



City of West Hollywood  
California 1984

# WELCOME

## UPWARD RENT ADJUSTMENTS FOR SEISMIC RETROFITTING

February 24, 2018

February 27, 2018

West Hollywood Park, Auditorium

Plummer Park, Fiesta Hall



# Mandatory Seismic Retrofitting

Property owners must:

- Complete structural engineering report
- Complete any upgrades identified

April 1, 2018 – *Soft Story Buildings*

August 7, 2018 – *Non-ductile Concrete and Pre-Northridge Steel Motion Frame*

# Customer Service



- ❑ Currently assessing need
- ❑ Committed to providing high-level support
  - ❑ Property Owners
  - ❑ Tenants
  - ❑ Other Community Members

# Tenant Habitability



- Rent Stabilization Commission

*February 22, 2018*

- Tenant Habitability Requirements during Renovation

- Tenant Buyout Agreement Requirements

# Other Activities



- ❑ Eviction Protection and Relocation Fees
- ❑ Protection from Tenant Harassment
- ❑ Home Secure Program
- ❑ Aging in Place, Aging in Community [www.wehoaging.org](http://www.wehoaging.org)

# West Hollywood Community



## 80% Renters

Higher than region:

- Seniors
- Single person households
- LGBT
- USSR Immigrants

Households Move:

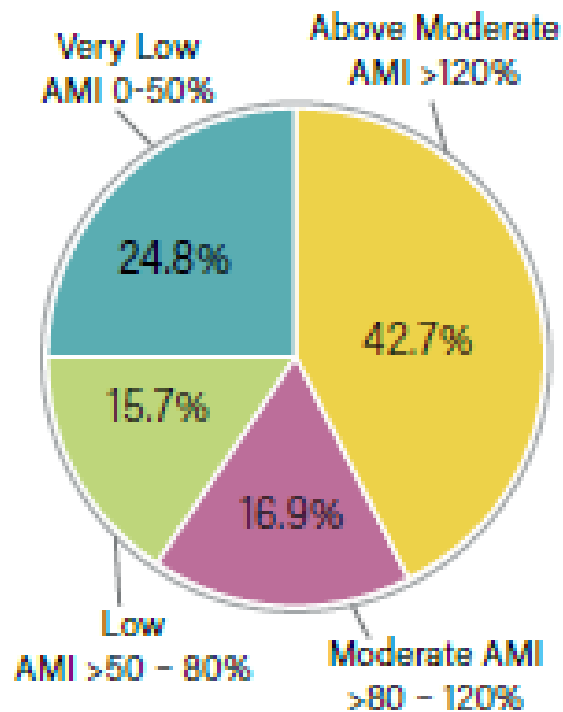
- 50% every 5 years.

Housing Need:

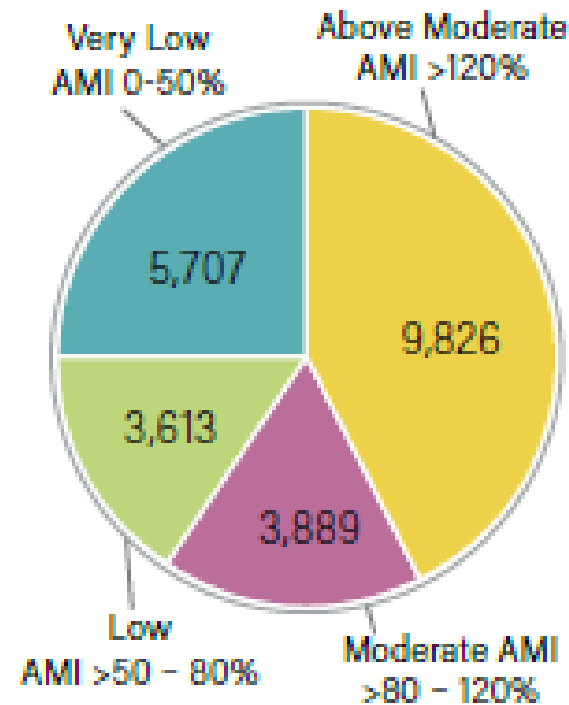
- 40% Lower Income
- 17% Moderate
- 43% Above Moderate

# Income & Housing Need

Percent of Households



Estimated Number of Households



# Upward Rent Adjustments



- *Currently, an upward rent adjustment becomes part of Maximum Allowable Rent (MAR)*

# Upward Rent Adjustments



- ❑ *Currently, there is no hardship exemption for tenants*
- ❑ Rent increases limited to 12% per year for the first two years, any remaining balance goes into effect year three.
- ❑ Annual interest at a rate of 10% is added to all deferred rent increases.

# Upward Rent Adjustments



- *Costa-Hawkins vacancy decontrol could be allowing rents to exceed property expenses*
- From January 1, 1999 to January 1, 2015, new rents charged at unit turnover increased 92 percent, from \$944 to \$1,810, equivalent to a growth rate of 4.4 percent annually.

# Upward Rent Adjustments



- ❑ *Upward rent adjustment application requirements are difficult to meet*
- ❑ Base Year NOI set at 1983.
- ❑ Base Year NOI escalated to 60% of increase in Consumer Price Index (CPI) - base year to year capital expense incurred (Adjusted Base Year NOI).
- ❑ Property owner allowed to treat annual amortized cost of capital improvement as an operating expense.
- ❑ If the NOI for year capital cost is incurred, including annual amortized cost of financing required, less than Adjusted Base Year NOI, hearing examiner may order rent increases.

# Net Operating Income vs. Cost Recovery



- *Net Operating Income (NOI)*
  - Permits amortized capital improvement costs counted as expenses
  - Compares NOI in the current year to a specified base year.
  - Increase tethered to CPI
  
- *Cost Recovery*
  - Considers costs and permits landlord to recapture some or all over a period of time
  - Presumes landlord needs rent increase to complete mandatory seismic retrofitting



City of West Hollywood  
California 1984

# THANK YOU

## UPWARD RENT ADJUSTMENTS FOR SEISMIC RETROFITTING

February 24, 2018

February 27, 2018

# Affordable Income Limits



For 1 Person:

- Very Low

Up to \$30,328

- Low

> \$30,328 to \$48,525

- Moderate

> \$48,525 to \$60,656