



For Office Use Only	
Petition No.:	

LANDLORD PETITION - SCHEDULE A Capital Improvement Pass-Through

Please fill out this form as completely as you can. Failure to provide needed information may result in your petition being rejected or delayed.

REQUIREMENTS

A. Definition of Capital Improvement

Capital Improvements are improvements that materially:

1. Adds to the value of the Property and appreciably prolong its useful life or adapts it to new uses;
2. Benefits the Tenant; and
3. Which may be amortized over the useful remaining life of the improvement to the Property.

Some examples of categories of improvements that fall under this definition are improvements to the seismic safety of the rental Property and improvements which increase the energy efficiency of the rental Property (including any improvement to allow a significantly more accurate allocation of utility costs).

No Consideration shall be given to costs related to:

- Increased Property damage or improvements for ordinary repairs, replacements, and maintenance,
- Deterioration resulting from an **unreasonable delay** in the undertaking of completion or after a Notice of Violation by a government agency ordering repairs has remained unabated for 90 or more days of any repair or improvement.

B. Limitations on Pass-through

- **The Capital Improvement must be complete and paid for at the time of filing this petition to receive a final decision.**
- The petition can only include Capital Improvements that were completed and paid for after the effective date of the ordinance (July 25, 2019)
- The petition must be filed within two (2) years of completion of the Capital Improvement work.
- The total costs passed through may not exceed fifty percent (50%) of the total amount paid by the Landlord.
- Any amount of the cost attributable to any period of time that the Tenant was not entitled to use and occupy the Covered Rental Unit must not be passed through to the Tenant.
- Only the costs attributed to the Covered Rental Unit and/or share of costs attributed to the Covered Rental unit can be passed through to the Tenant.
- Equipment otherwise eligible as a Capital Improvement will not be considered if a "use fee" is charged (i.e. coin-operated washer and dryers).

C. Amortization Period

- Capital Improvements shall be given a useful life period of five (5) years or sixty (60) months unless the Rent Increase coupled with the Capital Improvement cost would exceed ten percent (10%) of the existing Rent for a Covered Rental Unit.

- If a Capital Improvement cost standing alone or a Capital Improvement cost coupled with a Rent Increase and Banking Increase would exceed ten percent (10%) or thirty percent (30%) in five years, the excess can only be recovered by extending the Capital Improvements amortization period in yearly increments sufficient to cover the excess.
- Landlord must comply with the requirements to notice the Tenant of any extended amortization period with the initial Capital Improvement cost.

D. Failure to Remove Capital Improvement Costs

- If a Landlord fails to remove a Capital Improvement cost from Rent in the month following the end of the amortization period and the Tenant pays any portion of the Capital Improvement costs after the end of the amortization Period, the Tenant may recover interest on the amount overpaid. Rate of interest for overpaid Capital Improvements shall be the rate specified by law for judgements pursuant to California Constitution, Article XV and any legislation adopted thereto, and shall be calculated at simple interest.

PETITION INSTRUCTIONS

Exhibits 1-3 can be used to calculate the per unit allocating of costs for Capital Improvements. Depending on the nature of your project and property type, you may use all of the exhibits or just one. The following descriptions may help you determine the appropriate exhibit.

Exhibit 1: Use Exhibit 1 to describe property wide improvements such as improvements to a community room, pool, or parking lot. This exhibit can also be used if the scope of improvements is the same for each building and unit, in other words, if all the Tenants benefit equally from all of the improvements.

Exhibit 2: Use Exhibit 2 if there are multiple buildings with different scopes of work or if there is commercial space in the building. Make additional copies of Exhibit 2 if there are different scopes for different buildings.

Exhibit 3: Use Exhibit 3 if there are different scopes of work for each unit or group of units.

Exhibit 4: After you have completed the per unit allocations in Exhibit 1-3. Add the per unit allocation to the rent schedule table in Exhibit 4. If the Capital Improvement pass-through plus any rent increase or banked rent increase exceeds 10%, the pass-through period will be extended to reduce the amount of allowable pass-through to the Tenant.

Checklist: Use the Checklist to ensure that all the required information and documentation is provided.

EXHIBIT 1: Instructions for Property-wide Capital Improvements Benefiting All Tenants

Use Exhibit 1 to describe property wide improvements such as improvement to a community room, pool, or parking lot and calculate the per unit allocation of costs. This exhibit can also be use if the scope of improvements is the same for each building and unit. In other words, if all the Tenants benefit equally from all of the improvements.

TABLE 1.1

Provide a brief description of any Capital Improvements made to the property that benefit all tenants. This does not include improvements made to specific units or buildings unless all Tenants benefit from the improvements. Provide documentation to support improvements identified in this table (use the Checklist provided as a guide).

Columns A and B: Add the dates the work was completed and paid for. To be eligible for Capital Improvement pass-through, the work must have been completed and paid for after the effective date of the RRSO (July 25, 2019) and the petition must be filed within 2 years of completion. If this is a pre-approval application, skip Columns F and G.

Column C: Describe the improvement. If you have acquired financing to finance the improvements, include “financing costs” as a line item.

Column D: Add the cost of the improvement per attached invoice, bid or receipt.

Column E: If applicable, add undocumented labor cost. Undocumented labor costs can be included up to 25% of the costs of materials (12-1.05(e)(3)(ii) HMC). If labor was included in the invoice/bid, do not add.

Column F: If applicable, deduct the cost of any equipment included that will include a usage fee such as coin operated washing machine (12-1.05(e)(1)(vii) HMC).

Column G: If applicable, deduct amounts reimbursed for improvements such as insurance proceeds (12-1.05(e)(2)(vi) HMC).

Column H: Calculate the adjusted Capital Improvement costs by adding any amounts in Column E, and subtracting any amounts in Columns F and G. Add all the amounts in Column H to calculate the total adjusted Capital Improvement costs

TABLE 1.2

Calculate the per unit allocation of costs by following the instructions in the table. Only 50% of the total adjusted costs can be pass-through to the Tenant (12-1.05(e)(1)(iv) HMC). All units including an owner-occupied unit and/or an employee’s unit must be allocated costs (12-1.05(e)(2)(v) HMC) and costs can only be pass-through to a Tenant that benefits from the improvement.

Note: Use **Exhibit 2** if there are multiple buildings with different scopes of work or if there is commercial space in the building. Make additional copies of Exhibit 2 if there are different scopes for different buildings. Use **Exhibit 3** if there are different scopes of work for each unit or group of units.

EXHIBIT 2: Instructions for Building Specific Capital Improvements

Use **Exhibit 2** to describe Capital Improvements specific to any building and calculate the per unit allocation of costs for the Tenants that benefit from those improvements. Make extra copies of these tables and use separate tables when improvements vary from building to building. This does not include improvements made only to specific units or property wide improvements.

TABLE 2.1

Identify the building and the units that will be affected for each Exhibit 2 that is submitted. Provide a brief description of any Capital Improvements, made to the building identified, that benefit all the Tenants in that building. This does not include improvements made to specific units unless all Tenants in the building benefit from the improvements. Provide documentation to support improvements identified in this table (use the Checklist provided as a guide).

Column A and B: Add the dates the work was complete and paid for. To be eligible for Capital Improvement pass-through, the work must have been completed and paid for after the effective date of the RRSO (July 25, 2019) and the petition must be filed within 2 years of completion. If this is a pre-approval application, skip Columns F and G.

Column C: Describe the improvement. If you have acquired financing to finance the improvements, include “financing costs” as a line item.

Column D: Add the cost of the improvement per attached invoice, bid or receipt.

Column E: If applicable, add undocumented labor cost. Undocumented labor costs can be included up to 25% of the costs of materials (12-1.05(e)(3)(ii) HMC). If labor was included in the invoice/bid, do not add.

Column F: If applicable, deduct the cost of any equipment included that will include a usage fee such as coin operated washing machines (12-1.05(e)(1)(vii) HMC).

Column G: If applicable, deduct amounts reimbursed for improvements such as insurance proceeds or rebates (12-1.05(e)(2)(vi) HMC).

Column H: Calculate the adjusted Capital Improvement cost by adding any amounts in Column E, and subtracting any amounts in Columns F and G. Add all the amounts in Column H to calculate the total adjusted Capital Improvement costs

TABLE 2.2

Allocation of Capital Improvement Costs to Residential Space in a Mixed-Use Building

If the building is mixed-use (both residential and commercial), calculate the percentage of residential space in the property. When there is commercial space in the structure, only a percentage of the costs proportional to the residential space can be passed through to the Tenants (12-1.05(e)(2)(iv) HMC). In Table 2.2 identify the total square footage of the building, the square footage of the commercial space, and the square footage of the residential space. Follow the instructions in the table to calculate the percent (in decimal form) of residential space to be applied to the per unit allocation of costs.

Table 2.3

Calculate the per unit allocation of costs by following instructions in the table. Only 50% of the total adjusted costs can be pass-through to the Tenant (12-1.05(e)(1)(iv) HMC). All units including an owner-occupied unit and/or an employee’s unit must be allocated costs (12-1.05(e)(2)(v) HMC) and costs can only be pass-through to a Tenant that benefits from the improvement.

EXHIBIT 2: Instructions for Building Specific Capital Improvements

Note: Use **Exhibit 3** if there are different scopes of work for each unit or groups of units.

Exhibit 3: Instructions for Unit Specific Capital Improvements

Use **Exhibit 3** to describe Capital Improvements specific to an individual unit or group of units. Make extra copies of these tables and use separate tables when improvements vary from unit to unit. Use Exhibit 1 to allocate costs for property wide Capital Improvements and Exhibit 2 for building specific Capital Improvements.

TABLE 3.1

Identify the units that will be affected for each Exhibit 3 that is submitted. Provide descriptions of the Capital Improvements made to the units identified. Provide documentation to support improvements identified in this table (use the Checklist provided as a guide).

Column A and B: Add the dates the work was completed and paid for. To be eligible for Capital Improvement pass-through, the work must have been completed and paid for after the effective date of the RRSO (July 25, 2019) and the petition must be filed within 2 years of completion. If this is a pre-approval application, skip Columns F and G.

Column C: Describe the improvement. If you have acquired financing to finance the improvements, include “financing costs” as a line item.

Column D: Add the cost of the improvement per attached invoice, bid or receipt.

Column E: If applicable, add undocumented labor cost. Undocumented labor costs can be included up to 25% of the costs of materials (12-1.05(e)(3)(ii) HMC). If labor was included in the invoice/bid, do not add.

Column F: If applicable, deduct the cost of any equipment included that will include a usage fee such as coin operated washing machines (12-1.05(e)(1)(vii) HMC).

Column G: If applicable, deduct amounts reimbursed for improvements such as insurance proceeds (12-1.05(e)(2)(vi) HMC).

Column H: Calculate the adjusted Capital Improvement cost by adding any amounts in Column E, and subtracting any amounts in Columns F and G. Add all the amounts in Column H to calculate the total adjusted Capital Improvement costs

TABLE 3.2

Calculate the per unit allocation of costs by following the instructions in the table. Only 50% of the total adjusted costs can be pass-through to the Tenant (12-1.05(e)(1)(iv) HMC). All units including an owner-occupied unit and/or an employee’s unit must be allocated costs (12-1.05(e)(2)(v) HMC) and costs can only be pass-through to a Tenant that benefits from the improvement.

EXHIBIT 4: Instructions for Calculating the Total Monthly per Unit Allocation of Costs and Determination of Amortization Period

Use **Table 4.1** to summarize the Capital Improvement costs associated with each unit. (**Note:** The total number of rental units listed must equal the number of units indicated in Section II of the Landlord Petition Form.) Alternately, you can provide your own table as long as it includes all the required information listed in Table 4.1.

Column B: List all the rental units including any owner occupied or employee occupied unit.

Column C: Identify owner occupied and/or employee occupied units by checking the box.

Column D: Add any property-wide Capital Improvements calculated using Exhibit 1, Table 1.2.

Column E: Add any building specific Capital Improvements calculated using Exhibit 2, Table 2.3.

Column F: Add any unit specific Capital Improvements calculated using Exhibit 3, Table 3.2.

Column G: Add amounts in Columns D, E, and F to calculate the total amount of Capital Improvement pass-through on a per unit basis.

Column H: Indicate the pass-through period (amortization period). The minimum pass-through period is 60 months (12-1.05(e)(2)(ii) HMC). If a Capital Improvement cost standing alone or a Capital Improvement cost coupled with a Rent Increase and Banking Increase would exceed ten percent (10%) or thirty percent (30%) in five years, the excess can only be recovered by extending the Capital Improvements amortization period in yearly increments sufficient to cover the excess. Use Table 4.2 to calculate the percent rent increase inclusive of Capital Improvement increase to determine if extension of the pass-through period is necessary.

Column I: Divide Column G by Column H to determine the monthly allocation of Capital Improvement costs.

Use **Table 4.2** to provide a rent schedule and ensure that proposed rent increase, banked rent increase and capital-improvement pass through comply with rent increase thresholds established in Section 12-1.05 HMC. Alternately, you can provide your own table as long as it includes all the required information listed in Table 4.1.

Column B-F: Provide the information requested for each unit

Column G: Indicate the amount of rent increase (if applicable)

Column H: Indicate the amount of banked rent increase (if applicable)

Column I: Indicate the amount of Capital Improvement pass-through from table 4.1.

Column J: Add Column G, H and I to calculate to total increase.

Column K: Divide Column J by Column F and multiply by 100 to calculate the percent of current monthly rent. For any unit where the percent of current monthly rent exceeds 10%. Increase the pass-through period on table 4.1 by an addition 12 months until the percent rent increase is 10% or less.

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This Petition is requesting:

- A provisional decision on a Capital Improvement pass-through based on a scope of work and bids.
- A final decision on Capital Improvement pass-through based on completed work and proof of payment.

Rental Property Address		
City	State	Zip code
Parcel number <i>(found on property tax bill)</i>		

CHECKLIST

- Contact information for affected tenants (see Section V of *Landlord Petition Form*) [REQUIRED]
- Coversheet (pgs. 8 – 9 of this document) [REQUIRED]
- Declaration (pg. 10 of this document) [REQUIRED]
- Exhibit 1:** Property Wide Capital Improvements Benefiting All Tenants (if applicable)
 - Bids, written proposal, cost estimates (provisional decision only), or other documents describing the project (e.g., work and/or change orders)
 - Work orders, change orders, or other documents describing capital improvement project.
 - Invoices *(required for final decision)*
 - Cancelled checks, credit card statements, etc. showing proof of payment for project expenses *(required for final decision)*
 - Provide a written explanation for incomplete or missing documentation.
- Exhibit 2:** Building Specific Capital Improvements (if applicable)
 - Bids, written proposal, cost estimates (provisional decision only), or other documents describing the project (e.g., work and/or change orders)
 - Work orders, change orders, or other documents describing capital improvement project.
 - Invoices *(required for final decision)*
 - Cancelled checks, credit card statements, etc. showing proof of payment for project expenses *(required for final decision)*
 - Provide a written explanation for incomplete or missing documentation.
- Exhibit 3:** Unit Specific Capital Improvements (if applicable)
 - Bids, written proposal, cost estimates (provisional decision only), or other documents describing the project (e.g., work and/or change orders)

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Capital Improvement Pass-Through
Coversheet

- Work orders, change orders, or other documents describing capital improvement project.
- Invoices (*required for final decision*)
- Cancelled checks, credit card statements, etc. showing proof of payment for project expenses (*required for final decision*)
- Provide a written explanation for incomplete or missing documentation.
- Exhibit 4:** Calculating the Total Monthly per Unit Allocation of Costs and Determination of Amortization Period [REQUIRED]
 - Table 4.1 or equivalent [REQUIRED]
 - Table 4.2 or equivalent [REQUIRED]
- Explanation of any missing or incomplete documentation (*if applicable*) _____
- Other (please describe) _____

[Signature page follows]

**LANDLORD PETITION - SCHEDULE A
Capital Improvement Pass-Through
Coversheet**

DECLARATION

I (we) declare under penalty of perjury pursuant to the laws of the State of California that the contents of the foregoing Petition and all attachments are true, correct, and complete.

I further declare under penalty of perjury under the laws of the State of California that:

All of the supporting documents attached to the petition are originals or are true and correct copies of the originals.

I understand that the Rent Increase + Banked Increase that I can apply to a unit on this property for the next 5 years is the difference between 10% and the percentage of Capital Improvement applied to the Tenant's current rent in this Petition. (i.e., Any combination of Rent Increase + Banked Increase for the next 5 years cannot exceed 10% of the Tenant's rent).

Signature: _____

Print Name: _____

Date: _____ I opt in for communication via email

Signature: _____

Print Name: _____

Date: _____ I opt in for communication via email

Signature: _____

Print Name: _____

Date: _____ I opt in for communication via email

Exhibit 1: Capital Improvement to the Property Benefiting All Tenants (if applicable)

Table 1.1 Total Adjusted Property-wide Capital Improvement Costs

	A	B	C	D	E	F	G	H = (D+E-F+G)
	Date Complete	Date Paid	Improvement Description	Cost	Undocumented Labor Costs	Usage Fee Equipment	Reimbursements for Costs	Total Adjusted Costs
EX	8/10/2019	9/1/2019	New Roof	\$20,000	+0	-0	- 0	\$20,000
1					+	-	-	
2					+	-	-	
3					+	-	-	
4					+	-	-	
5					+	-	-	
6					+	-	-	
7					+	-	-	
8					+	-	-	
9					+	-	-	
10					+	-	-	
11	Total Adjusted Capital Improvement Costs							

Table 1.2 Per Unit allocation of property wide Capital Improvements benefiting all Tenants

1	Adjusted Capital Improvement costs. Add from Table 1.1.	\$	
2	Only 50% of the Costs can be pass-through to the Tenant.	x	0.5
3	Total allowable pass-through costs. Multiply Line 1 by 0.5.	\$	
4	Total number of rental units (including staff units or owner-occupied units).	÷	
5	Total per unit allocation. Divide line 3 by line 4.	\$	

Exhibit 2: Building Specific Capital Improvement *(Use if needed for multiple buildings and/or mixed-use)*

Table 2.1 Building Specific Capital Improvement Costs

Building Address or Identifier:							
List of Units affected:							
A	B	C	D	E	F	G	H = (D+E-F-G)
Date Complete	Date Paid	Improvement Description	Cost	Undocumented Labor Costs	Usage Fee Equipment	Reimbursements for Costs	Total Adjusted Costs
1				+	-	-	
2				+	-	-	
3				+	-	-	
4				+	-	-	
5				+	-	-	
6				+	-	-	
7				+	-	-	
8				+	-	-	
9				+	-	-	
10				+	-	-	
11	Total Adjusted Capital Improvement Costs						

Table 2.2. Capital Improvement Costs Allocated to Residential Space

1	Total building square footage.	
2	Commercial space square footage.	
3	Residential Space square footage.	
4	Percentage (in decimals) of property that is residential. Divide line 3 by line 1.	
5	Adjusted Capital Improvement costs. Add from line 11 on Table 2.1.	
6	Capital Improvement costs allocated to residential space. Multiply line 5 by line 6.	

Exhibit 2 Continued:

Table 2.3 Per Unit Allocation of Building Specific Capital Improvements

1	Capital improvement costs allocated to Residential Space. Add from line 6 on Table 2.2.	\$	
2	Only 50% of the Costs can be pass-through to the Tenant.	x	0.5
3	Total allowable pass-through costs. Multiply line 1 by 0.5.	\$	
4	Total number of rental units in the building (including staff units or owner-occupied units).	÷	
5	Total per unit allocation (Divide line 3 by line 4).	\$	

Exhibit 3: Unit Specific Capital Improvements *(Use if some or all improvements do not benefit all units)*

Table 3.1 Building Specific Capital Improvement Costs

List of Units affected: 6 and 7								
A	B	C	D	E	F	G	H = (D+E-F-G)	
Date Complete	Date Paid	Improvement Description	Cost	Undocumented Labor Costs	Usage Fee Equipment	Reimbursements for Costs	Total Adjusted Costs	
EX	4/10/2019	5/1/2019	Portion of wall with dry rot damage replaced	\$4,750	+\$250	-0	- \$2,000	\$3,000
1				+	-	-		
2				+	-	-		
3				+	-	-		
4				+	-	-		
5				+	-	-		
6				+	-	-		
7				+	-	-		
8				+	-	-		
9				+	-	-		
10				+	-	-		
11	Total Adjusted Capital Improvement Costs							

Table 3.2 Per Unit Allocation of Unit Specific Capital Improvements

			EXAMPLE
1	Total Adjusted Capital Improvement Costs. Add from line 11 on Table 3.1.	\$	\$3,000
2	Only 50% of the Costs can be pass-through to the Tenant.	x	0.5
3	Total allowable pass-through costs. Multiple line 1 by 0.5.	\$	\$1,500
4	Total number of rental units the scope applies to (including staff units or owner-occupied units).	÷	2
5	Total per unit allocation (Divide line 3 by line 4).	\$	750

Table 4.1 Total Per Unit Monthly Allocation of Capital Improvement Costs. [REQUIRED]

A	B	C	D	E	F	G = (D+E+F)	H	I = (G/H)
Line No.	Unit No.	<input type="checkbox"/> Owner-Occupied/Employee Unit	Property-wide Allocation of Costs Exhibit 1 Table 1.2	Building Specific Allocation of Costs Exhibit 2 Table 2.3	Unit Specific Allocation of Costs Exhibit 3 Table 3.2	Amount of Capital Improvement Pass-Through	Pass-through period (60-month minimum)	Monthly Allocation of Costs
EX	6	<input type="checkbox"/>	\$1000	0	\$750	\$1750	60	\$29.17
1		<input type="checkbox"/>						
2		<input type="checkbox"/>						
3		<input type="checkbox"/>						
4		<input type="checkbox"/>						
5		<input type="checkbox"/>						
6		<input type="checkbox"/>						
7		<input type="checkbox"/>						
8		<input type="checkbox"/>						
9		<input type="checkbox"/>						
10		<input type="checkbox"/>						
11		<input type="checkbox"/>						
12		<input type="checkbox"/>						
13		<input type="checkbox"/>						
14		<input type="checkbox"/>						
15		<input type="checkbox"/>						
16		<input type="checkbox"/>						
17		<input type="checkbox"/>						
18		<input type="checkbox"/>						
19		<input type="checkbox"/>						
20		<input type="checkbox"/>						
21		<input type="checkbox"/>						
22		<input type="checkbox"/>						
23		<input type="checkbox"/>						
24		<input type="checkbox"/>						
25		<input type="checkbox"/>						

Table 4.2 Rent Schedule and Determination of Percent Increase [REQUIRED]

A	B	C	D	E	F	G	H	I	J = (I/F)*100	K= J	L
Line No.	Unit No.	Move-In Date (mm/dd/yyyy)	Date of Last Rent Increase (mm/dd/yyyy)	Amount of Last Rent Increase (\$)	Current Monthly Rent (\$)	Anticipate Annual Rent Increase	Anticipate Annual Banked Increase (if applicable)	Amount of Capital Improvement Pass-Through (Add from Table 4.1)	Pass-through as a Percentage of Rent	Rent Inc. + Pass-Through Percentage of Rent (%)	<input type="checkbox"/> If J > 10%
EX	6	03/06/2016	4/01/2018	\$100	2,100.00	5%	0%	29.17	1.4%	6.4%	<input type="checkbox"/>
1											<input type="checkbox"/>
2											<input type="checkbox"/>
3											<input type="checkbox"/>
4											<input type="checkbox"/>
5											<input type="checkbox"/>
6											<input type="checkbox"/>
7											<input type="checkbox"/>
8											<input type="checkbox"/>
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19											<input type="checkbox"/>
20											<input type="checkbox"/>
21											<input type="checkbox"/>
22											<input type="checkbox"/>
23											<input type="checkbox"/>
24											<input type="checkbox"/>
25											<input type="checkbox"/>

If a Capital Improvement cost standing alone or a Capital Improvement cost coupled with a Rent Increase and Banking Increase would exceed ten percent (10%) or thirty percent (30%) in five years, the excess can only be recovered by extending the Capital Improvements amortization period in yearly increments sufficient to cover the excess. If an annual 5% rent increase is anticipated, then the Capital Improvement cost pass-through should not exceed 5%.

1 Do you plan to apply Rent Increases in the next 5 years? YES NO

2 Do you plan to apply Banked Increases in the next 5 years? YES NO

3 If yes, indicate which year and the percentage you plan to apply. If the information is unit specific, please provide a table. *(This question is asked is so an Arbitrator can calculate if the annual increase will exceed 10% in any year or if the total increase over 5 years exceeds 30%)*

	Anticipated Annual Rent Increase	Anticipated Banked Rent Increase
Year 1	_____ %	_____ %
Year 2	_____ %	_____ %
Year 3	_____ %	_____ %
Year 4	_____ %	_____ %
Year 5	_____ %	_____ %

The amount in excess of 10% of a Rental Unit’s existing Rent can only be recovered by extending the Capital Improvements amortization period in **yearly** increments sufficient to cover the excess. In addition, the Landlord must comply with the requirements to notice the Tenant of the extended amortization period with the initial Capital Improvement cost.