Minutes

Remote Rent Board Meeting - Held Via Zoom
Wednesday, September 22, 2021

Start time: 5:03pm

II. Roll Call - 00:00:27

Austin Sims, Homeowner, District 5 - Chair
Barbara Vestal, Landlord, At-Large - Vice Chair
Christopher “Buddy” Moore, Tenant, District 1
Elliott Simpson, Tenant, District 3
Ian McCracken, Landlord, District 4 (late)
Elias Kann, Tenant, At-Large

There is one vacancy within the Board, so there are only 6 Board members until filled.

Staff present:

Anne Torregrossa, Corporation Counsel (late)
Katlyn Sawyer, Licensing & Registration Coordinator
Zachary Lenhert Licensing & Housing Safety Manager

III. Minutes - 00:01:14

Barbara Vestal had a few amendments to the minutes that included:

1. Section V, Page 2, Paragraph 1 - Change the sentence “Buddy Moore presented the document” to “Buddy Moore presented a San Jose annual rent adjustment study”
2. Section V, Page 2, Paragraph 2 - replace “Richard Rent Stabilization” with “Richmond, California Rent Stabilization”
3. Section VI, Part B, Page 4, 3rd Finding - replace “toilet paper” with “toilet valve”
4. Section VI, Part C, Page 5 - Add to the end of the item “The matter concluded with no action taken”
5. Section VI, Part E, Page 5 - Insert after paragraph 2 “Barbara Vestal questioned how inflation was incorporated on the form. No action was taken”

   2nd by Elliott Simpson
   Vote: 6-0

IV. Communications - 00:06:42

A. Housing Safety Memo

The Chair had noted that he and the Vice Chair had met with the Mayor and City Manager's office about finding funding for translation costs as part of the Rent Control/Rent Board documents

V. Unfinished Business - 00:10:33

A. Amended Housing Service Increase Worksheet

Buddy Moore had added the bold paragraph at the top of the form as a description to explain what this form would be used for. Following that he added a paragraph for instructions on how the form should be filled out.

> Under the line item of Taxes, he added a note that this would "NOT be those due to changes in mil rate"

On page 2, he created tables to show how one would adjust any increase in housing service costs for inflation.

> The Chair pointed out that there should be a link as to where the CPI is published and that the CPI calculation should read "1.043" versus ".043"
>
> The Vice Chair had concerns over the wording of "previous year costs" that previous would have to mean the immediately previous year when it could be any prior year
>
> Board members discussed CPI adjustments on housing service costs and how it reads in the ordinance, and that the applicant should note which year they might be designating as a previous year.

No action was taken.

B. Rent Increase Application Summaries - 00:34:20

The Chair advised that members of the public reach out to rentboard@portlandmaine.gov with any suggestions to be added or removed from the summary with an explanation of why.

Elliott Simpson had suggested that the summaries also include the number of bedrooms and bathrooms within each unit that is having a rent increase requested.

C. Rent Increase Application - Public Comment - 00:45:05
Landlord: Randy Johnson
Property Address: 23 Devonshire St #23
CBL: 082-B-021-001
Type of Increases: 1. Increased housing service costs 2. Fair rate of return

The Landlord mentioned that the previous tenant had passed away but was a smoker and so the apartment was heavily damaged. This required paint, trim, doors, new bathroom flooring, etc. The rent was at $800.00 way below market value and would like to recoup the costs from those renovations.

There are no current tenants as the unit is vacant.

No public comment was taken as there were no objections.

Discussion between Board members and the Landlord are as follows:

-This is a 2-unit building with units on the 1st and 2nd floor that consist of the same size. Rent charged is the same for the 2nd floor unit.

-The $1,500 proposed rent increase does include the CPI, new tenancy, tax rate adjustment, with the remaining being capital improvement costs.

-The Landlord is aware of the 10% cap and so if the Board was to approve the proposed rent of $1,500; the Landlord could only take $80 per year.

-Fair rate of return and market rate are not one in the same

-The Landlord mentioned on the application that he borrowed money - the Board would need to know details of this to base the amortization on.

-Housing Service costs worksheet is a breakdown of items with comparison years

-The Landlord does not need Board approval for the tax rate adjustment, CPI, or new tenancy

Discussion between Board members concluded:

-The total cost of improvements was $14,304

-Over a 5 year amortization schedule, the monthly increase of $238.40 would be allowed

-The Landlord did not provide enough information to grant a rent increase related to a fair rate of return, and that the Landlord may reapply in the future with sufficient documentation

Initially the Vice Chair made a motion that in addition to already authorized vacancy adjustment for changes in real estate taxes and CPI that the Board approves a rent increase for capital improvements of $238.40 based on a 5-year amortization of $14,304. The Landlord would be allowed to take full capital improvement increases in the first year without being limited to the 10% increase. The Board agrees this does not preclude a later application based on fair rate of return based on base year yielding other than a fair return

2nd by Ian McCracken
Vote: 3-3
(Buddy Moore, Elias Kann, and the Chair voted against this motion)

Elias Kann had then made an amendment to Barbara's in that the Landlord would be capped at the 10% increase until additional requirements were provided for a fair rate of return.

After further discussion from Board members, the Chair made a motion to accept Elias' version of the motion

2nd by Buddy Moore
Vote: 5-1
(Ian McCracken voted against this motion)

The Chair will submit what further information a Landlord can submit for a fair rate of return.

Elias requested that another item be added to the agenda and moved to follow after all rent increase applications have been heard. This was to discuss and determine what that sufficient information for a fair rate of return might include.

2nd by the Chair
Vote: 6-0

VI. New Business -

A. **Rent Increase Application - Public Comment - 01:57:56**
Landlord: Peter Colesworthy - Woodford Arms Inc
Property Address: 168 Woodford St #7 CBL: 124-J-014-001
Type of Increase: 1. Capital improvement costs

The Landlord mentioned that the previous tenant had moved out. He did two significant capital improvements to the unit. One being replacing the bathtub and shower surround for a cost of $2,500.00 and the other being the pad and carpet within the unit for a cost of $2,190.96; which brings the total cost to $4,690.96.
He requests that to recoup these expenses over a 60 month amortization period which would come out to $78 per month. He is however aware of the 10% cap which would end up being $55 per month, with the rest being banked rent for 2023.

As mentioned above, there are no current tenants as the unit is vacant.

No public comment was taken as there were no objectors.

The Board did not have any questions for the Landlord and moved straight into deliberation.

The Chair moved to accept the Landlord's application as presented.
2nd by Elian Kann
Vote: 6-0

B. Rent Increase Application - Public Comment - 02:07:39
Landlord: Thomas Watson - West Street Partners LLC
Property Address: 40 West St #42-2 CBL: 063-H-004-001
Type of Increase: 1. Renovation of a unit or Reconfiguration of one or more units

The Landlord intends to invest $12,521.52 as renovations to the unit based on a work estimate provided. He would like to seek a new base rent under Section 6-233(c) and to help improve the housing stock. This also gives the opportunity to determine what is a reasonable rent as opposed to a rent increase. He also referenced HUD guidelines to determine what is affordable along with an example of a calculation.

There are no current tenants as the unit is vacant.

Public comment was opened at 02:11:49
The one person who spoke was in favor of the Landlord's request
Public comment was closed at 02:13:00

The discussion with the Board and Landlord:

-Seeking clarification from the Landlord that the work has not yet been done, which the Landlord confirmed that was correct

-How the Landlord got the numbers leading to a total cost for an estimate. He stated that it came from Port Property Management.

-The Landlord bought the property in 2020. He also confirmed that there will be no change in floor plan or moving of walls

Public comment was reopened 02:25:27
General consensus from members of the public is that there's a necessity to determine what the definition of renovation truly is or better yet, what would not fall under classification of renovation

Public comment closed at 02:34:00

After much deliberation with the Board, the Vice Chair moves to approve the application for the proposed new base rent at $1,450 based on 6-233(c) renovation
2nd by Ian McCracken
Vote: 2-4
(Buddy Moore, Elliott Simpson, Elias Kann, and the Chair voted against the motion)

The Chair did propose that the Board could review this application as a capital improvement rent increase based on a 5 year amortization with the offer to apply in the future for fair rate of return

> The Vice Chair added that this would come out to an increase of rent of $208 per month, which added to the base rent of $925 would equal $1,133 and be subject to the 10% cap.
>
> The Landlord agreed to amend the application to be reviewed under capital improvements versus renovation of a new base rent

The Vice Chair moved to accept the agreement of the Landlord to amend pending proposal to make a determination based on capital improvements of $12,521.52 amortized over 5 years resulting in a $208 rent increase with provise of the applicant not precluded from coming back with an application based on fair rate of return in the future

> 2nd by Elias Kann
> Vote: 6-0

C. **Rent Increase Application - Public Comment - 03:31:05**
   Landlord: East Danforth LLC
   Property Address: 67 Danforth St #67-1,#67-2, #67-3, #67-4, #69-1, #69-2, #69-3
   CBL: 040-A-022-001
   Type of Increases: 1. Capital improvement costs 2. Fair rate of return

The Landlord installed a life safety fire alarm system that costs $35,904.69 towards capital improvements. He also included a presentation for a fair rate of return at this property.

No tenants spoke as an objector.

Public comment was received in regards to making exceptions of exceeding 10% cap.

The Chair moved to accept the application as presented

> 2nd by Elias Kann
> Vote: 6-0

Ian McCracken had suggested about adding an agenda topic to the end of the next meeting to discuss about items/things learned

> The Chair formally requested that an agenda item "Quarterly Check-In of Lessons Learned" including top level items from the 9/22/21 Rent Board meeting be added as a final agenda item for the 10/27/21 Rent Board meeting

The Board discussed additional application evidence to be submitted for a fair rate of return

- Floor plan
- Financials
- Relevant units in the area
- Amount of rent charged of units of comparable square footage in the immediate vicinity
- Factors:
    - -Rent charged abnormally low due to Landlord making substantial capital improvements not reflected in base year rents
    - -Substantial repairs due to exceptional circumstances
    - -Other expenses unreasonably high
    - -Base year rents did not reflect market transactions which may be a special relationship between Landlord and Tenant

The Chair will follow up with Housing Safety for a quick list

At **04:11:00** The Board reviewed the final decision forms in regards to the Rent Increase applications that were sought before the Board and they are as follows

1. 23 Devonshire Street
    Vote: 6-0

2. 168 Woodford Street
    Vote: 6-0

3. 40 West Street
    Vote: 6-0

4. 67 Danforth Street
    Vote: 6-0

VII. Adjourn - 04:31:45

Meeting end time: 9:35