



MEMORANDUM

CSFRA, Community Development Department

DATE: May 4, 2020

TO: Rental Housing Committee

FROM: Patricia Black, Analyst II
Anky van Deursen, Program Manager
Karen Tiedemann, Special Counsel to the RHC

SUBJECT: CSFRA Annual General Adjustment of Rent 2020 and Regulations for Voluntary Agreements to Temporarily Reduce Rent

RECOMMENDATION

Review and adopt a Resolution of the Rental Housing Committee Announcing an Annual General Adjustment of Rent for 2020 of 2.9 percent and Regulations for Voluntary Agreements to Temporarily Reduce Rent, to be read in title only, further reading waived (Attachment 1 to this memorandum).

INTRODUCTION AND BACKGROUND

The Community Stabilization and Fair Rent Act (“CSFRA”) provides for an Annual General Adjustment (“AGA”) to increase rent for existing tenancies based on the percentage increase in the Consumer Price Index for All Urban Consumers (“CPI-U”) of San Francisco-Oakland-Hayward (San Francisco Area). The Committee is required to announce the AGA no later than June 30 each year. Per the CSFRA, the AGA shall be equal to 100 percent of the percentage increase in the CPI for the 12-month period, ending as of March of each year. However, the AGA shall not be less than 2 percent and not more than 5 percent.

ANALYSIS

In January 2018, the United States Department of Labor, Bureau of Labor Statistics revised the geographic areas for which it produces indices. Consequently, on March 26, 2018, the Rental Housing Committee (“RHC”) adopted a resolution to use the CPI-U for the San Francisco Area as a successor index for determining the AGA. Since these CPIs are only published every two months and March indices are not available, the RHC decided in

2017 to use the indices from February to February of each year to determine the Annual General Adjustment. The CPI-U for the San Francisco Area increased by 2.9 percent between February 2019 and February 2020, as shown in the table below. This increase falls within the adjustment allowed by the CSFRA.

Annual Change in CPI

February 2019	February 2020	Difference	
CPI Index	CPI Index	Number	Percentage (rounded to nearest tenth)
291.227	299.690	8.463	2.9%

The rent increases imposed pursuant to this adjustment may take effect on or after September 1, 2020. Under State law, landlords are required to provide 30 days’ advance notice of such rent increase. The right of landlords to implement the AGA is conditional upon compliance with the CSFRA.

Regulations for Voluntary Agreements to Temporarily Reduce Rent

In rent-stabilized properties, rent increases are limited to the annual general increase (AGA) and may not be increased beyond this amount. Additionally, the CSFRA limits rent increases to no more than one increase per 12-month period and no more than 10 percent in any 12-month period. However, some landlords are actively working with tenants to reduce rents to provide relief during the COVID-19 pandemic. A temporary rent reduction regulation will allow landlords to temporarily reduce rents and afterwards return rents to the amounts charged under their underlying rental contract without running afoul of the CSFRA. Landlords and tenants can enter into a voluntary short-term agreement, without changing other terms of the rental contract, to temporarily reduce the rent during the COVID-19 pandemic or for such other term as agreed upon by the parties. Upon termination of such agreement, the rent can be returned to the rent prior to the voluntary reduction. There may be cases where returning the rent to the prior rate will exceed the AGA increase or result in a rent that is more than 10 percent higher than the reduced rent. This will be allowable during the term of the emergency declaration in order to encourage landlords to work with their tenants during this unprecedented period.

The purpose of this proposed regulation is to encourage landlords to reduce rents to keep residents housed during the most difficult months of the COVID-19 crisis. This regulation will assist in protecting the health, safety, and welfare of Mountain View

residents whilst maintaining the base rent for landlords to the amount in effect as of April 30, 2020.

FISCAL IMPACT

The adoption of the AGA 2020 and the Regulations for Voluntary Agreements to Temporarily Reduce Rent are not anticipated to affect the budget of the RHC.

PUBLIC NOTICING – Agenda posting.

PB-AvD-KT/TG/2/CDD/RHC
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- Attachments:
1. Draft Resolution to Adopt AGA 2020
 2. BLS, Consumer Price Index, San Francisco Bay Area – February 2020
 3. Draft Resolution to Adopt Regulations for Voluntary Temporarily Rent Reduction
Exhibit A: Draft Regulations for Voluntary Agreements to Temporary Rent Reduction