

DATE: December 18, 2025

TO: Rental Housing Committee

FROM: Anky van Deursen, Rent Stabilization Manager
Karen M. Tiedemann, Special Counsel to the Rental Housing Committee
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SUBJECT: **Amendments to CSFRA Regulations Chapter 13, Utility Charges**

RECOMMENDATION

Adopt amendments to the Community Stabilization and Fair Rent Act Regulations Chapter 13, Utility Charges.

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.

ANALYSIS

On June 12, 2025, the RHC extended the deadline for submittal of OTUA petitions as follows (see Table 1 below).

Table 1: Submittal Periods for One-Time Utility Adjustment Petitions

Number of Units on Property	Changes in Submittal Periods		
	December 2024	February 2025	June 2025
>20 units	February 28, 2025	April 30, 2025	April 30, 2025
6-20 units	May 31, 2025	July 31, 2025	September 30, 2025
1-5 units	August 31, 2025	October 31, 2025	December 31, 2025

As a result of the extended time period for submission of OTUA petitions, the calculation of the one-time utility adjustment must account for inflation during the extended time period. This results in adjustments to the eight-step process in the regulations for calculating each Rental Unit's proportional share of the total Utility Charges for the Property.

Specifically, step 8 must be modified to incorporate the latest changes in the CPI. See Table 2, under Step 8, with the underlined addition of the CPI from June 2023 to June 2025, as published in July 2025, at 4.7%. This includes the annual CPI from June 2023-2024 of 3.2% and the annual CPI from June 2024-2025 of 1.5%. For petitions that have not yet been submitted, the additional CPI increase should be incorporated into the calculations prior to submission. For petitions that have already been submitted, staff will incorporate the additional CPI increase at the Final Review stage.

Table 2: Steps for Determining One-Time Utility Adjustment Amount

STEP 1:	Determine the amount of Utility Charges for the entire rental property for the period between July 1, 2023 and June 30, 2024, or the 12-month period that encompasses utility billing cycles that commence as close to July 1, 2023 as possible.
STEP 2:	Determine the Common Area Deduction (CAD) percentage (as determined by Subparagraph (b) below) and deduct that amount from the total 12-month property utility charges determined in Step 1.
STEP 3:	Determine the average monthly utility charges excluding CAD for the property, by dividing the total 12-month utility bill, minus the CAD (as done in Step 2), by 12 months.

STEP 4:	Determine the total number of rooms in the entire property, (in accordance with Subparagraph (d) below). Divide the average monthly utility charges as calculated in Step 3 by the total amount of rooms on the property to get the monthly utility charge per room.
STEP 5:	Calculate the allowable monthly utility charge per rental unit, by determining the number of rooms in each rental unit (in accordance with Subparagraph (d) below) and multiply that by the Monthly Utility Charge per Room as calculated in Step 4.
STEP 6:	Determine the sum of applicable utility allowances per rental unit as published by the Santa Clara County Housing Authority in 2023.
STEP 7:	Compare the amount in Step 5 (monthly utility charges per rental unit) with the sum of Step 6 (the sum of applicable Utility Allowance per rental unit) and determine the lesser amount for the unadjusted One Time Utility Adjustment.
STEP 8:	Multiply the amount for the One-Time Utility Adjustment determined in Step 7 by the percentage change in the Consumer Price Index—All Items (CPI-U San Francisco Area), <u>as applicable:</u> <ul style="list-style-type: none">• From June 2023 to June 2024 as published in July 2024, which is 3.2%• <u>From June 2023 to June 2025 as published in July 2025, which is 4.7%.</u> Then add that to the One-Time Utility Adjustment determined in Step 7. This amount is the maximum amount allowed for the One-Time Utility Adjustment.

Reason for Recommendation: Due to the extended timeline for submittal of OTUA petitions, Step 8 of the 8-step process in the regulations, for calculating each Rental Unit's proportional share of the total Utility Charges for the Property, must be modified to incorporate the change in the CPI from June 2023 to June 2025, as published in July 2025, at 4.7%.

FISCAL IMPACT—None.

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

Attachments: 1. Resolution to Adopt Amendments to CSFRA Regulation Chapter 13, Utility Charges
Exhibit A: CSFRA Regulations Chapter 13: Utility Charges