

VIA EMAIL

August 3, 2022

Hon. Dan Hillmer
Mayor
City of Larkspur
400 Magnolia Avenue
Larkspur, CA 94939

Hon. Gabe Paulson
Vice Mayor
City of Larkspur
400 Magnolia Avenue
Larkspur, CA 94939

Hon. Scot Candell
City of Larkspur
400 Magnolia Avenue
Larkspur, CA 94939

Hon. Kevin Haroff
City of Larkspur
400 Magnolia Avenue
Larkspur, CA 94939

Hon. Catherine Way
City of Larkspur
400 Magnolia Avenue
Larkspur, CA 94939

RE: Agenda Item 8.1

Dear Mayor Hillmer & Councilmembers:

We, Prime Residential and owners of Skylark Apartments, write to you today regarding Agenda Item 8.1, which is for the “Council to consider public request to take up the question of adopting a rent control ordinance in Larkspur.” We respectfully submit that a discussion regarding implementing local rent control measures in Larkspur is premature. We request that the Council table any discussion on rent control as a specific measure, until after City Council Members and Mayor’s office are able to speak with Prime, Skylark residents and other relevant members of the community to understand the core concerns of Skylark residents. We believe this must be done before proposing any kind of remedy, such as rent control, as there is still significant confusion among Skylark residents about the legal protections that already exist. This is made clear by the public comments addressed to Council today.

By way of background, we purchased Skylark Apartments in February 2022, and since that time there has been significant confusion as to Prime’s practices and plans for the community. Prime has worked hard through its onsite team and its Community Concern Department (dedicated to addressing resident issues) to engage our residents on these issues. Skylark’s office is open seven days a week, and residents can also access our team via telephone, email, and our online resident portal. We have increased office hours compared to the previous owner, but questions persist. This is why we think City Council’s assistance in facilitating a conversation to clarify the facts at hand would be an excellent first step.

One issue that has continued to be the subject of much confusion are rental increases that Prime has implemented. On this issue, we have engaged with residents, Marin County District Attorney’s office, the media, and have met with the City Manager of Larkspur, Dan Schwarz, as well as Community Development Director, Elise Semonian. We are also participating in the Marin County District Attorney’s Office’s Voluntary Mediation Program between tenants and landlords. There has been no dispute that Prime is adhering to the statewide rent control law, AB 1482. There is also no dispute that rents for current Skylark residents are well below market. Indeed, even rents for Skylark’s vacant units are still priced \$400 to \$500 below comparable available apartments in Larkspur, some of which are deemed affordable.

The U.S. Department of Housing and Urban Development’s Housing Choice Voucher Program, also known as Section 8, is a robust and well-established program for addressing individual financial needs related to housing. We strongly support this program, and we are in frequent contact with the Marin Housing Authority (“MHA”) to maximize Skylark’s accessibility for people who qualify for housing vouchers. Skylark currently offers both 1-bedroom and 2-bedroom apartments with rents that qualify for the MHA voucher program. We

have also been deeply involved in assisting residents with applications for pandemic rental assistance. For all of these reasons, we think Skylark is one of the most affordable rental options within Larkspur.

Regardless of our level of engagement and outreach with the community, there is confusion about the affordable nature of Skylark's rents, and more fundamentally, what existing statewide protections for tenants actually mean, as made all too clear by some of the public comments to today's meeting. For example, the comments call for an annual cap on rental increases, based on inflation, as well as just cause protections.

Those exact protections already exist in AB 1482. As known and articulated by Larkspur City Council in its prior examination of rent control in December of 2019, AB 1482 caps rental increases at 5% plus CPI or 10%, whichever is lower. Furthermore, **AB 1482 has substantial just cause protections**, which were made even more robust during the height of the pandemic. We fear this is not understood by the Skylark residents that are asking for local rent control in Larkspur. We are also concerned that non-residents may be spreading considerable misinformation among Skylark residents to fuel this dispute and cause fear.

We believe AB 1482 is achieving its goals. Based on Skylark's July financials, residents of Skylark are receiving rental discounts to current market rents that amount to more than \$2.3 million on an annual basis.

Given the current confusion, we contend it is premature to rush to judgment on what permanent measures, if any, the City of Larkspur should take. We acknowledge the need for robust conversation so that we can bridge a very apparent communication gap. That is why we would like the opportunity, along with all stakeholders, to discuss the core concerns at Skylark.

Prime is committed to continued engagement with Skylark residents. We are very excited to be investing substantially in Skylark, a beautiful and special community in Larkspur, to provide an even more enjoyable community for our residents. Skylark is in need of this investment, as there is significant deferred maintenance which includes electrical, structural and interior systems work. This is alongside aesthetic improvements to the community, such as landscaping, improving our pool areas and adding a community garden. We also understand that these improvements cause disruption for residents and we have been working hard to minimize their impact. We have tailored our construction hours to a window that is even narrower than what the City of Larkspur allows, we have provided additional accommodations by way of empty units for overnight use by residents, a WiFi lounge for working during the day, as well as WiFi in our pool area to give our residents additional space while construction is ongoing. We will also be upgrading the clubhouse and adjacent outdoor entertaining space. We will continue to listen and respond to our residents on how to minimize the impact of our improvement efforts.

Finally, while a discussion of rent control itself is not on the agenda, we do believe it is worth articulating some key points as it pertains to Skylark. Prime is proud to be a part of the Larkspur community and we forecast that the property tax revenue increase from our acquisition is more than \$3 million. However, residents, business owners, and housing providers should all be concerned that the imposition of city-wide rent control, especially so soon after the city took a clear view on the matter in 2019 and again in 2020, would threaten future property tax revenue increases by deterring potential buyers of long held real estate. We believe the resetting of property basis upon sale provides valuable funding for public safety, schools, parks and services. This revenue loss will also be on top of the significant capital and resources the City of Larkspur would need to administer the rent control program itself. We will keep our discussion of this matter limited for now but do think it is important to keep these high-level impacts in mind at the threshold.

We hope that points outlined above contribute to the discussion and look forward to further engagement.

Sincerely,



Elif Kimyacioglu
Senior Counsel & VP Risk
Management
Prime Residential