

**Minutes of a Special Meeting of the
Rent Review Advisory Committee
Wednesday, May 15, 2019**

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 6:37 p.m.

Present: Vice Chair Sullivan-Cheah; Members Chiu and Sidelnikov

Absent: Chair Murray, Member Johnson

Program staff: Gregory Kats, Grant Eshoo, Bill Chapin

City Attorney staff: Michael Roush

2. AGENDA CHANGES

Staff informed the Committee that Agenda Item 7-D would not be heard as the tenants had given the landlord notice to vacate.

3. STAFF ANNOUNCEMENTS

Staff reminded the Committee that their next training was scheduled at 6:30 p.m. on Friday, June 21, 2019. Staff said we were still waiting on final confirmation from the trainer, but so far he had indicated that the date and time would work.

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

None.

5. CONSENT CALENDAR

5-A. Approval of the minutes of the March 4, 2019 regular meeting

Motion and second to table approval of the minutes (Vice Chair Sullivan-Cheah and Member Chiu). Motion passed 3-0.

5-B. Approval of the minutes of the April 1, 2019 regular meeting

Motion and second to approve the minutes (Vice Chair Sullivan-Cheah and Member Chiu). Motion passed 3-0.

5-C. Approval of the minutes of the April 17, 2019 special meeting

Motion and second to approve the minutes (Vice Chair Sullivan-Cheah and Member Chiu). Motion passed 3-0.

6. UNFINISHED BUSINESS

None.

7. NEW BUSINESS

7-A. Case RI1236 – 1845 Poggi St., Apt. D214

Tenant: Bashir Ahmed Rummy

Landlords: Andy King and Shahzad Raufi

Proposed rent increase: \$198.00 (10.0%), to a total rent of \$2,182.00, effective March 1, 2019

Mr. King said that the current owner purchased the property in 2017 and inherited deferred maintenance issues that they have addressed and will continue addressing. He said they have spent \$3.5 million on improvements to the common areas and upgrades to the property, including seismic retrofitting, and repairing or replacing rotting balconies. He said they have also added amenities at the property and were looking for earning a reasonable return. He said there were currently no two bedroom units available, and the last one they rented was at a rate of over \$2,700.00 per month. He added that review for the increase at this unit was postponed at a prior RRAC meeting so that it could be determined if a prior rent increase was valid and it was valid.

Mr. Rummy said he had no complaints about the landlords or the property, but was requesting the RRAC decide on a lower increase or no increase as the four current residents were all students with tight financial situations. He said that he was working 20 hours per week while maintaining a 3.9 GPA. He said he and his roommates would probably not be able to continue living at the unit if the increase was imposed. He said that as students they could not work a lot because they had to study, and the school prevented them from working more than 20 hours per week, which he was currently doing. He shared that they were already finding it hard to make ends meet, and had financial aid (scholarships and loans) in addition to working and sometimes having to ask their parents for help.

Vice Chair Sullivan-Cheah asked if all the occupants worked and Mr. Rummy replied that two of the four currently worked, and the others did not currently as they were approaching finals and were spending all their time studying.

As no agreement was reached, the parties took their seats and the Committee began deliberations.

Member Sidelnikov asked staff to confirm that the issue raised in the last meeting regarding the prior rent amount had been resolved and staff confirmed it was resolved.

Member Sidelnikov noted that two of the four tenants were not currently working but it seemed like they could possibly work if they needed to in order to pay an increase.

Member Chiu commented that he could appreciate the pressures the tenants were facing, and added that he was not sure if their situation was in the realm of extreme hardship the Committee had seen in other cases. He said that he thought an increase of 10% was significant and was inclined to support an increase between five and 10 percent.

Vice Chair Sullivan-Cheah said he did not doubt the tenants' hardship, and acknowledged Mr. Rummy's ability to work and maintain a 3.9 GPA. He noted that the requested increase would amount to an extra \$50.00 per person per month, and said that he himself would struggle to pay that much of an increase. He also noted that the request to bring the rent to \$2,182.00 was still below the market rate the landlord had indicated they obtained for similar two-bedroom units.

Member Chiu said he would support an increase of about \$140.00, which would amount to \$35.00 per tenant per month.

Motion and second for an increase of \$140.00 to a total rent of \$2,124.00, effective June 1, 2019, with a \$0.00 increase for March, April, and May 2019 (Member Chiu and Vice Chair Sullivan-Cheah). Motion passed 3-0.

7-B. Case RI1252.1 – 1825 Poggi St., Apt. A109

Tenant: Rienzie Espana

Landlords: Andy King and Shahzad Raufi

Proposed rent increase: \$139.00 (11.1%), to a total rent of \$1,386.00, effective June 1, 2019

Staff clarified that the current, valid base rent was \$1,247.00.

Mr. King said this was the first rent increase the current landlord was requesting at this one-bedroom unit. He said that the current owner cured deficiencies in increases imposed by the prior owner and refunded increase amounts collected under those increases. He said the last three comparable units rented for around \$2,300.00 to \$2,400.00.

Mr. Espana said he worked at an airport and made \$13.00 per hour. He said his wife works part-time and they have a baby. He said they could not afford increases of 10% per year, but he thought 5% per year or 10% every two or three years would be reasonable.

Mr. King responded that he thought it was unreasonable for an employer to expect an employee to be able to live on \$13.00 per hour.

Member Chiu asked Mr. Espana how long he had been at his current job and he said he has had the job for seven years. Member Chiu asked if he received any increase in

wages and Mr. Espana replied that increases were minimal and the last one was two or three years ago.

Vice Chair Sullivan-Cheah clarified that the Committee had the ability to look at cases individually, and could make decisions for an increase only over a one year period. He reminded the participants that documents submitted to the Rent Stabilization Program and things discussed at RRAC meetings were a matter of public record that the RRAC could use when considering future increases.

Vice Chair Sullivan-Cheah asked Mr. King if most other tenants also received no rent increases since the current ownership acquired the property and Mr. King replied that the new ownership had faced challenges in the management of the property because of inadequate record-keeping by the prior owner.

Vice Chair Sullivan-Cheah asked if the owners planned on continuing to ask for 10% annual increases going forward and Mr. King replied that the owner had not established a policy for increases in future years.

Vice Chair Sullivan-Cheah asked Mr. Espana how much his wife worked and how much she made and Mr. Espana replied that she worked six hours on the weekend and earned \$12 per hour.

Member Sidelnikov asked and Mr. King confirmed that the total rent amount being requested was unaltered by the change in base rent.

Vice Chair Sullivan-Cheah noted that if the tenants' jobs were their only source of income they would be paying over 50% of their income toward rent. Mr. Espana confirmed that was correct.

As no agreement was reached, the parties took their seats and the Committee began deliberations.

Vice Chair Sullivan-Cheah noted that the tenants seemed like they would be considered rent burdened. He said he had heard the tenant say he would be able to pay the requested increase this year, and understood the tenant's fear of large future increases.

Motion and second for an increase of \$139.00, effective June 1, 2019 (Members Sidelnikov and Chiu). Motion passed 3-0.

7-C. Case RI1254.1 – 1825 Poggi St., Apt. A117

Tenant: Mohammed Eqbal Khan

Landlords: Andy King and Shahzad Raufi

Proposed rent increase: \$184.00 (15.6%), to a total rent of \$1,369.00, effective June 1, 2019

Mr. King noted that this was the first rent increase the current ownership group was requesting for this unit, which is a one-bedroom unit with a patio.

Mr. Khan said he was still paying \$1,245.00 instead of the reduced base rent of \$1,185.00 after staff had found prior increases invalid. Mr. Raufi replied that management had informed Mr. Khan that his rent would be reduced to the last valid base rent of \$1,185.00, and Mr. King said if Mr. Khan had overpaid, a credit would be applied to his account for the overpaid balance.

Mr. Khan said the landlord's construction had caused inconveniences, there were issues with parking at the property, including having cars towed, he had security concerns about the gate, his carpet had not been changed since his tenancy began in 2005, and his screen door was old and allowed a lot of mosquitoes to enter the unit. He requested the screen door be fixed and said he was okay with a rent increase that was 10% above the base rent of \$1,185.00.

Member Sidelnikov asked about how repayment of overpaid rent worked and Mr. Raufi said management usually deducted the overpaid amount from the next month's rent.

Member Sidelnikov asked how parking was offered and Mr. Raufi said there was one space assigned per unit. Member Sidelnikov noted there should be no reason to tow a car unless the tenant complained about it.

Vice Chair Sullivan-Cheah ascertained with the landlords that they had a contract with a towing service. Mr. Raufi explained that a resident may contact the towing service directly if they needed a car towed from their assigned spot.

Vice Chair Sullivan-Cheah asked Mr. Khan what impact the requested increase would have on him and his family and Mr. Khan replied that it would be hard for them, stating he and his wife had three children and his wife was not working.

As no agreement was reached, the parties took their seats and the Committee began deliberations.

Vice Chair Sullivan-Cheah noted the landlord seemed to be instituting 10% increases across the board to recoup the costs for the investments they made. He noted the tenant indicated he would not be able to pay the total amount requested and said he would not be comfortable giving an increase of more than a \$118.50, the amount the tenant indicated he could pay.

Members Chiu and Sidelnikov concurred that was a reasonable amount.

Motion and second for an increase of \$118.50, to a total rent to \$1,303.50, effective June 1, 2019 (Member Chiu and Vice Chair Sullivan-Cheah). Motion passed 3-0.

7-D. Case RI1245.1 – 1861 Poggi St., Apt. B115

No Committee review. The tenants provided notice they would be vacating the unit.

7-E. Case RI1255.1 – 1861 Poggi St., Apt. B308

Tenant: Mohamad Manea

Landlords: Andy King and Shahzad Raufi

Proposed rent increase: \$189.60 (10.0%), to a total rent of \$2,088.00,
effective June 1, 2019

Mr. Manea said he was the only working member of his family, which consisted of his wife and four children, ages 3-14 years old. He said they found it difficult to make ends meet and the requested 10% increase would be too much for them.

Member Chiu asked where he worked and how much he made and Mr. Manea replied that he worked at restaurant and made \$3,200 per month after taxes and he did not receive regular raises.

Vice Chair Sullivan-Cheah asked if Mr. Manea had any concerns about his apartment and Mr. Manea replied he thought the requested rent was fair but it would still pose a burden. Vice Chair Sullivan-Cheah asked what financial impact the requested increase would have and Mr. Manea replied that business was slow, and paying more rent would make it harder to pay other bills.

As no agreement was reached, the parties took their seats and the Committee began deliberations.

Member Chiu noted that the tenant was already paying about 60% of his take home pay in rent and the requested increase would increase that burden.

Vice Chair Sullivan-Cheah noted that many Bay Area residents are rent-burdened and clarified that he thought that "rent burdened" meant paying more than 30% of take home pay toward rent.

Vice Chair Sullivan-Cheah noted there was a history of rent increases at this unit over the previous two years and said he thought an increase of less than 10% was warranted to ensure the tenants would not be displaced.

Member Chiu said he agreed and was thinking of an increase between \$130 and \$140, which would amount to 6.8% to 7.4 percent.

Vice Chair Sullivan-Cheah opined that he was more comfortable with an increase of \$100 at this unit given its increase history and the tenants' situation.

Member Sidelnikov said he was thinking of an increase between \$80 and \$100, considering prior increases.

Vice Chair Sullivan-Cheah noted the rent for the unit, a 2-bedroom, seemed below average for units of comparable size, further noting that improvements had been made to the property, which was behavior the Committee wanted to encourage by allowing increases to compensate landlords for making investments.

Motion and second for an increase of \$100.00, effective June 1, 2019 (Vice Chair Sullivan-Cheah and Member Sidelnikov). Motion passed 3-0.

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

None.

9. MATTERS INITIATED

Program staff informed the Committee that there was an open house that evening at City Hall West to obtain feedback on a number of possible amendments to the Rent Stabilization Ordinance (Ordinance 3148), including matters related to just cause terminations, a maximum rent cap, and changes in the capital improvement plan process. Staff said the feedback would be presented to City Council on May 21st and also in June. Staff mentioned that in the past when the Council was considering changes, members of the Committee had written letters to Council to make their thoughts known, and they were welcome to do that now as well.

Vice Chair Sullivan-Cheah said that previous RRAC Chairs had proposed submitting a single letter on behalf of all members, and said he did not recommend they do that, so it did not seem like the Committee was seen as taking a public position. He said he thought if they wrote individually, that perception might be avoided.

Member Sidelnikov said he thought a single letter on behalf of all members might be more effective.

City Attorney staff clarified that there was nothing on the Council's agenda dealing with the RRAC, and they were currently looking at elimination of "no cause" as an allowable ground for termination of tenancy.

Vice Chair Sullivan-Cheah noted that his term was scheduled to be up in June. City Attorney staff clarified that members would serve until they were replaced or resigned, rather than their term automatically ceasing if no replacement had been found. Vice Chair Sullivan-Cheah said he thought that was asking a lot of a volunteer member of the public, especially once they saw how much work the Committee had to do.

Vice Chair Sullivan-Cheah stated he was concerned about attendance, as the Committee was supposed to represent a cross-section of the community that included tenants, landlords, and a homeowner, and requested staff place a discussion item on the next agenda regarding member attendance.

10. ADJOURNMENT

The meeting adjourned at 8:33 p.m.

Respectfully Submitted,

Draft Until Approved

RRAC Secretary
Grant Eshoo