

**Minutes of a Special Meeting of the
Rent Review Advisory Committee
Monday, February 25, 2019**

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 6:31 p.m.

Present: Vice Chair Sullivan-Cheah; Members Chiu and Johnson

Absent: Chair Murray

Program staff: Grant Eshoo; Bill Chapin

City Attorney staff: John Le

2. AGENDA CHANGES

Staff called roll of case participants. The tenants for Agenda Items 7-A and 7-B were not present and moved to the end of the agenda.

3. STAFF ANNOUNCEMENTS

None.

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

Angie Watson-Hajjem from ECHO Housing provided information on ECHO's fair housing and landlord-tenant services.

5. CONSENT CALENDAR

5-A. Approval of the minutes of the February 4, 2019 regular meeting

Motion and second to approve the minutes (Vice Chair Sullivan-Cheah and Member Johnson). Motion passed 3-0.

6. UNFINISHED BUSINESS

None.

7. NEW BUSINESS

7-C. Case 1213 - 1825 Poggi St., Apt. A306

Tenant: Purereseren Tervee

Landlord: Andy King

Proposed rent increase: \$389.00 (24.7%), to a total rent of \$1,964.00, effective March 1, 2019

Program staff explained that, while processing this case, they found that previous rent increases for this unit were invalid, and directed the current landlord to lower the tenant's rent to \$1,575, the last valid amount, and refund the overpayment. The landlord's notice shows a \$178 increase over the invalid amount the tenant had been paying, while staff's summary shows a \$389 increase over the valid base rent. The total rent is the same in both cases.

Mr. King clarified that the invalid rent increases were issued by the previous owner, but current ownership refunded the tenant as directed. He said that the current ownership has spent \$4 million in the last year and a half on renovations including seismic upgrades, roofing, painting, and improvements to the grounds. He submitted a 2018 profit-loss statement for the entire four-building complex, showing the property was not profitable last year. The amount they are seeking from Mr. Tervee is still below what they estimate they need to charge per unit to break even.

Mr. Tervee stated that he derives no benefit from the improvements to the outside of the property, and there have been no improvements inside his unit. He said he has complained to both the previous owner and current owner about issues with his bathtub, refrigerator, carpet, and parking space, and neither addressed his concerns. He said his income is the same as when he moved in six years ago.

Member Chiu asked for clarification on the invalid rent increases and what Mr. Tervee had paid in the last year. Mr. Tervee indicated that he continued to pay the invalid amount on his most recent payment. Mr. King said that Mr. Tervee would be refunded any overpayment made in February 2019.

Member Chiu asked Mr. Tervee what he would consider a fair increase. Mr. Tervee responded he is happy with \$1,575.

Vice Chair Sullivan-Cheah asked Mr. Tervee if, since his rent has been decreased and the current owner paid for mistakes of previous ownership, it was reasonable for ownership to seek a higher rent. Mr. Tervee said an increase would only be reasonable if improvements were made to his unit.

Mr. King said that he would notify property management about the issues that Mr. Tervee raised in the hearing. He said the parking lot is scheduled to be resurfaced and repainted, but it could not be done until after the seismic work was completed.

Member Johnson asked for clarification about the ownership's income statement. She noted that the balance would be positive if it expenses did not include mortgage interest.

The parties were not able to reach an agreement, and the Committee began deliberations.

Vice Chair Sullivan-Cheah noted that the Committee does not consider mortgage interest in evaluating operating expenses. He noted that the landlord is seeking a 10 percent increase over what the tenant had been paying, which is consistent with other increases at the property that have come before the Committee.

Member Chiu noted that the unit has two bedrooms and \$1,575 is low compared to comparable units at this property and nearby. He said because the tenant had been able to pay \$1,786, that amount should be a starting point for deliberations.

Vice Chair Sullivan-Cheah noted that it was not the tenant's fault that they received a refund and rent decrease. He also noted that upgrades to roofs and seismic stability provide benefit to tenants even if they do not notice.

Member Chiu suggested a total rent of \$1,836, which would be 2.8 percent more than what the tenant had been paying. Vice Chair Sullivan-Cheah said that, while that would be a large increase over \$1,575, the tenant had demonstrated a financial ability to pay \$1,786 since 2017.

Member Johnson expressed concern about setting a precedent for what would appear to be such a large increase over the valid base rent. She said she would support an increase over \$1,786, but a small increase based on the tenant's stated difficulty in getting building management to respond to complaints.

Motion and second for an increase of \$261 to a total rent of \$1,836, effective March 2019 (Member Chiu and Vice Chair Sullivan-Cheah). Motion passed 3-0.

7-D. Case 1214 - 1825 Poggi St., Apt. A304

Tenant: Raza Jasarevic

Landlord: Andy King

Proposed rent increase: \$172.00 (10.0%), to a total rent of \$1,894.00, effective March 1, 2019

Mr. King said that the ownership had made offers to tenants who voluntarily accepted rent increases. Options included replacing carpeting, replacing appliances, and a \$1,000 gift card. Mr. King said this was an effort to reach agreements prior to a Committee hearing and also address concerns about the condition of the units that had been raised by residents in hearings.

Ms. Jasarevic noted issues she has had with building management. These including not having a number to call for emergency maintenance issues, damage to her ceiling that occurred during the roofing work, and windows that rattle when it is windy. Her rent

increased five percent last year. She shared photos of the ceiling damage with the Committee. Mr. King said he would direct building management to address the issues raised by Ms. Jasarevic.

Vice Chair Sullivan-Cheah asked Ms. Jasarevic, if those issues were addressed, what rent increase would be reasonable and what she could afford. She responded \$40 or \$50. He asked her if she would have trouble paying for other necessities if a \$189 increase was approved. She said that she would.

Vice Chair Sullivan-Cheah asked Mr. King if not receiving the full increases the ownership is seeking would have an effect on future projects and improvements. Mr. King responded they do not want to postpone maintenance.

The parties were not able to reach an agreement, and the Committee began deliberations.

Member Johnson noted that a \$50 increase would be 2.9 percent. Member Johnson and Vice Chair Sullivan-Cheah both said they would support such an increase. Member Johnson said a smaller increase would signal to landlords that maintenance issues need to be addressed when tenants bring them up.

Motion and second for an increase of \$50, effective March 2019 (Vice Chair Sullivan-Cheah and Member Johnson). Motion passed 3-0.

7-A. Case 1207 - 1825 Poggi St., Apt. A103

No Committee review. The tenant was not present. The landlord may impose the rent increase as noticed or as otherwise agreed upon by the parties.

7-B. Case 1208 - 1825 Poggi St., Apt. A217

No Committee review. The tenant was not present. The landlord may impose the rent increase as noticed or as otherwise agreed upon by the parties.

7-E. Continuation of discussion of memo from CAO to RRAC concerning confidentiality of information on agenda materials provided to the Committee and the public

Vice Chair Sullivan-Cheah asked what action, if any, the Committee was being asked to consider. City Attorney staff said the memo is an attempt to provide clarification on

concerns that had been raised by Committee members. Program staff summarized three concerns raised at the February 4, 2019, meeting if the names of parties and unit numbers are not disclosed on agendas: 1) how Committee members would address parties during a hearing, 2) how Committee members would know whether they have a conflict of interest that needs to be disclosed, and 3) how Committee members could reference prior, related cases to preparing for a hearing. Program staff recommended that the first concern could be handled by asking the parties at the start of a hearing, while the other two concerns could be handled by giving the information directly to Committee members prior to the meeting. City Attorney staff added that conflicts of interest could be brought up at the beginning of a hearing if a Committee member recognizes one of the parties.

Vice Chair Sullivan-Cheah stated that waiting until a meeting to determine whether Committee members need to recuse themselves could cause problems with quorum. He said Committee members have had to recuse themselves three times in his time on the Committee.

City Attorney staff noted that records provided ahead of time would be subject to public records requests.

Vice Chair Sullivan-Cheah said he believes this is an issue the Committee should vote on because it would be a significant departure from what the City Council envisioned. City Attorney staff said that the Committee may vote on changes to its bylaws, but for changes to Ordinance no. 3148 the Committee can only make recommendations to City Council.

Vice Chair Sullivan-Cheah proposed tabling the item until a fifth Committee member has been appointed so that it can be discussed by a full board, and to give staff an opportunity to consider the Committee's initial feedback and report back.

The Committee tabled further consideration of the confidentiality memo to a future RRAC meeting.

8. PUBLIC COMMENT, NON-AGENDA ITEMS, NO.2
None.

9. MATTERS INITIATED
None.

10. ADJOURNMENT

The meeting adjourned at 8:14 p.m.

Respectfully Submitted,

RRAC Secretary
Grant Eshoo

Approved by the Rent Review Advisory Committee on May 1, 2019