Banking Calculation Instructions

- 1. Banking is any CPI Rent Adjustment (or any rent adjustment formerly known as the Annual Permissible Rent Increase) the Owner chooses to delay imposing in part or in full, and which may be imposed at a later date, subject to the restrictions in the Regulations. (O.M.C. § 8.22.020)
- 2. Owners may only increase rent by banking plus the annual CPI increase **or** by the other justifications—capital improvements, increased housing service costs, debt service costs, or required constitutional or fair return. See Regulations § 8.22.070(B) and (C).
- 3. In any year in which the CPI increase is not passed on to the tenants because an increase for capital improvements or uninsured repairs (casualty losses, it is banked. If an increase justified as increased housing service costs, debt service, or fair return is given that year, the CPI increase for that year is included in the calculation. In the case of debt service or fair return increases all prior banking is also included in the debt service or fair return calculation.
- 4. In order to calculate the amount of rent banked from a previous rental year, Owners must apply the percentage from the **Table of Annual Allowable Rent Increases** (found below) for the date when the rent increase could have been imposed.
- 4. Owners may not carry forward a banked CPI adjustment more than ten (10) years. Each annual CPI increase expires after ten years.
- 5. A rent increase based on banking may not exceed three times the current allowable annual rate multiplied by the current base rent (rent without temporary increases or decreases). For example, the CPI Rent Adjustment for June 1, 2005 June 30, 2006 is 1.9%, so an increase based on banking effective during the period may not exceed 5.7% x base rent. This limit INCLUDES the current year CPI Adjustment

EXAMPLE

Tenant moves into his apartment on May 1, 1999. His rent at that time is \$600.00. Owner would be entitled to impose a rent increase of 3% on the

first anniversary of the beginning of the tenancy, May 1, 2000. Three percent was the CPI rate in effect on May 1, 2000. If the Owner chooses not to impose that rent increase at that time or gives an increase based on one or more justifications, he may bank $3\% \times \$600.00 = \18.00 . On the next anniversary date of the tenancy, May 1, 2001, the Owner would be entitled to impose a 3% increase (the rate in effect at the time), which includes the prior banked rent amount. $(3\% \times \$618.00 = \$18.54)$. On the next anniversary date of the tenancy, May 1, 2002, the Owner would be entitled to impose a 3% increase (the rate in effect at the time), which includes both prior banked rent amounts (3% x \$636.54 = \$19.10). On May 1, 2003, the anniversary date of the tenancy, Owner decides that he should use some of the banked rent increases. On that date, he would be entitled to an annual CPI Rate Adjustment of 0.6%. Owner would be entitled to **the higher of** 0.6% or the percentage based on the previously banked increased (but remember that the increase given to the tenant based on banking cannot exceed 3 times the current rate, which, in this case would be 1.8%). So Owner could choose to use 1.8% of the banked increases rather than the annual rate.

Table of Annual Allowable Increases

Period of Adjustment O.M.C. § 8.22.070(B)	CPI Rate
July 1, 2009 through June 30, 2010	0.7% (.007)
July 1, 2008 through June 30, 2009	3.2% (.032)
July 1, 2007 through June 30, 2008	3.3% (.033)
June 1, 2006 through May 31, 2007	3.3% (.033)
June 1, 2005 through May 31, 2006	1.9% (.019)
June 1, 2004 through May 31, 2005	0.7% (.007)
June 1, 2003 through May 31, 2004	3.6% (.036)
July 1, 2002 through May 31, 2003	0.6% (.006)
March 1, 1995 through June 30, 2002	3.0% (.03)
October 1, 1986 through February 28, 1995	6% (.06)

If you need further assistance, please call the Rent Adjustment Program at 510-238-3721 or use the online banking calculator at:

http://www.oaklandnet.com/government/hcd/rentboard/index.html