

**Minutes of the Regular Meeting of the
Rent Review Advisory Committee
Wednesday, September 6, 2017**

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 6:31 p.m.

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

Committee Staff: Jennifer Kauffman, Janice Heredia, Grant Eshoo

City Attorney staff: John Le

2. AGENDA CHANGES

- a. Staff informed the Committee that three cases on the agenda will not be heard.
As those cases are called, staff will provide more detail.

3. STAFF ANNOUNCEMENTS

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

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

- a. No public comment.

5. CONSENT CALENDAR

- a. Approval of the Minutes from the July 5th Regular Meeting.
Motion and second (Murray and Sullivan-Sariñana). Approved by unanimous
consent.

6. UNFINISHED BUSINESS

- a. No unfinished business.

7. NEW BUSINESS

7-A. CASE 911 - 2904 Central Avenue

Case postponed.

7-B. CASE 872.1– 2058 Buena Vista Ave, Unit B

Tenant: Labib Ramdoun

Landlord: Corwin and Teresa Hockema

Proposed Rent Increase: \$650 (59.1%), effective December 1, 2017

Third-party rent decision: Binding

Mr. Hockema explained he is in the Coast Guard and was recently stationed in Alameda. He purchased the property this summer and will be living in one of the units. Mr. Hockema stated that the constitution entitles him to a fair rate of return on the property. He is asking for this rent increase in order to cover expenses and mortgage. Mr. Hockema acknowledged that he was aware of Alameda's rent regulations at the time of purchase. He was out of state during most of the sale process and does not believe he was provided with accurate information for the seller.

Mr. Ramdoun stated that he moved to the US from Syria 14 years ago. His wife is currently in school and Mr. Ramdoun's income as a limousine driver supports his wife, 2 year-old daughter and mother, who lives nearby. Mr. Ramdoun stated that he understands the landlord's situation and would offer more financially if he was able. At present, if he were to pay the full rent increase requested, he would not have enough income to support his family. He expects that his family's financial situation will change in the next 2 years once his wife completes her master's degree in chemistry. He stated that he was friends with his previous landlord and they had a verbal agreement that we would fix maintenance issues in exchange for no rent increases.

Committee members asked questions regarding the landlord's financial decisions when reviewing the property for purchase. There was discussion around the short term and long term goals of both parties.

Mr. Hockema stated that the lowest rent increase he is comfortable with would be \$1,500. If he does not receive this amount, he is concerned that his effort to invest in property would be fruitless and he may have to sell in a few months. Committee members asked about income from the other rental unit on the property. Mr. Hockema stated that he preferred not to discuss at this time as there are several pending issues with the tenant.

Mr. Ramdoun stated that a \$100.00 increase to \$1,200 is the maximum his family could afford.

The parties were unable to reach an agreement. Committee members concluded the conversation with tenant and landlord and opened deliberation between members to render a recommendation.

- Member Friedman explained that he sees a clear financial impact on the tenant. He stated that the reasonable rent increase depends on the Committee's understanding of a fair return on investment for the landlord. He noted that this matter can be defined in a number of different ways. Acknowledging that the topic is not the Committee's area of expertise, his understanding is that a landlord does not have the right to immediately break even when a property is recently purchased. A return on investment is calculated over the long term. Member Friedman brought attention to the City's regulations that a landlord has reasonable presumption to cover

the cost of operations. Cost of operations, defined by the Ordinance, does not include debt service, such as mortgage expenses. Thus, it appears there would need to be an increase in services or operation costs to warrant a landlord's right to raise rent. He stated a \$30.00 (3%) appears reasonable based on the financial information provided by the tenant and landlord. Friedman noted that a large increase would impact the tenant significantly.

- Member Murray explained she relies on section 6-58.85 for guidance on rendering a fair decision on a rent increase. She acknowledged this is a difficult situation because it appears that the new owner was misinformed about the current tenants' rents and leases. She stated that it appears if the rent is raised to \$1,500 the tenant will have to relocate. If the landlord does not receive an increase to \$1,500 he may not be able to continue owning the property. She noted that the time frame used to determine a reasonable rate of return is significant and she believes a longer time frame is expected. She noted that the landlord indicated near \$20,000 in capital improvements has already been invested in the property.
- Chair Cambra addressed Friedman's point that it seems unrealistic for a landlord to expect a newly purchased property to generate a cash flow. Cambra stated that a tenant does not have input on an owner's decision to invest in a property. He explained that capital improvements are expected to be amortized over the useful life of the improvement. Cambra also expressed concern that the landlord is not receiving income from the other unit and believes once that matter is resolved the landlord may be more flexible financially. Taking into consideration the financial hardship of the tenant, he recommended an increase between \$75-\$100.
- Member Griffiths shared that, without a change in ownership, the Committee would also be factoring into the history of past rent increases. This tenancy history shows that the rent had not been raised since the tenancy began. While the current landlord is not able to answer for the previous landlord's choices, Griffiths noted this factor of frequency should be taken into consideration. He explained that a tenant should not be held responsible for landlord's decisions that are not within their control. He proposed a \$100 increase, as offered by the tenant, to a total rent of \$1,200.
- Vice-Chair Sullivan Sariñana explained that he listened to both parties to identify their pain and flexibility. He noted that there appears to be some

discrepancy with the landlord's knowledge of the City's regulations and choice to purchase property that puts them in this difficult situation. He acknowledged that the landlord has identified financial pressures, though it appears that those pressures may be more adaptable than the tenant's. Recognizing that any Committee decision will cause one or both of the families to struggle, Sullivan Sariñana recommended a \$275 increase to a total rent of \$1,375.

Motion and second for \$100 rent increase to a total rent of \$1,200 (Griffiths and Friedman). Motion passes with Cambra approval; Sullivan-Sariñana and Murray opposed.

7-C. CASE 919 – 1625 Santa Clara Ave., Unit 2

Tenant: Charles Sullivan, Gini Zuniga

Landlord: David Harris

Proposed Rent Increase: \$130 (10%) to a total rent of \$1,430.00, effective date delayed until RRAC review

Third-party rent decision: Binding

David Harris stated that the current rent is 38% below market rate. The rent was not raised annually and there are anticipated costs near \$150,000 related foundation repairs due to the raising water table. Mr. Harris explained that he is retired and increasingly relies on the property for income. The current annual profit is \$23,000 annually which is a 1.7% return on investment. The landlord clarified that his calculated annual expenses do not include a \$150,000 loan, which he pays separate from the management company. He explained that family needs have taken his focus away from the rental property for the last five years. Based on the lack of previous rent increases, below market rent, and anticipated foundation repairs, he considers a 10% increase modest.

Charles Sullivan and Gini Zuniga stated they have lived in Alameda for six years. They are concerned that the property has been flooding during rains and seems to have malfunctioning pipes. The tenants noted they had never met Mr. Harris and have only corresponded with the management company. They indicated the rent increase poses a financial difficulty based on their salaries working as a pre-K teacher and emergency technician, indicating that currently about 45% of their income is spent on rent. The tenants affirmed that they do not always receive annual raises. Mr. Sullivan indicated that the \$130 rent increase offer was a surprise and feels like a significant jump.

Committee members asked questions regarding the profit and loss statements, landlord's alternative income sources, capital reserve practices, and maintenance concerns.

Committee members facilitated dialogue between parties. Tenant and landlord reached an agreement for a \$130 rent increase effective October 1, 2017 with \$65 delayed until April 1, 2017.

7-D – CASE 920 - 1625 Santa Clara Ave., Unit 3

Proposed rent increase: \$115.00 (10.0%), to total rent of \$1,265.00

No Committee review. Prior to the RRAC meeting, the tenant and landlord reached a mutually agreeable arrangement of a \$115.00 (10.0%) rent increase.

7-E – Case 921 1625 Santa Clara Ave #4

Proposed rent increase: \$ 120.00 (9.8%), to total rent of \$1,345.00

No Committee review. The tenant did not attend the meeting. The rent increase will become effective as stated in the notice.

7-F. CASE 926 – 1305 Webster St., #C-209

Tenant: Max Langaard, Felicie Standley

Landlord: Stefan Galvez and Natalia Aurrecaechea

Proposed Rent Increase: \$1,100 (78.6%) to a total rent of \$2,500, effective September 1, 2017

Third-party rent decision: advisory only

Natalia Aurrecaechea stated they are small property owners who purchased the unit as a retirement investment. She noted there are risks in owning property and market uncertainty is placed on the landlord. She indicated that in the last 6 years between \$6,000 and \$7,000 has been invested in the unit. The rent increase is related to increased living costs, below market rent, and their family will be increasingly relying on the rental income because Mr. Galvez is retiring. She stated they have been working with their tenants to come to some agreement. At present, she has adjusted the offer to \$2,100, which she believes is on the lower end of comparable market rate units. The landlords acknowledged that Max Langaard and Felicie Standley are great tenants and they do not want to see them move out.

The tenants indicated they would accept a \$400 rent increase to \$1,800. Max Langaard stated they have had a great relationship with their landlord. However, the last several months have been very stressful because the landlords are asking for a rent that would require them to vacate their home. He explained they agreed to a rent increase last year of more than 5% to avoid the RRAC process. It was their understanding that the 2017 rent increase would be modest because they had agreed to more than 5% in 2016. They were surprised by the

78.6% rent increase offer. He considers this rent increase as a way to avoid the near \$7,000 relocation expenses the landlord would be obligated to pay if they served a termination notice. Mr. Langaard also noted that \$2,100 seems high for a unit that has not been recently remodeled. Felicie Standley noted that she grew up in the Bay Area and is concerned that she will be able to stay.

Committee members asked questions and facilitated dialogue around utility costs, timelines, termination regulations and market trends.

The parties were unable to reach an agreement. Committee members concluded the conversation with tenant and landlord and opened deliberation between members to render an advisory recommendation.

- Vice-Chair Sullivan-Sariñana considered the tenant's offer to \$1,800 reasonable.
- Member Griffiths affirmed that he also agrees \$1,800 total rent is reasonable considering it is a significant leap from the tenants' current rent.
- Member Friedman noted that the landlord's request for a \$700 increase from \$1,400 to \$2,100 is a large step. He stated he would agree to the tenants' \$1,800 offer. He noted that \$1,800 is a significant step and the two factors leading him to recommend this amount is that the tenant offered it and the Committee's decision is advisory only for this case.
- Member Murray concurred that \$1,800 is reasonable based on the tenants' statement that they would agree to the substantial increase. It appears the tenants recognize they have received a good deal on the apartment and have had a good relationship with the landlord. She noted that the landlord did not demonstrate operating expenses or information on a return of investment that justified the \$2,100 requested increase. She explained that the City's current policy looks at balancing tenants and landlords interests.

Motion and second for \$400 rent increase to a total rent of \$1,800, effective October 1, 2017 (Murray and Griffiths). Motion passes unanimously.

7-G. CASE 927.1 - 2305 San Jose Ave., Unit B

Proposed rent increase: \$648.00 (60.0%), to a total rent of \$1,743.00
No Committee review. Prior to the RRAC meeting, the tenant and landlord reached a mutually agreeable arrangement of a \$320.00 (29.2%) rent increase.

7-H. CASE 923.1 - 2305 San Jose Ave., Unit D

Proposed rent increase: \$900.00 (81.8%), to total rent of \$2,000.00

No Committee review. Prior to the RRAC meeting, the tenant indicated they intend to vacate the unit.

Tenant was not present.

Kyle Chuah, landlord, provided comments. He addressed the Committee to thank the members for their time and service.

7-I. Discuss time keeping mechanisms.

No public comment.

Motion and second to move the item to the next available agenda (Cambra and Griffiths). Motion passes unanimously.

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

No public comment.

Motion and second to move the item to the next available agenda (Cambra and Griffiths). Motion passes unanimously.

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

a. No public comment.

9. MATTERS INITIATED

a. Staff clarified the procedures for Committee members to request agenda items for upcoming RRAC meetings.

10. ADJOURNMENT

The meeting adjourned at 9:45PM.

Respectfully submitted,

RRAC Secretary
Jennifer Kauffman

Approved by the Rent Review Advisory Committee on December 4, 2017