

**RESOLUTION NO. RAC-2**

**A RESOLUTION OF THE THOUSAND OAKS RENT  
ADJUSTMENT COMMISSION ESTABLISHING  
GUIDELINES IN ORDER TO DETERMINE A "JUST  
AND REASONABLE RETURN"**

WHEREAS, the City Council of the City of Thousand Oaks has adopted Ordinance No. 755-NS regulating rents for residential housing in the City of Thousand Oaks; and

WHEREAS, that Ordinance established a RENT ADJUSTMENT COMMISSION to administer specified portion of said Ordinance; and

WHEREAS, the Commission is empowered by Section VI B to establish such Guidelines as the Commission may desire in order to grant increases in rent in order to insure that landlords achieve a Just and Reasonable Return on rental of their rental units.

NOW, THEREFORE, THE RENT ADJUSTMENT COMMISSION OF THE CITY OF THOUSAND OAKS DOES RESOLVE AS FOLLOWS:

1. The following Guidelines are established in order to enable the Commission to review requests by landlords for rent adjustments in order to achieve a Just and Reasonable Return on their rental units:

**THE JUST AND REASONABLE RETURN GUIDELINES  
RENT ADJUSTMENT COMMISSION  
CITY OF THOUSAND OAKS**

**Sec. 1. GUIDELINES TO BE USED BY RENT ADJUSTMENT COMMISSION  
FOR DETERMINING A JUST AND REASONABLE RETURN  
(ORDINANCE NO. 755-NS, SECTION VI)**

**Sec. 1.01. The Rent Stabilization Ordinance, as amended, and Regulations and Guidelines promulgated by the Rent Adjustment Commission contain a number of provisions which normally assure a Just and Reasonable Return on rental units subject to the Ordinance. These provisions include:**

- a. Automatic rent increases.
- b. Exemption of luxury apartment units and smaller units.

- c. Pass through of capital improvement costs.
- d. Pass through of rehabilitation work costs.

**Sec. 1.02.** The Rent Stabilization Ordinance authorizes the Rent Adjustment Commission to grant rent increases when the maximum rent or the maximum adjusted rent does not constitute a Just and Reasonable Return in accordance with such Guidelines as the Rent Adjustment Commission may establish.

**Sec. 1.03.** The Commission presumes that the net operating income received up to April, 1980 provided landlords with a Just and Reasonable Return on their rental units, unless there is clear and convincing evidence to the contrary. In most cases, the automatic increases allowed by the Ordinance and the property tax savings resulting from Proposition 13 provide sufficient additional operating income to landlords to maintain the same net operating income they experienced in 1979. However, in some cases landlords may have incurred reasonable operating expenses which exceed the rent increases allowed by the Ordinance and the tax savings resulting from Proposition 13. Therefore, landlords who have had such reasonable increased operating expenses should be able to maintain the same level of net operating income as they experienced in 1979 by requesting a rent adjustment pursuant to these Guidelines.

**Sec. 1.04.** The methods authorized herein are not exclusive. Alternate approaches may be employed by the Commission. Applicants or tenants may propose the use of such approaches, but must fully explain, in writing, the methodology and the reasons supporting use of the methodology, and must provide information and documentation adequate to use the suggested approach. The methodology and documentation shall be provided with the application, or sufficiently before the date

set for hearing, so that the matter may be reviewed by the Commission staff. Failure to so provide that information shall be grounds for rejection of its use, or continuation of the hearing, at the Commission's discretion. The use of such approach as suggested by applicants or tenants shall be at the discretion of the Commission.

**Sec. 2. DETERMINATION OF THE NET OPERATING INCOME**

**Net Operating Income** is determined by subtracting the annual **Operating Expenses** from the **Gross Total Income**.

**Sec. 2.01. Gross Total Income** is determined by adding the following:

- a. Rental Unit Income
- b. Garage and Parking Income
- c. Stores and Offices Incomes
- d. Adjusted Income for Below Market Rentals
- e. Miscellaneous Income

**Sec. 2.02. Actual Rental Unit Income** is the total annual income received from all the dwelling units in the rental complex.

**Sec. 2.03. Garage and Parking Income** is additional income received for parking services in the garage or parking spaces on the grounds of the rental complex

**Sec. 2.04. Stores and Offices Income** is the total annual income received from any stores or offices located within the rental complex.

**Sec. 2.05. Adjusted Income for Below Market Rentals** is an amount representing the difference between the actual rent collected and what the landlord could have collected if the units had been rented at their full market value. Examples of below market rents may be units occupied by the landlord or the landlord's family, the unit of a resident manager, or any unit where the rent increases permitted by the Rent Stabilization Ordinance or the Regulations and Guidelines of the Rent Adjustment Commission could have been made, but have not been made because of the landlord's rental policies and purposes.

**Sec. 2.06. Miscellaneous Income** is determined by adding all actual revenues received from such sources as maid service, gas and electricity sold to tenants, commissions from telephones, laundry and vending machines, signs on the building or property of the rental complex, air conditioning charges, special charges for the use of amenities, income from oil, gas, or other minerals on the rental complex property, location use payments by motion picture or television production companies, special rentals for occasional use of recreation rooms or other common areas, any interest derived from tenant money held as security deposits, and any other income derived from the operations of the rental complex.

**Sec. 2.07. Vacancies** in both the base year, as that term is defined in Sec. 3 below, and the year for which the application is made are not calculated. However, in cases where the Commission finds unusual vacancy patterns, the Commission will have the discretion to adjust the Gross Total Income as for example where vacancies have been the result of a landlord withholding rental units from the market.

**Sec. 2.08. Operating Expenses** are determined by adding the following:

- a. Management and Administrative Expenses
- b. Adjustment for landlord performed services
- c. Operating Expenses for:
  1. Supplies
  2. Heating Expenses
  3. Electricity
  4. Water and Sewer
  5. Gas
  6. Building Services
  7. Other Operating Expenses

- d. **Maintenance Expenses including:**
  - 1. **Security**
  - 2. **Grounds Maintenance**
  - 3. **Maintenance and Repairs**
  - 4. **Painting and Decorating**
- e. **Taxes and Insurance Expenses including:**
  - 1. **Real Estate Taxes**
  - 2. **Other Taxes, Fees and Permits**
  - 3. **Insurance**
- f. **Service Expenses**
- g. **Other Payroll Expenses**

**Sec. 2.09.** In determining operating expenses, all debt service expense, depreciation, and expenses for which a landlord has been reimbursed must be excluded.

**Sec. 2.10.** Management and Administrative Expenses include wages of administrative personnel, including agency fees for administrative services and the use value of any rental unit offered in compensation for such services calculated according to Sec. 2.05 above, advertising of rental units but excluding any advertising for the sale of condominiums or for the sale of the rental property as a whole, legal and auditing fees for the operation of the rental complex but excluding such services for the purchase or sale of the rental complex, fees and dues in professional property management organizations except that if the landlord owns more than one rental complex, such expenses must be apportioned among the rental complexes owned, telephone and building office expenses used for rental operations and office supplies.

**Sec. 2.11. An Adjustment for Management and Administrative Expenses**

shall be allowed where the landlord performs management or administrative functions or self-labor in operating and/or maintaining the property. In addition to the actual Management and Administrative Expenses listed in Sec. 2.10 above, where the landlord performs such services, the landlord may calculate an expense figure representing the value of such unpaid management and administrative services. However, the total cost of Management and Administrative Expenses including the foregoing adjusted expense cannot exceed 8% of the Actual Rental Income as described in Sec. 2.02 above, and where the landlord has performed substantially similar services in both the base year and the current year, the foregoing adjusted expenses must be calculated for both the base year and the current year at the same percentage of actual rental income. When the landlord performs different services in the base year and the current year, an adjustment will be allowed for such differences to the extent the landlord shall document the amount of such differences.

**Sec. 2.12. Operating Expenses include:**

- a. **Supplies**, including janitorial services, light bulbs, uniforms for employees, etc.
- b. **Heating Expenses** include coal or oil used for heating the building.
- c. **Electricity Expense** include all landlord-paid electricity for both rental units and common areas.
- d. **Water and Sewer Expenses** include all landlord paid expenses for the rental complex.
- e. **Gas** includes all gas charges paid by the landlord for both rental units and common areas.

- f. Building Services include expenses for window washing, lobby directory, exterminating, rubbish removal, TV antenna service.
- g. Other Operating Expenses include any other expenses which do not fit some other category. Expenses listed under this category must be explained.

Sec. 2.13. Maintenance Expenses include:

- a. Security Expense such as wages of any security personnel, contracted security expenses, door guards, and the operating cost of security equipment.
- b. Grounds Maintenance Expenses include wages of groundskeepers, gardeners, external building lighting, sidewalk and parking lot maintenance costs.
- c. Maintenance and Repairs include all general maintenance and repair both inside and outside the building, painting of the exterior, elevator maintenance, plumbing and electrical services, fire protection and smoke detector servicing, plastering and masonry repair, carpentry, heating repair, roofing and buck pointing. However, Capital Improvements are not eligible expenses. Landlords who did work which constitutes Capital Improvements must capitalize such expenses on the basis of a five-year (60 month) amortization and charge only one-fifth of the total expenses in the year such an expense occurred and for the next successive four years until fully amortized.
- d. Painting and Decorating include all costs including wages materials, and contracted labor painting and decorating the

interior of the building, including the cost of paint, wall-paper, brushes, wall washing, and minor replacement costs related to floor coverings, draperies and light fixtures. Capital Improvement replacements of floor covering or draperies must be amortized as in subsection c above.

**Sec. 2.14. Taxes and Insurance include:**

- a. **Real Estate Taxes** including all local or state taxes as well as noncapitalized assessments.
- b. **Other Taxes, Fees and Permits** such as personal property taxes applicable to the building, franchise and business taxes, sign permit fees, etc.
- c. **Insurance** including all one-year charges for fire, liability, theft, boiler explosion, rent fidelity bonds, and all insurance premiums except those paid to FHA for mortgage insurance or employee benefit plans. Whenever a premium is multi-year, it must be pro-rated to all applicable years.

**Sec. 2.15. Service Expenses** include the amount of the cost of maintaining recreational amenities such as saunas, gymnasiums, billiard rooms, pools, jacuzzis and tennis courts. Such costs include payroll, contractual services, materials and supplies and minor noncapitalized equipment replacement. Improvements qualifying as Capital Improvements must be amortized as described in Sec. 2.13(c) above.

**Sec. 2.16. Other Payroll Expenses** include any payroll expenses not included in any of the categories previously listed, such as janitors, maids, elevator operators, telephone switchboard operators, and rental agents.

**Sec. 2.17.** Operating expenses must be reasonable. Whenever a particular expense exceeds normal industry standards in the base year or in the current year for which the application for a rent increase is made, the Rent Adjustment Commission shall determine whether the expense is

reasonable. In cases where the Rent Adjustment Commission determines that a particular expense is unreasonable, the Rent Adjustment Commission shall adjust the expense to reflect the normal industry range for that year. The Rent Adjustment Commission shall indicate the reason for such an adjustment in the determination.

**Sec. 3. DETERMINATION OF ELIGIBILITY FOR RENT INCREASES PURSUANT TO THE 1979 BASE YEAR FORMULA**

**Sec. 3.01. The base year shall be 1979 when the financial information for that year is available.**

**Sec. 3.02. Determine the 1979 Net Operating Income.**

**Sec. 3.03. Determine the current year Net Operating Income in accordance with the provisions of Sec. 2-2.17 (i.e. the latest calendar year or the latest fiscal year used by the landlord for accounting purposes).**

**Sec. 3.04. Add to the Net Operating Income for 1979, all automatic adjustments of 8%, as permitted by Section VI of the Rent Stabilization Ordinance which the landlord could have implemented, which shall be known as the Price Level Adjustment.**

**Sec. 3.05. The Net Operating Income for the current year is compared to the 1979 Net Operating Income plus the Price Level Adjustment:**

- a. If the current year Net Operating Income is larger than the 1979 Net Operating Income plus the Price Level Adjustment, the landlord is ineligible for a Just and Reasonable rent increase based on this formula.
- b. If the current year Net Operating Income is less than the 1979 Net Operating Income plus the Price Level Adjustment, the landlord is eligible for a rent increase that will allow the current year Net Operating Income to equal the 1979 Net Operating Income plus the Price Level Adjustment.

**Sec. 3.06. Landlords who did not own the rental property in 1979 shall use the 1979 Net Operating Income of the landlord of record in 1979 if the financial information is available.**

**Sec. 4. DETERMINATION OF ELIGIBILITY FOR RENT INCREASES  
WHEN 1979 NET OPERATING INCOME AND EXPENSE  
INFORMATION IS NOT AVAILABLE**

In the event that the 1979 financial information is not available, and where the loss of such records can be substantiated by clear and convincing evidence, the landlord of record in 1979 may substitute as a base year the first year following 1979 for which records are available.

**Sec. 4.01.** In the case of a new landlord who did not own the rental property in 1979 and where 1979 records are not available from the previous landlord, the present landlord may, when the unavailability of the 1979 records can be substantiated by clear and convincing evidence, substitute as a base year the first year following 1979 for which the previous landlord's records are available..

**Sec. 4.02.** In the event that no financial records are available from a previous landlord, the current landlord is eligible for a Just and Reasonable rent increase only when the landlord has two complete years of operating income and expenses. The first year Net Operating Income for such landlords will be the base year.

**Sec. 4.03.** Whenever permitted by the Price Level Adjustment factor, a Price Level Adjustment may be made to the base year Net Operating Income.

**Sec. 4.04.** The current year Net Operating Income is subtracted from the base year Net Operating Income plus the Price Level Adjustment.

**Sec. 4.05.** If the current year Net Operating Income is larger than the base year Net Operating Income plus the Price Level Adjustment, the landlord is ineligible for a Just and Reasonable rent increase based on this formula.

**Sec. 4.06.** If the current year Net Operating Income is less than the base year Net Operating Income plus the Price Level Adjustment, the landlord

is eligible for a rent increase that will allow the current year Net Operating Income to equal the 1979 Net Operating Income plus the Price Level Adjustment.

**Sec. 5.      EXCEPTION FOR CIRCUMSTANCES WHERE A LANDLORD IS SUFFERING A NET OPERATING LOSS**

To ensure that no landlord suffers a net operating loss because of the provisions of the Rent Stabilization Ordinance, the Rent Adjustment Commission shall grant a rent increase sufficient for a landlord to reach a break even point in the current year for which the application is made. All the criteria contained in Sections 2-2.17 shall be followed.

**Sec. 6.      DETERMINATION OF THE RENT INCREASE FOR EACH INDIVIDUAL RENTAL UNIT**

The rental increase permitted by using one of the following listed formula is determined:

- a.    The 1979 Base Year (Sections 3-3.05).
- b.    When the 1979 Base Year Data is not available (Sections 4-4.04).
- c.    The Net Operating Loss Circumstance (Sec. 5).

**Sec. 6.01.** The dollar amount that the total rent can be raised according to one of the above 3 formulas is divided by the Gross Total Income for the current year for which the application is made. The result of this calculation is the percentage individual rents can be raised.

**Sec. 6.02.** The percentage obtained by the calculation in Sec. 6.01 above is multiplied by the legal rent in effect in each rental unit for which a Just and Reasonable rent increase has been requested. The result of these calculations is the dollar amount the rent can be raised in each rental unit. The legal rent used in these calculations is the current rent at the time of the application, provided this rent does not exceed the amount permitted by the Rent Stabilization Ordinance and any

Regulation or Guidelines issued by the Rent Adjustment Commission.

Sec. 6.03. SPECIAL NOTICE - No rent increase granted pursuant to the above shall be construed to permit landlords to raise their rents in violation of any terms or provisions of a written lease.

Sec. 7. PROCEDURES FOR LANDLORDS APPLYING FOR A JUST AND REASONABLE RENT INCREASE

Landlords should examine carefully the Guidelines to be used by the Rent Adjustment Commission for determining a Just and Reasonable Return. The conditions covering eligibility for a Just and Reasonable Return are listed in these sections which describe the various alternative methods available to the property owner.

Sec. 7.01. Before a landlord may increase rents on the basis of the Just and Reasonable Guidelines, the landlord must first obtain the written approval of the Commission.

Sec. 7.02 The landlord may request written permission by completing an application and mailing it to the City of Thousand Oaks at the address listed on the application. The application form is titled "Application Form, 'JUST AND REASONABLE' RENT INCREASE."

Sec. 7.03. The landlord may not collect any rent increase based on a Just and Reasonable application until such time as the Commission approves the request. Such increase may go into effect until after compliance with statutory notice requirements.

Sec. 7.04. In no case will the Commission authorize a rent increase beyond the amount requested by the landlord in the application.

Sec. 7.05. In the event that an application lacks the required documents or that there are major errors in the mathematical computations showing the individual rent increases, the application will be returned to the landlord with an explanation as to why the application cannot be accepted.

Sec. 7.06. If an application is returned by the Commission because of an error or missing documents, the landlord may resubmit the application without an additional filing fee after correcting the error or obtaining the necessary documents.

Sec. 7.07. Photo copies of all relevant documents must be attached to the completed application.

Sec. 7.08. Whenever a Just and Reasonable rent increase application lacks complete documentation and/or required information, the case may be suspended prior to the hearing for a 30-day period commencing upon the date of mailing the notification to the landlord of the documentation and/or information needed. If at the end of this 30-day period the requested information has not been supplied, the time periods stated in the Rent Stabilization Ordinance will continue to run and a hearing will be scheduled.

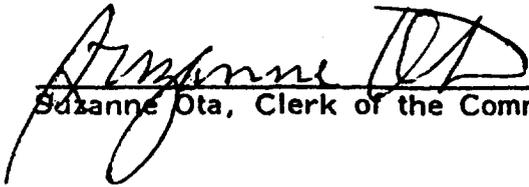
Sec. 7.09. Landlords are therefore encouraged to submit photo copies of all documentary information required. Materials attached to the application will not be returned to the landlord. However, the landlord must, upon request by the Commission, show to the Commission the original document from which the photo copy was made.

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PASSED AND ADOPTED this 7th day of May, 1981.

  
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Frank Miller, Chairman  
RENT ADJUSTMENT COMMISSION

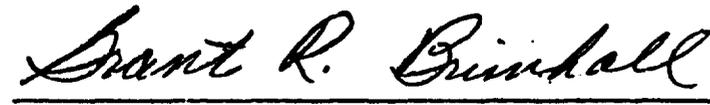
ATTEST:

  
Suzanne Ota, Clerk of the Commission

APPROVED AS TO FORM:

  
James Longtin, Attorney for the Commission  
RICHARD P. STALEY  
ASSISTANT CITY ATTORNEY

APPROVED AS TO ADMINISTRATION:

  
Grant R. Brimhall, Secretary of the Commission