

**VIA EMAIL**

March 15, 2023

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

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

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

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

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

**RE: Business Item 8.1**

Dear Members of the City of Larkspur City Council,

We at Prime Residential (“Prime”) write in response to Business Item 8.1, which indicates that “Council [is] to provide direction to staff on whether to prepare ordinance(s) and schedule a public hearing” regarding “rent regulation, rental assistance and eviction protections.” We maintain our opposition to rent regulation in Larkspur and believe that a better alternative exists. Beyond the statewide protections that are in place, Prime has implemented two programs at Skylark that are providing substantial protections to tenants (together, the “Skylark Housing Fund”). Any additional regulation will not achieve anything more meaningful and will come with additional cost and downside to Larkspur—and especially to those residents most in need. This is simply not necessary.

At the threshold, we ask the question that was raised at the January 11, 2023, City Council, meeting – “What problem is Larkspur trying to solve?” When we attended the August 3, 2022, City Council meeting, the clear problem identified was that longtime Skylark residents were experiencing financial distress and a threat of displacement, something unbeknownst to us when we acquired Skylark. In reaction, we acted swiftly to ensure those residents were protected. Within a week of that meeting, we launched the first phase of the Skylark Housing Fund, that provides a 15% rent discount, as well as a limit on annual rent increases for existing Skylark households with income at or below 50% of Area Median Income (AMI) and who pay over 40% of their income for rent. That program currently covers 31 units, with an average savings of \$370 per unit per month. Afterwards, we sought to help a larger group of Skylark residents and launched a second phase of the Skylark Housing Fund, which limits annual rental increases to 5% for units in which the current occupants’ incomes are at or below the average for Marin County (currently \$166,000 for a household of four with variation based on the number of household members), irrespective of their rent to income ratio.

This second phase currently has 93 households approved. In total, 124 Skylark households currently benefit from the Skylark Housing Fund, which represents 30% of the households at Skylark. We are proud to help so many of our residents.

Residents raised some questions about our programs during the January 11, 2023, meeting and we want to ensure everyone has answers to them. First, we note that while there were a number of questions about the mechanics of the Skylark Housing Fund, we were pleased to see that those questions primarily focused on whether residents could count on the program through the entirety of their tenancy rather than objecting to the program's framework of a 5% cap for people making up to the area median income. In order to address this question, we are amending all of the 124 Skylark Housing Fund agreements with the following language: "This lease addendum shall remain in effect for as long as this tenancy is in effect so long as regulatory limitations on Prime's ability to raise rents remain unchanged. For example, should Larkspur enact a rent control ordinance, Prime reserves the right to suspend the benefits of the Skylark Housing Fund." We expect this to be complete by Friday, March 17.

Second, there was a question regarding retention figures at Skylark – we updated our retention figures again in January (previously last updated in the fall), and using the most conservative possible calculation, which measures retention since we started sending rental increases (i.e., how many units have moved out in total, regardless of reason), retention is 89%. This captures, for example, any residents who received a rent increase last summer, but moved out in January for reasons unrelated to the rent increase (change in job, family situation, etc.). Definitionally, this number will decrease with each passing month as people move out. Retention of 89% is extremely high; San Francisco, a very low turnover market with rent control, typically has about 80% annual retention.


Third, you may hear during the meeting that in order to qualify for the Skylark Housing Fund, residents must sign a new lease, or that residents on a month-to-month lease are not eligible. That is false, as many of our 124 households who have signed up for the Skylark Housing Fund can attest. Further, as I said in the January 11 meeting, no existing resident has been forced to sign a new lease that adds charges on top of their rent. This is true for residents who participate in our resident assistance programs and residents who simply renew their lease. We have offered the opportunity for existing residents to sign Prime's version of the lease. A number of residents have taken the opportunity to do so, presumably because the language is modernized compared to a lease that was prepared as long as decades ago. Even in these situations, we have waived any additional lease charges (utilities, parking, etc.), and simply allowed them to adopt the new form.

In summary, we believe Prime's robust efforts to assist its residents should obviate the need for any rent regulation. It also avoids significant downsides to such regulation, many of which we have noted in our prior public comments. We think one of the most significant downsides to imposing rent regulation is that it will be far less protective of our households most in need than the Skylark Housing Fund. Rent regulation will only limit the rate of increase. The Skylark Housing Fund provides our households most in need with a 15% discount to the current rent level, plus a limit of 5% annually for rent increases. In addition, under stringent rent regulation proposed by the City's staff that recommends imposing a 4% cap on rental increases, in order to provide our investors with a fair return, we expect that we would need to frequently utilize the dispute resolution process. This would be most applicable to address rents that are furthest below market, which we believe will often apply to the long-term residents most in need of protection. Moreover, because a 4% cap is so far below the rental increases allowed by AB 1482 that was underwritten at the time of our investment, the proposed ordinance clearly implicates the rights of investors to protect themselves against such a loss.

We have listened to City Council and the community throughout the process, and we believe our rental assistance programs are already protecting those most in need. We know City Council has, and will continue

to consider this issue carefully. We are committed to continuing to be an active participant in contributing to a solution.

Sincerely,

A handwritten signature in black ink that reads "Will Madison". The signature is written in a cursive style with a long horizontal flourish at the end.

Will Madison