



MEMORANDUM

Rent Stabilization Program
Community Development Department

DATE: October 18, 2021

TO: Rental Housing Committee

FROM: Karen Tiedemann, Special Counsel to the RHC
Nazanin Salehi, Special Counsel to the RHC
Anky van Deursen, Program Manager

SUBJECT: **Draft Regulations for Voluntary Agreements to Temporarily Reduce Rent**

RECOMMENDATION

Review and adopt a Resolution of the Rental Housing Committee to Amend Regulations Chapter 7 for Voluntary Agreements to Temporarily Reduce Rent, to be read in title only, further reading waived (Attachment 1 to this Memorandum).

BACKGROUND

On May 4, 2020, the Rental Housing Committee adopted a resolution to amend Regulations Chapter 7, allowing landlords to temporarily reduce rents for COVID-19 impacted tenants and afterwards return the rents to the amounts charged under their underlying rental contract without running afoul of the CSFRA. Landlords and tenants can enter into a voluntary 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.

Recently, the City Council directed a landlord who would be engaging in major construction over a considerable period of time to work with the tenants to temporary reduce their rents during the major construction.

ANALYSIS

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% in any 12-month period. Some landlords are actively working with tenants to temporarily reduce rents to provide relief in response to Major Construction or Capital Improvements that are anticipated to substantially interfere with a tenant's use or enjoyment of a covered unit or associated Housing Services. The draft regulations allow landlords and tenants to voluntarily enter into a Voluntary Agreement to temporarily reduce the tenant's rent on a covered unit, provided such Voluntary Agreement does not change any of the other terms of the tenancy. If a landlord and a tenant enter into a Voluntary Agreement to reduce rent, the tenant's rent may be returned to its rent prior to the voluntary rent reduction, in accordance with the terms of any such Voluntary Agreement, and the return to the prior rent shall not be considered a rent increase pursuant to Section 1707 of the CSFRA, which limits rent increases to: no more than the AGA each year (Section 1707(a)); rent increases to no more than one (1) increase per twelve (12) month period (Section 1707(b)); and annual rent increase to no more than ten percent (10%) per year (Section 1707(e)).

In the draft regulations, major construction refers to construction activities, including, but not limited to, those necessary for ground clearing, grading, excavation, foundation building, structure erection, and finishing, that are likely to last at least thirty (30) days and capital improvements shall have the same definition as Paragraph (3) of Section (C) of Chapter 6 of the CSFRA Regulations.

The draft regulations also stipulate that a landlord needs to provide a Notice of Return to Prior Rent, informing the tenant of the date that the rent will be reinstated to the rent effective immediately preceding the execution of the Voluntary Agreement.

The purpose of this proposed regulation is to encourage landlords to reduce rents during major construction and compensate residents for reduced services whilst maintaining the base rent for landlords.

FISCAL IMPACT

The adoption of Regulations for Voluntary Agreements to Temporarily Reduce Rent is not anticipated to affect the budget of the RHC.

PUBLIC NOTICING – Agenda posting.

KT-NS-AvD/JS/1/CDD/RHC

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Attachment: 1. Draft Resolution to Amend Regulations for Voluntary Agreements to Temporarily Reduce Rent
Exhibit A: Draft Regulations