



TRANSFER OF UTILITY PAYMENT TO TENANTS

Rent Adjustment Commission Regulations • Section 420.00 • Effective November 17, 1982 • Amended July 20, 2006

Rent Adjustment Commission Regulations & Guidelines

420.00 TRANSFER OF UTILITY PAYMENT TO TENANTS (LAMC 151.08 B)

420.01 Any transfer of utility payment from landlord to tenant constitutes a decrease in services and a corresponding rent reduction must be made. The corresponding rent reduction following a transfer of utility payment must be based on the total average monthly cost of the utility to the landlord over the previous twelve months prior to the month in which the landlord filed the application, and it must be distributed between the affected apartments according to the following formula:

$$\text{Rent reduction} = \frac{a \times u}{12 \times t}$$

Where a = annual utility bill:

In determining the annual utility bill, the common area costs that were included in the previous year's utility payments, but which will continue to be paid by the landlord after conversion to individual meters, shall be deducted. To obtain this common area deduction, a landlord must submit a copy of a utility audit prepared by a qualified public or private agency, similar to those provided for electricity by the Department of Water and Power. The results of such surveys shall be presumed to indicate the amount a landlord may deduct from the previous year's utility bills to offset continuing common area utility expenses, unless there is clear and convincing evidence to the contrary. Any challenges to a utility survey submitted by a landlord must be made on the basis of factual evidence, such as an alternative survey report submitted by other parties.

Where u = utility use factor for apartment size:

In determining the utility use factor the landlord must use the utility use factor formula per bedroom size listed below. In the event that the landlord can provide an audit, similar to those provided by the Department of Water and Power

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that demonstrates a different utility use factor per number of bedrooms in that particular building, the landlord may request the special audit be used instead of the standard formula. Any challenge to such an audit must be made on the basis of factual evidence, such as alternative audits submitted by other parties.

Number Of Bedrooms	0	1	2	3	4	5
Utility Use Factors	1.0	1.2	1.4	1.6	1.8	2.1

$$\text{Rent reduction} = \frac{a \times u}{12 \times t}$$

Where t = total use factor:

The total is the summation of all the utility use factors for all rental units which were occupied for nine (9) or more of the previous twelve (12) months.

420.02

For the purpose of determining the number of bedrooms in a rental unit, the following definitions shall apply:

- 1) In all rental units larger than a no-bedroom unit the number of bedrooms shall be determined by the number of habitable rooms which can be used legally as sleeping rooms. However, rooms which on May 31, 1978, served as living rooms, foyers, closets, kitchens, dens, sun porches, breakfast nooks, and other non-sleeping rooms or areas are not to be counted as bedrooms (effective 11-17-83);
- 2) An “efficiency dwelling unit” as defined in LAMC 12.03 is a no-bedroom unit for the purposes of luxury exemption. “No-bedroom rental units” commonly called singles, bachelors, executive singles or guest rooms are dwelling units where there was no separated bedroom on May 31, 1978;
- 3) In the event of a dispute as to the application or interpretation of subparagraph 1 or 2 above, the following factors, among others, may be used in making the determination:
 - i. whether the room is a habitable room as defined in LAMC 12/03 and 91.4911;
 - ii. whether the habitable room had been designated as a bedroom in the building plans, permits, applications or other documents filed with the City, or would be considered a bedroom by normal industry standards due to such characteristics as closets, access to a bathroom without going through another room, natural light, ventilation, acoustic and visual privacy, and size (i.e., not less than 7 feet in width and not less than 90 square feet).

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- iii. whether there is documentary evidence from rental agreements, advertising, or other similar sources indicating that the landlord represented the room to be a bedroom at the time the landlord rented the unit to the occupant subject to the transfer of utility payment.

- 420.03** In all cases where a capital improvement surcharge application is filed on the basis of the installation of individual utility meters which will result in a transfer of payment to the tenants, the Department staff shall calculate and deduct from the final capital improvement rent increase the appropriate decrease in rent due to reduction in services.
- 420.04** Conversions from master to individual utility meters shall be capital improvements pursuant to RAC regulations 211.02 H.
- 420.05** Notwithstanding the above, in cases where individual meters exist in the rental units and where the landlord has previously included the cost of the utility as part of the rental services offered the tenant, but now wishes the tenants to pay directly for the utility, the landlord must reduce the rent by the average actual cost of each tenant's utility usage for the twelve consecutive months preceding the transfer of payment from landlord to tenant. In cases where the actual cost of the utility usage by the tenant cannot be determined or where there have not been twelve months of utility usage by the same tenant, the formula in RAC regulation 420.01 must be used.
- 420.06** California law covering notice must be complied with in all transfer of utility payments from landlord to tenant.

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