

DATE: June 12, 2025

TO: Rental Housing Committee

FROM: Patricia Black, Senior Management Analyst
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SUBJECT: **Amendment CSFRA Regulations Chapter 13, Utility Charges**

RECOMMENDATION

Review and adopt amendments to the Community Stabilization and Fair Rent Act Regulations Chapter 13, Utility Charges, extending the time frames for compliance in Section B.3 Table 2.

BACKGROUND

On December 18, 2023, the Rental Housing Committee (RHC) adopted Community Stabilization and Fair Rent Act (CSFRA) Regulations Chapter 13, Utility Charges, to:

- Clarify that all rental charges, directly or indirectly charged by landlords, including charges for shared or master-metered utilities, including, but not limited to, water, sewer, or trash, are part of the definition of rent as stipulated in the CSFRA, and the cost of such services must be established as part of the initial rental rate and specified in the rental agreement at the commencement of the tenancy; and
- Implement a One-Time Utility Adjustment (OTUA) Petition process that:
 - Allows landlords currently using a Ratio Utility Billing System or similarly calculated and billed utility charges to transition from separately charged utilities to including utility costs in the rental amount, thereby bringing rental properties into compliance with the CSFRA; and
 - Establishes the process for submissions and review of OTUA Petitions.

Summary of the Issue

The implementation of the OTUA Petition process started in September 2024 with staggered deadlines, with an overall target submission completion date for all properties by August 31, 2025. Under the phased approach, landlords of fully covered CSFRA units are required to submit an OTUA Petition to the Rent Stabilization Division by certain deadlines based on the number of units on the property. At the February 2025 RHC meeting, the RHC adopted extensions of the deadlines due to the length of time required to submit a petition and penalties associated with missing the submittal deadlines. The first amendment extended submittal deadlines for all property sizes by two months, with an overall submission completion date by October 31, 2025.

As discussed further below, based on the updated workload to process the first tranche of OTUA Petitions submitted, staff recommends a second submittal deadline extension for smaller properties.

ANALYSIS

The initial deadline extension of April 30, 2025 for large properties with 21 or more units resulted in a 100% submission and/or response rate. This represents 9,027 of the 12,754 fully covered CSFRA units required to file OTUA petitions. In order to achieve this level of compliance, staff provided extensive support and follow-up with all large properties, including providing extensive customer service support, communicating updates of submittal deadlines through postcards, letters, and emails, as well as researching and contacting (by phone, mail, and email) nonresponsive properties.

In order for staff to timely review and complete all current submissions and/or responses from the larger properties (21 or more units), staff recommends a second extension of deadlines for smaller properties (20 or fewer units) of an additional two months, with an overall submission completion date by December 31, 2025, with further review as necessary.

While the larger properties represent the majority of CSFRA-covered *units*, properties with 20 or fewer units represent the majority of CSFRA-covered *properties*. In general, these properties are less likely to have property management companies, which provide support and guidance through the process. Just as with registration, they are more likely to need staff support in completing the petition from start to finish than larger properties. This allows staff to adequately perform the outreach and support needed for smaller properties.

Table 1: Recommended Changes to Section B.3, Table 2.

Number of Units on Property	Original Submittal Periods	Extended Submittal Periods	Second Extended Submittal Periods
>20 units	Petition must be submitted to the Rent Stabilization Division within six (6) months of Division release date of petition form(s) (between September 1, 2024 and February 28, 2025).	September 1, 2024 – April 30, 2025	N/A
6-20 units	Petition must be submitted to the Rent Stabilization Division within ten (10) months of Division release date of petition form(s) (between September 1, 2024 and May 31, 2025).	September 1, 2024 – July 31, 2025	September 1, 2024 – September 30, 2025
1-5 units	Petition must be submitted to the Rent Stabilization Division within twelve (12) months of Division release date of petition form(s) (between September 1, 2024 and August 31, 2025).	September 1, 2024 – October 31, 2025	September 1, 2024 – December 31, 2025

Reason for Recommendation: In order for staff to timely review and complete all current submissions and/or responses from the larger properties (21 or more units) and address the anticipated level of staff support needed for smaller properties (20 units or less) to submit OTUA Petitions and prevent these smaller properties from incurring penalties associated with missing the submittal deadlines, staff recommends extending the submittal deadline for an additional two months, as indicated above.

FISCAL IMPACT—None.

PUBLIC NOTICING—Agenda posting, posting on the City’s website, and email to distribution list.

PB-AVD/KG/6/HSN/RHC/847-06-12-25M-3

Attachment: 1. Resolution to Adopt Amendments to CSFRA Regulation Chapter 13, Utility Charges