

Temporary Rent Reductions

The Rent Control Board has received inquiries from property owners and tenants asking whether an owner may **temporarily** reduce a tenant's rent without affecting the Maximum Allowable Rent (MAR). The answer depends on when and for what reason the rent is reduced. If the discount is after the initial term of the tenancy (usually one year), then a temporary reduction will not affect the MAR, no matter the reason. That's because the initial rent charged over the initial lease term already set the base rent upon which the MAR is calculated. However, a reduction within the initial term of the tenancy could reduce the base rent and future MARs. If the reason for the discount is to compensate a tenant for a base amenity that temporarily is not provided, that discount will not affect the base rent. If the discount is the result of a period of free rent such as a "first month free" or other move-in special, then that period of free or reduced rent changes the calculation of the base rent. In this case, the monthly rent registered for a new tenancy must reflect the actual rent charged over the entire lease term, including any free or discounted period.

Guidelines for entering into a temporary rent reduction agreement:

- Any reduction in rent that is not the result of a Rent Control Board decision is **voluntary** between an owner and tenant. Both parties must freely enter into the agreement to temporarily reduce the rent.
- When entering into a voluntary agreement to reduce the rent, the owner and tenant should state the agreement in writing to avoid any misunderstanding.
- The terms could include:
 - (1) The amount of the temporary rent to be paid;
 - (2) The number of months the temporary rent will be paid;
 - (3) The date the agreement ends and the MAR to be paid when the temporary reduction ends; and
 - (4) An acknowledgment by the owner that when the voluntary agreement has ended and the rent goes back to the MAR, the owner cannot retroactively collect the rent which was waived during the agreement.

Agreements may be extended if both parties agree. When the term of the temporary agreement is over, the owner has the option of returning the rent to the current maximum lawful rent. Notice of rent increase may be required.

If you have any questions or concerns, please contact Rent Control at (310) 458-8751 or at RentControl@santamonica.gov.