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## City rejects rent hikes for Del Medio Manor

Rent control officer sides with tenants in dispute

by Mark Noack

A petition to raise rents on dozens of apartments at the Del Medio Manor in Mountain View was denied this week by a city hearing officer.

The case was the most hard-fought conflict so far to wind its way through a public hearing process created by the city's nascent rent control law. For many observers, the case was seen as a bellwether for how future disputes would be adjudicated by the city.

Los Altos resident Elizabeth Lindsay, who owns the Del Medio apartments with about 12 other family members, had sought to raise rents on about two-thirds of the family's 105-unit apartment complex. The proposed increases ranged from \$125 to \$900 a month in additional rent.

In total, the rent hikes would have increased profits by \$320,000 on a property that was already generating more than \$1 million in net income, according to the petition filings.

In response, a number of Del Medio tenants organized to protest the increases. Several longtime renters told the *Voice* the [rent hikes would have priced them out](#) of Mountain View. The nonprofit Community Legal Services of East Palo Alto took up the tenants' cause on a pro bono basis.

In the written decision made public on Tuesday, July 17, city hearing officer Jil Dalesandro sided largely with the tenants, rejecting nearly all claims made by the Del Medio owners. She denied a request by Lindsay to grant a so-called Vega adjustment, a special increase intended for severely underpriced rental properties that are operating at a net loss.

In the city's petition process, landlords are entitled to an extra rent increase if they can prove their upkeep costs are shrinking their profit margins. Under normal circumstances, landlords are allowed to increase rents only by the annual cost of inflation.

In the case of Del Medio, city officials highlighted numerous accounting errors that resulted in inflated expenses on the books. For example, the bookkeeping provided to the city counted Lindsay and her husband, Wilson Walch, as salaried employees for Del Medio. But the same labor was also counted in their petition as "managerial expenses" and as "owner labor," and it was unclear how these costs could be distinguished.

Dalesandro determined that many of work expenses at Del Medio were actually counted twice, or more. In some cases, Lindsay and her husband couldn't provide time records to show how their labor was benefiting the property. Lindsay and her family own multiple rental properties in the area, but they could not separate out which work hours were spent at which property. At a public hearing in May, Lindsay suggested one way to solve this would be to take their listed labor costs and divide it by three.

On top of that, Dalesandro pointed out that many of the expenses included in Lindsay's petition benefited neither the tenants nor the Del Medio property. As part of her costs, Lindsay expensed \$3,000 for her time spent at Mountain View City Council and Rental Housing Committee meetings, in which she was advocating against the city's rent control law. The petition also included \$17,000 in attorney fees that stemmed, in part, from a lawsuit brought last year by Lindsay and other landlords seeking to overturn Mountain View's voter approved Measure V rent control law in court.

After eliminating many of the expenses listed in the petition, Dalesandro concluded that Lindsay did deserve a small rent increase of about \$5 per unit based on inflation adjustments.

Tenant advocates celebrated the decision as vindication for the city's rent control law, which has faced intense opposition since its passage in November 2016. Nan McGarry, a Community Legal Services attorney who litigated the case, said her group was currently working with tenants to fight against other rent increase petitions in the city.

The city currently has nine active petitions for rent increases, according to city staff.

"This sends a clear message to Mountain View tenants that if they fight to enforce their rights, then they'll win," she said. "Mountain View voters have been hearing a lot of misinformation about (rent control) not protecting vulnerable residents. This decision shows that is false."

Lindsay has repeatedly warned that an adverse decision could lead her to sell off her property.

"Unfortunately, the decision does not allow for a fair rate of return based on the expenses of an older building and the value of the asset," she said to the *Voice*. "We will evaluate our options and make a business decision to determine the future of the building."

Lindsay and her business partners have 10 days to file an appeal of the decision.