



**City of East Palo Alto
Office of the City Manager
RENT STABILIZATION PROGRAM**

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PETITION BY LANDLORD FOR RENT INCREASE BASED ON FAIR RETURN STANDARD

This packet contains the instructions and forms necessary to file a petition. Additional pages may be added if needed to address a specific property.

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Background and Instructions

Rent Stabilization Ordinance and Regulations Provisions Setting Forth Fair Return Standards and Petition Procedures

Landlords have a right to petition for a fair return. The Rent Stabilization Ordinance (RSO) Section 12 sets out standards for making determinations on fair return petitions. This section is supplemented by Sections 1300 and 1500 of the Rules and Regulations of the Rent Board. (Ordinance and Rules and Regulations are available at the Rent Stabilization Program website: www.ci.east-palo-alto.ca.us/rentprogram.)

Description of the Fair Return Standard

A fair return is defined as the base year (1985) net operating income of the property adjusted by the percentage increase in the Consumer Price Index (CPI) since 1985. Net operating income is equal to gross income minus operating expenses. Mortgage payments are not considered as operating expenses.

Example: The annual CPI for 2012 was __221% over its 1985 level. If a property yielded a net operating income of \$100,000 in 1985, and 2012 was the “current year” in the petition, the owner would be entitled to a net operating income of \$221,000 in the current year.

If a landlord does not have 1985 operating expense information, operating expenses for the base year will be estimated in accordance with the standards set out in RSO Section 12.I, taking into account inflation, other cost indices for particular expenses, and information presented by the landlord and tenants.

In calculating operating expenses capital improvement expenditures must be amortized rather than expensed in a single year.

Under the Ordinance, base year income or expenses may be adjusted based on one or more of the factors set forth in Section 12.H. (unusual or exceptional types of circumstances)

Eligibility to File a Petition

Acceptance of a Landlord Petition is Conditioned on Compliance with Registration Requirements. “No landlord petition for an individual rent adjustment will be accepted for filing unless the unit for which the adjustment is requested has been properly registered for at least 30 days. A unit is considered properly registered only if the completed registration statement has been filed with the Board and the registration fee (plus any penalty) has been paid in full.” (Rules and Regulations Section 1500.A.4.b)

Processing of the Petition

A petition cannot be set for hearing before it is deemed complete. Within 30 days of petition submittal, staff will determine if the petition is complete, unless there is good cause to take a longer period to determine if the petition is complete, in which event Staff will notify the petitioner if it will be necessary to take more than 30 days. if the petition is not complete, staff will specify what is needed to complete the petition.

It is the petitioner’s responsibility to review pertinent sections of the RSO and Rent Board Rules and Regulations which set forth the process and requirements for this type of petition. The

petitioner bears the burden of proof to provide the evidence to justify a rent increase based on the petition.

Documentation of Operating Expenses

Documentation of Operating Expenses must include copies of invoices or receipts and evidence of the payment for each expense organized in a manner which is easy to track. ***Petitioners are advised to consult with City Staff with regard to these requirements so the documentation is clear and complete.***

Expense summaries and documentation should be sorted into categories, such as taxes, maintenance and repairs, utilities, capital improvements, so that operating expense totals for each category can easily be verified and documentation of individual expenditures can easily be tracked. The individual expenditures for each category should be listed on a separate sheet and numbered. The corresponding documentation of each expense should have the same number. (For example – “maintenance - #13”.should appear on the list of maintenance expenditures and on the documentation for that expenditure. The petition package illustrates how the documentation should be assembled.)

For Discussion of the Methodology for Estimating Base Year Operating Expenses in the absence of actual data see Section 12 of the RSO

FORMAT OF PETITION

1. The petition shall be typed or printed in black or blue ink.
2. All petition pages should be 8 ½” x 11”.
3. Label all attachments according to the section of the petition that the attachment accompanies. (e.g. III.D.15. – p.1; III.D. 15. – p.2)
4. Petitioners may submit copies of income tax forms or accounting ledgers but these may not substitute for pages of the petition.

If information required in this petition is unavailable for any reason, please indicate the reason for its unavailability at the appropriate section in the petition.

DELIVERY OF PETITION

The petition and all supporting documents should be delivered to:

Rent Stabilization Program Administrator
City of East Palo Alto
2415 University Avenue, 2nd floor
East Palo Alto, California 94303

INQUIRES

Questions should be directed to the Rent Stabilization Program Administrator at (650/853-3157).

FAIR RATE OF RETURN PETITION

I. - OWNER'S DECLARATION UNDER PENALTY OF PERJURY

I / (We), _____ declare as follows:

I (we) am (are) the **CIRCLE ONE** [Owner(s) / (Authorized Representative(s) of the owner(s)] of the property involved in this petition, with authorization to submit this petition form and supporting documentation.

I declare under penalty of perjury that the information and documentation and statements in this petition are true and correct.

Executed this _____ Day of _____, 20 _____

At _____
(City and State)

Signed: _____

Print Name

Capacity

Mailing Address

City, State, Zip

Telephone

E-Mail Address

II. - GENERAL INFORMATION ABOUT THE PROPERTY

1. Name of Building
(if applicable) _____

2. Street Address _____

3. Telephone No. _____

4. Parcel Numbers(s) _____

5.a. Owner _____

b. Telephone _____

c. Address _____ Zip Code _____
(P.O. Box is not acceptable)

6.a. Owner Representative _____
(enter name or "same as above")

b. Telephone _____
(If other than landlord)

c. Street Address / City _____ Zip Code _____
(P.O. Box is not acceptable)

7. Year property purchased by current owner: _____

8. Total number of units on the property _____

9. Total number of units affected by proposed rent increase: _____

10. Services and Amenities (provide the appropriate data in each row)

Type of Service		Paid by Landlord <i>not</i> passed through to tenants	Paid by Landlord cost passed through to tenants in fees	Tenants pay provider directly
a. Gas	\$			
b. Electricity	\$			
c. Water	\$			
d. Sewer	\$			
e. Garbage	\$			
f. Other:	\$			
_____	\$			
_____	\$			

11. If there have been any changes to the services and amenities listed in number 10 above (services and amenities offered or whether the landlord or tenant pays for the amenity) since the base year, explain:

12. Briefly describe the services and amenities provided the rental units. Include all amenities and services provided and state which amenities and services are provided without additional charge. If additional charges are imposed, separately list below the monthly fee charged for each amenity or service for each unit:

III – GROSS INCOME, OPERATING EXPENSES & NET OPERATING INCOME

Base Year, Current Year and Immediate Four Prior Years

III.A. DETERMINATION OF BASE YEAR

Pursuant to the RSO Section 12.I it is presumed that the net operating income yielded by the property in the “base year” provided a “fair return” and that 1985 is the “base year.”. The presumption that 1985 should be used as the base year may be rebutted based on the criteria set forth in Section 12.I

III.B. “CURRENT YEAR” means the last calendar year proceeding the date of petition.

Current year for this petition is _____ (e.g. 12/2012 – 12/2013)

III.C – INCOME AND OPERATING EXPENSES

NOTE: THE PETITIONER MAY OBTAIN AUTHORIZATION FROM STAFF TO USE OTHER INCOME AND EXPENSE CATEGORIES THAN THOSE SET FORTH IN THIS PETITION. CATEGORIES MUST BE CONSISTENT AMONG ALL OF THE YEARS.

(1) Base Year and Current Year Income

List all income related to the residential rental units on the property. **Use totals for the 12-month period for all units in the property for base year and current year and attach all supporting documentation.**

Do not include any income and expenses associated with the provision of utility expenses which are passed through to the residents. Include income and expenses associated with the provision of utilities if the charges to the tenants are a fixed amount other than the amount charged by the utility provider.

		<u>Income</u>	
		Annual Total	
		Base Year	Current Year
(Insert Base and Current Years)		()	()
Rental Income			
1.	Gross scheduled rental income: (Based on Table in Section III.H.)*		
2.	Vacancy Losses		
3.	Other Losses		
Fees (indicate what fee is for):			
4.	Late fees		
5.	List fees, other than utilities, collected for services & amenities not included in rent		
Other Income (list separately by type):			
6.			
7.			
8.			
Fees for Utilities			
Do not include if fees only offset utility company charges**			
9.	Gas	\$	
10.	Electricity	\$	
11.	Water	\$	
12.	Sewer	\$	
13.	Garbage & Recycling	\$	
Other (list separately by type):			
14.		\$	
15.		\$	
16.	TOTAL INCOME:	\$	

* See Rules and Regulations Section 1300.B.

**If the charge to the tenant for the utility is fixed and is not the exact amount reimbursed by the tenants enter the total of charges to the tenants and include utility company charges in the operating expense entries

(2) Prior Two Years Income

Income in the prior year and the year preceding the prior year.

Supporting documentation is not required for these years unless specifically requested by the City based on the review of this petition.

	<u>Income</u>	
	Prior Year	Annual Total Yr. Preceding Prior Year
(Insert Prior and Previous to Prior Years)	()	()
Rental Income		
1. Gross scheduled rental income:		
2. Vacancy Losses		
3. Other Losses		
Fees (indicate what fee is for):		
4. Late fees		
5. Fees, other than utilities, collected for services & amenities not included in rent		
Other Income (list separately by type):		
6.		
7.		
8.		
Utilities		
Do not include utility company charges if cost is passed through to the tenants		
9. Gas	\$	
10. Electricity	\$	
11. Water	\$	
12. Sewer	\$	
13. Garbage & Recycling	\$	
Other (list separately by type):		
14.	\$	
15.	\$	
16. TOTAL INCOME:	\$	

(3) – Operating Expenses

List all operating expenses. Use totals for the 12-month period for all units on the property for the base year and current year and attach all supporting documentation.

Do not include interest, other debt service, depreciation, penalties, fees or interest due to violations of the law, expenses which have been reimbursed through insurance or other means, or income taxes. These expenses are excluded under RSO Section 12.K.

“...when an expense item for a particular year is not representative; or is not a reasonable projection of average past or future expenditures for that item, said expense shall be averaged with other expense levels for other years or amortized or adjusted by the CPI or may otherwise be adjusted to establish an expense amount for that item which most reasonably serves the objectives of obtaining a reasonable comparison of base year and current year expenses.”

See RSO Section 12. E through I, K.,L, & N for standards governing consideration of operating expenses.

(1) Operating Expenses Base Year and Current Year

Operating Expenses

	<u>Base Year</u>	<u>Current Year</u>
(Insert Base and Current Years)	()	()
1. Assessments		
2. Real Property Taxes		
3. Licenses		
4. Insurance		
5. Accounting		
6. Legal ¹		
7. Manager (if any)		
8. Security		
9. Office Supplies		
10. Miscellaneous Supplies		
11. Normal Repairs		
12. Owner-Performed Labor		
13. Plumbing Maintenance		
14. Pool Maintenance		
15. Landscape Maintenance		
16. Parking Lot Maintenance		
17. Private Street Maintenance		
18. Gas		
19. Electricity		
20. Water (do not include charges reimbursed by tenants)		
21. Sewer (do not include charges reimbursed by tenants)		
22. Garbage/Recycling (do not include charges reimbursed by tenants)		
23. Amortized portion of Capital Expense (Complete Section III.F.)		
Other (list separately by type):		
24.		
25.		
26.		
27. TOTAL OPERATING EXPENSES	\$	

¹ Allowable legal fees include attorneys' fees and costs incurred in connection with successful actions to evict residents or recover back rent and matters pertaining to the title and operation of the Property. Reasonable legal fees incurred in a successful petition for a fair return may be included, subject to requirements that these expenses are amortized.

(2) Prior Years' Operating Expenses

List all park-related expenses in each of the last two (2) years prior to the current year

Supporting documentation is not required for these years unless specifically requested by the City based on the review of this petition.

Operating Expenses

	Prior Year	Year Preceding Prior Year
Insert Year	()	()
1. Assessments		
2. Real Property Taxes		
3. Licenses		
4. Insurance		
5. Accounting		
6. Legal		
7. Manager (if any)		
8. Security		
9. Office Supplies		
10. Miscellaneous Supplies		
11. Normal Repairs		
12. Owner-Performed Labor		
13. Plumbing Maintenance		
14. Pool Maintenance		
15. Landscape Maintenance		
16. Parking Lot Maintenance		
17. Private Street Maintenance		
18. Gas		
19. Electricity		
20. Water (do not include charges reimbursed by tenants)		
21. Sewer (do not include charges reimbursed by tenants)		
22. Garbage/Recycling (do not include charges reimbursed by tenants)		
23. Amortized portion of Capital Expense (Complete Section III.F.)		
Other (list separately by type):		
24. _____		
25. _____		
26. _____		
27. TOTAL OPERATING EXPENSES \$		

III.D. – CAPITAL IMPROVEMENTS AND AMORTIZED EXPENSES

If an amount was reported as an amortized portion of expenses on line 22 of the base year or current operating expense table complete this section.

Interest Allowance

An interest allowance is allowed as part of the cost of amortized capital improvements. “The interest allowance shall be equal to the thirty-year fixed mortgage rate index for single-family dwellings plus two percent as of the date the petition was first submitted. The thirty-year fixed mortgage rate shall be the rate Freddie Mac last published in its weekly Primary Mortgage Market Survey (PMMS), as of the date of the initial submission to the tenant of a request for a capital improvement increase.” RSO Sec. 12.E.8

Base Year

YEAR	DESCRIPTION	COST	LIFE	PROPOSED INTEREST RATE	ANNUAL AMORTIZED COST
				TOTAL	

Current Year

YEAR	DESCRIPTION	COST	LIFE	PROPOSED INTEREST RATE*	ANNUAL AMORTIZED COST
				TOTAL	

III.E. – OWNER PERFORMED LABOR

Owner-performed labor, shall be compensated at the following hourly rates upon documentation being provided showing the date, time, and nature of the work performed:

General maintenance	\$15.00/hr
Skilled labor	\$25.00/hr

These rates shall be adjusted by the percentage increases in the CPI since June 8, 2010. A landlord may receive greater or lesser compensation for self-labor if the landlord demonstrates that the rates set forth above are unfair in a given case. There shall be a maximum allowance for owner-performed labor of five percent of gross income, unless the landlord shows greater services for the benefit of tenants.

Base Year
Owner Performed Labor

Date	Hours	Type of Work

Current Year
Owner Performed Labor

Date	Hours	Type of Work

III.F. – NET OPERATING INCOME (NOI)

Net Operating Income = Income – Operating Expenses:

	Base Year ()	Current Year ()
Total Income (page 10, line 16)	_____	_____
(minus) -	_____	_____
Operating Expenses (page 13, line 27)	_____	_____
Net Operating Income (Income – Operating Expenses):	_____	_____

III. G. – CALCULATION OF ALLOWABLE RENT ADJUSTMENT PURSUANT TO FAIR RETURN STANDARD

- (a) Base Year Net Operating Income _____
- (b) Pct. Increase in CPI since base year _____
- (c) Base Year Net Operating Income
Adjusted by Pct. Increase in CPI*
Since Base Year _____
- (c) Current Year Net Operating Income _____
- (d) Increase in Current Year Net Operating
Income Required to Obtain
Base Year Net Operating Income
Adjusted by CPI _____

Use: Annual Average from the Consumer Price Index for all items for all urban consumers for the San Francisco-Oakland-San Jose area published by the bureau of labor statistics (Available on BLS web page or from Rent Stabilization Board Administrator).

Base Year CPI - 108.4 (1985 figure)
Current Year CPI _____

III.H. MONTHLY RENTS FOR EACH RENTAL UNIT

(INITIAL RENT, PREVIOUS, CURRENT, AND PROPOSED RENT)

List the monthly rent, including all fees, charged each tenant, for the twelve (12) months preceding the date of petition. If rent, including the amount of any fees, was raised during the twelve-month period, list each rent charged and indicate the date each raise was implemented. Provide the year and amount of any unused Annual General Adjustments authorized by the Rent Board that have been banked with proper notice to each tenant for future rent increases. Attach all documentation supporting this income.

	Base Period Rent (Year ____)	Date Tenancy Commenced	Initial Rent of Current Tenant	Date of Last Rent Increase	Rent used in Current Year Income Calculation *	Rent as of Date Petition Submitted	Amount and Dates of AGAs Banked (Attach sheet if needed)	Proposed Rent
TOTALS								

Unit Address / Number

* See Rules and Regulations Section 1300.B.
Reproduce this page as needed.

III.K. Income from Individual Rental Units

List all other monthly income collected for each rental unit for the twelve (12) months preceding the date of petition.

If the amount varies from month to month and is a pass through enter "P" in that column.

OVERALL MONTHLY INCOME AND FEES FROM INDIVIDUAL RENTAL UNITS

	Rent Used in Current Year Income calculation	Water	Sewer	Garbage / Recycle	Other (____)	Other (____)
TOTALS						

Unit No.						

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IV. ADJUSTMENT OF BASE YEAR NET OPERATING INCOME

(Complete if applicable)

Pursuant to the Standards in RSO Section 12.1.2. the base year net operating income may be adjusted.

Petitioner's Justification for Proposed Adjustment of Base Year Net Operating Income (NOI)

Proposed Adjustment Of Base Year Net Operating Income (Set Forth Basis Of Calculations)
