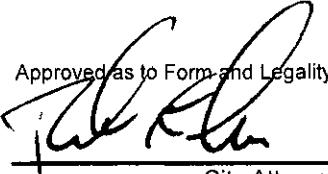


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OAKLAND CITY COUNCIL

Approved as to Form and Legality

City Attorney

ORDINANCE NO. 13221 C.M.S.

**AN ORDINANCE AMENDING THE RENT ADJUSTMENT ORDINANCE
(O.M.C. SECTIONS 8.22.020 AND 8.22.070) TO ELIMINATE DEBT
SERVICE AS A JUSTIFICATION FOR A RENT INCREASE**

WHEREAS, the current Rent Adjustment Ordinance and Regulations allow the new of rental property to pass through to tenants up to 95% of new debt service after a new purchase that causes negative cash flow; and

WHEREAS, over the past several years the Rent Adjustment Program has seen rental property owners seek and receive substantial rent increases based on debt service, many of which had the effect of causing tenants to vacate their homes; and

WHEREAS, in 2009, the Housing Residential Rent and Relocation Board (“Rent Board”) passed a resolution recommending to the City council that debt service should be eliminated as a justification for increasing rents, City Staff concurs in that recommendation, and the City Council accepts that recommendation; and

WHEREAS, based on the information submitted by the Rent board and staff, the City Council finds that many of the debt service rent increases appear to be based on speculative values for the rental property and interest rates and other loan terms that did not appear standard in the industry; and

WHEREAS, the City council finds that eliminating debt service as a justification for increasing rents will offer tenants relief from exorbitant rent increases and the potential of displacement; and

WHEREAS, the City Council finds that rent increases for debt service are not required for a rental property owner to receive a fair return on the investment in the property; and

WHEREAS, the City Council finds that the elimination of debt service as a justification for a rent increase will cause the Oakland Rent Stabilization Ordinance to be aligned with the practices of many ten major rent stabilization ordinances in California; and

WHEREAS the City Council finds that the elimination of debt service as a rent increase justification will further the Rent Adjustment Ordinance’s purpose of preventing excessive rent increases; and

WHEREAS: This action is exempt from the California Environmental Quality Act (“CEQA”) under the following, each as a separate and independent basis, including but not limited to, the following: CEQA Guidelines §15378 (regulatory actions), § 15061(b)(3) (no significant environmental impact), and §15183 (actions consistent with the general plan and zoning).

Now, therefore, the Council of the City of Oakland does ordain as follows:

Section 1: The City Council hereby adopts the amendments to Oakland Municipal Code Sections 8.22.020 (“Definitions”) and 8.22.070 (“Rent Adjustments for Occupied Covered Units”) attached as Exhibit 1 hereto that will eliminate debt service for newly acquired units as a justification for increasing rents;

Section 2: This Ordinance takes effect seven (7) days after final adoption, unless it has been passed with at least six (6) votes, in which case it takes effect immediately upon adoption.

Section 3: This Ordinance will not apply to any property on which the rental property owner can demonstrate that the owner made a bona-fide, arms-length offer to purchase on or before the effective date of this section;

Section 4: This action is exempt under the California Environmental Quality Act (“CEQA”) pursuant to, but not limited to the following CEQA Guidelines: §15378 (regulatory actions), § 15061(b)(3) (no significant environmental impact), and §15183 (actions consistent with the general plan);

Section 5: Severability. If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of the Chapter. The City Council hereby declares that it would have passed this Ordinance and each section, subsection, clause or phrase thereof irrespective of the fact that one or more other sections, subsections, clauses or phrases may be declared invalid or unconstitutional.

IN COUNCIL, OAKLAND, CALIFORNIA, APR 01 2014, 2014

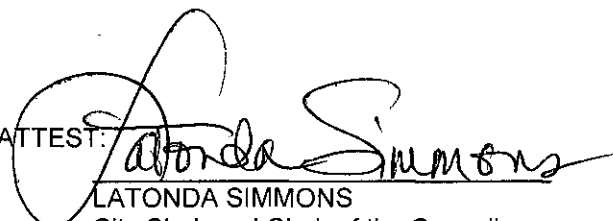
PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, GALLO, GIBSON- McELHANEY, KALB, KAPLAN, REID, SCHAAF, AND PRESIDENT KERNIGHAN — 8

NOES — 0

ABSENT — 0

ABSTENTION — 0

ATTEST: 
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California

Introduction Date **MAR 18 2014**

Exhibit 1

Proposed Amendments to Oakland Municipal Code Sections 8.22.020 ("Definitions") and 8.22.070 ("Rent Adjustments for Occupied Covered Units")

Oakland Municipal Code

8.22.020 Definitions

~~"Debt service" means the monthly principal and interest payments on one or more promissory notes secured by deed(s) of trust on the property on which the covered units are located.~~

8.22.070 Rent Adjustments for Occupied Covered Units.

C. Rent Increases In Excess of the CPI Rent Adjustment

2. If a Tenant files a petition and if the Owner wishes to contest the petition, the Owner must respond by either claiming an exemption and/or justifying the Rent increase in excess of the CPI Rent Adjustment on one or more of the following grounds:

a. Banking;

b. Capital improvement costs, including financing of capital improvement costs;

c. Uninsured repair costs;

d. Increased housing service costs;

~~e. Debt service costs;~~

f. The Rent increase is necessary to meet constitutional or fair return requirements.

Notice and Digest

An Ordinance Amending The Rent Adjustment Ordinance (O.M.C. Sections 8.22.020 And 8.22.070) To Eliminate Debt Service As A Justification For A Rent Increase

This Ordinance would amend the Rent Adjustment Ordinance O.M.C. Chapter 8.22 to eliminate a landlord's ability to increase rent based on new financing after a building has been purchased. Debt service is one of several factors on which a landlord can increase rents on rental units covered by Oakland's Rent Adjustment Ordinance. This Ordinance would not affect the landlord's ability to increase rents on other grounds.