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## **CAN NOTHING BE DONE ABOUT LOW RENTS?**

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My clients often ask: "What can I do about my long term tenants paying low, low rents?" Many owners think the answer is, "Nothing. Wait for vacancies."

But that is not really the best answer. It is true that vacancy decontrol is the main game now, but when you have long term tenants who you fear will stay a lifetime there are strategies that you should consider before settling for low rents for what feels like forever.

The first strategy is to be vigilant as to who occupies your units. If your tenants move someone else in, you may be able to get a 10% rent increase for what the Rent Board calls "extra tenants". If the original tenants leave, leaving subtenants behind, you may be able to assert a vacancy event and take the rent to market ... so long as you act promptly. If it becomes apparent that your tenant is using the unit as a pied-a-terre or for business purposes, you may be able to achieve exemption from rent control under the new "pied-a-terre" regulation.

In all of these cases, vigilance is important. You have to know your tenants. Tenants have a significant financial incentive to maintain rent controlled rents, and many tenants will take advantage if they see the opportunity. Tenants will sometimes try, for example, to pass a rent controlled unit on to a family member or a roommate. The former tenant continues to pay the rent. The owner is never told about the change. Don't let this happen! In the old days of restrictive rent control it didn't really matter who lived there. That is no longer true. It matters a lot. You have to maintain control over who lives there. And when a change in occupants happens, you have to move quickly to assert your right to decontrolled rents. Otherwise the Rent Board will tell you that you have lost the right to decontrolled rent by acting too slowly.

If your rents are extraordinarily low, it may be possible to petition for increases under the Historically Low Rent regulation. Maximum rents achievable by this route are not generous, but they are higher than some low, low rents.

It is sometimes possible to get low-income tenants on Section 8. This is a win-win for you and for the tenant. The tenant's rent goes down. The rent you receive goes up. The Section 8 list is closed right now, but it opens every once in a while, and is always open for emergency cases. There are circumstances in which an emergency can be managed to the owner's and the tenant's mutual advantage by involving the Section 8 program.

A strategy that some owners have pursued is a tenant buy-out. Everyone has his price, they say. Almost any tenant will move if offered a sufficient financial incentive. What drives buyouts is that tenants' valuation of their tenancy is often lower than owners' valuation of a vacancy. One client has had considerable success helping moderate-income families buy a home. He gave them information about first-time-home-buyers programs, explained to them how tax incentives work, and convinced them that they could afford to buy a home. He then put \$15,000 into escrow as a contribution towards their down payment, in this way making it possible for several families who previously considered homeownership far beyond their means to buy a home. This was truly a win-win. The families are eternally grateful, and the owner was able to bring his low rents to market with a relatively modest investment.

If you have questions about these topics, or for that matter, any question about rent control in Berkeley or Oakland, call for an appointment. It could be the best investment you ever made.

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