



# Proposed Annual Rent Increase for City-Owned Affordable Housing

Hawthorne City Council

October 10, 2023



# Introductions



Von Norris, City Manager  
Kimberly Mack, Housing Director



**Harris & Associates.**

Hitta Mosesman, CDH Vice President  
Irlanda Martinez, CDH Project Manager

# Overview



- I. Background
- II. Proposed Rent Increase
- III. Increased Costs
- IV. Options
- V. Questions



# Background



- Six (6) City-owned affordable housing properties
- 38 total units
- 55-year affordability covenants
- Maintenance and operation costs paid using rent revenues and alternative City funds (e.g., General Fund, grants)
- City pays for water, trash, and vacant unit/common space electric and gas

	12720 & 12726 Grevillea	11605 Gale	11529 Gale	11537 Gale	12529 Truro
<b>Units</b>	8	10	12	5	3
<b>Affordability</b>	Moderate Income	Very Low Income	Moderate Income	Very Low Income	Very Low Income
<b>Existing Gross Rent <sup>1</sup></b>	\$431	\$428	\$581	\$624	\$1,059
<b>Acquisition Year</b>	1991	2008	2008	2009	2009
<b>Covenant Expiration</b>	2046	2064	2064	2064	2064

<sup>1</sup> Existing gross rent represents the average rent for all units in each property

# Proposed Rent Increase



- Rents must be calculated per HCD Income Limits (published annually)
  - **Monthly Rent Limit** = Annual Income Limit (based on household size) \* 30% (per HCD guidelines) divided by 12 (months).
- Existing gross rents < allowable gross rents (per State guidelines)
- Proposal:
  - *Increase existing gross rents by either 3% or corresponding year's CPI, whichever is greater.*
  - Allow increase in perpetuity, until allowable rents are reached.

Property	Existing Gross Rent <sup>1</sup>	Max. Allowable Increase			Proposed Increase		
		2023 HCD Rent Limit	%	\$	Existing Gross Rent + 3%	%	\$
11529 Gale	\$581	\$2,341	303%	\$1,760	\$598	3%	\$17
11537 Gale	624	1,130	81%	505	643	3%	19
11605 Gale	428	1,007	135%	578	441	3%	13
12529 Truro	1,059	1,244	17%	185	1,091	3%	32
12720 & 12726 Grevillea	431	2,228	417%	1,797	444	3%	13
<b>Avg. Rent Per Unit (All Properties):</b>	<b>\$625</b>	<b>\$1,590</b>	<b>154%</b>	<b>\$965</b>	<b>\$643</b>	<b>3%</b>	<b>\$19</b>
<b>Current Total Rent (Per Month):</b>	<b>\$19,213</b>	<b>\$65,356</b>	<b>240%</b>	<b>\$46,143</b>	<b>\$19,789</b>	<b>3%</b>	<b>\$576</b>
<b>Current Total Rent (Per Year):</b>	<b>\$230,556</b>	<b>\$784,268</b>	<b>240%</b>	<b>\$553,712</b>	<b>\$237,473</b>	<b>3%</b>	<b>\$6,917</b>

<sup>1</sup> Existing gross rent represents the average of all the units in each property. In addition, gross rents utilized for the purposes of this analysis do not include Section 8 subsidies.

# Proposed Rent Increase (Cont.)



- 3% annual increase based on median CPI increase in last five years.

Year	CPI
2019	3.2%
2020	3.1%
2021	0.9%
2022	7.5%
2023	5.8%
<b>Median Increase:</b>	<b>3.2%</b>

**Source:** Bureau of Labor Statistics, Los Angeles 12-month CPI, January

# Increased Costs



- Notable electricity cost increase over the last five years (57%):

Year	Baseline Service	% Inc.	Nonbaseline Service	% Inc.	High Usage Charge	% Inc.
FY 18-19	\$ 0.10008		\$ 0.15302		\$ 0.33253	
FY 19-20	0.11940	19.3%	0.18082	18.2%	0.25005	-24.8%
FY 20-21	0.16135	35.1%	0.23451	29.7%	0.31698	26.8%
FY 21-22	0.17324	7.4%	0.25627	9.3%	0.34985	10.4%
FY 22-23	0.15697	-9.4%	0.24612	-4.0%	0.34648	-1.0%
<b>5-Year Increase</b>	<b>\$ 0.05689</b>	<b>56.8%</b>	<b>\$ 0.09310</b>	<b>60.8%</b>	<b>\$ 0.01395</b>	<b>4.2%</b>

Source: Southern California Edison

- 4.2% annual rate increase built into waste services franchise contract

# Increased Costs (cont.)



- Notable water cost increase over the last six years (41%):

Effective Date	General Metered Service Rate*	% Inc.	Senior Metered Service Rate**	% Inc.	Reclaimed Water Service Rate*	% Inc.
01/01/2017	\$ 4.1762		\$ 3.3410		\$ 2.4180	
01/01/2020	4.6652	11.7%	3.7322	11.7%	2.7012	11.7%
01/01/2021	5.2063	11.6%	4.1651	11.6%	3.0144	11.6%
01/01/2022	5.8117	11.6%	4.6494	11.6%	3.3650	11.6%
07/01/2023	5.8999	1.5%	4.7199	1.5%	3.4160	1.5%
<b>6-Year Increase</b>	<b>\$ 1.72370</b>	<b>41.3%</b>	<b>\$ 1.37890</b>	<b>41.3%</b>	<b>\$ 0.99800</b>	<b>41.3%</b>

Source: California Water Service

\* Per 100 cubic feet.

\* For first 1,000 cubic feet, per 100 cubic feet.

- Major Improvements including:
  - 2020 Roof Repair - **\$48,650** for all sites (Complete)
  - 2023 Exterior Project - **\$1,495,580** for all sites (In process)
  - 2023 Exterior Project – not to exceed **\$200,000** for all sites (October)
  - 2023-2024 Interior Work – not to exceed **\$2,777,123** for all sites (Pending)
  - Portion of Costs covered by grants

# Staff Recommendation



*Approve an annual rent increase of the greater of 3% or corresponding year's CPI increase. Rental rates shall not exceed the mandated rent limit, as published by HCD.*

# Questions

