

**From:** runner\_dude [REDACTED]

**Date:** June 15, 2022 at 3:00:45 PM PDT

**To:** Susyn Almond <[susynalmond@yahoo.com](mailto:susynalmond@yahoo.com)>, Emily Ramos <[emily00@gmail.com](mailto:emily00@gmail.com)>, Nicole Haines-Livesay <[nmhl.rhc@gmail.com](mailto:nmhl.rhc@gmail.com)>, Guadalupe Rosas <[grosas730@gmail.com](mailto:grosas730@gmail.com)>

**Subject:** base rent and rent concessions

\*\*\*\*\*

Hi Susyn, Emily, Nicole, and Guadalupe:

Most of you know me.

I'm an active participant in the Mountain View Mobile Home Alliance and am on the Steering Committee.

I'm also a long-term renter in Sahara (15+ years) and have an interest in the RHC's upcoming decisions around rent concessions and base rents.

I am a renter who was on a concession (1 month free) during the time frame in question (March 16th, 2021), as were many, many renters in Sahara and Santiago.

I have been in contact with Rent Control Staff regarding the issue of concessions and I want to make you aware of what I have uncovered.

Because of Staff's interpretation of the MHRSO, any renter who signed a lease prior to March 16th, 2021, that ends after that date, is not entitled to any adjustment of Base Rent due to a concession.

Only **NEW RENTERS** who signed leases on or after that date would be covered by any RHC decision to alter Base Rents to accommodate for concessions.

Effectively, such a ruling would **DISCRIMINATE** between old, long-time residents and new residents in how they are treated.

I do not believe this is in-line with either the intent or spirit of the Ordinance.

I also believe there is sufficient legal room for a broader interpretation of the Ordinance such that long-time residents and new residents are treated **EQUALLY** when it comes to concessions.

Otherwise, Staff's recommendations will effectively end up with an RHC decision on concessions that effectively **DISCRIMINATES** against long-term residents, which was never the intent of the CSFRA or MHRSO.

I hope you will dive into this issue in detail that I am raising at the next RHC meeting.

And, if you (the RHC) intend to alter Base Rents because a concession was granted to the renter, that you **try and ensure that all tenants are treated equally.**

Having spoken with all of you at some point at MVMHA meetings, I don't believe any of you would see this unintended consequence of the MHRSO as fair ... ie, new tenants receiving base rent adjustments while long-time tenants do not.

Thank you ...

Sincerely

\*\*\*\*\*

😊 *christopher m. saleh (he/him/his)*



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Dear Rental Housing Committee:

We write to express concerns that the proposed amendment to Chapter 2 of the CSFRA to exclude rent concessions from the CSFRA's definition of "Base Rent" is overly broad and inconsistent with the terms of the CSFRA in its failure to distinguish between different types of concession structures that have different impacts upon the calculation of Base Rent under the existing terms of the CSFRA.

### **Background**

Our two communities in Mountain View have offered move-in bonuses to tenants that are generally structured as a one-time, lump-sum credit. For example, a tenant who executes a 12-month lease agreement with a monthly rent of \$2000 might receive a one-month move-in credit applied in full to the first or second month of the lease ("Move-In Special"). Our intent was to provide a one-time benefit that would offset the cost of moving and signing a new lease, and that would not be reinstated at the time of lease renewal.

The CSFRA defines "Rent" as:

All ***periodic payments*** and all nonmonetary consideration, including, but not limited to, the fair-market value of goods, labor performed, or services rendered to or for the benefit of the Landlord under a Rental Housing Agreement concerning the use or occupancy of a Rental Unit and premises and attendant Housing Services, including all payment and consideration demanded or paid for parking, Utility Charges, pets, furniture, and/or subletting.

CSFRA section 1702(p), emphasis added.

"Base Rent" for tenancies that commenced after October 19, 2015 is defined as "the initial rental rate charged upon initial occupancy, provided that amount is not a violation of this Article or any provision of State law." CSFRA section 1702(b). The same CSFRA provision clarifies that "[t]he term 'initial rental rate' means ***only the amount of Rent actually paid by the Tenant*** for the initial term of the tenancy." CSFRA section 1702(b), emphasis added.

Under the proposed amendment to Chapter 2 described in the Rent Stabilization Committee's June 20, 2022 memorandum, Rental Housing Committee, a new regulation would attempt to clarify that move-in concessions such as the ones offered by our property should be excluded from the regulations' definition of "Base Rent." The language under consideration provides as follows:

Rent Concession. If a temporary rent concession is provided by the Landlord during the initial term of the tenancy, the "initial rental rate" shall be the average amount of Rent actually demanded to be paid and paid by the Tenant during the initial term of the tenancy. A "rent concession" includes, but is not limited to, any of the following:

- One or more months' free Rent; or

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- A dollar or percentage amount reduction of the Rent provided over the course of the initial term of the tenancy

### Discussion

***The CSFRA allows landlords to offer up-front, non-amortized concessions without requiring a corresponding offset from Base Rent because they do not change the amount of the tenant's periodic payment. The proposed regulation would modify that right by changing the meaning of the definition of "Rent."***

The Move-In Specials offered by our property are correctly excluded from the calculation of annual general adjustments in accordance with the CSFRA's definition of Rent. Although "periodic payments" is not defined by the CSFRA or its regulations, dictionaries define "periodic" to mean "recurring at intervals of time." See <https://www.dictionary.com/browse/periodic>; <https://www.merriam-webster.com/dictionary/periodic/> ("occurring or recurring at regular intervals"). Taking the example of a tenant who executes a 12-month lease agreement with a monthly rent of \$2000, with a one-month free rent concession applied in full to the first month of the lease, the amount of the tenant's "periodic payments"—the payment obligation that recurs at monthly intervals—is \$2000, regardless of the concession. It is not correct to consider the periodic payment to be equal to one month's rent less one-twelfth of the concession (i.e., \$1833.33) because that is not the amount of rent that the tenant pays ***periodically***.

The proposal under consideration by the Rental Housing Committee would not simply clarify the meaning of the CSFRA's definition of Rent. It would change it. The Base Rent for tenancies with up-front Move-In Specials ***would no longer be based on the amount of tenant's periodic payments***. Instead, it would be based on an average across months, a concept that is not reflected anywhere in the text of the CSFRA, and that directly conflicts with the CSFRA's provision that Rent is determined by the amount of a tenant's periodic payment. Regulations that purport to change the meaning of substantive provisions (such as, here, the definition of Rent) of the CSFRA are void.

Respectfully, the June 20, 2022 Memorandum does not address how the proposed amendment conflicts with the definition of Rent; instead, it focuses only on how the proposed amendment would affect the meaning of Base Rent. See June 20, 2022 Memorandum at p. 9. But because the definition of Base Rent incorporates the definition of Rent, it is necessary that any regulations impacting the calculation of Base Rent must be consistent with the CSFRA's definition of Rent as well.

The proposal would also interfere with landlords' rights under existing lease agreements. In our example, where the tenant has paid \$2000 per month for 11 months, having received the first month of a lease free as a move-in bonus, and the landlord accepts those payments, that establishes a regular course of conduct between the parties that the monthly rent equals \$2000. The proposed regulation would effectively change that contractual arrangement any time the landlord sought to impose a lawful general rent increase by recognizing only an "average" base monthly rent of \$1833.33. This would be contrary to both the terms of the lease agreement and the parties'



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demonstrated course of conduct, and would interfere with the landlord's ability to earn a fair rate of return on the unit.

The magnitude of this harm will be compounded if the City of Mountain View attempts to permit enforce the proposed regulation retroactively by one year, as recommended by program staff. It is also not apparent that the Rental Housing Committee has the authority to issue the proposed regulation in a way that has retroactive effect, given that it would change the substantive meaning of Rent as the term is used in the CSFRA.

***The proposed regulation is more restrictive than necessary to regulate the practices that it is intended to address.***

The proposal before the Rental Housing Committee fails to distinguish appropriately among different concession structures that have different impacts on the calculation of Base Rent. One type of structure that is quite unlike the Move-In Specials offered at our properties is a concession provided under an initial lease that is offered again each time the lease is renewed ("Renewal Concession"). For example, a tenant might receive two free months during the initial 12-month lease term that is reinstated every time the lease is renewed for at least 12 months. Another type of structure is a concession that is amortized over the term of a lease ("Amortized Concession"), such as a discount equal to two months' rent, applied in equal installments each month for 12 months.

Amortized Concessions are treated differently from Move-In Specials under the CSFRA because Amortized Concessions are structured to lower a tenant's periodic (monthly) payment, whereas Move-In Specials do not. The existing text of the CSFRA already allows Amortized Concessions to be excluded from annual general increases because the definition of Base Rent is tied to "the amount of Rent actually paid by the tenant," CSFRA section 1702(b), and the definition of "Rent," in turn, is based on the tenant's periodic payments. CSFRA section 1702(p). Take, for example, a tenant who signs a 12-month lease for \$2000 per month, who receives an Amortized Concession equal to two months' rent ( $\$4000/12 = \$333.33$ ), applied monthly. The tenant's "periodic payment" in this example is \$1666.67 per month, not \$2000, because that is how much the tenant is actually paying monthly. Accordingly, it is not necessary to issue a new regulation clarifying that the Amortized Concession should be excluded from Base Rent.

Renewal Concessions theoretically allow landlords to charge above-market-rents and tie future annual general adjustments to artificially high rents, which are offset by what is in effect a perpetual concession. We recognize that this particular practice would be inconsistent with the letter and spirit of the CSFRA. But if the Rental Housing Committee is inclined to regulate this particular practice, it can do so in a way that is aimed more narrowly and specifically at Renewal Concessions than the proposal currently under consideration.

## **Conclusion**

Our good-faith interpretation of the CSFRA to allow our communities to reasonable, one-time move-in concessions that do not lower the base rent led us to offer concessions to many tenants. The proposal under consideration does not recognize important distinctions between Move-In Specials, Amortized Concessions, and Renewal Concessions. If the Rental Housing Committee issues a

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regulation that requires the calculation of Base Rent to exclude Move-In Specials, it will have a profoundly negative, lasting effect on rental revenue at our two communities, and it will discourage our communities from offering valuable move-in incentives to tenants in the future.

Further, if the City of Mountain View begins to interpret the CSFRA to exclude Move-In Specials from Base Rent, it will discourage Mountain View landlords from offering this valuable discount to tenants. Not only would this operate to the detriment of tenants, it will also make moving to Mountain View relatively less affordable than signing a new lease in a neighboring city in Palo Alto, Sunnyvale, and Cupertino. Offering Move-In Specials is a common marketing technique in all of these cities. Tenants who value move-in bonuses but are unable to secure them in Mountain View will look elsewhere for housing.

We urge the Rental Housing Committee and Rent Stabilization Program staff to consider whether their purposes would be better served by an alternative proposal that is directed more narrowly and specifically toward Renewal Concessions and/or Amortized Concessions so as not to modify the CSFRA's meaning of Rent, and that does not apply retroactively to existing tenancies.

Thank you for your consideration of these issues.

Sincerely,

Skye Morland  
General Partner, Glenwood Station LP  
Manager, Fayette Properties LLC

**From:** [Skye Morland](#)  
**To:** [Rental Housing Committee](#); [MVRent](#)  
**Cc:** [van Deursen, Anky](#); [Black, Patricia](#); [Kennedy, Andrea](#)  
**Subject:** Economic Impact Report - CSFRA Concessions Proposal  
**Date:** Friday, June 17, 2022 11:48:24 AM  
**Attachments:** [Impact Analysis Data.pdf](#)  
[Impact Analysis Data.xlsx](#)  
[CSFRA Proposal Impact Study.pdf](#)

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**CAUTION:** EXTERNAL EMAIL - Ensure you trust this email before clicking on any links or attachments.

Dear Rental Housing Committee,

Please see the attached economic impact analysis on the current proposal to amend the concession regulations.

My hope is that the board can turn to this study as a resource to understand the impact this proposal will have and make an informed decision.

You will find that significant thought and work was put into this research. As such, if you have any questions about the analysis, the assumptions used, or the conclusions that were drawn please email me and let me know. I am happy to answer any questions you may have.

Thank you,  
Skye

## HOUSING RELOCATION ANALYSIS: Middle Income Family

Median Household Income After Tax <sup>1 3</sup>	\$7,318.93
Median Household Savings <sup>4</sup>	\$2,000.00
<b>Total Funds Available</b>	<b>\$9,318.93</b>
Avg Rent <sup>5</sup>	\$3,127.00
Deposit <sup>6</sup>	\$2,000.00
Local Moving Costs <sup>7</sup>	\$800.00
<b>Total Housing Related Costs During Move</b>	<b>\$5,927.00</b>

Remaining Funds:	\$3,391.93
Average Family Living Expenses Excluding Rent: <sup>8</sup>	\$3,158.00
<b>Net Funds - No Concession:</b>	<b>\$233.93</b>

Funds w / 1-Month Concession:	\$6,518.93
Average Family Living Expenses Excluding Rent: <sup>8</sup>	\$3,158.00
<b>Net Funds - No Concession:</b>	<b>\$3,360.93</b>

- Annual Income 1. \$130,890  
[https://datacommons.org/tools/time\\_line#place=gaol%2F06085&statsVar=Median\\_Income\\_Person&chart=57B%22income%22%3A%7B%22oc%22%3Afalse%2C%22delta%22%3Afalse%7D%7D](https://datacommons.org/tools/time_line#place=gaol%2F06085&statsVar=Median_Income_Person&chart=57B%22income%22%3A%7B%22oc%22%3Afalse%2C%22delta%22%3Afalse%7D%7D)
- Median Monthly Income 2. Adjusted by 32.9% for taxes
- Tax Calculation Source 3. <https://www.talent.com/tax-calculator/California-50000#---:text=I%20you%20make%20%2450%2C000%20a%20marginal%20tax%20rate%20is%2028.7%25>
- Median Savings 4. <https://www.kqed.org/news/11785910/nearly-half-of-san-francisco-families-are-financially-insecure>
- Average Rent 5. <https://www.movebuddha.com/moving-cost-calculator-tool/>  
 The lowest quoted rate for San Jose to Mountain View for someone who physically requires movers due to nature of items or physical ability.
- Deposit 6. [50% of rental rate](#)
- Local Moving Costs 7. <https://www.movebuddha.com/moving-cost-calculator-tool/>
- Cost of Living Estimates - Family of four 7. <https://livingcost.org/cost/united-states/ca/santa-clara>

**Note:** This is an examination of the short-term financial strain caused during a move. A median income family can shoulder the rental costs long term but the short term expenses create a hardship that is inhibitive. Because this is a short-term impact analysis, any potential refund from a security deposit was excluded due to there typically being a lag between the moveout and the repayment of funds.

## Proposed Concession Regulation Impact - Applied with 12 month retroactive rent adjustments and payouts

Units	2022 Rent	Annualized	Montly Reduction %	Monthly Reduction \$	After Reduction	Tennancy Durration	Paid to Tenant	Annual Increase	2023 Monthly Rent Expected	2023 Mothly w/Regulation
1	\$3,125	\$37,500	8.3%	(\$260)	\$2,865	1	(\$3,125)	5%	\$3,281	\$3,008
2	\$3,125	\$37,500	8.3%	(\$260)	\$2,865	1	(\$3,125)	5%	\$3,281	\$3,008
3	\$3,125	\$37,500	8.3%	(\$260)	\$2,865	1	(\$3,125)	5%	\$3,281	\$3,008
4	\$3,125	\$37,500	8.3%	(\$260)	\$2,865	1	(\$3,125)	5%	\$3,281	\$3,008
5	\$3,125	\$37,500	8.3%	(\$260)	\$2,865	1	(\$3,125)	5%	\$3,281	\$3,008
6	\$3,125	\$37,500	8.3%	(\$260)	\$2,865	0	\$0	5%	\$3,281	\$3,008
7	\$3,125	\$37,500	8.3%	(\$260)	\$2,865	0	\$0	5%	\$3,281	\$3,008
8	\$3,125	\$37,500	8.3%	(\$260)	\$2,865	0	\$0	5%	\$3,281	\$3,008
9	\$3,125	\$37,500	8.3%	(\$260)	\$2,865	0	\$0	5%	\$3,281	\$3,008
10	\$3,125	\$37,500	8.3%	(\$260)	\$2,865	0	\$0	5%	\$3,281	\$3,008

	2023 No Change	2023 w/ Proposed Regulation
Revenue	\$393,750	\$345,313
Op Costs*	\$118,125	\$118,125
Loan**	\$94,814	\$94,814
CapEx*	\$17,680	\$17,680
<b>Total Income</b>	<b>\$163,131</b>	<b>\$114,693</b>
<b>Income Change</b>		<b>-29.7%</b>
* Op Costs 30% of revenue		
* 4% inflation		
**20% LTV (based on 5% cap rate) with a 4.75% interest rate		



<b>2022 Total Collect</b>	<b>2023 Total Expected</b>	<b>2023 Total w/Regulation</b>	<b>22 actual vs '23 w/Regulation</b>	<b>23 exp vs '23 w/Regulation</b>
\$37,500	\$39,375	\$32,969	(\$4,531)	(\$6,406)
\$37,500	\$39,375	\$32,969	(\$4,531)	(\$6,406)
\$37,500	\$39,375	\$32,969	(\$4,531)	(\$6,406)
\$37,500	\$39,375	\$32,969	(\$4,531)	(\$6,406)
\$37,500	\$39,375	\$32,969	(\$4,531)	(\$6,406)
\$37,500	\$39,375	\$36,094	(\$1,406)	(\$3,281)
\$37,500	\$39,375	\$36,094	(\$1,406)	(\$3,281)
\$37,500	\$39,375	\$36,094	(\$1,406)	(\$3,281)
\$37,500	\$39,375	\$36,094	(\$1,406)	(\$3,281)
\$37,500	\$39,375	\$36,094	(\$1,406)	(\$3,281)







# Rental Housing Impact Study

An analysis of the economic impact the proposed regulation to average all one-time rent concessions into base rent will have on the City of Mountain View, California.



# RENTAL HOUSING COMMITTEE PURPOSE

ARTICLE XVII Community Stabilization & Fair Rent Act

"To promote neighborhood and community stability, healthy housing, and

**AFFORDABILITY FOR RENTERS** in the City of Mountain

View by controlling excessive rent. increases and arbitrary evictions to the greatest extent

allowable under California law, while ensuring **LANDLORDS A FAIR**

**AND REASONABLE RETURN** on their investment."



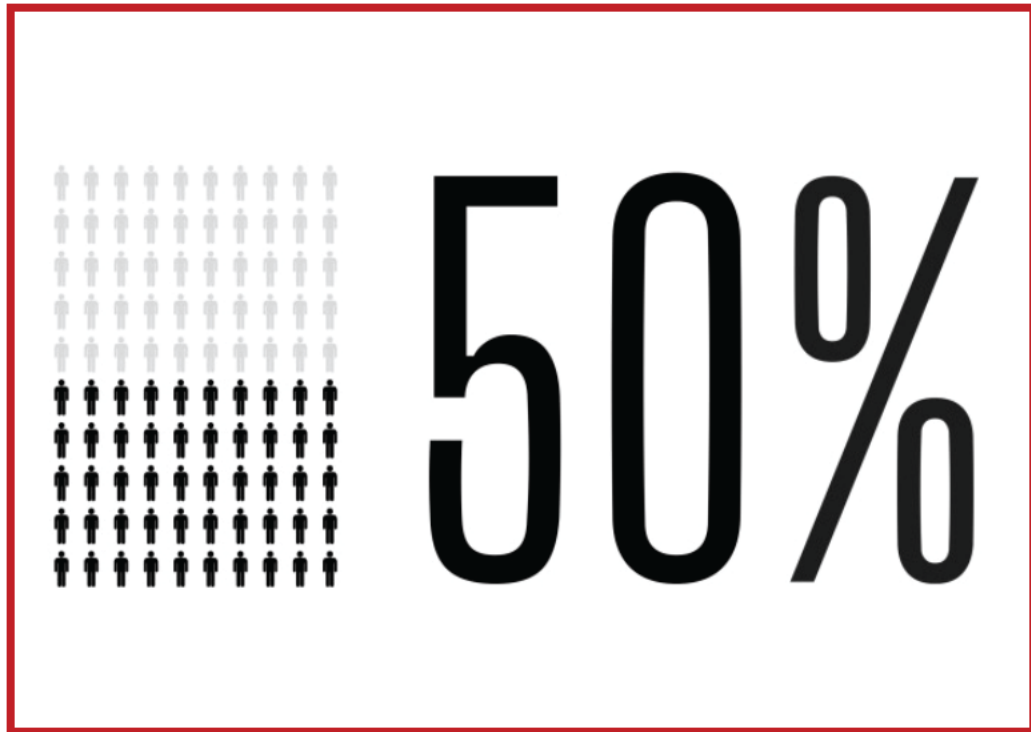
# Impact of Regulation: Move-In Specials

## “No Move-In Specials”

Landlords have stated that if this regulation passes, they will not provide free rent specials in the future. For our tenant impact analysis, we are analyzing the impact of **NO FUTURE One-Month-Free** move-in specials on middle-income renters.

It is common industry practice in the Bay Area to provide free rent move-in specials ranging from a few weeks to two months to provide a cushion for the high costs associated with a moving and a new lease.

# Tenant Impact: HOUSING AFFORDABILITY



RELOCATION COSTS INTO  
MOUNTAIN VIEW  
WILL BECOME  
**FINANCIALLY PROHIBITIVE**  
FOR MEDIAN INCOME  
PEOPLE IN SANTA CLARA COUNTY.

## HOUSING RELOCATION ANALYSIS: Middle Income Family

### Tenant Impact: **UNAFFORDABILITY**

SHORT TERM ACUTE  
FINANCIAL HARDSHIP

Median Household Income After Tax <sup>1-3</sup>	\$7,318.93
Median Household Savings <sup>4</sup>	\$2,000.00
<b>Total Funds Available</b>	<b>\$9,318.93</b>
Avg Rent <sup>5</sup>	\$3,127.00
Deposit <sup>6</sup>	\$2,000.00
Local Moving Costs <sup>7</sup>	\$800.00
<b>Total Housing Related Costs During Move</b>	<b>\$5,927.00</b>
Remaining Funds:	\$3,391.93
Average Family Living Expenses Excluding Rent: <sup>8</sup>	\$3,158.00
<b>Net Funds - No Concession:</b>	<b>\$233.93</b>
Funds w / 1-Month Concession:	\$6,518.93
Average Family Living Expenses Excluding Rent: <sup>8</sup>	\$3,158.00
<b>Net Funds - No Concession:</b>	<b>\$3,360.93</b>

\* As an analysis of short-term financial impact, a potential deposit return is not included as there is typically a lag between move-out and receipt of funds.

\*\* \$130,890 median household income in Santa Clara County

\*\*\*Please see the attached excel sheet for the references and assumptions used in the above calculation.

# Tenant Impact: HOUSING UNAFFORDABILITY

Many middle-income people will choose to move to neighboring cities like Palo Alto, Sunnyvale, and Cupertino because of the financial flexibility that concessions provide.

# REGULATION IMPACT:

Violates goals and objectives in ARTICLE XVII Community Stabilization & Fair Rent Act

“To promote neighborhood and community stability, healthy housing, and

~~**AFFORDABILITY FOR RENTERS**~~ in the City of Mountain

View by controlling excessive rent. increases and arbitrary evictions to the greatest extent

allowable under California law, while ensuring **LANDLORDS A FAIR**

**AND REASONABLE RETURN** on their investment.”

# RENTAL HOUSING COMMITTEE PURPOSE

ARTICLE XVII Community Stabilization & Fair Rent Act

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# Case Study: 10 UNIT COMPLEX

Proposed regulation  
approved and applied  
retroactively for one year.

## Move-In-Special Assumptions:

One-time concession of 1-month free  
(single concession provided at move-in, none for renewals)

## Typical 10 Unit Complex Assumptions:

20% Loan-To-Value Ratio  
5% Cap Rate for Value  
30% Operating Costs  
Average rents of \$3,125

## TENANT DURATION MIX:

**2022 Move-In Date:** 5 Tenants  
**2021 Move-In Date:** 1 Tenant  
**2020 Move-In Date:** 1 Tenant  
**2019 Move-In Date:** 1 Tenant  
**2018 Move-In Date:** 1 Tenant  
**2017 Move-In Date:** 1 Tenant

(All 10 tenants receive a rent decrease in 2023 and 5 tenants receive a retroactive payment under the new regulation.)

\* Please see the attached excel sheet for the full model including the full references and assumptions used in the calculations.

# Landlord Impact:

UNFAIR AND UNREASONABLE  
RETURNS.

Decreases income in 2023 by:

**29.5% ↓**

If Proposed Regulation is Approved and Applied Retroactively for 1 Year

2023 income without change: \$164,256

2023 income with regulation change : \$115,818



# Landlord Impact: UNREASONABLE RETURNS

2023 Landlord Impact:

RETROACTIVE

PAYMENTS TO

TENANTS

RENTAL ADJUSTMENT APPLIED

FOR 1 YEAR

	2023 No Change	2023 Proposed Regulation
Revenue	\$393,750	\$345,313
Op Costs*	\$117,000	\$117,000
Loan**	\$94,814	\$94,814
CapEx*	\$17,680	\$17,680
Total Income	\$164,256	\$115,818
<b>Income Decrease</b>	<b>-29.5%</b>	

\* Op Costs 30% of revenue  
\* 4% inflation  
\*\*20% LTV (based on 5% cap rate) with a 4.75% interest rate

# Analysis Summary

1. The proposed regulation will substantially impair affordability and access to housing to middle-income individuals looking to move into or relocate within Mountain View.
2. The proposed regulation, if applied retroactively, will substantially impede upon landlord's ability to achieve a fair and reasonable return.

# REGULATION IMPACT:

Violates goals and objectives in ARTICLE XVII Community Stabilization & Fair Rent Act

“To promote neighborhood and community stability, healthy housing, and

~~AFFORDABILITY FOR RENTERS~~ in the City of Mountain

View by controlling excessive rent. increases and arbitrary evictions to the greatest extent

allowable under California law, while ensuring ~~LANDLORDS A FAIR~~

~~AND REASONABLE RETURN~~ on their investment.”

# Proposed Alternatives

**Limit the scope of the allowable concession:**

1. Stop annually renewing concessions.
2. Stop amortization of concessions.

# Note on Limitations

This is an economic analysis and does NOT imply the legality of implementing the proposed regulation.

## PROPOSED REGULATION:

"If a temporary rent concession is provided by the Landlord during the initial term of the tenancy, the "initial rental rate" shall be the average amount of Rent actually demanded to be paid and paid by the Tenant during the initial term of the tenancy. A "rent concession" includes, but is not limited to, any of the following: • One or more months' free Rent; or A dollar or percentage amount reduction of the Rent provided over the course of the initial term of the tenancy."



Thank You



June 19, 2022

Chair Haines-Livesay and Members of the Rental Housing Committee  
City Hall  
500 Castro Street  
Mountain View, CA 94041

Re: RHC Meeting, June 20, Agenda #9.1 Clarifying Base Rent and Concessions in CSFRA Regulations

Dear Chair Haines-Livesay and Members of the RHC:

The LWV supports rent stabilization provisions that are fair and reasonable to landlords, tenants, and the community. One key to fairness is transparency. We reiterate the comments we made to the RHC for its May 23<sup>rd</sup> meeting. We agree with the recommendations of the Staff report once again. As the Staff report points out, the language in the CSFRA, Section 1702(b)(2) clearly stipulates that initial rent means **only the amount of rent actually paid** by the tenant during the initial tenancy. If the landlord offered reductions or concessions during the initial year of tenancy, the base rent, given the plain language of the CSFRA, is the total rent paid for the initial year divided by 12 months. For example, if the new tenant was offered two months of free rent, the total rent paid for the year is computed and this amount is divided by 12 not 10 months. It is also clear that the Rental Housing Committee has the power to make clarifying regulations to the CSFRA if there is any uncertainty. And our comments are consistent with the RHC recommendations at its May 23<sup>rd</sup> Study Session.

(Please send comments related to this letter to [housing@lwvlamv.org](mailto:housing@lwvlamv.org).)

Karin Bricker, President LWV of Los Altos Mountain View  
cc: Anky van Deursen Karen Tiedemann



**From:** Lauren Zack <lzack@law.stanford.edu>  
**Sent:** Monday, June 20, 2022 2:30 PM  
**To:** Rental Housing Committee <RHC@mountainview.gov>  
**Subject:** Item 9.1 Please Follow Staff Recommendation for Base Rent

**CAUTION: EXTERNAL EMAIL - Ensure you trust this email before clicking on any links or attachments.**

Dear RHC,

The CSFRA, passed by the voters, and the MHRSO, passed by City Council, are both clear. They define base rent as the rent actually paid during the initial tenancy. **Please support the staff recommendation for item 9.1.**

Thank you for upholding the intent and letter of the CSFRA and the MHRSO on the definition of base rent.

Best,  
Lauren Zack, California attorney (in my individual capacity)

--

Lauren Zack (she/her/hers)  
Litigation & Advocacy Fellow  
Community Law Clinic  
Stanford Law School  
v: 650-725-0927  
f: 650-326-4162  
[lzack@law.stanford.edu](mailto:lzack@law.stanford.edu)





California Apartment Association  
1530 The Alameda, Suite 100  
San Jose, CA 95126  
408.342.3500 ▪ caanet.org

**June 20, 2022**

**Via Electronic Mail Only**

Nicole Haines-Livesay  
Chairperson  
Mountain View Rental Housing Committee  
500 Castro Street  
Mountain View, CA 94041

**RE: RHC June 20, 2022 Agenda Item 9.1 – Proposed CSFRA Regulations re Base Rent and Concessions**

Dear Chair Haines-Livesay and Committee Members:

The California Apartment Association (CAA) appreciates the work by the Mountain View Rental Housing Committee (RHC) and its staff to work with stakeholders on the development of regulations related to the calculation of Base Rent.

CAA cannot support the proposed regulation in its current form. CAA maintains its long-standing opposition to the proposed regulations as stated in letters to the RHC from both CAA and its legal counsel on March 28, 2022 and from CAA on May 23, 2022. CAA reserves all of its rights and defenses in connection with this matter.

As the RHC reviews this matter at its June 20, 2022 meeting, it is important to consider two items:

- Up front concessions that often take the form of one or two months free rent are a critical tool to remove barriers to entry to housing and promote housing affordability, consistent with the stated goals of the Community Stabilization and Fair Rent Act (CSFRA).
- The retroactive nature of the proposed regulation is inconsistent with other cities that adopted similar regulations and penalizes housing providers who complied in good faith with the CSFRA.

**Concessions Promote Access to Housing**

Up front rent concessions are a critical tool housing providers use to lease vacant units and reduce barriers for people looking to access rental housing. As the CSFRA itself recognizes, moving can be costly. See CSFRA Section 1701(s), which states in relevant part, “nearly all rental housing requires that prospective tenants pay three months' rent up front in order to secure a lease - generally representing the first month's rent, last month's rent, and security deposit.” Rent concessions offset these costs. They often take the form of one- or two-months free rent and reduce the up front costs a tenant must pay when moving out of one home and into a new one. These up front concessions do not reduce the periodic payment of monthly rent over the lease term and the tenant knows the amount they must consistently pay each month.

By adopting the amendment as written, many housing providers will discontinue offering up front rent concessions as they will be forced to treat a one-time incentive as a permanent reduction to the tenant's rent.

When a tenant receives a concession in the form of a free month of rent, the tenant is accustomed to paying the stated rent in their rental agreement each month. When a tenant receives an Annual General Adjustment (AGA), the only change they experience in their periodic payment of monthly rent is the increase allowed by the AGA.

### **Regulation is Inconsistent with Peer Cities; Punishes Housing Providers**

Up front rent concessions were issued by housing providers and agreed to by tenants in good faith. Since the effective date of the CSFRA, housing providers have been following the law and were in compliance with the CSFRA when they offered, and the tenant accepted, an upfront rent concession in the form of a free month of rent. Adopting the regulation as drafted now reverses course and attempts to make a violation of one-time temporary rent concessions that do not alter the monthly rent paid.

The proposed regulation, as drafted, creates confusion, increases bureaucracy, and unfairly penalizes rental housing providers with potentially years of rent roll backs, creating a significant financial liability. The petition process can be complicated, time consuming, and expensive for housing providers, tenants, and the RHC. It's important that this regulation recognizes and balances the risks with the intended benefits.

In its earlier analysis, as a justification for developing this regulation, RHC staff referred to several rent control programs in California that regulated the use of rent concessions. However, it is important to note that several cities including Richmond, Berkeley, and West Hollywood did not include any express retroactive application in their adopted regulation on rent concessions. If the RHC seeks to remain consistent with other jurisdictions who have regulated concessions, Mountain View's regulation should follow the lead of these other cities and not amend its petition process to specifically allow for retroactive application.

### **Conclusion & Recommendations**

Should the RHC feel compelled to adopt regulations on this matter, the RHC must recognize the importance of one-time concessions and how they are different from a concession that takes the form of an ongoing monthly reduction to the tenant's monthly rent. The RHC should specifically exclude one-time, up-front concessions from the calculation of "Base Rent." And, to align with some degree of consistency with other cities and to reduce confusion, bureaucracy and not penalize housing providers who were acting in good faith when offering one-time concessions, any adopted change to the petition process in Chapter 4 must not be retroactive in nature and should only be applied to future tenancies

CAA appreciates the RHC's commitment to working with stakeholders and is available to answer any questions or provide additional information you may find helpful as you consider this issue.

Sincerely,



Joshua Howard  
Executive Vice President  
California Apartment Association