

Minutes of the Regular Meeting of the

Rent Review Advisory Committee Wednesday, January 10, 2018

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 6:31 P.M.

Present were: Chair Cambra; Vice-Chair Sullivan-Sariñana; Members Griffiths and Friedman

Absent: Member Murray

Committee staff: Grant Eshoo, Janice Heredia

City Attorney staff: John Le

2. AGENDA CHANGES

- a. Staff informed the Committee that several cases on the agenda would not be heard, as they resolved prior to the hearing.

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

- a. Eric Strimling commented that for rent increases above 5%, the burden of proof should be on the landlord to show why it is reasonable.

4. STAFF ANNOUNCEMENTS

- a. Staff acknowledged that it had welcomed and oriented the attendees and participants prior to the meeting being called to order.

5. CONSENT CALENDAR

5-A. Approval of the Minutes of the November 6, 2017 Regular Meeting

Motion and second (Sullivan-Sariñana and Griffiths). Motion passed unanimously of the members present.

5-B. Approval of the Minutes of the December 4, 2017 Regular Meeting

Chair Cambra made a suggestion to edit the minutes.

Motion and second (Cambra and Griffiths). Motion passed unanimously of the members present.

6. UNFINISHED BUSINESS

- a. No unfinished business.

7. NEW BUSINESS

7-A. CASE 972 – 1815 San Antonio Ave., Unit A

No Committee review. Prior to the RRAC meeting, the tenant and landlord agreed to a rent increase of \$279.58, a 26.7% increase, bringing the rent to a total of \$1,325, effective February 1, 2018.

7-B. CASE 963 – 1030 Lincoln Ave., Unit A

Tenants: Temo Martinez and Laura Martinez

Landlords: Craig Wallace and Laurie-Anne King

Spanish language translator: Rent Program staff member Janice Heredia

Proposed rent increase: \$1,190 (90.8%) to a total rent of \$2,500, effective February 1, 2018

The landlords stated that rent was below market and the building needed maintenance. They referred to a quote for foundation work in the amount of \$30,000. They said they have a good relationship with their tenants. They informed the Committee that they purchased the home for \$1.7 million, so their mortgage and property taxes were higher than that of the previous owners. They acknowledged that the tenants had a personal relationship with the previous landlord and that they worked at the previous landlord's restaurant in addition to living at his property.

The tenants stated that they have lived in the unit since 1998 and that their son was born in the home and it was the only home he had ever known. They said that they understood that the landlord was making a business decision but they could not afford the increase they were requesting. They stated that their household income was about \$4,000 per month, that there are times when they cannot make ends meet, and times when they have up to a \$500 monthly surplus. They said they could afford a 5% rent increase.

Chair Cambra asked for a numerical value for how much they could afford. The Mr. Martinez responded they could afford a \$300-\$400 increase at most. Vice Chair Sullivan-Sariñana added that the parties were not compelled to answer questions about finances.

Chair Cambra asked if the parties learned anything they did not know before. The landlords said they thought that the tenants had only occupied the unit for two years, as their management company, OMM, only began managing the unit in 2015 and only had records going back that far. The tenants restated that they had been there since 1998 and added that they had a brother who lived in the unit from 1990 until 1998. The tenants said they did not know the purchase price of the property before the meeting.

Chair Cambra asked if either party wanted to change their position in light of the new information they learned. Mr. Wallace said he'd like to be generous but if they only increased the rent 5% each year, they could never bring the unit up to market rate, which would be detrimental to their finances.

Mr. Martinez stated that his income fluctuated from \$2,400 to \$2,800 and Ms. Martinez's income was about \$1,200 per month. He said they were worried about being priced out of the area and concerned that their son would have to change schools mid-year.

Chair Cambra asked the landlords if the bank extended their mortgage loan knowing the amount of rent the in-place tenants were paying. Mr. Wallace confirmed that the bank had that information.

Member Griffiths asked the landlords what would happen to them if they only got a 5% increase versus a \$300 increase. Ms. King said they would appeal the decision. She said that she and Mr. Wallace were both self-employed and their income could be unpredictable, while rental income from the property provided them a stable source of income.

Mr. Wallace stated that anything less than \$2,000 per month total rent for the unit would be inadequate. He said they wanted to expand the unit and wanted to see if they would qualify for the "capital evictions" process.

Mr. Martinez said that to meet a \$400 per month increase, he would have to work 14-16 hour days. Ms. Martinez said that they had to a new expense of \$300 per month for their son's healthcare and had forgotten about that when they said they could pay a \$300-\$400 per month increase. She said they were still offering to pay a \$65 increase.

Member Friedman commented that the tenants would have to move if they were required to pay the increase the landlords were requesting. He restated that the landlords purchased the property knowing about the costs involved, Ordinance 3148's requirements, and the amount of rent the tenants were paying, and that the bank assessed that the landlords could maintain payments on their mortgage loan given those circumstances.

Mr. Wallace said that they wanted to improve the property. Ms. King added that unlike the previous landlords they did not benefit from the tenants working at their business. She said their mortgage was \$5,700 per month.

Chair Cambra stated that the goal of the RRAC was to balance the landlord's interest in obtaining reasonable rate of return with the tenants' interest in not being displaced. He estimated the landlord's monthly cash flow was \$7,500.

Ms. King stated that they chose to purchase rental property in the City of Alameda because they thought the laws were more reasonable toward landlords than in other rent-stabilized communities. She said she did not think the landlords should be restricted by their tenants' income forever, as they would have to return to the RRAC each year to get future increases.

Chair Cambra asked the parties to take a seat so the RRAC could begin deliberations to reach a decision.

Public Comment from Mari Perez-Ruiz, President of the Alameda Renters Coalition, on Item 7-B: claimed the tenants did not know about the RRAC hearing until the day before and were not given the opportunity to prepare.

Public Comment from Laurie-Anne King, landlord at subject property, on Item 7-B: stated that it was a breach of California law for employers to pay workers less than minimum wage and compensate for that by subsidizing their living expenses by charging them below-market rent.

Public Comment from Rasheed Shabazz, Alameda resident, on Item 7-B: said he came before the RRAC one-and-a-half years ago. He said he wanted to acknowledge the inequality in society that allowed the landlords to have access to \$300,000 from their insurance policy, while the tenants would have to work 30,000 hours to make an equal sum. He opined that the rent increase imposes a great burden on the tenants and hoped the RRAC decision was one that allowed the tenants to remain in place.

Member Friedman thanked the parties for attending the hearing. He acknowledged that the tenants may have had an agreement for below-market rent with the prior owners. He restated that the landlords financed the property with the current tenants' rental rate known by themselves and the lending institution, and said that with a 5% increase, the tenants would be paying 40% of their income for rent if their income was \$3,400 per month. He stated that the purpose of the Ordinance is to stabilize the rental market and proposed a \$65 increase.

Chair Cambra stated that if the tenants' income was \$4,000 per month, a \$300 increase would have the tenants paying 40% of their income toward rent.

Vice Chair Sullivan-Sariñana opined that a 5% increase would be reasonable as it was what the tenants said they could afford.

Chair Cambra commented that a 10% increase, or \$130, would provide the landlords extra income they could use to improve the property.

Member Griffiths answered that there was a Capital Improvement Plan (CIP) process landlords could use to finance improvements. He said he thought the tenants could only pay a 5% increase and suggested the landlords look into the CIP process for future increases.

Chair Cambra responded that many landlords find the CIP process unworkable.

Member Griffiths replied that if the CIP process did not work, the City Council should fix it rather than making capital improvements part of the RRAC's responsibility.

Member Friedman made a motion for a \$65 increase. Member Griffiths seconded. The vote passed 3-1, Chair Cambra opposed.

7-C. CASE 964 – 1815 San Antonio Ave., Unit B

No Committee review. Prior to the RRAC meeting, the tenant and landlord agreed to a rent increase of \$140.00, a 9.9% increase, bringing the rent to a total of \$1,555.00, effective February 1, 2018.

7-D. CASE 965 – 1815 San Antonio Ave., Unit C

No Committee review. Prior to the RRAC meeting, the tenant and landlord agreed to a rent increase of \$67.00, a 9.7% increase, bringing the rent to a total of \$760.00, effective February 1, 2018.

7-E. CASE 966 – 1815 San Antonio Ave., Unit E

No Committee review. Prior to the RRAC meeting, the tenant and landlord agreed to a rent increase of \$100.00, a 7.7% increase, bringing the rent to a total of \$1,400.00, effective February 1, 2018.

7-F. CASE 967 – 1815 San Antonio Ave., Unit F

No Committee review. Prior to the RRAC meeting, the tenant and landlord agreed to a rent increase of \$95.00, a 9.5% increase, bringing the rent to a total of \$1,095.00, effective February 1, 2018.

7-G. CASE 968 – 1815 San Antonio Ave., Unit M

No Committee review. Prior to the RRAC meeting, the tenant and landlord agreed to a rent increase of \$150.00, a 5.7% increase, bringing the rent to a total of \$2,775.00, effective February 1, 2018.

7-H. CASE 969 – 2031 Eagle Ave., Unit A

No Committee review. Prior to the RRAC meeting, the tenant and landlord agreed to a rent increase of \$115.50, a 9.7% increase, bringing the rent to a total of \$1,310.00, effective February 1, 2018.

7-I. CASE 970 – 2031 Eagle Ave., Unit B

No Committee review. Prior to the RRAC meeting, the tenant and landlord agreed to a rent increase of \$131.00, a 9.7% increase, bringing the rent to a total of \$1,480.00, effective April 1, 2018.

7-J. CASE 971 – 2033 Eagle Ave.

No Committee review. Prior to the RRAC meeting, the tenant and landlord agreed to a rent increase of \$120.00, a 7.8% increase, bringing the rent to a total of \$1,650.00, effective February 1, 2018.

8. PUBLIC COMMENT, NON-AGENDA ITEMS, NO. 2.
 - a. Eric Strimling commented that staff should look into expanding its translation and multilingual communications services.
9. MATTERS INITIATED
 - a. Member Sullivan-Sariñana asked staff if public commenters could comment on other public comments and if it was appropriate or required for RRAC members or City staff to reply to public comments. City Attorney staff John Le replied that there was no rule on public commenters commenting on other public comments, and stated that RRAC members could direct questions to City staff but that the RRAC and City staff are not required to respond to public comment.
 - b. Member Friedman commented that perhaps the RRAC could use simultaneous translation technology to facilitate multilingual communications.
 - c. Chair Cambra requested that staff make a presentation on its provisions for multilingual access at the next RRAC meeting.

10. ADJOURNMENT

The meeting adjourned at 8:55 PM.

Respectfully submitted,

RRAC Secretary
Grant Eshoo

Approved by the Rent Review Advisory Committee on February 5, 2018