROPOSAL WON'T INCREASE OR DECREASE RENT.

- 1<sup>st</sup> Have the tenants insurance 7-15 \$ month
- 2<sup>nd</sup> Have the landlord insurance by law all have it
- 3<sup>rd</sup> Have ~~landlord~~ AN insurance paid by landlord and Home warranties or kind insurance

2.) What did you like or dislike about any of the standards presented?

tenant for small appliances & small problems faucet - heater - stove / lights - switches - garage door. glass eye window - screen - this will avoid problems to the tenants

3.) Please share any additional comments in the space below:

Rent Board - and landlord.

**City of Richmond Rent Program  
Setting Standards for Changes in the Maximum Rent  
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**FEEDBACK WORKSHEET**

**Group 2: Increases or Decreases in Space, Services or Habitability**

Name: [redacted] Date (circle one): Dec. 4<sup>th</sup> Dec. 9<sup>th</sup>

Identity (check one): Tenant Landlord Realtor Attorney Other

Phone Number: [redacted]

1.) What do you think are the most important factors to consider in establishing rent increase or decrease standards for increases or decreases in services, or habitability issues?

*How we can apply lease items to decreases in space (like a parking space) - regarding breaches in lease*

2.) What did you like or dislike about any of the standards presented?

3.) Please share any additional comments in the space below:

*Wish referred to having "mediations" so landlord & tenants can work out problems. See column in S.F. Chronicle, Nov. 26, 2017 Insight of E.T. "Finding fairness for tenants in a way a landlord can love."*

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