

**Minutes of the Regular Meeting of the
Rent Review Advisory Committee
Monday, December 4, 2017**

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 6:30 PM.

Present were: Chair Cambra; Vice-Chair Sullivan-Sariñana; Members
Griffiths, Friedman, and Murray

Absent at roll call: Friedman (Arrived: 6:45 p.m.)

Committee staff: Grant Eshoo, Janice Heredia

City Attorney staff: John Le

2. AGENDA CHANGES

- a. Staff informed the Committee that one of the cases on the agenda would not be heard, as the case resolved prior to the hearing.

3. PUBLIC COMMENT, NON-AGENDA, NO.1

- a. Eric Strimling asked the Committee to inquire into the landlord's operating income, rather than what the tenant can afford or the market value of the property, when determining fair and reasonable rate of return.

4. STAFF ANNOUNCEMENTS

- a. Staff explained the schedule for the evening, noting where to find the meeting agenda and outlined procedures for public comment.

5. CONSENT CALENDAR

5-A. Approval of the Minutes of the September 6, 2017 Regular Meeting

Chair Cambra made a suggestion to edit the minutes.

Motion and second (Sullivan-Sariñana and Murray). Motion passed unanimously.

5-B. Approval of the Minutes of the October 2, 2017 Regular Meeting

Chair Cambra made a suggestion to edit the minutes.

Motion and second (Sullivan-Sariñana and Murray). Motion passed unanimously.

5-C. Approval of the Minutes of the November 6, 2017 Regular Meeting

Chair proposed that the Committee table until the following meeting.

Motion and second (Griffiths and Cambra). Motion passed unanimously.

6. UNFINISHED BUSINESS

- a. No unfinished business.

7. NEW BUSINESS

7-A. CASE 933.2 – 3315 Willis Lane

Tenant: Mikk Teeveer

Landlord: Alan Statman, Fiduciary for Pereira Survivors Irrevocable Trust

Mr. Statman stated that as a trustee he has a fiduciary duty to the trust beneficiaries to make the trust assets productive, and that the City's rent ordinance is asking him to do something that violates that duty. Prior to passing away, the late property owner, Mr. Pereira, entered into a two-year lease agreement with the tenants at \$1,500 per month. He said Mr. Teeveer informed him that he provided the owners property maintenance services in addition to the monthly rent. Mr. Statman said he had tried to make Mr. Teeveer alternative offers, but Mr. Teeveer did not find them acceptable.

Mr. Teeveer stated that he requested RRAC review for support in addressing his concerns about the rent increase. He expressed his belief that the rent should be increased more gradually. He said that he had an agreement with Mr. Pereira and feels the owner's widow, the income beneficiary, understood this agreement. He expressed confusion that the income beneficiary had told him that the fiduciary was requesting the increase, while the fiduciary told him the income beneficiary was requesting the increase.

Mr. Statman replied that neither he, nor the owner's widow, were aware of any prior agreement with Mr. Pereira other than the written lease.

Members Sullivan-Sariñana, Murray, and Chair Cambra explained the RRAC review process and City Council appeal process, and reminded parties that both the RRAC and the City Council decisions would be non-binding as the matter before them concerns an exempt unit. The parties acknowledged that they understood the process.

Chair Cambra asked Mr. Teeveer about the agreement with Mr. Pereira and Mr. Teeveer explained the agreement in more detail. Mr. Teeveer said that he and Mr. Pereira discussed what would happen should Mr. Pereira pass away and a new landlord price him out of the unit. Mr. Teeveer said they discussed multiple possible options including Mr. Teeveer's buying the property, and that they had even discussed a payment schedule, but ultimately an agreement was not reached before Mr. Pereira's death. Chair Cambra asked about the work that had been done in exchange for rent. Mr. Teeveer stated that he had done property maintenance for all of Mr. Pereira's (4-6) properties over a 15-year period. He said until September 2017 he had been performing work for the Pereira family without charge. Member Sullivan-Sariñana asked whether Mr. Teeveer received reduced rent for his services, and Mr. Teeveer answered he received reduced rent.

Mr. Statman discussed two alternative options he had offered to Mr. Teeveer. The first option was that the rent would be increased to \$3,500 unless Mr. Teeveer moved out by the end of February 2018, in which case the increase would be waived. The second option was a stepped increase to \$2,250 per month from Dec. 2017 until June 2018, followed by an increase to \$3,500 per month starting July 1, 2018.

Mr. Statman asked to clarify when the rent increase would be effective. Chair Cambra asked Rent Program and City Attorney staff for clarification. City Attorney staff clarified that the rent increase would be effective on the date stated in the rent increase notice.

Mr. Teeveer stated that he was requesting a two-year lease so that his son could finish school. Mr. Teeveer stated that he was a long-term tenant and he was willing to pay \$1,000 per month more with a two-year lease. Mr. Statman was not agreeable to this. The parties did not reach an agreement on the rent increase. Mr. Teeveer discussed his income.

Member Sullivan-Sariñana asked if any upgrades to the property were made since 2015. Mr. Teeveer said no upgrades had been made, and he had done repairs and maintenance work on the property himself.

The members asked Mr. Statman about the income beneficiary's income and expenses. Mr. Statman said he was uninformed of the details of her financial situation.

Chair Cambra asked Mr. Statman how long he had been a trustee for the property, and Mr. Statman answered one year. Chair Cambra further asked Mr. Statman whether the beneficiary (Ray Lee) has any input on the rent charged, and Mr. Statman answered that he does consider input from the beneficiaries but that it was ultimately his decision. Chair Cambra asked how other laws impact his duties as a trustee, and Mr. Statman answered that he would be subject to applicable law. Chair Cambra asked if there were any mortgages or HOA on the property, and Mr. Statman answered there were no mortgages and he was unaware of any HOA fees. Chair Cambra asked if Mr. Statman would be open to a longer transition period for the tenant (longer than six months), and Mr. Statman answered no. Chair Cambra asked if Mr. Statman would be open to a \$1,000 increase, and Mr. Statman answered no.

The members deliberated. Member Sullivan-Sariñana noted that \$3,500, the landlord's requested increase, is more typical of top-of-the-line units, yet the property does not appear to be in market-rate condition. He further stated that a \$750 increase was reasonable. Member Griffith stated that the RRAC should be mindful that the tenant has agreed to an increase of \$1,000, and that the RRAC should take participants' statements at face value. Member Friedman noted that even if not binding, the RRAC can make a fair decision as to the rent increase. Member Murry wondered if a rent increase recommendation could be for a two-year period. Chair Cambra made the following comments: making an asset productive does not mean it must be at the top

of the market, echoed concerns about the condition of the property expressed by Member Sullivan-Sariñana, and noted the overriding concern of Mr. Teeveer to keep his son in school.

A motion and second was made for a \$1,000 increase (Members Murray and Griffiths). Motion failed 2-3.

A motion and second was made for a \$750 increase (Members Friedman and Sullivan-Sariñana). Motion passed 4-1, with Member Murray opposed.

7-B. CASE 935.2 – 619 Willow St. Apartment D

No Committee review. Prior to the RRAC meeting, the tenant and landlord agreed to a rent increase of \$445, a 28.6% increase, bring the rent to a total of \$2,000, effective December 18, 2017.

7-C. Discuss time keeping mechanisms.

Member Friedman proposed using a stoplight signal device as a visual time-keeping mechanism during the RRAC hearings. The members agreed to use the device and Member Friedman agreed to bring it to subsequent hearings.

7-D. Discussion of policy input regarding the written letters and resources provided to RRAC participants prior to a case review.

The members discussed their role in providing input regarding the written letters and resources provided to RRAC participants. City Attorney staff commented that policy input is outside of the purview of the Committee members.

7-E. Debrief of prior business: discuss considerations raised during the events of the previous meetings to improve the Committee review process: Case 911 – 2904 Central Ave.

Chair Cambra made mention of prior cases where fair rate of return was deliberated and whether or not the Committee should ever recommend that a tenant take on a roommate as a solution to a rent increase. He had concerns about whether members were offering solutions before the deliberation process and whether or not clarifying questions should be asked before the deliberation timeframe. Member Sullivan-Sariñana mentioned that he felt it was okay to ask follow-up questions about anything presented in paperwork or brought up by a party to a case.

8. PUBLIC COMMENT, NON-AGENDA, NO. 2.

- a. Eric Strimling, stated that he believed it was reasonable for RRAC members to provide feedback to Rent Program staff about their process. He again mentioned that "market rate" should not part of the criteria landlords should to determine a fair and reasonable rate of return.

9. MATTERS INITIATED

- a. None.

10. ADJOURNMENT

The meeting adjourned at 8:26 PM.

Respectfully submitted,

RRAC Secretary
Grant Eshoo

Approved by the Rent Review Advisory Committee on January 10, 2018