

Shaping the Future of Housing

Seven Trees Community Center

July 18, 2017



Agenda

1. Introductions
2. Review of the Tenant Protection Ordinance
 - “Roommate Clause” or Just Cause #2
3. Review of the policies for the Apartment Rent Ordinance
 - Consumer Price Index
 - Capital Improvements
4. Questions & answers

Tenant Protection Ordinance



List of Just Cause Terminations

1. Nonpayment of rent
2. Material or habitual lease violation
3. Damage to the apartment
4. Refusal to sign a new agreement
5. Nuisance behavior
6. Refusing access to the apartment
7. Unapproved holdover subtenant
8. Substantial rehabilitation
9. Ellis Act removal
10. Owner move-in
11. Order to vacate
12. Vacation of unpermitted apartment

TPO Policy Consideration

“Roommate Clause” or Just Cause #2 Material and Habitual Lease Violation

Proposed changes and regulations:



- Occupancy Standard: 2 persons max per bedroom + 1 person (18+)
 - Children under 18 do not count towards the limit
- Tenant must provide documentation prior to move-in of family members

Apartment Rent Ordinance



History of Updates to the ARO

- **September 7, 1979** – Apartment Rent Ordinance Established
- **2003** – ARO Update
- **May 10, 2016** – Interim Ordinance
- **August 30, 2016** – Interim Ordinance Regulations

Apartment Rent Ordinance - Package A or B

PACKAGE A

- **Consumer Price Index (2% - 5%)**
- **Banking**
 - Maximum Allowable Rent, or
 - Banking
- **Major and minor pass throughs**
 - Sustainability, safety, & seismic upgrades (100% for amortization period)
 - Major System Upgrades that improve Housing Services (100% for amortization period)
 - Major Maintenance Replacements (50% for amortization period)
- **Rent Increase for additional occupants**

PACKAGE B

- **5% fixed allowable rent increase every 12 months**
- **Major pass through only with cap at 8%**
 - Sustainability, safety, & seismic upgrades (100% for amortization period)
 - Major System Upgrades that improve Housing Services (100% for amortization period)

ARO Policy Consideration # 1

Consumer Price Index (CPI)

Annual rent increase may be limited by CPI, rather than a flat percentage



Averages	3.72	1980-2016
	4.7	1979-1999
	2.6	1999-2016
Median	3.10	
Low	0.7	2009
High	15.2	1980

Please see handout for San Francisco-Oakland-San Jose CPI Rent Index

ARO Policy Consideration # 1

Consumer Price Index (CPI)

- **Economic Roundtable Study**
 - Combination of CPI annual increase and vacancy decontrol results in a fair return for landlords
 - Other CA jurisdictions used a study to determine increased costs for managing rental properties and determined CPI was a better alternative
- **City Auditor Report**
 - 5% annual increases exceeds market rents

ARO Policy Consideration # 1

Bay Area Consumer Price Index (CPI)

Annual rent increase may be limited by Bay Area CPI, rather than a flat percentage

Bay Area CPI measures the change in costs of:

- Food
- Clothing
- Shelter
- Fuel
- Transportation
- Services including health care
- Drugs
- Other goods & services

CPI excludes water costs

ARO Policy Consideration # 1

- **Banking**
- **Maximum Allowable Rent**

Original lease amount is \$1,500

\$1,500 original lease

Year 1: 2% \$30 \$1,530

Year 2: 3% \$46 \$1,576

Year 3: 2% \$32 \$1,608

ARO Policy Consideration # 2

Capital Improvements

Create a capital improvement program allowing the pass through of costs to tenants

Three types of improvements:



- **Sustainability, safety, & seismic upgrades** (100% for amortization period)
- **Major System Upgrades that improve Housing Services** (100% for amortization period)
- **Major Maintenance Replacements** (50% for amortization period)

ARO Policy Consideration # 2

Capital Pass-through Example

Scenario: HVAC system upgrade

# Apts.	Total Cost	Amortization Period	Cost / Month	Cost / Apt / Month
20	\$ 30,000	10 years	\$ 250	\$ 13
100	\$ 135,000	10 years	\$ 1,125	\$ 11
200	\$ 297,000	10 years	\$ 2,475	\$ 12

Amount to pass through – depends on max allowed (TBD)

Apartment Rent Ordinance - Package A or B

PACKAGE A

- **Consumer Price Index (2% - 5%)**
- **Banking**
 - Maximum Allowable Rent, or
 - Banking
- **Major and minor pass throughs**
 - Sustainability, safety, & seismic upgrades (100% for amortization period)
 - Major System Upgrades that improve Housing Services (100% for amortization period)
 - Major Maintenance Replacements (50% for amortization period)
- **Rent Increase for additional occupants**

PACKAGE B

- **5% fixed allowable rent increase every 12 months**
- **Major pass through only with cap at 8%**
 - Sustainability, safety, & seismic upgrades (100% for amortization period)
 - Major System Upgrades that improve Housing Services (100% for amortization period)

For Future Updates

Sign up for our email updates by sending email to RRRP@sanjoseca.gov

For more information and updates, visit www.sanjoseca.gov/housing

Submit questions or comments to staff:
Viviane Nguyen
viviane.nguyen@sanjoseca.gov