



## Memorandum

**To:** HONORABLE MAYOR AND CITY COUNCIL      **From:** Councilmember Chappie Jones

**Subject:** SEE BELOW

**Date:** April 24, 2018

**Approved:**

**SUBJECT: AMENDMENTS TO THE APARTMENT RENT ORDINANCE REGARDING UTILITY PASS THROUGH TO TENANTS**

### **RECOMMENDATION**

Accept the staff report and:

1. Allow the pass through of utility charges, such as RUBS, providing parameters for the allowable pass through. Parameters would include the following:
  - a. Water, water heating, and garbage costs may be passed on to tenants
  - b. 25% of the utility bill for maintenance of common areas
  - c. Combined rent and utility costs may **NOT** exceed 5% allowable rate
  - d. Utility costs may not exceed HUD Utility Allowance amounts
  - e. Landlords will make utility bills accessible for review by tenants
2. Direct the Housing Department to implement an education and outreach plan on these new RUBS standards.
3. Accept Mayor Sam Liccardo's recommendation #2 from his memo on RUBS dated April 20, 2018, with the amendment of removing the "Use of San Jose Clean Energy net revenues for low-cost loans or grants" as an additional incentive for retrofits for sub-metering existing multi-family buildings.

### **BACKGROUND**

Providing standards to the Apartment Rent Ordinance (ARO) with amendments allowing the pass through of utility charges, such as RUBS, with clear parameters will lead to an increase in utility conservation as well as a more transparent utility billing process between landlords and tenants.

RUBS provides an incentive for tenants as consumers to conserve their usage of utilities as less consumption equates to less utility costs. According to 2016 Census data, 43% of units occupied in the City of San Jose are occupied by renters. By providing visibility to the rate of consumption per renter, we can fundamentally change the way almost half of our renters perceive their utility costs through more transparent visibility of utility consumption. RUBS helps to incentivize renters to conserve for both the benefit of our environment as well as their own fiscal interests. Various technologies exist to allow efficient sub-metering of multi-family units such as "Point of Use (POU)" sub-metering which allows water consumption to be measured at each individual appliance, such as a sink, toilet, shower, etc, within a resident's unit. I commend the Mayor for his direction to

the Housing Department staff to look into leveraging our current resources to further incentivize sub-metering. However, I believe that using San Jose Clean Energy net revenues for low-cost loans or grants for sub-metering is not advisable at this time. We should refrain from dedicating revenues from this program until its financial viability is established.

It is important to clarify that this policy alternative does **NOT** exceed a 5% increase in rent in any scenario whether it be introducing RUBS to an existing tenancy, transitioning current tenancies with RUBS to the new formula or renting a new tenancy under the new RUBS formula. Thus, this formula complies with the ARO.

The formula for RUBS as laid out in the standards in this recommendation can be easily promoted by the City's Housing Department in education and outreach efforts to landlords and tenants alike. Thus, Housing Department staff should craft an outreach plan to educate landlords and tenants alike on how to both change their RUBS policies as well as understand their new RUBS bills.

Staff can also support landlords by researching through our City prioritization process what others additional incentives we can leverage to assist with retrofits for sub-metering existing multi-family buildings to make sub-metering.