



MEMORANDUM

CSFRA, Community Development Department

DATE: December 10, 2018

TO: Rental Housing Committee

FROM: Karen M. Tiedemann, Special Counsel to the Rental Housing Committee
Justin D. Bigelow, Special Counsel to the Rental Housing Committee
Anky van Deursen, Associate Planner

SUBJECT: Draft Revisions to Regulations Providing Guidance to Hearing Officers Regarding Allocation of Rent of Upward Adjustments and Noticing Requirements to Tenants.

RECOMMENDATION

Consider the proposed revisions to the regulations providing guidance to hearing officers regarding the allocation of rent increases pursuant to a petition for upward adjustment and Noticing Requirements to Tenants.

BACKGROUND

At its November 26, 2018 meeting, the Rental Housing Committee ("RHC") provided guidance regarding two topics: (A) drafting regulations guiding hearing officers regarding the presumptive equal allocation of rent increases pursuant to a petition for upward adjustment, and (B) notices regarding the Community Stabilization and Fair Rent Act (CSFRA) and other assistance to be provided to tenants. The RHC instructed staff to draft revisions to Chapter 6, section J and prepare a form notice regarding the CSFRA.

Accordingly, staff has prepared two documents identifying revisions to select sections of the regulations. Attachment 1 provides the proposed text of the regulation providing guidance regarding allocation of increases and requiring the notice to tenants. Attachment 2 is a "redline" showing the proposed changes to Regulation Chapters 6 and 7. Attachment 3 provides the proposed text of a notice to be provided to tenants.

The purpose of this staff report is to summarize the revisions as drafted, providing the RHC with adequate information to consider and potentially adopt the revision shown in Attachment 1 (allocation guidelines) and the notice for tenants in Attachment 3.

ANALYSIS

A. Guidance Regarding Allocation of Increases

Regulation Chapter 6, section J is modified in Attachment 1 as follows. First, the existing text of section J is now subsection J.1. Second, two general rules for allocating rent increases are now included as subsections J.2.a and J.2.b.

Subsection J.2.a provides a general rule that smaller units (e.g. those with lesser square footage and/or fewer bedrooms) should generally cost less than larger units in the same property. In practice, staff anticipates that studios should be less expensive than one-bedroom units, and one-bedroom units should be less expensive than two-bedroom units. However, the guidance provides flexibility to account for renovation or rehabilitation of units.

Subsection J.2.b provides a general rule regarding tenancies that began within six (6) months of acceptance of a petition by the RHC. First, such recent tenancies should generally not be allocated any rent increase pursuant to a petition. Second, the rent charged for recent tenancies should generally be considered a ceiling or cap on rents for similarly-sized units in the same property that receive rent increases.

In practice, staff anticipates that a recently rented one-bedroom unit should not be allocated rent increases through a petition, and further, that the rent charged for a new tenancy should guide hearing officer allocations of increases so that other one-bedroom units in the same property are not allocated increases resulting in greater rent than the new tenancy. Again, the guidance provides flexibility to account for renovation or rehabilitation of units, and the potential for recent tenancies that are not arms-length transactions (e.g. this guidance would not apply if a landlord's relative rents an apartment in the property at a discount).

B. Notice to Tenants

Attachment 3 is a draft notice to tenants describing the CSFRA and providing information regarding the Mountain View Rental Housing Helpline, which may be able to provide references to potential financial assistance for tenants experiencing a financial hardship. Staff recommends the RHC require that landlords provide the notice when beginning a new tenancy and with each notice of increase in rent.

To require that Attachment 3 be distributed by landlords with notices of rent increase, technical changes to Chapter 7, including renaming the chapter as "Procedures for Annual General Adjustments" are proposed, as shown in Attachments 1 and 2.

FISCAL IMPACT

Increasing awareness of the Mountain View Rental Housing Helpline will likely increase its use, which may increase costs to the Rental Housing Committee.

PUBLIC NOTICING – Agenda posting.

ATTACHMENTS

1. Draft revision of Regulations in Chapters 6 and 7
2. Redline showing proposed changes to Regulations
3. Draft notice to tenants
4. Draft Resolution adopting revisions to Regulations in Chapters 6 and 7