

San Francisco's Legitimate Pass-Throughs to Raise Your Rents by Kim Boyd Bermingham

Most small property owners know about and impose regular annual rent increases, but many don't know about the other increases allowed under the Rent Ordinance. These increases can be substantial, especially for smaller buildings of five units or less and the necessary paperwork can often be done by property owners themselves. Forms for all these pass-throughs can be downloaded from the rent Board's website – www.sfgov.org/rentboard.

Bond Pass-Through

A bond pass-through can be banked, but you must use the Rent Board forms designated for each year, going back to 1988. The Rent Board's website has complete instructions and forms.

- Passes through bond measures paid as part of your property taxes
- Required no Rent Board approval
- Imposed on tenant's anniversary date, and must be recalculated annually
- Does not become part of the tenant's base rent

Water Bond Pass-Through

- Passes through a portion of Water System Improvement Revenue Bonds shown on your water bill
- Requires NO Rent Board approval
- Imposed on tenant's anniversary date and must be recalculated annually.
- Does not become part of tenant's base rent

Utility Pass-Through

Most valuable if you pay for heat. The petition requires you to provide your PG & E bills for a base year, based upon when the tenant moved in, and a comparison year, currently 2006. If you collect revenue from laundry facilities, you must subtract a portion of that income.

- Passes through increases in PG & E expenses
- Requires Rent Board approval
- Imposed on tenant's anniversary date and must be recalculated annually
- Does not become part of tenant's base rent

Capital Improvement Pass-Through

The capital improvement pass-through petition is for the cost of work that materially adds to the value of the building. The most common pass-throughs are for roof replacements, exterior painting, interior painting for common areas, major plumbing or electrical upgrades and foundation upgrades. With buildings of one to five units, you may pass through 100% of the cost amortized over 10, 15 or 20 years, depending on the type of work performed. You are limited, however, to increasing the rent in increments of 5% of the tenant's base monthly rent each year. With buildings six units and larger, you may pass-through 50% of the cost over 7 or 10 years, and must phase-in the increase at the rate of 10% of the tenant's base rent, if applicable.

- Passes through capital improvement expenses
- Requires Rent Board approval
- Imposed on any monthly rent due date; need not be on the anniversary date
- Does not become part of the tenant's base rent

Operating & Maintenance Pass-Through

An operating and maintenance pass-through petition compares the operating expenses for two consecutive 12 month periods. A landlord who has a significant increase in operating expenses may be entitled to up to a 7% permanent base rent increase. This petition is most commonly used when a change in building ownership has increased the mortgage and property taxes dramatically, but an owner who has experienced a significant insurance increase or possibly an increase in variable mortgage rates might consider applying for this pass-through as well.

- Passes through the operating and maintenance expense increase
- Requires Rent Board approval
- Imposed on the tenant's anniversary date
- Can only be done every five years by the same owner. If a prior owner did one, the clock resets
- Becomes part of the tenant's base rent

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