

APARTMENT COST WORKSHEET

The Rental Dispute Mediation and Arbitration Ordinance provides for rent increases to be justified by one or more of three methods:

- 1) An increase in operating and maintenance, capital improvement and rehabilitation costs, plus 5% of the tenant's current rent (pp. 2 - 5).
- 2) A portion of an increase in debt service (mortgage) costs (pp. 6- 9).
- 3) Any other economic or value information which the parties believe relevant (p. 10).

You can submit a claim that your rent increase is justified under any one or any combination of these three methods. These worksheets provide formats for claiming and calculating rent increases.

When you use the first two methods you are claiming that your business had increases in certain expenses. You will need to document these claims at the hearing.

For operating and maintenance, capital improvement and rehabilitation claims you will need to submit two years worth of bills and receipts. Hearing officers will not accept estimates and usually accept summaries (such as financial reports or tax forms) only after those summaries have been proven to be accurate.

For debt service claims you will need to document the cost of the previous loans, the principal amount and cost of the current loans and will need to submit a lenders appraisal dated as of the most recent loan. The hearing officer can accept the purchase price as the appraised value only if you, the hearing officer and two thirds of the tenants agree. If your lender does not release their appraisal you may need to secure an appraisal. In that case, obtain a copy of the appraisal requirements from Rental Rights & Referrals for use by the appraiser. All loans need to be secured by the rental property and you should have proof of this, such as copies of the current loan documents, available as well.

All evidence submitted for review by the hearing officer becomes part of the public record and is retained by Rental Rights & Referrals for several years. The tenants in the case have a right to review, copy and comment upon the evidence in the hearing. The public also has a right under the California Public Records Act to review or copy any public record. It is recommended that you submit three (3) photocopies of your evidence but have the originals available in case there is a question as to the accuracy or legibility of the copy.

The decisions of the hearing officer are based upon the Program Regulations and the Rental Dispute Ordinance. You can obtain a copy of these documents from the Rental Rights & Referrals.

Finally, the program staff can help explain the rules but cannot assist you in preparing your claim. If you need such assistance you may wish to consult with a financial, property management or legal professional.

PART ONE OPERATION AND MAINTENANCE

In order to use this method you **must document two years** operation and maintenance costs plus any capital improvement and rehabilitation costs.

- To start, fill out the address of the property and the effective date of the rent increase at the top of the page.
- Next, enter the costs for the two years in Section A.

Operating and maintenance costs are expenses (including increases in variable rate mortgage costs) incurred in operating and maintaining the rental complex. Calculate the increase or decrease for each category and enter the result in the right hand column. Total the increase (or decrease) and divide by 12 to calculate the monthly increase. The category headings are examples and you can use different ones or substitute your own financial report if you wish.

- If you are claiming capital improvement costs you need to fill out Section B. Capital improvement costs improve the value of the property, convert it to a new use or extend its useful life. Fill out this section by entering the name or description of the improvement, the date of the improvement and it's cost. Total the cost for all capital improvements at the bottom of the section then divide by 60 to calculate the monthly increase.

**COST WORKSHEET
PART ONE
OPERATION AND MAINTENANCE**

EFF. DATE: _____

PROPERTY ADDRESS: _____

	A. OPERATION/ MAINTENANCE	FIRST YEAR	SECOND YEAR	INCREASE/DECREASE
1	Advertising			
2	Rental & travel			
3	Cleaning			
4	Commissions			
5	Gardening			
6	Insurance			
7	Maintenance			
8	Legal & account.			
9	Utilities			
10	Refuse & garbage			
11	Security			
12	Taxes, permits			
13	Prop management			
14				
15				
16				
17				
18				
	SUBTOTAL			

÷12

MONTHLY
INCREASE:

B. CAPITAL IMPROVEMENTS

	ITEM	DATE	COST
1			
2			
3			
4			
5			

SUBTOTAL:

÷60

MONTHLY
INCREASE:

- If you are claiming rehabilitation costs you need to fill out Section C. **These are costs for repairs ordered by Code Enforcement, the Building Division or the Fire Department, or for repairs damage resulting from fire, earthquake or other natural disaster.** Fill out this section by entering the name or description of the improvement, the date of the improvement and it's cost. Total the cost for all capital improvements at the bottom of the section then divide by 36 to calculate the monthly increase.
- Next, complete Section D by entering the monthly increases from Sections A, B and C. Add these together to calculate the monthly increase.
- You can allocate the increased costs by either an equal amount per unit or per square foot.

If you choose an equal amount per unit you should complete Section E1. Enter the monthly increase from Section D and number of units for the complex. Divide as shown on the form and enter the resulting pass through per unit.

Next, list each of the units included in this hearing and the pass through amount. Calculate 5% of each unit's current rent and enter that figure. Add the pass through amount and 5% of each unit's rent to calculate the cost justified rent increase.

- OR -

If you choose the square foot method you should complete Section E2. Enter the monthly increase from Section D and the total square footage for the complex. Complete the calculation as shown on the form and enter the result as the pass through per square foot.

Next, list the unit numbers involved in the hearing and the square feet for those units. Enter the pass through amount and multiply by the square feet for each unit to calculate the pass through for each unit. Calculate what 5% of each unit's current rent is and enter that figure. Add the pass through amount and 5% of each unit's rent to calculate the cost justified rent increase.

Sign and date the form. Please enter a daytime telephone number in case the staff needs to contact you.

DEBT SERVICE

You can claim an increase in debt service costs to justify rent increases effective within twelve (12) months of the debt service increase. The loans must be secured by the rental property.

You will need the following documents:

1. A copy of the lenders appraisal. If you cannot obtain a copy you may need to hire an appraiser to complete a new appraisal. Contact the Rental Rights & Referrals Program for further information if you are going secure a new appraisal.
 2. Documentation of the previous loan cost.
 3. A copy of your mortgage documentation showing the cost and amount of the loan(s).
 4. A copy of your preliminary title report.
 5. If you are claiming points or loan brokers fees, documentation of these costs.
- In Section A enter the monthly cost of the previous debt service. If payments on these loans were not on a monthly basis determine the monthly cost by calculating the total payments required under the loan and dividing by the term of the loan.
 - In Section B enter the principal amount (amount borrowed), date of the loan, term and cost for each of the current loans. If any of the previous loans are still in effect include them again in this section.

Points, loan brokers fees and balloon interest payments can also be included in Section B. Calculate the monthly cost by dividing the total cost for these items by the term of the loan:

	Total cost	Term	Monthly
Points	÷	=	
Loan Broker's Fee	÷	=	
Balloon Interest	÷	=	
Total Monthly Cost			

- Enter the total principal (from Section B) and the lenders appraised value in Section C. Divide the total principal by the lenders appraised value and enter the result (the “loan to value ratio, or “LV”).
- Section D applies only if the LV is .7 (70%) or less. (If you’re LV is more than .7 go to Section E). If your LV is .7 or less, enter the total monthly costs from Section B and Section A. Subtract A from B and enter the result as the increase in cost. Multiply that figure by .8 to determine the pass through. Go to Section F to allocate the pass through to your rental units.

**COST WORKSHEET
PART TWO
DEBT SERVICE**

A. PREVIOUS DEBT SERVICE

	Monthly cost
1	
2	
3	
Total monthly cost	

B. CURRENT DEBT SERVICE

Principal amount	Date	Term	Monthly cost
1			
2			
3			

Total principal

Total monthly cost

C. LOAN TO VALUE RATIO

$$\frac{\div}{\text{Total principal}} = \frac{\text{Lenders value}}{\text{appraised LV}}$$

D. IF LOAN TO VALUE RATIO (LV) IS 70% OR LESS

$$\frac{-}{\text{Total monthly cost (current)}} = \frac{\text{Total monthly cost (previous)}}{\text{Increase in cost}} \quad \mathbf{X .8} = \frac{\text{Pass through}}$$

- Section E applies if your LV is over 70% (.7). Enter the total monthly cost for the current loans and divide by the LV. Next, multiply the result by .7 to determine the prorated cost. On the next line the total monthly cost for the previous loans is subtracted by the prorated cost to determine the allowable increase in debt service cost. Multiply by the factor obtained from the table to determine the pass through:

LV	FACTOR	LV	FACTOR	LV	FACTOR
71%	79.5%	81%	71.5%	91%	61.5%
72%	79.0%	82%	70.5%	92%	60.5%
73%	78.5%	83%	69.5%	93%	59.5%
74%	78.0%	84%	68.5%	94%	58.5%
75%	77.5%	85%	67.5%	95%	57.5%
76%	76.5%	86%	66.5%	96%	56.0%
77%	75.5%	87%	65.5%	97%	54.5%
78%	74.5%	88%	64.5%	98%	53.0%
79%	73.5%	89%	63.5%	99%	51.5%
80%	72.5%	90%	62.5%	100%	0.0%

- You can allocate the increased costs in Section F by either an equal amount per unit or per square foot.

If you choose an equal amount per unit you should complete Section F1. Enter the pass through from Section D or E and number of units for the complex. Divide as the monthly increase by the number of units and enter the resulting cost justified rent increase.

- OR -

If you choose the square foot method you should complete Section F2. Enter the pass through from Section D or E and the total square footage for the complex. Complete the calculation as shown on the form and enter the result as the pass through per square foot.

Next, enter the unit numbers involved in the hearing and the square feet for those units. Enter the pass through per square foot amount and multiply by the square feet for each unit to calculate the cost justified rent increase.

Sign and date the form. Please enter a daytime telephone number in case the staff needs to contact you.

E. IF LOAN VALUE IS OVER 70%

$$\frac{\text{Total monthly cost (current)}}{\text{LV}} = \text{X} .7 \text{ Prorated cost}$$

$$\frac{\text{Prorated cost}}{\text{Total monthly cost (previous)}} = \text{X} = \frac{\text{Increase in debt service cost}}{\text{Factor (See table)}} = \text{D.S. cost}$$

F. ALLOCATION TO UNITS

1. By Unit

$$\frac{\text{Monthly increase}}{\text{Number of units}} = \frac{\text{Cost justified rent increase}}{\text{Number of units}}$$

2. By Cost Per Square Foot

$$\frac{\text{Monthly Increase}}{\text{total sq footage}} = \frac{\text{Pass through per square foot}}{\text{total sq footage}}$$

Unit #	Square feet for unit	Pass through per sq	Cost justified Rent Increase
		X =	
		X =	
		X =	

Signature

Date

Telephone

PART THREE OTHER FACTORS

You can also claim that the rent increase is justified by other factors you consider relevant. These factors can be claimed either by themselves or in combination with an operation and maintenance and/or debt service increase claim. Your claim of other relevant factors would only apply to the portion of the rent increase, which is not justified by increases in operation and maintenance and/or debt service. For example, if you proposed a \$70 rent increase and showed that operation and maintenance cost increases justified a \$50 rent increase, your claim of other relevant factors would apply to the remaining \$20.

The Rental Dispute Ordinance lists a variety of examples. Included in these are the physical condition of the unit, the quantity and quality of maintenance in the past year, any increases or decreases in services, and the frequency and amount of past rent increases.

The Ordinance also considers the “existing market value of rents for units similarly situated” to be one of these factors. Rent surveys should compare similar units. A rent survey, which compares rents for new tenants to the rent for an existing tenant, can be challenged as not being similar. It has also been held to be improper to base a rent control decision solely on the rents of units, which are not subject to rent control.

When you make a claim under this section the tenant(s) can also make claims. For example, the property owner might provide information on past rent increases while the tenant provides information on the quality and quantity of maintenance.

When a claim is made under this section the tenant may also make a claim that the rent increase would pose a financial and economic hardship. (This type of claim can not be considered under claims of increased operation and maintenance and/or debt service costs).