



## **Rent Levels and Rent Regulation**

(O.M.C. 8.22.070 et seq.)

Every residential rental unit in Oakland that is not exempt from the provisions of the Oakland Rent Adjustment Ordinance has a **lawful rent ceiling**, which is the maximum amount of rent that a property owner may lawfully charge for the use or occupancy of the unit and any associated housing services, such as furnishings, parking, or laundry facilities. Rent is not limited to money and includes the fair market value of any goods or services that are rendered to a property owner in lieu of money.

**Under the Costa-Hawkins Rental Housing Act**, a property owner may set the initial rent and associated housing services for new tenancies beginning on or after January 1, 1996. The initial rent becomes the new rent ceiling, which may be changed only by allowable increases under the Rent Ordinance. Any change in housing services from that provided at the beginning of the tenancy may be grounds for an adjustment of the lawful rent ceiling.

A property owner is **NOT** eligible to implement a vacancy increase for a unit that was cited by a governmental agency for serious health, safety, fire, or building code violations (except those caused by disasters) that remained uncorrected for more than 60 days before the vacancy.

### **RENT CEILING INCREASES**

Rent ceilings may be increased by the **annual general consumer price index (“CPI increase”)** rent increase without seeking approval from the Rent Adjustment Program. Every April, the RAP publishes the CPI increase for the next fiscal year which runs from August 1 through July 31.

An owner can increase the rent on a covered unit only once in a 12-month period. The first increase cannot be effective any earlier than 12 months after the tenant moved into the unit. No rent increase can be imposed until at least six (6) months after the tenant was first served with the RAP Notice.

If an owner does not increase the rent, or increases it less than the allowable CPI increase, the owner is entitled to “bank” the unused rent increase for the future.

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(510) 238-3721



However, the total rent increase that can be imposed in any one banking increase may not exceed the total of three times the then allowable CPI increase and may not be greater than the lower of 10% or 5% plus the percent change in cost of living (set by the State of California). From August 2022 to July 2023, the state rent limitation is 10%. No rent increase may be banked more than ten (10) years after it accrues.

A property owner must give a tenant at least 30 days' written notice of the increase. If the tenant has a fixed-term lease, unless the lease allows the increase, the property owner will have to wait until the expiration of the lease term to implement the CPI increase.

### **Property Owner Petitions for Rent Adjustments**

Property owners may petition the RAP for rent ceiling increases, although with vacancy decontrol in effect, there is less need for such petitions. Grounds for filing a property owner petition include:

- **Capital Improvements:** Costs paid by the owner for improvements to the unit or the building that materially add to the value of the property, appreciably prolong its useful life, and primarily benefit the tenants. An owner is entitled to pass through 70% of the allowable costs for expenditures made within 24 months of having filed the petition.
- **Uninsured Repair Costs:** These costs are expenditures made to repair damage resulting from fire, earthquake, or natural disaster to the extent such repair is not reimbursed by insurance proceeds.
- **Increased Housing Service Costs:** An owner can file a petition for a rent increase based on increased housing service costs to cover increased costs related to insurance, utilities, heat, water, and other services provided by the owner related to the use or occupancy of the unit.
- **Fair Return:** An owner can file a petition for a rent increase based on fair return. Fair return is measured by a calculation to determine if the owner is maintaining the net operating income produced by the property in a base year, subject to CPI-related adjustments.

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- **Additional Occupants:** An owner can file a petition for a rent increase of 5% for additional occupants above the base occupancy level (the number of tenants allowed by the lease or rental agreement).

### **Tenant Petitions for Rent Adjustments**

Tenants may petition the RAP for reductions in the rent ceiling, and do so most commonly because of housing code violations, habitability problems, or a decrease in living space or housing services. The petition process can be used to obtain rent reductions to compensate for such problems and to motivate a property owner to correct physical defects or restore space or services. Other grounds for filing a tenant petition include:

- **Unlawful Rent Increase:** A rent increase that exceeds the allowable CPI increase or a rent increase that is greater than 5% plus the percent change in cost of living. From August 2022 to July 2023, that amount is 10% in one year or greater than 30% over a five-year period (except for fair return).
- **No RAP Notice:** A rent increase notice was served without a RAP Notice.
- **Expiration** of capital improvement amortization period.
- **Improper Service** of the rent increase notice.

### **HEARINGS**

After a tenant or a property owner files a petition, the opposing party has a right to object to the petition. If no objection is filed or if the petitioner does not request a hearing, and a Hearing Officer determines that a decision can be rendered without testimony, the petition will be decided administratively, that is, without a hearing. Otherwise, a hearing will be held, in which an impartial Hearing Officer takes testimony and receives written evidence on the issues raised by the petition. In either case, unless the parties enter into a settlement agreement, the Hearing Officer will issue a written decision granting or denying

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the requested rent ceiling increases or decreases. A Hearing Officer's decision may be appealed to the seven-member Rent Board.

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