

**Minutes of the Regular Meeting of the
Rent Review Advisory Committee
Monday, January 23, 2019**

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 6:32 p.m.

Present: Vice Chair Murray; Members Chiu, Johnson, and Sullivan-Cheah

Absent: None

Program staff: Grant Eshoo, Samantha Columbus

City Attorney staff: John Le

Staff called roll of case participants. All parties were present.

2. AGENDA CHANGES

None.

3. STAFF ANNOUNCEMENTS

Program staff announced that January 25 is the last day to turn in applications for the open RRAC seat.

Program staff requested Committee members provide their availability for future special meetings to hear additional cases. Members indicated their availability for special meetings on February 7, February 25, March 4, and March 11.

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

None.

5. CONSENT CALENDAR

5-A. Approval of the minutes of the November 7, 2018 regular meeting

The Committee agreed to table consideration of this item to a future meeting to allow revisions.

5-B. Approval of the minutes of the November 19, 2018 special meeting

Motion and second to approve the minutes (Vice Chair Murray and Member Sullivan-Cheah). Motion passed 4-0.

5-C. Approval of the minutes of the November 27, 2018 special meeting

Motion and second to approve the minutes (Vice Chair Murray and Member Sullivan-Cheah). Motion passed 4-0.

5-D. Approval of the minutes of the December 5, 2018 special meeting

Motion and second to approve the minutes (Vice Chair Murray and Member Sullivan-Cheah). Motion passed 4-0.

5-E. Approval of the minutes of the December 12, 2018 special meeting

Motion and second to approve the minutes (Vice Chair Murray and Member Sullivan-Cheah). Motion passed 4-0.

6. UNFINISHED BUSINESS

None.

7. NEW BUSINESS

7-A. Discussion of vote for Chair and Vice Chair

Member Chiu expressed support for Vice Chair Murray, who has been serving as Interim Chair, to continue as Chair, and for Member Sullivan-Cheah to serve as Vice Chair.

Vice Chair Murray stated that, should the Committee gain a fifth member, the Committee could hold a new vote for Chair and Vice Chair at that point.

7-B. Vote on Chair and Vice Chair

Motion and second to elect Vice Chair Murray as Chair of the Committee (Members Chiu and Johnson). Motion passed 4-0.

Motion and second to elect Member Sullivan-Cheah as Vice Chair of the Committee (Members Chiu and Johnson). Motion passed 4-0.

Positions are effective immediately.

7-C. Case 1110 - 1861 Poggi St., Apt. B101

Tenant: Nasir Khan

Landlord: Andy King

Proposed rent increase: \$164.00 (10.0%), to a total rent of \$1,811.00, effective October 1, 2018

Mr. King stated that current ownership purchased the building a little over a year ago, and the previous owner left a lot of deferred maintenance to address. Over the course of the past year, they have spent over \$3 million on seismic bracing, replacing rotting balconies, roof maintenance, re-painting, and amenities including a gym, children's play area, new seating, and gas barbecue grill. To cover some of that investment they are asking for rent increases in excess of five percent. The rent increases are also informed by the market rates, with the landlord renting comparable one-bedroom units for \$2,200.

Mr. Khan stated that the increase would be a burden. He is the sole income earner for a four-person household that includes his wife and two children, and he also provides support for his parents. He has lived in the unit since 2015 and has paid rent in a timely manner. He stated he generally makes about \$1,400 every two weeks, but his work hours vary. He said in previous years the rent has increased 4.9 percent.

Chair Murray asked Mr. King if he wanted to respond. Mr. King said he appreciated Mr. Khan's concerns but it can be difficult to keep rents affordable while also making repairs to the property, particularly addressing seismic safety.

Member Chui asked Mr. Khan if there was an increase amount with which he would be comfortable. Mr. Khan responded five percent.

Vice Chair Sullivan-Cheah, and Chair Murray asked Mr. Khan for clarification and details about his family and employment situations. Mr. Khan reported that his children are 4 and 6 years old, and they attend school in Alameda; his wife has been unable to find work and he anticipates she will continue to take care of the home and children; he currently works as a salesman; and he is paid hourly and typically receives an annual raise between \$0.50 and \$1 per hour.

Vice Chair Sullivan-Cheah asked if Mr. Khan could express the rent increase he would be comfortable with as a dollar amount. Mr. Khan responded \$82. Vice Chair Sullivan-Cheah asked what financial impact the full rent increase would have on Mr. Khan's household. Mr. Khan stated he would not be able to afford food and out-of-pocket medical expenses.

Vice Chair Sullivan-Cheah asked what utilities are included in the rent. Mr. King responded that all utilities are included except for gas. Mr. Khan stated a typical gas bill is sometimes \$15, but varies depending on the season.

Committee members had no further questions.

Chair Murray asked if either landlord or tenant had changed their positions. The parties agreed on an increase of \$82.

7-D. Case 1189 – 2412 Eagle Ave., Apt. D

Tenant: Teresa Conway

Landlord: Kathy Rousseau

Proposed rent increase: \$391.00 (37.1%), to a total rent of \$1,446.00, effective January 1, 2019

Ms. Rousseau stated that the unit was purchased in May 2018 through a family investment to provide income and retirement funds for her disabled brother. She emphasized landlords have the right to a just return on their investment. She stated that the previous owner did not do much maintenance, had a low property tax base, and raised rent inconsistently. Their goal was to improve the property, starting with addressing life safety issues. Work done includes removal of a seismically hazardous chimney and a recently started electrical upgrade in conjunction with Alameda Municipal Power, which has required a significant investment due to a City requirement to move utility lines underground. To meet her target return, she said she would have had to implement increases of \$600-\$700 per unit, which she realized would be too high. She said she realizes that \$391 is still a lot but provides a return of 2.7 to 5.3 percent depending on the unit. She stated that the property taxes are substantially more than what the former owners paid, and her maintenance estimate of \$6,000 per year is probably low. She stated that comparable one-bedroom units in the area rent for \$2,035, so a rate of \$1,446 is still 25 percent below the market rate.

Ms. Conway stated that she submitted her personal budget to the Committee and said that the increase means she would be spending more than half her monthly income on rent, resulting in quality of life changes for her. She said she confirmed with the County Assessor's Office that the tax on the property for this year is \$2,071 below the amount in the landlord's materials. She also disputed the utility cost of \$101 per unit. She noted that the landlords' submission shows the rent increase would create a 95 percent increase in the capitalization rate for the unit. She said she feels repair costs should be the owners' responsibility. She informed the Committee that she submitted a complaint to the City about debris left behind from the construction, and although it has since been cleaned up, the inspector informed her that the landlords have lost their construction permit for a new apartment, perhaps having to do with the City's electrical code. This occurred in September and the tenants received the rent increase notices in October.

Upon review of her statement, Ms. Conway corrected the amount of the property tax discrepancy she alleged to \$20,071, which was \$8,000 less than what Ms. Rousseau submitted.

Chair Murray asked Ms. Rousseau if she wanted to respond. She stated that she believes the discrepancy in the property tax figures may be due to the purchase occurring in the middle of the calendar year. The utility estimate includes \$600 for garbage service every two months and is also the same that the previous owner used during the sale. She said she was unsure what Ms. Conway was referring to in reference to the lost permit.

Member Johnson asked if Ms. Rousseau had received a comprehensive assessment or official report of the maintenance issues prior to purchasing. Ms. Rousseau confirmed that they did.

Member Chiu asked clarifying questions about Ms. Conway's tenancy and the property. She stated that she has lived there since 2010, her rent increased \$19 in 2011, \$45 in 2017, and \$50 in 2018, and she was comfortable with those increases. She added that the property does not include laundry or common areas other than stairwells, hallways, and lighted outdoor spaces.

Vice Chair Sullivan-Cheah asked whether Ms. Conway was the only working adult in the unit. She responded that she was, and her use of "we" in submitted materials refers to tenants of other units. Vice Chair Sullivan-Cheah asked what sources had informed her statement that 1/3 of take-home pay is a reasonable amount. She responded that in her experience it is a common rule and often a prerequisite when property management companies are evaluating applicants.

Chair Murray asked clarifying questions about Ms. Rousseau's family and finances. She responded that she bought the property with her brother, who is disabled and not able to work. She said he receives SSI and she provides him with additional support. She stated her brother is dependent on income from the building to supplement his income, which was their intention when they purchased the property, and the purchase was also a retirement investment. Chair Murray asked what the impact on Ms. Rousseau and her brother would be if they did not get the rent increase they were seeking. She responded that she would not be able to help her brother as much as she wanted, and that it would limit needed upgrades to the building. She said the electrical upgrade would cost \$30,000, and interior painting would cost \$3,000 per unit, and the building has seven one-bedroom units of similar size.

Ms. Conway questioned whether her unit should be considered a one-bedroom apartment because it does not have interior doors. Ms. Rousseau provided a floorplan of the unit.

Chair Murray noted that Ms. Rousseau's submitted expenses include the annual housing program fee, which the Ordinance expressly forbids from passing on to tenants.

Chair Murray asked Ms. Conway about the current condition of her unit. Ms. Conway stated that none of the issues identified in her submission rose to the level of emergency. She said she wears slippers to avoid injuries due to loose floor tiles, and the windows are

hard to open and close. She stated she loves the apartment and has a close relationship with the neighbors. Chair Murray stated that it seemed she was reporting on maintenance issues that need to be addressed. Ms. Conway raised the issue of the revoked construction permit for a rear unit, which is not occupied. Chair Murray noted that Ms. Rousseau had not disclosed any issues with permits or intent to construct.

Vice Chair Sullivan-Cheah asked Ms. Conway if the previous landlord had a formal process for submitting maintenance issues or repair requests. She replied that she would call the previous owner to report maintenance problems. She said she had not submitted a request about the loose tiles or windows.

Chair Murray asked if either landlord or tenant had changed their positions. Ms. Conway asked if Ms. Rousseau would consider a 3 percent increase, and Ms. Rousseau declined. Chair Murray asked Ms. Rousseau if there was an amount smaller than \$391 that would meet her goals and needs. Ms. Rousseau suggested \$1,300 per month, a \$245 increase. Ms. Conway countered with a rent of \$1,125 per month. Ms. Rousseau declined, noting that she calculates the property tax increase alone is \$246 per unit. Ms. Conway noted the housing program fee cannot be included.

Chair Murray asked Ms. Conway about her income. She responded that she is salaried and usually gets a 2 percent raise per year.

Member Chiu asked Ms. Rousseau if she knew how long the previous landlords had owned the building. She said she did not, but it was a long time, and the property had passed from parents to children, which explained the low tax base.

Chair Murray asked Ms. Rousseau what effect not getting the full requested increase would have on her ability to address deferred maintenance. Ms. Rousseau responded that it would be hard to keep up with the needed maintenance. Chair Murray asked if Ms. Rousseau had set aside any funds for maintenance and upgrades based on the assessments and inspections conducted during the purchase. Ms. Rousseau stated that they had, but they had not anticipated the full cost of the electrical upgrade because of the undergrounding requirement, which added about \$20,000.

Ms. Conway made an offer of \$1,200 per month. Chair Murray asked Ms. Conway if an increase to \$1,300 would force her to move. Ms. Conway stated that she could continue to live there but it would require a change of lifestyle.

The parties agreed on a monthly rent of \$1,250. Program staff clarified that the effective date would be Feb. 1, 2019.

At 7:55 p.m., the Committee agreed to take a five minute break.

7-E. Case 1190 – 2412 Eagle Ave., Apt. E

Tenant: Marine Hovanesian

Landlord: Kathy Rousseau

Proposed rent increase: \$391.00 (50.1%), to a total rent of \$1,171.00, effective January 1, 2019

Ms. Rousseau stated that the current rent of \$780 a month is 230 percent below the market rate, based on comparable one-bedroom units in the area. She said she was requesting the same \$391 increase for all tenants of the property, and even with the increase, the rent would still be 50 percent below the market rate. Ms. Rousseau pointed out that the amount she was requesting was comparable to the amount the rent would be had the previous owner increased the rent 4.25 percent each year over the length of the tenancy.

Ms. Hovanesian referred the Committee to the letter she submitted. She added that she has lived in the unit for 15 years and had built her life based on her existing rent. Specifically, she sponsored her mother's immigration to the United States in 2009 and her father's in 2013, and he explained that she is financially responsible for them, as they are unable to work because of their age and language barriers. She said she understands Ms. Rousseau's position, but the increase will have a large impact on her and her parents. The building does not have laundry facilities. There have been no upgrades to her apartment in the 15 years she has lived there. She said there are cracks between the tiles in her kitchen floor that water gets into. The windows cannot fully close which lets in cold air. She said living in Alameda provides a safe community for her parents. Her apartment is a little smaller than Unit D from the previous case.

Member Chiu asked for clarification on previous rent increases and her finances. Ms. Hovanesian stated that there had been few rent increases during her tenancy, including none during the first six years. She said her monthly income is about \$4,500 monthly, and expenses are about \$4,430.

Vice Chair Sullivan-Cheah asked for clarification on the condition of Ms. Hovanesian's apartment. She stated the previous owners replaced a broken heater and a window that would not close, although the window still has issues.

Chair Murray noted that Ms. Hovanesian stated in her materials that no increase would be reasonable. Given the costs outlined by Ms. Rousseau, Chair Murray asked if there was any increase that Ms. Hovanesian could afford. Ms. Hovanesian questioned whether Ms. Rousseau would be OK with a 5 percent increase. Chair Murray responded that the hearing was an opportunity for the parties to talk directly and make offers.

Ms. Hovanesian clarified that her mother and daughter lived with her immediately after their immigration, but her parents and daughter now lived in a small two-bedroom

apartment elsewhere in Alameda. She said her daughter work part-time and attends college, and she contributes to her daughter's food and utilities, as well as pays the full \$1,600 monthly rent on that apartment, in addition to her own.

The parties were not able to reach an agreement and the Committee began deliberations.

Vice Chair Sullivan-Cheah stated that neither party's position s unreasonable. He said in these situations he considers who has the financial ability to absorb more financial hardship.

Chair Murray stated it may not be possible for the tenant to continue this arrangement with two households in the long-term, but the Committee can consider a compromise that avoids forcing an immediate relocation.

Member Johnson stated she believes the landlord is justified in seeking an increase of more than 5 percent, but that those buying a rental property must consider the likelihood of successfully seeking a 50 percent increase when deciding on a purchase price.

Vice Chair Sullivan-Cheah stated he believes the tenant's position that 10 percent is a maximum increase she could afford based on her budget.

Member Johnson stated that the owner did make an investment, and it is reasonable to expect a return.

Chair Murray noted that both parties are trying to provide financially for family members who are unable to work. She noted that the committee only has the ability to make a decision for one year.

Member Johnson stated she believes a 50 percent increase is too large, but a 10 percent increase may not be enough for the landlord given the higher tax base and few rent increases over the years.

Vice Chair Sullivan-Cheah noted that their decision on this case, as well as the building's history, would be part of the public record and could therefore be considered if the landlord seeks a new increase on the unit after a year.

Member Chiu suggested a \$100 increase, recognizing it would be a challenge for the tenant but perhaps low enough to give her time to figure out a long-term solution. Vice Chair Sullivan-Cheah stated he thought it was reasonable, but emphasized he understands that a roughly \$15 per month difference is not trivial for tenants on tight budgets. Chair Murray questioned whether \$15 a month would be trivial for a landlord. Members Chiu and Johnson said they believed it would not be trivial because it helps to establish a base for future rents.

Vice Chair Sullivan-Cheah motioned for an increase of \$100 effective February 1, 2019. He amended his motion to an increase of \$0 for January 2019, followed by an increase of \$100 from February 2019 through December 2019. Motion seconded by Member Chiu. The motion passed as amended 4-0.

7-F. Case 1193 – 2121 Santa Clara Ave., Apt. 5

Tenant: Damu Sudi Alii

Landlord: Edward Wong

Proposed rent increase: \$50.00 (4.8%), to a total rent of \$1,100.00, effective January 1, 2019

Mr. Alii said he is a senior on fixed income and has been renting this unit from Mr. Wong since 2006. For the first three or four years, he said, there were no rent increases, but in the last five or six years the size of the requests had steadily increased. He said he has been supplementing his income by working part time as a teacher and musician, but his deteriorating health is making work difficult. He feels the amount is unreasonable given the living space, which is a converted garage. He has to pay additional money for storage space elsewhere on the site. He is now at a point where he cannot keep up with the increases. He said the ventilation in the unit is not good, and poor heat retention leads to higher utility bills. He stated Mr. Wong has been a good landlord but has not always addressed his requests, such as fixing the gap under his front door.

Mr. Wong said the unit is 800 to 900 square feet and used to be a firehouse. He said he values Mr. Alii as a tenant. He said his other tenants are all Section 8, and the increases he is asking from them are double what he is asking from Mr. Alii. He said the building is old and requires a lot of maintenance, and in the last four to five years, he has had to replace the sewer and roof. He said he believes he is asking for a reasonable rate of return, adding that he and his wife are in their 80's and depend on income from the property.

Mr. Alii said he intends to stop using the storage space to decrease his costs. Mr. Wong said he would reduce Mr. Alii's overall payments by \$15 if he removes his items from storage. Chair Murray asked Mr. Alii if he could afford a \$35 rent increase. Mr. Alii said it would still be a hardship.

Vice Chair Sullivan-Cheah asked Mr. Alii to clarify his concerns about rising expenses. Mr. Alii said he is partly worried about absorbing future increases, but primarily he does not think the unit is worth the price Mr. Wong is asking.

Member Chiu asked how many units the property has. Mr. Wong said Mr. Alii's unit is a small cottage behind four units. Chair Murray asked about Mr. Wong's income. He

responded that income from the property supplements his pension and his wife's Social Security.

Member Johnson asked if Mr. Wong knew what other similar, nearby units are renting for. Mr. Wong replied about \$1,500. He said the area is expensive because it is near Park Street.

Member Chiu asked Mr. Alii if there was an increase he could manage. Mr. Alii responded that he is already struggling. He suggested \$25. Chair Murray asked how a \$25 increase would affect Mr. Wong and his wife. Mr. Wong replied that he doesn't think it would be fair since he is asking for larger increases from other tenants. Chair Murray asked about the other units. Mr. Wong replied that they are all one bedrooms and rent for \$1,600 to \$1,800; he intends to raise the rent on them by \$100 per year until they all reach \$1,800.

Chair Murray asked Mr. Wong if his position was still a \$35 increase if Mr. Alii removed his items from storage. Mr. Wong agreed. Mr. Alii said he did not see that as a compromise since he would no longer be paying for an amenity.

The parties were not able to reach an agreement and the Committee began deliberations.

Member Johnson suggested that the Committee focus only on the rent increase and not get sidetracked by the separate charge for the storage space.

Vice Chair Sullivan-Cheah stated that he did not think different rent increases for different tenants is necessarily unfair, as every landlord-tenant relationship is different. He said he believes some kind of rent increase is reasonable in this case, but a difference in the amount will have a larger impact on Mr. Alii than Mr. Wong.

Member Chiu stated that an increase in the \$25 to \$30 range would be about 3 percent and more in line with past increases.

Member Johnson agreed that a smaller increase will be more impactful on the tenant than the landlord.

Chair Murray agreed that she didn't think it would be unfair for Mr. Alii to have a smaller increase than other tenants, that some kind of increase would be reasonable, and that a smaller increase could make a significant difference to the tenant. She noted that the Committee's decision in the case is advisory. She also noted the community's interest in making sure older residents are able to continue living in Alameda.

Motion and second for an increase of \$0 for January 2019, followed by an increase of \$35 effective February 2019 through December 2019 (Vice Chair Sullivan-Cheah and Member Chiu). Motion passed 3-1.

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

None.

9. MATTERS INITIATED

Vice Chair Sullivan-Cheah asked about the timeline for approving another Committee member. Program staff responded that following the submission deadline on January 25, it will take a few weeks to process applications and for the Mayor's office to review them and decide which applicants to interview.

10. ADJOURNMENT

The meeting adjourned at 9:26 p.m.

Respectfully Submitted,

RRAC Secretary
Grant Eshoo

Approved by the Rent Review Advisory Committee on March 4, 2019