

**Minutes of the Regular Meeting of the
Rent Review Advisory Committee
Wednesday June 6, 2018**

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 6:30 P.M.

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

Absent: None

Program staff: Grant Eshoo, Gregory Kats

City Attorney staff: John Le

2. AGENDA CHANGES

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

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

- a. No public comment.

4. STAFF ANNOUNCEMENTS

- a. No staff announcements.

5. CONSENT CALENDAR

5-A. Approval of the Minutes of the May 7, 2018 Regular Meeting.

Motion and second to approve of the minutes (Sullivan-Sariñana and Murray). Motion passed 5-0.

6. UNFINISHED BUSINESS

- a. No unfinished business.

7. NEW BUSINESS

7-A. CASE 1023 – 1621 Broadway, Apt. A

No Committee review. Prior to the RRAC hearing, the tenant and landlord agreed to a rent increase of \$120.00, a 7.1% increase, bringing the rent to a total of \$1,820.00 effective June 1, 2018.

7-B. CASE 1025 – 1621 Broadway, Apt. B

Tenant: Raquel Vazquez, accompanied by non-tenant supporter Carlos

Landlords: Allen and Loretta Gravelle

Proposed rent increase: \$165.00 (10.0%), from \$1,650.00 to \$1,815.00, effective July 1, 2018

Mr. Gravelle stated that they were looking for a 10% increase and had submitted documents showing that their costs of operation have increased. Ms. Gravelle added that they take care of the property and they had just hired a gardener to maintain the outside of the property.

Member Murray asked for specific monetary amounts of the costs the landlords have incurred. The landlords stated that in 2016 they made \$16,000 of improvements on the property. Ms. Gravelle provided the Committee with specific dollar amounts of costs that have increased, including taxes, utilities, and insurance. She added that they had only increased the rent twice since the tenancy began six years ago.

Ms. Vazquez requested that Carlos present her perspective on the rent increase. (Carlos was later introduced as her ex-husband who was there to support her during the hearing). Carlos stated that a 10% increase would create a financial burden for Ms. Vazquez. He acknowledged that the landlords made improvements to the property, but stated that the improvements were not to Ms. Vazquez's unit and therefore did not directly benefit her. He said that both the back and front yards were not well maintained. He said that the landlords have not had a gardener and it's uncertain if they will keep the new gardener they claim to have hired. He said that Ms. Vazquez was not opposed to any increase, but believes 10% is excessive. He mentioned that the tenant used to pay the PG&E bill, but that the landlords pay it now.

Chair Cambra asked the landlords why they started paying the PG&E bill. Mr. Gravelle replied that when they renovated the laundry room, the new dryers they put in were powered by gas, the meter for which was not severable from the tenant's unit. In order to proceed with the renovation, including the new gas-powered dryers and to ensure that Ms. Vazquez was not paying gas for the common laundry room, they took over payment of her gas bill, which amounted to about \$25 per month.

Mr. Gravelle stated that prior to hiring the new gardener, his son would periodically do grounds keeping work, but not regularly and the grounds keeping will now be done regularly by the new gardener.

Vice Chair Sullivan-Sariñana asked the landlords why they did not ask for smaller rent increases over several years instead of one larger one. Ms. Gravelle acknowledged that this would have been better with hindsight. Mr. Gravelle added that when they were doing their taxes this year they realized they needed to have more income from the property.

Member Murray asked the landlords what the purpose of the property was for them. Mr. Gravelle stated that he hopes to have income from the property as part of their retirement income, as he was retiring in about one and a half years. Member Murray asked if they were currently running at a profit or loss. Mr. Gravelle stated that in prior years they were running at a loss, and that more recently they may be just breaking even.

Member Murray asked Ms. Vazquez why her income had decreased. Ms. Vazquez replied that her former employer retired last year, and her new job did not pay as much, and was on contract, not permanent employment. Member Murray asked Ms. Vazquez if she saw a clear path to increasing her income. Ms. Vazquez replied that she believes her income will increase but was not sure when. Member Murray asked her what impact a 10% increase would have on her. Ms. Vazquez replied that she would probably have to move, but was not sure to where since rents are high everywhere. Member Murray asked her if she could afford a 5% rent increase and Ms. Vazquez said she could.

Member Friedman asked the landlords how much their expenses relating to the property have increased over the past year. Ms. Gravelle provided some concrete expense increases and added that operational costs and costs of supplies had also increased. Member Friedman asked if there had been a 10% increase in expenses. Mr. Gravelle stated that some of the 10% they were now requesting is not directly related to this last year's increases, but also includes a desire to "catch up" because they had not raised the rent in four of the past six years. Member Murray commented that a larger one time increase can be harder for a tenant to afford than multiple smaller increases, as it may give the tenant less of an ability to adjust and plan their finances in a regular, sustainable way. She acknowledged that the purpose of Ordinance 3148 is to stabilize tenants' living situations, which smaller, more regular increases would do better than fewer larger increases.

Chair Cambra asked if any party learned something new that they did not know before the hearing began. Ms. Gravelle said she didn't know that Ms. Vazquez had taken a pay cut with her new job. Chair Cambra asked if they were willing to modify their rent increase offer having learned this. Mr. Gravelle stated that they would accept a \$124 rent increase (7.5%). Member Griffiths asked Ms. Vazquez how much she would be comfortable paying and she said she could pay 5% increase or \$82.50 increase.

Vice Chair Sullivan-Sariñana asked the landlords what impact not having the full increase would have on their life. Mr. Gravelle restated that they had been losing money on the property, and understands that that's common for a number of years after buying a rental property. Ms. Gravelle added that they had two out of three of their children currently in college, and that Mr. Gravelle would be retiring soon adding to their need for additional income from the property.

Vice Chair Sullivan-Sariñana pointed out that Ms. Vazquez had indicated that she thought a \$50 increase was reasonable on her response form, and asked her to think about how much she could really afford.

Member Murray noted that both parties had genuine financial concerns. She proposed a stepped rent increase: an increase of \$85 for the first six months, followed by an additional \$80 for the second six months of the coming year.

Ms. Vazquez stated that she could not afford this proposed increase and said she could do an increase of \$50 for 11 months and then an additional \$124 increase after that.

Chair Cambra and Member Murray explained to the parties that the RRAC would discuss their perspectives on what they had heard and give them one last chance to come to an agreement before asking them to return to their seats in the audience while the Committee makes a decision.

Vice Chair Sullivan-Sariñana stated that he believed all parties have legitimate financial concerns and did not believe the landlord's request to be outrageous.

Chair Cambra acknowledged that the landlords only imposed two increases in six years, totaling \$250, and noted that making up for not increasing the rent in increments is problematic. He said he believes the unit was under market rate, that he gives a lot of weight to the tenant's hopefully temporary financial situation, and at the same time wanted to give the landlords a fair increase.

Member Friedman stated that the financial hardship on the tenant is an important consideration, noting that Ordinance 3148 requires the Committee to weigh the interests of the parties when deciding on a fair increase. He said he did not believe a 10% increase was needed for the landlord to maintain the property, and was inclined to approve an \$85 (about 5%) increase.

Member Griffiths disclosed that he believes a stepped increase would be an appropriate solution given that the tenant stated her belief that her financial hardship was temporary, and given the landlords' interest in earning a reasonable rate of return on the property.

Member Murray noted a financial need and good will on both sides. She said she believed a 10% increase was generally reasonable but that it would cause distress to the tenant in this circumstance, and so would support a lesser increase amount this year. She noted that the Committee is charged with stabilizing housing in the community and sees a stepped increase as a good option.

Chair Cambra asked the parties if they'd like to change the offers made thus far. Mr. Gravelle stated he believes a stepped increase after six months is the best solution, and believes the increase should jump to 10% from the current rent after six months.

Member Murray stated she believes a stepped increase that brought the increase to 10% was higher than the Committee members were considering. She said she believes around \$50 for the first step would be reasonable and the next increase would be more than \$50, but not 10% above the current rent.

Ms. Gravelle stated she believed a \$50 increase was too low.

After a recess, as the parties did not reach an agreement, they took their seats in the audience.

Vice Chair Sullivan-Sariñana said he did not believe a 10% increase would be warranted even if it were stepped, as it might force the tenant out of her home. He added that finding a new job was not necessarily easy and that the consequences for the tenant paying a rate too high were greater than the consequences for the landlords if they did not get the full increase they were requesting. He stated he believed a \$50 increase for six months, plus \$74 additional dollars for the second six months, was a good option.

Member Murray stated that a \$50 increase for the first six months would mean that the second step would be too high to make it a 7.5% increase.

Chair Cambra asked the Committee members if they were comfortable with starting at a \$50 increase for six months.

Member Murray said she would be and added that she thought the second six months should add an additional \$75 to the rent, which would take the total increased amount to a 7.5% total over the course of the year.

Member Friedman stated that a \$50 increase for the first six months would give the tenant an increase she would be comfortable with, and bringing the rent up to a total of 7.5% in the second six months would give the landlord an amount they had earlier expressed was acceptable for them.

Member Griffiths proposed a \$50 increase for the first eight months, then an additional \$115 for the last four months of the year. He pointed out this would give the tenant an extra two months of lower rent while she's looking for permanent, higher paying work, and give the landlords the full rent increase they were seeking in the last four months.

Vice Chair Sullivan-Sariñana stated that he does not believe the base rent should be raised by 10% over the course of the year as it would be under Member Griffith's proposal.

Member Murray said she would favor Member Griffith's proposal over ones previously proposed.

Member Griffiths said his proposal is based off 1. The immediate need of the tenant, 2. That the landlords said they were comfortable with a 7.5% increase throughout the year, and 3. It gets the rent where the landlords wanted it to be by the end of one year. He added that he was open to additional proposals.

Member Murray clarified that Member Griffith's proposal would give the landlords an increase in rental income just above 5% over the course of the next year in total amount of rent paid.

Member Murray made motion to adopt Member Griffith's proposal: eight months of a \$50 increase, followed by an additional \$115 increase for the last four months.

Vice Chair Sullivan-Sariñana noted that his proposal was only slightly different than Member Murray's original proposal.

Member Friedman stated that he favors a proposal where the tenant pays a \$50 increase in the first six months, but was not yet sure how much the increase in the second six months should be.

The Members reviewed several of the proposals and found that the differences in total rent paid after one year to be minimal.

Chair Cambra seconded Member Murray's motion.

Vice Chair Sullivan-Sariñana restated that he did not want the base rent to increase by 10%, but would rather have it increase 7.5%, even if it means that the tenant had six rather than eight months of the lower increase. He moved to amend Member Murray's original motion as follows: a \$50 increase for first six months, to a total rent of \$1,700, then in the second six months an additional \$75 to a total rent of \$1,775.

Member Friedman seconded the amended motion, stating that he believed the concerns for the parties for this year were addressed with either stepped proposal.

Member Murray reminded the Committee that Mr. Gravelle would be retiring in one or two years, and the landlords' household income would then go down. She said that they had a legitimate interest in obtaining additional income from their investment property. She stated that she believed the original proposal balances the needs to of the parties more equitably than the amended proposal.

City Attorney staff clarified that the vote before the Committee was a vote on whether to amend the original motion, and if it fails, Member Murray's original motion would still stand.

The Committee voted on Vice Chair Sullivan-Sariñana's motion to amend Member Murray's motion. The motion to amend Member Murray's original passed 4-1, with Member Murray voting against the motion to amend.

Chair Cambra called for a vote on the amended motion to adopt Vice Chair Sullivan-Sariñana's proposal (which was seconded by Member Friedman) for a \$50 increase for

the first six months, and an additional \$75 in the second six months. The motion passed 4-1, with Member Murray voting against the amended motion.

8. PUBLIC COMMENT, NON-AGENDA ITEMS, NO. 2.
 - a. No public comment.

9. MATTERS INITIATED

Program staff reminded the Committee that during the next regularly scheduled meeting on July 2, 2018 they would again vote for Chair and Vice Chair for the Committee.

Program staff also announced that staff was looking to schedule their annual training for late July and would email them requesting their availability to coordinate a date and time that would work.

10. ADJOURNMENT

The meeting adjourned at 8:50 p.m.

Respectfully Submitted,

RRAC Secretary
Grant Eshoo

Approved by the Rent Review Advisory Committee on July 2, 2018