



CITY OF CULVER CITY

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RENT CONTROL (ORDINANCE NO. 2020-014) GUIDELINE/RULE NO. 2020-RC01 (Annual Permissible Rent Increases)

Pursuant to the authority granted under Culver City Municipal Code (“CCMC”) Section 15.09.265, the Community Development Director (“Director”) hereby issues this Guideline/Rule to administer certain requirements of CCMC Section 15.09.215.B, Annual Permissible Rent Increases.

Authority: Section 15.09.265 of the Culver City Municipal Code provides:

The Director is authorized to administer and enforce this Subchapter, which may include promulgating guidelines and rules consistent with the provisions of this Subchapter. These Housing Division Guidelines shall have the force and effect of law and may be relied upon by parties to determine their rights and responsibilities under this Subchapter.

Background and Summary: CCMC Section 15.09.215.B permits a landlord, on or after October 30, 2020, to increase Rent for a Covered Rental Unit annually, without application to the City, in an amount not to exceed the Percentage Change in Consumer Price Index (CPI), subject to the following provisions:

1. In no event shall the Rent for a Covered Rental Unit be increased more than five percent (5%) every 12 months.
2. If the Percentage Change in CPI is less than two percent (2%), Rent for a Covered Rental Unit may be increased by up to two percent (2%).
3. Not more than one Rent increase for a Covered Rental Unit may be imposed in any twelve-month (12-month) period, except as described in Section 15.09.215.B.4.
4. A Landlord may impose a Rent increase under CCMC Section 15.09.215.B that takes effect sooner than twelve (12) months following the date of the latest permitted Rent increase under the Interim Rent Control Ordinance but such transitional increase, in combination with the prior increase, may not result in total Rent increase that exceeds the maximum amount permitted under Section 15.09.215.B. Subsequent Rent increases may only take effect every 12 months thereafter.

Guideline/Rule: CCMC Section 15.09.215.B will be administered by the City as follows:

Annual Permissible Rent Increases (CCMC 15.09.215.B)

- Each month the Housing Division will publish on its webpage (<http://www.culvercity.org/rent>) the maximum permissible rent increase for rent increases that are effective in the month that is two months after the published increase. For example, in October 2020, the Housing Division will publish the maximum permissible rent increase for December 2020; and in November 2020, the Housing Division will publish the maximum permissible rent increase for January 2021. The Bureau of Labor Statistics (BLS) publishes a schedule in advance of the CPI publishing dates for the upcoming year. The publishing date is mid-month, for the CPI for the reference month which immediately precedes the publishing month. The Housing Division will publish the maximum eligible rent increase for the rent effective date range on the next business day after the CPI is published. As an example, the information available to date is as follows, and will be updated over time and published to the Housing Division webpage:

<i>What is the maximum annual permissible rent increase?</i>		
For rent increases with an effective date in this range....	...the maximum annual permissible rent increase will be published by the City on this date...	...and the maximum annual permissible rent increase is....
Oct 30 - Oct 31, 2020	10/14/20	2.25%
Nov 1 - Nov 30, 2020	10/14/20	2.25%
Dec 1 - Dec 31, 2020	10/14/20	2.25%
Jan 1 - Jan 31, 2021	11/13/20	
Feb 1 - Feb 28, 2021	12/11/20	
Mar 1 - Mar 31, 2021	*	
Apr 1 - Apr 30, 2021	*	
May 1 - May 31, 2021	*	
Jun 1 - Jun 30, 2021	*	
Jul 1 - Jul 31, 2021	*	
Aug 1 - Aug 31, 2021	*	
Sep 1 - Sep 30, 2021	*	
Oct 1 - Oct 31, 2021	*	
Nov 1 - Nov 30, 2021	*	
Dec 1 - Dec 31, 2021	*	

**Additional dates will be added to this information on the Housing Division webpage (<https://www.culvercity.org/rent>) once the BLS releases the CPI publishing schedule for 2021.*

2. In order to allow landlords to determine the maximum permissible rent increase in time to provide the State required 30-day notice¹ to tenants of the rent increase, the definition of “Percentage Change in CPI” in CCMC Section 15.09.205 will be administered as follows: “**Percentage Change in CPI** shall mean the percentage change in the annual average CPI, which is the average of the latest twelve (12) monthly CPIs published before the month preceding the month which contains the effective date of the Rent increase ~~the effective date of the rent increase~~ minus the average of the prior twelve (12) monthly CPIs (the “base CPI”), divided by the base CPI and multiplied by 100. The Percentage Change in CPI shall be rounded to the nearest one-quarter of one percent.”

Example: The effective date of the rent increase is December 1, 2020. The “month preceding the month which contains the effective date of the Rent increase” is November 2020. The “average of the latest twelve (12) monthly CPIs published before November 2020” is the average of the CPI published in October 2020 and the CPIs published in the 11 months preceding October 2020 (i.e., the average of the CPIs published from November 2019 through October 2020; and the average of the prior twelve (12) monthly CPIs is the average of the CPIs published from November 2018 through October 2019). The landlord will be able to calculate the maximum permissible rent increase as soon as the CPI is published in October 2020, and will be able to notify tenants by November 1, 2020 of the rent increase effective 30 days later, on December 1, 2020

3. The maximum permissible rent increase for a rent with an effective date of October 30 or October 31, 2020 is calculated differently. This is because in order to provide 30 days’ notice of a rent increase taking effect on October 30 or October 31, 2020, the landlord would only have to notify the tenant by September 30 or September 31, 2020. In this case, the latest CPI published before September 30 or September 31, 2020 is the CPI published on September 11, 2020. So, for rent increases effective October 30 or October 31, the Percentage Change in CPI is the average of the CPI published in September 2020 and the 11 months preceding it, minus the average of the prior twelve (12) monthly CPIs (the “base CPI”), divided by the base CPI and multiplied by 100. The Percentage Change in CPI is still rounded to the nearest one-quarter of one percent.
4. Landlords may find the maximum permissible rent increase on the Housing Division webpage at <http://www.culvercity.org/rent>, or calculate it using the following steps:

A. Determine the relevant CPI Values

The CPI index used is the Consumer Price Index for All Urban Consumers for All Items (CPI-U) for the Los Angeles-Long Beach-Anaheim

¹ If a notice period longer than 30 days is required by applicable law, then the latest twelve (12) monthly CPIs and the prior twelve (12) monthly CPIs would be determined based on that longer notice period.

metropolitan area (1982-84=100 reference base). CPI values can be found on the U.S. Bureau of Labor Statistics (BLS) webpage at <https://data.bls.gov/timeseries/CUURS49ASA0>. The CPI is published monthly, towards the middle of the month. The published CPI is the CPI for the preceding month (the “reference month”). For example, the CPI for the reference month of August is published in mid-September. The BLS publishes annually the dates of the CPI publishing dates for the coming year.

i. “Latest CPI”

For any rent increase with an effective date of October 30 or October 31, 2020, the “Latest CPI” is the CPI for the month of August 2020, which was published in September 2020.

For rent increases with effective dates during future periods, the “Latest CPI” is the CPI for the reference month which is three months before the month in which the rent increase becomes effective, which is also the CPI published in the month two months before the month in which the rent increase becomes effective.

Example: The rent increase will become effective November 1, 2020. The latest CPI is the CPI for August 2020, published in September 2020. The Latest CPI is 280.116.

ii. “Average Annual CPI”

The “Average Annual CPI” is the average of the Latest CPI and the CPI values for the eleven (11) months immediately preceding the Latest CPI month.

Example:

The rent increase will become effective November 1, 2020. The “Latest CPI” is the CPI for August 2020, published in September 2020. The eleven months immediately preceding the Latest CPI month (August 2020) are September 2019 – July 2020. The average of the CPI values for these twelve months (September 2019 – August 2020) is 277.563. The Average Annual CPI is 277.563

iii. “Base CPI”

The “Base CPI” is the average of the CPI values for the twelve (12) months immediately preceding the twelve (12) months used to calculate the Average Annual CPI.

Example: The rent increase will become effective November 1, 2020. The “Latest CPI” is the CPI for August 2020, published in September 2020. The twelve months used to calculate the Average Annual CPI are September 2019 – August 2020. The twelve months immediately preceding this period is September 2018 – August 2019. The average of the CPI values for these twelve months (September 2018 – August 2019) is 271.346. The Base CPI is 271.346.

B. Perform Percentage Change in CPI Calculation

The Percentage Change in CPI equals:

$$\frac{[\text{Average Annual CPI}] - [\text{Base CPI}]}{[\text{Base CPI}]} \times 100 = \% \text{ Change in CPI}$$

Example: The rent increase will become effective November 1, 2020. The Annual Average CPI is 277.563. The Base CPI is 271.346. The Percentage Change in CPI equals:

$$\frac{[277.563] - [271.346]}{[271.346]} \times 100 = 2.291\%$$

C. Round the Percentage Change in CPI to the nearest one-quarter of one percent to obtain the Maximum Permissible Rent Increase

Example: The rent increase will become effective November 1, 2020. The Percentage Change in CPI equals 2.291%. Rounded to the nearest one-quarter of one percent the Percentage Change in CPI is 2.25%. The Maximum Permissible Rent Increase is 2.25%.

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Sol Blumenfeld

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