

DATE: May 22, 2025

TO: Rental Housing Committee

FROM: Patricia Black, Senior Management Analyst
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SUBJECT: **Notification of Minor Clarification in CSFRA Regulations Chapter 13: Utility Charges**

RECOMMENDATION

Receive a report on minor clarification to Community Stabilization and Fair Rent Act (CSFRA) Regulations Chapters 13: Utility Charges.

BACKGROUND

On December 18, 2023, the Rental Housing Committee (RHC) adopted 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 Community Stabilization and Fair Rent Act, 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:
 - o 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
 - o Establishes the process for submissions and review of OTUA Petitions.

In September 2024, the RHC adopted amendments to CSFRA Regulations Chapter 13 delegating to staff the authority to make minor amendments and clarifications to the One-Time Utility Adjustment process without Committee action, approval or ratification (CSFRA Chapter 13.C).

Accordingly, staff are providing this clarification in CSFRA Regulations Chapter 13 to the RHC as an informational item.

Summary of the Issue

The OTUA Petition process started in September 2024. Depending on the specific circumstances of each unit, that the utility portion of rent will ultimately be adjusted up or down as a result of the petition process. Since the start of the OTUA process, staff have received inquiries from landlords in situations where the OTUA Petition results in a one-time downward adjustment of rent and whether that downward adjustment of rent is considered a nullification of previously implemented Annual General Adjustment(s) (AGA). Landlords have expressed confusion over the timing of allowed AGA increases after the downward adjustment resulting from the OTUA petition. Specifically, they have inquired as to whether they could immediately give an AGA increase after the downward adjustment of rent or if they still needed to wait 12 months since the last increase as required by CSFRA Section 1707(b).

ANALYSIS

The OTUA Petition process uses current rent levels and average utility rates to determine a correction of the current Rent level. While an OTUA Petition may result in a downward adjustment of rent, such downward adjustment is not considered an undoing of any AGAs that have already been imposed and in effect. Therefore, landlords cannot immediately re-issue an AGA but must wait to implement an AGA increase until at least 12 months have elapsed from the last AGA increase (i.e., applied to the Current Rent, as that term is defined in Section A.1. of CSFRA Regulations Chapter 13). As a result, staff will update the regulations to clarify this issue as shown below.

Administrative Clarification to Section B.15.d.i.S

d. Downward Adjustment Procedure. If the Utility Adjustment Petition results in a one-time downward adjustment, the Landlord shall impose the adjustment within thirty (30) days of the receipt of Notice of Final Administrative Determination by Staff, after providing notice in accordance with Civil Code Section 827.

i. A downward adjustment resulting from a One-Time Utility Adjustment Petition is not a rent adjustment that nullifies one or more Annual General Adjustment(s) that have already been implemented by a Landlord as described in CSFRA Section 1707(a). After a Landlord imposes the one-time downward adjustment, the Landlord must still wait at least twelve (12) months from the last Rent increase (pursuant to either Annual General Adjustment(s) or an Upward Adjustment of Rent Petition) to impose the next Rent increase.

Reason for Recommendation: The purpose of the additional language is to clarify how the outcome of a OTUA Petition resulting in a downward adjustment of rent affects AGA based rent increases. Specifically, a one-time downward adjustment under the OTUA process does not nullify previously given AGA based rent increases as described in CSFRA Section 1707(a). A landlord must wait at least twelve (12) months from the last imposed Rent increase to impose any Rent increase.

FISCAL IMPACT – None.

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

Attachments:

1. Amended CSFRA Regulations Chapter 13: Utility Charges