



(ON CSR OR CITY MANAGER LETTERHEAD)

**CITY MANAGER’S PROCEDURES AND REGULATIONS FOR  
PETITION FOR FAIR RETURN  
COVID-10 TEMPORARY RENT FREEZE ORDINANCE (ORDINANCE NO.  
1987)**

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**I. Purpose**

Pursuant to Ordinance No.1987, the “COVID-19 Temporary Rent Freeze Ordinance,” (hereinafter the “Ordinance”) which was adopted by the San Rafael City Council on January 19, 2021, these Procedures and Regulations are established by the City Manager so as to provide the process, procedures and regulations by which Landlords may petition for a fair return and obtain an upward adjustment of Rent for any given Rental Unit.

**II. Definitions**

Terms used herein shall be subject to the Definitions set forth in Section 4 of the Ordinance.

**III. Petition Filing**

**A.** A Landlord may file a Petition for Fair Return at any time during the effective period of the Ordinance and on the form attached hereto, and incorporated herein as Attachment A. Said Petition may be filed during regular business hours in the office of the City Clerk and copies shall be sent via email or U.S. mail to all affected tenants of Rental Units for which a Rent increase is sought (“affected tenants.”)

**B.** Within ten (10) days after the filing of a petition, the Landlord and/or their representatives shall file with the City Clerk all information and documentation reasonably available in support of or opposition to any proposed upward adjustment of Rent. Such information and documentation should establish and evidence the net operating income for any given Rental Unit for which an increase in Rent is sought.

**IV. Filing Fees**

The fee for filing a petition and participating in a hearing on said Petition shall be a Planning Research fee pursuant to section 3.34.040 of this Code and section 10.14.62 of the San Rafael Master Fee Schedule. This fee is calculated as follows: the first fifteen (15) minutes of service are no charge, thereafter, the fee is the actual time of staff billed to the nearest quarter hour at the fully burdened

hourly rate for staff positions (see Master Fee Schedule, § 10.14.62.) The fee will be based upon the time spent by the Hearing Officer in holding the appeal hearing and preparing a written decision following the hearing.

**V. Hearing**

**A. Hearing Scheduled.** The Hearing Officer appointed by the City Manager pursuant to Section 7(C) of the Ordinance shall be the Community Development Director or their designee. The Hearing Officer shall schedule a hearing date within twenty one (21) days after the date a completed Petition is filed in the office of the City Clerk. The Landlord and affected tenants may mutually agree to an alternative hearing date. A Petition will not be set for hearing before it is deemed complete. The Landlord petitioning for an upward adjustment of rent shall, and any interested tenants of affected Rental Units may, attend the Hearing.

**B. Hearing Procedure.** At the hearing on the Petition, the Hearing Officer shall consider the Petition, any information and documentation submitted, and testimony from the Landlord and/or affected tenants supporting or opposing an upward adjustment of rent. The Hearing Officer may, but is not required to, ask for opening and closing statements and/or rebuttals, but shall provide all interested persons the opportunity to present testimony and evidence.

**C. Burden of Proof.** The Landlord bears the burden of proof to provide the evidence to justify an upward adjustment in rent. The Landlord shall establish that they are unable to maintain a fair rate of return on any given Rental Unit due to a Landlord's inability to maintain net operating income of said Rental Unit(s). Net operating income shall be established and determined pursuant to the factors set forth in Section 7(E)(3) of the Ordinance. Proof of net operating income shall be evidenced by the Petition itself and, to the extent possible, through the submission of information and documentation as set forth in Section III(B), herein.

**D. Hearing Officer Decision.** The Hearing Officer shall render within ten (10) days of the hearing, a written decision together with the reasons for said decision determining the amount of allowable rent increase, if any, in accordance with the factors and standards of Section E of the Ordinance.

**E. Final Decision.** The decision of the Hearing Officer shall be final.

**APPROVED:**



JIM SCHUTZ, City Manager

Date: 05/20/2021

**ATTACHMENT A**

**Petition for Fair Return**

**I. Owner's Declaration Under Penalty of Perjury**

I / (We), \_\_\_\_\_ declare as follows:

I (we) am (are) the *CIRCLE ONE* [Owner(s) / (Authorized Representative(s) of the owner(s)] of the property involved in this petition, with authorization to submit this petition form and supporting documentation.

I declare under penalty of perjury that the information and documentation and statements in this petition are true and correct.

Executed this \_\_\_\_\_ Day of \_\_\_\_\_, 20\_\_\_\_\_

At \_\_\_\_\_.

(City and State)

Signed: \_\_\_\_\_

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Capacity

\_\_\_\_\_  
Mailing Address

\_\_\_\_\_  
City, State, Zip

\_\_\_\_\_  
Telephone

\_\_\_\_\_  
E-Mail Address

## II. General Information About the Property

1. Street Address:
2. Parcel Number(s):
3. Year Property Purchased by Current Owner:
4. Total Number of Units on the Property:
5. Total Number of Units Affected by the Proposed Rent Increase:
6. Are there Rental Units that are Partially or Fully Exempt?

Number of Exempt Rental  
Units and Basis for Exemption:

### A. Landlord Information

1. Name:
2. Phone(s): (        )
3. Business Address:
4. City, State, Zip:
5. Business E-mail:

### B. Agent Information (if applicable)

1. Name:
2. Phone(s): (        )
3. Business Address:
4. City, State, Zip:
5. Business E-mail:

Please Check the Applicable Boxes  
 Identify the manner in which each service is paid

Type of Service	Paid by Landlord, but not passed through to Tenants	Tenants pay service directly	Landlord pays service and passes cost
Gas			
Electricity			
Water			
Sewer			
Garbage			
Other:			

### III. Calculation of Net Operating Income

Net operating income equals gross income minus operating expenses.

1. Gross income equals the following:
  - a) Gross rents; plus
  - b) Interest from security or other deposits, except to the extent that said interest is payable to the Tenant; plus
  - c) Income from services or parking; plus
  - d) All other income or consideration received or receivable in connection with the use or occupancy of Rental Units;
  - e) For purposes of calculating gross income, the Hearing Officer may take into account factors necessary to assure that the Landlord receives a fair and reasonable return on their investment.
  
2. Operating expenses includes the following expenses:
  - a) Real property taxes;
  - b) Unsecured property taxes;
  - c) Utility costs that are not reimbursed by tenants; plus
  - d) Management expenses, including but are not limited to, necessary and reasonable advertising, accounting, insurance, and allowable necessary and routine legal expenses;
  - e) Repair and maintenance expenses;
  - f) Owner performed labor, which shall be counted at reasonable rates;
  - g) License and registration fees required by law that are not reimbursed by the Tenant;
  - h) Capital improvements, provided they are not compensated by insurance proceeds, subject to the following conditions: 1) that said expenses be amortized, and 2) capital improvements constructed in the interior areas of the Rental Unit can be included only to the extent required by state or local laws.
  
3. The following are excluded from operating expenses:
  - a) Avoidable and unnecessary increases in expenses;
  - b) Penalties, fees, or interest assessed or awarded for violation of this or any other law with respect to the Rental Unit;
  - c) Depreciation of the property;
  - d) Any expense for which the Landlord has been reimbursed by any security deposit, insurance settlement, judgment for damages, settlement, or any other method;
  - e) Mortgage interest or principal, or similar financial instruments used to purchase or finance rental property, unless incurred for purposes of financing capital improvements; and
  - f) Income taxes.

### IV. Gross Income Worksheet

<b>Rental Income</b>	<b>Annual Total</b>
1. Gross rents	\$
2. Interest from security or other deposits, except to the extent that said interest is payable to the Tenant	\$
3. Income from services or parking	\$
4. All other income or consideration received or receivable in connection with the use or occupancy of Rental Units	\$
<b>Fees for Utilities</b>	
5. Gas	\$
6. Electricity	\$
7. Water	\$
8. Sewer	\$
9. Garbage and Recycling	\$
10. Other (list separately by type):	\$ \$
<b>Other Income</b> (list separately by type):	
11.	
<b>TOTAL INCOME</b> (add lines 1-11)	\$

## V. Operating Expenses Worksheet

Operating Expenses	Annual Total
1. Real property taxes	\$
2. Unsecured property taxes	\$
3. Utility costs that are not reimbursed by tenants	\$
4. Management expenses, including but are not limited to, necessary and reasonable advertising, accounting, insurance, and allowable necessary and routine legal expenses	\$
5. Repair and maintenance expenses	\$
6. Owner performed labor, which shall be counted at reasonable rates	\$
7. License and registration fees required by law that are not reimbursed by the Tenant	\$
8. Capital improvements, provided they are not compensated by insurance proceeds, subject to the following conditions: 1) that said expenses be amortized, and 2) capital improvements constructed in the interior areas of the Rental Unit can be included only to the extent required by state or local laws (see additional calculation criteria for capital improvements in Section VI, below).	\$
<b>Other Expenses</b> (list separately by type):	
9.	
<b>TOTAL EXPENSES</b> (add lines 1-9)	\$



## VI. Capital Improvements.

Operating expenses include the amortized costs of capital improvements plus an interest allowance to cover the amortization of those costs. A capital improvement shall be any improvement to a unit or property which materially adds to the value of the property, appreciably prolongs its useful life or adapts it to a new use and has a useful life of more than one year and a direct cost of \$250.00 or more per unit. Allowances for capital improvements shall be subject to the following conditions: (1) The amortization period shall be in conformance with the schedule set forth below; (2) Capital improvement costs do not include costs incurred to bring the Rental Unit into compliance with a provision of the San Rafael Municipal Code or state law where the original installation of the improvement was not in compliance with code requirements.

### **Example: Capital Improvement with Amortized Expenses and an Interest Allowance:**

Owner filed a Petition on March 1, 2020 for an Individual Rent Adjustment for completion of a roof covering a four-unit building. The cost of the Capital Improvement was \$20,000 benefiting all four rental units in the building. The amortization period for a roof is ten (10) years according to the table on page 10 of this Attachment. The applicable interest allowance based on the Primary Mortgage Survey for March 1, 2020 is 3.45% + 2% or an interest allowance of 5.65%. The calculation of the capital improvement per month is:

Capital Improvement Cost	Interest Allowance	Period	Total Principal & Interest – Life of Improvement	Total Interest – Life of Improvement
\$20,000	5.65%	10 yrs. 120	\$26,225.05*	\$6,225.05

Annual Amortized Cost	Monthly Amortized Cost	# of Units	Monthly Cost per Unit
\$2,622.50	\$218.54	4	\$54.64

**A. Amortization Period of Capital Improvements/Expenses.** In amortizing capital improvements/ expenses, the following schedule shall be used to determine the amortization period of the capital improvements and expenses. “Improvements” add to the health & safety of the rental unit.

	Years
<b>Appliances</b>	
Air Conditioners*	10
Refrigerator*	5

<b>Flooring/Floor Covering</b>	
Hardwood	10
Tile and Linoleum	5
Carpet	5
Carpet Pad	5

Stove*	5
Garbage Disposal	5
Water Heater*	5
Dishwasher	5
Microwave Oven	5
Washer/Dryer	5
Fans*	5
Cabinets*	10
Carpentry	10
Counters*	10
Doors*	10
Knobs	5
Screen Doors	5
Fencing and Security*	5
Management	5
Tenant Assistance	5
<b>Structural Repair and</b>	
Foundation Repair*	10
Foundation Replacement*	20
Foundation Bolting*	20
Iron or Steel Work	20
Masonry-Chimney Repair*	20
Shear Wall Installation*	10
Electrical Wiring*	10
Elevator*	20
<b>Fencing</b>	
Chain	10
Block	10
Wood	10
<b>Fire Systems</b>	
Fire Alarm System*	10
Fire Sprinkler System*	20
Fire Escape*	10

Subfloor	10
Fumigation Tenting*	5
Furniture	5
Automatic Garage Door Openers*	10
<b>Gates</b>	
Chain Link	10
Wrought Iron	10
Wood	10
<b>Glass</b>	
Windows*	5
Doors*	5
Mirrors	5
<b>Heating*</b>	
Central	10
Gas	10
Electric	10
Solar	10
Insulation	10
<b>Landscaping</b>	
Planting	10
Sprinklers	10
Tree Replacement	10
<b>Lighting</b>	
Interior*	10
Exterior*	5
Locks*	10
Mailboxes*	10
Meters*	10
<b>Plumbing</b>	
Fixtures*	10
Pipe Replacement*	10
Re-Pipe Entire Building*	20
Shower Doors*	5

## VII. Allowable Rent Increase Worksheet

Net operating income equals gross income minus operating expenses.

1. Total Annual Gross Income (Total Income from Gross Income Worksheet)	\$
2. Total Operating Expenses (Total Operating Expenses from Operating Expenses Worksheet)	\$
3. Net Operating Income (Subtract line 2 from line 1)	\$
4. <b>Allowable Rent Increase per Unit per Month</b> (Line 3 divided by number of units x 12 months)	\$