

**Minutes of the Regular Meeting of the
Rent Review Advisory Committee
Monday, June 5, 2017**

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 6:30 p.m.

Present were: Chair Sullivan-Sariñana; Vice-Chair Landess; Members Cambra,
Friedman, Griffiths
RRAC Staff: Jennifer Kauffman
City Attorney Staff: John Le

2. AGENDA CHANGES

- a. Staff informed Committee that item 7-A had resolved prior to the meeting.

3. STAFF ANNOUNCEMENTS

- a. Staff announced that the July RRAC meeting is rescheduled for July 5th, due to the holiday.
- b. Staff explained the schedule for the evening, noting where to find the meeting agenda and procedures for public comment.

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

- a. Angie Watson-Hajjem, ECHO Housing representative, spoke about ECHO's fair housing and tenant- landlord counseling services.

5. CONSENT CALENDAR

- a. Approval of the Minutes from the January 24, 2017 Special Meeting.
Motion and second (Griffiths and Friedman). Approved Landess, Sullivan-Sariñana, Griffiths and Friedman. Abstention Cambra.
- b. Approval of the Minutes from the March 6, 2017 Regular Meeting.
Motion and second (Sullivan-Sariñana and Landess). Approved by Landess, Sullivan-Sariñana, Griffiths and Friedman. Abstention Cambra.
- c. Approval of the Minutes from the March 20, 2017 Regular Meeting.
Motion and second (Sullivan-Sariñana and Griffiths). Approved by Landess, Sullivan-Sariñana, Griffiths and Friedman. Abstention Cambra.
- d. Approval of the Minutes from the April 3, 2017 Regular Meeting.
Motion and second (Sullivan-Sariñana and Landess). Approved by unanimous consent.

6. UNFINISHED BUSINESS

- a. No unfinished business.

7. NEW BUSINESS

7-A. CASE 871– 3356 Tonga Lane.

Proposed rent increase: \$500.00 (21.7%), effective July 1, 2017.

No Committee review. Prior to the RRAC meeting, the tenant and landlord reached a mutually agreeable arrangement of a 250.00 (10.1%) rent increase.

7-B. CASE 862.1– 2259 San Jose Avenue, Unit 1.

Tenant: Karen DeSouza

Landlord: Anthony Lau & Amy Wong

Proposed Rent Increase: \$147.00 (13.1%), effective July 1, 2017.

Mr. Lau explained that the rent increase is an effort to earn a fair return in investment and cover maintenance issues as well as invest in their retirement and provide for their children. He stated that they are not trying to take advantage their tenants and kept rents affordable even before there were restrictions on rent increases. In addition, the proposed rent increase would still keep the rent below market rent for comparable units. He acknowledged that the tenant has lived in the unit for seven years and they value her tenancy. Mr. Lau also lowered the rent increase offer to \$112.00.

Committee members asked if the maintenance cost are averaged through the years. Mr. Lau clarified that while there are routine annual maintenance costs, the major expenses accrued over the previous 12-14 months are not anticipated as the average annual maintenance costs. He elaborated that the recent repairs were needed because the building's routine maintenance had been neglected for some time.

Ms. DeSouza explained that this rent increase poses a financial burden for her. She acknowledged that she has a good relationship with her landlord and her concern is centered on her ability to afford the requested rent. She stated that her wages have increased an average of 2.5% since 2010 and her rent has increased 26%. Her calculation estimated that the rent has increased 6% more than the cost of living in the past seven years. The proposed rent increase of 13.1% would mean a 43% rent increase from the initial rent and she feels this request is unreasonable.

Member Cambra asked Mr. Lau to describe the repairs completed on the property that are calculated in the maintenance costs. He also asked for the landlord to clarify their definition of a reasonable rate of return. The discussion included an explanation of the landlord's practices regarding several years without a rent increase followed by several significant rent increases.

Mr. Lau explained that a comparable unit at the property has a monthly rent of \$1,588.00, while Ms. DeSouza pays \$1,123.00.

Committee members engaged in a discussion with landlord and tenant regarding unit amenities, future maintenance costs, and the amount of the tenant's income spent on rent. There was also discussion regarding a previous invalid rent increase initially offered at 10%. The landlord offered

to reduce the rent increase to 8%, since they had come to an agreement with a different unit for an 8% rent increase.

Ms. DeSouza stated that even a 5% rent increase was a significant financial burden, particularly since she felt that the previous rent increases were quite high.

Ms. Wang proposed a stepped rent increase of \$57 (5%), effective July 2017 and an additional \$40 (3%), effective February 2018, followed by no increase until February 2019.

Ms. DeSouza said that she is not interested in a stepped rent increase option.

Griffiths motion to extend the meeting for 30 minutes, Sullivan-Sariñana second. Unanimous approval.

The parties were unable to reach an agreement. Committee members concluded the conversation with tenant and landlord and opened deliberation between members to render a recommendation.

- Vice-Chair Landess noted the difficulty of the situation and the challenge tenants face with rents increasing more rapidly than wages. She acknowledged the effort of landlords to keep the rents affordable prior to these rental regulations and recognized the need to establish an income to cover maintenance and operation costs.
- Member Friedman explained that the tenant was offered this rental unit seven years ago based on the landlord's system for considering her income qualifications. He noted that with the previous rent increases, a significant portion of the tenant's income is now paid towards rent. Friedman stated that he believed the history of previous increases were sufficient to cover the indicated maintenance costs. He would consider a 3% increase a considerate rent increase amount.
- Member Griffiths acknowledged there are ongoing expenses for the landlord to maintain the property. He proposed a 5.0% increase as this amount would also provide more balance with the previous rent increases.
- Member Cambra expressed concern for the rent increases practices of years without increases followed by several years of significant increases. He noted that while the landlord spent around \$16,000 on renovations, most of the work does not relate to annual expenses. He recommended an increase of \$60 (5.4%).
- Chair Sullivan-Sariñana expressed concern for the tenant's ability to afford the increase as well as the landlord's ability to keep up with maintenance expenses.

Griffiths motioned to extend the meeting for 30 minutes, Sullivan-Sariñana second. Unanimous approval.

The Committee made the following binding recommendation:

- \$45.00 (4%) rent increase from \$1,123 to \$1,168.00, effective July 1, 2017.

Motion and second (Sullivan-Sariñana and Friedman). Four members in favor. Landess abstained.

7-C. Discuss process to implement RRAC's consideration of maintenance concerns raised during RRAC meeting.

Staff summarized that the role of the Committee is to review rent increases. The Committee can encourage repairs, but does not have authority to require maintenance. Maintenance can be considered by the Committee to determine a reasonable rent increase when a Committee member believes a maintenance concern rises to a level of a decrease in housing services.

Vice Chair Landess and member Friedman suggested that this discussion be incorporated in the RRAC training scheduled for July 17th.

7-D. Consider staff recommendation concerning the memorializing of agreements at RRAC meetings.

Staff summarized the request from the Committee for this agenda item. Staff explained that the duties of the Committee are defined as rendering recommendations for rent increases. The duties do not provide the Committee the authority to monitor agreements.

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

- a. No public comment.

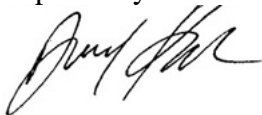
9. MATTERS INITIATED

- a. Staff announced that City Council will meet on June 6, 2017 to consider a rental unit fee as well as amendments to Ordinance no. 3148 proposed at the May 16, 2017 meeting.
- b. Staff announced that two current members' terms end on June 30, 2017. It is anticipated that the July 5th meeting will include the two members confirmed by City Council at the June 20th meeting.

10. ADJOURNMENT

The meeting was unanimously adjourned at 9:05 p.m.

Respectfully submitted,



Committee Secretary
Jennifer Kauffman

Approved by the Rent Review Advisory Committee on August 7, 2017.