

CITY OF ALAMEDA RESOLUTION NO. _____

ADOPTING POLICY CONCERNING CAPITAL IMPROVEMENT
PLANS FOR RENTAL UNITS IN THE CITY OF ALAMEDA

WHEREAS, the City Council of the City of Alameda encourages Housing Providers in the City to improve the quality of the City's rental housing stock, recognizes the need to ensure that Housing Providers receive a just and reasonable return on their Capital Improvement expenditures and desires to protect Tenants from being unreasonably displaced from their Rental Units as a result of Capital Improvements to their Rental Units or to the buildings housing such Rental Units; and

WHEREAS, when a Housing Provider intends to make or has made major long term repairs or improvements to a Rental Unit or Rental Unit building that materially adds value to the property, prolongs the useful life or adapts the property to a new use and the cost of which is not less than eight times the amount of the Rent (of the Rental Units affected by the work) multiplied by the number of Rental Units to be improved, the Rent for Rental Units so improved should be increased not only to provide the Housing Provider with a just and reasonable return on the property but also to benefit the Tenants; and

WHEREAS, on February 16, 2016, City staff presented to the City Council a Policy Concerning Capital Improvement Plans, which Regulation identifies major long term repairs that could qualify as a Capital Improvement, provides a method by which a Housing Provider may receive a Rent Increase by undertaking such Capital Improvements, and requires the Housing Provider to provide relocation assistance to displaced Tenants when work associated with the Capital Improvements cannot be accomplished safely and reasonably with the Tenants remaining in their Rental Units; and

WHEREAS, on February 16, 2016, City Council members heard from the public concerning the Policy and thereafter discussed the Policy among themselves.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ALAMEDA AS FOLLOWS:

Section 1. Policy concerning Capital Improvement Plans for Rental Units in the City of Alameda, attached hereto as Exhibit A, is approved and adopted.

Section 2. This Resolution is effective immediately upon its adoption and the Policy will be operative as of March 31, 2016, the effective date of Ordinance No. _____.

POLICY CONCERNING CAPITAL IMPROVEMENT PLANS

1. Purpose. The purpose of this Policy is to encourage Housing Providers to improve the quality of the City's rental housing stock, to ensure Housing Providers receive a just and reasonable return on their Capital Improvement expenditures and that Tenants are not unreasonably displaced as a result of Capital Improvements to their Rental Units or the buildings housing such Rental Units. Terms that are capitalized have the same meaning as those terms in the City's Rent Review, Rent Stabilization and Limitations on Evictions Ordinance (Chapter 6-58 of the Alameda Municipal Code).
2. Capital Improvement. A Capital Improvement shall be any improvement to a Rental Unit or property that (a) materially adds to the value of the property, (b) appreciably prolongs the useful life or adapts the property to new use, (c) has a useful life of more than one year and is required to be amortized over the useful life of the improvement under the straight line depreciation provisions of the Internal Revenue Code and the regulations issued pursuant thereto and (d) has a documented cost that is not less than the product of eight times the amount of the Rent multiplied by the number of Rental Units to be improved. No Rent Increase shall be granted and no Housing Provider shall terminate a tenancy under this section for routine repairs, replacement or maintenance including, but not limited to, interior painting of a Rental Unit, plastering, replacing broken windows, replacing carpets or drapes, cleaning, fumigating, routine landscaping, standard repairing of electrical and plumbing services, and repairing or replacing furnished appliances.
3. Policy. This Policy allows a Housing Provider to obtain a Rent Increase above the Maximum Increase and/or to seek a termination of a tenancy in connection with Capital Improvements. Rent for a Rental Unit shall be increased to provide a just and reasonable return on the expenditures for Capital Improvements where the Housing Provider in good faith intends primarily to benefit the Tenants and where such Capital Improvements are for major long term improvements or repairs as defined in Section 5 or are necessary to bring the Rental Unit or the building/complex into compliance with Code requirements.
4. Calculation of Rent Increases for Capital Improvements. Where a Housing Provider demonstrates an improvement qualifies as a Capital Improvement under Section 2 and satisfies the Policy under Section 3, the Rent may be increased by amortizing the cost of the improvement, including an assumed interest rate of the Wall Street Journal's prime rate (Western Edition), plus one percent, over the useful life of the improvement as provided herein and dividing that cost by each Rental Unit that benefitted by the improvement.
5. Major Long Term Improvements or Repairs. A Housing Provider's expenditures for any major long term improvements or repairs listed in subsection A of this

Section 5 shall qualify for a permanent Rent Increase, provided the documented cost thereof is not less than the product of eight times the amount of the Rent multiplied by the number of Rental Units to be improved. The calculation of the Rent Increase for major long term improvements or repairs listed in subsection A of this Section 5 shall be equal to the cost of the major long term improvements or repairs amortized over 15 years and divided by the number of Rental Units benefitted by the Capital Improvements.

A. The following major long term improvements or repairs shall be eligible for a Rent Increase:

1. A new roof covering all or substantially all of a building or a structurally independent portion of a building;
2. A significant upgrade of the foundation of all or substantially all of a building or a structurally independent portion of a building, including seismic retrofits;
3. A new or substantially new plumbing, electrical or heating , ventilation and air conditioning (HVAC) system for all or substantially all of a building;
4. Exterior painting or installation/replacement of siding on all or substantially all of a building;
5. Repairs reasonably related to correcting or preventing the spread of defects that are noted as findings in a Wood Destroying Pest and Organisms Report issued by a pest control company registered in Branch 3 of the State of California Structural Pest Control Board provided that any such expenditures for such repairs exceed \$6000 or the product of \$1000 times the number of units in the building, whichever is less.
6. The installation of water conservation devices that are intended to reduce the use of water or energy efficient devices, such as a solar roof system, that are intended to save energy and/or reduce greenhouse gases.
7. Improvements or upgrades to the Rental Unit or the building/complex that meet or exceed disability/accessibility standards as required by law.

B. In determining the cost of a major repair under this Section 5, no consideration shall be given to any additional cost incurred for increased property damage and/or deterioration due to an unreasonable delay in the undertaking or completing any repair or improvement.

8. Requests for Rent Increases. A Housing Provider that intends to notice a Rent Increase that is equal to or less than the Maximum Increase based on Capital Improvements is not required to file a request of a Rent Increase with the Program Administrator. A Housing Provider requesting a Rent Increase that exceeds the Maximum Increase shall file a request in writing with the Program Administrator, in a form as may be approved by the

Program Administrator, along with supporting documentation and the names and addresses of the Tenants affected by the request. The Housing Provider shall also mail a copy of the request (but not the supporting documentation) to each Tenant in the Rental Units affected by the request. The Program Administrator shall review the request and supporting documentation and determine whether the documentation is adequate and sufficient to approve the requested Rent Increase. If the Program Administrator so determines and approves the request, the Rent Increase shall not take effect until the Program Administrator has determined the Housing Provider has completed the Capital Improvement; provided, however, if the Housing Provider has requested a Rent Increase based on estimated costs, the Program Administrator may grant conditional approval of a Rent Increase but the Rent Increase shall not take effect until the Program Administrator has determined the Housing Provider has completed the Capital Improvement and submitted to the Program Administrator adequate and sufficient supporting documentation to approve the Rent Increase unconditionally. The Housing Provider shall notify the Tenants of the amount and effective date of the Rent Increase. If the Program Administrator does not approve the request, the Program Administrator shall advise the Housing Provider in what respects the request is deficient. A Housing Provider that intends to notice a Rent Increase that is equal to or is less than the Maximum Increase based on Capital Improvements is not required to file a request of a Rent Increase with the Program Administrator.

9. Supporting Documentation. For requests for a Rent Increase that exceed the Maximum Increase, the supporting documentation must substantiate the nature and cost of the claimed improvement and may include copies of invoices, signed contracts, material and labor receipts, self-labor logs, cancelled checks, spread sheets or any other items of documentation accepted and used in the normal course of business; provided, however, if the supporting documentation is based on estimates, the Housing Provider must subsequently provide to the Program Administrator supporting documentation as set forth in the previous sentence.
10. Limitations on Rent Increases. No Rent Increase under this Regulation shall be granted in consideration of any Capital Improvement for which a building permit had been issued prior to November 1, 2015 or, if the Capital Improvement was for work for which a building permit was not required, for any Capital Improvement that was started prior to November 1, 2015. For Capital Improvements commenced after November 1, 2015, a Housing Provider must request a Rent Increase within 12 months of completion of the Capital Improvements.

11. Relocation Assistance.

- A. When the Housing Provider has notified a Tenant of the amount of a Rent Increase, the Housing Provider must also inform the Tenant that the Tenant must advise the Housing Provider within 30 days whether or not the Tenant intends to remain in the Rental Unit and pay the Rent Increase. If the Tenant has advised the Housing Provider that the Tenant does not intend to remain in the Rental Unit and pay the Rent Increase or if the Tenant has not advised the Housing Provider within 30 days one way or the other, the Housing Provider may take action to terminate the tenancy but is not required to provide relocation assistance to the Tenant.
- B. Where the work associated with the Capital Improvements cannot be accomplished reasonably and safely with the Rental Unit occupied, and the Tenant has informed the Housing Provider that the Tenant intends to return to the Rental Unit, or a comparable Rental Unit within the building/complex, and pay the Increased Rent once the work is completed, the Housing Provider shall relocate the Tenant into a comparable and available replacement Rental Unit satisfactory to the Tenant but within the building/complex. In that event, (1) the Housing Provider must offer the Tenant the Rental Unit that the Tenant vacated, or a comparable Rental Unit within the building/complex, on a first right of refusal basis (subject to the Rent Increase), (2) the Housing Provider shall be liable for the reasonable and documented costs of relocating the Tenant to and from the replacement Rental Unit and (3) until the Tenant re-occupies the Rental Unit or comparable Rental Unit after the Capital Improvement is completed, the Tenant shall continue to pay the Rent the Tenant was paying at the time of the displacement. For purposes of this section, a Rental Unit is comparable to the Tenant's Rental Unit if both Rental Units are comparable in size, amenities and, as to a Tenant who is disabled, accessibility. At the time that the Tenant must vacate the Rental Unit, if there is no comparable and available Rental Unit in the building/complex, the Housing Provider may take action to terminate the tenancy in which event the Housing Provider will be responsible for relocation fees as provided in the City's Rent Review, Rent Stabilization and Limitations on Evictions Ordinance.

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I, the undersigned, hereby certify that the foregoing Resolution was duly and regularly adopted and passed by the Council of the City of Alameda in a regular meeting assembled on the 16th day of February 2016, by the following vote to wit:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

IN WITNESS, WHEREOF, I have hereunto set my hand and affixed the seal of said City this 17th day of February 2016.

Lara Weisiger, City Clerk
City of Alameda

APPROVED AS TO FORM

Janet C. Kern, City Attorney
City of Alameda