

**RENT CONTROL PROGRAM
ORDINANCE CHECKLIST – REMAINING POLICY ISSUES**

The following Checklist includes the remaining policy issues pertaining to Rent Control Measures for City Council’s consideration based on City Council’s direction at the July 16, 2020 City Council Meeting. These issues are listed in the order they appear in the accompanying staff report. For detailed information regarding these issues, please refer to the staff report.

1. Exemptions from Rent Control:

- ☐ Non-government subsidized affordable housing units (e.g. inclusionary units)
- ☐ Single family residences that share a property with an ADU

2. Permissible Rent Increases: *(Note: The amount of cap on a rent increase must provide the landlord with a fair and reasonable return on investment.)*

- ☐ Change in CPI:
 - ☐ Annual average
 - ☐ Year-over-year
 - ☐ Guaranteed minimum
 - ☐ Guaranteed maximum

3. “Fair and Reasonable Return” Analysis: *(Note: The standard for evaluating landlord’s ability to earn a “fair and reasonable return” in review of a landlord petition to impose a rent increase above what is permitted.)*

- ☐ **Method for evaluating “Fair and Reasonable Return”:**
 - ☐ Maintenance of Net Operating Income (NOI) (Per Guideline/Rule No. 2019-02) **(Currently in IRCO)**
 - ☐ Other method
- ☐ **Structure of NOI analysis:** *(Note: See also pass-through section above, as these issues are related.)*
 - ☐ CPI adjustment
 - ☐ Full (Per Guideline/Rule No. 2019-02)
 - ☐ Fractional
 - ☐ Include mortgage debt service
 - ☐ Include amortized capital improvements (Per Guideline/Rule No. 2019-02)
 - ☐ Health and safety improvements only
 - ☐ All improvements
 - ☐ Include owner-performed labor costs for maintenance or capital improvement costs (Per Guideline/Rule No. 2019-02)

4. Allowable Pass-Throughs/Cost Recovery:

- ☐ **Eligibility determination:**
 - ☐ Full Net Operating Income (NOI) analysis (i.e. pass-through allowed only if landlord cannot maintain NOI through otherwise allowable rent increases) **(Currently in IRCO)**

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- ☐ Cost recovery formula tied to actual cost of improvement (i.e. pass-through allowed regardless of NOI)
 - ☐ **Types of eligible capital improvement:**
 - ☐ All capital improvements
 - ☐ Government mandated improvements (e.g. required seismic retrofit)
 - ☐ Voluntary Capital Improvements
 - ☐ Capital improvements related to tenant health and safety (Per Guideline/Rule No. 2019-02) **(Currently in IRCO)**
 - ☐ **Allowable percentage of pass-through to tenant:** *(Note: Not applicable if full NOI analysis is selected, above.)*
 - ☐ 100%
 - ☐ 50%
 - ☐ Other fixed percentage
 - ☐ Variation based on category of improvements (e.g. government mandated improvements, such as seismic retrofit 50%, other types of improvements X%)
 - ☐ **Period of amortization of costs:**
 - ☐ Fixed period for each category of improvement (e.g. 5, 10, 20 years established by ordinance, resolution, or administrative guideline)
 - ☐ Reasonable life of the improvement (subject to staff approval) **(Currently in IRCO)**
 - ☐ Other variation based on category of improvements
 - ☐ **Other allowable costs to be passed-through/recovered:**
 - ☐ Capital improvement debt service
 - ☐ Owner-performed labor costs **(Currently in IRCO)**
 - ☐ Capital improvement soft costs
 - ☐ Voter-approved taxes (e.g. parcel tax measures, certain property tax levies)
 - ☐ **Structure of pass-throughs in rent increases:**
 - ☐ Temporary rent surcharge (if cost recovery formula used)
 - ☐ Permanent rent increase (if full NOI analysis methodology used)
 - ☐ Limitation on the monthly pass-through to tenant (as percentage of base rent)
 - ☐ Hardship exemption to pass-through for low-income tenants
- 5. Rent Registry Items:**
- ☐ **Whether to require information regarding what housing services are included in the rent**
 - ☐ **Registration update:**
 - ☐ Annually
 - ☐ New tenancies
 - ☐ Changes in services/amenities
 - ☐ **Fee:**
 - ☐ 50% pass-through to tenants (or only “mom and pop” landlords)
 - ☐ Other fixed percentage pass-through to tenant