

**Minutes of a Special Meeting of the
Rent Review Advisory Committee
Monday August 30, 2018**

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 6:30 P.M.

Present were: Chair Cambra; Vice Chair Murray; Members Friedman, Griffiths, and Sullivan-Cheah

Absent: None

Program staff: Grant Eshoo, Gregory Kats

City Attorney staff: Michael Roush

2. AGENDA CHANGES

a. None.

3. STAFF ANNOUNCEMENTS

a. None.

4. PUBLIC COMMENT, NON-AGENDA ITEMS, NO.1

a. None.

5. CONSENT CALENDAR

a. None.

6. UNFINISHED BUSINESS

6-A. CASE 1099 – 2485 Shoreline Dr., Apt. 313

Tenant: Joseph Moran

Landlords: Joanna Leonard, Randall Kessler, Michael St. John, Andrew Fisher

Proposed rent increase: \$354.19, effective October 1, 2018, from a base rent of \$1,550.00 to a total rent of \$1,904.19.

Mr. St. John opened by commenting that the word "hardship" was being used during the Committee hearings in two senses – first in the sense that Ordinance 3148 discusses financial hardship, and second, some tenants are claiming that the construction at the property has imposed a hardship.

City Attorney staff said that the Committee may take into consideration a number of factors, noting that "including, but not limited to" are the words in the Ordinance. He added that the Ordinance states that an increase or decrease in housing services may be considered specifically.

Mr. St. John said that documents on the Rent Program website indicate RRAC cases result in an average increase of 9.32%, and in the cases involving Tropic Sands, the Committee is allowing increases of just above 6% on each case decided. He reiterated (from previous meetings) that management had already taken into account tenant hardship in the increase amounts requested.

Chair Cambra replied that each unit, tenant, landlord and case is unique and the Committee takes each case on a case-by-case basis.

Mr. Moran stated that because his unit is on the top floor his apartment gets really hot, and that following construction on the property, the temperature has been 10-15 degrees hotter in his apartment than before because the construction has resulted in less of a breeze that comes inside the unit. Specifically, Mr. Moran pointed to the replacing of spoke wrapping around the balcony with panels that were higher, did not let the breeze through, as well as blocked the view of the Bay from a sitting position. He added that there is no insulation to keep the temperature steady, and the lack of insulation also fails to insulate the unit from noise. His biggest concern, he said, was that the new panel wrapping around the balcony resulted in about a 75% loss of the Bay view he had with the spoke wrapping. The view, he said, was the most valuable amenity the apartment offered.

Mr. Kessler replied that the work done was up to code, was inspected by the city, and there were code changes on wrapping heights, adding that they put in panels on the balcony instead of spokes because they thought they looked good.

Vice Chair Murray asked if he's considering moving out and Mr. Moran said he may consider it now, whereas prior to this change he was not considering moving.

Member Friedman asked him what he thought was a fair increase for the next year and Mr. Moran said he thought about \$100 was fair for this year. He said he would pay additional increase if the view had not been taken away.

Vice Chair Murray clarified that according to his Form RP-01 response Mr. Moran indicated he thought a reasonable amount of rent to pay is \$1,750.

Mr. St. John said he understands Mr. Moran feels the loss of view is a service reduction, which is the first time he's heard a tenant bring up a true service reduction, rather than express complaints about the temporary inconveniences cause by the construction.

Vice Chair Murray asked Mr. Moran to clarify his statement that \$1,750 would be what he was willing to pay. Mr. Moran said that he had meant that he thought an increase to \$1,750 would be a reasonable one-time increase, not part of any expected multi-year phase-ins.

Mr. St. John offered a one-time increase to \$1,695, not part of the phase-in. Mr. Moran accepted and the Committee dismissed the case without having to come to a decision.

6-B. CASE 1100 – 2485 Shoreline Dr., Apt. 109

Tenant: Michael Scalisi

Landlords: Joanna Leonard, Randall Kessler, Michael St. John, Andrew Fisher

Proposed rent increase: \$310.83, effective October 1, 2018, from a base rent of \$1,295.00 to a total rent of \$1,605.83.

Michael Scalisi said that he reviewed the management's increase offers but found them unsatisfactory. He said he had a health limitation that has limited his ability to earn income that he did not want to discuss in a public forum. He said the construction at the property resulted in a partial obstruction of his view of San Francisco and his unit was noticeably warmer. He said he's had a difficult time financially this year and had just stabilized a couple weeks ago.

The Committee members helped clarify their role and limitations regarding multi-year lease agreements, and assured the parties that the tenant would have to be noticed each year and each year would have the right to RRAC review, automatically for increases over 5%, and optionally for increases of 5% or less.

Member Griffiths told Mr. Scalisi it may be more helpful for him to think of the increases not as a phase-in option and a one-time option, but simply as a single increase of some amount for 2018.

Member Sullivan-Cheah asked what impact the landlord's requested increase would have on him, and what percentage of his income it would be. Mr. Scalisi said it was substantial considering the financial hardship he just experienced.

Mr. Roush clarified that following a binding RRAC decision the parties may appeal for a hearing officer, and a RRAC decision only becomes binding after 15 days where no party has appealed.

Mr. Scalisi requested that the Committee make a decision and reiterated his opinion that a \$65 increase was reasonable. Mr. St. John reminded Mr. Scalisi that the options they presented are still on the table. Mr. Scalisi said he would like the Committee to make a decision.

Member Friedman asked if the tenant can pay the one-time \$310 increase. Mr. Scalisi said that his financial security is ambiguous and thought the question was difficult to answer. Member Friedman asked if he could pay \$150. Chair Cambra interjected that Mr. Scalisi had said he thought a \$65 increase was reasonable, and Member Friedman replied that he wanted to get a better sense of the tenant's ability to pay. Mr. Scalisi repeated

he had difficulty answering the question as it was a complex matter and saw his financial future as uncertain.

The parties took a seat and the Committee began deliberations.

Member Sullivan-Cheah said he thought the tenant could afford more than \$65 and still stay in his home.

Member Griffiths proposed a \$123.03 increase, the 9.5% increase the landlords proposed in their first year of the phased-in option.

Vice Chair Murray agreed that the tenant could pay that amount, and did not think the landlords should get less than that without a compelling hardship shared by the tenant.

Member Friedman said he did not think the tenant had demonstrated a financial hardship, and said that the landlord's phase-in amount was reasonable.

Chair Cambra said he also supported the \$123.03 amount as the tenant had considered paying the \$310 one-time offer.

Motion and second for an increase of 123.03 (Vice Chair Murray and Chair Cambra).
Motion passed 5-0.

6-C. CASE 1101 – 2485 Shoreline Dr., Apt. 209

Tenant: Carrie & Mounaim Bouderkha

Landlords: Joanna Leonard, Randall Kessler, Michael St. John, Andrew Fisher

Proposed rent increase: \$344.84, effective October 1, 2018, from a base rent of \$1,495.00 to a total rent of \$1,839.84.

Ms. Bouderkha said she and her husband have lived at this property for 11 years. She said they used to have a good view of the Bay, but after the construction, they lost most of their view. She said paint stains remained on the balcony following the painting of it. She presented a number of repair and maintenance issues they had at the property that went unaddressed, including potential asbestos problems, black mold, and water leakage, as well as security issues, as they believe someone moved some of their property, and a gold ring went missing. They said they felt management did not take their concerns seriously.

Ms. Leonard admitted that the paint coating on the balcony did not perform well, so they plan to recoat all of the balconies. She said she would take care of the pending maintenance concerns.

Ms. Bouderkha said the repeated letters and materials sent by St. John & Associates felt condescending and offensive.

Mr. Kessler said he would be talking with Ms. Leonard to address their health and security concerns. The landlords and tenants discussed how to make proper work order requests, e.g., through email to management.

Vice Chair Murray asked Mr. and Ms. Bouderkka about their income. Mr. Bouderkka said he is studying music at Laney College and does not plan on having income for at least the next year. Ms. Bouderkka said she is gainfully employed. Vice Chair Murray asked if the increase would be a financial hardship and Ms. Bouderkka said the \$142.03 being proposed by the landlord's would be a hardship and she would have to cut back on groceries.

Member Friedman asked the tenants how much of an increase they could afford, and how much they think is fair considering the issues they've raised. Ms. Bouderkka said she believes a \$50 increase for this year would be reasonable. She said she wrote in her response that an increase of \$100 was what she thought was fair, but clarified she only thought that would be fair if the rent stayed at that rate for a period of three years, as previously the landlords would raise their rents only once every three years.

Vice Chair Murray asked the landlords if asbestos was present at the property. Ms. Leonard said she did not think there was because they've passed the City's inspections.

Ms. Bouderkka said there was an asbestos warning posted in the unit.

Ms. Leonard said there were popcorn ceilings in the building, which were removed by Synergy Environmental, a professional, certified environmental contractor that is qualified to remove asbestos.

Member Sullivan-Cheah asked about the tenants' financial situation. The tenants replied they had new expenses, such as a car payment, and had concerns about keeping up with the cost of living in the area. Ms. Bouderkka said living at the property had been stressful, as the apartments were having so many issues with mold, asbestos, security, loss of view, and abrasive letters from the landlords.

Vice Chair Murray asked what percentage of the tenants' income the rent would be if it was increased to what the landlords were requesting, and the tenants declined to answer.

The parties took a seat and the Committee deliberated.

Member Sullivan-Cheah said he thought an increase of \$50 was low considering the landlords had committed to addressing the ongoing maintenance, and health and safety concerns.

Member Griffiths proposed an increase of \$93.89, the CAPX cost.

Vice Chair Murray said she believes the management will take care of the tenants' maintenance issues. She said she felt the tenants' distress and concerns, and mentioned that many upgrades and improvements may not be visible to the tenants, yet tenants benefit from them nonetheless. She acknowledged a potential financial hardship with only one income, the loss of a view, and other concerns. She acknowledged increased costs for the tenants and stated that landlords also have increased costs. She said she would not support an increase less than \$100.

Member Friedman agreed that the tenants did not present a clear financial need, but they did present a substantial loss of service, such as the view, and need for living in a safe, sanitary environment, while the situation they had found themselves in may not have been ideal. He said he believes the loss of services experienced by the tenants would continue. He said Ordinance 3148 excluded capital improvements costs from "costs of operation". He said he would support an increase of about \$75, about 5%.

Vice Chair Murray replied that because the capital improvements started prior to the City's CIP, the landlords had to come through the RRAC to try to get increases for them. She said that this makes these cases a special circumstance.

Member Friedman explained why he found the issues raised by the tenants especially concerning. He said he believed landlords should be setting aside money from rent every year to pay for capital improvements rather than expect to raise the rents more to pay for them.

Member Sullivan-Cheah said he felt that the owners were owed increases so they could get a fair rate of return in their property.

Chair Cambra explained the issues he was considering in concluding that an increase amount of at least \$93.89 was warranted.

Member Griffiths made a motion for an increase of \$93.89. No second.

Motion and second for an increase of \$75 (Member Friedman and Member Griffiths). Motion failed 2-3.

Motion and second for an increase of \$100 (Member Sullivan-Cheah and Member Griffiths). Motion passed 4-1, with Chair Cambra voting against it.

7. NEW BUSINESS

No new business.

8. PUBLIC COMMENT, NON-AGENDA ITEMS, NO. 2.

a. None.

9. MATTERS INITIATED

Member Griffiths said that the Committee spent 40 minutes deliberating on the last cases, which he found unacceptable time management. He said he would like to set a time for discussion about time limits. Staff informed the Committee that a discussion regarding amending the Committee bylaws would be on the agenda at an upcoming meeting.

10. ADJOURNMENT

The meeting adjourned at 9:31 p.m.

Respectfully Submitted,

RRAC Secretary
Grant Eshoo

Approved by the Rent Review Advisory Committee on November 7, 2018