

# AGENDA ITEM REQUEST FORM

Department: Rent Program

Department Head: Nicolas Traylor

Phone: 620-6564

Meeting Date: October 18, 2017

Final Decision Date Deadline: October 18, 2017

**STATEMENT OF THE ISSUE:** When the Board discussed the Residential Rental Housing Fee in June 2017, it also discussed whether some portion of this fee should be "passed through" to the tenants, as many rent control jurisdictions do. In those jurisdictions, the pass-through amount is not considered "rent", and the percentage passed through is usually 50% of the Fee, with tenants paying 1/12 of the pass-through amount each month. At that time, the Board recommended the Council "consider" passing through 50% of the Fee to tenants, with the caveat that tenants would pay their share of the Fee over a 12-month period. The City Manager later determined, however, that whether there should be a pass through of this Fee and, if so, what percentage should be passed through, is a Board, rather than City Council, decision. Staff members are providing this status update to the Board to ensure they are aware of the current restriction on a pass through of the Residential Rental Housing Fee.

## INDICATE APPROPRIATE BODY

- |                                                     |                                                                           |                                                |                                                              |                                                           |
|-----------------------------------------------------|---------------------------------------------------------------------------|------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------|
| <input type="checkbox"/> City Council               | <input type="checkbox"/> Redevelopment Agency                             | <input type="checkbox"/> Housing Authority     | <input type="checkbox"/> Surplus Property Authority          | <input type="checkbox"/> Joint Powers Financing Authority |
| <input type="checkbox"/> Finance Standing Committee | <input type="checkbox"/> Public Safety Public Services Standing Committee | <input type="checkbox"/> Local Reuse Authority | <input checked="" type="checkbox"/> Other: <u>Rent Board</u> |                                                           |

## ITEM

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

**RECOMMENDED ACTION:** (1) RECEIVE a memorandum from Nicolas Traylor, Executive Director, and Michael Roush, Rent Board Legal Counsel, concerning the status of the "Pass-Through" of the Residential Rental Housing Fee; and (2) DIRECT STAFF to study policy options for a possible "Pass-Through" – Rent Program (Nicolas Traylor/Michael Roush 621-6564).

AGENDA ITEM NO:

**G-5.**

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**MEMORANDUM**

**TO:** Chair Gray and Members of the Rent Board

**FROM:** Michael Roush, Legal Counsel  
Nicolas Traylor, Executive Director

**DATE:** October 18, 2017

**SUBJECT:** STATUS OF THE "PASS-THROUGH" OF THE RESIDENTIAL RENTAL HOUSING FEE

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Background

In July 2017, the Richmond City Council, following a recommendation from the Rent Board, adopted an Ordinance creating a Residential Rental Housing Fee ("Fee") in the City's Master Fee Schedule to cover the costs of administering the Rent Program. The City Council, based on the Rent Board's adopted budget for Fiscal Years 2016-17 and 2017-18, also adopted a resolution establishing this fee as \$47 per rental unit for Fiscal Year 2016-17 and a fee of \$98 per rental unit for Fiscal Year 2017-18. Under the Ordinance, landlords are required to pay the full amount of the Fee.

When the Board discussed the Residential Rental Housing Fee in June 2017, they also discussed whether some portion of this fee should be "passed through" to the tenants, as many rent control jurisdictions do. In those jurisdictions, the pass-through amount is not considered "rent", and the percentage passed through is usually 50% of the Fee, with tenants paying 1/12 of the pass-through amount each month. At that time, the Board recommended the Council "consider" passing through 50% of the Fee to tenants, with the caveat that tenants would pay their share of the Fee over a 12-month period. The City Manager later determined, however, that whether there should be a pass through of this Fee and, if so, what percentage should be passed through, is a Board, rather than City Council, decision.

The bills for the Residential Rental Housing Fee will be mailed out to landlords in October and November. Staff believes it is likely they will receive inquiries from landlords as to whether they can pass through to their tenants some portion of this Fee. The current answer is no.

Discussion

Given the total amount of the Fees (\$145) and that there are only eight months left in the fiscal year, if the Board has any interest in a "pass through" of a portion of this Fee, it should defer considering the issue until it considers its budget for Fiscal Year 2018-19 in May and June 2018. Otherwise, the Board will need to decide at its November meeting how the pass through would work for the remainder of this fiscal year.

## **ITEM G-5 ATTACHMENT 1**

In the spring, the Board will be in a better position to know more accurately the costs to administer the program and whether a tiered fee, rather than a flat fee, should be recommended. If the Board were interested in permitting a partial pass through, staff would also have time to craft a Regulation with details as to how the pass through would work. For example, how the pass-through would apply to tenants who moved into the Rental Unit that year, because the landlord would have theoretically been able to factor in the Fee in determining the amount of the rent, or how the pass-through applies to tenants who moved in halfway through the Fiscal Year. Moreover, because the Fee would be adopted by the City Council in the June/July time frame, if a portion of the Fee were to be passed through, there would be a full 12 months over which the passed through amount could be collected.

### Conclusion

No Board action is required on this item at this time; however, staff members recommend the Board direct staff to further study this issue and devise possible policy options for the Board's consideration at a future meeting.