



CITY OF WEST HOLLYWOOD

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**DEPARTMENT OF
HUMAN SERVICES
AND RENT
STABILIZATION**

RE: INFORMATION RELATING TO THE NET OPERATING INCOME (NOI) RENT INCREASE APPLICATION PROCESS

Dear Prospective Applicant:

Per your recent request, we have enclosed copies of the NOI application & instructions. A "non-binding estimate" (hereinafter the "NBE") can be performed to assess the feasibility of submitting an NOI application for the property in question. The following is a list of information needed to perform the NBE:

**** Total income derived from the applicable property address during the selected Base Year***

**** Total expense amount a (not including mortgage payments or depreciation) attributed to the applicable property address during the selected Base Year (all items relating to capital expenses must be amortized)***

**** Total income derived from the applicable property address during the past 12 months***

**** Total expense amount (not including mortgage payments or depreciation) attributed to the applicable property address during the past 12 months (all items relating to capital expenses must be amortized)***

This information can be mailed to my attention at the City of West Hollywood. It is recommended that you contact me at 323-848-6438 before attempting any portion of the NOI and/or NBE processes, or if you have additional questions.

Sincerely,



Kevin P. McCourt
Legal Services Analyst
RENT STABILIZATION & HOUSING DIVISION

CITY OF WEST HOLLYWOOD



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Rent Increase Application Instructions

Instructions for Completing the Rent Increase Application (Overview)

Under the City of West Hollywood Rent Stabilization Ordinance, landlords are assured that the Net Operating Income (NOI) of their rental property may increase at 60% of the percentage increase in the Consumer Price Index (CPI) over a set period of time. The forms and worksheets in the NOI Application are designed to provide the Hearing Examiner with the necessary information to make a decision on an application.

Property owners will be able to enter the current NOIs for the Base Year and for the Current Year in BOX 9 by following the instructions for each box of the Application very carefully. The Rent Stabilization Ordinance (hereinafter the "Ordinance") requires that 1983 be established as the Base Year. However, there may be cases where one is unable to produce the necessary information for 1983, or may prove that the information for 1983 should not be relied upon. The Hearing Examiner has the option of using a different Base Year period in such cases. A prospective applicant is required to petition the Department of Rent Stabilization & Housing (RSH) in writing if they desire that the Hearing Examiner consider using a year other than 1983 as their Base Year. This entails a brief letter explaining why 1983 data could not be obtained/used. In addition, the petitioner must provide comparable data for a different Base Year, and income/expense summaries for two subsequent years (example--selecting 1987 as the alternative Base Year, and providing summaries for 1988 and 1989). The Current Year must be 12 consecutive months of one's choosing within the 14 months immediately preceding the filing of an application.

Once the NOIs for the Base Year and Current Year have been calculated, the process requires comparing these two figures to see whether the Current Year NOI has increased at least 60% of the percentage increase in the CPI over the Base Year period. The rate of inflation is measured by the CPI for the Los Angeles Standard Metropolitan Statistical Area. The CPI is calculated each month by the Bureau of Labor Statistics in the United States Department of Labor. The decision regarding a NOI application will be based upon the most recent CPI prior to the filing of an application. The CPI for 1983 was 292.7. The most recent CPI can be obtained by contacting the RSH at 323-848-6450.

It is expected that the Annual General Adjustment (AGA) increase issued each September by the RSH will assure the vast majority of rental property owners a fair and reasonable return. A NOI application should be filed only if there are grounds which support rent increases under the applicable section of the Ordinance. Unless designated by a Hearing Examiner, an application will not be accepted if there has been a final decision on a previous NOI application concerning a property within the last six (6) months. No application will be accepted for filing where the rental property has not been properly registered with the RSH, or applicable registration fees/penalties have not been paid in full.

An application must be accompanied by a filing fee of \$500 for buildings with 1-4 rental units. For buildings with 5-9 rental units, the base fee is \$500, plus an additional fee of \$25 per unit. For buildings with ten or more rental units, the base fee is \$500, plus an additional fee of \$35 per unit.

The RSH shall determine whether or not an application is accepted for filing. If an application is not accepted, the applicant will be notified in writing within five (5) business days of submitting an application, concerning the reason(s) for which the application was not accepted.

Once an application is accepted for filing, the RSH will notify the Applicant in writing within 10 business days if any additional information is required to complete the application. If the application is deemed "complete," a Hearing Date will be set, and all affected parties will be notified. A complete application must include legible and proper documentation of the income & operating expenses of the rental property. The best documentation are **copies** of receipts, checks, and invoices. Tax returns are not accepted for Current Year claims, or a Base Year period that occurs within three (3) calendar years of the Current Year period. Copies of contemporaneously prepared ledgers are only accepted for the Base Year period. The RSH requires that all submittals be legible, one-sided copies on 8.5x11 paper. The RSH does not accept calculator tape or originals of any documentation. It is recommended that applicants bring originals to the Hearing(s).

The Application Process

Note: Before attempting to complete any portion of this process, review the actual NOI Application while simultaneously going through the following instructions.

Box 1 Owner

Complete Box 1 with the name, address and telephone number(s) of the owner. Check the applicable line if the Applicant is the sole owner of the property. If not, list all other owners appearing on the Grant Deed of the property in the "Other" section located in Box 14, along with their complete mailing addresses and telephone numbers.

Box 2 Designated Agent

Complete Box 2 only if someone assisted the Applicant in preparing the application, and/or is presenting the case at the Hearing(s). Such a representative could be an attorney, accountant, a person affiliated with a landlord association, a translator, or any other person of the Applicant's choosing. Otherwise, leave Box 2 blank if the Applicant wishes to represent themself.

Box 3 Site Information

Provide the address of the property. If the property is a corner lot with a second address, also include that address. Enter the month and year that the current owner assumed ownership (this date appears on the Grant Deed of the property).

Box 4 Unit Information

Enter the total number of residential units on the property, including any which may be owner, employee or relative-occupied.

Box 5 Declaration

In order for an application to be accepted, this declaration must be signed without alteration. Any forms that are unsigned, signed with alteration in the declaration, or signed with the wrong name, will not be accepted. If anyone other than an owner signs the declaration (e.g., an attorney or other representative), a statement must be attached to the Application. This statement must be signed by the owner authorizing the individual listed to be their representative.

Box 6 Proposed Individual Rent Increase Schedule

List each residential unit (using mailing designation) on the property in Column A of this box. If there are more than 20 residential units on the property, one must complete and attach additional copies of the Box 6 page to the Application. If additional copies of BOX 6 are attached, each copy should be designated (i.e., Box 6-1, BOX 6-2, Box 6C, etc.) in the upper right-hand corner. In Column B, enter the move-in month & year for the current tenancy of each unit. In Column C, enter the current Maximum Allowable Rent (MAR) for each unit--excluding the \$5.00 monthly reimbursement of the Registration Fee, if applicable. In Column D, enter the amount of the rent increase proposed for each unit. In Column E, enter the result of totaling the amounts of Columns C and D for each unit. Please be advised that any increase granted through this process for a specific unit cannot exceed the amount indicated for that unit in Column D. In addition, the amount of any increase granted per unit may be different than that shown in Column D.

Box 7 Income Summary

Line 1 Rents For All Residential Units:

Determine the amount received if all of the residential units on the property in question were occupied by tenants for 1983 or an applicable, alternative Base Year.

Use an average of all three (3) years where an alternative Base Year period is selected. Enter this amount on Line 1 in Column A. One must estimate and assign a fair market value for those units that received no rent or partial rent due to special circumstances (e.g., owner, relative or employee occupancy). Enter the comparable figure for the Current Year on Line 1 in Column B.

- Line 2 Annual Interest From Security And Cleaning Deposits:**
Determine the annual interest or return on investment from security and/or cleaning deposits for 1983 or an applicable, alternative Base Year. Use an average of all three (3) years where an alternative Base Year period is selected. Enter this amount on Line 2 in Column A. Enter the comparable figure for the Current Year on Line 2 in Column B. Do not include interest accruing on tenants' security deposits since June 27, 1985 that an owner is obligated to pay tenant(s).
- Line 3 Other Income:**
Determine the total of other income (e.g., laundry machines, etc.) for 1983 or an applicable, alternative Base Year. Use an average of all three (3) years where an alternative Base Year period is selected. Enter this amount on Line 3 in Column A. Enter the comparable figure for the Current Year on Line 3 in Column B.
- Line 4 Total Projected Gross Income:**
Total the amounts listed on Lines 1-3 in Column A, and then enter that amount on Line 4 in Column A. Enter the comparable figure for the Current Year on Line 4 in Column B.
- Line 5(a) Rent Loss/Vacancies:**
Determine the amount of rent lost due to vacancies during 1983 or an applicable, alternative Base Year. Only include those vacancies which were beyond the owner's control. Use an average of all three (3) years where an alternative Base Year period is selected. Enter this amount on Line 5(a) in Column A. Enter the comparable figure for the Current Year on Line 5(a) in Column B.
- Line 5(b) Rent Loss/Uncollected Rents:**
Determine the amount of rent lost due to uncollected rents (i.e., bad debts) for 1983 or an applicable, alternative Base Year. Only include those bad debts which were beyond the owner's control. Use an average of all three (3) years where an alternative Base Year period is selected. Enter the result on Line 5(b) in Column A. Enter the comparable figure for the Current Year on Line 5(b) in Column B.
- Line 5(c) Other:**
Determine the total amount of rent lost for any other reason during 1983 or an applicable, alternative Base Year. Use an average of all three (3) years where an alternative Base Year period is selected. Enter the result on Line 5(c) in Column A. Enter the comparable figure for the Current Year on Line 5(c) in Column B. Explain the claim(s) in the Box 14 Other worksheet.
- Line 6 Total Rent Loss:**
For 1983 or an applicable, alternative Base Year, add the Column A totals from Lines 5(a), 5(b), and 5(c), then enter the result on Line 6 of Column A. Enter the comparable figure for the Current Year on Line 6 in Column B.
- Line 7 Total Collected Gross Income:**
For 1983 or an applicable, alternative Base Year, subtract the amount in Line 6 of Column A from the amount in Line 4 of Column A. Then enter the result on Line 7 of Column A. For the Current Year, subtract the amount in Line 6 of Column B from the amount in Line 4 of Column B. Then enter the result on Line 7 of Column B. These represent the Total Collected Gross Incomes for 1983 (or an applicable, alternative Base Year) and the Current Year. Enter each figure in the applicable column on Line 1 of Box 9.

Important: Copies of receipts or other documentation must be attached to support income data.

Box 8 Operating Expense Summary

- Line 1 Property Taxes:**
These figures may be obtained from county tax bill(s). Enter the amount claimed regarding real property taxes relating to the property in question for 1983 or an applicable, alternative Base Year on Line 1 of Column A. Use an average of all three (3) years where an alternative Base Year period is used. Enter the comparable figure for the Current Year on Line 1 in Column B.
- Line 2 Electricity Utility:**
Enter the amount claimed for electricity service in 1983 or an applicable, alternative Base Year on Line 2 of Column A. Use an average of all three (3) years where an alternative Base Year period is selected. Enter the comparable figure for the Current Year on Line 2 in Column B.

- Line 3 Gas Utility:**
Enter the amount claimed for natural gas service in 1983 or an applicable, alternative Base Year on Line 3 of Column A. Use an average of all three (3) years where an alternative Base Year period is selected. Enter the comparable figure for the Current Year on Line 3 in Column B.
- Line 4 Water Utility:**
Enter the amount claimed for water service in 1983 or an applicable, alternative Base Year on Line 4 of Column A. Use an average of all three (3) years where an alternative Base Year period is selected. Enter the comparable figure for the Current Year on Line 4 in Column B.
- Line 5 Solid Waste Collection:**
Enter the amount claimed for solid waste collection service (includes recycling) in 1983 or an applicable, alternative Base Year on Line 5 of Column A. Use an average of all three (3) years where an alternative Base Year period is selected. Enter the comparable figure for the Current Year on Line 5 in Column B. Note: If this expense was included as a separate assessment in tax bill(s), place a "0" in the appropriate column(s).
- Line 6 Management Expenses:**
Management expenses are presumed to be 6% of gross income unless established otherwise. Management expenses (contracted or owner-performed) include, but are not limited to necessary and reasonable advertising and accounting costs. To establish that management expenses exceed 6% of gross income, one is required to provide copies of all expenses claimed in this category.

Enter the amount claimed for management expenses in 1983 or an applicable, alternative Base Year on Line 6 of Column A. Use an average of all three (3) years where an alternative Base Year period is selected. Enter the comparable figure for the Current Year on Line 6 in Column B.
- Line 7 Legal Expenses:**
Include only those legal expenses for evictions and recovery of bad debts which were not recovered from tenants (refer to the Ordinance for further details). Enter the amount claimed for legal expenses relating to 1983 or an applicable, alternative Base Year on Line 7 of Column A. Use an average of all three (3) years where an alternative Base Year period is selected. Enter the comparable figure for the Current Year on Line 7 in Column B.
- Line 8 Insurance:**
Enter the amount claimed for property-related insurance relating to 1983 or an applicable, alternative Base Year on Line 8 of Column A. Use an average of all three (3) years where an alternative Base Year period is selected. Enter the comparable figure for the Current Year on Line 8 in Column B.
- Line 9 Normal Repair & Maintenance:**
Referencing Box 10a & 10b Worksheets, enter the *Annual Total* amount claimed for normal repair and maintenance relating to 1983 or an applicable, alternative Base Year on Line 9 of Column A. Use an average of all three (3) years where an alternative Base Year period is selected. Enter the comparable figure for the Current Year on Line 9 in Column B.
- Line 10 Owner-Performed Labor:**
Referencing the Box 11 Worksheet, enter the *Annual Total* amount claimed for owner-performed labor relating to 1983 or an applicable, alternative Base Year on Line 10 of Column A. Use an average of all three (3) years where an alternative Base Year period is selected. Enter the comparable figure for the Current Year on Line 10 in Column B.
- Line 11 Registration & Other Fees:**
Enter the amount claimed for registration & other fees relating to 1983 or an applicable, alternative Base Year on Line 11 of Column A. Use an average of all three (3) years where an alternative Base Year period is selected. Enter the comparable figure for the Current Year on Line 11 in Column B.
- Line 12 Completed Capital Expenses:**
Referencing Box 12a & Box 12b Worksheets, enter the *Annual Total* amount claimed for completed capital expenses relating to 1983 or an applicable, alternative Base Year on Line 12 of Column A. Use an average of all three (3) years where an alternative Base Year period is selected. Enter the comparable figure for the Current Year on Line 12 in Column B.

- Line 13 Proposed Or In-Progress Capital Expenses:**
Referencing the Box 13 Worksheet, enter the Annual Total amounts claimed for proposed or in-progress Capital Expenses for the Current Year on Line 13 in Column B. Base Year information is not applicable in this category.
- Line 14 Other:**
Referencing the BOX 14 Worksheet, enter the *Annual Total* amount claimed for *Other* relating to 1983 or an applicable alternative Base Year on Line 14 in Column A. Use an average of all three (3) years where an alternative Base Year period is selected. Enter the comparable figure for the Current Year on Line 14 in Column B. Use the Box 14 worksheet area to explain claims listed as *Other* in the application.
- Total:**
Total the claims listed in Lines 1-14 of Column A (Base Year), then enter the result on Line 15 of Column A. Total the claims listed in Lines 1-14 of Column B (Current Year), then enter the result on Line 15 of Column B. These are the Total Operating Expenses for 1983 (or an applicable alternative Base Year), and the Current Year respectively. Enter these figures in the appropriate boxes on Line 2 of Box 9.

Note: Mortgage principle, interest payments and depreciation are not considered operating expenses according to the Ordinance.

Important: Copies of receipts or other documentation must be attached to support income data

Box 9 Summary of Income And Expenses: Net Operating Income

- Line 1 Total Collected Gross Income:**
Enter the Total Collected Gross Income for 1983 or an applicable, alternative Base Year, and the Current Year from Line 7 of Box 7 in the applicable areas.

Line 2--Total Operating Expenses: Enter the Total Operating Expenses for 1983 or an applicable, alternative Base Year, and the Current Year from Line 15 of BOX 8 in the applicable areas.

Line 3--Net Operating Income: Regarding the amounts listed on Lines 1 & 2 in BOX 9 for 1983 or an applicable, alternative Base Year and the Current Year. For each column, subtract Line 2 from Line 1, then enter the result on the applicable Line 3. These represent the NOIs for 1983 (or an applicable alternative Base Year), and the Current Year.

Box 10a Normal Repair and Maintenance Worksheet (Base Year)

The Box 10a Worksheet is used to individually itemize and describe expense claims for normal repair and maintenance during 1983 or an applicable, alternative Base Year.

- Column A Item Number:**
Use this column to assign an item number for each Base Year normal repair and maintenance claim listed in Column B. The same number must be affixed to each supporting document submitted to substantiate the claim.
- Column B Description of Expense:**
Provide brief description of each claim. Normal repair and maintenance expenses include, but are not limited to cleaning, monthly pest control, gardener services, minor repairs or replacements, and pool service.
- Column C Units Benefitted:**
Place an "X" in the *ALL* portion of this column if the item claimed benefitted all the rental units on the property. Otherwise, list the I.D. designation of the unit(s) benefitted by this claim.
- Column D Cost:**
For each item, enter the cost in this column.
- Total:**
First, total the amounts listed in Column D, and enter the total box at the bottom of Column D. Then enter this total on Line 9 of Column A (Base Year) in Box 8.

If you need additional space to list normal repair and maintenance claims, attach copies of the Box 10a worksheet, and designate each page (10a-1, 10a-2, 10a-3, etc.) in the upper right-hand corner.

Important: Copies of receipts or other documentation must be attached for normal repair and maintenance expenses.

Box 10b Normal Repair And Maintenance Worksheet (Current Year)

The Box 10b Worksheet is used to individually itemize and describe expense claims for normal repair and maintenance during the Current Year.

- Column A Item Number:
Use this column to assign an item number for each Current Year normal repair and maintenance claim listed in Column B. The same number must be affixed to each supporting document submitted to substantiate the claim.
- Column B Description of Expense:
Provide brief description of each claim. Normal repair and maintenance expenses include, but are not limited to cleaning, monthly pest control, gardener services, minor repairs or replacements, and pool service.
- Column C Units Benefitted:
Place an "X" in the *All* portion of this column if the item claimed benefitted all the rental units on the property. Otherwise, list the unit I.D. designation of the unit(s) benefitted by this claim.
- Column D Cost:
For each item, enter the cost in this column.
- Total:
First, total the amounts listed in Column D, and enter the total at the bottom of Column D. Then enter this total on Line 9 of Column B (Current Year) in Box 8.

If you need additional space to list normal repair and maintenance expenses, attach copies of the Box 10b Worksheet, and designate each page (10b-1, 10b-2, 10b-3, etc.) in the upper right-hand corner.

Important: Copies of receipts or other documentation must be attached for normal repair and maintenance expenses.

Box 11 Owner-Performed Labor Worksheet

The Box 11 worksheet is used to individually itemize, provide and describe the owner-performed labor expenses during 1983 (or an applicable, alternative Base Year period), and the Current Year.

- Column A: Item Number:
Use this column to assign an item number to each self-labor expense claim listed in Column B. The same number must be affixed to each supporting document submitted to substantiate the applicable claim.
- Column B: Nature of Work
Use this column to briefly describe the nature of the work (e.g., tree trimming) claimed performed on the property in question.
- Column C: Date of Work
Use this column to list the approximate month, date & year of each claim.
- Column D-1 *Base Year* Number of Hours of General Maintenance
Use this column to list the number of hours for each general maintenance claim performed in 1983 or an applicable, alternative Base Year period.
- Column D-2 *Base Year* Number of Hours of Skilled Labor
Use this column to list the number of hours for each skilled labor claim performed in 1983 or an applicable, alternative Base Year period.

- Column E-1 Current Year Number of Hours of General Maintenance
Use this column to list the number of hours for each general maintenance claim performed in the Current Year period.
- Column E-2 Current Year Number of Hours of Skilled Labor
Use this column to list the number of hours for each skilled labor claim performed in the Current Year period.
- Total Hours:
Calculate individual totals regarding the amount of hours for Columns D-1, D-2, E-1 & E-2. Then enter the results on the line designated *Total Hours* for the applicable column.
- Total Dollar Amount:
Multiply the number of hours listed in the *Total Hours* columns by the applicable *Hourly Values* dollar figure assigned individually to Columns D-1, D-2, E-1 & E-2. Then enter the results on the line designated *Total Dollar Amount* for the applicable column.
- Total of Columns D1 & D2:
Add the amounts listed in *Total Dollar Amount* for Columns D1 & D2, and enter the total in the space provided for that purpose. Then enter this amount on Line 10 of Column A in Box 8.
- Total of Columns E1 & E2: Add the amounts listed in "Total Dollar Amount" for Columns E1 & E2, and enter the total in the space provided for that purpose. Then enter this amount on Line 10 of Column B in Box 8.

If you need additional space to list owner-performed labor, attach copies of Box 11, and designate each page (11-1, 11-2, 11-3, etc.) in the upper right-hand corner.

Important: You must provide documentation showing the date and nature of the work performed on the property.

Box 12a Completed Capital Expense Worksheet (Base Year)

The Box 12a Worksheet is used to individually itemize and describe only those completed 1983 (or applicable, alternative Base Year) capital expenses which resulted in real benefit to tenants, and were needed to maintain or improve the property. If the initial cost of a completed capital expense is less than \$100, that cost must be considered a normal repair and maintenance expense, and should be entered in the Box 10a Worksheet.

- Column A Item Number:
Use this column to assign an item number for each completed Base Year capital expense claim. The same number must be affixed to each supporting document submitted to substantiate a claim.
- Column B Description of Expense:
In this column, briefly describe each completed capital expense performed in 1983 or an applicable, alternative Base Year relating to building improvements, major repairs and replacements.
- Column C Unit(s) Benefitted:
Circle the word *All* in this column if the item claimed benefitted all rental units on the property. Otherwise, list the I.D. designation of the unit(s) benefitted by this claim.
- Column D Initial Cost:
Enter in this column the initial cost of each item.
- Column E Cost of Financing:
Enter in this column the cost of financing for each item, if applicable. Use the rate of 5.5% if cash was paid, or a higher (actual) rate if arranged financing was used through means other than an arm's-length negotiation. Finance rates claimed in excess of 5.5% require copies of supporting documentation.
- Column F Total Cost:
For each item, add the figures in Columns D & E, then enter the result in Column F.

Column G Amortization Period:

In this column, enter the appropriate amortization period for each item. Refer to the table on page 11.

Expense	Amortization Period (Years)	Expense	Amortization Period (Years)
Air Conditioning	10	Insulation	10
Appliances	7	Landscaping	10
Cabinets	10	Locks	7
Carpentry	10	Painting (exterior)	7
Carpeting	7	Painting (interior)	4
Doors	10	Paving	10
Electrical Wiring	10	Plastering	10
Elevator	20	Plumbing	10
Fencing	10	Roofing	10
Fire Alarm Systems	10	Security Entry Telephone	10
Fire Escape	10	Intercom	---
Flooring (linoleum or vinyl)	7	Stucco	10
Furniture	7	Sump Pumps	10
Gates	10	Water Heater	7
Heating	10	Window Coverings	7

Column H Annual Cost:

For each item, divide the amount in Column F by the appropriate amortization period listed in Column G. Enter the result into Column H.

Annual Total:

Total all entries located in Column H, and enter the amount in the *Annual Total* space provided at the bottom portion of this Worksheet. Also enter this amount on Line 12 of Column A in Box 8.

If you need additional space to list Completed Capital Expenses, attach additional copies of Box 12a, and designate each page (12a-1, 12a-2, 12a-3, etc.) in the upper right-hand corner.

Important: Copies of receipts or other documentation must be attached for all completed capital expenses.

Box 12b Completed Capital Expense Worksheet (Current Year)

The Box 12b Worksheet is used to individually itemize and describe only those completed Current Year capital expenses which resulted in real benefit to tenants, and were needed to maintain or improve the property. If the initial cost of a completed capital expense is less than \$100, that cost must be considered a normal repair and maintenance expense, and should be entered in the Box 10b Worksheet.

Column A Item Number:

Use this column to assign an item number for each completed Current Year capital expense claim. The same number must be affixed to each supporting document submitted to substantiate a claim.

Column B Description of Expense:

In this column, briefly describe each completed capital expense performed in the Current Year relating to building improvements, major repairs and replacements.

Column C Unit(s) Benefitted:

Circle the word *All* in this column if the item claimed benefitted all rental units on the property. Otherwise, list the I.D. designation of the unit(s) benefitted by this claim.

Column D Initial Cost:

Enter in this column the initial cost of each item.

Column E Cost of Financing:

Enter in this column the cost of financing for each item, if applicable. Use the rate of 5.5% if cash was paid, or a higher (actual) rate if arranged financing was used through means other than an arm's-length negotiation. Finance rates claimed in excess of 5.5% require copies of supporting documentation.

- Column F Total Cost:**
For each item, add the figures in Columns D & E, then enter the result in Column F.
- Column G Amortization Period:**
In this column, enter the appropriate amortization period for each item. Refer to the amortization table on page 11.
- Column H Annual Cost:**
For each item, divide the amount in Column F by the appropriate amortization period listed in Column G. Enter the result into Column H.
- Annual Total:**
Total all entries located in Column H, and enter the amount in the "Annual Total" space provided at the bottom portion of this Worksheet. Also enter this amount on Line 12 of Column B in Box 8.

If you need additional space to list Completed Capital Expenses, attach additional copies of Box 12b, and designate each page (12b-1, 12b-2, 12b-3, etc.) in the upper right-hand corner.

Important: Copies of receipts or other documentation must be attached for all completed capital expenses.

Box 13 Proposed or in-Progress Capital Expense Worksheet (Current Year Only)

The Box 13 Worksheet is used to individually itemize and describe only those proposed or in-progress capital expenses that will result in real benefit to tenants, and are needed to maintain or improve the property. The claimed expense has to be either in-progress at the time of the application filing, or will be initiated and completed within one calendar year from the submission of an application.

Please Note: Base Year information is not applicable for this category.

- Column A Item Number:**
Use this column to assign an item number for each proposed or in-progress capital expense claim. The same number must be affixed to each supporting document submitted to substantiate a claim.
- Column B Description of Expense:**
Use this column to briefly describe each proposed or in-progress capital expense. Remember, the claimed expense has to be either in-progress at the time of the application filing, or will be initiated and completed within one calendar year from the submission of the application. See Item 7 in the *Addendum* section of these instructions for additional information.
- Column C Unit(s) Benefitted:**
Circle the word *All* in this column if the item claimed will benefit all rental units on the property. Otherwise, list the I.D. designation of the unit(s) to be benefitted by this claim.
- Column D Estimated Initial Cost:**
Enter in this column the estimated initial cost of each item.
- Column E Estimated Cost of Financing:** Enter in this column the estimated cost of financing for each item. Use the rate of 5.5% if cash is to be paid, or a higher (actual) rate if arranged financing will be used through means other than an arm's-length negotiation. Finance rates claimed in excess of 5.5% require copies of supporting documentation to be included in later submissions once the project is completed..
- Column F Estimated Total Cost:**
For each item, add the amounts in Columns D & E, then enter the result in this column.
- Column G Amortization Period:**
In this column, enter the appropriate amortization period for each item. Refer to the Box 12a Worksheet for an amortization table.
- Column H Estimated Annual Cost:**
For each item, first add the amounts in Column D and Column E to create the estimated total cost (Column F). Then, divide the amount in Column F by the appropriate amortization period listed in Column G. Enter the result into Column H.

Estimated Annual Total:

Total the entries in Column H, then enter the result in the *Estimated Annual Total* space provided at the bottom portion of the Box 13 Worksheet. Enter this figure on Line 13 of Column B in Box 8.

If you need additional space to list proposed or in-progress capital expenses, attach copies of Box 13, then designate each page (13-1, 13-2, 13-3, etc.) in the upper right-hand corner.

Important: Copies of estimates or other documentation must be attached for all proposed or in-progress capital expenses.

Box 14 Other

The Box 14 worksheet is used to add or explain entries in the following boxes:

Box 1 Owners

Box 7: Income Summary [explain Line 5(d)--Other]

Box 8: Summary Of Operating Expenses (explain Line 14--Other)

Miscellaneous:

This worksheet can also be used as a place to list miscellaneous items not covered anywhere else in the application.

Box 15 Tenant Mailing Labels

Enter the name, and mailing address (including unit designation, if any) of each tenant of record--one per each box. type or legibly print the complete street address, city, and zip code for every tenant of record. If you need additional space, attach copies of Box 15, and designate each page (15-1, 15-2, 15-3, etc.) in the upper right hand corner.

Typing is preferred

Disproportionately Low Base Rent

There is a process by which an owner can seek an adjustment to base rents because they believe the rents to be disproportionately low compared to other rents. An owner must attach a copy of the report that they/agent prepare if such rents were not set in arms-length transactions or other peculiar circumstances. This report must set forth the April 30, 1984 base rents for 7-10 comparable properties that are located within half a mile of the subject property. In addition, this report must explain why these properties are comparable, and how this conclusion was reached. The owner cannot present any other information on comparable rents unless the Hearing Examiner asks for it, or it is to rebut other evidence, or unless it could not with due diligence have been included at the time of filing the Application. A copy of a completed NOI application must accompany such a report.

Notification of Filing Rent Increase Application

Rent Stabilization Regulation 60002C requires in-part the owner to notify all tenants & vacant units (including tenants who occupy units for which no rent increase is being requested) indicating the intent to file a rent increase application and the grounds therefore (if applicable). A prescribed two-sided form for this purpose is provided in the Application. If the owner is alleging that the April 30, 1984 rents are disproportionately low, they must check the corresponding box on this form. The owner must also sign the declaration side. Failure to do so will cause an application to be deemed unacceptable. The owner is required to deliver or mail a completed copy of the two-sided form to each tenant before filing an application with the City of West Hollywood. Upon filing the increase application with the RSH, the owner must also include a copy of each form as part of the submitted NOI Application.

Addendum

The following serves to explain subsequent laws passed amending the RSH Ordinance and Regulations. The addenda do not replace the existing law, but merely attempt to highlight recent changes to the law.

1. Six Months:

The owner must wait six (6) months to file a new application. Refer to paragraph four (4) on page one of these instructions.

2. Registration Fees
These fees may be included as an expense.
3. Deferred Maintenance Expenses
These expenses are excluded. Such repairs are those that had to be made because maintenance to another part of the building was intentionally deferred (e.g., if roof maintenance is deferred and significant damage occurs to the walls of a unit--the cost to repair the walls is not allowed).
4. Expenses Not in Base Year or Current Year
Capital expenses can be included as an expense only for the year in which they were incurred. In other words, expenses incurred in the years between the Base Year and the Current Year may not be included. Base Year capital expenses are not included in the Current Year even if the Current Year is within the amortization period of that Base Year expense (e.g., if an expense in the Base Year is amortized over ten years, only the amount spent in the Base Year will be factored into the NOI formula).
5. Capital Expenses
An owner must show that a capital expense is reasonable or necessary, and benefits the tenants. Costs to significantly upgrade or luxurize will not be allowed unless proven otherwise.
6. Interest on Capital Expenses
Reasonable financing is allowed. If interest is actually incurred, the owner can claim the real interest upon providing written documentation. If none is incurred, interest can be claimed at the rate of 5.5%.
7. Proposed Capital Improvements
The 12-month period which the owner has to complete proposed capital improvements may be extended for an additional 12 months if the owner can prove that one of the reasons set forth in the regulations exist. Requests for extensions must be submitted to the RSH in writing.

61072F-03012005R3



Net Operating Income (NOI) Application

Note: Review Instructions before attempting to complete this application

Box 1 **Owner**

Owner Information:

Name: _____ Phone: (_____) _____

Mailing Address: _____

City, State, & Zip Code: _____

- Check if sole owner of property, if not, list all other owners, their mailing addresses and daytime telephone number in Box 14.

Box 2 **Designated Agent**

Designated Agent: _____

Mailing Address _____

Daytime Phone Number: (_____) _____

Box 3 **Site Information**

Site Information: _____
 Street Number Street Name (Unit Number)

Parcel Identification Number: _____ - _____ - _____

Box 4 **Unit Information**

Unit Information

Enter the total number of rental units on this property _____.

- Check if this application seeks rent increases for all units at this property.

Otherwise list each unit identification for those units for which you are seeking a rent increase:

_____.

Box 5 **Declaration**

Declaration:

I (we) declare under penalty of perjury under the laws of the State of California that the foregoing and all attached pages, including documentation, are true correct, and complete

Signature: _____ Date: _____

Print Name: _____

Net Operating Income (NOI) Application**Box 7** **Income Summary**

Box 7		
	A	B
	<u>Base Year</u>	<u>Current Year through</u>
1) Rents for all residential units in property projected at 100% occupancy.	\$ _____	\$ _____
2) Annual interest from security and cleaning deposits, except that interest payable to the tenants.	\$ _____	\$ _____
3) Other income including garage and parking fees, laundry, appliance and/or furniture rental, and any or all other income received in connection with rental units and housing services.	\$ _____	\$ _____
4) Total projected gross income (<u>add lines 1, 2 & 3</u>)	\$ _____	\$ _____
5) Rent Loss:		
a) Vacancies	\$ _____	\$ _____
b) Uncollected rents (bad debts)	\$ _____	\$ _____
c) Other (Explain in Box 14)	\$ _____	\$ _____
6) Total Rent Loss: (<u>add lines 5 (a), (b) & (c)</u>)	\$ _____	\$ _____
7) Total collected gross income (<u>subtract line 6 from line 4</u>)	\$ _____	\$ _____

Net Operating Income (NOI) Application**Box 8** Summary of Operating Expenses

Box 8		
	A	B
Operating Expenses	Base Year _____	Current Year _____ through _____
1) Property Taxes		
2) Electricity		
3) Gas		
4) Water		
5) Solid Waste Collection		
6) Management Expenses		
7) Legal Expenses		
8) Insurance		
9) Normal Repair & Maintenance <u>Enter total from Repair and maintenance worksheet 10a</u>		
10) Owner Performed labor (<u>Enter total from Self-Labor worksheet Box 11</u>)		
11) Licensed, Registration and other fees to the extent that such fees are not paid by tenants		
12) Amortized Capital Expenses (enter total from completed Capital Expense Worksheet Box 12)		
13) Proposed/In progress Capital Expenses Expenses <u>(Enter total from Proposed/In Progress Capital Expenses Worksheet, Box 13</u>		
14) Other <u>(Itemize in Box 13)</u>		
15) Total		

Net Operating Income (NOI) Application**Box 9 Summary of Operating Expenses: Net Operating Income**

Box 9		
	Base Year _____	Current Year through _____
1) Total Collected Gross Income (Refer to Box 7, Line 7)	\$ _____	\$ _____
2) Total Operating Expenses (Refer to Box 8, Line 15)	\$ _____	\$ _____
3) Net Operating Income (Subtract line 2 from Line 1 above)	\$ _____	\$ _____

Net Operating Income (NOI) Application

Box 10a **Normal Repair And Maintenance Worksheet (Base Year)**

Box 10a				
A	B	C		D
Item #	Description of Expense	Units Benefitted (Choose One)		Cost
		All (Place X in Box)	Unit (List Unit I.D.)	
				\$
Total				\$

Net Operating Income (NOI) Application

Box 10b Normal Repair And Maintenance Worksheet (Current Year)

Box 10b				
A	B	C		D
Item #	Description of Expense	Units Benefitted (Choose One)		Cost
		All (Place X in Box)	Unit (List Unit I.D.)	
				\$
Total				\$

Net Operating Income (NOI) Application

Box 11 Self-Labor Worksheet

Box 11

Box 11						
A	B	C	D		E	
			Base Year		Current Year	
			_____		_____ to _____	
			1	2	1	2
Item #	Nature of Work	Date of Work	General Maintenance Hours	Skilled Maintenance Hours	General Maintenance Hours	Skilled Maintenance Hours
	Total Hours					
	Hourly Values		\$ 7.00/hr	\$ 13.00/hr	\$ 7.00/hr	\$ 13.00/hr
	Total Dollar Amount (multiply total hours by hourly values)		\$			
	Total of Columns D1 + D2 (Enter on line 10 of Box 8 for base year.)				\$	

Net Operating Income (NOI) Application

Box 12a Completed Capital Expense Worksheet (Base Year)

Box 12a							
A	B	C	D	E	F	G	H
Item#	Description of Expense	Units Benefited <i>(Circle All or list Unit ID)</i>	Initial Cost	Cost of Financing	Total Cost	Amortization Period <i>(Number of Years)</i>	Annual Cost
		All	\$	\$	\$		\$
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
Annual Total (Sum Of All Annual Costs—Enter On Line 12 Of Box 8)							\$

Net Operating Income (NOI) Application

Box 12b Completed Capital Expense Worksheet (Current Year)

Box 12b							
A	B	C	D	E	F	G	H
Item#	Description of Expense	Units Benefited <i>(Circle All or list Unit ID)</i>	Initial Cost	Cost of Financing	Total Cost	Amortization Period <i>(Number of Years)</i>	Annual Cost
		All	\$	\$	\$		\$
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
Annual Total (Sum Of All Annual Costs—Enter On Line 12 Of Box 8)							\$

Net Operating Income (NOI) Application

Box 13 Proposed/In Progress Capital Expense Worksheet (Current Year)

Box 13							
A	B	C	D	E	F	G	H
Item#	Description of Expense	Units Benefited <i>(Circle All or list Unit ID)</i>	Initial Cost	Cost of Financing	Total Cost	Amortization Period <i>(Number of Years)</i>	Annual Cost
		All	\$	\$	\$		\$
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
		All					
Annual Total (Sum of All Annual Costs—Enter on Line 13 of Box 8)							\$

Net Operating Income (NOI) Application

Box 14

Use This Section to Add to or Explain Your Entries in the Following Boxes:

- ✓ Box 1 Owners
- ✓ Box 7 Income Summary Explain Line 5c (Other)
- ✓ Box 8 Summary of Operating Expenses Explain Line 14 (Other)

Please indicate the Box Number (1, 7, 8, etc.) you are adding to or explaining and the Unit I.D. in question, when appropriate.

Net Operating Income (NOI) Application Box 15

Tenant Mailing Labels

Net Operating Income (NOI) Application Notice

Date: _____

Dear Tenant:

This is to notify you that I intend to file an application for special rent increases for the property with the City of West Hollywood.

I believe I am entitled to rent increases because the Net Operating Income (**NOI**) on the property will not increase with inflation as guaranteed by the City's Rent Stabilization Ordinance.

Further, (if box to the left is marked) I believe base rents collected on April 30, 1984 for this property, were disproportionately low compared with similar properties in the immediate vicinity.

Sincerely,

Landlord/Agent	Property Address	Unit #

INFORMATION REGARDING NOI APPLICATIONS

After the landlord files the application with all supporting documentation to the City, the City will schedule a public Hearing on the application. The landlord is required to submit documentation on all repair and maintenance expenses, including capital expenditures, made for the building and/or for your unit. The City will notify you directly by mail of the date, time and location of the Hearing.

All documentation filed by the landlord will be available for inspection at City Hall. **You are encouraged to review the evidence submitted before the date of the Hearing.** You are welcome to present evidence and participate in the Hearing. You may wish to have an attorney or other representative at the Hearing. Based on the evidence, the Hearing Examiner may approve or deny rent increases. If the box above is checked, your landlord is seeking to increase rents because s/he believes the base rents were disproportionately low compared to similar units in the vicinity. Before the Hearing, you should review the evidence submitted to support this request. You may need to compile and present your own evidence.

The City of West Hollywood Department of Rent Stabilization and Housing is available to answer your questions, although no member of the staff can or will give legal advice to the public.

Landlord: *Please see reverse for instructions and Declaration*

Declaration of Notification to Tenants of Filing NOI Applications

Instructions: Rent Stabilization Regulation 60002(c) requires the landlord to give a copy of this notification to all tenants (including those units for which no increase is requested), indicating the intent to file a NOI application and the grounds therefore. The landlord must sign this declaration and file it with the Department along with the NOI application. If the landlord is seeking an increase by adjusting base rents to the level of comparable units, they must select the appropriate section on the opposite side of this page.

Declaration: I declare under penalty of perjury under the laws of the State of California that I have served the tenants of this unit with a copy of this notice, and will file a separate copy with the Department of Rent Stabilization and Housing.

Signature _____

Date _____

If you have any questions please contact the Rent Stabilization and Housing Department during normal business hours: Monday - Thursday, 8:00 a.m. to 5:00 p.m. and Friday 8:30 a.m. to 4:30 p.m., or visit the City's website at www.weho.org.