



NEWSLETTER

Berkeley Property Owners Association

1940 Virginia Street, Berkeley 94709

540-8668

APRIL 1987

THE PRESIDENT SPEAKS

At the April 6 public hearing on the RSB's indexing and fair return proposals, Milton von Damm presented BPOA's views on the subject.

Concerning the RSB's proposal to permit net operating income (NOI) to increase at forty percent of the CPI rise since June of 1980, subject of an individual rent adjustment (IRA) petition, Milton said in part:

In its present form the indexing proposal will only bring a small amount of relief. In fact, it is the opinion of many owners I have talked with that they may not be willing to risk the "Catch 22" elements of the IRA process and may not even apply.

The indexing recommendations of the Berkeley Property Owners' Association is to achieve rent ceilings which would maintain June 1978 property and NOI values in today's dollars. We ask nothing more from indexing than a cost-of living adjustment to maintain the values which existed in June 1978.

We do, however, want to make it very clear that indexing alone is not a substitute for a fair return standard; indexing does not address the question of whether or not 1978 rents yielded a fair return to the owner.

Freezing NOI at a seven year old dollar level has meant a significant decline in the value of the income flow from rental property. Because the value of rental property is based on income flow, this decline in rents has resulted in a severe decline in property value. Thus, the administration of the rent stabilization ordinance is not resulting in a fair return on investment, and the consequence has been, as the lawyers say, a gradually increasing confiscation of property.

We are flexible about what methodology is used to provide the rents necessary to maintain 1978 values. Thus, indexing NOI is acceptable as long as it is passed on routinely to all owners.

The specific changes we recommend to the IRA committee's indexing proposal are as follows:

A) Full cost-of-living related rent ceiling adjustments from June 1978, the date the present ordinance begins its enforcement of rent control.

B) Rent increases for indexing should not require the cumbersome, costly, and time-consuming IRA process. Four to five thousand owners applying simultaneously for indexing increases for 19,000 units would be a bureaucratic nightmare.

C) The existing language of regulation 1275 must be retained. This language sets a framework for developing a fair return standard which considers the relationship between rent ceilings, property equity and property value. This expression of intent needs to be developed further rather than deleted as the RSB begins to address the need for providing a fair return standard.

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* Our May membership meeting will be *
* dinner at Spenger's on May 11 at *
* 6:30 p.m. Our speaker will be *
* Sharon Brown from the Housing *
* Administration's Section 8 program *
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* Reservations required in advance *
* There will be a choice of snapper *
* or sirloin tips *
* Dinner is \$10 if you pay ahead, *
* \$12 if you pay at the door. *
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