

**CHECKLIST FOR FILING
Operating and Maintenance (O&M) Petitions**

NOTE: Every item on this checklist must be completed and marked “YES” or your petition will be considered incomplete and that could delay the hearing and decision.

- | | YES | NO | |
|----|--------------------------|--------------------------|---|
| 1. | <input type="checkbox"/> | <input type="checkbox"/> | Is there a copy of the O&M petition for each tenant listed? If more than one tenant resides in the unit, you must provide a copy of the petition for each tenant. (Pages i-iii of the petition do not need to be included in the copies provided to the tenants.) |
| 2. | <input type="checkbox"/> | <input type="checkbox"/> | Have you completed Form I (Landlord Operating and Maintenance Petition), Form II (Proposed Monthly Rent Increases) and Schedule B (Operating and Maintenance Expenses)? |
| 3. | <input type="checkbox"/> | <input type="checkbox"/> | Are all lines on Schedule B completely filled out? Is there a zero (\$0.00) entered if no amount is claimed? If the amount entered is zero, have you attached a written explanation and/or evidence to verify that fact? |
| 4. | <input type="checkbox"/> | <input type="checkbox"/> | Are the correct comparison periods being used? A consecutive 24-month period prior to the filing of the petition OR the immediately preceding two calendar years must be used. |
| 5. | <input type="checkbox"/> | <input type="checkbox"/> | Are there two complete sets of all supporting documentation (bills, invoices, statements, receipts, copies of canceled checks, etc.)? The landlord is <u>not</u> required to provide copies of supporting documentation for the tenants. |
| 6. | <input type="checkbox"/> | <input type="checkbox"/> | Is the documentation separated by category and organized in chronological order within each category? Did you include 24 consecutive months of expenses for each category? Please follow the sequence on Schedule B when organizing the documents. |
| 7. | <input type="checkbox"/> | <input type="checkbox"/> | Is there a bill, statement and/or invoice for each claimed expense? |
| 8. | <input type="checkbox"/> | <input type="checkbox"/> | Is there a canceled check and/or receipt for each claimed cost? For monthly or periodic bills, you can include the subsequent billing statement that shows payment of the prior bill instead of providing a canceled check. |

San Francisco Residential Rent Stabilization and Arbitration Board

INSTRUCTIONS FOR FILING AN OPERATING AND MAINTENANCE (O&M) PETITION

1. A landlord's petition based on increased operating and maintenance expenses must include the following:
 - (1) Landlord Operating and Maintenance Petition, FORM I;
 - (2) Proposed Monthly Rent Increases, FORM II;
 - (3) Schedule B – Operating and Maintenance Expenses; and,
 - (4) Documentation supporting the claimed O&M costs.
2. The petition must be completely filled out and signed by the landlord or the landlord's authorized agent. The petition must be assembled as noted below in the section called "Tips for Preparing an Operating and Maintenance Expense Petition." **The Rent Board staff is not permitted to complete or fill in the petition for you.**
3. You must submit 2 full sets of all relevant paperwork. Each set must include a completed petition form plus copies of all supporting documents to verify the claimed expenses (bills, statements, invoices, canceled checks, receipts, etc.). In addition, you must also submit a copy of your completed petition form for each tenant in the unit whose rent you propose to increase. You do not need to provide extra copies of the supporting documents for mailing to each tenant. At the hearing, you must be prepared to clearly describe and explain all expenditures, invoices, etc. All bills, statements and/or invoices must clearly state a specific dollar amount for each expense.
4. A petition will not be accepted for filing unless you have fully complied with the above. **FAILURE TO SUBMIT ADEQUATE DOCUMENTATION MAY RESULT IN EITHER ADMINISTRATIVE DISMISSAL OF THE PETITION OR THE DENIAL OF YOUR REQUESTED RENT INCREASES.** Rules and Regulations Section 5.14 permits dismissal of incomplete Operating and Maintenance Expense Petitions. Please review Section 5.14 if you have any questions.
5. In order to impose the O&M rent increase, you are required to serve written notice of the rent increase on the tenant(s) after filing your petition with the Rent Board. Civil Code Section 827 requires service of a ninety (90) day notice of rent increase if the increase, either by itself or combined with any other rent increase in the one year period before the effective date, is more than 10%. If 10% or less, a thirty (30) day notice is required. If the rent increase notice is served by mail, the required notice period must be extended by an additional five days. Rent increases based on increased operating and maintenance expenses may be imposed only on (or after) the tenant's rent increase anniversary date, which is 12 months since the tenant's last rent increase. Additionally, Rent Ordinance §37.15 requires owners to report certain information about their units to the Rent Board in order to obtain a license to impose annual and/or banked rent increases. The landlord may fulfill their reporting requirements and obtain a rent increase license by visiting the Rent Board's Housing Inventory Portal. Prior to or at the hearing, you must submit a copy of each rent increase notice that you served on the tenant(s) after this petition was filed.

TIPS FOR PREPARING AN OPERATING AND MAINTENANCE PETITION

- **Select two consecutive twelve-month periods for comparison of operating and maintenance costs.** You may use either the two immediately preceding calendar years or any recent two-year period (twenty-four months), provided that the two-year period is not selected in order to create "exaggerated results." The first 12 months is called the Base Year and is referred to as Year 1. The second 12 months is called the Comparison Year and is referred to as Year 2.
- **Compile proof of cost and proof of payment** for every operating and maintenance expense for the entire twenty-four month period. Proof of cost can be documented by a bill, invoice, contract, receipt, statement, etc. Proof of payment is best documented with a copy of a canceled check. Some regular or periodic bills, such as water/sewer and garbage bills, reflect payment of the prior bill. Submission of such bills are acceptable as proof of payment and canceled checks would *not* be required. On the other hand, a handwritten "Paid in Full" notation on an invoice is generally not considered adequate proof of payment. A canceled check would be required to prove payment in such circumstances.
- **Divide the documents into separate sections, making one section for each category of operating and maintenance expense.** Clearly mark each section with the name of the category, and separate each category into Base Year (Year 1) and Comparison Year (Year 2). Typical operating and maintenance categories include: garbage, water/sewer, insurance, property taxes, management, repairs, pest control, maintenance, and elevator service. Follow the sequence of categories listed on Schedule B as a guide.
- **Within each section, include proof of cost and proof of payment** for each claimed expense in that category. Organize the documents for each category in chronological order, with the earliest document first. For example,

San Francisco Residential Rent Stabilization and Arbitration Board

provide a copy of the monthly garbage bill for January and attach a copy of the canceled check reflecting the January payment or the subsequent bill showing payment for January garbage service. Follow this with the February bill and the canceled check or subsequent bill that reflects payment for February. And so on, until you have twenty-four months of documentation for that category.

- **Make sure to provide documentation of the expenses claimed for the entire twenty-four month period.** Categories such as insurance and property taxes will often require more than two annual bills to cover the entire twenty-four month period. Sometimes it's necessary to prorate costs when billed on an annual basis.
- **Provide a written explanation for any unusual or extraordinary costs or transactions and attach it to the front of the section for that category.** If there were zero expenses in a particular category, write zero (\$0.00) on Schedule B and attach a written explanation and/or evidence to verify that fact. Likewise, provide a written explanation for any documentation that is missing, incomplete or difficult to understand. It is also helpful to provide a chronological list of the expenses included for each category, such as a spreadsheet showing the individual expenses, followed by a calculation of the total cost. The totals on the spreadsheet should match the amount you claim on Schedule B.

OTHER HELPFUL HINTS

- **For owners or managers of more than one property, get separate bills, invoices, contracts, receipts, statements, etc. for each expense at each property.** Alternatively, make sure that the costs attributable to separate properties are kept separate and can be identified as pertaining to a particular property. Likewise, make payments for each property separately so that canceled checks or other forms of payment pertain to one property only.
- **Ask the contractor or service provider to clearly describe** the exact nature of the work or service provided and to clearly identify the location of the property where the work or service is performed. Additionally, an itemization of costs for multiple repairs or services listed on a single bill, contract, invoice, etc. should be provided. This is particularly helpful if the expenses are challenged.
- **At the time that checks are prepared, make a notation on the memo line to identify the expense.** For example, write "plumbing repair – 25 Van Ness Ave." Or, identify the invoice number which corresponds with the payment.
- **Keep your records organized and accessible.** It will be easier to compile the documentation required by the Rent Board. While the work and charges might be clear to you at the time of the work, they get less so as time passes. Remember, even though all this may be familiar to you, it is not familiar to our staff. Well-organized documents and lucid explanations will facilitate approval of your petition.
- **Make all payments by check or credit card.** Cash payments are difficult to document.
- **At the time of purchase of a property, require documentation of operating and maintenance expenses as a condition of closing escrow if you are anticipating filing a petition.** It is often difficult to obtain these records from the prior owner after the transaction is completed. Obtaining an authorization to access the prior ownership's records can prove helpful. However, sometimes documentation is not released even when the vendor is presented with an authorization from the prior owner. Therefore, obtaining these records at the time of purchase ensures you will have the proper records to support your costs.
- **Keep a full copy of the petition and supporting documents for your own records.** Rent Board staff may contact you regarding missing or incomplete information and having a copy will help you better understand what is being requested. You should also bring your copy of the petition and supporting documents to the hearing because you may be asked questions about your expenditures and documentation.
- **A rent increase based on increased operating and maintenance expenses may not exceed 7% of the tenant's base rent per petition.** For properties with six or more residential units, the total operating and maintenance increase that may be imposed on any unit by the same landlord in any five-year period is limited to 7% of the tenant's base rent. [See Rent Ordinance Section 37.8(b)(1)(A)]
- **IF YOU HAVE QUESTIONS, STAFF IS AVAILABLE TO HELP YOU WITH YOUR PETITION.** We request that you call and make an appointment with an operating and maintenance expense petition coordinator. Because of demand and staff limitations, your petition must be completed as fully as possible before discussing it with staff. It will also expedite our assistance to you if you have made a written list of questions **before** you call or visit the office.



San Francisco Residential Rent Stabilization and Arbitration Board

Rent Board Date Stamp

LANDLORD OPERATING AND MAINTENANCE (O&M) PETITION FORM I

↓ Building Information ↓

_____ San Francisco, CA 941_____

Entire Building Address (include lowest and highest numbers) Zip Code Owned Since

Year Built Number of Residential Units Number of Commercial Units Total Number of Units

The total number of units for which I am seeking a rent increase is _____. (List units & tenants on the next page.)

Has a previous petition been filed with the Rent Board concerning this property? Yes No

↓ Owner Information ↓

Name of Company (if applicable) First Name Middle Initial Last Name

Mailing Address: Street Number Street Name Apt./Suite Number City State Zip Code

Primary Phone Email Address

Is an agent and/or property manager authorized to represent the landlord's interest in this petition? Yes No

If yes, check the appropriate box and **attach a written authorization:** Agent Property Manager

↓ Agent Information ↓

Name of Company (if applicable) First Name Middle Initial Last Name

Mailing Address: Street Number Street Name Apt./Suite Number City State Zip Code

Primary Phone Email Address

↓ Property Manager Information ↓

Name of Company (if applicable) First Name Middle Initial Last Name

Mailing Address: Street Number Street Name Apt./Suite Number City State Zip Code

Primary Phone Email Address

San Francisco Residential Rent Stabilization and Arbitration Board

SCHEDULE B OPERATING AND MAINTENANCE EXPENSES

The annual allowable rent increase is intended to cover a landlord's ordinary increase in operating and maintenance (O&M) expenses. An additional rent increase of up to 7% may be considered justified if it is found that the aggregate cost of O&M expenses has increased over either the two immediately preceding calendar years **or** any recent two-year period preceding the date of filing the petition, provided that the two-year period is not selected in order to create exaggerated results. Refer to Rules and Regulations Section 6.10(a)-(e) for more information.

At the time the petition is filed, the landlord petitioner must also submit documentation to prove the amount of all O&M expenses, such as bills, invoices, insurance premium notices and property tax statements. Proof of payment is also required for every claimed expense, such as canceled checks, cash receipts or credit card billing statements. Documents should be organized by expense category, in chronological order for the entire 24-month petition period. See "Tips for Preparing an Operating and Maintenance Petition" for examples. Do not include costs for gas and electricity here – you must use a separate "Landlord Petition for Approval of Utility Passthrough."

In completing the following schedule of O&M expenses, there must be an entry for every line, even if the amount entered is zero (\$0.00). However, if the amount entered is zero, attach a written explanation and/or evidence to verify that fact. If Property Taxes are not allowed under Section 6.10(e), enter N/A.

	YEAR 1 – BASE YEAR		YEAR 2 – COMPARISON YEAR	
	Begin Date: _____ <small>mm/dd/yy</small>	End Date: _____ <small>mm/dd/yy</small>	Begin Date: _____ <small>mm/dd/yy</small>	End Date: _____ <small>mm/dd/yy</small>
Expense Items¹				
Garbage	\$ _____		\$ _____	
Water/Sewer	\$ _____		\$ _____	
Insurance	\$ _____		\$ _____	
Property Taxes ²	\$ _____		\$ _____	
Management ³	\$ _____		\$ _____	
Repairs	\$ _____		\$ _____	
Pest Control	\$ _____		\$ _____	
Other Maintenance	\$ _____		\$ _____	
Elevator Service	\$ _____		\$ _____	
Other: _____	\$ _____		\$ _____	
Total:	\$ _____		\$ _____	
1. Subtract Year 1 total from Year 2 total		=	\$ _____	
2. Divide Line 1 by 12 months		=	\$ _____	
3. Divide Line 2 by total number of units in building		=	\$ _____	
			Maximum Monthly O&M Increase Per Unit (see next page)	

¹ Please note that Rent Board fees, capital improvement costs, vacant unit preparation costs, legal fees and costs for petition preparation are NOT considered to be O&M expenses.

² The Rent Board may consider that portion of increased property taxes that has resulted from an increased assessment due to the completion of needed repairs or capital improvements, as well as an increase in the annual tax rate, but cannot not consider that portion of increased property taxes resulting from an increased assessment due to a change in ownership. See Rules and Regulations Section 6.10(e)(2) for the rules regarding property taxes.

³ The Rent Board will only consider management expenses to the extent that they are reasonable and necessary, based on certain factors as set forth in Rules and Regulations Section 6.10(e)(3).

San Francisco Residential Rent Stabilization and Arbitration Board

SCHEDULE B, Part 2

Unit # _____	Enter the amount from line 3 on page 4:	\$ _____
4. Calculate the <u>1.4%</u> % X _____	Current Annual Allowable Rent Increase	Tenant's Petition Base Rent
	=	\$ _____
If the amount on line 4 exceeds the amount on line 3, then no O&M increase is permitted. If line 3 is greater than line 4, continue to line 5.		
5. Subtract the amount on line 4 from line 3.	=	\$ _____
6. Calculate 7% of the tenant's base rent (0.07 X Tenant's Petition Base Rent).	=	\$ _____
7. If the amount on line 5 is equal to or less than the amount on line 6, then the amount on line 5 is the allowable O&M increase allowed for this unit.	=	\$ _____
8. If the amount on 5 exceeds the amount on line 6, then the amount on line 6 is the allowable O&M increase for this unit.	=	\$ _____
Unit # _____	Enter the amount from line 3 on page 4:	\$ _____
4. Calculate the <u>1.4%</u> % X _____	Current Annual Allowable Rent Increase	Tenant's Petition Base Rent
	=	\$ _____
If the amount on line 4 exceeds the amount on line 3, then no O&M increase is permitted. If line 3 is greater than line 4, continue to line 5.		
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8. If the amount on 5 exceeds the amount on line 6, then the amount on line 6 is the allowable O&M increase for this unit.	=	\$ _____

FOR EACH UNIT SUBJECT TO THE PETITION, CALCULATE THE ALLOWABLE O&M INCREASE (IF ANY) BY COMPLETING STEPS 4-8. If you need additional pages with steps 4-8, please make copies of this blank page.