Item G-3: Proposed Amendments to Relocation Ordinance (RMC 11.102) and Resolution

Regular Meeting of the Richmond Rent Board | December 20, 2017
Proposed Amendments to Relocation Ordinance: Purpose

1. Reasonably balance the rights and responsibilities of Tenants and Landlords in the case of temporary relocation
2. Clarify provisions of the Relocation Ordinance that have proven ambiguous in the first year of administration
3. Solicit feedback from the Rent Board and members of the public on the proposed amendments
Section 11.100.050(b) of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance provides Tenants evicted for Owner Move-In, Withdrawal from the Rental Market, or Substantial Repairs be provided relocation payments.

- On December 20, 2016, the City Council adopted a provisional Relocation Ordinance (RMC 11.102) and Resolution No. 115-16, establishing Permanent and Temporary Relocation Payments.
Proposed Amendments to Relocation Ordinance: Background (continued)

- The authority to adopt an amended Relocation Ordinance and Resolution lie with the City Council.
- The Rent Program Department is charged with administration and enforcement of the Relocation Ordinance.
- Application of the current Relocation Ordinance, as written, is ambiguous and could result in costs that may be interpreted as unreasonable by the Courts.
  - Example: The costs of relocating a Tenant under the current Ordinance for a period of 120 days to complete substantial repairs could exceed $21,000 for one person.
Overview of Existing Ordinance: 11.100.050 A Tenant must Temporarily Vacate in Order to Undertake Substantial Repairs

After the landlord has notified the City and has obtained all permits from the City of Richmond the landlord informs the tenant they will need to temporarily vacate for substantial repairs, which cannot be done while the tenant remains in their rental unit.

If repairs can be completed within 60 days ask if tenant agrees to vacate

- Landlord pays temporary relocation payments and tenant does not pay rent until tenant re-occupies the unit

If repairs can be completed within 60 days but tenant does not agree to vacate

- Ordinance is silent as to what happens

If repairs cannot be done within 60 days

- Ordinance is silent as to what happens
I want to introduce you to Alex. Alex is a tenant in Richmond. Alex just received a notice from their landlord stating Alex needs to temporarily vacate for substantial repairs. The landlord is replacing the roof. In the next few slides we will show you how Alex is protected under the existing and proposed ordinance.
Existing Ordinance: Alex Agrees in Writing to Temporarily Vacate

Once Alex agrees in writing to temporarily vacate, under the existing ordinance, Alex has the following options for the first 60 days.

**Choice 1:** Alex can choose to continue paying rent and their landlord will have to pay a Temporary Relocation payment.

**Choice 2:** Alex can choose not to continue paying rent and their landlord will not have to pay a Temporary Relocation payment.
### What is a Temporarily Relocation Payment?

<table>
<thead>
<tr>
<th>Per Diem Description</th>
<th>Amount*</th>
<th>Term (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel or Motel</td>
<td>$145</td>
<td>Per day per household</td>
</tr>
<tr>
<td>Meal Expenses</td>
<td>$29</td>
<td>Per day per person</td>
</tr>
<tr>
<td>Laundry</td>
<td>$1</td>
<td>Per day per household</td>
</tr>
<tr>
<td>Pet Accommodations</td>
<td>Cat - $28, Dog - $51</td>
<td>Per day per animal</td>
</tr>
</tbody>
</table>
Existing Ordinance: Alex Agrees in Writing to Temporarily Vacate

After the **first 60 days are over** the existing ordinance is silent on how to proceed. Creating an undue financial burden to the landlord and may be considered unreasonable by the courts.

What will happen to me after 60 days? The ordinance is silent on this issue!

What will happen to me after 120 days? The ordinance is silent on this issue!
Proposed Policy: Alex Agrees in Writing to Temporarily Vacate

Under the proposed policy, **after 60 days,** Alex will have the following protection.

Choice (proposed): Landlord must pay a Temporary Relocation Payment and Alex will continue to pay rent.
Under the proposed policy, after 120 days, Alex will have the following protection and choices.

Choice 1 (proposed): Landlord must pay a Rent Differential Payment and Alex has no obligation to continue paying rent.

Choice 2 (proposed): Alex finds alternative permanent housing and the landlord must pay a Permanent Relocation Payment.
### What is a Rent Differential Payment?

<table>
<thead>
<tr>
<th>Number of Bedrooms</th>
<th>Fair Market Rate Payment*</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 Bedroom</td>
<td>$1,363 per month</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>$1,637 per month</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>$2,064 per month</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>$2,866 per month</td>
</tr>
<tr>
<td>4 Bedroom</td>
<td>$3,303 per month</td>
</tr>
</tbody>
</table>

Note: If the rent is higher than the HUD market rate (FMR) then the tenant will not receive a rent differential payment.

*The figures presented are amounts for 2017.
What is the Applicable Permanent Relocation Payment?

<table>
<thead>
<tr>
<th>Maximum Cap per Unit Type (a) (b)</th>
<th>Base Amount*</th>
<th>Qualified Tenant Household Amount (c)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>$6,850</td>
<td>$7,850</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>$10,500</td>
<td>$12,100</td>
</tr>
<tr>
<td>2+ Bedroom</td>
<td>$14,250</td>
<td>$16,400</td>
</tr>
</tbody>
</table>

(a) If a Rental Unit is occupied by one Tenant then the entire per unit Relocation Payment shall be paid to the Tenant. If more than one Tenant occupies the Rental Unit, the total amount of the Relocation Payments shall be paid on a pro-rata share to each Eligible Tenant.

(b) The Relocation Payments will be calculated on a per Rental Unit basis, distributed on a per Tenant basis, and includes a maximum cap per Rental Unit.

(c) A "Qualified Tenant Household" is any household that includes at least one Tenant that is a Senior Citizen, Disabled, or has at least one minor dependent child.

*The figures presented are amounts for 2017.
Existing Ordinance: Alex Does Not Agree to Temporarily Vacate

Alex did not agree to temporarily vacate, but the landlord proceeds to temporarily terminate the tenancy, pursuant to a court order. Alex has the following choices for the First 60 days.

**Choice 1:** Alex can choose to continue paying rent and their landlord will

**Choice 2:** Alex can choose not to continue paying rent and their landlord will not have to pay Temporary Relocation Payment
Existing Ordinance: Alex Does Not Agree to Temporarily Vacate

Once the first 60 days are over the existing ordinance is silent on how to proceed. Creating an undue financial burden to the landlord and may be considered unreasonable by the courts.

What will happen to me after 60 days? The ordinance is silent on this issue!

What will happen to me after 120 days? The ordinance is silent on this issue!
Proposed Policy: Alex Does Not Agree to Temporarily Vacate

Under the proposed policy, after 60 days, Alex will have the following protections.

Choice (proposed): Landlord must pay a Rent Differential Payment and Alex has no obligation to continue paying rent.
Under the proposed policy, **after 120 days**, Alex will have the following protections and choices.

**Proposed Policy: Alex Does Not Agree to Temporarily Vacate**

- **Choice 1 (proposed):** Landlord must pay a Rent Differential Payment and Alex has no obligation to continue paying rent.
- **Choice 2 (proposed):** Alex finds alternative permanent housing and the landlord must pay a Permanent Relocation Payment.
I want to introduce you to Chandler. Chandler is a tenant in Richmond. Their rental unit has a busted sewage pipe and there is raw sewage in the unit. In the next few slides we will show you how Chandler is protected under the existing and proposed ordinance. Let’s take a look!
What am I going to do?! The ordinance is silent on this issue.

Chandler Must Vacate!
If a tenant must vacate due to governmental order or other situation making it unsafe or unhealthy for a tenant to occupy the ordinance is silent on what protection or choices Chandler has.
Chandler Must Vacate! Under the proposed policy, for the first 60 days, Chandler will have the following protections.

Choice (proposed): Landlord must pay a Temporary Relocation Payment and Chandler will continue to pay rent.
Proposed Policy

Chandler Must Vacate! Under the proposed policy, after 60 days, Chandler will have the following protections and choices.

Choice 1 (proposed): Landlord must pay a Rent Differential Payment and Chandler has no obligation to continue paying rent.

Choice 2 (proposed): Chandler finds alternative permanent housing and the landlord must pay a Permanent Relocation Payment.
The proposed policy is important for the following reasons:

• It will provide options and greater clarity for both Tenants and Landlords in otherwise uncertain and stressful situations.
• Tenants will have an idea of available financial support and will have a better ability to adequately plan, if the situation arises.
• Landlords are incentivized to maintain the rental unit adequately to avoid a substantial repair or governmental order in the future because of the large financial burden of relocation.
• The landlord will know what to expect prior to undergoing substantial repairs or following a governmental order to temporarily terminate tenancy.
RECEIVE AND RECOMMEND TO THE RICHMOND CITY COUNCIL proposed amendments to Chapter 11.102 of the Richmond Municipal Code, and a revised resolution, concerning relocation requirements for Tenants of residential Rental Units.
Item H-1: Regulation 17-08 Written Warning Notices to Cease

Regular Meeting of the Richmond Rent Board | December 20, 2017
Regulation 17-08: Statement of the Issue

- A regulation is necessary to clarify when Written Warning Notices to Cease are required prior to terminating a tenancy due to a tenant’s breach of lease or creating a nuisance, particularly with respect to behavior that impairs health and safety.

- At their meetings on October 18, 2017, and November 15, 2017, the Rent Board directed staff to return in November with a revised Regulation 17-08.

- This presentation addresses those concerns discussed by Board at the November 15, 2017, meeting.
Regulation 17-08: Background

Written Warning Notice Requirements (RMC 11.100.050(d)):

1. Must be served by a Landlord a “reasonable” amount of time before terminating a tenancy due to Breach of Lease or Creating Nuisance
2. Shall inform the Tenant that a failure to cure may result in the initiation of eviction proceedings
3. Shall inform the Tenant of the right to request a reasonable accommodation
4. Must include the contact number for the Rent Program
5. Must include sufficient information and details about the incident or violation to allow a person to comply with the Warning Notice and cure the problem

www.richmondrent.org | ITEM H-1
Regulation 17-08: Proposed Definition of a “Reasonable” Period of Time

- The Rent Ordinance requires that a Landlord serve a Tenant a Written Warning Notice to Cease within a “reasonable” time period prior to serving the Tenant a notice to terminate a tenancy for the reason described in the Warning Notice.
  - A “reasonable” time period means either:
    - At least 3 business days;
    - OR-
    - If it is unreasonable that the time period to cure the violation can be accomplished in 3 business days, the Tenant must have started to cure the violation within 3 business days of receiving the Warning Notice, and diligently makes progress to cure the violation.

*(Proposed Regulation 17-08, Section 2(a))*
General Eviction Timeline where Tenant Breaches the Lease or Creates a Nuisance

(See next slide)
Tenant violates lease or agreement or commits nuisance

Landlord must give tenant a written warning notice to cease violation(s). Warning must give tenant reasonable time to correct of no less than 3-days.

Tenant violates same or similar provision of the lease within 12 months of the first violation(s).

No additional warning is required before landlord can serve a 3-day notice to perform or quit.

Tenant responds with affirmative defenses within the 5-day deadline

Tenant responds with their affirmative defense(s) to the eviction lawsuit within 5-days of having been served the lawsuit.

Landlord files eviction lawsuit

Tenant fails to respond within 5-day deadline

Tenant fails to perform (correct lease violation).

If approved, default judgement is entered against the tenant.

Landlord files request for default judgement

Settlement

Judge or jury trial is held

Tenant fails to respond within 5-day deadline

Sheriff evicts tenant. Tenant is escorted from property and may not return

Tenant wins: remains in unit

Landlord wins: awarded possession of unit

Process generally takes 5 to 12 weeks

If tenant does not move voluntarily, landlord asks court to issue Writ of Possession.

Sheriff serves tenant with 5-day Notice to Vacate

Landlord serves tenant with a 3-day notice to perform or quit.

Landlord must file a copy of the notice and all related written warning notice’s. Failure to do so is a complete defense to an eviction lawsuit.
A Landlord may initiate an action to terminate a tenancy (e.g. service of a 3-day notice) if:

1. The Tenant or a guest or invitee of the Tenant has engaged in criminal activity in or near the Rental Unit;
   -AND-
2. The criminal activity or violent or abusive behavior has been reported to law enforcement and there is an official report, such as a police report, to document the criminal activity.

*(Proposed Regulation 17-08, Section 3(a)).*
• “Criminal Activity” includes:
  • Prostitution (Penal Code Section 647(b))
  • Criminal street gang activity (Penal Code Sections 240 and 242)
  • Burglary (Penal Code Section 459)
  • Unlawful use and discharge of firearms (Penal Code Section 245)
  • Sexual offenses (Penal Code Section 261)
  • Any other behavior that involves an imminent or actual threat to the health and safety of the Landlord or other Tenants or actual property damage in excess of $5,000

(Proposed Regulation 17-08 Section 3(c))
General Eviction Timeline where Tenant Commits a Violent or Drug-Related Crime

(See next slide)
Tenant commits a violent or drug related crime as defined by Regulation 17-08 *

No additional warning is required before landlord can serve a 3-day notice to quit

Landlord serves tenant with 3-day notice to quit

Failure to give notice within 2 days is defense to an eviction lawsuit

Tenant must respond with affirmative defense(s) to eviction lawsuit within 5-days of having been served the lawsuit.

Tenant responds with affirmative defenses within the 5-day deadline

Tenant fails to respond within 5-day deadline

Court mails notice of Hearing (trial) date

Judge or jury trial is held

Tenant wins: remains in unit

Landlord wins: awarded possession of unit

Settlement

Landlord files request for default judgement

If approved, default judgement is entered against the tenant.

Landlord files eviction lawsuit

If tenant does not move out within the 3-day notice period

Sheriff evicts tenant. Tenant is escorted from property and may not return.

Tenant fails to move out within the 3-day notice period

Sheriff serves tenant with 5-day Notice to Vacate.

If tenant does not move voluntarily, landlord asks the court to issue Writ of Possession.

* (1) Landlord must comply with State law before initiating termination of tenancy. (2) Landlord has reported the activity to law enforcement. (3) Law enforcement has investigated the activity, and (4) law enforcement has advised the Landlord there is probable cause that the Tenant has engaged in criminal activity.

(1) Landlord must comply with State law before initiating termination of tenancy. (2) Landlord has reported the activity to law enforcement. (3) Law enforcement has investigated the activity, and (4) law enforcement has advised the Landlord there is probable cause that the Tenant has engaged in criminal activity.
• ADOPT Regulation 17-08, regarding Written Warning Notices to Cease before Terminating Tenancies due to a Breach of Lease or Creating Nuisance.
Item H-2: Regulation 17-09 Regarding “Banking” of Annual General Adjustment Rent Increases

Regular Meeting of the Richmond Rent Board | December 20, 2017
ADOPT Regulation 17-09, regarding the right to raise the Rent up to the Maximum Allowable Rent level, also known as “banking” rent increases, with the limitation such that the net rent increase in any 12-month period as a result of the application of current plus any deferred or “banked” AGAs does not exceed five percent (5.0%) plus the current AGA. This Regulation 17-09 would not become effective until September 1, 2018.
Item I-1: Billing Update and Reimbursement Agreement Between City and Rent Board

Regular Meeting of the Richmond Rent Board | December 20, 2017
Billing Update & Reimbursement Agreement: Purpose

• Provide a status update on billing and collection of the Rental Housing Fee
• Address concerns raised by the Boardmembers at the October 18, 2017, meeting regarding the terms of the proposed Reimbursement Agreement
Since December 2016, the Rent Program has received financial support from the City’s General Fund.

The Rent Program Department is designed to be self-sustaining, through payment of the Rental Housing Fee.

The Rent Board has an obligation to repay the City for approximately $1.1 million expended to date.
The Rent Board previously considered the proposed Reimbursement Agreement at their meeting on October 18, 2017.

Boardmembers were concerned about the proposed two-year repayment term.

Staff met with the City Manager and Finance Director to discuss terms that meet the needs of the City and Rent Board.

A revised Reimbursement Agreement has been drafted for the Rent Board’s consideration.
As of December 13, 2017:

- Rent Program and IT Department staff members have invoiced 6,790 individuals who collectively own 21,178 Rental Units in the City of Richmond.

- The Rental Housing Fee has been paid for approximately 11.5% of Rental Units identified in the City’s database of property information.
Billing Update & Reimbursement Agreement:
Rental Housing Fee Revenue Collection

Revenue Collected

Date Range (Week) (Year 2017)

11/5 - 11/11 $6,478
11/12 - 11/18 $36,303
11/19 - 11/25 $49,446
11/26 - 12/2 $126,052
12/3 - 12/9 $73,370
12/10 - 12/16 $131,370
Billing Update & Reimbursement Agreement: Rent Program Department Financial Summary

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Budgeted Amount (excluding reserves)</th>
<th>Funds Expended (as of 12/15/17)</th>
<th>Revenue Collected (as of 12/18/17)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>2016-17</td>
<td>$920,347</td>
<td>$789,592</td>
<td>$150,575</td>
</tr>
<tr>
<td>2017-18</td>
<td>$1,940,271</td>
<td>$319,868(a)</td>
<td>$313,965</td>
</tr>
<tr>
<td>(partial)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$2,860,618</td>
<td>$1,109,460</td>
<td>$464,540</td>
</tr>
</tbody>
</table>

Notes: (a) Funds expended in FY 2017-18 are only as of 12/15/17; this amount does not reflect the projected amount of expended funds for the entire Fiscal Year. (b) Reflects only 5.5 months of the 12-month fiscal year.
• Rent Board is required to reimburse the City’s General Fund for all funds advanced as soon as possible.

• Invoices will be paid in a timely manner so long as it has funds available to do so.

• In no instance shall amounts invoiced by the City remain unpaid by the Rent Board for more than a two-year period.

  • To date, the Rent Board has received two invoices:

    1. 10/6/17 - $347,615 (City staff costs)
    2. 10/19/17 - $84,647 (Legal costs)
Billing Update & Reimbursement Agreement

Recommended Action

• (1) RECEIVE an update from staff concerning billing and collection of the Fiscal Year 2016-17 and Fiscal Year 2017-18 Rental Housing Fees; and (2) APPROVE by motion a Reimbursement Agreement between the Rent Board and City of Richmond.
Item I-2: Rent Adjustment Standards

Regular Meeting of the Richmond Rent Board | December 20, 2017
1. Provide an update to the Rent Board regarding recently held community workshops
2. Review options for “fair return” methodologies
3. Solicit direction from the Rent Board regarding implementing regulations for the Rent Board’s consideration in early 2018
Owners covered by rent regulations have a constitutional right to a fair rate of return on their rental property investment.

Since a fair return standard is not specified in the Ordinance, determining what a fair return means in the City of Richmond must be done legislatively, through regulations adopted by the Rent Board.

Community engagement is an essential part of this process.
Rent Program staff members held two community workshops regarding setting standards for changes in the MAR in December to inform and solicit feedback from community members on “fair return” and other rent adjustment standards.

- Breakout sessions:
  - Fair Return Standards
  - Increase or Decrease in Space, Services, or Habitability
  - Capital Improvements
  - Historically Low Rents

- Feedback worksheets associated with these topics were completed by participants and are included in the agenda packet (see Attachment 3).
• Completed Feedback Worksheets and breakout session notes will continue to inform proposed regulations for the Rent Board’s consideration in 2018

• Workshop materials and updates regarding the process of establishing rent adjustment standards are accessible at [http://www.ci.richmond.ca.us/3521/Rent-Adjustment-Regulations](http://www.ci.richmond.ca.us/3521/Rent-Adjustment-Regulations).
Fair Return Standards

Kenneth Baar
Regular Meeting of the Richmond Rent Board | December 20, 2017
Owners covered by rent regulations have a constitutional right to a fair rate of return on their rental property investment.

The Courts are the ultimate arbitrators of what constitutes a fair rate of return.

The Courts have not required the adoption of a particular standard for determining whether or not a fair return is achieved.

Since a fair return standard is not specified in the Ordinance, determining what a fair return means in the City of Richmond must be done legislatively, through regulations adopted by the Rent Board.
In determining if a fair return has been achieved, Rent Boards must allow for growth in the Net Operating Income (NOI)

Net Operating Income = All Revenue – All Expenses (excluding debt service)

The courts have determined that consideration of debt service has no rational basis. An owner’s individual financing scheme may not merit differences in the maximum rent that may be charged.

Philosophical question: Should a Landlord who obtained less optimal financing terms (e.g. a higher interest rate) be able to charge higher rents?
## Possible “Fair Return” Standards

<table>
<thead>
<tr>
<th>Fair Return Standard</th>
<th>Calculation</th>
<th>Example Cities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maintenance of Net Operating Income (MNOI)</strong></td>
<td>Fair Rent = Base Year NOI adjusted by CPI increase since base year + operating expenses</td>
<td>Berkeley, East Palo Alto, Santa Monica, Los Angeles, West Hollywood, Oakland*, San Jose, Beverly Hills, Mountain View</td>
</tr>
<tr>
<td><strong>Return on Investment (ROI)</strong></td>
<td>Fair Rent = Operating expenses + X% of investment</td>
<td>None - Board would need to determine reasonable rate of return on investment</td>
</tr>
<tr>
<td><strong>Return on Value (ROV)</strong></td>
<td>Fair Rent = Operating expenses + X% of value</td>
<td>Not used – Courts determined this is circular</td>
</tr>
<tr>
<td><strong>Cost Pass-Through</strong></td>
<td>Fair Rent = Prior year rent + increase in operating costs over prior year</td>
<td>Oakland, San Francisco</td>
</tr>
</tbody>
</table>
Definition of Maintenance of Net Operating Income (MNOI): The net operating income of the current year is compared to a base year, allowing for growth based on CPI and increases in operating expenses.

**EXAMPLE SCENARIO**
- Factual Assumptions - Between the base year and the current year
  - CPI increased by 50%
  - Operating Expenses Increased by 75%
  - Net Operating Income (NOI) Increased by 33%
- The Owner is entitled to a rent increase in order to raise net operating income to a level that is 50% above the base year CPI
### Illustration of MNOI Standard (continued)

<table>
<thead>
<tr>
<th></th>
<th>CPI</th>
<th>Gross Income</th>
<th>Operating Expenses</th>
<th>Net Operating Income</th>
<th>Fair Return Allowable Rent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Year</strong></td>
<td>100</td>
<td>$100,000</td>
<td>$40,000</td>
<td>$60,000</td>
<td></td>
</tr>
<tr>
<td><strong>Current Year</strong></td>
<td>150</td>
<td>$150,000</td>
<td>$70,000</td>
<td>$80,000</td>
<td></td>
</tr>
<tr>
<td><strong>Fair NOI</strong> (Base Year NOI Adjusted by the pct. increase in CPI)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$90,000</td>
</tr>
<tr>
<td><strong>Allowable Fair Return Rent Adjustment</strong></td>
<td><strong>Fair NOI – Current NOI</strong></td>
<td></td>
<td></td>
<td></td>
<td>$10,000 (= $90,000-$80,000)</td>
</tr>
</tbody>
</table>
## Alternative Fair Return Standards

1. **Maintenance of Net Operating Income Standard**
   
   \[
   \text{FAIR RENT} = \text{BASE YEAR NET OPERATING INCOME ADJUSTED BY CPI INCREASE SINCE BASE YEAR} + \text{OPERATING EXPENSES}
   \]

2. **Rate of Return on Investment Standard**
   
   \[
   \text{FAIR RENT} = \text{OPERATING EXPENSES} + X\% \text{ of INVESTMENT}
   \]
   
   Commonly measure of investment is original investment adjusted by percentage increase in the CPI since the year of the investment.

3. **Rate of Return on Value Standard**
   
   \[
   \text{FAIR RENT} = \text{OPERATING EXPENSES} + X\% \text{ of Value}
   \]
   
   Not used – Courts concluded standard is circular.

4. **Cost Passthrough Standard**
   
   \[
   \text{FAIR RENT} = \text{PRIOR YEAR RENT} + \text{INCREASE IN OPERATING COSTS OVER PRIOR YEAR}
   \]
Establishment of Rent Adjustment Standards: Next Steps

<table>
<thead>
<tr>
<th>PROPOSED TIMEFRAME</th>
<th>EVENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early December</td>
<td>Staff held first Community Workshops</td>
</tr>
<tr>
<td>Late December</td>
<td>Rent Board receives memo from Ken Baar and provides direction to staff</td>
</tr>
<tr>
<td>Late December/Early January</td>
<td>Regulations drafted for review</td>
</tr>
<tr>
<td>Mid-January – Rent Board Meeting #1</td>
<td>Rent Board considers procedural regulations</td>
</tr>
<tr>
<td>Mid-January</td>
<td>Public review period begins; staff hold review sessions with community members</td>
</tr>
<tr>
<td>Late January – Rent Board Meeting #2</td>
<td>Rent Board considers additional regulations</td>
</tr>
<tr>
<td>Mid-February</td>
<td>Public review period ends; feedback incorporated; Hearing Examiner onboarded</td>
</tr>
<tr>
<td>Mid-February – Rent Board Meeting #3</td>
<td>Rent Board considers additional regulations</td>
</tr>
<tr>
<td>Late February – Rent Board Meeting #4</td>
<td>Rent Board adopts regulations; first hearings are scheduled</td>
</tr>
</tbody>
</table>
Standards for Changes in the MAR: Recommended Action

- (1) RECEIVE an update from staff concerning recent community workshops regarding setting standards for changes in the maximum allowable rent; (2) RECEIVE a memorandum from Kenneth Baar regarding the Maintenance of Net Operating Income (MNOI) fair return standard; and (3) DIRECT staff to prepare implementing regulations utilizing the MNOI standard for the Rent Board’s consideration in January and February 2018.
Item I-3: 2018 Rent Program Community Workshop Calendar

Regular Meeting of the Richmond Rent Board | December 20, 2017
## 2018 Rent Program

### Community Workshop Calendar: Proposed Schedule

<table>
<thead>
<tr>
<th>Workshop</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Workshop (10:00 AM – 12:00 PM)</strong></td>
<td></td>
</tr>
<tr>
<td>Being a Landlord in Richmond 101</td>
<td>January 13th</td>
</tr>
<tr>
<td>Being a Tenant in Richmond 101</td>
<td>February 17th</td>
</tr>
<tr>
<td>Evictions 101 (Landlord Oriented)</td>
<td>March 17th</td>
</tr>
<tr>
<td>Evictions 101 (Tenant Oriented)</td>
<td>April 21st</td>
</tr>
<tr>
<td>Security Deposits – Rights and Responsibilities</td>
<td>May 12th</td>
</tr>
<tr>
<td>Being a Tenant in Richmond 101</td>
<td>June 9th</td>
</tr>
<tr>
<td>Realtor and Property Manager Focused Workshop</td>
<td>July 14th</td>
</tr>
<tr>
<td>Handling Habitability Issues (Tenant Oriented)</td>
<td>August 18th</td>
</tr>
<tr>
<td>Handling Habitability Issues (Landlord Oriented)</td>
<td>September 15th</td>
</tr>
<tr>
<td>How to Handle Difficult Tenant Situations (Landlord Oriented)</td>
<td>October 20th</td>
</tr>
<tr>
<td>How to Handle Difficult Housemate Situations (Tenant Oriented)</td>
<td>November 10th</td>
</tr>
<tr>
<td>Evictions 101 (Landlord Oriented)</td>
<td>December 8th</td>
</tr>
</tbody>
</table>
• RECEIVE the 2018 Rent Program Community Workshop Calendar