AGENDA ITEM REQUEST FORM

Department: Rent Program  Department Head: Nicolas Traylor  Phone: 620-6564

Meeting Date: May 15, 2019  Final Decision Date Deadline: May 15, 2019

STATEMENT OF THE ISSUE: The Fiscal Year 2018-19 budget included a position for a Rent Program Services Analyst who would also serve as the Program's Compliance Officer. Since September 2018, Rent Program Services Analyst Philip Verma has completed a number of tasks related to compliance with the department's fee and registration requirements. Staff members have prepared this report detailing the Compliance Officer's activities over the past eight months for presentation to the Rent Board.

INDICATE APPROPRIATE BODY

- City Council
- Redevelopment Agency
- Housing Authority
- Surplus Property Authority
- Joint Powers Financing Authority
- Finance Standing Committee
- Public Safety Public Services Standing Committee
- Local Reuse Authority
- Other: Rent Board

ITEM

- Presentation/Proclamation/Commendation (3-Minute Time Limit)
- Public Hearing
- Regulation
- Other: Rent Board As Whole
- Contract/Agreement
- Grant Application/Acceptance
- Claims Filed Against City of Richmond
- Resolution
- Video/PowerPoint Presentation (contact KCRT @ 620.6759)

RECOMMENDED ACTION: RECEIVE a presentation from Rent Program staff members concerning the department's compliance efforts during Fiscal Year 2018-19 (Nicolas Traylor 620-6564).

AGENDA ITEM NO: G-1.
DATE: May 15, 2019

TO: Chair Gray and Members of the Rent Board

FROM: Nicolas Traylor, Executive Director
Philip Verma, Rent Program Services Analyst

SUBJECT: COMPLIANCE OFFICER REPORT

STATEMENT OF THE ISSUE:

The Fiscal Year 2018-19 budget included a position for a Rent Program Services Analyst who would also serve as the Program’s Compliance Officer. Since September 2018, Rent Program Services Analyst Philip Verma has completed a number of tasks related to compliance with the department’s fee and registration requirements. Staff members have prepared this report detailing the Compliance Officer’s activities over the past eight months for presentation to the Rent Board.

RECOMMENDED ACTION:

RECEIVE a presentation from Rent Program staff members concerning the department’s compliance efforts during Fiscal Year 2018-19.

FISCAL IMPACT:

There is no fiscal impact related to this item at this time.

DISCUSSION:

As a young department, the Rent Program is still developing efficient systems to implement the Rent Ordinance. As its staff has grown, the need for uniform administrative processes has become increasingly apparent. Landlords have at times expressed frustration at inaccurate invoices and evolving program requirements. The Compliance Officer has worked with management and members of the Billing and Registration Unit to devise processes related to fee collections and updates to the Rent Program’s database.

This section provides a timeline of the primary tasks undertaken by the Compliance Officer, in conjunction with other staff members.
Collecting Outstanding Rental Housing Fees for Fiscal Years 2016-17 and 2017-18 (Sep-Nov 2018)

The Compliance Officer worked with the City of Richmond IT Department to identify landlords who owed the largest amounts of Rental Housing Fees for the previous fiscal years (2016-17 and 2017-18). These were generally landlords that had not been responsive to invoices and other notices that Rent Program staff had sent by mail. The Compliance Officer contacted Outsource Inc., the company that manages the Richmond Rental Inspection Program (RRIP), to obtain phone numbers, emails and alternate contact information for these landlords. Next, he conducted outreach via phone and email to make sure landlords were aware of these outstanding fees, as well as the potential consequences of noncompliance with Rent Program requirements. As a result of these initial efforts in fall 2018, the Compliance Officer collected approximately $100,000 in unpaid fees.

Implementing Property Enrollment Process (Nov 2018- Jan 2019)

The Compliance Officer worked with staff in the Billing and Registration unit, who had already been developing forms and a process for Property Enrollment, as required by Rent Board Regulation 405. During this time, the Compliance Officer continued to work with landlords who owed fees from previous fiscal years. However, to avoid duplication of efforts, staff decided that this broader enrollment and billing process would be a more effective way to reach a large number of landlords.

The Compliance Officer provided feedback to other staff about the proposed forms and worked to develop a process for assembling and mailing out packets of Property Enrollment and Tenancy Registration forms to landlords. He also developed quality control procedures for the mailings. This entailed identifying potentially owner-occupied properties or instances where properties had sold but the database had not properly accounted for this change.

Developing Processes for Late Fee Removal (Dec 2018)

As more landlords became aware of the Rent Program’s requirements and fees through these outreach and compliance efforts, it was clear that staff needed a standardized process for clearing Rental Housing Fees, especially late fees. The Compliance Officer developed a protocol for granting a waiver of late fees, including for new owners and owners who did not receive previous invoices.

Refining and Improving the Rent Program Database (Dec 2018-Mar 2019)

The Rent Program’s database of Rental Units has represented a significant and ongoing challenge for its collections and enrollment efforts. Prior to the formation of the Rent Program in January 2017, there was no comprehensive database of Rental Units in the City of Richmond. The Rent Program’s initial estimate of Rental Units was developed using a combination of records from the Richmond Rental Inspection

May 15, 2019
Program (RRIP), the City of Richmond Finance Department and the Contra Costa County Assessor. A preliminary estimate of Rental Units in the city was crucial for developing the program’s budget and fees. Staff decided early on that casting a wide net and then refining the database was preferable to mistakenly excluding applicable units. This approach had the advantage of increasing public awareness and education about the Rent Ordinance; disadvantages included database inaccuracies, as well as complaints from owners who were mistakenly billed.

Issues with the database that have emerged over the past eight months include:

- **Undercounting fully-covered units** for which no interim property enrollments were ever submitted. Because RRIP inspects units every three years and inspects only a percentage of units on a given site, the Rent Program’s database included only one unit record for many duplexes, triplexes and fourplexes. The Compliance Officer therefore cross-referenced Rent Program unit records with land use codes to identify possible discrepancies. Over 600 fully-covered units were found, added, and billed through this process, equal to $124,200 in fees.

- **Including residential units on commercial and industrial parcels** that do not appear to have residential units attached. Commercial and industrial units often receive Rental Licenses from the Finance Department; using Rental Licenses as a proxy for residential rentals therefore led to an overestimate. Follow-up research was conducted using a combination of municipal property records, Google Earth images, and conversations with owners. However, some commercially or industrially-zoned properties do have residential units attached (for example, ground-floor retail with apartments above), so this cleanup will require additional investigation and outreach.

- **Duplicate owner records**. Some landlords of multiple properties had more than one owner record with the city and/or county, often with variations in the owner name (such as a middle initial or a slightly different spelling). This generated confusion among landlords who received multiple invoices, with different units on each. Staff has been consolidating these records where appropriate before issuing invoices.

- **Including owner-occupied or rent-free units**. The initial estimate of Rental Units included units that were in fact owner-occupied or occupied by a family member who did not pay rent. Staff members typically request Declarations of Owner Occupancy for these properties but the process for updating records and fees had not been consistent. The Compliance Officer helped develop such a process, including for units that were once rentals but are now owner-occupied or rent free.

- **Changes in property ownership**. Many rental properties in Richmond have been sold in the last year. These changes are recorded with the County Assessor, which then gets updated in the city’s database. However, there
appears to be a lag – in some cases, several months – for the city’s system to update. The Compliance Officer has cross-referenced municipal records with proprietary data from DataTree to update the Rent Program’s database of rental units and property owners’.

Processing Property Enrollments and Issuing Invoices (Jan-Apr 2019)

During the first few months of 2019, staff was busy processing Property Enrollment forms and issuing invoices based on the information in these forms. The Compliance Officer assumed an important role in processing and reviewing enrollments and invoices, particularly ones where further research was needed. For example, where an owner claimed the property contained a permitted secondary dwelling unit, the Compliance Officer had to communicate with the Planning Department about what permits they had on file. The Compliance Officer also helped set up a system to better keep track of invoices that were sent out.

Next Steps

The Rent Program continues to educate landlords and tenants in Richmond of their rights and responsibilities under the Rent Ordinance. Now that the enrollment and billing process for Fiscal Year 2018-19 is largely complete, staff will begin a number of additional tasks to ensure and expand compliance with the city’s Rent Ordinance and related fee requirements.

Planned activities include:

- **Targeted Outreach to Noncompliant Landlords.** Similar to the first task described in this report, the Compliance Officer will receive an updated list from the IT Department to identify landlords who owe the largest amounts of Rental Housing Fees. The Compliance Officer will reach out to these landlords via email or phone to collect these fees. The Staff Attorney may follow up these communications with a strong letter explaining the serious consequences of continued noncompliance.

- **Vigorous collections efforts.** In cases where this informal approach is unsuccessful, the Compliance Officer will work with the Staff Attorney and Rent Board to collect these fees in other ways. These measures could include small claims actions, outreach to tenants in these properties to discuss the ramifications of landlord noncompliance, or Board-initiated Rent Withholding Petitions. In these cases, the Compliance Officer would provide the Rent Board with recommendations on which landlords owed the most money to the Rent Program, as well as relevant information about the billing history.

- **Follow-Up on Returned Mail.** Approximately 100 invoices issued during the recent round of billing were returned to sender. These will require additional research and follow-up, checking landlords’ mailing address against Property
Enrollment forms (if submitted), other city department records, and property information from DataTree, among other sources. The Compliance Officer has developed a process for the Billing and Registration Unit to deal with returned mail.

- **Quality Control of Rental Housing Database.** The Compliance Officer will work with the IT Department to review all unit and owner records for accuracy. This will entail checking for duplicate owner and unit records, discrepancies with land use codes, and other issues as identified by the IT Department and Rent Program staff.