



Landlord Rent Adjustment Application Instructions

Overview

The Beverly Hills Municipal Code (4-5-304; 4-5-512; 4-6-11) allows landlords to file a rent adjustment application for some or all rental units within the landlord's rental complex in order to achieve a "just and reasonable return," based on net operating income principles.

It generally is assumed that the Annual General Adjustment (AGA) increase allowed by the City of Beverly Hills Rent Stabilization Ordinance will allow the majority of rental property owners (also referred to as landlords) to achieve this fair and reasonable return. It is also assumed that the applicant has exercised all of his/her allowed AGAs prior to submitting the Application.

However, when the AGA does not allow the property owner to achieve a Net Operating Income (NOI) that increases at the same rate as the Consumer Price Index (CPI), the property owner has the opportunity to submit the Landlord Rent Adjustment Application. The forms and worksheets in the Landlord Rent Adjustment Application will allow the applicant to calculate the NOI in the base year and the current year and are designed to provide the Hearing Officer with the necessary information to make a decision on an application.

Once the NOI for the base year and the current year have been calculated, the Hearing Officer will compare the two to determine if the Current Year NOI has increased by an amount that is at least equal to the increase of the CPI since the Base Year period. The rate of inflation is measured by the CPI for the Los Angeles County area that is calculated monthly by the U.S. Bureau of Labor Statistics (BLS) in the U.S. Department of Labor. The decision regarding an application will be based upon the most recent CPI prior to the filing of an application. The most recent CPI is posted at www.beverlyhills.org/BHrent. The Landlord's Rent Adjustment Application provides financial data to assist the Hearing Officer in making his/her determination. The landlord must prove by a preponderance of the evidence that the application should be granted.



Section 2 of the application requests information from the landlord regarding his/her income and operating expenses for calendar year 2016, which is the base year, and for the current year. We encourage you to collect this data prior to beginning the application process. We also encourage you to consult with an accountant and/or attorney in order to complete the application.

Pursuant to the California Public Records Act, documents that are submitted to the City will be treated as public records and will be kept for a minimum period of two years and may be subject to disclosure pursuant to the terms and the exemptions of that Act.

Please note that no application will be accepted for filing where the rental property has not been properly registered with the City, or if there are out-standing applicable registration fees or penalties that have not been paid in full. An application will not be accepted if there has been a decision on a previous NOI application concerning a property within the last twelve (12) months.

All applications must include the following:

- Proof of completion of rental registry;
- [If applicable] Letter authorizing a designated agent to submit the application on landlord's behalf
- Completed Application, with supporting documentation, and payment of application fees;

Applications will be reviewed by the City for completeness within **10** business days of filing of the application. If an application is deemed to be incomplete, the applicant will be notified in writing as to what additional information is required. Complete applications will be considered by a Hearing Officer at a hearing, which will be held within 60 days following the determination that the application is complete.

Completed applications shall be submitted to:

City of Beverly Hills
RENT STABILIZATION PROGRAM
455 North Rexford Drive
Beverly Hills, CA 90210



The Application Process

The following sections will walk you through the *Landlord Rent Adjustment Application*.

Section 1

Section A—Property Information

Enter the APN, Building Address, Total Number of Apartment Units, and the Year the Building was built. The information provided must match the building information that has been registered with the City.

Section B—Property Owner

Enter the Property Owner Information, Owner Type, and Contact Information, including mailing address. The Property Owner Name and Owner Type must match the information that has been registered with the City. If it does not, the Property Owner must first register the Unit with the City before submitting the *Landlord Rent Adjustment Application*. If the contact information has changed (i.e. phone number, email, or mailing address), please check that box so that the City can update its records.

Section C—Rent Adjustment Request

Indicate the units for which an adjustment is being requested, or check the box indicating an adjustment is being requested for all units.

Section D—Declaration

Sign the declaration statement declaring that all of the information and attached pages, including documentation, are true, correct and complete to the best of your personal knowledge, under penalty of perjury under the laws of the State of California. If a designated agent besides the property owner is submitting this form, the applicant must attach a signed letter from the property owner indicating that you are acting as the designated agent.

Table 1—Proposed Rent Increase Schedule

- Column A:** List each residential unit (using mailing designation) on the property in Column A (“Unit ID”). If there are more than 25 residential units on the property, additional copies of Table 1 must be attached to the Application. If additional copies of Table 1 are attached, each copy should be labeled (i.e. Table 1-A, Table 1-B, etc.) in the upper right-hand corner.
- Column B:** Enter the move-in month and year for the current tenancy of each unit. This must match what is currently registered with the City.
- Column C:** Enter the current rent. This must match what is currently registered with the City.
- Column D:** Enter the current Maximum Allowable Rent (MAR) for each unit. The MAR can increase over the base year rent annually by 3% or the CPI, whichever is greater.
- Column E:** Enter the amount of the proposed monthly rent increase for each unit.
- Column F:** Total the amounts from Column D & Column E. Please be advised that the amount of increase granted per unit may be lower than that listed in Column E.



Section 2

Section 2 allows for the calculation of net operating income. The applicant will need data on income and expenses for the base year of 2016 and the current year.

Base Year

The Rent Stabilization Ordinance requires that **2016** be established as the **Base Year**. An applicant may request in writing if he/she desires that the Hearing Officer consider using a Base Year other than 2016. The applicant may contend that 2016 was disproportionately low due to peculiar circumstances or because the data is not available. If an applicant wishes to do this, he/she must submit the following documents:

- Letter contending that 2016 was disproportionately low due to peculiar circumstances, describing the circumstances and documentation proving these circumstances;
- Letter explaining why 2016 data is unavailable and cannot be used and the desired new Base Year;
- Completed application using data for the desired new Base Year

If you are requesting to use an alternative Base Year, please check the applicable box on the Application.

The Hearing Officer will determine whether another year may be used as the Base Year.

Current Year

The **current year** should include data from the most recent complete month available extending back 12 months.

Table 2—Net Operating Income

****Note: You must include copies of receipts or other documentation to support income data****

- Line 1: Gross rents based on 100% occupancy using current rent levels including the current year annual general adjustment
Determine the amount of rent received if all of the residential units on the property in question were occupied by tenants for 2016 or an approved alternate Base Year (“Approved Base Year”), if allowed by the Hearing Officer.¹ If the annual general rent adjustment was not fully implemented or received during the entire year, it shall be annualized to reflect the total annual gross rents to which the property owner is already entitled. One must estimate and assign a fair market value for those units for which no rent or partial rent was received due to special circumstances (i.e. owner, relative, or employee occupancy). Enter this amount on Line 1, Column A.

¹ The requirement that the Hearing Officer must approve the use of an alternative base year applies to the entire application and each of its subparts.



In Column B, indicate the month and years being used for the current year. Enter the comparable figure for that designated Current Year time period in Line 1, Column B.

- Line 2: Annual interest from security and cleaning deposits, except interest that is payable to tenants
Determine the annual interest or return on investment from security and/or cleaning deposits for 2016 or an approved Base Year. Enter this amount on Line 2, Column A.
Enter the comparable figure for the Current Year on Line 2, Column B. Do not include interest accruing on tenants' security deposits that an owner is obligated to pay to the tenant(s).
- Line 3: Income from services, garage, and parking fees
Determine the total of income from services, garage and parking fees for 2016 or an Approved Base Year. Enter this amount on Line 3, Column A. Enter the comparable figure on Line 3, Column B.
- Line 4: All other income or consideration received in connection with the use or occupancy of rental units and housing services
Determine the total of all other income received in connection with the use or occupancy of rental units and housing services in 2016 or an Approved Base Year. Other income could come from laundry machines, appliance and/or furniture rental, and any or all other income received in connection with rental units and housing services. Enter this amount on Line 4, Column A. Enter the comparable amount for the Current Year on Line 4, Column B.
- Line 5: Total projected gross income
Total the amounts listed on Lines 1-4 in Column A, and then enter that total on Line 5, Column A. Enter the comparable figure for Line 4, Column B.
- Line 6a: Uncollected rents due to vacancy and bad debts
Determine the amount of rent lost due to vacancies during 2016 or an Approved Base Year. Enter this amount in Line 6a, Column A. Enter the comparable figure for the Current Year on Line 6b, Column B.
- Line 6b: Percentage of uncollected rents compared to gross rents
In Column A, divide Line 6a by Line 1 to calculate the percentage of uncollected rents compared to gross rents in the Base Year or an Approved Base Year. Enter the percentage in Line 6b, Column A. Enter the comparable figure for the Current Year on Line 6b, Column B. Only include those vacancies that were beyond the owner's control. Uncollected rents in excess of 5% of gross rents shall be presumed to be unreasonable and shall not be deducted from gross rents unless it is established that they result from circumstances that are likely to continue to exist in future years. If the percentage is greater than 5%, please provide justification along with the application.
- Line 7: Total projected gross income
In Column A, subtract Line 6a from Line 5, IF the percentage in Line 6b is 5% or less than 5%. Enter the total in Line 7, Column A to calculate the total projected gross income in 2016 or an Approved Base Year. Uncollected rents of more than 5% are considered to be unreasonable. If uncollected rents are greater than 5%, the applicant must include an explanation. If the percentage in Line 6b is greater than 5%, enter the total from Line 5 to calculate the total



projected gross income in 2016 or an Approved Base Year. Complete the same process in Column B to calculate the projected gross income in the Current Year and enter the figure on Line 7, Column B.

Enter the figures from Line 7, Column A and Line 7, Column B in the applicable columns on Table 4, Line 24.

Table 3—Operating Expenses

- Line 8: Rent increase application filing fees
In Column A, enter the rent increase application filing fees for 2016 or an Approved Base Year. In Column B, enter the rent increase application filing fees for the Current Year.
- Line 9: Annual registration fees that cannot be passed through to the tenants
In Column A, enter the total amount of annual registration fees that cannot be passed through to the tenants for 2016 or an Approved Base Year. In Column B, enter the total amount of annual registration fees that cannot be passed through to the tenants for the Current Year. [**Please note that there are currently no fees or pass-throughs for the fees**].
- Line 10: License fees
In Column A, enter the license fees for 2016 or an Approved Base Year. In Column B, enter the license fees for the Current Year.
- Line 11: Real property taxes
In Column A, enter the real property taxes for 2016 or an Approved Base Year. In Column B, enter the real property taxes for the Current Year. These figures should be obtained from the County Tax Bill.
- Line 12: Electricity
In Column A, enter the amount claimed for electricity costs not paid by tenants for 2016 or an Approved Base Year. In Column B, enter the electricity costs not paid by tenants for the Current Year.
- Line 13: Gas
In Column A, enter the amount claimed for gas costs not paid by tenants for 2016 or an Approved Base Year. In Column B, enter the gas costs not paid by tenants for the Current Year.
- Line 14: Water
In Column A, enter the amount claimed for water costs not paid by tenants for 2016 or an Approved Base Year. In Column B, enter the water costs not paid by tenants for the Current Year.
- Line 15: Solid Waste
In Column A, enter the amount claimed for solid waste costs not paid by tenants for 2016 or an Approved Base Year. In Column B, enter the solid waste costs not paid by tenants for the Current Year.
- Line 16: Insurance
In Column A, enter the amount claimed for property-related insurance in 2016 or an Approved Base Year. Enter the comparable figure for the Current Year on Line 16, Column B.
- Line 17: Legal Expenses



In Column A, enter the amount claimed for legal expenses in 2016 or an Approved Base Year. Enter the comparable figure for the Current Year on Line 17, Column B.

Line 18: Management Expenses

In Column A, enter the amount claimed for management expenses (contracted or owner performed) in 2016 or an Approved Base Year. Enter the comparable figure for the Current Year on Line 18, Column B. Management expenses include necessary and reasonable advertising, accounting, and other managerial expenses. Management expenses are presumed to be 6% of gross income, unless established otherwise. Management expenses in excess of 8% of gross income are presumed to be unreasonable and shall not be allowed, unless it is established that such expenses do not exceed those ordinarily charged by commercial management firms for similar residential properties.

Line 19: Normal repair and maintenance

Referencing Tables 5a and 5b, in Column A, enter the *Amount Total* (Table 5a, Line 14) claimed for normal repair and maintenance in 2016 or an Approved Base Year. In Column B, enter the *Amount Total* (Table 5b, Line 29) indicating the total amount claimed for normal repair and maintenance in the Current Year.

Line 20: Owner-performed repair and maintenance

Referencing Table 6a, enter the value from Table 6a, Line 14 in Column A for owner-performed labor in 2016 or an Approved Base Year. Referencing Table 6b, enter the value from Table 6b, Line 28 in Column B for the Current Year.

Line 21: Building improvements

Referencing Tables 7a and 7b, in Column A, enter the value from Table 7a, Line 31 indicating the annual total claimed for building improvements in 2016 or an Approved Base Year. In Column B, enter the value from Table 7b, Line 62 indicating the annual total claimed for building improvements in the Current Year.

Line 22: Other Reasonable Expenses

In Column A, list those reasonable expenses, fees, and costs for any professional services used in the course of completing a rent adjustment application for 2016 or an Approved Base Year. Do the same for the Current Year in Column B. Each item must be listed separately with a brief description. If additional space is needed, attach additional sheet(s) referencing Table 3, Line 22.

Please note that Paragraph B1d of BHMC 4-6-11 requires that the following items be excluded from operating expenses:

- 1) Maintenance and repair work that resulted from the intentional deferral of other repairs or work, which deferral caused significant deterioration of housing services, the building or individual units (if the time since the work was performed significantly exceeds the amortization periods established in subparagraph B1c(7) of BHMC 4-6-11, it shall be presumed that it was intentionally deferred);
- 2) Avoidable and unnecessary expense increases since the base year;
- 3) Mortgage interest and principal payments; and fees other than rent increase application filing fees, annual registration fees (to the extent that they cannot be passed through to the tenants, pursuant to resolution of the City Council), and license fees;



- 4) Penalties and interest awarded for violation of this or any other law; or legal fees, except those incurred in connection with the successful good faith attempts to recover rents owing and successful good faith unlawful detainer actions not in violation of applicable law, to the extent the same are not recovered from tenants;
- 5) Depreciation;
- 6) Any expenses for which the landlord has been reimbursed by any utility rebate or discount, security deposit, insurance settlement, judgment for damages, or settlement;
- 7) Any expense that has been passed through lawfully to tenants pursuant to the provisions of this chapter.

These items cannot be included as “other reasonable expenses.”

- Line 23: Total Operating Expenses
Add the values in Column A for Lines 8-22. Do the same for Column B.

Table 4—Net Operating Income

- Line 24: Total collected gross income
Referencing Table 2, Line 7, Column A, enter the Total collected gross income for 2016 or an Approved Base Year in Column A. Referencing Table 2, Line 7, Column B, enter the total for the Current Year in Column B.
- Line 25: Total operating expenses
Referencing Table 3, line 23, Columns A and B, enter the *Total operating expenses* for 2016 or an Approved Base Year (Column A) and the Current Year (Column B).
- Line 26: Net operating income
For Column A and Column B, subtract Line 25 from Line 24 and enter the resulting number in Line 26. These represent the NOIs for 2016 (or an Approved Base Year) and the Current Year.

Section 3

Section 3 provides information about repair and maintenance done at your complex and building improvements for the Base Year of 2016 or Approved Base Year and the Current Year. Please note that there are separate tables for work that was completed by a contractor and work that was completed by the owner. It also provides information about any other expenses that should be incorporated into the calculation.

Table 5a—Normal Repair and Maintenance (Base Year 2016 or Approved Base Year)

Table 5a is used to individually itemize and describe expense claims for normal repair and maintenance during 2016 or an Approved Base Year.

Normal Repair and Maintenance includes painting, normal cleaning, fumigation, landscaping, repair and replacement of all standard services, including electrical, plumbing, carpentry, furnished appliances, drapes, carpets and furniture. This table includes only repair and maintenance performed by an outside contractor. Owner-performed labor should be recorded in Tables 6a and 6b.

****Note: You must include copies of receipts or other documentation to support each cost that is claimed****



Complete the following columns for each item.

- Item #
Use this column to assign an item number for each Base Year or Approved Base Year normal repair and maintenance claim listed. **The same number must be affixed to each supporting document submitted to substantiate the claim.**
- Description of Expense
Provide brief description of each claim. The description should provide enough detail regarding the claim so that the Hearing Officer can understand the expense.
- Units Benefitted
Place an “X” in the *All* column if the item claimed benefitted all the rental units on the property. Otherwise, list the *Unit(s)* benefitted by the claim.
- Cost
For each item, enter the cost in this column. **Each cost claimed must be substantiated by supporting documents.**
- Line 14: Total
Total the amounts in the last column and enter that number on Line 14. This total should be entered in Table 3, Line 19, Column A.

Table 5b—Normal Repair and Maintenance (Current Year)

Table 5b is used to individually itemize and describe expense claims for normal repair and maintenance during the Current Year. Indicate the time period (month/year to month/year) on the lines underneath the table title.

Complete the following columns for each item.

- Line #
Use this column to assign an item number for each Current Year normal repair and maintenance claim listed. **The same number must be affixed to each supporting document submitted to substantiate the claim.**
- Description of Expense
Provide brief description of each claim. The description should provide enough detail regarding the claim so that the Hearing Officer can understand the expense.
- Units Benefitted
Place an “X” in the *All* column if the item claimed benefitted all the rental units on the property. Otherwise, list the *Unit(s)* benefitted by the claim.
- Cost
For each item, enter the cost in this column. **Each cost claimed must be substantiated by supporting documents.**
- Line 29: Total
Total the amounts in the last column. This total should be entered in Table 3, Line 19, Column B.



Table 6a—Owner-Performed Repair and Maintenance (Base Year)

Table 6a is used to individually itemize, provide documentation for, and describe the owner-performed labor expenses during 2016 or an Approved Base Year.

Owner-performed labor shall be counted at reasonable rates established by the cost of obtaining similar services in and around the City. The applicant must also submit documentation showing the date, time, and nature of the work performed by the property owner.

Each cost must be substantiated by supporting documents.

“General Maintenance” is defined as work that does not require specialized training or education or a particular license. “Skilled Maintenance is defined as work that does require specialized training or education or a particular license.

- Column A: Item #
Use this column to assign an item number to each self-labor expense claim that is listed. **The same number must be affixed to each supporting document submitted to substantiate the claim.**
- Column B: Nature of Work
Use this column to briefly describe the nature of the work (i.e. tree trimming) claimed performed on the property.
- Column C: Date of Work
Use this column to list the approximate month, date, and year of each claim.
- Column D: General Maintenance – Hours
Use this column to list the number of hours for the general maintenance claim performed.
- Column E: General Maintenance – Hourly Rate
Use this column to list the reasonable rate (established by the cost of obtaining similar services in an around the City) for each general maintenance claim performed. Justification for the rates must be provided.
- Column F: General Maintenance – Cost
- Multiply the hours in Column D by the hourly rate in Column E to determine the total cost for each general maintenance claim.
- Column G: Skilled Maintenance –Hours
Use this column to list the number of hours for each skilled labor claim performed.
- Column H: Skilled Maintenance –Hourly Rate
Use this column to list the reasonable rate for each skilled maintenance claim (established by the cost of obtaining similar services in and around the City) performed.
- Column I: Skilled Maintenance –Cost
Multiply the hours in Column G by the hourly rate in Column H to determine the total cost for each skilled maintenance claim.
- Line 13: Total
Total the values in Columns F and I.
- Line 14: AMOUNT TOTAL



Add the values in Row 13, Column F and Row 13, Column I. This value should be recorded, in Table 3, Line 20, Column A.

Table 6b—Owner-Performed Repair and Maintenance (Current Year)

Table 6b is used to individually itemize and describe expense claims for owner-performed repair and maintenance during the Current Year. Indicate the time period (month/year to month/year) on the lines underneath the table title. These must match what is used throughout the application.

Each cost claimed must be substantiated by supporting documents.

- Column A: Item #
Use this column to assign an item number to each self-labor expense claim listed. **The same number must be affixed to each supporting document submitted to substantiate the claim.**
- Column B: Nature of Work
Use this column to briefly describe the nature of the work (i.e. tree trimming) claimed performed on the property.
- Column C: Date of Work
Use this column to list the approximate month, date, and year of each claim.
- Column D: General Maintenance – Hours
Use this column to list the number of hours for the general maintenance claim performed.
- Column E: General Maintenance – Hourly Rate
Use this column to list the reasonable rate (established by the cost of obtaining similar services in an around the City) for each general maintenance claim performed. Justification for the rates must be provided.
- Column F: General Maintenance – Cost
- Multiply the hours in Column D by the hourly rate in Column E to determine the total cost for each general maintenance claim.
- Column G: Skilled Maintenance –Hours
Use this column to list the number of hours for each skilled labor claim performed.
- Column H: Skilled Maintenance –Hourly Rate
Use this column to list the reasonable rate for each skilled maintenance claim (established by the cost of obtaining similar services in and around the City) performed.
- Column I: Skilled Maintenance –Cost
Multiply the hours in Column G by the hourly rate in Column H to determine the total cost for each skilled maintenance claim.
- Line 27: Total
Total the values in Columns F and I.
- Line 28: AMOUNT TOTAL
Add the values in Row 27, Column F and Row 27, Column I. This value should be recorded, in Table 3, Line 20, Column B.



Table 7a – Building Improvements (Base Year)

Table 7a indicates those allowable building improvements completed in the 2016 or an Approved Base Year. Allowable building improvements are major repairs and replacement (except to the extent such costs are compensated by insurance proceeds). The improvements are amortized in years according to the schedule listed in the table.

Lines 1-30 list each of the allowable building improvements and the amortization periods. Identify the correct allowable building improvements and complete Columns A through F.

Column A: Description of Expense

Use this column to provide a brief description of the improvement completed related to the listed item. If additional space is required, please use an additional sheet of paper referencing the line number in Table 7a.

Column B: Units Benefitted

Circle the word “All” in this column if the item claimed benefitted all rental units on the property. Otherwise, list the I.D. designation of the unit(s) (as listed on Table 1) benefitted by this claim.

Column C: Initial Cost

Enter the initial cost of each item in the column.

Column D: Cost of Financing

In this column, enter the cost of financing for each item, if applicable. Enter the initial cost of each item in the column.

Column E: Total Cost

For each item, add the figures in Columns C and D, then enter the result in Column E.

Column F: Annual Cost

For each item, divide the amount in add the figures in Column E by the appropriate amortization period, then enter the result in Column F. This value should be entered in Table 3, Line 21, Column A.

Table 7b – Building Improvements (Current Year)

Table 7b indicates those allowable building improvements for the current year. Allowable building improvements are major repairs and replacement (except to the extent such costs are compensated by insurance proceeds). The improvements are amortized in years according to the schedule listed in the table.

Lines 32-62 list each of the allowable building improvements and the amortization periods. Identify the correct allowable building improvements and complete Columns A through F.

Column A: Description of Expense

Use this column to provide a brief description of the improvement completed related to the listed item. If additional space is required, please use an additional sheet of paper referencing the line number in Table 7b.



Column B: Units Benefitted

Circle the word “All” in this column if the item claimed benefitted all rental units on the property. Otherwise, list the I.D. designation of the unit(s) (as listed on Table 1) benefitted by this claim.

Column C: Initial Cost

Enter the initial cost of each item in the column.

Column D: Cost of Financing

In this column, enter the cost of financing for each item, if applicable. Enter the initial cost of each item in the column.

Column E: Total Cost

For each item, add the figures in Columns C and D, then enter the result in Column E.

Column F: Annual Cost

For each item, divide the amount in add the figures in Column E by the appropriate amortization period, then enter the result in Column F. This value should be entered in Table 3, Line 21, Column B.

