

Rent committee punts on tough questions

Public comment overwhelms meeting on rent-limit exceptions

by [Mark Noack](#) / Mountain View Voice

In their most difficult meeting to date, members of Mountain View's Rental Housing Committee were clearly overwhelmed as they tried to draft special rules to ensure that landlords earn a fair profit despite the city's new rent-control law.

Tenants and landlords in roughly equal number attended the July 10 committee meeting; the groups saw little room for compromise, with both sides warning of grave consequences if the committee acted carelessly.

By the end of the night, the committee had made little headway on the issue. It was 11:40 p.m. by the time public comment had finally wrapped up, and committee members agreed they were too exhausted to go on.

The committee's goal that night was to set a "fair rate of return standard" that could open the door for landlords to raise rents at a higher level than what is allowed under the Community Stabilization and Fair Rent Act passed by voters last November.

Under the act, apartment landlords must, under most circumstances, limit their annual rent increases to the regional Consumer Price Index (CPI). For the upcoming year, that amount has been set at 3.4 percent.

However, the law also contains a significant exception. The fair rate of return standard would allow landlords to notch their apartment rents higher if they could prove that the city's rent limit was eating too much into their revenues. To do this, landlords would have to petition the city with an itemized list of their expenses to show they were making less than past years.

For everyone involved, the devil was in the details. For example, what expenses could landlords include? Mountain View's rent-control law specifies that landlords can add to the list of expenses property taxes, ongoing maintenance costs and certain improvements to the property.

But the law gives the Rental Housing Committee wide discretion in deciding what other expenses could be factored in.

At the Monday meeting city staff presented a long list of other expenses they believed should be considered, such as management costs, a capital reserve fund, insurance, relevant attorney fees and even some debt financing.

"We have a concern that landlords will not be able to maintain their property," said City Attorney Jannie Quinn. "Staff is trying to be creative in providing you with options that we felt complied with the (rent-control law)."

Pushing back, tenant advocates stressed that the committee could end up creating a giant loophole in the law if it allowed too many costs to be placed back on renters. They warned that a petition process meant for special cases would instead be exploited by every landlord in the city to circumvent the new law.

In that scenario, the committee would have undermined the essence of the voter-approved law, said Daniel Saver, a senior attorney with the **Community Legal Services in East Palo Alto**.

“If you're creating a separate system that allows every landlord to get an adjustment beyond what's allowed, then you're undoing the core component of the measure itself,” he said. “That's completely out of line and you can't reasonably say you're honoring the spirit or word of the measure.”

Committee member Tom Means bristled at that argument, and he challenged the rent-control measure's proponents to explain how landlords could pay mounting costs if their revenues were capped.

“If the expenses rise faster than CPI, then you can't keep the same numbers. Something has to give,” he said. “That's inherent instability.”

Adding more pressure, some landlords warned there would be a mass exodus of property owners leaving Mountain View if the rules were too draconian. Elizabeth Lindsay, owner of more than 300 apartments in the city, said she was mulling selling off her property so it could be transformed into condominiums that would be immune from the rent-control law.

It remains unclear whether apartment owners would be allowed to redevelop as a way to circumvent the new law. Tenant advocates say that would be a political decision that would go before the City Council.

The tension that night was high, and at one point a landlord and tenant erupted in a shouting match out in foyer. Some property owners scolded the committee for acting like a "communist" regime while tenants claimed the same committee was caving to the rich.

Through it all, the committee had a difficult time sorting through the confusion and doomsday scenarios to focus on the matter at hand.

The expense formula was just one facet of nearly a dozen controversial details the committee was being asked to decide on. They also had to determine what version of the CPI to use and how much economic inflation should factor into landlords' revenues.

Also, they had to decide what base year landlords would use to compare their future revenues. City staff suggested using 2014 or 2015, either of which would lock in a high-market year as the base to measure future earnings.

The tough questions didn't end there. How should deterioration of buildings be accounted for? What building code should the city use for determining necessary improvements? Would the city need translation services for Spanish, Mandarin and other languages?

Committee members didn't make their job much easier, asking questions for a variety of unique scenarios, like how coin-operated laundry machines would be factored in.

After hours of public comment, the committee members decided just short of midnight they couldn't continue. Committee Chairwoman Vanessa Honey said they were simply too fatigued to go on because a full decision would take them well into the next morning.

Committee member Evan Ortiz initially resisted pushing off the decision, saying it was imperative to get some kind of system in place that could be improved later on.

"I don't want this discussion to be relitigated and relitigated," he said. "We've heard a lot of comments and a lot of them aren't adding new information, and I'm eager to get something in place so that we're able to move forward with implementing this."

But the committee decided to table the item until its next meeting on July 24.