

Correspondence opposed to strengthening the
Apartment Rent Ordinance

Fulton, Sara

From: Chen, Wayne
Sent: Thursday, October 01, 2015 12:23 PM
To: Grabowski, Ann
Subject: Public comment - Fw: Changes in Rent Control

for our records

From: Caroline Schuyler [REDACTED]
Sent: Thursday, October 1, 2015 11:24 AM
To: Chen, Wayne
Subject: Changes in Rent Control

Dear Mr. Chen --

My name is Caroline Schuyler and I own and manage two rental properties in San Jose: one 12-unit building and one 4-unit building. Both of these properties are under the San Jose Rent Control Ordinance. I would like to take this opportunity to share my concerns about the current proposals to change the Rent Control Ordinance.

I have been informed regularly that the existing Rent Control Ordinance has worked successfully to control rent increases and Just Cause issues for the rental properties built prior to 1979. It has required notification by the owner/manager to City Housing within 5 days of any termination of the rental agreement. There are required forms to submit and tenants are permitted to make any challenges. This process prevents abuse of evictions for the purposes of getting greater rental increases. Property owners have demonstrated that we can live with the current program and do not see the need to make any significant changes.

Most of these buildings are over 50 years old, many are owned by "Mom and Pop" owners who have been responsible in providing good property management. The properties have provided a source of income for retirement benefits for many Mom and Pop owners who are on a fixed income.

These older buildings under the current rent control require more maintenance, replacement of equipment, and the cost of repairs have continued to increase. The 8% allowed increase by Rent Control barely covers many of the expenses now presented by these older buildings. A 4% increase would cause many owners a hardship to provide attractive apartments in desirable neighborhoods.

It would be difficult to select good tenants if Just Cause is required. The process for the termination of the rental agreement under the existing Rent Control is cumbersome at best, but it has worked well for the past 12 years. There is no need to "fix a problem that is not broken" It is not possible to evict tenants for the purpose of getting higher rents as it is prohibited under Rent Control now.

Rent Control is a political effort to deal with economic events for a select class of people. It does not do anything to develop adequate housing for the community. The current problem of higher rents is the failure of local government to provide adequate housing for lower income families as most efforts are towards getting larger and bigger housing developments that provide more taxes for local government. These large housing developments include apartments that are not under Rent Control, yet the rents are higher. The San Jose

Mercury News reported on Sept. 16, 2015 that the building industry has asked the Supreme Court to hear challenge to the San Jose affordable housing law which is supposed to help the homeless. It is a stepping stone to creating greater housing for low income families. Because of the rising property values and higher rents for units in the newly constructed apartment complexes, which have no City controls, a ripple effect for affordable housing occurs throughout the entire community. The existing rental housing now becomes a target blame for what is occurring.

Almost all large cities with Rent Control, such as New York and San Francisco, have the highest rents and the need for low cost housing is not addressed. It is now happening in San Jose.

The issues brought forth by those advocating increased rent control because of owners not following the rules should be required to produce documentation as to claims about problems now so that it can be verified. (i.e. The property site, the owner, and specific information regarding claims of evictions for the purpose of rent increase, discrimination, actual specific incidents to include dates and names) To our knowledge this has not been done. Twelve years ago many statements supporting the claims by those wishing greater rent control rules were brought before the City Council by persons who were not required to show proof of City residence by statement of name and address. Many were not residents of the city and were actually “bused” to the chambers and provided with a pizza dinner afterwards.

If there are conditions claimed unsuitable for human habitation why has not San Jose City Code Enforcement been able to deal with the problems under the current rules? These are City problems. Every year before a Residential License can be obtained there are several conditions about the rental property that require a signature to confirm they meet current habitable standards. If a property is not in compliance, who enforces these rules?

Why punish those who are in compliance because of the failure of the City to deal with those who are not. Many rental property owners want good tenants who take care of their property, who are good neighbors, and an asset to the community. Many owners take pride of their neighborhood. Those who do not meet the standards of their neighborhood need to be held responsible when problems arise.

It is my hope you will consider these factors in your process of gathering information for changes in Rent Control. Thank you.

Caroline Schuyler
Manager
MCMS Properties LLC and SMPS Properties LLC

Fulton, Sara

From: Chen, Wayne
Sent: Thursday, October 01, 2015 12:26 PM
To: Grabowski, Ann
Subject: Public comment - Fw: Letter for the Advisory Committee for the Rent Control Ordinance

for our records

From: Edwin Stafford [REDACTED]
Sent: Wednesday, September 30, 2015 11:58 AM
To: Chen, Wayne
Subject: Letter for the Advisory Committee for the Rent Control Ordinance

My name is Edwin Stafford. I own a 12 unit rental property at 2994 Huff, San Jose, Ca. This property is under the San Jose Rent Control Ordinance. I am also the president of the Magliocco-Huff owners Association. There 33 rental properties in the Magliocco and Huff area, all under Rent Control. I wish to share some thoughts about the current proposals to change the Rent Control Ordinance. Our group has met annually with members of the San Jose Housing regarding the existing Rent Control Ordinance. We have been informed regularly that the existing Rent Control Ordinance has worked successfully to control rent increases and Just Cause issues for the rental properties built prior to 1979. It has required notification by the owner/manager to City Housing within 5 days of any termination of the rental agreement. There are required forms to submit and tenants are permitted to make any challenges. This process prevents abuse of evictions for the purposes of getting greater rental increases. We have demonstrated we can live with the current program and do not see the need to make any significant changes. Most of these buildings are over 50 years old, many are owned by "Mom and Pop" owners who have been responsible in providing good property management. The properties have provided a source of income for retirement benefits for many Mom and Pop owners who are on a fixed income. These older buildings under the current rent control require more maintenance, replacement of equipment, and the cost of repairs have continued to increase. The 8% allowed increase by Rent Control barely covers many of the expenses now presented by these older buildings. A 4% increase would cause many owners a hardship to provide attractive apartments in desirable neighborhoods. It would be difficult to select good tenants if Just Cause is required. The process for the termination of the rental agreement under the existing Rent Control is cumbersome at best, but it has worked well for the past 12 years. There is no need to "fix a problem that is not broken" It is not possible to evict tenants for the purpose of getting higher rents as it is prohibited under Rent Control now. Rent Control is a political effort to deal with economic events for a select class of people. It does not do anything to develop adequate housing for the community. The current problem of higher rents is the failure of local government to provide adequate housing for lower income families as most efforts are towards getting larger and bigger housing developments that provide more taxes for local government. These large housing developments include apartments that are not under Rent Control, yet the rents are higher. The San Jose Mercury News reported on Sept. 16, 2015 that the building industry has asked the Supreme Court to hear challenge to the San Jose affordable housing law which is supposed to help the homeless. It is a stepping stone to creating greater housing for low income families. Because of the rising property values and higher rents for units in the newly constructed apartment complexes, which have no City controls, a ripple

effect for affordable housing occurs throughout the entire community. The existing rental housing now becomes a target blame for what is occurring.

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Why punish those who are in compliance because of the failure of the City to deal with those who are not.

Many rental property owners want good tenants who take care of their property, who are good neighbors, and an asset to the community. Many owners take pride of their neighborhood. Those who do not meet the standards of their neighborhood need to be held responsible when problems arise.

It is my hope you will consider these factors in your process of gathering information for changes in Rent Control. Thank you,

Edwin Stafford, President Magliocco-Huff owners Association.

Fulton, Sara

From: Chen, Wayne
Sent: Tuesday, October 06, 2015 3:31 PM
To: Grabowski, Ann
Cc: Morales-Ferrand, Jacky
Subject: input on income qualifications

FYI for our records

From: Bo Liu [REDACTED]
Sent: Tuesday, October 6, 2015 3:28 PM
To: Chen, Wayne
Subject: Re: my email

Hi Wayne,

Thanks for the reply. The “income qualification of tenants” idea would produce more problems than solving any.

For every turn over, the average vacant time would be 2 months. During the low market time, the vacant time is longer. With this proposed limitation of the tenant income level requirement, it will take a lot longer time to find the new tenants. The cost of cleaning, repairing, replacing materials and parts to bring the unit back to rentable condition is very high. That is why evict a tenant is the last thing a landlord work do.

There are also specific questions to be answered:

- 1) Who will evict the existing tenant whose income is over the level?
- 2) Who will pay for the cleaning, repainting ...fees after the unit is vacant due to this type of eviction?
- 3) Who will cover the vacant cost caused by this type eviction?
- 4) What if the tenant has to work fewer hours to bring the income level down for fear of eviction?
- 5) People who earn higher income are also human beings. They have the right to stay as long as they pay the rent and follow the lease agreement.

My suggestions to the solutions:

In addition to build more affordable housing, to address the current urgent needs, San Jose might consider setting up a “rental-housing fund”. The rental-housing fund would help pay the difference between “market rents” and “affordable rents” for those tenants who are really in need, such as seniors and disabled people.

Local real estate developers and large corporates who bring the jobs to drive up the San Jose rental market could contribute to the fund.

A rental fund like this will address:

- (1) The tenant staying in their home
- (2) The landlord getting some return on their investments
- (3) Repairs to the property are made
- (4) Property values are maintained
- (5) Tenants and landlords working as team, not becoming enemies
- (6) More rental units will be available. If the supplies are up, the rent will be down.

Please don't consider the idea of “income qualification of tenants” to solve the housing shortage crisis.

Best regards,

Bo

On Mon, Oct 5, 2015 at 11:58 PM, Chen, Wayne <wayne.chen@sanjoseca.gov> wrote:
Hi Bo-

Yes, you have the basic idea. However, the discussion on Wednesday may lead to different ideas. For example, it may not be City staff that verifies tenant income; it may be that the owner/manager must verify both rents and incomes.

Again, at this point, we will just be discussing the idea and talking about what it means. Hope this helps.

Wayne

From: Bo Liu [REDACTED]
Sent: Sunday, October 4, 2015 7:23 AM

To: Chen, Wayne
Subject: Re: my email

Dear Wayne,

It was nice of you calling me back. I really appreciate your time.

I just want to further clarify this Wednesday's agenda (d) for a better understanding on "[inclusion of a requirement for income qualification of tenants in the ARO](#)"

My understanding through the phone conversation on how the "income qualification of tenants" works is:

- 1) For a potential renter, if the potential renter's income is above a level, he will not be eligible to rent the ARO unit
- 2) For an existing tenant, if the tenant's income is increased above the level, he will not be eligible to stay in the ARO rental unit anymore.
- 3) City will need to add staff to verify tenant's income. The owners of rental properties under ARO may need to pay more fees to support the expense of additional staff.

Please let me know if my understanding is accurate.

Best regards,

Bo Liu

On Fri, Oct 2, 2015 at 5:06 PM, Chen, Wayne <wayne.chen@sanjoseca.gov> wrote:
Ok, great!

From: Bo Liu [REDACTED]
Sent: Friday, October 2, 2015 5:06 PM
To: Chen, Wayne
Subject: Re: my email

Got your email.
Thank you!
Bo

On Oct 2, 2015, at 5:05 PM, Chen, Wayne <wayne.chen@sanjoseca.gov> wrote:

Hello Bo, thank you for the call. This is my email. Have a good weekend!

Wayne Chen

Acting Division Manager
City of San Jose Department of Housing
200 East Santa Clara Street, 12th Floor
San Jose, CA 95113
wayne.chen@sanjoseca.gov | www.sjhousing.org
ph: [408.975.4442](tel:408.975.4442)

Our mission is to strengthen and revitalize our community through housing and neighborhood investment.

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Fulton, Sara

From: Chen, Wayne
Sent: Wednesday, October 07, 2015 8:35 AM
To: Grabowski, Ann
Cc: Morales-Ferrand, Jacky
Subject: Public input about income qualification - Fw: Agenda for next Wednesday meeting
Attachments: 107 Meeting points.docx; ATT00001.txt

Ann, for our records.

Jacky, so you are aware of some of the initial input we're receiving.

From: Dan Pan [REDACTED]
Sent: Tuesday, October 6, 2015 11:19 PM
To: Chen, Wayne
Subject: Re: Agenda for next Wednesday meeting

Hi Wayne,

Based on the information you provided and our understand, our group did some further research and want to share some opinions for the income qualification as attached. Please feel free to contact us if you have any questions.

See you tomorrow!

Best regards,

Dan
Representative of BAHN
The Bay Area Homeowner Network

Wednesday 10/7/2015 meeting Preparation:

Agenda:

Presentation and discussion on the inclusion of a requirement for income qualification of tenants in the ARO

Action: Conduct straw poll on the inclusion of the income qualification of tenants in the ARO

Background Material: Tenant income certification worksheet for the existing deed-restricted affordable housing program.

Background for the discussion:

- Some people abuse rent control. They live in the units under ARO for many years even they have high enough income already, which is the opposite of the rent control.

Discussion:

- The "Tenant income certification worksheet" is for affordable housing program that subsidized by the government. Now it is being considering to be added to ARO. Does this mean that the private rental property owners under ARO will be running their private rental properties like government subsidized housing, which only rent to low income tenants? So when current tenants don't meet the income qualification any more, owners have to evict tenants with higher income limitation and look for lower income tenants. So landlords need to monitor and report tenants' income all the time in order to qualify them. It is very costly for landlord to do so. According to the discussed ARO, landlords have to follow the rent from previous tenant. Why are landlords punished to do so?
- This is forcing the private individual rental property owners to run a ware fare system.
- Large apartment complexes built after 1979 are not subject to this but small property owners who own older apartments, fourplex, or duplexes who can't afford to do this are being punished.
- If the existing tenant's income increases to above the qualification, he will not be qualified to stay in the ARO rental unit anymore and need to be evicted. The questions are:
 1. Who will evict the existing tenant then?
 2. Who will pay for the cleaning, repainting ...fees after the unit is vacant?
 3. Who will cover the vacant cost before the new tenant move in?
 4. What if the tenant used to work 40 hrs and now he choose to work 20 hrs only in order to be eligible to stay?
- As small property owners, like most of us, renting at the low end of the spectrum, they have to keep their cost low. They already their own painters, own advertisers, own plumbers, and own janitors as well. With new ARO, they have to be their own social workers, and lawyers. Please do not add the complications on the back of hard-working small property owners
- Good tenants with higher income may end up they can't find place to live any more!
- There is no way for small owners can handle these complex tasks. Low-income housing is a societal issue. It is a problem for the government who has unlimited resource to solve, not for individuals like small property owners. This is a City welfare, which shouldn't be out of property owners' pockets
- This program will add a lot of cost to city to run the program, at same time more financial burden on the ARO rental property owners. It is better to save those cost to help tenants in need.
- Another point is that maybe city should consider something on volunteer basis, ie, if a landlord kept the rent increase below annual 8%max limit, then entitle to incentive such as reduction or not increasing in his property tax for that year, using incentive to promote or encourage those good landlords who keep the rent increase reasonable each year, that is more fair as RC will punish all landlords, not productive
- Units under ARO are only for renters with lower income. Why renters with lower income can get that benefit? It is another way around of discrimination. So if you work hard, you will be punished.
- Since more units in San Jose will be covered under new ARO, it will end all engineers with high income can't find place to live in San Jose VS some vacant units under ARO, which will be a very awkward situation.

- No matter there is a qualification or not, government can't force landlords to do the processing: qualifying and monitoring income of tenant, evicting tenants with too high income, and finding right income tenants, etc will be very costly. I think some landlords will get bankrupt after several rounds of this process.
- As a landlord, when I look for tenants, I would judge if tenants have potential to get high income or not in order to save cost in the future. So good people will get discriminated.
- In the tight rent control cities, such as San Francisco, due to the very tight cap on the rent increase, tenants tend to stay in the rental unit even they don't need it anymore, some staying for decades. This situation will further reduce available rental units to needed people and keep other potential renters from having a fair chance to rent in the same area. This is exactly the problem that the tight rent control causes. San Jose should not go the same way as San Francisco and further tighten the rent control to create this type of rent control abuses. There should be no change on the current San Jose rent control ordinance.
- The conclusion: If no tight rent control, it will not create rent control abuse and will not need to have income qualification for tenants.

WEDNESDAY, OCTOBER 7, 2015 AT 3:49 PM

Duplexes

1) Duplexes are the most likely property to be taken off the market under new ARO if the RPO was losing money (and most will).

a. Many can be converted to a single family homes. This would remove 2 units.

b. If not converted, one unit will likely be owner occupied if it is losing money, with a relative or tenant living in the second unit. This would remove 1-2 units.

c. Even if the RPO has held the property for a long time and was profitable, they would likely sell to owner occupied buyer as rent control will eliminate the ability to recover the loses and other investors would likely not buy it at the same price as owner occupied. People pay more for a home than an investment.

2) The Cost of operating a Duplex in SJ is very high due to the price of a duplex unit.

Number of Duplexes Sold (found) past 12 months: 236 (472 units)
Average Sales Price per Duplex: \$880,000 (\$440,000 average per unit)

Assuming 20% Downpayment per unit, that is a monthly cost of :

Principle&Interest : \$1,731

Property Tax per unit : \$500 (\$6000 per year)

Insurance per unit: \$33.33 (\$400 per year)

Water : \$80

Waste: \$80

Landscaping: \$50

This does not include management or maintenance cost.

Minimum rent to cover costs would be \$2474. This would more likely result in rent of \$2700-\$3000 so the RPO can build some reserves for vacancy, etc. If the landlord charged \$2800 per month in rent, the tenant would have to make over \$100,000 to qualify on the application.

Given the high cost of Duplexes, a high percentage of owners will remove the units from the market. This will result in a sharp drop of available units in the San Jose market.

79° MOSTLY CLOUDY

WEDNESDAY, OCTOBER 7, 2015 AT 4:14 PM

Means Testing

Means Testing has many supporters and critics. I am not articulate in pros and cons.

However, let us examine the purpose of means testing. Why would something need a means test? The best I can figure is that it is a way to ensure people of enough means do not game public support and take from the public fund. That only those of little means can benefit from public support.

The problem here is, there is no public fund with rent control. It is a state-coerced subsidy from the Rental Property Owner to the Tenant. Person to person, no public stewardship of funds.

The means test could lead some in the public to conclude that this entire scheme is being funded by the public and over look the fact that low income housing is being funded by a small subset of RPOs.

It would be understandable to do a means test if San Jose or it's residents were paying anything into rent control.

████████████████████ • 75° PARTLY CLOUDY

Created in Day One

San Jose has taken the oldest rental properties and placed them into Rent Control. By definition these properties are older and require high rates of maintenance.

These properties represent only 39% of the total rental units in San Jose.

The thought of adding duplexes to those in rent control misses the point that people, who venture into purchasing a rental unit, usually start with a duplex. Their experience in management and maintenance drive them to sell or to seek professional help. These single duplex owners are older, and many have reduced incomes because of their retirement. They have a tendency not to raise rents but only to meet costs.

I have compiled three possible purchases of duplexes today:

Cash down	\$240,000	\$200,000	\$180,000
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Loan Amount	\$960,000	\$800,000	\$720,000
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Monthly pymt	\$ 5,933	\$ 4,956	\$ 4,465
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Sampling of monthly maintenance costs of three different duplexes:

	\$ 888	\$ 582	\$ 1,075
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Total Monthly	\$ 6,821	\$ 5,538	\$ 5,540
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I hope the committee considers this information, which hopefully can be expanded. All public comment is anecdotal. Granted there are good tenants and good owners, but accurate information is absolutely imperative to reach and informed decision.

Respectfully submitted

David Eisbach

Estimated Costs of Purchase of a San Jose Duplex

Sale Price	\$1,200,000	\$1,000,000	\$900,000
20% Down	\$ 240,000	\$ 200,000	\$180,000
Loan Amt.	\$ 960,000	\$ 800,000	\$720,000
Principle/Interest	\$ 4,583	\$ 3,819	\$ 3,437
Property Tax	\$ 1,250	\$ 1,042	\$ 938
Insurance	\$ 100	\$ 95	\$ 90
Total PITI	\$ 5,933	\$ 4,956	\$ 4,465

Actual itemized costs of three 2 bedroom 1 bath duplexes:

Cleaning	\$ 55	Lawn Care	\$ 720	Lawn Care	\$1,260
Door repair	\$ 33	Property Mgt	\$4,314	Materials	\$ 57
Fence	\$1,193	Appliance Rep	\$ 75	Pest Service	\$ 660
Property Mgmt	\$4,134	Doors	\$ 265	Management	\$4,075
Floor	\$ 125	Misc	\$ 180	Electrical	\$ 371
Gutters	\$ 55	Plumbing	\$ 50	Fence	\$1,796
Paint	\$ 500	Trash	\$ 731	Paint	\$ 870
Miscellaneous	\$ 382	Water	\$ 653	Plumbing	\$1,195
Gas and Electric	\$ 58			Sprinklers	\$ 340
Trash	\$ 731			Trash	\$ 731
Water	\$1,995			Water	\$1,539
Lawn Care	\$1,400				
Total (\$888mo)	\$10,661	Total (\$582 mo)	\$6,988	Total (\$1,075)	\$12,894
PITI/ Maintenance	\$6,821		\$5,538		\$5,540
Break Even Rent	\$3,410		\$2,769		\$2,770

Fulton, Sara

From: Chen, Wayne
Sent: Friday, October 16, 2015 9:57 AM
To: Grabowski, Ann; Morales-Ferrand, Jacky
Subject: Fw: Please stop rent ordinance hearing before you inform all homeowners

FYI. I've received four of these letters already, all to form.

From: Ji Yang [REDACTED]
Sent: Friday, October 16, 2015 9:50 AM
To: The Office of Mayor Sam Liccardo; Jones, Chappie; Kalra, Ash; Peralez, Raul; Nguyen, Manh; Carrasco, Magdalena; Oliverio, Pierluigi; Nguyen, Tam; Herrera, Rose; Rocha, Donald; City Clerk; Fedor, Denelle; Chen, Wayne
Subject: Please stop rent ordinance hearing before you inform all homeowners

Dear Mayor, Vice Mayor, and Councilmen,

San Jose Rent Control was started from July 1979, 36 years ago. What you are doing now, is a drastic change, not something minor. To many property owners like us, this will largely impact our property value, reduce our rental income, change our business practices, or even force us to quit the rental business. For lots of us, this means the money for kids' education, or retirement income, or medical bills. For such an important issue, did the City send formal notice to inform each related property owners? We got to know this is because we are a group of hundreds small property owners, and a few of our group members happen to know it.

It's probably not a legal requirement to send formal notifications to the property owners, however, shouldn't the City show some respect to its tax payers? We are paying property tax, parcel tax, business tax and income tax to the City of San Jose! The City should give each property owner a chance to attend and speak on the workshop, or community input, or whatever you call it! Otherwise this entire workshop is unfair and meaningless.

A few weeks ago, we got letters from the City telling us that garbage fee will go up for a few dollars. The City send the notification to all property owners since owner pays the garbage bills. Just yesterday, we got "Community Meeting Invitation" (File # HA06-037-04) asking us to attend the meeting regarding rezoning. These are all very nice and we thank you for your work! However, Rent Control changes are 10000+ times more important to us, why didn't you do the same?

We urge you to formally notify each and every property owner who are going to be impacted, including all the duplex owners. If Just Cause Eviction is part of the discussion, the City should inform all the rental property owners including single family, townhouse and condo owners. We urge you to hold the process and wait till all the property owners have received a notice Sent from my iPhone

Regards
Ji

Sent from my iPhone

Fulton, Sara

From: Chen, Wayne
Sent: Friday, October 16, 2015 9:58 AM
To: Grabowski, Ann
Subject: Fw: Please stop rent ordinance hearing before you inform all homeowners!

For our records

From: Lei Li [REDACTED]
Sent: Friday, October 16, 2015 9:49 AM
To: The Office of Mayor Sam Liccardo; Jones, Chappie; Kalra, Ash; Peralez, Raul; Nguyen, Manh; Carrasco, Magdalena; Oliverio, Pierluigi; Nguyen, Tam; Herrera, Rose; Rocha, Donald; City Clerk; Fedor, Denelle; Chen, Wayne
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Sincerely,

Lei Li

Fulton, Sara

From: Chen, Wayne
Sent: Friday, October 16, 2015 9:58 AM
To: Grabowski, Ann
Subject: Fw: Please stop rent ordinance hearing before you inform all homeowners!

for our records

From: Susan G [REDACTED]
Sent: Friday, October 16, 2015 9:44 AM
To: The Office of Mayor Sam Liccardo; Jones, Chappie; Kalra, Ash; Peralez, Raul; Nguyen, Manh; Carrasco, Magdalena; Oliverio, Pierluigi; Nguyen, Tam; Herrera, Rose; Rocha, Donald; City Clerk; Fedor, Denelle; Chen, Wayne
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Sincerely,
Susan Gao

Fulton, Sara

From: Chen, Wayne
Sent: Friday, October 16, 2015 9:58 AM
To: Grabowski, Ann
Subject: Fw: Please send formal notification to all the ARO property owners about undergoing Rent Control tightening

for our records

From: Jenny Zhao [REDACTED]
Sent: Friday, October 16, 2015 8:37 AM
To: The Office of Mayor Sam Liccardo; Herrera, Rose; Jones, Chappie; Kalra, Ash; Peralez, Raul; Nguyen, Manh; Carrasco, Magdalena; Oliverio, Pierluigi; Nguyen, Tam; Rocha, Donald; John@eichinger.com; Chen, Wayne
Cc: Jenny Zhao
Subject: Please send formal notification to all the ARO property owners about undergoing Rent Control tightening

Dear Mayor, Vice Mayor, and Councilmen,

San Jose Rent Control was started from July 1979, 36 years ago. What you are doing now, is a drastic change, not something minor. To many property owners like us, this will largely impact our property value, reduce our rental income, change our business practices, or even force us to quit the rental business. For lots of us, this means the money for kids' education, or retirement income, or medical bills. For such an important issue, did the City send formal notice to inform each related property owners? We got to know this is because we are a group of hundreds small property owners, and a few of our group members happen to know it.

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Best regards,

Yong Zhao

On behalf of BAHN (Bay Area Homeowners Network, a group of small housing providers)

Fulton, Sara

From: Chen, Wayne
Sent: Friday, October 16, 2015 10:25 AM
To: Grabowski, Ann
Subject: Fw: Please stop rent ordinance hearing before you inform all homeowners

for our records

Wayne Chen
Acting Division Manager
City of San Jose Department of Housing
200 East Santa Clara Street, 12th Floor
San Jose, CA 95113
wayne.chen@sanjoseca.gov | www.sjhousing.org
ph: 408.975.4442

Our mission is to strengthen and revitalize our community through housing and neighborhood investment.

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From: Dan Pan [REDACTED]
Sent: Friday, October 16, 2015 10:20 AM
To: The Office of Mayor Sam Liccardo; Jones, Chappie; Kalra, Ash; Peralez, Raul; Nguyen, Manh; Carrasco, Magdalena; Oliverio, Pierluigi; Nguyen, Tam; Herrera, Rose; Rocha, Donald; City Clerk; Fedor, Denelle; Chen, Wayne
Subject: Please stop rent ordinance hearing before you inform all homeowners

Dear Mayer, Vice Mayor and Councilmen,

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Thanks a lot!

Dan

Fulton, Sara

From: Chen, Wayne
Sent: Friday, October 16, 2015 10:26 AM
To: Grabowski, Ann
Subject: Fw: Please stop rent ordinance hearing before you inform all homeowners!

for our records

From: Zhuozi Ye [REDACTED]
Sent: Friday, October 16, 2015 10:23 AM
To: Kalra, Ash; Peralez, Raul; Nguyen, Manh; Carrasco, Magdalena; Oliverio, Pierluigi; Nguyen, Tam; Herrera, Rose; Rocha, Donald; City Clerk; Fedor, Denelle; Chen, Wayne
Subject: Please stop rent ordinance hearing before you inform all homeowners!

>
>> Dear Mayor, Vice Mayor, and Councilmen,
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>>
>> Sincerely,
>>
>> Zhuozi Ye
>>
>> Sent from my iPhone

Fulton, Sara

From: Chen, Wayne
Sent: Friday, October 16, 2015 11:10 AM
To: Grabowski, Ann
Subject: Fw: Please stop rent ordinance hearing before you inform all homeowners!

for our records

From: julie Duan [REDACTED]
Sent: Friday, October 16, 2015 10:41 AM
To: The Office of Mayor Sam Liccardo; Jones, Chappie; Kalra, Ash; Peralez, Raul; Nguyen, Manh; Carrasco, Magdalena; Oliverio, Pierluigi; Nguyen, Tam; Herrera, Rose; Rocha, Donald; City Clerk; Fedor, Denelle; Chen, Wayne
Subject: Please stop rent ordinance hearing before you inform all homeowners!

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Sincerely,

Yunlei Duan

Fulton, Sara

From: Chen, Wayne
Sent: Friday, October 16, 2015 11:48 AM
To: Grabowski, Ann
Subject: Fw: Please stop rent ordinance hearing before you inform all homeowners!

From: Hongqi Li [REDACTED]

To: The Office of Mayor Sam Liccardo; Jones, Chappie; Kalra, Ash; Peralez, Raul; Nguyen, Manh; Carrasco, Magdalena; Oliverio, Pierluigi; Nguyen, Tam; Herrera, Rose; Rocha, Donald; City Clerk; Fedor, Denelle; Chen, Wayne
Subject: Please stop rent ordinance hearing before you inform all homeowners!

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Sincerely,
Hongqi Li

Fulton, Sara

From: Chen, Wayne
Sent: Friday, October 16, 2015 1:04 PM
To: Morales-Ferrand, Jacky
Cc: Grabowski, Ann
Subject: Fw: San Jose Rent Control

Jacky, let's discuss the input received about notification.

From: [REDACTED]
Sent: Friday, October 16, 2015 12:58 PM
To: The Office of Mayor Sam Liccardo; Jones, Chappie; Kalra, Ash; Peralez, Raul; Nguyen, Manh; Carrasco, Magdalena; Oliverio, Pierluigi; Nguyen, Tam; Herrera, Rose; Rocha, Donald; City Clerk; Fedor, Denelle; Chen, Wayne
Cc: shuanglee8@gmail.com
Subject: San Jose Rent Control

Dear Mayor, Vice Mayor, and Councilmen,

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Best Regards
Shuang Lee



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[Read more...](#)

This email has been checked for viruses by Avast antivirus software.

www.avast.com

Fulton, Sara

From: Chen, Wayne
Sent: Friday, October 16, 2015 4:46 PM
To: Grabowski, Ann
Subject: Fw: Please stop rent ordinance hearing before you inform all homeowners!

Wayne Chen

Acting Division Manager
City of San Jose Department of Housing
200 East Santa Clara Street, 12th Floor
San Jose, CA 95113
wayne.chen@sanjoseca.gov | www.sjhousing.org
ph: 408.975.4442

Our mission is to strengthen and revitalize our community through housing and neighborhood investment.

[Follow us on Twitter!](#)

From: Kevin Xiao [REDACTED]
Sent: Friday, October 16, 2015 4:42 PM
To: The Office of Mayor Sam Liccardo; Jones, Chappie; Kalra, Ash; Peralez, Raul; Nguyen, Manh; Carrasco, Magdalena; Oliverio, Pierluigi; Nguyen, Tam; Herrera, Rose; Rocha, Donald; City Clerk; Fedor, Denelle; Chen, Wayne
Subject: Please stop rent ordinance hearing before you inform all homeowners!

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Sincerely,
Kevin Xiao

Fulton, Sara

From: Chen, Wayne
Sent: Friday, October 16, 2015 4:46 PM
To: Grabowski, Ann
Subject: Fw: Please stop rent ordinance hearing before you inform all home owners!

Wayne Chen

Acting Division Manager
City of San Jose Department of Housing
200 East Santa Clara Street, 12th Floor
San Jose, CA 95113
wayne.chen@sanjoseca.gov | www.sjhousing.org
ph: 408.975.4442

Our mission is to strengthen and revitalize our community through housing and neighborhood investment.

[Follow us on Twitter!](#)

From: Wei Huang [REDACTED]
Sent: Friday, October 16, 2015 3:50 PM
To: The Office of Mayor Sam Liccardo; Jones, Chappie; Kalra, Ash; Peralez, Raul; Nguyen, Manh; Carrasco, Magdalena; Oliverio, Pierluigi; Nguyen, Tam; Herrera, Rose; Rocha, Donald; City Clerk; Fedor, Denelle; Chen, Wayne
Subject: Please stop rent ordinance hearing before you inform all home owners!

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Sincerely,
Wei

Fulton, Sara

From: Chen, Wayne
Sent: Friday, October 16, 2015 4:46 PM
To: Grabowski, Ann
Subject: Fw: Please stop rent ordinance hearing before you inform all homeowners!

Wayne Chen

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[Follow us on Twitter!](#)

From: Betty Bai [REDACTED]
Sent: Friday, October 16, 2015 3:35 PM
To: Nguyen, Manh; The Office of Mayor Sam Liccardo; Kalra, Ash; Jones, Chappie; Peralez, Raul; Carrasco, Magdalena; Oliverio, Pierluigi; Nguyen, Tam; Herrera, Rose; Rocha, Donald; City Clerk; Fedor, Denelle; Chen, Wayne
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Sincerely,
Betty Bai

Fulton, Sara

From: Chen, Wayne
Sent: Friday, October 16, 2015 4:46 PM
To: Grabowski, Ann
Subject: Fw: please stop rent ordinance hearing before you inform all homeowners!

Wayne Chen
Acting Division Manager
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wayne.chen@sanjoseca.gov | www.sjhousing.org
ph: 408.975.4442

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Follow us on Twitter!

From: helen zheng [REDACTED]
Sent: Friday, October 16, 2015 3:34 PM
To: The Office of Mayor Sam Liccardo; Jones, Chappie; Kalra, Ash; Peralez, Raul; Nguyen, Manh; Carrasco, Magdalena; Oliverio, Pierluigi; Nguyen, Tam; Herrera, Rose; Rocha, Donald; City Clerk; Fedor, Denelle; Chen, Wayne
Subject: please stop rent ordinance hearing before you inform all homeowners!

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Regards
Helen Zheng

Sent from my iPhone

Fulton, Sara

From: Chen, Wayne
Sent: Tuesday, October 20, 2015 12:41 PM
To: Grabowski, Ann
Cc: Morales-Ferrand, Jacky
Subject: Fw: This Saturday! Advisory Committee Meeting - Apartment Rent Ordinance
Attachments: Rental Rate Recovery Time-Periods.pdf

Hi Ann- do we need to add a public correspondence section to agendas going forward? Although not on the agenda for Wednesday, is there a way to provide at the meeting what we've received from the public/Committee members? Michael showed the attached on Saturday and I said that we can share the document as public correspondence. It doesn't belong in this week's powerpoint because we don't have unfinished business from Saturday. Let me know your thoughts.

Wayne

From: Michael Pierce [REDACTED]
Sent: Tuesday, October 20, 2015 12:34 PM
To: Haase, Maria; Chen, Wayne
Cc: Howard, Josh
Subject: RE: This Saturday! Advisory Committee Meeting - Apartment Rent Ordinance

Jacky & Wayne,

Attached is a PDF file which illustrates the rental rate recovery time periods which I brought up during the meeting on Friday October 17, 2015.

Will it be possible to have this information included in the PowerPoint display during our discussion on Wednesday? This document serves to illustrate very clearly how long it takes to have the rental rate recover using different annual percentage increase caps on rents.

Regards,

Michael

Michael D. Pierce, President
CA BRE License #01190465
Prodesse Property Group
Prodesse Investments, Inc.



Visit our rental portal at <http://residential.eprodesse.com>

From: Jacky Morales-Ferrand, Interim Director of Housing [mailto:maria.haase@sanjoseca.gov]
Sent: Friday, October 16, 2015 5:14 PM
To: Michael Pierce
Subject: This Saturday! Advisory Committee Meeting - Apartment Rent Ordinance



October 16, 2015



Dear Valued Community Members and Partners:

The Advisory Committee for the Apartment Rent Ordinance will meet tomorrow, Saturday, October 17, to provide input to staff on various aspects of the ordinance. Details on the location and time are as follows:

October 17, 2015
10:00am - 2:00pm
San Jose High School Cafeteria
275 N. 24th Street, San Jose 95116

Parking is available along Bulldog Boulevard or across Julian Street by the Gymnasium. Please use the underground walkway to ensure your safety in crossing the street. The Cafeteria is located along 24th Street. Directional signage will be provided.

The agenda can be found by visiting the Housing Department's [website](#) or by clicking on "Agenda" located in the last column in the row of the October 17 meeting details below.

The full meeting schedule of the Advisory Committee is as follows:

Date*	Time	Location	Agendas & Minutes
Wednesday, September 30	6:00 - 8:30pm	Roosevelt Community Center	Agenda
Wednesday, October 7	6:00 - 8:30pm	Roosevelt Community Center	Agenda
Wednesday, October 14	6:00 - 8:30pm	Roosevelt Community Center	Amended Agenda
Saturday, October 17	10:00am - 2:00pm	San José High School - Cafeteria (moved from Council Chambers)	Agenda
Wednesday, October 21	6:00 - 8:30pm	San José City Hall Wing 118-120	Agenda
Saturday, October 24	10:00am - 2:00pm	San José City Hall - Council Chambers	CANCELED
Wednesday, October 28	6:00 - 8:30pm	San José City Hall - Council Chambers	
Saturday, October 31	10:00am - 2:00pm	San José City Hall - Council Chambers	
Wednesday, November 4	6:00 - 8:30pm	Roosevelt Community Center	
Saturday, November 7	10:00am - 2:00pm	San José City Hall - Council Chambers	
Monday, November 9	6:00 - 8:30pm	San José City Hall - Council Chambers	

Visit our [website](#) for up-to-date meeting information.

In addition to the Committee meeting agendas, the Committee roster, materials, and minutes for the Advisory Committee meetings will be posted on our [website](#). To receive automatic e-mails with information and updates related to the ARO process and upcoming meetings, please sign-up by clicking [here](#) and selecting "2015 Apartment Rent Ordinance Update" on the following page.

If you have general questions regarding this process, please contact Wayne Chen at 408-975-4442 or wayne.chen@sanjoseca.gov. To request an accommodation for this meeting or an alternative format for any related printed materials, please contact Ann Grabowski at 408-794-7472 or ann.grabowski@sanjoseca.gov or 408-294-9337 (TTY) as soon as possible, but at least three business days before the meeting.

We hope you will continue to join us as we work together on this important issue.

Jacky Morales-Ferrand
Interim Director, Housing Department

City of San Jose - Housing Department
408-535-3860
www.sjhousing.org

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City of San Jose Housing Dept. | 200 East Santa Clara Street | San Jose | CA | 95113

Apartment Rent Control Advisory Board – Comments Oct. 21, 2015

All statements made by the Committee and the Public are anecdotal. The city housing personnel has done a lot of work categorizing, organizing and presenting, but I fear they are working from a false premise; the claim that landlords are gouging tenants under the control of the city's Apartment Rent Control.

The ARO controls only rental units built before 1979 some 48,500 out of total 122,000 rentals; that's 39%. The current desire is to include 5,500 duplexes, now excluded. No one seems to remember why they were left out, perhaps because about 1,500 are owner occupied. This would add approximately 8,000 making 56,500 ARO units.

The only way to prove this is not by public testimony of admittedly biased individuals or city employees, but to survey the subjects. A consultant has been hired to recommend a course of action. Here are some things necessary for fairness:

1. The survey of landlords and tenants must verify current rents for each unit, the percentage of the last two (12 month) raises 8% or under. Were capital repairs completed in the last two years?
2. The survey must only be directed to ARO units, since only they are affected.
3. Duplexes should be kept in their own subcategory because they are targeted to be drawn into ARO.
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5. Bear in mind that all these properties are over forty years old and require extensive repair, remodeling and maintenance to compete with newer properties. Here are some of those updates:
 - a. Roof
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There is the possibility that even if the raises show a 4% or 6% raise history, the aim would still be to stifle rental income. The thought is pushing to the forefront that putting a cap on rents placates tenants (though that's not going to happen because the prices are already too high) and relieves some of the pressure from the lack of affordable housing. Instead of the city buying foreclosed properties, revising its granny unit regulations or actually building something, it's so much easier to revise rent control.

I do not advocate any change in the existing rental ordinance. I believe it has worked and I believe that a true accurate and survey will bear me out.

I am, however, against the inclusion of duplexes under ARO for the following reasons.

1. The owners of duplexes are people, who purchased one as an investment and are relying on it to augment their retirement. They have only one rental.
2. They are not corporations.
3. The age of their property requires more maintenance.
4. Most manage the property by themselves or seek professional management later in life or in retirement.
5. According to city statements some 1,500 out of a total 5,500 live in their unit.
6. These owners tend to be the least able financially to take the expenses of housing.

It is clear that many in our city are hard pressed for housing to the point of desperation. There is an advocacy that looks to freeze property rents. It is dangerous and we need to be careful. The following is viewed in its worst light in an effort to give reasons for caution:

1. The city is asking 39% of its ARO community to essentially solve a problem that should be shouldered by 100% of the entire population, like food stamps or housing vouchers. Controlling a person's ability to survive by denying economic means is tantamount to an "unconstitutional taking."
2. If you reduce the 8% rent cap to 2%, you are at zero, because the inflationary rate in the US has been 2%.

3. The very complicated pass through provisions for capital improvements (roof, water pipes, etc) allow only up to 50% maybe The only example given to the committee allowed 24% of a capital improvement. If this is removed, where does the money come from?
4. Is there here a presumption of wealth? Consider the following:
 - a. An estimate to Repipe a duplex is \$15,000.
 - b. The owner will have to borrow the amount at 6%, for five years at \$290 a month.
 - c. She can only hope for up to 50%. \$145 divided by two tenants \$72 each.
 - d. If the total rent cap is 2% on rents of \$1,600 that's an additional \$32.
 - e. There is mention of maximum increases, which is confusing but \$104 raise is 6.5%. With the hardship consideration, what are the owner's chances?
 - f. If this capital improvement or debt pass through is weakened or dropped and the total rent cap is reduced, the owner may just repair piece by piece. Expand that to include roof, paint, concrete etc.
 - g. A reduction in the annual rent cap will place more reliance on the petitions for capital improvement and debt pass through. If these too are weakened it will lead to maintenance reduction and disaster.

Another issue that really is bothersome is the call for increased city personnel positions in the expanded program. One estimate stated there would be four new housing employees.

1. At \$100, 000 each the \$400,000 would be funded by the 48,500.'
2. I have been informed that only the 48,500 would fund the positions. I thought that even those rentals not in the ARO pay the city an amount based on the number of units. Also, if the ARO and those outside are polled for information, the entire body of rentals should fund any new positions.
3. I would rather support \$400,000 supplemented by \$400,000 from the city and used to relieve tenants in desperate circumstances.

Thank you for listening.

David Eisbach, broker, Amber Realty and Property Management [REDACTED]

Rental Rate Recovery Time-Periods

Annual Allowable Increase	8.00%					
Market Rent Change	-25.00%					
Year	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
Resident's Rent	\$ 1,500	\$ 1,125	\$ 1,215	\$ 1,312	\$ 1,417	\$ 1,531

Annual Allowable Increase	7.00%						
Market Rent Change	-25.00%						
Year	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
Resident's Rent	\$ 1,500	\$ 1,125	\$ 1,204	\$ 1,288	\$ 1,378	\$ 1,475	\$ 1,578

Annual Allowable Increase	6.00%						
Market Rent Change	-25.00%						
Year	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
Resident's Rent	\$ 1,500	\$ 1,125	\$ 1,193	\$ 1,264	\$ 1,340	\$ 1,420	\$ 1,506

Annual Allowable Increase	5.00%							
Market Rent Change	-25.00%							
Year	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
Resident's Rent	\$ 1,500	\$ 1,125	\$ 1,181	\$ 1,240	\$ 1,302	\$ 1,367	\$ 1,436	\$ 1,508

Annual Allowable Increase	4.00%									
Market Rent Change	-25.00%									
Year	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
Resident's Rent	\$ 1,500	\$ 1,125	\$ 1,170	\$ 1,217	\$ 1,265	\$ 1,316	\$ 1,369	\$ 1,423	\$ 1,480	\$ 1,540

Annual Allowable Increase	3.00%											
Market Rent Change	-25.00%											
Year	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>
Resident's Rent	\$ 1,500	\$ 1,125	\$ 1,159	\$ 1,194	\$ 1,229	\$ 1,266	\$ 1,304	\$ 1,343	\$ 1,384	\$ 1,425	\$ 1,468	\$ 1,512

Annual Allowable Increase	2.00%																
Market Rent Change	-25.00%																
Year	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>
Resident's Rent	\$ 1,500	\$ 1,125	\$ 1,148	\$ 1,170	\$ 1,194	\$ 1,218	\$ 1,242	\$ 1,267	\$ 1,292	\$ 1,318	\$ 1,344	\$ 1,371	\$ 1,399	\$ 1,427	\$ 1,455	\$ 1,484	\$ 1,514

Fulton, Sara

From: [REDACTED]
Sent: Thursday, October 22, 2015 9:49 AM
To: Grabowski, Ann
Subject: Public Correspondence for ARO

Hello,

My name is Son Nguyen. My wife and I have rental properties in San Jose. While we understand the issues with housing supply demand and the rising housing costs, we are concerned with the additional regulation and restrictions placed on the rental market in San Jose. We welcome additional studies and hope the council takes the considerations of both sides of the rental market. After all, the USA is a free country based on capitalism and free trade.

1) Fewer Rental Properties

If the new rent control is too restrictive, it can make owning rental properties unattractive. In that case, we will choose not to invest in San Jose and will consider other cities/areas with a more reasonable and business-friendly environment. If more property owners do this, there will be fewer available rental properties in San Jose and thus make the housing shortage problem worse and raise the market rent even higher.

2) Fewer Improvements on Existing Properties So far, our aim is to make tenants happy and stay for long as we do not want high turn-over and keep finding new tenants. Therefore, we do frequent remodeling, upgrade and very fast on repairs. However, if the rent is controlled too tightly, we might perform only the necessary repairs and not the upgrades. If the tenants are not happy, they are welcome to leave so we can get new tenants at the current market rate. We really don't want to do that but will have to consider that option if there are no other acceptable choices. I don't think that scenario is the intention of the council or the law.

3) More Frequent Rent Increases

Also so far, we did not raise the rent on existing tenants to the 8% allowed or even raise it every year. But with a more restricted rent control, we'll have no other choice but to enforce a strict and automatic yearly rent increase up to the maximum amount allowed by the law. This up-to-the-limit increase is to ensure that we can catch up with the current/market rent.

Thanks for your time and for listening to our concerns. We hope the council will give fair considerations for property owners as it is simply not pure profit like many people think. We have many bills to pay like big mortgages (it's big and expensive for everyone, both homeowners and also investors and we do not pass-through debt service even it's an option), property taxes, utilities, repair personnel, property managers, contractors, cleaners, landscapers, etc.

We strongly believe a public outreach letter should be sent to all the property owners on the multiple housing roster list to update them about the current proposal and its status/progress. This will help deliver a fair, balanced and transparent solution.

Sincerely,
Son Nguyen

Rent Control Advisory Committee - October 28, 2015

For forty-five years the San Jose's Apartment Rent Ordinance has worked.

1. Four Members of the Housing Staff have managed the 45,500 properties under the program quite well.
2. In that time there has been one successful pass-through of 24% (the ordinance allow only up to 50%), which shows that it has not been used.
3. I think the ARO should remain absolutely untouched, with duplexes remaining exempt.

If the City followed the wishes of the tenant interests:

1. Reducing the 8% to 2% (the annual inflation rate) leaves Owners Zero.
2. If the improvement pass-through (which allows only up to 50%) is dropped that leaves the Owner with Zero.
3. If the debt service pass-through is dropped, the Owner has Zero.
4. If the Owner has Zero, what's left for the Tenants?

Since older properties (built before 1979) cannot compete in rents with newer properties,

1. A survey of Only ARO properties must be taken for actual rents.
2. A separate survey of duplexes (because they are being considered for inclusion in the ARO), should be polled separately.
3. Something of such importance should call for a general mailing to all Owners of ARO properties and Owners of Duplexes.

David Eisbach, Broker, Amber Realty deisbach@sbcglobal.net

Apartment Rent Control Advisory Board – Comments Oct. 21, 2015

All statements made by the Committee and the Public are anecdotal. The city housing personnel has done a lot of work categorizing, organizing and presenting, but I fear they are working from a false premise; the claim that landlords are gouging tenants under the control of the city's Apartment Rent Control.

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The only way to prove this, is not by public testimony of admittedly biased individuals or city employees, but to survey the subjects. A consultant has been hired to recommend a course of action. Here are some things necessary for fairness:

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Thank you for listening.

David Eisbach, broker, Amber Realty and Property Management [REDACTED]

From: [Karen Lynn](#)
To: [The Office of Mayor Sam Liccardo](#); [District1](#); [District2](#); [District3](#); [District4](#); [District5](#); [Oliverio, Pierluigi](#); [District7](#); [Herrera, Rose](#); [District9](#); [District 10](#); [Carrasco, Magdalena](#); [Khamis, Johnny](#); [Chen, Wayne](#); [Grabowski, Ann](#); [Morales-Ferrand, Jacky](#)
Cc: [Jones, Chappie](#); [Seagraves, Chelsey](#)
Subject: Tenant feedback - Do not approve Rent Control for San Jose
Date: Wednesday, November 18, 2015 10:05:07 AM

Dear Mayor Liccardo, Councilmembers, and San Jose Housing Authority:

I am writing to ask that the San Jose City Council to **NOT IMPLEMENT** the proposed rent control ordinance. With rent control, tenants face unlimited threats to the safety of their neighborhood, decrease in the attractiveness to maintain the community, rent increases and unregulated evictions. I believe that a more integrated, holistic approach that engages solutions that benefit tenants, landlords and residents in a solution that benefits the entire community.

I've been a resident of the Blackford neighborhood in West San Jose for over seven years. I live in a building built after 1979. The rent ordinance proposed by the City Council would make my building rent controlled. With rent that low, it provides incentives for people to not move. It also means that people with criminal or questionable backgrounds could remain in the neighborhood for the long term. That calls into question the safety of the community.

A recent MIT study from 2014 on the impact of rent control after it was banned in Boston, MA starting in 1995. The main finding was a 16% increase in the value of residential units after rent decontrol. They also found that rent controlled properties were valued at a substantial discount, up to 13-25% of the assessed property values. The perceived value of the property and worth of the neighborhood seems to increase once rent control was eliminated. The same study also referenced how home values can decrease 2.3% when criminals live in a neighborhood. (<http://economics.mit.edu/files/9760>) Based on the median home sale price in San Jose, that can be a decrease of nearly \$20,000 per home. Residents can see the culture and deterioration of the community over time because of rent control.

These are major considerations for property owners. Tenant advocacy groups represented in the City Council meetings are focused on only a portion of the population. According to the National Multifamily Housing Council, only 22% of the San Jose residents dwell in apartments; approximately 220,000 residents. That leaves 78% of the community who live in other different housing. (<http://nmhc.org/Content.aspx?id=4708>) I did not hear any residents who live near rent controlled units represented in the City Council and Housing Authority meetings. Not all social and economic populations are being included in these events.

There were many tenants at the City Council meeting on Sept. 1, 2015 who said that it was obvious that the people who attended the meeting were the ones that mattered, stating it was exemplified by tech industry workers from companies like Apple and Google not attending the meeting. I am one of those often vilified local tech employees. I cannot attend City Council meetings conducted while I work. But, I deserve equal consideration as given to tenants represented by advocacy groups. I'm no different than other residents in the community. I work 50+ hours a week, vote, pay taxes and contribute to our community in any way I can.

Many of the tenants, their advocacy and political groups forget that it's not just tenants who feel the impact of rent control. The conversation right now seems to be one-sided and focused on the short-term gains. From what I have heard at City Council and Housing Authority advisory meetings, it is the tenant advocacy groups that are out to protect tenant rights and not factor in property owners. Most of the property owners who spoke at meetings were small companies, family-run organizations or individual owners. The owners reflect the same diversity of the tenants. They are hard working individuals who work hard to maintain their properties. They are elderly, speak with thick accents, come from all different ethnicities—comparable to the same tenants who came to meetings. They use the income they make from property to support their families and supplement income. They were afraid of retaliation from their tenants, just as tenants fear the same response from their landlords.

Most of the tenants at meetings understandably spoke out against larger property management companies that are often negligent and unethical when dealing with tenants. The tenants made emotional pleas and quoted information that I question since they did not disclose those sources while speaking. This is extremely disappointing that there is limited concerted effort to find a solution that benefits and takes into account all tenants and residents.

The biggest concern I have is that Councilmember Peralez suggested a cap of 2-3% per year on rent increases and expand Section 8 subsidized housing for apartments built between 1979 and 1995. He believes that housing is a “human right.” I do not agree with this. It would require property owners to subsidize low income tenants. I do not think it is fair to pass the cost of me residing in this area on property owners. I would not want that imposed on me if I was a landlord. I would want to stay in business. But if rent control were to go into effect for a building like mine, I do not know how I could cover my costs with increases in the cost of utilities, capital and investment projects to improve a building constructed over 35 years ago. With rent control, I would be capped at how much I could make to cover my expenses and also invest in the building long-term.

Furthermore, the City Council pass through credits approval that is entirely subject to the approval of the Housing Authority. That means I would have to bear the entire cost and limited funding if all maintenance and improvement costs are only allowed via the pass thru credits. There is no incentive or feasible in the long run for me to continue operating. I would be forced to sell my property. This could be the situation which many landlords will face if rent control is instituted.

Once the rent control units are gone, and because of the Costa Hawkins Rental Housing Act, new residential units will not be subject to rent control, and fewer units with rents at market or lower than market rates. San Jose is then repeating a vicious cycle of reducing the availability and number of rent controlled units open to the community. It means increased displacement of tenants in the long-term because simple economics when supply does not meet demand, and another confirmation of how rent control does not work.

Now, with rent increases continuing year over year, the City Council needs to look at the larger picture and come up with a solution that will address the issues for tenants,

landlords and neighboring residents. This should be a combination of income based housing and new housing from recently developed communities. Former two-term Councilmember Judy Chirco wrote an editorial that echoed the need for real solutions to the housing challenges in San Jose. She suggested sticking to the General Plan for creating high density housing units along transit corridors and downtown. (http://www.mercurynews.com/opinion/ci_28350836/judy-chirco-rent-control-change-will-hurt-responsible)

Perhaps large companies could be encouraged to build affordable housing for their employees, and other cities to start building housing in their own cities to relieve the burden being placed upon San Jose. Or, perhaps developers of new housing units could receive a tax incentive to reserve a portion of their units for income-based eligibility and allocate rent on a sliding scale based on the income level. Or, the fee that the City Council adopted in Nov. 2014 could be used to provide permanent subsidies for new housing instead of taking over aged apartment buildings.

I understand that this is a contentious, emotionally charged issue. I ask Mayor Liccardo and the City Council to look at the facts from all sides of the situation to find a solution based on logic, not emotional pleas, that will help San Jose for the long term. That means reconsidering rent control and finding a better, holistic approach to solving the housing crisis.

There has to be a better solution than taking a stance completely on the tenant side or the landlord side. I urge the City Council and Housing Authority to take this into account and include all residents of San Jose in their decision making.

Thank you for your attention to this important issue. I appreciate the effort being made to review the current housing crisis in San Jose.

With kind regards,

Karen Lynn

[Redacted signature]

--

Cheers,

Karen Lynn

[Redacted signature]

****Stay hungry, stay foolish. --Steve Jobs****

From: [Edward Lynn](#)
To: [The Office of Mayor Sam Liccardo](#); [District1](#); [District2](#); [District3](#); [District4](#); [District5](#); [Oliverio, Pierluigi](#); [District7](#); [Herrera, Rose](#); [District9](#); [District 10](#); [Carrasco, Magdalena](#); [Khamis, Johnny](#); [Chen, Wayne](#); [Grabowski, Ann](#); [Morales-Ferrand, Jacky](#); [Jones, Chappie](#); [Seagraves, Chelsey](#)
Subject: The current rent control issue
Date: Monday, December 07, 2015 2:58:13 AM

To the City Council of San Jose:

You are planning to enact a 3 point policy targeting one segment of the residential rental property market in San Jose. The properties affected include all such properties from duplexes on up to the largest apartment complexes built prior to 1979. I note duplexes because one of your councilmen seems to want to add those in..

The 3 points are:

1. Requiring all such rentals to accept Section 8 applicants.
2. Restriction on rent increases, limiting such to 2.0 % per year instead of the 8.0 % cap currently in force.
3. A "just cause" rule that would severely restrict property owners' means to remove problem tenants.

Point 1. Making a move to force Section 8 on property owners will mean that the government, as represented by the City Council, will put price controls on rental properties and will restrict an owner's ability to remove recalcitrant tenants who are then free to degrade the property with impunity. Essentially the move will lead to unfairly hurting good tenants who will then move, leaving the owner with the short end of the stick. It will also deteriorate neighborhoods and cause a rise in crime. This will cause property values to decrease, effectively destroying what an owner has worked many years to achieve.

Point 2. The local rental market has managed to endure the 8.0 % rent increase restriction over the past few years. However, limiting rental increases to 2.0 % per year will negatively impact owners' ability to maintain and improve their property to provide decent living conditions and to comply with regulations set by the city of San Jose. If the Council wishes to have property owners continue to stay in business, then it will need to consider regulating how much vendors are allowed to charge property owners for their services. That means plumbers, electricians, painters, roofers, and other service providers will need to be regulated by the City Council. This means wage and price controls will need to be put into usage. Such a state of affairs won't please the unions. Besides, wage and price controls were tried by the late President Richard M. Nixon back in 1968-69. They were a dismal failure.

Leaving property owners stuck in the middle will gradually squeeze them into the red zone where they can't break even. You may not care whether owners stay in business; but, ultimately everyone loses, including the city government.

Point 3. A "just cause" rule favors troublesome tenants who will know how to game the system to their exclusive advantage. As the owner of one duplex, I can tell you I don't have the deep pockets needed to hire a lawyer to solve the problem of a bad tenant. If you go with "just cause," you will create a problem that I may not be able to solve. You stack the deck in favor of the tenant.

This brings us to my issue with your plan.:

Your plan negatively impacts me as a small property owner of a duplex. My wife and I bought it in 1982. We lived in it for 10 years until we could afford to put a down on a house. We want to be able to count on the income from it to help supplement a modest retirement someday. I've never increased rent 8.0 % on my two tenants.

Ultimately, your move will decrease property values for all owners affected. It violates the spirit of the 4th Amendment of the Bill of Rights of the Constitution of the United States which states that a person shall be secure in his person and property from unlawful search and seizure. By what you do, you effectively take the first step toward confiscating what I own.

Sincerely,

Edward A. Lynn

Rent Control, the Second Phase 12/7/15

The City Council has called for a possible change to the Apartment Rent Ordinance. Let's take the worst case scenario: The cap on annual rent raises is reduced from 8% to 2%; the pass through on high maintenance or capital improvement cost along with debt service both allowing no more than 50% is reduced to zero.

The government's core inflation excludes fuel and food, as if none of us is affected. It's not like all of us do not see that our living costs will go up over 2% this year. A rental property has all the expenses that you have, except for food. Indeed rentals have advertising, bookkeeping and government regulations to deal with. The property taxes will rise 2%, trash, water and electricity are volatile and the plumber, appliance repair, electrician and landscaper are not dropping their charges. A side note is that California regulations require condominium communities to collect an amount to build reserves to pay for a new roof, paving or decks. Older properties built before 1979 have higher maintenance costs 45% to 50% vs. 30% to 35%. Older properties do not get the same rents as the newer post-1979. The last item "Just Cause Evictions" turns evictions into expensive court battles between a tenant and landlord. .

If an owner cannot afford to meet emergencies, perform normal maintenance, or make improvements to a property, he/she can use their savings, put off improvements, meet only emergencies or sell. If the future is obscure, the owners may sell. If a person buys such an encumbered property, it will be heavily discounted. The new sales price will be considerably less as will the property tax. The City will have engineered a decline in its own income. The property will deteriorate over time; the good tenant will have fled leaving the troublesome one because the court battle will have no tenant witnesses. The present ARO covers eviction for raising rents situation. Then the resale cycle begins again.

David Eisbach Broker/Owner

Amber Realty & Property Management [REDACTED]

Metro Editor:

Jennifer Wadsworth's article "Just Cause" suffers from covering one person's experience. I don't condone slumlord behavior. In the case of mice, bedbugs, roaches or any vermin, the landlord is required to take action by State law (as well as the city civil code). Ms. Galvan could have notified the owner in writing, giving him time to cure the problem, then she could pay for mice eradication and deduct it from the rent. (the same with a stove) If the owner reacts with an eviction, the tenant's defense is called "Retaliatory Eviction," which can be disastrous for the owner. The \$950 rent for a "tiny" apartment doesn't say whether it's a studio, one or two bedroom.. The 8% raise is \$76. Did the owner raise it 8% last year and the one before? If this is a fourplex and mice are involved, it will not be solved in one visit and will extend to all the units. The reporting of 1,549 evictions in five years insinuating that owners won't report so they can raise rents to market, because the city doesn't check is suggesting owners don't follow the law. Using the 1,549 over 5 years is 302 evictions per year divided by the 44,000 units under rent control is .00686. Where does one get average rents of "\$2,856 overall and \$2410 for a one-bedroom?" It certainly isn't Galvan's unit. There are 122,000 rental units, only 44,000 of these built before 1979 are under rent control. Older properties require more maintenance and they do not get the same rents as the newer. When rents are surveyed a research company is used, they get their information from the new multiple units with the easiest access. Owners have offered San Jose Housing actual rents of controlled properties, but the reception was rather tepid. The two main flaws in the argument are the San Jose City Council is asking owners of older rentals properties (39% of the total units) by using the high rents of the 61% non-controlled unit's to support their argument. The frustration in all of this is the fact that the tenants most affected, those tied to \$10 per hour jobs are already priced out of even the most reasonable rents.

This is a societal problem and should be shouldered by society.

David Eisbach

From: [REDACTED]
To: [Grabowski, Ann](#)
Subject: San Jose ARO Preliminary Report
Date: Friday, February 19, 2016 2:04:19 PM

Hi Ann,

I am writing in response to the rent control ordinance that is in discussion.

The rental market is dictated by local economy. At the present, it is not favorable for the renters. However, if there's no wage increases or no new employment opportunities, the current rent would not be able to sustain. As a landlord, I can tell you that there are a lot of unexpected expenses as well. I am experiencing an average 20-40% increase in labor and material cost within the past year. These increases certainly do not reflect on the CPI index nor in the Preliminary Consultant Report.

On the other hand, when the economy is down, I would experience vacancy. I am a small investor. Navigating through the up and down economy post challenges.

I am very concerned at the current proposal. If the city poses stricter rent control, it will be a turn off for the other investors who wants to invest in the city because a lot of the neighbouring cities do not have rent control. Besides, rent control does not solve the problem of rental units shortages nor it will stabilize the rent. Look at San Francisco as an example. Rent control is not helping the city to stabilize the rent nor solve the problem of rental shortages. Another down side of stricter rent control is actually making the owners to raise rent when there's an opportunity for fearing to miss the chance to keep up with the market.

One other concern is the just clause to evict. Since owners do not live in the premises, it takes time to find proof if the tenants are conducting illegal activities. Most of the law obeying tenants would have left by the time the owners found proofs. This will create hardships for the owners and the law enforcement.

Most of the owners take pride in ownership. We want San Jose to thrive. The city should think of ways to attract development and redevelopment. Affordable housing is another great way to create more units. In order to attract new investment, it is crucial to create a business friendly environment. Please consider the implications to San Jose before voting for more rent control.

I greatly appreciate that you are taking the time to consider my opinion.

Sincerely,

Judy Chen

From: [REDACTED]
To: [Grabowski, Ann](#)
Subject: ARO comment
Date: Friday, February 19, 2016 11:31:20 AM

This ordinance pulls the proverbial rug out from a select small group of property owners. It is unfair to consider "owners of old buildings" as members of an "over-privileged" class of people. Burdening them alone is bad policy.

As a member of government, I hope you will recognize the discriminatory nature of this ARO proposal. Would one legislate a maximum investment return on other asset classes as well? It is not my fault that demand for housing in San Jose is growing. The prosperity that the City of San Jose is enjoying overall is a welcome development. Business and public policy together have brought recent growth and success to San Jose. To legislatively exclude a select group of business owners from this prosperity and growth is outrightly unfair.

Why not consider charging employers a "High Wage Tax"? Tax the businesses who are paying high wages, thus enabling renters to "bid-up" apartment prices? It makes just as much sense. The result would drive business out of San Jose, reduce the demand on housing, and rental rates would surely correct.

ARO is the wrong fix for a larger issue. Discrimination is not just.

Best Regards,
Steve Borlik

From: [REDACTED]
To: [Grabowski, Ann](#)
Subject: Oppose the ARO Report
Date: Thursday, February 18, 2016 10:50:11 PM

Dear Ms Grabowski,

In my opinion, rent control especially more strict rent control like the one in San Francisco has failed in a big way to provide an affordable and sustainable rental market for renters. I really hope our city won't repeat this bad and failed policy.

I'm a owner of the two ARO properties in San Jose since 2010. The first two years I didn't increase the rent at all, since I always want my tenants staying there happily. As the pressure to put more strict rent control ordinance grows, I started to increase their rents since two years ago up to the maximum allowance, because I am worried my ability to raise the rent when it's needed might be lost by the coming new limitation. In the future, I believe every owner will be forced to make maximum raise year in and year out. We will enter a vicious cycle instead of virtuous cycle. Everyone will not happy!

That rate increase shown in the report shows that apartment owners are all guided by market force! It shows that the renter groups' cry of 8% per year is not true. The 8% is only a cap that we had never touched! So market adjustment works very well.

Please take your hands off and let the market drive. The human history of the past one hundred years has clearly demonstrated that free capital economy is much more efficient than the so-called central planning economy, which was why I came to this great country twenty five years ago.

Here I plead you do not ruin our great city by introducing this bad policy. Please!!!

Michael

From: [REDACTED]
To: [Grabowski, Ann](#)
Subject: Strongly Against Rental Control
Date: Thursday, February 18, 2016 2:41:34 PM

Dear city housing,

I am very against any RC.

I have full time job, 5 days 8-5pm. My husband and I use our all free times to work on our rental property. We do cleaning, gardening, small fixes, even fixed toilet issue.

We have a rental property because we work hard, save money, didn't enjoy life.

RC policy seems killing us. City considers tenant benefits, why does not consider landlord, because we are not residences, we are not human? we

are enemy? Tenants cry to say they don't have money to pay high rent? why they don't work hard to get money? We work hard and pay tax, provide housing, provide jobs. Now we are treated bad as enemy.

It is so unfair! unfair! unfair!

Sincerely,

Susan

From: [REDACTED]
To: [Grabowski, Ann](#)
Subject: Against RC
Date: Friday, February 12, 2016 10:31:37 AM

Hi

I am writing to you to against RC. RC will make the area unsafe as bad tenant can stay and unmanageable, and RC will make landlord very difficult to manage properties and provide quality services. RC will make the housing and rental market incompatible which means damage to the economy. Please consider our input, we against RC.

Thanks,
Evelyn Chen

From: [REDACTED]
To: [Grabowski, Ann](#)
Subject: San Jose Rent Control
Date: Thursday, February 11, 2016 9:59:52 PM

Dear city housing staff,

I am a owner of property in San Jose. The renters cry of 8% is not true, it is a cap and has been never touched. I have never increased the rent by 8%, 4% only. If tenants don't voluntarily move out, landlords can't increase rent. So, landlords will have a hard time evicting bad tenants under Just Cause Eviction.

Sincerely,
Alex

From: [Chen, Wayne](#)
To: [Grabowski, Ann](#)
Subject: FW: proposed rent control expansion
Date: Wednesday, December 30, 2015 9:58:35 AM

Fyi email directly below for the public record.

From: Marc Boyd [REDACTED]
Sent: Tuesday, December 29, 2015 11:09 PM
To: Chen, Wayne <wayne.chen@sanjoseca.gov>
Subject: proposed rent control expansion

Hi Wayne,

It was nice talking with you yesterday. I appreciated the opportunity to share my families concerns on the proposal to expand the rent control ordinance.

Here are a few thoughts:

- Current average rents should be compared with average rents in 2000; not 2009, when rents were rebounding from The Great Recession. The current average rent for our apartments with rent control (\$1,125.) is only about 10% higher than in 2000.
- The current rent control ordinance is actually working for both sides. An expansion of the current policy to pre-1995 units would be a sensible expansion.
- Penalties for violating the current policy would also be a sensible expansion.
- No-cause evictions are a necessary tool of last resort.
- I'm concerned that significantly lowering rent increases and adding a just-cause ordinance will lead to blighted apartment properties over time.
- I support a \$250 million bond measure for affordable housing, micro housing, and housing the homeless.
- Duplexes are very visible and sparsely located in San Jose, primarily along busier streets, leading into city neighborhoods. If rent control expands to duplexes, owners will have less incentive to maintain them, tenants will be locked-in, and over time will lead to highly visible blighted properties. Duplexes should be in the same category as single-family homes, since they share the same neighborhoods.
- For three decades, up to around 2010, San Jose was either #1 or #2 of the safest big cities in the U.S. It is now #6, down about four places in just 5 years. I feel an expansion of rent control, to include a just-cause ordinance, and lowering rent increases significantly, will unfortunately lead to a continuation of this downward

trend.

Thanks again,
Marc

From: "Chen, Wayne" <wayne.chen@sanjoseca.gov>
To: Marc Boyd [REDACTED]
Sent: Friday, December 11, 2015 4:54 PM
Subject: RE: Correction of statement on comment card submitted on 12/7/2015

Hi Marc- thank you, confirming I have received your email. We will include this in the public correspondence documents.

Thanks,

Wayne

WAYNE CHEN

Acting Division Manager | Policy, Planning & Neighborhood Investment
City of San Jose Department of Housing

200 East Santa Clara Street, 12th Floor | San Jose CA 95113

(p) 408.975.4442 | (f) 408.289.9418

Follow us on twitter @sjcityhousing



From: Marc Boyd [REDACTED]
Sent: Friday, December 11, 2015 4:39 PM
To: Chen, Wayne <wayne.chen@sanjoseca.gov>
Subject: Correction of statement on comment card submitted on 12/7/2015

Hi Wayne,

I just spoke with you on the phone regarding a statement I made on a comment card I submitted at the ARO hearing on 12/7/2015.

My comment stated, "Just-cause evictions are a necessary tool for landlords to keep their tenants safe."

I meant to say, "No-cause evictions are a necessary tool for landlords to keep their tenants safe."

Thank you,

Marc Boyd

From: [Isaac Agam](#)
To: [The Office of Mayor Sam Liccardo](#); [Scally, Katie](#); [Weerakoon, Ru](#); [District1](#); [District2](#); [District3](#); [District4](#); [District5](#); [Oliverio, Pierluigi](#); [District7](#); [Herrera, Rose](#); [District9](#); [District 10](#); [Grabowski, Ann](#)
Cc: [Howard, Josh](#); [Mary Driedger](#); ["Raul Richardson"](#); [Simon Bloch \(simonbloch7@gmail.com\)](#)
Subject: Response to the Draft Recommendations for Modification to the City Apartment Rent Ordinance
Date: Friday, March 18, 2016 1:26:17 AM
Attachments: [Response to the Draft Recommendations for Modifications to the.docx](#)
[FBI 2015 CRIME INDEX, CA CITIES, RANKED.pdf](#)

Dear Mayor and Council Member.

Please find attached a response to the Draft Recommendations for ARO.

Thank you for your attention and cooperation.

Isaac Agam

Landlord

From: [Sheila Kay](#)
To: [City Clerk](#)
Cc: [Grabowski, Ann](#)
Subject: letter to City Council and Mayor RE: Owner/Mgr Response to Proposal for ARO Modification
Date: Thursday, March 31, 2016 5:18:28 PM
Attachments: [personal final final copy to Mayor.pdf](#)

Hi
See attached letter.

S. Kay

March 31, 2016

Honorable Mayor and Council Members;

I was a single parent who works hard, a cancer survivor, am now a senior citizen and property owner/manager of units in San Jose .I pride myself on being fair and sensitive to my tenants needs. I am one of the 99.9% good landlords/managers acknowledged by the Housing Dept. I am proud that I kept up my property, never charged a late charge, never raised rent above to the maximum 8% allowed by ARO when justified, paid for repairs as needed, know the names of all my tenants and always passed all Code Enforcement inspections. :

My tenants call me when needed and I am respectful of their needs for safe habitable housing. When a tenant needed a ride to the Dr or Hospital nor new job and they could not afford a taxi they called me and knew I would help.

When a tenant needed me to testify at a child custody hearing I was present.

When my tenant's cat died they wanted me to be with them at the Vet clinic.

I took my very ill tenant ,who had won the Purple Heart, to the VA hospital in Palo Alto during New Years because that was the right thing to do! He called and I answered his need.

Il visited sick tenants in the hospital because they did not have family member in the area.

I never charged late charges and trusted that they would pay the rent... sometimes I waited two weeks plus!

I rented to a family that other landlords turned down because they were "homeless" and needed someone to give them a chance.

I arranged for a truck to help a tenant move their few possessions into their new apt.

I consider this a "people to people" business.

You might have concluded that I am one of the 99.9% good landlord/managers as acknowledged in the Housing Dept statement. I choose to believe I conduct my business by doing what is right and I treating my tenants fairly. Some may think I do not run a typical bottom line(profit only!) business because I consider my tenants needs as well as my own. Again, this is a people to people business.

I pay my mortgage debts, increase debt to cover pay for the *escalating* expenses including taxes, fees. utilities (water, trash and PGE) and gardening and capital improvements. I am proud that I do right by my tenants I fully expected that my retirement income would be result of my hard work since I have "earned" my income. I do not ask for a hand out .

How can I continue to be a property owner if I have a draconian ARO modification proposal passed that does not cover basic debts and expenses, capital improvement with increased debt to pay for the capital improvements expenses as needed on older buildings (roofs, plumbing, electrical, upgrade to kitchen and bathrooms)from continuing to do the hard work of being a responsible landlord/manager?. Forcing owners to justify their profit in order to pass on capital expenses will deter owners from doing any more than the minimum they need to maintain their units. More red tape and bureaucracy isn't the answer

I fully expected that because I did right by my tenants. I would have the right to continue to “earn” my *minimum retirement* income after doing right. Given my experiences and concerns with the proposal I respectfully request that you ***not approve the Proposed Modification of the ARO*** and allow the 99.9% of the owners/managers to continue to be viable and continue to conduct their people to people business.. The .01% of Bad landlords can be addressed with existing state laws, educational pamphlets (Rights and Responsibilities of Landlords and Tenants), increase budget for Code Enforcement (not this three tiered system that lets the .01% of bad landlords slip through the system) or increasing Housing Dept bureaucracy.

Respectfully submitted,
Sheila Kay, Owner/Manager

From: [Mary Driedger](#)
To: [Grabowski, Ann](#)
Subject: FW: Please veto the proposed changes to the rent ordinance.
Date: Thursday, March 31, 2016 5:18:17 PM
Attachments: [4units rent control +mgt fee.pdf](#)
[policy analysis rent control.docx](#)

Dear Mayor Liccardo and Respectfully all Councilpersons and Staff assistants.

I attended the Neighborhood meeting last night , at the Vineland Library March 30, 2016 where Ms. Morales and her staff went over the proposed changes to the Rent Ordinance.

I am a rental property owner as well as a broker owner of a small company that has represented buyers of rental properties for many years.

I graduated from SJSU with a B.S degree with a concentration in Real Estate.
I became a Broker in 1976. My husband, Gary and I founded Associated Capital Consultants, Inc. in 1981.

My husband and I worked and raised three young children while completing my education and building our security.

I know the feeling of striving to succeed.

My husband and I purchased many small buildings and experienced negative cash flow during the difficult economic years.

We handled the management of many of our client's properties for many years.

We have been to eviction court, we have served three day notices for nonpayment of rent and other violations of the lease terms. We have met the police at various properties when disturbances have taken place.

We have cooperated with many past city programs to provide housing for the unfortunate.

The fact is, many of the people we tried to assist through previous subsidized housing programs could never reach an extended period of stability.

They could not learn and maintain urban living skills.

I have guided clients through many years of struggling with market fluctuations.

In challenging economic years, owners had to offer as much as a month of free rent or other rent concessions and severely drop rental rates to meet market conditions.

This is how the market should work. With no rent control, owners may not choose to raise the rent every consecutive year as they are free to raise rents in the future.

I was part of the listing and selling team that sold a 164 unit apartment complex in late 2014 on Loma Verde Drive in San Jose. I represented the buyers when they purchased this property approximately 11 years prior and I represented the sellers in the sale of this building with an associated agent.

This property was owned by "Mom and Pop" operators who struggled for over 20 years building security for their retirement while providing funds to finance their children's education. They were immigrants. They worked odd jobs to save enough money to buy their first fourplex.

They became citizens. They greatly contributed to society. This family bought and sold small

buildings, over the years and eventually were able to acquire a property of this size. They, like many rental property owners, tolerated over the years, continued retaliation from tenants who either did not pay rent, violated various covenants of their leases or who showed the visible signs of cooperating with drug dealers. They evicted those who did not pay rent or were suspected of gang and or drug dealing to protect their other residents.

I would imagine that some of those evicted would sit in the council chambers and attest to being “evicted with no cause.”

I also recently represented the buyers of an ARO San Jose 75 unit property which closed escrow on 2-24-2016.

The principals of the LLC also are originally from another country. They also became citizens and contribute to society. They are highly educated and work in the technology business.

Property owners like this are a great asset to our community. They are not large corporations but small families who through their own hard work and savings have been able to build security.

Real Estate has always been a way to pursue the American Dream.

In last night’s meeting the question I raised was “What was the purpose of this proposed severe punitive legislature? To help the unfortunate?

The response from the Housing department was quite unclear.

Advocates for rent control have packed the council chambers and passionately stated they could not afford to live in San Jose.

Is this market which brings in millions of dollars of tax revenue being advised to lower the area standards because some individuals in Silicon Valley resent those who have been successful?

Claims of Unfair evictions are totally unsubstantiated.

I questioned Ms. Morales in one of the private meetings for which I was invited to attend, was there any data to substantiate even one such unfair eviction?

Was there any data to support the mysterious assumption that any “bad landlords, even exist?

The puzzle of the purpose of this massive effort to modify the rent ordinance is still not clear.

Ms. Morales failed to provide any such data referring to the favorite phrase: “Tenants fear landlord retaliation.”

Certainly if the housing department was authorized to spend \$185,000 to obtain a biased report to support their goal of creating a giant housing police force, she could have sent her staff to check on “alleged evictions” without cause.

Ms. Morales, has never been required to produce any “facts” for these allegations, any county records for evictions and did not answer those questions in either the private meeting or when I have brought up this question in public meetings.

Where and who are these “ghost” bad landlords?

Only vague stories are suggested.

I have personally sold more apartment buildings than any other Broker with whom you could consult.

The current city code punishes a landlord through code enforcement.

It is quite farfetched to suggest that landlords punish tenants and therefore ALL landlords need to be punished.

-

Debt Service Pass through

Small owners like many you have seen in the meetings, have mortgaged their homes in order to obtain the funds to buy their first fourplex.

The current rent ordinance was carefully designed to allow owners to pass on debt service with specific loan to value limitations.

What logic is now being applied to propose a severe change in the annual allowable rent increases, yet now no allowance for debt service or debt service pass through as part of the cost of operating an apartment complex?

It is extremely rare that any investor buys with all cash.

The controls for the debt service pass through process are already in the proposed ordinance.

Many times owners who have no debt on a property are those who have owned the property for a long period of time.

They tend not to give annual rent increases as their costs of operation are significantly lower.

However, when these owners sell, they want market value.

This causes the new owner to accept a value based upon market rents.

The tenants have enjoyed below market rents for in many cases an extended period of time.

It would be a better law to require annual rent increases so that the residents do not live in an unrealistic world.

-

Code enforcement fallacies

Responsible owners who care for their properties must pay \$100 for each new light or ceiling fan fixture in a tenant's unit.

None of these costs are considered in the illustrious fantasy net income report proposed by the Housing Department.

Why is this not considered and possibly waive for all permit fees and city license fees be frozen, if the proposal is to take away the right to use interest expense in calculating the return on an investment?

The most arrogant and objectionable aspect of the proposed housing changes is that no interest cost may be used in the calculation of their return on their investment.

A question was raised last night, "Do any of those who prepared these proposed changes actually own any rental property?"

Did any of them take risk, phone calls in the middle of the night or on weekends for emergencies of tenant complaints or fears?

That question was not answered. I believe it is because all of the Housing department's statements are based upon guesswork, not facts and certainly not from any educated experience.

One should not be allowed free range to hire an economist to create an extremely biased report promoting rent control and blatantly ignoring volumes of facts and data easily available to point out the proven very negative aspects of rent control.

(See the attached report outlining the very negative results of rent control)

I believe the Director of Housing earns well in excess of a substantial six figure income yet rents a home in San Jose.

The housing director's salary of \$218,508 plus all associated benefits.(\$18,209 per month, per city of San Jose pay plan 3/27/16 states the Housing Director Code 3989).

She additionally can earn as much as \$104 per hour which I assume is for overtime.

It is admirable that a woman has earned this high ranking position.

However as the comment arose last night, "does anyone who proposed these severe changes in the rent ordinance have any clear understanding own rental property or have specific hands on experience of operating and owning rental real estate?"

That question was avoided. I believe because the answer is No.

Ms. Morales could live in her own home or buy a duplex in downtown San Jose, and be able to deduct the interest on her taxes, but she would have to take on the risk of a market fluctuation. However, I do not think she would want a proposal that would reduce the return on her vested pension funds. Certainly not 60% of CPI!

It is appalling how the Housing department has listened to some emotional and perhaps purportedly unfortunate stories of those who perhaps have not worked as hard, made poor personal choices, perhaps were born with some issues that were never overcome, and have written a extremely unnecessary and socialist proposal to punish the entire Real Estate community.

I hear strong resentment and envy in the voices of the tenant advocates. They each have a story but it is not one that resonates with what our country was founded upon and certainly not what Silicon Valley represents.

The landlords, many of whom have rarely never taken a weekend free from responsibility, or a vacation, in order to build their own security, counted upon the laws in place when they purchased or refinanced their properties.

It is very specific in the current rent ordinance what would be allowed in the way of a pass through of debt service.

To now create laws with such restrictive limits will decrease property values and lead to the deterioration of rental properties.

The downtown Los Angeles area, is filled now with many buildings where owners cannot afford to renovate and offer apartments to hardworking and deserving tenants.

The streets have tents and cardboard boxes where the unfortunate and many dangerous people stay.

St. James Park downtown is currently attracting such a collection of individuals.

The working professionals who purchased homes and condominiums and contribute to society can no longer take their children to the park without walking past people whose lives have been destroyed by substance abuse and or mental illness.

A more strict form of Rent control is not going to help any of these people. It will perhaps only fulfill the desire for revenge that I hear from the tenant advocates.

I have two relatives who when they retired, sold their homes and moved to a more affordable area

of the country.

That is common sense.

We cannot and should not force the market to mirror the Los Angeles area, one location cited by the very opinioned economist.

The tragedy of the entire proposal by the Housing department, is that it will do absolutely nothing for the people who cried about their inability to rent a apartment in San Jose.

This proposal is a litany of literally socialist specific punishment for those who have worked hard to build security.

Most tenants find a roommate or roommates if they cannot afford an apartment in our area.

They live here because they have struggled to become educated, earn high salaries and wish to be part of our innovative Silicon Valley

In the comments during this and other meetings it is clearly heard," that housing is a right."

However one must earn the money to have housing.

I believe that Owning rental housing is a right.

The right to buy and use a mortgage to acquire a path to security is a right.

Please urge everyone to protect our rental property owners.

The proposed changes should be vetoed by the council and by the mayor.

Rental property owners should be highly respected not punished.

City officials should not guess at operational questions when they have no experience in that field.

I am attaching a proforma for an example of a four unit acquisition to demonstrate how difficult it is to attain positive cash flow.

Investors take risks on the future.

They certainly not be should not be punished for taking those risks.

Affordable housing should be your priority.

Very Truly Yours,

Mary Driedger, President

Associated Capital Consultants, Inc

1035 N. Fourth Street, San Jose CA 95112

Office: 408.295.4700, Mobile: 209.6422

Fax: 408.295.0128

License#00527876

Email: mdriedger@buysellexchange.com

4-plex SAN JOSE,CA

Financial Analysis

Property Details

# of Units	4
Price	1,200,000
Price/Unit	\$300,000
Square Feet	3,000
Price/SqFt	\$400
Lot Size	6,500
Lot Size	6,500
Down payment	\$ 480,000
Current GRM	16.49
Projected GRM	13.08
Current Cap Rate	2.50
Projected Cap R	3.82

0.40

Rent Roll

#	Type	Rent
1	1br	1300
2	2br	1550
3	2br	1750
4	1br	1400
Rental Income		6000
Laundry Income		65
Monthly Income		6065
Annual Income		72780

Gross Income	# of Units	Est. SF	Present Monthly	Projected Monthly
2br - 1ba	2	800	1550-1750	1995
1br - 1ba	2	700	1300-1400	1795
Laundry Income			65	65
Gross Annual Income			\$ 72,780	\$ 91,740

Expenses	Present Ann.	Proj Ann.
Professional Management 10%	7278	9174
Taxes/Licenses	17678	17678
Insurance	2500	2500
Vacancy 5%	3639	4587
Maintenance 5%	3639	3639
TRASH	2500	2500
WATER	2500	2500
PG&E	1200	1200
LANDSCAPE	600	900
PEST CONTROL	1200	1200
Gross Expenses	42734	45878
% of EGI	0.59	0.50
Expenses per SF	14.24	15.29
Net Income	30,046	45,862

Proposed Financing

Loan Amount	Payment	Rate	Term		
720,000	3,355	0.038	30		
Total	3,355				
	Annual Loan Payments			40,259	40,259
	Estimated Cash Flow			-10,213	5,603

Long Term Analysis	COE	+12mo	+24mo	+36mo
Gross Annual Income	72,780	91,740	93,575	95,446
Gross Annual Expenses	42,734	45,878	46,337	46,800
Net Income	30,046	45,862	47,238	48,646
Loan 1	40,259	40,259	40,259	40,259
Total Loans	40,259	40,259	40,259	40,259
Cash Flow	-10,213	5,603	6,979	8,387
ROI	-0.02	0.01	0.01	0.02
Based on 0.04 increase in income per year				

*THE AMOUNTS AND PERCENTAGES ARE ESTIMATES. THIS INFORMATION IS DEEMED ACCURATE BUT NOT GUARANTEED CORRECT

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Policy Analysis

How Rent Control Drives Out Affordable Housing

by William Tucker

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Executive Summary

Rent control has been in force in a number of major American cities for many decades. The best-known example is New York, which still retains rent controls from the temporary price controls imposed during World War II. But this policy, meant to assist poorer residents, harms far more citizens than it helps, benefits the better-off, and limits the freedom of all citizens.

A look at the classified ads in rent-controlled cities reveals that very few moderately priced rental units are actually available. Most advertised units are priced well above the actual median rent. Yet in cities without controls, moderately priced units are universally available.

In many cities, policymakers understand that controls drive out residents and businesses. Thus many exempt significant portions of housing from controls, creating shadow markets. Yet as controls hold down rents for some units, costs for all other rental housing skyrocket. And tenants in rent-controlled units fear moving to more desirable neighborhoods since the only units available for rent are very high-priced.

But the trend in recent years has been toward removal of rent control. The repeal of controls in Massachusetts, for example, did not lead to the widespread evictions and hardships that some predicted. The lesson for the rest of the

country is that rent control is policy that never was justified and certainly should be scrapped.

The Rush to Rent Control

Rent control has been in force in a number of major American cities for many decades. The best known example is New York, which still retains rent controls from the temporary wartime price controls imposed during World War II.

During the 1970s it appeared that rent control might be the wave of the future. Boston and several of its surrounding suburbs imposed rent control during the inflationary years of 1969 to 1971. President Richard Nixon imposed wage and price controls in 1971 on the entire country, freezing all rents in the process. Many cities retained rent controls, eventually making them permanent, after wage and price controls expired. Washington, D.C., still retains regulations from this period, as do about 125 municipalities in New Jersey, including Newark, Jersey City, and Elizabeth.

During the Proposition 13 anti-tax campaign in 1978, activist Howard Jarvis promised California tenants that their rents would be reduced if the proposed state constitutional amendment lowered property taxes. Yet in the midst of an inflationary period, this reduction failed to materialize, frustrating many tenants. Berkeley and Santa Monica, two smaller cities with radical political cultures, led California in imposing very strict rent control ordinances. Political activists Tom Hayden and Jane Fonda, who lived in Santa Monica, then toured the state urging other cities to follow suit. Ten cities--including San Francisco, Los Angeles, San Jose, West Hollywood, and East Palo Alto--eventually adopted rent regulation, putting more than half the state's tenant population under rent control ordinances. One major California city, San Diego, bucked the trend, rejecting rent control by a 2-to-1 vote in a 1985 referendum.

By the mid-1980s, more than 200 separate municipalities nationwide, encompassing about 20 percent of the nation's population, were living under rent control. However, this proved to be the high tide of the movement. As inflationary pressures eased, the agitation for rent control subsided.

Some cities have remained strangely immune from the rent control temptation. Chicago, with one of the largest proportions of renters of any American city, has never seriously entertained proposals for rent control. Philadelphia, Baltimore, Cleveland, and other eastern cities outside the Boston-New York-

Washington axis have never experimented with this policy. In the major cities of the South and Southwest--Atlanta, New Orleans, Dallas, Houston, Phoenix--rent control is simply not an issue. During the 1980s, a reaction set in among southern, western, and rural states. Some 31 states as diverse as Idaho, Florida, Texas, and Vermont adopted laws and constitutional amendments forbidding rent control.

Once in place, however, rent control usually proves extremely difficult to undo. London and Paris still have rent controls that started as temporary measures during World War I. "Nelson's Third Law," the contention by the late economist Arthur Nelson that the worse a government regulation is, the harder it is to get rid of it, seems to apply here. Whatever distortions a regulation creates, some people will adjust to it and actually profit. These people then become a tightly focused interest group that fights tenaciously to retain the regulation. When this interest group is a tenant population that forms a near-majority of a municipality, the chances that rent control can be abolished through local political efforts are extremely small.

Recent Rollbacks

Nevertheless, rent control is proving vulnerable. On January 1, 1997, Boston, Cambridge, and Brookline became the first major American cities to abandon rent controls since 1950. The process was not altogether voluntary. The initiative came from a statewide campaign organized by Boston and Cambridge property owners, who put up a state ballot initiative banning rent control. The initiative that passed in 1994 required immediate removal of rent controls. Landlords, however, soon agreed to a two-year extension of controls for hardship cases.

The property owners during the referendum argued that the costs of rent control were being borne by other taxpayers. When landlords start losing money because of low rents, they are usually able to get their property assessments lowered. This leads to a general decline in property values in a rent-controlled city and thus less revenue going to governments. In Massachusetts, property tax receipts are shared at the state level through a complicated formula that takes money from cities with high property tax bases and gives money to cities with low bases. The owners of rental units argued that lower rents in Boston, Cambridge, and Brookline were being subsidized by higher property taxes elsewhere. Massachusetts voters found this argument persuasive and passed an initiative phasing out rent control by a 51-49 margin--even though it lost 2-to-1 in the state's three rent-controlled cities.

The aftermath has been encouraging to those who believe that rent control can be abolished without widespread disruption. Tenant activists had predicted huge rent increases, mass evictions, and a surge in the homeless population if the regulations were abandoned. None of this has occurred. Formerly regulated rents have risen, but construction of new apartments has also begun for the first time in 25 years. Since the overwhelming majority of rental units were deregulated by 1995, and the rest by January 1, 1997, the worst is probably over.

To be sure, there have been individual cases of hardship that tend to attract a great deal of media attention. Almost without exception, these incidents involve tenants who have suffered a loss of income but still have been able to afford their apartments because of rent control. In one case, featured prominently in many newspapers, an elderly diabetic who had been unable to work for 10 years was losing his apartment in the Fenway district of Boston because the landlord was tripling the rent. [\[1\]](#) But tenants frequently are forced to move when they suffer loss of income. Rent control only delays the process and its abolition cannot be held responsible for every instance of tenant displacement. Boston property owners have alleviated the situation considerably by setting up a bank of 200 apartments around the city that are immediately available for such emergencies.

Rent control is now under attack in New York as well. In December 1996, State Senate Republican majority leader Joseph Bruno announced that he intended to end "rent control as we know it" in New York City within the next few years. Bruno, a successful Rensselaer County businessman and free market advocate, says he is philosophically opposed to rent control and believes it is doing enormous harm to New York City.

His vow to overturn the system is no idle boast. Under New York State's arcane legislative proceedings, the majority leader wields enormous power, virtually controlling the entire legislative agenda. Because New York's rent control ordinance is still only "temporary," it must be renewed every two years. Bruno has said that if the Democratic Assembly does not agree to a two-to-four-year phase-out, the Senate will simply fail to renew the statute and rent regulations will expire on June 15. Bruno's effort has set off a firestorm among New York City's regulated tenant population.

Shadow Markets

Although the battle over rent control is routinely portrayed as a contest of "tenants-versus-landlords," in fact the situation is far more complex. Even in

New York, which has some of the strictest rent control in the country, only 1.1 million of the city's 1.7 million apartments--about 63 percent--are regulated. This produces a tenant population of about two million individuals, one of the most formidable political constituencies in the city, with a direct interest in retaining rent control. But since New York City has seven million inhabitants, what are the interests of the other five million? And what are the effects of rent control on those among New York State's eighteen million inhabitants who do not live under rent control, or on individuals in other parts of the country who want to move to New York?

It is useful to analyze this issue in terms of the concept of "shadow markets." This concept was developed by Denton Marks in a paper in the *Journal of Urban Economics* in 1984, ^[2] and also suggested by George Horwich and David Leo Weimer that same year in the context of oil price controls. ^[3] Standard supply-and-demand theory predicts that any price controls, including rent controls, will produce an excess of demand over supply--an economic "shortage." There is virtually no disagreement on this premise. In a survey of 75 of the world's outstanding economists, J. R. Kearl and his colleagues found nearly unanimous agreement on the proposition: "A ceiling on rents will reduce the quality and quantity of housing." ^[4] Of 30 propositions presented for review, only one other received the same level of support. Further, a poll by the American Economic Association of its members in 1992 produced a similar result. ^[5]

Yet as Marks pointed out in his 1984 paper, rent control, or any other price control, rarely works in a straightforward fashion. It is virtually impossible for a government to control and regulate the entire supply of a commodity. Once a shortage appears, alternative markets and black markets will arise. The government can react in a variety of ways. Often, it will criminalize these markets and prosecute suppliers in draconian fashion. In Iran, merchants who sell above the government prices have their feet burned with hot irons in the public marketplace.

More often than not, however, governments may tolerate these markets as a way of relieving shortages. In many instances, governments will deliberately leave a portion of the market untouched by regulation in order to serve as a safety valve for excess demand. This unregulated portion of a regulated market becomes the "shadow market."

The question posed by Marks and by Horwich and Weimer is "What happens to prices in this shadow market?" Using standard supply-and-demand theory, they predicted that prices in the unregulated portion of the market will be forced

higher than their normal market value. This is because the limited supply in the shadow market must absorb the shortage, the excess of demand over supply, in the regulated part of the market. Because prices are pushed too low in the regulated sector, they are forced above what would otherwise be the market price in the unregulated sector. The result is that average prices in both sectors are likely to end up about as high as their free-market level. They could end up higher because of maldistributions and diseconomies in the regulated sector of the market.

Few Low-Rent Units with Rent Control

The concept of shadow markets offers a reasonable explanation of why the results of rent controls are so perverse and why they lead to a sense of helplessness and panic in a rent-controlled population. Although rent controls are widely believed to lower rents, data I have collected from eighteen North American cities show that the advertised rents of available apartments in rent-regulated cities are dramatically higher than they are in cities without rent control. In cities without rent control, the available units are almost evenly distributed above and below the census median. In rent-controlled cities most available units are priced well above the median. In other words, inhabitants in cities without rent control have a far easier time finding moderately priced rental units than do inhabitants in rent-controlled cities.

This is because tenants in the regulated sector tend to hoard their apartments, forcing everyone else to shop only in the shadow market. Thus, rent control is the cause of the widely perceived "housing crisis" in rent-controlled cities.

Price Controls and Commodity Shortages

Standard supply-and-demand theory shows that when the government fixes prices, a gap opens up between supply and demand. This is usually illustrated by two opposing curves, representing the "marginal propensity to sell" (supply) and the "marginal propensity to buy" (demand). Consumers, of course, are inclined to buy more as prices fall and less as prices rise. Sellers act in an opposite manner, offering more as prices rise and less as prices fall. At one point--and one point only--the interests of buyers and sellers will intersect. This is the "market-clearing price," the point at which, given current economic circumstances, the desires of both groups are optimized. Prices, of course, do not automatically come to rest at some market-clearing level. A continuing discovery process occurs. Either buyers or sellers may achieve a temporary monopoly due to geography or other circumstances. Lack of information may cause either buyers or sellers to accept a price that is unfavorable to them. But,

lacking government interference, the actions of buyers and sellers always push prices toward a market-clearing level.

The effect of price regulation is to keep supply and demand permanently separated. If the government holds prices above market value, usually in an attempt to appease suppliers, the result is an economic surplus. For instance, since the 1920s the federal government has maintained price supports for many agricultural commodities. The result has been chronic farm surpluses. Price controls, designed to benefit consumers, are much more common. The oil price controls from 1971 to 1981 that resulted in a decade-long "energy crisis" provide insights into the rent control issue.

Oil price controls had led to gas lines and rationing at the pump during two brief episodes in 1973 and 1979. But for the most part, there was no visible shortage and supplies continued uninterrupted for most of the decade. What happened to the shortages that should have been produced by price controls? In retrospect, the answer was simple. As Horwich and Weimer noted, the federal government was able to impose price controls only on domestic sources of supply. This created a shortage of domestic oil. But the country continually filled this gap by importing more oil. Imports constituted only 25 percent of the nation's supply when Nixon imposed price controls in 1971. In two short years, this portion climbed to nearly 33 percent. OPEC countries were emboldened to interrupt supplies briefly in 1973 and then quadruple the price.

Unfortunately, Congress responded in 1976 by "punishing" the oil companies, dramatically reducing the price and extending price controls indefinitely. As a result, imports rose to more than 50 percent by 1979, despite an extensive government publicity campaign against purchasing imported oil. Congress even abetted the process surreptitiously by expanding "oil entitlements," a program that supplied small refineries with subsidized imported crude oil, supposedly to help them compete against the major oil refiners.

By 1979, America's excess demand had stretched world supplies so tight that a small interruption of supplies, caused by the outbreak of the Iran-Iraq War, was enough to set off another "gas shortage." When President Ronald Reagan removed domestic price controls in 1981, the resulting surge of supply was enough to send world oil prices into a free fall. The "energy crisis" vanished almost overnight.

Horwich and Weimer show that the shadow market concept explains these events. Prices of only part of the oil supply, that produced domestically, were controlled. To make up for the resulting shortages, consumers had to turn to

foreign-produced oil. Because of the excess demand, world oil prices rose rapidly. Only when domestic supplies were restored did world oil prices tumble. Over a decade, oil price controls accomplished almost nothing in lowering prices to consumers, but they did cause havoc by creating rapid shifts in the world market.

Shortages and Hoarding

One reason the disadvantages of oil price controls soon became apparent was that the hoarding of this commodity was only partially feasible. Hoarding occurs when consumers buy supplies for future use as well as present consumption. When uncertainty about future supplies becomes general, consumers will begin to stockpile. During the 1979 "gas shortage," for example, entertainer John Denver was reported to be building two 100-gallon gas tanks on his Colorado estate. Ordinary motorists reacted the same way by "topping off" their tanks at gas stations. The U.S. government hoarded oil with the Strategic Petroleum Reserve. Although hoarding may benefit individuals or countries, it also puts upward pressure on prices. When people buy for future use as well as present consumption, supplies will be tighter and prices on the shadow market will be driven even higher. Or, in the case of oil, if rationing-by-waiting is already in effect, gas lines will stretch even longer.

But the ability to hoard depends on the logistics and durability of a product. Oil is consumed only once and must be stored in facilities that are not easily or inexpensively obtainable. During a famine, food can be hoarded, but it must be stored under special conditions to avoid spoilage.

Housing is one of the most durable commodities. A well-constructed building can last more than 100 years; many buildings in Europe are centuries old. Housing can be consumed today and still be consumed 10 or 20 years later. And with government holding prices low through rent control, a tenant who holds a rent-controlled apartment has a strong incentive to stay in it his or her entire life, even passing it on to descendants. Hoarding of housing is not only possible, it can become the natural order of things.

Of course if the laws allow a landlord to charge a higher rent to a new tenant, the landlord may want to evict a low-paying tenant. But this only leads to strong antieviction laws, a staple in all rent-controlled communities that soon makes it difficult or impossible to get rid of even the most destructive or delinquent tenants.

As a commodity, then, rental housing makes an ideal target for conveying certain benefits to a portion of the population. Because of durability of housing, rent control can go on bestowing benefits to the same minority--or even a majority of a municipality--for a very long period of time. It is the individuals who are forced into the shadow market--usually newcomers or people who want to change apartments--who suffer the consequences.

Rent Control and Vacancy Rates

There can be no doubt that rent control creates housing shortages. For almost 20 years, national vacancy rates have been at or above 7 percent--a figure generally considered normal. Cities such as Dallas, Houston, and Phoenix, where development is welcomed, have often had vacancy rates above 15 percent. In these areas of the country, there usually is a surplus of housing rather than a shortage. Landlords commonly advertise "move-in specials," where rent is reduced for the first month or even where they pay moving expenses.

In rent-controlled cities, on the other hand, vacancy rates have been uniformly below normal. New York City has not had a vacancy rate above 5 percent since World War II. (The state's rent control law, supposedly temporary, would automatically expire if it did.) Before giving up rent control, Boston's vacancy rate was below 4 percent. (There are no figures as of yet on the rate since rent control ended.) In rent-controlled San Francisco, the vacancy rate is generally around 2 percent, and in San Jose the rate is 1 percent, the nation's lowest. Meanwhile, comparable nonrent-controlled cities, such as Chicago, Philadelphia, San Diego, and Seattle have normal vacancy rates at or above 7 percent.

Rent-controlled cities absorb these shortages in a variety of ways. Higher rates of homelessness are a manifestation of rent control. ^[6] Another is the traditional difficulty individuals have in finding a new apartment in these cities. An article in *New York* magazine entitled, "Finding an Apartment (Seriously)," recommended such techniques as "joining a church or synagogue" as a useful technique in meeting people who might provide good leads on an apartment. ^[7] Young people who migrate to New York or San Francisco usually must settle for paying \$600 a month to share a two-bedroom apartment with several other people or commuting from a nearby city. Crowding is a manifestation of rent control.

Excluding Outsiders

The exclusion of newcomers may even emerge as the main purpose of rent control, particularly in small, self-identified cities. Many of the small New Jersey municipalities with rent control are close-knit ethnic communities that do not particularly welcome newcomers. One of their major fears is apartment complexes that will bring in large numbers of outsiders and "change the character of the community." Rent control has proved an effective tool for making sure that small, exclusionary-minded communities do not have to undergo change.

Santa Monica is a beach community near Los Angeles that was discovered by urban professionals after the construction of the Santa Monica Freeway in 1972. These newcomers, many originally from New York, immediately set about trying to limit new construction, pulling up the ladder to keep out those that would follow them. In particular, they opposed a series of high-rise apartments proposed for the beachfront. The newcomers soon discovered that imposing rent control not only guaranteed themselves cheap apartments but hampered further development as well.

The result has been a virtually closed community. It is almost impossible for newcomers to find apartments in Santa Monica. As Mark Kann, a Los Angeles newspaper columnist, reported in *Middle Class Radicalism in Santa Monica*, a book that celebrated rent control, "I knew one professional woman who tried to get a Santa Monica apartment for more than a year without success, but she broke into the city, finally, by marrying someone who already had an apartment there." ^[8] The city is also famous for its homeless population and is often called "The Homeless Capital of the West."

Generational Subsidies

Berkeley, California, and Cambridge, Massachusetts, have similar housing markets. Small college communities, they originally adopted rent control with the help of large student-voter populations that felt a town-gown rivalry with their landlords. But like many socialist programs, rent control turned out to be a one-generation wonder. Students who were in place when rent control was adopted often remained in their apartments all through their professional lives. Ken Reeves, the mayor of Cambridge until 1994, who used to advertise his rent-controlled status on his campaign literature, was still living in the apartment he rented as a Harvard law student in 1973. He finally bought a home when rent control was abolished.

In Berkeley, Floyd and Eva Floystrup are a carpenter and his wife, and also landlords, who were once forced to pay \$70,000 to their tenants in "back rent"

because they had refused to register with the rent control board. "We believe in free enterprise," they explained. They noted that their low-paying tenants are all high-salaried professionals who arrived as students in the 1970s. "I always have Berkeley students come up to me on the street and say, `How come I can't find a place to live in this city?'" said Eva Floystrup. "I tell them, `Look, we're still taking care of the Class of 1979. As soon as they leave, we'll have room for you.'" [\[9\]](#)

Studies in both cities showed that rent-controlled apartments have tended to fall into the hands of middle class professionals. A 1994 study of Cambridge by housing consultant Rolfe Goetze showed that rent-controlled apartments were concentrated among highly educated professionals, while the poor, the elderly, and students were generally excluded. [\[10\]](#) Michael St. John, a Berkeley sociologist, found similar results in California. "Rent control has actually accelerated gentrification in Berkeley and Santa Monica," said St. John. "Poor and working class people have been forced out of those communities faster than in surrounding municipalities." [\[11\]](#)

In small cities such as Cambridge, Berkeley, and Santa Monica, the housing shortages created by rent control can be pushed onto neighboring communities. Most Berkeley students now search for housing in Oakland and Richmond, significantly increasing their commuting time.

Shadow-Market Housing

In large metropolises a housing shortage can severely damage the city's economy. Experience shows that when such cities adopt rent control, they usually try to avoid outright housing shortages by leaving segments of the market unregulated. Unsatisfied demand is diverted into this unregulated sector. Because of the shadow-market effect, people in this sector pay higher-than-market prices. Still, they are rarely conscious of the causation. Instead, they simply regard the city as "an expensive place to live" and often become a constituency for extending rent control to their own apartments.

It should be recognized that not all cities enforce rent control with the same enthusiasm. Both the city and county of Los Angeles adopted rent control in 1979, but the county dropped it shortly thereafter. The city government exempted new construction and allowed sizable rent increases. It also adopted a form of vacancy decontrol that allows rents to rise to market value each time a new tenant moves in. A 1990 study by the Rand Corporation found rent control saving tenants only \$8 a month. Since then the city has depopulated and vacancies rose close to 10 percent. "We can't even get the rent the rent board

allows us," said Dan Fellar, director of the Apartment Owners Association of Southern California. As a result, there is little shadow-market effect. Washington, D.C., is also depopulating and its rent control ordinance has little impact. Toronto has regulated all rental housing down to single-family homes since 1979, but allows generous 8 percent annual rent increases. The regulation seems to have only small impact.

New York and San Francisco, on the other hand, enforce two of the strictest sets of rent control ordinances in North America. (In many European countries, regulation has destroyed private rentals to the point that there is little left but public housing.) Both cities allow only small rent increases and neither has vacancy decontrol, although San Francisco will soon be adopting it according to a state law. Neither city is depopulating and both experience a high demand for housing. As a result, both have developed strong shadow markets.

New York City split its housing market at the outset in 1947 by exempting all future construction. Toronto exempted all new construction when controls were adopted in 1979. San Francisco did the same. Thus, while Santa Monica and New Jersey communities used rent control intentionally to prevent new housing construction, these other cities worried that no new housing would ever be built.

Unfortunately, the strategy of exempting new units often backfires. Sooner or later, tenants in the new buildings will realize their position relative to rent-controlled neighbors and seek controls on the rents of their own dwellings. This happened in New York in 1969, when Mayor John Lindsay was forced to adopt "rent stabilization" to cope with the excessive rent in "post-war" housing, that is, housing built after 1947 that was originally exempt from regulation. Lindsay promised that all post-1969 housing would remain outside rent stabilization. But inflationary pressures forced the New York State Legislature to break this pledge within five years with the Emergency Tenant Protection Act of 1974. Since then, builders have learned that, sooner or later, any new housing in New York risks being "recaptured," the term used by city officials, that is, brought under regulations. Consequently, little new rental housing is ever built.

Toronto also repealed a new-construction exemption in 1989 and now "recaptures" all new housing after five years. Thus little is built. And San Francisco continues to exempt new housing, but does so much to discourage construction through zoning and no-growth ordinances that, with a 1 percent vacancy rate, the city still adds only 500 residential units a year.

New housing thus makes up a stable--if somewhat uncertain--segment of the shadow market. Another common sector is smaller buildings, particularly those that are owner-occupied. Cambridge exempted two- and three-unit owner-occupied buildings. San Jose exempts duplexes and single-family homes, but regulates the 10,000 mobile homes in its jurisdiction. Berkeley does not regulate duplex apartments when the owner occupies one unit. San Francisco originally exempted buildings with four units or fewer, but this was overturned in a popular referendum in 1994. Now the city even regulates rented single-family homes. New York's rent stabilization does not apply to buildings with fewer than six units, although the old rent control regulations from 1947 can still govern smaller units.

Finally, rented condominiums and cooperative apartments are commonly exempted--although this is an extremely controversial policy in most rent-controlled cities. The problem is that once apartment houses fall under rent control, many owners will attempt to escape the regulation by selling off the apartments to individual owners. This frustrates rent control officials because it diminishes the supply of rental housing. In New York, condominiums and cooperatives are treated as single units and thus exempted under the smallowner rule. In Washington, however, an apartment building under cooperative or condominium ownership is regulated as multi-family housing, even though it has multiple owners.

Most cities with rent control usually end up adopting strong laws to discourage conversion to condominium and cooperative ownership, in order to close an escape hatch from the regulated market. In 1989, Cambridge adopted a law actually making it illegal for owners of converted condominiums to live in their own apartments. Instead, owners were to be forced to rent out their apartments as rent-controlled units, in order not to "diminish the supply of rental housing." Active enforcement of this law that would evict individuals from their own property was begun in earnest in 1992. The prosecution of these "condo criminals" swelled the ranks of rent-control opponents and played a large role in passage of the statewide referendum that in 1994 ended this regulation.

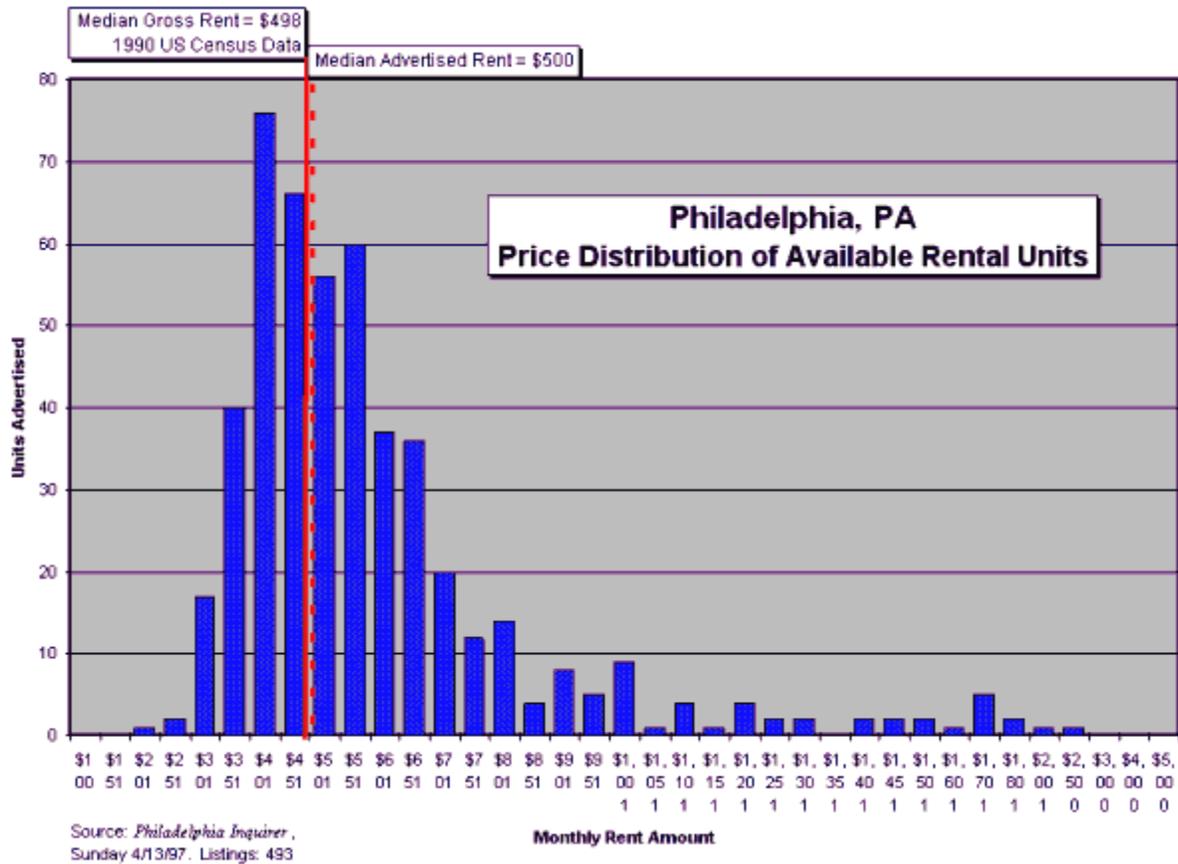
In major cities, then, these three exempted sectors-- new construction, smaller buildings, rented condominiums-- generally form the shadow market. Even in the strictest rent controlled environment, this shadow market may grow to considerable size. In New York, the unregulated sector now makes up 36 percent of the 1.7-million-unit rental market. In San Francisco and San Jose it makes up about half. Only in Berkeley and Santa Monica does the shadow market make up less than 20 percent of all rental housing.

Shortages under Rent Control: The New Evidence

What happens to price and availability of unregulated housing in a rent-controlled market? To determine this, this author collected data on all the available apartments advertised in eighteen major cities around North America. The advertised prices were taken from a single Sunday edition of the largest paper in each city during the month of April 1997. The advertised price of every listed apartment was recorded. (Three newspapers were used for New York.) Rented houses were also included. Some older urban areas--Chicago, Cleveland, New York, Philadelphia--have very few rental houses, while in Sunbelt cities such as Dallas, Houston, Phoenix, and San Diego, they make up a large portion of the rental market. To make sure this regional phenomenon was not distorting the figures, rental houses were omitted in two cities, Atlanta and Phoenix. Six of the surveyed cities have rent control--Los Angeles, New York, San Francisco, San Jose, Toronto, and Washington. In addition, Boston ended rent control in January 1997. The median rent shown on each graph is based on the 1990 U.S. Census. ^[12] (See [Appendix](#) for all graphs.)

The most striking observation is that the graphs of rents in free-market cities follow a standard bell curve. The vast majority of advertised rents cluster around the median, with between 33 percent and 40 percent below the census median. The median advertised rent is rarely more than \$50 above the census median. This may be because the very cheapest apartments are not likely to be advertised in the newspaper and because landlords often raise rents when apartments become vacant. The mode - the number where the graph peaks - usually occurs below both medians. Characteristically, there is a steep climb on the low-rent side of the curve, followed by a long tail toward the "luxury" end of the market.

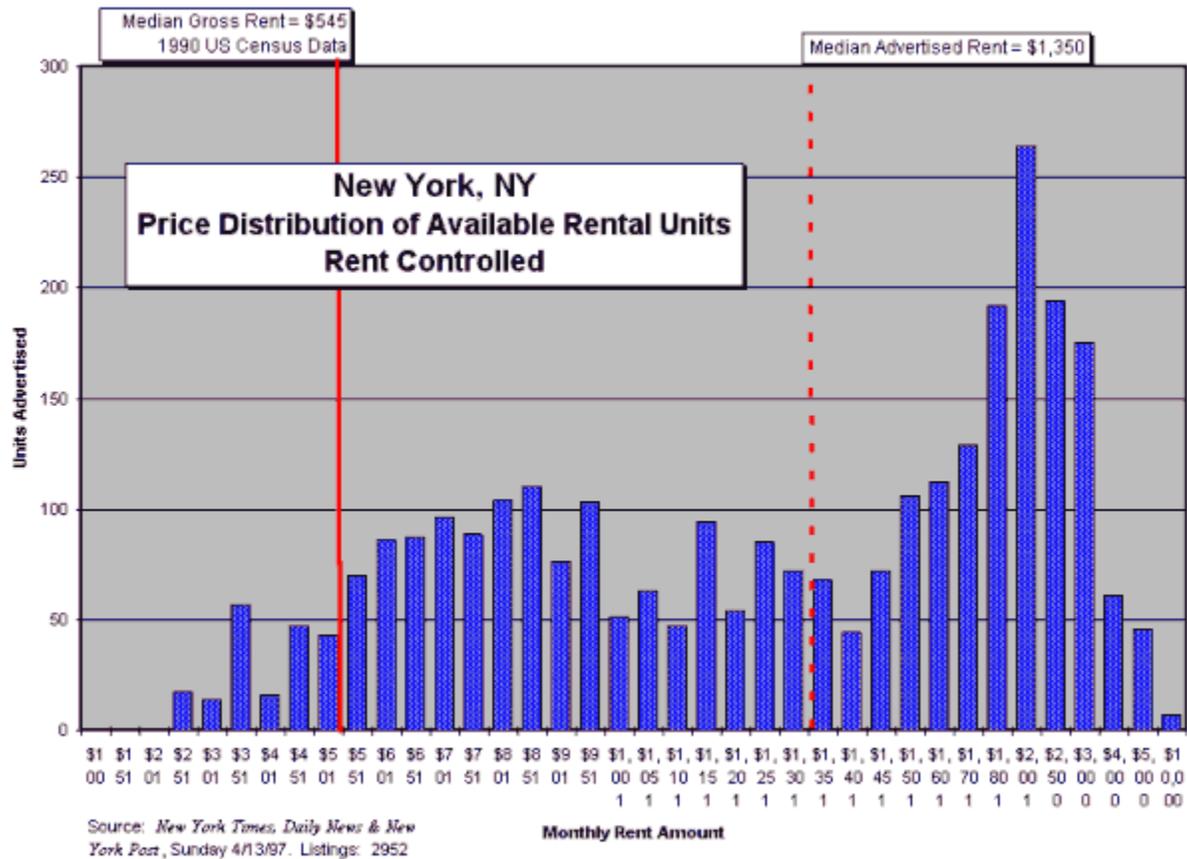
Figure 1



It is also striking how affordable housing is in most free-market cities. In Philadelphia, the nation's fifth largest city, the most common advertised rent, the mode, is between \$450 and \$500--below both the advertised and census medians. (See Figure 1.) In Chicago, the mode was \$500 to \$550, also below both medians. Unregulated cities such as Philadelphia, Chicago, San Diego, Phoenix, and Seattle seem to have almost perfectly competitive housing markets, with housing available at every price level but clustered at the low end.

The two cities with strict rent control are glaring exceptions to this pattern. In both New York (see Figure 2.) and San Francisco, advertised rents peaked at \$2,000--more than triple the U.S. Census median rent for each city. The median advertised rent in New York was \$1,350, in San Francisco, \$1,400--both more than double the census median. More important, there were almost no rental units available at the low end of the market. In both San Francisco and New York, less than 10 percent of advertised rents were below the census median. (The New York figures also included listings from the *Daily News* and the *New York Post*, which are slanted toward the lower end of the market.) Rent control in both these cities appears to make housing spectacularly unaffordable.

Figure 2



San Jose and Boston both show strong symptoms of the rent control disease. San Jose rents peak at \$1,500, with rents pushed more toward the expensive end. Boston shows the usual "median hump," but displays overtones of the rent-control effect at the upper end. Los Angeles, Washington, and Toronto--all of which practice milder forms of rent control than New York and San Francisco--show little or no signs of the rent control effect.

What is going on in these markets? The explanation seems fairly straightforward. Rent control splits the housing market into two sectors, the regulated segment and the shadow market. As prices in the regulated sector are forced lower, prices in the shadow market go higher. At a certain point, the differential between the two markets becomes so stark that tenants in the regulated sector begin hoarding their apartments. They hardly ever move. In New York, 88 percent of tenants living in pre-war, rent-controlled apartments have not moved in more than 25 years.

If they do abandon their apartments, regulated tenants pass them on to friends or relatives, or sell them to strangers through "key money" that reflects their true market value. As a consequence, regulated apartments are essentially withdrawn from the market. In New York, where regulated apartments make up 63 percent of the market, only 85 or 3 percent of the 2,800 listings in the *New York Times*, *Daily News*, and *New York Post*, were identified or identifiable as rent regulated. [\[13\]](#)

With the regulated portion market locked away, all new demand is funneled into the unregulated sector--the shadow market. Eventually the competition for these limited number of apartments creates highly inflated prices. It is like squeezing a balloon at one end--the pressure will simply create a bulge at the other end.

Burdens on Newcomers

One thing that makes rent control more palatable to the majority is that the brunt of these excessive costs is usually borne by newcomers. People moving to New York or San Francisco assume that housing is very expensive. They may get discouraged and leave. New York has lost 200 of its 250 national corporate headquarters over the last 25 years, in part because these companies found housing almost unattainable for transferring employees. If these individuals do stay, it may be several more years before they realize that others living in almost identical apartments are paying only a fraction of their rent. In 1985, for example, a woman wrote this letter to the *New York Daily News*:

I recently moved to New York and I pay almost \$1,200 a month for a nice little apartment on the lower East Side. The landlords have been reasonable and the building is clean. Still, when I found out at a tenants' meeting that 30 of the building's 34 apartments rent for below \$300 and that most of the tenants in those cheap apartments make more money than I do, I was a bit outraged. I understand protecting the old people, but protecting fellow yuppies with bargains?

In Texas, \$400 will rent a two-bedroom apartment with air conditioning, washer/dryer, swimming pool, fireplace, and garage. The vacancy rate is over 10 percent. There are no rent controls and the tenants hold all the cards. And landlords are not a hated breed. [\[14\]](#)

Such voices are usually drowned out in the rent control debate. But they are beginning to be heard. As the current debate heads for its June 15 deadline, the following letter appeared in the *New York Times*:

Where are the voices of all those who do not share the benefits of rent control but who actually suffer from it? For the past seven years my husband and I have been killing ourselves to pay our exorbitant market rent for a small one-bedroom apartment in order to stay in this city. I know too many people who live in rent-controlled apartments who also own country homes. One person (whose apartment we tried to rent at the legal rate) moved to Florida and now rents out his apartment, illegally, at the market price, subsidizing his new life style. If rent decontrol would mean a fairer, less insane market, then it is a just cause. If the housing situation does not improve, it will be the new generation of middle-class New Yorkers who will be forced to leave the city we love. [\[15\]](#)

Can Rent Control Be Abolished?

Rent control makes housing less affordable to anyone seeking housing in a rent-controlled market. Even people who already have a "great deal" under rent control become prisoners of their own apartment. They can never move because it means being thrown into the shadow market, where prices may be three or four times as high for an almost identical apartment. In Europe, where rent control governs even larger sectors of the market, the result has been the continent's famed "labor immobility," where moving a factory across town may mean losing half the work force. This huge differential between the regulated market and the shadow market strikes terror into the hearts of a rent-controlled population and fuels the fires against deregulation. But this fear is based on the illusion that shadow-market prices are actual market prices. Even landlords make the same mistake. They often assume that an end to regulation will enable them to double and triple rents, whereas the overall effect would be far more modest.

The goal in getting rid of rent control should be to allow the curve of housing prices to return to the elegant symmetry of the free market. It is important to deregulate as much of the market as possible at once. That will move the entire curve toward the lower end of the market. If deregulation occurs in small increments, on the other hand, each individual tenant will be forced to make the jump from the low end to the high end, until their accumulated weight moves the curve back. It would be like moving a mountain one grain of sand at a time.

One poor way to deregulate is "vacancy decontrol." This solution, now in effect in California and being proposed as a compromise in New York, simply extends the adjustment period while delaying the benefits of deregulation. Under vacancy decontrol, apartments are deregulated only when the current tenant leaves or dies. But of course tenants in regulated apartments never move,

since leaving an apartment means being thrown into the shadow market. It may take 20 to 50 years before the market resumes its normal shape.

Worse yet, under vacancy decontrol individual landlords have every incentive to evict their regulated tenants since vacancy means deregulation of the apartment. The result will be a daily series of horror stories, with landlords doing everything from hiring thugs to setting fire to their buildings to get rid of low-rent tenants. Meanwhile, because of general uncertainty, builders and renovators will not invest much in new housing. As a result, there is always pressure to repeal vacancy decontrol. New York tried such decontrol in 1972 but repealed it after only two years.

Instead, rent control is best abolished quickly and cleanly, with ample effort to protect the most vulnerable tenants. Massachusetts did it about right. After winning the 1994 referendum, property owners were faced with a series of court challenges that could have delayed implementation indefinitely. At the same time, Governor William Weld had vowed to veto any state legislation to revive rent control in Boston, Cambridge, and Brookline. The result was a compromise. Rent control was lifted immediately in the three cities, but a two-year extension was allowed for tenants qualifying for the federal definition of "lowincome"--less than 60 percent of the median for the region or 80 percent for the elderly and handicapped. In the end, 4 percent of the tenants in Boston and 10 percent in Cambridge and Brookline qualified for this extension. These groups were finally deregulated on January 1997.

Such a program could work in New York and San Francisco, perhaps with a slightly longer time scale. A three-to-five-year phase-out would seem reasonable. The effort could be helped enormously if builders and developers would pledge publicly to step up housing construction during the interim. Unfortunately, landlords and developers in both cities have become such pariahs that they rarely speak openly or work in concert. Boston landlords helped their cause enormously by setting up the reserve bank of 200 apartments for emergency relocations. Yet owners' groups in New York and San Francisco have done nothing comparable. Such an effort would go a long way toward allaying fears about deregulation.

The Morality of the Market

Human morality is based on the premise that virtuous behavior should be rewarded while harmful behavior ought to be punished. Where the rewards of the marketplace are concerned, it can truly be said that cities and nations get what they deserve.

Price controls are built around the concept that one particular group, the providers of some essential good or service, is a nefarious clique that must be wrestled into submission by the government. Oil company executives were the villains of the "energy crisis," and Congress portrayed itself as a gallant knight riding to the rescue of a distressed public. In fact, all that was at stake was the public's ability to tolerate the price increases associated with shifts in energy resources.

Rent control works the same way. Providing housing is perceived by some as an illegitimate enterprise. "Greedy landlords" become public enemies in rent-controlled cities and the entire political apparatus is geared up to subdue them. (The political party that has governed Santa Monica for the last 20 years is called "Santa Monica Renters' Rights.") The hate campaign against landlords feeds on itself, becoming a self-fulfilling prophecy, since owners in the shadow market can charge exorbitant prices, while owners in the regulated sector do best by making life uncomfortable for their low-rent tenants. Yet all that is really at stake is public willingness to accept the idea that some people make their living by providing housing.

Rent control is a disease of the mind that soon becomes a disease of the market. Those cities that resist infection --merely by having a healthy tolerance for the rights of others--are rewarded with a normal competitive housing market in which housing is available at every price level. Those cities that succumb to the disease of rent control are doomed to never-ending, house-to-house warfare over an everdiminishing supply of unaffordable housing. Public policy creates its own rewards.

*Appendix:
Price Distribution of Available Rental Units for Various Cities*

<u>Atlanta, GA</u>	<u>Boston, MA</u>	<u>Chicago, IL</u>	Cleveland, OH	<u>Dallas, TX</u>	Denver, CO
<u>Houston, TX</u>	<u>Los Angeles, CA</u>	<u>Miami, FL</u>	<u>New York, NY</u>	<u>Philadelphia, PA</u>	<u>San Diego, CA</u>
<u>San Jose, CA</u>	<u>Phoenix, AZ</u>	<u>San Francisco, CA</u>	<u>Seattle, WA</u>	<u>Toronto, Ontario</u>	<u>Washington, DC</u>
<u>All Graphs</u> (not recommended for slower connections)					

From: [Haase, Maria](#)
To: [Morales-Ferrand, Jacky](#); [Chen, Wayne](#); [Grabowski, Ann](#)
Subject: Fwd: Comments on ARO recommendations
Date: Friday, April 01, 2016 6:31:37 AM

Sent from my iPhone

Begin forwarded message:

From: Marc Boyd [REDACTED]
Date: March 31, 2016 at 11:25:40 PM PDT
To: Director of Housing Jacky Morales-Ferrand <maria.haase@sanjoseca.gov>
Subject: Comments on ARO recommendations
Reply-To: Marc Boyd [REDACTED]

Dear San Jose Housing Department,

I have been following the discussion to expand the city of San Jose's ARO since the memorandum to the rules committee on May 6, 2015 with the subject:
"Expanding tenant protections and affordable housing options in San Jose."

My family owns 22 rent-control apartments in San Jose. Our first apartment building was purchased by my grandparents in 1940. After careful consideration of the recommendations, I am opposed to any changes to the current policy for the following reasons.

According to one national survey, over 90% of economists believe rent control ordinances actually decrease the quantity and quality of apartments in a municipality. In San Francisco, it was reported by one elected official that 31,000 units are being left vacant by apartment owners.

San Jose, has been the exception to the apartment stock reduction (effect) because the original 1979 policy was fair to both sides and it was successfully modified in 2004.

In the June 5, 2015 memorandum to the city council from Jacky Morales-Ferrand under "key issues for consideration" it was mentioned that "apartments built and occupied between September 7, 1979 and February 1, 1995" may also be included.

I've commented (previously) that it would be a reasonable expansion of the current rent-control ordinance to include apartments occupied prior to 1995 and

to cap rent increases at 6%. An increase of 150% of the CPI-U, capped at 8%, and a floor of 3%, would be acceptable.

Therefore I am disappointed that pre-1995 units are not included, and I'm also disappointed that there is no mention in the draft proposal of why those units have not been included.

It was mentioned by staff at a committee meeting that there has been less than one complaint a day (average) reported to the housing department by tenants of existing rent-control units.

The preliminary report stated that 76% of ARO (building) owners are located in Santa Clara County and only 5% are located out-of-state.

The preliminary report also stated that median rents have increased 21% since 1990, which is less than 1% per year.

It was mentioned in the draft proposal that only 15 apartment owners have petitioned to use the debt service pass-through.

It was also mentioned that up to 30 new staff members will be needed to enforce the expanded ARO.

In conclusion, I cannot support these recommendations to expand the ARO because:

- it failed to recommend the inclusion of units occupied prior to 1995
- the current policy has kept the peace between tenants and landlords for over three decades
- the financial expenditures needed are unjustified (and could be put to better use to address the shortage of police officers in San Jose)

Therefore, since it is an unjustified use of scarce financial resources for the city council to adopt these recommendations, I respectfully recommend that the current ARO remain unchanged.

The city council should focus its efforts to address the affordable housing shortage by placing a bond measure before voters. The adoption of these recommendations will be harmful to the balanced approach the city of San Jose has maintained for landlords and tenants for over 35 years.

I thank the staff and the committee for the work that has gone into this proposal and I appreciate the many opportunities I've had to voice my concerns.

Sincerely,

Marc Boyd

Property Assistant

Boyd Properties

From: [Isaac Agam](#)
To: [The Office of Mayor Sam Liccardo](#); [Scally, Katie](#); [Weerakoon, Ru](#); [District1](#); [District2](#); [District3](#); [District4](#); [District5](#); [Oliverio, Pierluigi](#); [District7](#); [Herrera, Rose](#); [District9](#); [District 10](#); [Grabowski, Ann](#)
Subject: RE: Strict Rent Control Will Harm the City Rather than Help It.
Date: Monday, April 04, 2016 1:08:04 AM

As a Housing Provider in San Jose, I would like to voice my opposition to the recommendations by the City Housing Department on changes to the Apartment Rent Ordinance (ARO). As a responsible housing provider, I feel that the recommendations put forth not only will not help in providing additional affordable housing as explained below, it will actually cause damage to the City, hurt the tenants, and increase crime rate in San Jose as is evidence by the FBI 2015 Crime Index Report in California.

There are only 7 municipalities out of 466 in California that implemented strict rent control. That's only 1.5% of all CA municipalities. Out of those 7 municipalities, 5 is at the 93% highest crime index in California and, one at the 90.6% percentile and one at the 81.5%.

In other words, those municipalities that implemented strict rent control are positioned at the HIGHEST crime index in California.

The Housing Department failed to research the effect of rent control on the City as mandated by the City because never researched the 98.5% municipalities that do not implement rent control. They simply ignored the vast majority of cities in CA. If they researched it as they should, they would realize two things:

- 1 – Strict rent control brings crime, crowdedness, gangs, and deteriorating neighborhood.
- 2 – At the same time, in the cities that implement strict rent control it is very difficult to rental housing at a reasonable rent. Try to get an apartment in San Francisco and Berkeley. They have very strict rent control. Yet it doesn't help renters. This sounds like an anomaly, but if the Housing Department would have looked at it in depth and objectively, they could have easily found the reasons for it. But they didn't.

I appreciate the hard work the City tried to research the effects of strict rent control on the City and its housing. However, in reality that task was given to people with predisposition toward strengthening rent control rather than studying its effectiveness. This was evident from their consultant, who has a history of bias for rent control, and from their completely ignoring any data and information that was provided to them by landlords, property managers, realtors, and representative from San Francisco that spoke at length to the Committee. None of their wise advices made it to the Recommendations. That bias resulted in a series of recommendations that are absolutely contradicting the good of San Jose, because they will do nothing to increase the supply of affordable housing, rather it:

- Fails to address the rising cost of housing. Housing prices and rent are going up because income in the area is going up and because buyers and tenants can afford to buy or rent at that level. There is no monopoly in the housing market. It is the buyers and tenants that determine the rent and the price. Not landlords or home owners.
- Causes the further deterioration of the older housing stock that is subject to the ARO;
- Causes greater expenses to the City with direct cost of rent control.
- Causes greater expenses to the City with hidden cost associated with strict rent control such

as crime prevention, welfare, and police activities.

- Expands the bureaucracy of the Housing Department by up to 30 additional staff and expanding its budget, potentially diverting resources that can be applied to other severely understaffed departments; I believe that we all agree that bureaucracy should be limited and city budget remain in check in order to create a successful and prosperous city for the benefit of all its citizens.
- Hurts the owners of apartments that rely on the rental income for their retirement, children's college education, or to pay for their medical needs. The Owners help developing the city and improved its neighborhood by investing their hard earned money in it. They should not be singled out to carry the entire "solution" to "unaffordable" rent, to the extent that it exists. It has actually never quantified by the Housing Department.
- It will discourage people from buying homes. Home ownership is a prime contributor to the quality of the communities.

Addressing housing affordability by layering on additional burdens to housing providers is the wrong path to take. The cost of rent is directly impacted by demand, not by landlords. Instead, the focus by the Council should be towards policies and incentives that spur the growth of housing not inhibit it by scaring investors from investing in San Jose housing. I would encourage the Council to explore opportunities to expand the availability of housing because supply is the only fair way of addressing affordability.

Sincerely,

Isaac Agam – Apartments owner.

[REDACTED]

From: [Isaac Agam](#)
To: [The Office of Mayor Sam Liccardo](#); [Scally, Katie](#); [Weerakoon, Ru](#); [District1](#); [District2](#); [District3](#); [District4](#); [District5](#); [Oliverio, Pierluigi](#); [District7](#); [Herrera, Rose](#); [District9](#); [District 10](#); [Grabowski, Ann](#)
Subject: RE: My Story as an Owner
Date: Monday, April 04, 2016 1:51:52 AM

Dear Mayor and Councilmembers.

Please find attached a short chain of events that allowed me to become a renal owner through hard work and taking risks.

I hope that it will help you understand the position of the Owners in San Jose.

Thank you very much for your attention,

Isaac Agam

Owner



April 3, 2016

The Mayor and Councilmembers
City of San Jose
200 E. Santa Clara St.
San Jose, CA 95113

Dear Sir/Madam

Following the Housing Department's efforts to change the rental business in San Jose and effectively make it worse for tenants and apartment owners alike, I thought that my own story as to how I became an apartment's owner might shed some light on the issue.

I was born in Israel in 1946. I am 70 years old now. At that time, Israel was a very poor country. My parents lived in tents and wooden shacks.

As I grew up, the conditions improved. Yet the first time I tasted ice-cream was at age 8 and butter was at age 13. I don't complain. I didn't even know that we were "poor". This was life.

But getting to where I am now, after 70 years, with ownership of some rental properties so I can provide for myself and don't become a burden to the Country or the State didn't come easy. It involved many years of hard work, starting with nothing as an immigrant and slowly building up my retirement by owning rental properties in the most honest and fair way.

In 1973 I suffered severe injuries to my back and limbs and still suffer from chronic back pain and headaches as a result of it. Again, I didn't complain. I tried to make the best I can in my conditions.

I got married and have three children.

In 1982 I moved with my family of a wife and 3 children ages 5, 2, and 2 months to the Boston area without any money except what I earned at my work.

We couldn't afford living near my work so I traveled 2-2.5 hours to work, depending on the depth of the snow.

4 years later, in 1986, we bought our first home. It was a 2 bedroom condominium with a den in poor conditions for a family of 5. That's all that we could afford. I liquidated all my IRA to have a 10% down payment and spent many hours on weekends to improve the condominium before we could move in. Again, I didn't complain. While all my colleagues lived in beautiful homes, that was what we could afford and I accepted it.

It so happened that in the middle of that year, 1986, just a few months after we bought the condominium, I was laid off. Somehow we survived for a few months with no job until I found a position in the Bay Area.

With a loan from my employer we bought a 3 bedroom townhome in Foster City with 100% finance. It was 1-1.5 hours drive from San Jose where I worked, but that's what we could afford. Again I spent many weekends improving the townhome and the following year we finally sold it and bought a 4 bedroom townhome in the same neighborhood. It was at that time that I realized that real estate could be a reasonable way to retire.

I looked at the 401K and IRA plans and the Social Security payments and realized that it will never serve the needs of a retired person. So I started to invest in real estate at the same time that I worked a full time job and help raising our three children. It was not easy. Looking back, I realize that I worked about 16 hours a day to provide for my family and make some progress in real estate investments.

Yet I made sure that I spent quality time with my children at home and outdoors.

Since we didn't have capital for real estate investments, we bought old properties and improved them with much sweat equity in order to create the capital for more real estate, taking risks of market changes and recessions each time. After a while, we managed to keep one property as rentals, with a negative cash flow at the time of the purchase.

In 1989 I resigned from my company and started a mortgage brokerage business. Starting a business is not easy, but with a combination of luck, wisdom, and risk taking I managed to provide for my family and at the same time continue to slowly develop our small RE portfolio.

In 1994 we took advantage of the 1994 recession and bought an old house without selling our townhome in Foster City. We then had two rental properties. Many of our friends explained us that we are "crazy" because properties only came down in the previous 4 years. But by that time I knew how to look at the real estate and economic cycles and understood that properties indeed come down by a 3-10% percent during recessions, by then they go up by 10%-20% per year during recoveries. So the "trick" was to survive the recessions. It was not easy financially and emotionally. Again we remodeled the home that we bought with much of the work done by me. We took loans for the remodel. By that time, our first child went to UCLA so we needed to carry additional financial load. With loans and our son's own jobs during college, we managed to pay for his college. He graduated in 1998.

However, in 1997, our second child went to UC Santa Barbara and again we needed to stretch our financials. At that time we had to take a pause from real estate investments. Our daughter, just like our son, found jobs in Santa Barbara and helped paying for her college education.

In 2000 I got divorced. The financial stress no doubt played a role in it. As in most divorce cases, I was left with only my own home with zero equity, no cash money, and paying spousal support. Both my divorce attorney and my forensic accountant suggested that I file for bankruptcy. But I didn't.

Instead, at age 54 I started my life again. Except that this time with more experience.

In that year, my third child went to UC Santa Barbara. I shared the payments for her education but like all my other kids, she found work and helped with her college expenses.

I embarked again on buying old properties, improving and sell them with a profit and this way raised capital for my following moves. After each sale, I tried to buy two properties. One to keep as a rental and one to develop. This again essentially required two full time jobs. My mortgage business and the RE properties. But it slowly worked out. Through hard work and wise investments, I managed to accumulate a rental portfolio, despite two recessions, one of whom almost a depression. By year 2015, at age 69 and after 15 years of hard work after the divorce, my rental income was sufficient for my living expenses.

But I made two potentially major mistakes which I could not foresee.

I listened to the San Jose City leadership in 2005 when it took investors on tour busses to encourage us to invest in certain areas of San Jose, most notably Down Town and the San Carlos corridor, arguing that these areas "need a lift" and that San Jose is a pro-business and pro-development city and that our return on the investment will come by improving those areas and thanks to that, would be able to get higher rent.

In 2005 I indeed bought a rundown 20 unit apartment building near the San Carlos Corridor on Chiechi Ave. I invested in it about \$695,000 in improvements over 10 years. This included A/C for each unit, double pane windows, separate water heaters, more washers & dryers, remodeled kitchens and baths, new paint inside and out, additional parking, new entry doors for each unit for better security, new landscaping, and more. The risk paid off. Other Owners in the area improved their properties in order to stay competitive, the area was cleaned up from drugs, prostitution, and crime, and rent went up.

The 8% rent control was in the way, but with that kind of limitation, I could manage and have a reasonable return on my investments.

Thanks to the improvements and the improved neighborhood, vacancy was low and tenants were happy to pay the higher rent for the better conditions of their apartments.

Most of the tenants are “cleaning ladies”, minimum wage earners, and hardworking Hispanics. It’s a pleasure to see them starting with low income and slowly buy better cars and then trucks and then start their own businesses. It’s a pleasure to see their kids come back from school every afternoon with their backpacks and go right to their air conditioned apartments to do homework and only then allowed to go out to play. The rent is still below market rent because of the 8% rent control but hopefully within 2-3 years the rent will reach market rent, despite a slowdown in rent since the end of 2015.

In 2014, I made another possibly mistake. Seeing the success of the first apartment building in San Jose, how it improved the neighborhood and the enjoyment of the tenants, I bought another 25 units apartment building in Down Town San Jose. Again it was a rundown property at the edge of the “bed area” of San Jose on S. 9th St. I didn’t know anything about the up and coming assault by the Housing Department on those that invested large amounts of their own money to develop San Jose, took risks and contributed so much to the City improvements.

I invested more than \$200,000 in that property by installing A/C in each room, double pane windows, security cameras, electric parking gate, major improvements to the kitchens, baths, and floors. I also renewed the rundown landscaping to give the property a better curb appeal. Indeed vacancy went down and rent went up within the 8% limit. Rent level is still lower than the market rent, but it is slowly improving.

This is my story. A story of 33 years of hard work of 16 hours a day and at the same time raising a family and sending them all to college.

All of that, with permanent pain killers and other means to mitigate my chronic back pain and headaches.

Now at age 70, after a major heart attack and cancer, I face a complete destruction of my financials by the Housing Department.

I wish to all the young people at the Special Tenants Interest Groups a great prosperity. But on their own and with their own money. Not of others. If they wish, it is possible.

It is beyond comprehension that the Department of Housing in San Jose decided to confiscate my money and destroy my many years of hard work and my retirement funds with a plan that only 1.5% of California cities practice, all of whom have very high crime rate and most of them high homelessness.

In addition, the Department did not provide any evidence that stricter rent control would bring “safer and healthier” conditions to the City of San Jose now improve the housing market. The Owners showed that it is clearly the opposite. Furthermore, the Department, in their Reports, completely ignored the data and good advice by apartments owners. The Department is utterly biased and therefore do not reflect the information that was provided to it.

What an audacity.

Sincerely,

Isaac Agam

A proud owner of 45 units Apartments in San Jose

From: [Jim Chien](#)
To: [The Office of Mayor Sam Liccardo](#); [Jones, Chappie](#); [Kalra, Ash](#); [Perez, Raul](#); [Nguyen, Manh](#); [Carrasco, Magdalena](#); [Oliverio, Pierluigi](#); [Nguyen, Tam](#); [Herrera, Rose](#); [Rocha, Donald](#); [City Clerk](#)
Cc: [Grabowski, Ann](#)
Subject: More rent-controlled buildings are being demolished to make way for pricier housing
Date: Sunday, April 03, 2016 12:09:30 AM

RE: I am strongly oppose Jacky's proposal to limit San Jose ARO apartment increase to CPI.

<http://www.latimes.com/local/california/la-me-apartments-demolished-20160402-story.html>

Dear honorable mayor and councilman:

Please click the above new headline today. more than 1000 rent controlled apartment lost just last year alone! in it's place newer apartment which is out of RC. This is what is happening in LA, but if Jacky's proposal is giving the light of the day, it will happen in San Jose!

- CPI is bare living essential, it does not reflect business cost.
- utility, insurance, material, contractor all go up each year, much more than CPI.
- I am sure your wage goes up more than CPI
- ARO only represent 1/3 of the apartment supply. These are older apartments owned mostly my mom and pop small operators, these apartment are already rent for much lower than average.
- If the rent increase is freezed at CPI, I know I will not be able to keep up my 4-plex would be glab to sell to a developer like the story above suggest.
-

Rent Control does not add any affordable housing, The housing department's own report shows that the ARO apartment rent went from \$628 to \$1388 in the last 25 years, which is less than 5% a year. The sensational headline of greedy landlord raising rent many hundreds dollars a year are all from newer apartment build after 1979. The ARO owner had nothing to do with it.
Why punish the 100% of the ARO owners for something that they did not do?

I feel like that Jacky is on a power grab, so that she can be this director of the 5 million a year huge housing department, on the back of the mom and pop home owners. While at the same time, this big burden on the city, on the little property owners, does not help the people it indented to help one bit.

The current ARO is working. Maybe strength it, but please not to turn it upside down!

Yours
Jim Chien

From: [Haase, Maria](#)
To: [Morales-Ferrand, Jacky](#); [Chen, Wayne](#); [Grabowski, Ann](#)
Subject: Fwd: Modified Just-Cause Eviction and No-Cause Eviction Can Co-Exist to Form A Better Rent Control Law
Date: Saturday, April 02, 2016 12:12:54 PM

Sent from my iPhone

Begin forwarded message:

From: Charles Shao [REDACTED]
Date: April 2, 2016 at 11:57:49 AM PDT
To: "district1@sanjoseca.gov" <district1@sanjoseca.gov>,
"district2@sanjoseca.gov" <district2@sanjoseca.gov>,
"district3@sanjoseca.gov" <district3@sanjoseca.gov>,
"district4@sanjoseca.gov" <district4@sanjoseca.gov>,
"district5@sanjoseca.gov" <district5@sanjoseca.gov>,
"district5@sanjoseca.gov" <district5@sanjoseca.gov>,
"district7@sanjoseca.gov" <district7@sanjoseca.gov>,
"district9@sanjoseca.gov" <district9@sanjoseca.gov>,
"district10@sanjoseca.gov" <district10@sanjoseca.gov>,
"rose.herrera@sanjoseca.gov" <rose.herrera@sanjoseca.gov>
Cc: "ann.grabowski@sanjoseca.gov" <ann.grabowski@sanjoseca.gov>, Ramo
Pinjic <ramo.pinjic@sanjoseca.gov>, Director of Housing Jacky Morales-
Ferrand <maria.haase@sanjoseca.gov>, "mayoremail@sanjoseca.gov"
<mayoremail@sanjoseca.gov>
Subject: Modified Just-Cause Eviction and No-Cause Eviction Can Co-Exist
to Form A Better Rent Control Law
Reply-To: Charles Shao <charles.shao@sbcglobal.net>

Dear Honorable City Council Member,

Modified Just-Cause Eviction and No-Cause Eviction Can Co-Exist

Just Cause Eviction (JCE) and No Cause Eviction (NCE) are serving different purposes. JCE tends to protect tenants from bad, abusing landlords and NCE is designed to protect landlords from bad, trouble-making tenants. They both have good intention, but they both also have serious flaws if applied independently. Our current debate seems focus only on keeping one or the other. We treat them as if they are mutually exclusive but they don't have to and should not. With some

modifications and taking a balanced approach, they can exist side-by-side to protect both tenants and landlords.

Here is how.

The worries on applying JCE alone is that the landlords lose control of his property and the bad tenants can cause troubles not just to the landlords but also to other tenants as well as the whole neighborhood. If we only have JCE and leave the burden of proof to the landlords then the above negative impacts can not be mitigated. A modified NCE can help balance this deficiency.

On the other hand, the worries on applying NCE alone is that the landlords may abuse this power to gain financial advantages by evicting good tenants – causing financial distress to the tenants. A modified NCE can help balance this issue by raising the stakes for applying the NCE. As I mentioned in my earlier email, the landlords usually suffer substantial financial loss because of prolonged vacancy during tenant change as well as paying fix-up cost. Even under the current law, the incentive for a landlord to evict a good tenant for financial gain is not very high. If we increase the stakes to the landlords for applying the NCE - such as no rent increase is allowed for two years after NCE is executed, this can greatly mitigate the deficiency of the NCE. There are many other possible ways to increase this stake. The newly proposed registry/database can be used to enforce this rule. Essentially, this is a deterrent to the greedy landlords from abusing the NCE but, in the mean time, it serves to check the bad tenants and protect the neighborhood.

This may be the way we can retain the advantages of both JCE and NCE, and mitigate their negative impacts. There are other “windfall profits” from this

approach besides preventing the neighborhood from deteriorating, building a better community by improving landlord-tenant relationship, since it can also reduce litigation and administrative cost to the housing department.

No law is perfect but we can make it better.

Sincerely,

Charles Shao

From: [Roger Pennington](#)
To: ["Roger Pennington"](#)
Subject: CPI is a manipulated number
Date: Saturday, April 02, 2016 1:51:34 PM

Someone at District 3 meeting brought up a good point, that CPI is based on expenses not related to housing providers costs like plumbing, electrical and construction labor and financing costs.

So I looked at What is included in CPI?

Rent for one so rent needs to be open to fair market value to reflect the true costs being passed down, our costs are labor related, PG&E water, garbage, utilities, appliances, taxes, property taxes, insurance, our costs vary and are not fixed to CPI so our costs to stay in business are superior to tenants ability to pay, we must survive by finding people who can and will pay what we need to stay in business,

New construction doesn't want to be the most expensive but it is, it has to acquire land and build and permit and whatever their cost is put it into the rent and if nobody pays they stop building new but they are buying/renting and so newer buildings are being built.

In the time of the gold rush the costs of goods and rents to the miners soared, rightfully so because some chose to provide them rather than pan for gold themselves and they were here too, they were likely here first and enjoying the peace and quiet before all the traffic came and almost made them have to move but they charged and in a way were compensating themselves for their trouble and when the gold was all gone, it was the high prices that sent those living in the streets and rivers back to where they came from or caused them to build homes and new businesses for themselves rather than depend on the government to provide anything other than a chance for happiness.

What goods and services does the CPI cover?

The CPI represents all goods and services purchased for consumption by the reference population (U or W) BLS has classified all expenditure items into more than 200 categories, arranged into eight major groups. Major groups and examples of categories in each are as follows:

- FOOD AND BEVERAGES (breakfast cereal, milk, coffee, chicken, wine, full service meals, snacks)
- **HOUSING (rent of primary residence, owners' equivalent rent, fuel oil, bedroom furniture)**
- APPAREL (men's shirts and sweaters, women's dresses, jewelry)
- TRANSPORTATION (new vehicles, airline fares, gasoline, motor vehicle insurance)
- MEDICAL CARE (prescription drugs and medical supplies, physicians' services, eyeglasses and eye care, hospital services)
- RECREATION (televisions, toys, pets and pet products, sports equipment, admissions);
- EDUCATION AND COMMUNICATION (college tuition, postage, telephone services, computer software and accessories);
- OTHER GOODS AND SERVICES (tobacco and smoking products, haircuts and other personal services, funeral expenses).

CPI is a manipulated number, not relevant to volatile and sweeping costs associated with providing rental housing, instead housing costs are a component which makes up a significant part of CPI and to use CPI to affect housing increases would create a circular reference error in any spreadsheet.

CPI rates have dropped significantly while anyone who knows anything knows that property values

have increased lately as opposed to when the renters were once home owners and walking away from their mortgages to become renters, they had their chance to be owners and should have held on for the comeback instead of making the banks fail and tax payers pick up the tab, inflation is the result but it's already corrected itself and no problems that rent control can improve upon for San Josean's.

From: [Steve Borlik](#)
To: [Herrera, Rose](#); [Grabowski, Ann](#); [Haase, Maria](#); [District1](#); [District2](#); [District3](#); [District4](#); [District5](#); [District7](#); [District9](#); [District 10](#); [Liccardo, Sam](#); [Oliverio, Pierluigi](#)
Cc: [Steve Borlik](#)
Subject: San Jose Housing - Creating Rent Winners - Not Losers
Date: Tuesday, April 05, 2016 8:29:39 AM

Dear Mr. Mayor, Councilmembers, and staff,

The ARO changes you are considering will make losers out of property owners. There is an enormous cost that will be carried by just a few individuals.

Instead of stripping individuals of their benefits, please consider a strategy that would create winners instead of losers. There are vast sections of underutilized land in San Jose which are currently warehouse, manufacturing, industrial, and similar. This zoning classification reduces land value. The owners of many such parcels might benefit greatly by being re-zoned into residential. The City goals can be accomplished this way as well.

Instead of spending your collective energies on study sessions that focus on how to strip owners of value, why not look at ways to create a positive outcome for landowners instead?

The fundamental issue with San Jose Rents is one of simple supply and demand. Please focus on other ways to solve the underlying issues, rather than diminish the value of a small group of landowners. Please include my comments with the public record.

Most Respectfully,
Steve Borlik

Young and Borlik Architects, inc.


Palo Alto, CA 94301


www.ybarchitects.com

From: [Morales-Ferrand, Jacky](#)
To: [Grabowski, Ann](#); [Chen, Wayne](#)
Subject: Fw: CAA Letter on the ARO Proposed Modification
Date: Monday, April 04, 2016 10:56:38 PM
Attachments: [ARO_Response_TCAA_Letter-4.4.16.pdf](#)

[Jacky Morales-Ferrand](#)

Director

City of San José Department of Housing

Jacky.Morales-Ferrand@sanjoseca.gov | www.sjhousing.org

408.535.3855

Our mission is to strengthen and revitalize our community through housing and neighborhood investment.

From: Anil Babbar <ABabbar@caanet.org>

Sent: Monday, April 4, 2016 10:32 PM

To: Liccardo, Sam

Cc: Jones, Chappie; Kalra, Ash; Peralez, Raul; Nguyen, Manh; Carrasco, Magdalena; Oliverio, Pierluigi; Nguyen, Tam; Herrera, Rose; don.rocha@sanjoseca.gov; Khamis, Johnny; Duenas, Norberto; Morales-Ferrand, Jacky

Subject: CAA Letter on the ARO Proposed Modification

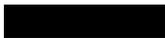
Mayor Liccardo and Councilmembers

Attached you will find our letter from California Apartment Association in regards to the Housing Department's draft changes to the Apartment Rent Ordinance. Please feel free to reach out to us if you have any questions on the topic or the contents of the letter. Thank you.

[Anil Babbar](#) - Executive Director

California Apartment Association

1530 The Alameda, Suite 100, San Jose, CA 95126

ababbar@caanet.org 



California Apartment Association

980 Ninth Street, Suite 1430
Sacramento, CA 95814
800.967.4222 ■ caanet.org

April 4th, 2016

Hon. Sam Liccardo
Mayor, City of San Jose
City of San Jose
200 East Santa Clara Street, 18th Floor
San Jose, CA 95113

Dear Mayor Liccardo,

Over the course of the past year, rental property owners, property managers and representatives of the California Apartment Association (CAA) participated in the Apartment Rent Ordinance (ARO) Advisory Committee. Over the course of the dozen meetings, we have provided constant input throughout the process which we anticipated would be taken into consideration and acknowledged by the Housing Department in their draft recommendations. The six committee members and hundreds of rental owners participated in good faith hoping our input would produce a fair report with recommendations that would both identify if there was a need to update the ARO and what elements of the ARO should be reviewed.

Unfortunately, our involvement in the task force was proven to be fruitless as none of our input or the input of the hundreds of property owners and landlords who spoke at these ARO Advisory Committee meetings appears to have been taken into account.

The Housing Department selected a consultant with a history of bias for rent control, resulting in a report that produced a series of recommendations that the city's rental owners unequivocally oppose. The recommendations set forth by the Housing Department will do nothing to increase the supply of affordable housing, rather it:

- Fails to address the rising cost of housing;
- Causes the further deterioration of the older housing stock that is subject to the ARO;
- Expands the Housing Department by up to 30 additional staff, potentially diverting resources that can be applied to other severely understaffed departments;
- Hurts the owners of small apartments that rely on the rental income for their retirement, children's college education, or to pay for their medical needs.

Time and again, economic cycles have addressed the issues of rising housing costs and the impact of increased housing supply is starting to be seen. Seattle, a city that many claim is similar to San Jose, is

currently experiencing a reduction in apartment rents, a phenomenon that occurred without government intervention. According to the Puget Business Journal, as the supply of new apartments continues rising, it looks as though demand will taper off. As demand tapers off, so will the pace at which rents increaseⁱ.

It is important to note that housing affordability is not unique to San Jose, but rather a problem that spans throughout California. This is because even while average rents are rising, average incomes are rising as well. CAA recently commissioned Beacon Economics to study the effects of rent control in California. In this report, Beacon, using data from the American Community Survey (ACS), found the median gross rent in San Jose was 29.7% of household income in 2014, near the bottom of the list among California metropolitan areasⁱⁱ.

While rent control measures are certainly well intentioned, questions remain as to whether they are the most appropriate strategy to combat housing affordability issues among the renter population. Clearly such rules can directly reduce the rental burden of those fortunate enough to live in a rent stabilized unit. But the transfer of income from the owner of the property to the tenant also has the impact of reducing the overall supply of housing. This 'winners versus losers' phenomenon implies that the net impact is, at best, mixed.

CAA's own literature review on rent control suggests that rent control laws do not accomplish their goals of increasing diversity, providing affordable housing for low-income residents, or reducing homelessness. At worst, rent controls laws actually move cities further away from these goals by making low-income residents in cities with rent control laws worse-off and even leading them to move elsewhere. CAA's study of the 2000 Census and 2013 American Community Survey found that in San Jose, 57.1% of low-income households did not live in rent-controlled housing, which leaves them vulnerable to higher rent growth in housing that is exempt from rent control policies.

Ultimately, price increases are due to high demand, low supply, or a combination of the two. Addressing the larger problem of our housing shortage—especially in markets with strong rent growth—is the more economically sound approach to dealing with housing affordability.

California's non-partisan Legislative Analyst's Office (LAO) recently identified rent control as a barrier to expanding housing supply and addressing housing affordability. "By depressing rents, rent control policies reduce the income received by owners of rental housing," says the document. "In response, property owners may attempt to cut back their operating costs by forgoing maintenance and repairs. Over time, this can result in a decline in the overall quality of a community's housing stock."

The LAO report considered the impacts of expanding rent control in two ways that have been discussed by advocates of Costa-Hawkins reform. The LAO studied the application of the policy to more properties and barring landlords from resetting rents at market rates when tenancies turn over (eliminating vacancy decontrol).

"Neither of these changes would increase the supply of housing and, in fact, likely would discourage new construction," the report says. "Households looking to move to California or within California would therefore continue to face stiff competition for limited housing, making it difficult for them to secure housing that they can afford. Requiring landlords to charge new tenants below-market rents would not eliminate this competition."

The LAO report also refers to the detrimental effects that rent control can have on a household — a phenomenon known as the "lock-in effect."

“Households residing in affordable housing (built via subsidized construction or inclusionary housing) or rent-controlled housing typically pay rents well below market rates,” the study says. “Because of this, households may be discouraged from moving from their existing unit to market-rate housing even when it may otherwise benefit them – for example, if the market-rate housing would be closer to a new job. This lock-in effect can cause households to stay longer in a particular location than is otherwise optimal for them.”

Despite strong evidence that increasing the private housing stock would bring down prices, much of the focus remains on government programs – such as rent control – that fail to help many of the residents who need it most and never address the underlying problem – a lack of housing, according to the LAO report.

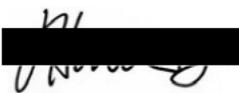
“The changes needed to bring about significant increases in housing construction undoubtedly will be difficult and will take many years to come to fruition,” the LAO says. “Policy makers should nonetheless consider these efforts worthwhile. In time, such an approach offers the greatest potential benefits to the most Californiansⁱⁱⁱ.”

Rental units subjected to the city’s ARO are just one component of the city’s housing market. The analysis of the ARO and the proposed amendments fails to explore the impacts of the ARO as part of the larger housing market and any impacts amendments to the ordinance will have on San Jose residents, business owners, investors, and the city’s tax base. In addition, there has not been any evaluation of other options that will truly promote affordability and reduce the amount of income one pays for housing.

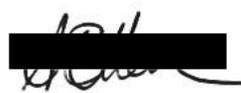
For the reasons outlined in this letter, CAA continued to oppose amendments to the San Jose ARO and ask that you give careful consideration to the recently published studies that continue to affirm the negative effects of rent control. Under separate cover, we will offer detailed comments on the draft staff recommendations that were published earlier this month.

Please do not hesitate to contact me via email at jhoward@caanet.org or by phone at (408) 342-3507 if you have any questions or would like to further discuss the contents of this letter.

Sincerely,



Joshua Howard
Senior Vice President, Local Public Affairs
California Apartment Association



Anil Babbar
Executive Director
California Apartment Association, Tri-County Division

Cc: Norberto Dueñas, City Manager
Jacky Morales-Ferrand, Director, Housing Department
City Councilmembers

ⁱ Stiles, B. (2016, March 21). There are more empty apartments in Seattle than there have been in five years. <http://www.bizjournals.com/seattle/news/2016/03/21/there-are-more-empty-apartments-in-seattle-than.html?ana=fbk>
ⁱⁱ Thornberg, F. (January, 2016). An Analysis of Rent Control Ordinances in California. http://caanet.org/app/uploads/2016/02/Jan2016_Rent_Control_Study.pdf
ⁱⁱⁱ Taylor, Mac. (February 9, 2016) Perspectives on Helping Low-Income Californians Afford Housing. <http://www.lao.ca.gov/Reports/2016/3345/Low-Income-Housing-020816.pdf>

From: [Todd Johnson](#)
To: [Grabowski, Ann](#)
Subject: Prop. Rent Control
Date: Tuesday, April 05, 2016 9:54:17 AM

Why would be increase be based on CPI increases?

Why would you not use the cost of housing from the Assessor Office?

It would seem to me, that rents should be related to cost of housing and the overall basket of goods in the CPI.

We all know that over a verly long time, housing has raisen at a much faster rate than CPI.

Did I see from your chart that CPI was under 2% only 7 years out 35?

Have you all run the numbers to see from the start, 35 years what would rents be if this program had been original put in place?

Todd Johnson


P.S.

I find it interesting that goverments want high paying jobs in there communities. When they get the high paying jobs in the communities, people from around the country and the world come. At which point the goverment then has to deal with the problems, traffic, housing, pollution schools etc. because all these people have moved in. Maybe we don't want so many hgh paying jobs.

From: [Starbird, Weston](#)
To: [REDACTED]
Subject: RE: Rent Control Proposal
Date: Friday, April 08, 2016 11:39:47 AM

Hello Michael,

Thank you for reaching out with your thoughts and concerns, they will be filed in our records. We will refer to them as we continue working diligently on this important issue. The rent control issue is returning to Council on April 19th, we will have more information then.

Best,

Weston Starbird

Policy Analyst
Office of Mayor Sam Liccardo
200 East Santa Clara St. Floor 17
San Jose CA, 95112
O: (408)535-4811 [REDACTED]
weston.starbird@sanjoseca.gov

From: [REDACTED]
Sent: Thursday, April 07, 2016 1:47 PM
To: The Office of Mayor Sam Liccardo <TheOfficeofMayorSamLiccardo@sanjoseca.gov>
Subject: Rent Control Proposal

Good afternoon, mayor. I am an owner of a few apartments in the Downtown, and have been providing reasonable, well-maintained apartments since 1977. I attended all 12 of the public hearings on this proposal. By virtue of my long experience in the industry, and contacts with many other owners over the years, I can say that the proposal is not only unnecessary, but also a breathtaking example of overreach by a government body. I have gained additional perspective on housing in San Jose as a member of the California Apartment Association, as a member of the San Jose City Advisory Commission on Rents and as a current member of the Housing and Community Development Commission. I don't think that the authors of the Draft have successful experience in owning and managing property in a professional manner that benefits both residents and owners. I think that the so-called housing advocates exclusively have their ear to the almost complete exclusion of hearing and learning from those of us who toil in this field every day, in good years and bad.

Thank you for taking the time to hear my opinion, I know that you have much other important work to attend to.

Michael Fitzgerald
[REDACTED] South 12th Street
San Jose, CA 95112
[REDACTED]

From: [Christina La Oberhauser](#)
To: [Grabowski, Ann](#)
Subject: I'm against Changes to Apartment Rent Ordinance
Date: Thursday, April 07, 2016 10:17:23 PM

Dear Mayor and Council,

I am concerned by the proposed amendments to the city's Apartment Rent Ordinance. As an advocate for private property rights I believe that we can find solutions that benefit all. Unfortunately, the Housing Department's proposal does not create one unit of affordable housing to help solve our housing crisis in Silicon Valley.

A recent report from the California Legislature's Non-Partisan Fiscal and Policy Advisory, the Legislative Analysts Office (LAO) titled Perspectives on Helping Low-Income Californians Afford Housing, discusses the adverse effects of rent control on overall housing prices and concludes that increased supply is the real solution.

Rent control measures lead to troubling consequences. Limiting annual rent increases to CPI will reduce the income of property owners and according to the LAO report, "Over time, this can result in a decline in the overall quality of a community's housing stock."

Rental owners like their residents value certainty, reliability, and stability. The current 8% fixed-rate maximum allowable rent increase combined with an improved process for passing on capital expenses would be superior to the staff proposal. Using CPI fails to take into account rising costs of insurance, taxes, maintenance, and utilities while ensuring a return on my investment.

The LAO report concludes that "There are no quick and easy fixes," and, "suggest policy makers primarily focus on expanding efforts to encourage private housing development" in order to successfully address housing affordability. Stricter regulations won't solve our problems.

Sincerely,

From: [Joan McAlister](#)
To: [Grabowski, Ann](#)
Subject: I'm against Changes to Apartment Rent Ordinance
Date: Wednesday, April 06, 2016 8:56:32 PM

I am concerned by the proposed amendments to the city's Apartment Rent Ordinance. As an advocate for private property rights I believe that we can find solutions that benefit all. Unfortunately the Housing Department's proposal does not create one unit of affordable housing to help solve our housing crisis in Silicon Valley.

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The LAO report concludes that, "There are no quick and easy fixes," and, "suggest policy makers primarily focus on expanding efforts to encourage private housing development" in order to successfully address housing affordability. Stricter regulations won't solve our problems.

Sincerely,

B J McAlister,
Property Owner

Sent from my iPad

From: [Haase, Maria](#)
To: [Morales-Ferrand, Jacky](#); [Chen, Wayne](#); [Grabowski, Ann](#)
Subject: Fwd: Apt. Rent Ordinance: Final Recommendations
Date: Friday, April 08, 2016 5:16:16 PM

Sent from my iPhone

Begin forwarded message:

From: Sharon Shelgren [REDACTED]
Date: April 8, 2016 at 5:13:17 PM PDT
To: "maria.haase@sanjoseca.gov" <maria.haase@sanjoseca.gov>
Subject: Re: Apt. Rent Ordinance: Final Recommendations

The staff did not take into consideration what anyone said including the advisory board. They chastised the staff for failing to implement what they suggested. You are stealing money from a very small percentage of apt owners to satisfy your duty to a few people who squeaked the loudest.

Not only that but now the fees to implement this stupid bill will be billed to me.,

I am ashamed of what you have done.

Sharon shelgren

72 year old property owner

From: Jacky Morales-Ferrand, Director of Housing <maria.haase@sanjoseca.gov>
Sent: Friday, April 8, 2016 4:59 PM
To: [REDACTED]
Subject: Apt. Rent Ordinance: Final Recommendations



ARO Unit



April 8, 2016



Dear Valued Community Members and Partners:

In June 2015, the City Council identified potential modifications to the City's Apartment Rent Ordinance (ARO) as San Jose's second highest policy priority for FY 2015-16. On September 1, 2015 the City Council directed staff to implement this policy priority by analyzing the ARO and to bring back recommendations for potential modifications for Council Consideration.

After more than seven months of research, analysis, and public engagement including eleven meetings with the ARO Advisory Committee, the Department of Housing has developed the final recommendations for amendments to the ARO. These recommendations were developed after careful consideration of multiple sources of input in order to meet the public purposes of the ARO. The final recommendations can be found [here](#).

The San Jose City Council will hear these recommended amendments during the April 19th City Council meeting. The item may be heard any time after 3:00pm. Staff anticipates that the item will be heard well into the evening. Members of the public are invited to come before the City Council to provide comments on the recommendations at that time. If you cannot attend the Council meeting in person, you can view it live on the [City's livestreamed public meeting website](#), or on Comcast cable channel 26.

San Jose City Council Meeting

April 19, 2016

Item begins at or after 3:00pm

San Jose City Hall, Council Chambers
200 E. Santa Clara Street, San Jose

The comprehensive ARO update website containing all of the information related to this process can be found [here](#).

If you have general questions regarding this process, please contact Wayne Chen at 408-975-4442 or wayne.chen@sanjoseca.gov. To request an accommodation for this meeting or an alternative format for any related printed materials, please contact Ann Grabowski at 408-794-7472 or ann.grabowski@sanjoseca.gov or 408-294-9337 (TTY) as soon as possible, but at least three business days before the meeting.

On behalf of the City and the Housing Department, I would like to thank everyone who took the time to participate in this process. In particular, I would like to thank the members of the Advisory Committee, who passionately engaged in this important issue.

Jacky Morales-Ferrand

Director, Housing Department

City of San Jose - Housing Department
408-535-3860
www.sjhousing.org



City of San Jose Housing Dept., 200 East Santa Clara Street, San Jose, CA 95113

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Sent by maria.haase@sanjoseca.gov in collaboration with

[Constant Contact](#)



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From: [Roger Pennington](#)
To: [Roger Pennington](#)
Subject: I wish you would call me greedy
Date: Monday, April 11, 2016 10:24:43 AM

I just listened to Sam Van Zandt interview with Roberta Moore on 106.5 and realize that Roberta is defending herself from the term “greedy landlord”. I wish someone would call me greedy then I could point out

- over 66% rentals in the Bay area are more expensive than mine and have no rent price controls.
- the city Housing Director Jackie Ferrand-Hernandez makes over \$205,000 a year, gets a pension, and healthcare. The median income is \$51,000.
- the cities retirement fund is guaranteed a 7.5% annual return after expenses with tax payer revenue.
- I will have to sell at a loss to a high density apartment developer who will charge 60% more rent than I do.
- I worked my life to save the down payment to buy housing that others live in.

Nobody is going to call us greedy who knows the facts.

We know best how to meet the needs of our community.

Let the free market work. We don't want to become the next Oakland, San Francisco, or Los Angeles, San Jose can be better.

From: [Isaac Agam](#)
To: [The Office of Mayor Sam Liccardo](#); [Scally, Katie](#); [Weerakoon, Ru](#); [District1](#); [District2](#); [District3](#); [District4](#); [District5](#); [Oliverio, Pierluigi](#); [District7](#); [Herrera, Rose](#); [District9](#); [District 10](#); [Grabowski, Ann](#)
Subject: RE: Strict Rent Control Brings crime
Date: Monday, April 11, 2016 1:04:54 PM
Attachments: [Flyer - Save San Jose From Becoming a Crime City Again.docx](#)

Dear Mayor and Councilmembers.

Please find attached below and attached evidence of the tight correlation between crime and strict rent control.

Unfortunately, the Housing Dept. concealed that information from the Council despite the fact that it was brought to their attention many times.

I hope that it will help you better understand the problems that come with strict rent control.

Thank you very much for your attention,

Isaac Agam

Owner



Crime and Rent Control (*):

There are only 7 cities with strict rent control in California, which is only 1.5% out of all 466 cities in California:

1 - Oakland is 7th place on the FBI Crime Index in California which is 98.7%

worse than all other 466 cities in CA.

Oakland is the most dangerous city in CA and the 2nd most dangerous city in the US.

2, 3, & 4 - Berkeley, San Francisco, & East Palo Alto are at 32, 33, & 34 at the FBI Crime Index

in CA which is 93% higher than all other 466 cities in CA cities.

5 - West Hollywood is 44 on the FBI list hence is at the 91% high Crime Index.

It's and is known for high prostitution activities.

6 & 7 - Santa Monica & Los Angeles are “only” at the FBI 73.5% high FBI Crime Index in CA.

(* Source: The FBI 2015 Crime index Report for California.

Strict Rent Control Brings Crime!

**Special Tenants Interest Groups want to sink San Jose back into
crime, prostitution, gangs, and drugs**

**Save San Jose From Becoming a Crime
City Again.**

Instead, let's bring jobs and development to our city

Let's make San Jose better, not worse

From: Isaac Agam
To: The Office of Mayor Sam Liccardo; Scallv, Katie; Weerakoon, Ru; District1; District2; District3; District4; District5; Oliverio, Piedad; District7; Herrera, Rose; District9; District10; Grabowski, Ann
Subject: RE: Does Rent Control Work?
Date: Monday, April 11, 2016 1:09:52 PM

Dear Mayor and Councilmembers.

I believe that the goal of the Housing Dept. ARO Commission was not to just compare San Jose to the very view cities with stricter rent control.

The goal was to research what can be done in San Jose to provide safe and healthy housing.

For that, we should look rent controlled cities and evaluate the effect of rent control.

The Housing Dept. did not do that at all.

Rent control was first implemented in San Jose in 1987.

Since then, not only inflation came down, but also 29 years of experience have been accumulated.

We should learn from that experience and not just copy it.

In looking at the rent level of stricter rent control cities in the Bay Area, it can be clearly observed that rent control DOES NOT work.

The cities with the highest rent level are the cities with the strictest rent control: San Francisco, Oakland, and Berkeley.

Please see below.

So in addition to elevated crime that the strict rent control brought to these cities, rent control simply doesn't work.

Thank you for your attention,

Isaac Agam

Owner

Does Rent Control Works?

NO

The Highest Rent In The Bay Area Is Charged At The Strictest Rent Control Cities

Rent in Bay Area Cities as of 02/2016

Ranked by 1Bed Rent (2Bed rank is very similar)

	City	1Bed	2Bed	Rent Control
1	San Francisco	\$3,096	\$4,126	Strict
2	Oakland	\$2,986	\$3,763	Strict
3	Berkeley	\$2,813	\$3,393	Strict
4	Redwood City	\$2,670	\$3,482	None
5	San Mateo	\$2,663	\$3,328	None
6	Palo Alto	\$2,561	\$3,320	None
7	Mountain View	\$2,446	\$3,114	None
8	Cupertino	\$2,439	\$3,097	None
9	Santa Clara	\$2,399	\$3,024	None
10	San Jose	\$2,362	\$2,960	Some
11	Hayward	\$1,913	\$2,186	Strict

Source: Rent Jungle

From: [Isaac Agam](#)
To: [The Office of Mayor Sam Liccardo](#); [Scally, Katie](#); [Weerakoon, Ru](#); [District1](#); [District2](#); [District3](#); [District4](#); [District5](#); [Oliverio, Pierluigi](#); [District7](#); [Herrera, Rose](#); [District9](#); [District 10](#); [Grabowski, Ann](#)
Cc: [Ramona Giwargis, Mercury News \(rgiwargis@mercurynews.com\)](#); [Bryce Druzin \(bdruzin@bizjournal.com\)](#)
Subject: RE: Does Rent Control Work?
Date: Tuesday, April 12, 2016 12:57:53 AM
Attachments: [Flyer - Minimum Wagers can afford the current rent in San Jose.xlsx](#)

Dear Mayor and Councilmembers.

It was never made clear by the Housing Dept. how much of a problem is rent affordability in San Jose.

One criteria to measure it is looking at the rental capacity of minimum wage earners.

Based on this criteria, San Jose rent IS affordable as shown below.

Thank you for your attention,

Isaac Agam

Owner



San Jose Rent IS Affordable Even for Minimum Wage Earners

**At a minimum wage of \$10/hour, the
Monthly Income Is (*):**

1 person Household: \$2,100/mon

Affordable Rent: \$693/mon

Type of Residence: Studio

~ 100 are current published on

Craigslist

(Studios are found under Room to

Share)

2 people Household: \$2,100/mon

Affordable Rent: \$1,386/mon

Type of Residence: 1 Bedroom

~ 18 are current published on Craigslist

**(*) Minimum Wage is expected to rise by 1.0%/yr.
to \$15/hr by 2015.**

From: [Lujano, Jose](#)
To: [Grabowski, Ann](#)
Subject: FW: proposed changes to Rent Ordinance
Date: Tuesday, April 12, 2016 1:34:55 PM
Attachments: [City Council Letter.pdf](#)

José J. Lujano
Policy Analyst
Office of Mayor Sam Liccardo
200 E. Santa Clara Street, 18th Floor | San José, CA 95113
O: (408) 535-4856 | jose.lujano@sanjoseca.gov

From: Janis Welsh [REDACTED]
Sent: Monday, April 11, 2016 5:46 PM
To: District1 <district1@sanjoseca.gov>; District2 <District2@sanjoseca.gov>; District3 <district3@sanjoseca.gov>; District4 <District4@sanjoseca.gov>; District5 <District5@sanjoseca.gov>; District6@sanjoseca.gov; District7 <District7@sanjoseca.gov>; District8 <district8@sanjoseca.gov>; District9 <district9@sanjoseca.gov>; District 10 <District10@sanjoseca.gov>; The Office of Mayor Sam Liccardo <TheOfficeofMayorSamLiccardo@sanjoseca.gov>
Subject: proposed changes to Rent Ordinance

Dear Mayor and City Councilmembers,

Please find attached a letter expressing my opposition to the proposed changes to the Rent Ordinance.

Janis Welsh

Acorn Hills Property Management LLC

[REDACTED]

[REDACTED] Los Gatos, CA 95032

April 4, 2016

The Mayor and Councilmembers
City of San Jose
200 E. Santa Clara St.
San Jose, CA 95113

Four years ago my husband and I chose to invest in rental properties in San Jose. A criteria was to purchase a property in San Jose within a 20-minute drive so we could actively care for the property and residents. All our properties in San Jose are smaller older buildings some in the roughest areas of San Jose.

Many tenant right advocates will promptly dismiss what I have to say because I am a property owner. But I am very aware of the difficulties low income residents face. I have section 8 residents, family service residents, students who have come from the foster care system and many, many, residents who I know are living paycheck to paycheck. But I know my residents and because I am running a solid business, I can afford to assist good residents when unforeseen situations arise. For instance, I have allowed a college student who came out of the foster care system to stay in a unit even though he was having difficulties with his finances. I will continue to support him if he needs help.

My husband and my vision for our properties in San Jose was to run a good small family business. Early in 2014 we purchased a property built in 1958 on Cadillac Drive. Our goal was providing quality, safe housing that was also energy efficient. On Christmas eve the water heat failed and we used this as an opportunity to upgrade the system with state of the art water heater. The cost was double that of a standard heater but the energy cost savings should pay for it in 3 -4 years. We have added gates and video cameras in the parking lot improving security and new energy efficient lighting. Our old building achieved the Association for Energy Affordability “green” standard for improvements in energy use. But better than that, our residents are enjoying improved plumbing, higher security and improved housing. I am proud of what we have accomplished but these improvements can only be made when we are confident it is a sound financial plan. No one will spend their retirement funds on property improvements if there is not a possible fair return on investment. We have planned our improvements with the outlook of reasonable rent increases that will bring rents up to market rate projected into the future.

An important key to providing quality housing is good managers. All my properties have managers. While costly to have on site managers in small buildings it improves resident satisfaction, safety and protects our investment. My managers include senior citizens, single mothers, several first generation immigrants, and a non English speakers and I pay them above market wages (\$25.00/hour or more). I have created 7 jobs. If incomes are further restricted the result will be the elimination of these jobs as the income to expense gap narrows over time.

Last year we purchased another 60 year old building. I want to repipe the plumbing, re design the laundry room, insulate and reroof this building, re pave the parking lot and redo the dilapidated carports that are used by druggies to do drug deals. These things can only be done if it is

financial reasonable to do so. Since our buildings are recent purchases, their costs are high. The old buildings that are under the existing rent control ordinance are the buildings in greatest need of maintenance and have the highest maintenance costs. When property owners can no longer afford to do maintenance, they will not do it and you are condemning old neighborhoods to become rundown and ghettos for crime., Good low income families and residents will seek out quality housing elsewhere and leave our San Jose neighborhoods as a collection of lower cost run down dives. My husband and I did not invest in San Jose to be regulated into becoming slumlords.

Do not support any changes to the existing rent control ordinance. The current ordinance does achieve the balance that protects residents from excessive rental increases while allowing owners to afford to maintain and improve their properties for the benefit of their residents, the city neighborhoods as well as protecting their investment in the City of San Jose.

Sincerely,

Janis Welsh

From: [Starbird, Weston](#)
To: [Grabowski, Ann](#)
Subject: FW: ARI and CPI-U proposal for small landlords
Date: Tuesday, April 12, 2016 3:24:28 PM

Weston Starbird
Policy Analyst
Office of Mayor Sam Liccardo
200 East Santa Clara St. Floor 17
San Jose CA, 95112
O: (408)535-4811 C: (408)309-7127
weston.starbird@sanjoseca.gov

-----Original Message-----

From: EP [REDACTED]
Sent: Sunday, April 10, 2016 8:12 PM
To: The Office of Mayor Sam Liccardo <TheOfficeofMayorSamLiccardo@sanjoseca.gov>
Cc: Jones, Chappie <Chappie.Jones@sanjoseca.gov>; Kalra, Ash <ash.kalra@sanjoseca.gov>; Peralez, Raul <Raul.Peralez@sanjoseca.gov>; Nguyen, Manh <manh.nguyen@sanjoseca.gov>; Carrasco, Magdalena <Magdalena.Carrasco@sanjoseca.gov>; Oliverio, Pierluigi <Pierluigi.Oliverio@sanjoseca.gov>; Nguyen, Tam <Tam.Nguyen@sanjoseca.gov>; Herrera, Rose <rose.herrera@sanjoseca.gov>; Rocha, Donald <Donald.Rocha@sanjoseca.gov>; Fedor, Denelle <Denelle.Fedor@sanjoseca.gov>; City Clerk <city.clerk@sanjoseca.gov>
Subject: Re: ARI and CPI-U proposal for small landlords

Date: April 9, 2016

Re: ARO Proposal

Dear Mayor and Council members:

As a Housing Provider in San Jose, I want to voice my opposition to the recommendations by the Housing Department on changes to the Apartment Rent Ordinance (ARO). As a responsible housing provider, I feel that the recommendations the Housing Department has put forth will not help in providing additional affordable housing; rather it will only hurt the tenants.

Under the proposed recommendations, the reduced cap on rent increases and restrictive capital improvement pass through will lead to the further deterioration and deferred maintenance of the older stock of ARO housing. The elimination of the debt-service pass through will deter any investment in San Jose's housing stock, further reducing the quality of housing in the City. The maintenance of net operating income standard does not take into account the huge increase in the expenses we as housing providers face on an annual basis. And the increase of as many as 30 staff positions to monitor the ARO program is a poor use of resources when other City departments are severely understaffed.

As a Housing Provider, the solution to our affordability crisis is to increase supply. I would encourage you and our city leaders to explore ways that would increase our supply not increase burdensome regulations. Please vote to do no harm and reject these onerous proposals.

I have also written letters to all of you, which you should receive this week. Thank you for your time and consideration,

Eloy Pando,

On Thu, 3/17/16, EP [REDACTED] wrote:

Subject: ARI and CPI-U proposal for small landlords

To: mayoremail@sanjoseca.gov

Cc: chappie.jones@sanjoseca.gov, ash.kalra@sanjoseca.gov, raul.peralez@sanjoseca.gov, manh.nguyen@sanjoseca.gov, agdalena.carrasco@sanjoseca.gov, pierluigi.oliverio@sanjoseca.gov, tam.nguyen@sanjoseca.gov, Rose.herrera@sanjoseca.gov, donald.rocha@sanjoseca.gov, denelle.fedor@sanjoseca.gov, cityclerk@sanjoseca.gov

Date: Thursday, March 17, 2016, 3:39 PM

Dear Honorable Mayor/ Council
Members,

As a resident/investor/voter who cares about our City, San Jose, I urge you to say "NO" to annual allowable rent increase on CPI-U; which is unreasonably low now at 2% to 3%.

Otherwise, small landlords will be forced out of business & will face foreclosure very soon.

The housing staff does not recommend fix percentage because it does not reflect the operating cost or market condition. Likewise, the CPI-U does not represent the operating cost or market condition.

Nowadays all workers e.g. contractors, roofers, plumbers are very expensive e.g. 7 or 8 years ago it only cost \$60 for a plumber to unclog a drainage, nowadays it cost over \$100; average 8% increase annually.

While the City cannot control the cost of labor, utilities, permit fee etc. and tie these operating expenses to CPI, also there are lots of not normal operating maintenance expenses, such as roof, plumbing, asbestos removal, etc., and Capital Improvements/Debt Service, and older building need major investments, it is grossly unfair to tie the hands of small mom and pop owners to CPI.

While the big investors can afford to tear down housing units to build newer and bigger buildings not subject to ARO, small property owners cannot!

The housing staff said "Owners, especially of small apartment buildings, consistently indicate that – as a matter of their existing business practice – they do not increase rents on an annual basis or that any rent increases are small." There is no logical relationship between small landlords' actual low annual rent increase vs. small "allowable" rent increase.

Higher allowable rent increase is necessary for the following reasons:

8% would be an insurance cushion for small landlords to deal with special but expected circumstances such as bad tenants' costly damage of properties, over-throwing garbage clean up cost and City penalties for tenant's misbehavior etc.

Without this insurance, small landlords would easily suffer negative cash flow. During economic downturns, Landlords cannot increase rent and may even lower the rent, with no subsidize from the City. 8% allowance will help remedy the loss Landlords suffer from downturn years with no or negative rent increase.

Savings for rainy days are regular business practice. In bad years, landlords' kindness in not raising rent on tenants or dropping the rents should not be used to punish Landlords. The CPI would punish landlords without any protection.

As mentioned in the staff report, MNOI is proposed to ensure "fairness" to makeup for years with too low CPI.

However, MNOI is too complicated for small landlords and there is no guarantee that the calculation would be approved by the City.

Small landlords would be required to track each year's CPI when the market is down. The time consuming tracking, banking, fees, etc. is way beyond the capability of small mom and pop owners, who could not afford professional assistance. MNOI does not ensure fairness.

The City estimated that due to the complications of the program, it would require a high budget of 30 FTE. The salaries with employment & retirement benefits total \$4.5 million, an astronomical figure !

Instead, it is more cost effective to use the program implementation fee to provide financial assistance to low income families.

It is imprudent to put severe burden to small owners on a program that apparently cannot benefit any families in real need.

To quote a leading republican candidate for president; this is a very dumb and stupid Law.

Please do not confirm this leading candidate's assertion that we are being led by very, very stupid people and we are making very dumb and stupid deals!

This is an outrageous proposal that fixes nothing and creates a huge city hall bureaucracy, hurts small landlords and helps no one!

Best regards,

Eloy Pando

From: [Tran Mai](#)
To: [The Office of Mayor Sam Liccardo](#); [District1](#); [District2](#); [District3](#); [District4](#); [District5](#); [Oliverio, Pierluigi](#); [District7](#); [Herrera, Rose](#); [District9](#); [District 10](#); [City Clerk](#); [Grabowski, Ann](#)
Subject: Modifications to the Apartment Rent Ordinance
Date: Tuesday, April 12, 2016 6:08:40 PM

Hello,

I am a small San Jose landlord and I find the proposed/potential changes to the rent control very complicated, hard to understand and of course very restricted. This humongous change is NOT going to solve the issue with high rent in San Jose (see San Francisco). This could lead to many issues for tenants, landlord and also the city (eg: misunderstanding, confusions, hard to enforce, potential loopholes, even higher market rent, lower workforce mobility, more crowded housing, etc.)

Sincerely,
Tran Mai

From: [Son Nguyen](#)
To: [The Office of Mayor Sam Liccardo](#); [District1](#); [District2](#); [District3](#); [District4](#); [District5](#); [Oliverio, Pierluigi](#); [District7](#); [Herrera, Rose](#); [District9](#); [District 10](#); [City Clerk](#); [Grabowski, Ann](#)
Subject: Modifications to the Apartment Rent Ordinance
Date: Wednesday, April 13, 2016 12:13:41 PM

To Whom It Might Concern:

1) Too Complicate and Not Comprehensive

The proposed changes suddenly create a new system with a lot of new rules and only affect a small portion of available housing stock. Such complicated system likely will have unexpected consequences and will be difficult to understand, follow and enforce.

2) Higher Market Rent

Under a tighter rent control, the gap between existing rent and market rent will be much bigger. Because rent control artificially depresses existing rents, landlords will have to set higher market rent on available/new units to cover/subsidy lower rents on current tenants. I believe this is happening in San Francisco even with their very tight rent control. This can further cause undesirable tension between existing and new tenants.

3) Reduce in Workforce Mobility

Because of lower-than-market rent, existing tenants will not want to move, even if they have a better job or their children could be in a better school. They are willing to put up with a longer commute (contribute more into the traffic issues on San Jose streets and freeways).

As in San Francisco, a studio is really crowded for 4 people (see link). It's a serious safety and issue in such living situation.

<http://www.gregkroleski.com/2015/11/03/life-in-a-studio-apartment-with-my-wife-and-two-sons/>

For new/potential residents, they don't want to come to San Jose because they're new tenants and will have to face an inflated (reason: see point above about new vs. existing rent) higher market rent unless they're very well paid (not exactly the intended target of rent control). This is also a similar issue in San Francisco. A less mobile workforce means a weaker economy and nobody wants that.

Please consider these issues before making a critical decision that could affect the future of an industry.

Sincerely,
Son Nguyen

From: [Steve Borlik](#)
To: [Torres, Omar](#)
Cc: [Grabowski, Ann](#); [District1](#); [Liccardo, Sam](#); [District2](#); [District3](#); [District4](#); [District5](#); [Herrera, Rose](#); [District7](#); [District9](#); [District 10](#); [Oliverio, Pierluigi](#); [Haase, Maria](#); [Morales-Ferrand, Jacky](#)
Subject: RE: Apartment Rent Ordinance
Date: Thursday, April 14, 2016 11:04:49 AM

Thank you kindly for the large number of reply emails this morning Omar, you've reminded me how many emails I have sent.

What we need to do as a community is to INCREASE the available supply of housing. Limiting one segment of the market will only increase pressure on the rest. While the current proposal will cause ARO rents remain in check artificially, non-ARO apartment rents will RISE EVEN FASTER.

Steve

From: Torres, Omar [mailto:Omar.Torres@sanjoseca.gov]
Sent: Thursday, April 14, 2016 10:45 AM
To: Steve Borlik
Subject: RE: Apartment Rent Ordinance

Hello,

Thank you for reaching out to the Office of Councilmember Magdalena Carrasco. I will share your correspondence with CM Carrasco and other staff as well. Thank you.

Omar Torres
Community Outreach Coordinator

City of San José
Office of Councilmember Magdalena Carrasco,
East San José District
Phone# 408-535-4905

From: Steve Borlik [REDACTED]
Sent: Monday, February 15, 2016 9:03 AM
To: District5 <District5@sanjoseca.gov>
Subject: Apartment Rent Ordinance

I have run a good quality business offering housing for ten years, and feel certain my tenants would vouch for me as a good landlord. The program changes being considered will be a detriment to me and my tenants alike, making it harder to build relationships and find common ground. I have publicly testified regarding this as well. The new ordinance does not prevent owners of newer buildings (1980 or later) from raising rents. The new ordinance does nothing to prevent new apartment lease rates from rising.

The right way to deal with this issue is to work on the supply/demand relationship. Placing responsibility for this burden exclusively on owners of older buildings is discriminatory.

My Best,
Steve Borlik

YOUNG AND BORLIK ARCHITECTS, Inc.

480 Lytton Ave., Suite 8

Palo Alto, CA 94301

Office: 650.688.1950

Fax: 650.323.1112

From: [Starbird, Weston](#)
To: [Richard Medefesser](#)
Subject: RE: RENT CONTROL
Date: Friday, April 15, 2016 10:35:04 AM

Hello Richard,

Thank you for reaching out with your thoughts and concerns, they will be filed in our records. We will refer to them as we continue working diligently on this important issue. The rent control issue is returning to Council on April 19th, we will have more information then.

Best,

Weston Starbird

Policy Analyst
Office of Mayor Sam Liccardo
200 East Santa Clara St. Floor 17
San Jose CA, 95112
O: (408)535-4811 C: (408)309-7127
weston.starbird@sanjoseca.gov

From: Richard Medefesser [REDACTED]
Sent: Sunday, April 10, 2016 10:50 AM
To: The Office of Mayor Sam Liccardo <TheOfficeofMayorSamLiccardo@sanjoseca.gov>
Subject: RENT CONTROL

Dear Mayor Liccardo,

Dear Council member

I 'm Richard Medefesser Sr.

My wife Dianne and I are 27 year landlords. We don't belong to any apartment association ,we are what is called Mom and Pop in the business.We took a loan out out on our house to buy a one 4 plex for our retirement , which it is about 75% of our retirement.

Over the years we've seen cycles of ups and downs, as recently as 2008 thru 2012 barely keep apartments occupied let alone rent increases.

Last year was the first 7% increase and all the money went right back into upgrades into units. It will take us 7 & 1/2 years to get reimbursement. Which the city of San Jose got over \$1,500, in San Jose Home Depot sales taxes , plus others stores .

I know there is a big uproar over rents . We feel it is not us who are already on rent control, but the other units that are not , that are causing

all the problems. I went to a rent control meeting and they had a figure of \$2400 ave per month for a 2 bedroom unit ,and they said they got it from Craig's list . That number is probably the highest rent and most likely from the non rent controlled apartments. Have they even made a survey of just the present rent controlled apartments ? I know I was never contacted. Last year my rents aveaged \$1,498.00 thats a far cry from their numbers and I'm sure my numbers are not off the average of the ones that are on rent control now.

If the new double rent controls are enacted , first your going to have much less city sales tax ,as why spend money fixing up up units, and why would anyone want to build more units if rent control clouds the future? People are going to convert to condo's and sell them to all this big foreign money that's coming in, and they won't be affordable to many people. In the end you will have even less units available. Who knows ,when the next down turn comes your problem will solve itself. Every thing evens it self out over time , but once the stigma of double rent control is is on the mind why would someone take a chance going into it.

It doesn't seem fair when you raised my property tax 5% and my business license and occupancy permit 24% and probably you and other city employees will have more then a cost of living raise of 2%. The real problem is with the non rent controlled units. I'm sure you'll do the fair thing , and thank you for your consideration.

Respectfully,

Richard and Dianne Medefesser Sr.

From: [Dave N" Naiomi Dudek](#)
To: [Grabowski, Ann](#); [District1](#); [District2](#); [District3](#); [District4](#); [District5](#); [District6@sanjoseca.gov](#); [District7](#); [District8](#); [District9](#); [District 10](#); [The Office of Mayor Sam Liccardo](#)
Subject: Rent Control, Global Warming, and Politics
Date: Tuesday, April 19, 2016 9:22:27 AM

Global Warming, Rent Control, and Politics

The vast majority of scientists who have studied global warming have concluded global warming is (i) actually happening, and (ii) caused by people. After decades of study, this is settled science. Despite this fact some politicians deny either that global warming is happening, or that it is caused by people, or both. These politicians go forward with policies that are bad for the environment, and cause harm particularly to future generations who must live with the consequences of their decisions.

Similarly, **the vast majority of economists who have studied rent control (or rent stabilization) have concluded that rent control (i) decreases the quantity of housing, and (ii) decreases the quality of housing. After decades of study, this is also settled science. Despite this fact some politicians deny that rent control is bad policy.** When they succeed in passing rent control policies they are extraordinarily difficult to repeal, and future generations of citizen suffer the long-term consequences by paying more than they otherwise would for housing that is lower quality than it otherwise would be.

Many people intuitively recognize that you can't arbitrarily hold the price of a good or service down without negatively affecting the market. We all recognize, for example, that if San Jose decided that gasoline prices could only increase by 2% per year suppliers would not stop selling gas within the city limits rather than do so at a loss. That's why rent control policies often come with "Band Aids" in an attempt to mitigate some of the negative effects. Mechanisms to pass the cost of improvements to tenants are an example of these. **The reality is, of course, that putting a Band Aid on a bad policy does not make it a good policy – at best it makes it less bad.**

The poster child in the United State for the damage rent control can cause is New York City. The citizens of New York City has suffered the consequences of decades of restrictive rent control policy and pay, as a result, the highest rents in our nation. The politicians who passed these policies thought they were helping poor people keep their rent under control, but study after study finds it is rich tenants who benefit the most from rent control – poor people, it turns out, move far more often than rich people. San Francisco also has a restrictive rent control policy, and, as a result, also suffers a severe housing shortage and the highest rents in the Bay Area. **San Jose should not follow in the footsteps of New York or San Francisco.**

Rent control is extraordinarily bad policy. It harms both the supply and quality of housing.

These effects accumulate over time, and ultimately hurt the city's poorest residents the most.

Please **do not** deny that rent control is bad policy.

Please **do** everything you can to save our City from the scourge of rent control.

If you want to do something about our housing problem, do everything you can to encourage the construction of additional housing. This is the only real solution to our housing shortage. Rent control will only make things worse.

Thank you,

David Dudek, PhD, MBA

From: [Steve Borlik](#)
To: [Fedor, Denelle](#)
Cc: [Salcido, Jose](#); [District 10](#); [District9](#); [Herrera, Rose](#); [District7](#); [District5](#); [Oliverio, Pierluigi](#); [District4](#); [District3](#); [District2](#); [District1](#); [Grabowski, Ann](#)
Subject: RE: Councilmembers Johnny Khamis and others ARO Modifications Memo
Date: Friday, April 15, 2016 2:34:44 PM

Dear Danelle,

Thank you for sharing this with me. I applaud the thoughtful efforts of Vice Mayor Herrera and Councilmembers Khamis, and Nguyen. As much as I may dislike new ARO limitations altogether, those proposed in the 4/14/16 memo are a more tempered approach than the far reaching and outrightly injurious recommendations of staff.

Above all, I thank the authors of this memo for pointing to the need of more thoughtful study and a better proposal.

Some allowance for a financing pass-through could still remain. Because most commercially available loans must be refinanced after 5, 7, or 10 years, there is an uncertainty to be resolved. Today, we are experiencing historically low interest rates, and these rates are more likely to rise than drop over the long term. A better idea might be to include a mortgage financing pass-through provision, integrating a qualified principal amount for the loans. This would help reasonably protect owners from changing rates, while guaranteeing that owners would not be allowed to refinance profits at tenant expense.

Steve Borlik

From: Fedor, Denelle [mailto:Denelle.Fedor@sanjoseca.gov]
Sent: Friday, April 15, 2016 8:37 AM
To: Fedor, Denelle
Cc: Salcido, Jose
Subject: Councilmembers Johnny Khamis and others ARO Modifications Memo

Greetings,

Please see the attached memo regarding the Apartment Rent Ordinance (ARO) Modifications recommendations put forth by Councilmembers Johnny Khamis, Mahn Nguyen and Vice Mayor Rose Herrera.

Please forward this email and the attachment to others who may have an interest in this issue, thank you.

As you may already know, this issue will be heard next Tuesday (April 19th) at City Hall (200 East Santa Clara Street, San Jose, CA 95113) at the San Jose City Council Meeting in the Council Chambers which begins at 1:30pm. Underground parking is available under City Hall on the 6th Street side. Please bring your parking ticket with you and it will be validated at the

meeting so that you do not have to pay for parking.

Please note, this particular issue *Will Not be heard prior to 3:00 PM*. Therefore, we recommend that you arrive no later than 3pm in order to be on time to be present for this issue. Due to the large crowd expected, you may want to consider arriving when or before the meeting starts to ensure you can park underground. Otherwise, if the parking lot fills up, you will need to find alternative parking.

If you wish to speak regarding this issue, please get a "yellow speaker card" at the front of City Hall Chambers from one of the staff. You will need to fill out the speaker card and give back the completed card *immediately* to the staff at the front of the Chambers. Then, once the ARO issue is to be heard, Mayor Liccardo will call each person who submitted a card to speak for 1 minute. Please plan your talking points accordingly.

Thank you for your diligent work regarding this issue.

Please let me or my colleague, Jose Salcido (cc'd above) know if you have any further logistical issues at this time or if there is additional information that you wish to share with Councilmember Khamis.

Councilmember Khamis looks forward to having you present at the meeting on Tuesday.

Have a good weekend.

Best,
Denelle Fedor
Council Assistant
Office of Councilmember Johnny Khamis

From: [Dave N" Naiomi Dudek](#)
To: [The Office of Mayor Sam Liccardo](#); [District1](#); [District2](#); [District3](#); [District4](#); [District5](#); [District6@sanjoseca.gov](#); [District7](#); [District8](#); [District9](#); [District 10](#); [Grabowski, Ann](#)
Subject: Rent Control Hurts Neighborhoods
Date: Tuesday, April 19, 2016 9:27:54 AM

Rent Control Hurts Neighborhoods

Some years ago the City and many of its residents put forth a massive effort to identify and improve our most blighted neighborhoods - the Strong Neighborhoods Initiative (SNI). These neighborhoods tend to have a high percentage of rental property, which is why it is important to consider how the rent control (or rent stabilization) would affect these neighborhoods. As you might expect, there are sound reasons to expect that rent control will have significant negative impacts on blighted neighborhoods. **It is hard to think of a policy that would cause more harm to our poorest neighborhoods than rent control.** Here's why:

Blighted neighborhoods have blighted properties – most of these blighted properties are rental property. **Chances are small that an existing owner will suddenly decide to fix up blighted property. So the neighborhood must wait for the property to change hands, and hope the new owner is the kind of owner who is willing to do so.**

Let's say you are that person – a real neighborhood hero! Property in San Jose is expensive, of course, so you will need to find a lender. Most property in San Jose is owned by small-time investors, and like most small-time investors, you have to put down all the cash you can scrape together in order to buy the place. Congratulations! You now are the proud owner of a run-down rental property. Over time you know it will need a new foundation, new roof, remodeled kitchens and bathrooms, new landscaping, and a paint job. **You want to do these things because you take price in ownership and also so you can get better rents, but where do you get the hundreds of thousands of dollars needed to do so?** Most of the time the money comes from the property itself – if you are lucky, that is.

If you are lucky, rents go up during the first few years you own the place, which gives you the opportunity to refinance your mortgage and take money out against the property. The value of rental property, of course, depends on how much income it brings in. If you have been raising rents the property will have gone up in value and you can take money out of the property and get started on some of these big projects you have in mind. **But if rent control has limited the amount you can increase rents that will limit the increase in your property value, which in turn limits the amount you can borrow, which in turn limits the improvements you can make. Thanks to rent control you need to settle for making fewer improvements, as you have no choice but to do so.**

Rent control also decreases property owners ability and incentive to maintain their property.

Owners know the tenants won't move out because they are paying rent that is well below market, so why should they replace the carpet? Even if they wanted to do so they have less money available to do so because rent control has prevented them from increasing the rent as market rents moves up. **Owners all over the city decide to do the rational thing – put off repairs until they are really needed. Thanks to rent control entire neighborhoods suffer the consequences.**

The scenarios above play out all over the City, but the affect is particularly acute in neighborhoods with a high concentration of rental property, and is even more acute in neighborhoods where the housing stock is below average to begin with. In other words, **while rent control hurts all neighborhoods that contain rental property, the quality of the housing stock in our poorest, most blighted neighborhoods is hurt the most.**

Improving blighted neighborhoods is tough enough as it is. The City should be exploring ways to create incentives for owners to fix up properties, rent control has exactly the opposite effect, undermining both the landlord's incentive to maintain or improve property and their ability to do so. **It is poisonous policy that hurts our most blighted neighborhoods the most, placing financial barriers in front of even the most benevolent owners.**

Rent Control is Bad Policy. Bad for Neighborhoods. Bad for San Jose.

Please do whatever you can to defeat rent control in San Jose.

Thank you,

David Dudek, PhD, MBA

Immediate Long-term Past President, Hensley Neighborhood Association

From: [Roger Pennington](#)
To: [Roger Pennington](#)
Subject: The only way to opt out of subsidizing rentals
Date: Thursday, April 28, 2016 8:38:32 PM

The only way to opt out of subsidizing rentals

Would be to take the building you bought to live in a portion while renting the other portion is to:

1. Occupy all of it.
 - a. Pay existing tenants tens of thousands to leave and for moving and relocation expenses.
2. Demolish it and build something else.

Defeats the purpose for which I purchased it.

The Ellis Act is a state law that allows landlords who want to exit the rental market to evict tenants under the condition that the building is not rented out again. (ultimately reduces the supply).

Renters refuse to downsize when their families shrink (further reducing supply).

Renters who change jobs out of town will not release their rent controlled unit (reduces rental supply and increases traffic).

Renters who make enough to buy homes will not want to give up their subsidized rental unit, (reducing supply of rentals for the needy).

Above all an owner becomes the slave again but this time to the public and to Housing and to the city and state and he would be better off buying commercial property which we already have too much of and already those guys fear converting their land for needed housing developments.

The city has a Monopoly which is violating my Fifth Amendment rights to own property and contract freely for fair market value, "Just Compensation" is defined by Supreme Court, U.S. v Cartwright 411 just compensation is whatever 2 agree to commence trade free from coercion.

Rent price Controls should not interfere with an individual's right to rent property for whatever price or terms they choose to agree.

The only way to opt out is to have a supreme court ruling on what defines "TAKING" and must be tried by a team who is loyal to the Constitution.

Remember: Economists agree rent control reduces quality and supply, there is another reason, an insidious reason for the city advocating for rent stabilization.

Insidious: **proceeding in a gradual, subtle way, but with harmful effects.**

Roger Pennington

From: [Roger Pennington](#)
To: [Roger Pennington](#)
Subject: Rent Subsidies paid for by . . . pensions of minorities
Date: Friday, April 29, 2016 11:10:49 AM
Attachments: [image001.png](#)

Rent control takes what would be the pension of the working middle-income class owners and reduces it to below 5% because of costs to [maintain the business](#).

The city pensions offer a 7.5% annual increase while the working classes likely have no pension at all unless they own a building. Most of these owners are minorities. So this is a direct attack on the minorities and their "pensions".

Owners subsidize rentals for the working lower-income class who work for the wealthy.

This is Robin Hood in reverse: stealing from the working minority class to benefit the wealthy. Rent control forces the working owners to subsidize housing for those who work for the wealthy, when the wealthy should instead pay a living wage or go without the service.

Rent control doesn't even work. It hurts the people it's supposed to help. (ask an economist).

See the 5-minute video

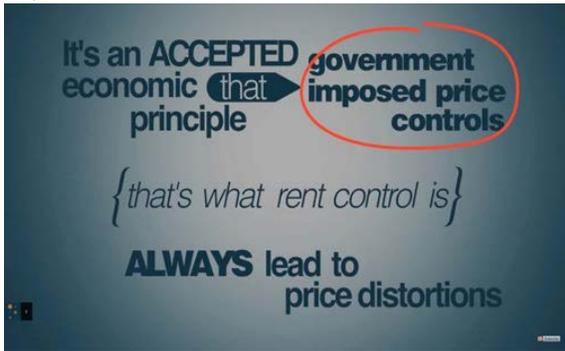
<https://www.youtube.com/watch?v=olvTTGOHFku>

Refer to . . .

<http://techcrunch.com/2014/04/14/sf-housing/>

Following are slides from the 5-minute video

Why Rent Control Doesn't Work?



Does Rent Control Work?



EFFECTS OF RENT CONTROL

1. Hurts the people it's supposed to help
2. Gives landlords little incentive
to improve their housing stock
3. Discourages construction of
new housing for all but the rich

From: [Roger Pennington](#)
To: [Roger Pennington](#)
Subject: Proposition 13 benefits owners of private residences and NON- ARO properties
Date: Monday, May 02, 2016 11:22:14 PM

Housing Director Jackie Ferrand Morales said Proposition 13 was intended to trickle down to renters, said this at every meeting.

Proposition 13 benefits all property owners in California, homes and businesses, rent controlled properties and non-rent controlled properties as well. so everyone should pay to subsidize renters and not just the rent controlled property owners.

If you are going to have anyone subsidize rents it should be spread across everyone that is benefitting from proposition 13 tax savings, home owners and non ARO-owners

We already have a subsidized housing program:

Section 8 Housing is already the perfect vehicle for subsidizing rents, it is a model already in action which qualifies the needy and pairs them with the owners willing to work with third parties and it's all agreeable, everyone agrees it is fair each and every time it happens every single day.

This New ARO is "TAKING" from the innocent and giving to the first public person who decides to squat and then seeks extortion payments to leave.

In the long run price controls reduce quality and quantity.

Whatever the reason the statistics show that every city which has rent control has high crime rates.

Roger Pennington

From: [Isaac Agam](#)
To: [The Office of Mayor Sam Liccardo](#); [Scally, Katie](#); [Weerakoon, Ru](#); [District1](#); [District2](#); [District3](#); [District4](#); [District5](#); [Oliverio, Pierluigi](#); [District7](#); [Herrera, Rose](#); [District9](#); [District 10](#); [Grabowski, Ann](#)
Cc: [Ramona Giwargis, Mercury News \(rgiwargis@mercurynews.com\)](#); [Bryce Druzin \(bdruzin@bizjournal.com\)](#)
Subject: RE: Outstanding ARO Issues
Date: Sunday, May 08, 2016 11:22:08 PM

Dear Mayor and Councilmembers.

Thank you for your considerations at the Council ARO Meeting and your understanding of some of the Housing Provider issues.

I apologize for the delay.

We were all pretty exhausted after the last ARO Council meeting in April.

I'd like to encourage you to oppose the immediate 5% limit rather than when the Council decision takes effect for the following reasons:

- 1 - This will create a greater burden on the otherwise strapped ARO housing providers after they had already invested large amount of money in improving the housing and the communities of San Jose.**
- 2 - Such change needs some time to be phased in and allow ARO housing providers an adequate time to implement the change.**
- 3 - It will create confusion and volatility as many leases will need to be changed.**

I would also like to encourage you to reconsider the Tenant Registry ordinance for the following reasons:

- 1 - Some of our tenants are immigrants and some are even undocumented people. They will not be willing to register with any public institution for fear of some action by the Immigration Authorities. Please remember that even during the Amnesty time when all undocumented immigrant could have granted a path to citizenship, a large percentage of them did not participate in it for the same reasons.**
- 2 - It is also a privacy issue. Not every tenants wants his name and his or her partner to show on a public list for a variety of reasons.**
- 3 - It adds substantial amount of work to the housing providers and property managers.**

Lastly, I'd like to encourage you to oppose an expansion of the Housing Department and their budget as they requested.

The nature of bureaucracy is that it creates more bureaucracy and hence more waste. This is exactly what is happening with the Housing department now.

Let's keep the San Jose administration efficient and effective rather than large and inefficient.

Thanks a lot for your understanding,

Isaac Agam

A Housing Provider in San Jose