

MEMORANDUM

TO: Rent Board Commissioners
FROM: Joseph Koomas, Senior Administrative Law Judge
DATE: January 2, 2026
RE: Proposed Changes to R&R 1.12

This memorandum is a subsequent communication to my prior memorandum dated December 8, 2025, which addressed an issue affecting the methodology used to calculate the annual allowable rent increase. Rules and Regulations Section 1.12(a) provides that the annual allowable increase shall be no more than 60 percent of the percentage increase in the Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose region, as published by the U.S. Department of Labor, for the 12 month period ending October 31.

As discussed previously, the U.S. Bureau of Labor Statistics (BLS), the statistical agency within the Department of Labor, did not publish a CPI index for October 2025 due to the federal government shutdown and has confirmed that this data will not be published retroactively. As a result, Regulation 1.12's required October to October comparison cannot be performed for two consecutive years.

Under normal circumstances, the BLS publishes CPI data for the San Francisco region on a bimonthly basis beginning in February of each year. CPI data is therefore typically available for October and December, but not November. Because October 2025 data was not published, the BLS had indicated that it would instead publish CPI data for November 2025 in mid-December. Based on this information, staff initially recommended that the Commission adopt an amendment to Section 1.12(a) to temporarily adjust the CPI comparison months used to calculate the annual allowable rent increases effective March 1, 2026 and March 1, 2027 from October 2025 to November 2025.

The Board discussed amending the Regulations to employ this methodology at its December Board Meeting and scheduled the matter for a public hearing at its January Board Meeting. Subsequently, however, it was discovered that although the BLS published November 2025 CPI data for some regions of the United States, the first CPI data to be published for the San Francisco region following the federal government shutdown will be the December 2025 CPI. Accordingly, staff have developed two alternative proposals, which are attached to the Notice of Public Hearing.

The first proposal would approximate the missing October 2025 CPI value using a geometric mean methodology. Under this approach, the October 2025 CPI would be estimated by calculating the geometric mean of the August 2025 CPI and the December 2025 CPI for the San Francisco region. This method involves taking the square root of the product of the two surrounding published index values and is a recognized statistical technique for interpolating missing index data that assumes a smooth rate of change between reporting periods (<https://www.bls.gov/cpi/factsheets/approximating-missing-data.htm>). Use of the geometric mean would allow the Commission to approximate an

October based CPI value using only published data and to continue applying the existing October to October framework set forth in Section 1.12(a) without further modification to the Regulation.

The second proposal would temporarily adjust the CPI comparison months used to calculate the annual allowable rent increases effective March 1, 2026 and March 1, 2027. Rather than an October to October comparison, the annual allowable increase effective March 1, 2026 would be calculated based on the percentage increase in the CPI between December 2024 and December 2025, and the annual allowable increase effective March 1, 2027 would be calculated based on the percentage increase in the CPI between December 2025 and December 2026.

Overall, the December based approach is less preferable because it departs more substantially from the methodology set forth in Section 1.12(a). Using December to December comparisons shifts the Regulation's reference point, resulting in the October to December 2025 increase being omitted. In addition, when the methodology reverts to an October to October comparison in 2028, the October 2026 to October 2027 CPI data would partially overlap with CPI data already reflected in the 2027 increase.