

**ADOPTION OF FISCAL YEAR  
2018-19 BUDGET AND  
RENTAL HOUSING FEE STUDY**  
CITY OF RICHMOND RENT PROGRAM

ITEM F-1 | April 23, 2018 Special Rent Board Meeting  
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# BACKGROUND

- ❖ The Rent Program is designed to function as a cost-recovery department that operates without financial assistance from the City's General Fund.
- ❖ Instead, the Rent Program is funded by the Residential Rental Housing Fee, paid by all Richmond Landlords on an annual basis.
- ❖ Fees charged for any service or regulatory activity may not exceed the reasonable cost of providing the service (California Government Code 50076), which necessitates an annual fee study.
- ❖ The amount of the Rental Housing Fee is ultimately determined by the City Council, following a recommendation from the Rent Board.

# BACKGROUND (CONTINUED)

- ❖ The Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance requires the Board's Executive Director to submit a proposed budget to the Board at least 35 days prior to the beginning of the Fiscal Year (July 1).
- ❖ The Rent Board was presented with proposed budget options and a fee study on March 21, 2018, and discussed revised options at their meeting on April 18, 2018.
- ❖ The Board previously expressed an inclination towards adoption of Budget Option B or Budget Option C.
- ❖ Staff members are requesting the Board adopt Budget Option C, which include elements necessary to continue development of an actively-enforced Rent Program.
- ❖ In addition, staff is also recommending the Board direct staff members to prepare policy options regarding a pass-through of the Rental Housing Fee to allow for further study and discussion on this issue.

# PROPOSED BUDGET OPTIONS AND CORRESPONDING ESTIMATED RENTAL HOUSING FEE: OPTION B

PROPOSED OPTION	DESCRIPTION OF SIGNIFICANT CHANGES	ESTIMATED COST (\$)	TOTAL BUDGET (INCLUDING OPERATING AND RISK RESERVES EQUAL TO 25% OF EXPENSES)	CORRESPONDING APPROXIMATE PROPOSED RENTAL HOUSING FEE (ROUNDED UP TO NEAREST DOLLAR)	PROPOSED PORTION OF FEES PAID BY RENT-CONTROL TENANTS (50%)
B – OPTION A PLUS ADDITIONAL RESOURCES FOR RENT REGISTRATION	Add funds to hire an additional Administrative Aide to administer rent registration	\$15,000 (Option A) + \$60,550 (salary) + \$33,303 (benefits) + \$6,233 (liability) + \$1,000 (IT account) = \$116,086	\$2,683,050	Fully Covered Units: \$198/unit  Partially Covered Units: \$96/unit  Governmentally Subsidized Units: \$48/unit	\$99.00 (\$8.25 per month)

Identified changes do not include regular, anticipated cost increases, such as step (salary) increases for employees, changes in indirect costs, and an increase in funds for computer equipment.

# PROPOSED BUDGET OPTIONS AND CORRESPONDING ESTIMATED RENTAL HOUSING FEE: OPTION C

PROPOSED OPTION	DESCRIPTION OF SIGNIFICANT CHANGES	ESTIMATED COST (\$)	TOTAL BUDGET (INCLUDING OPERATING AND RISK RESERVES EQUAL TO 25% OF EXPENSES)	CORRESPONDING APPROXIMATE PROPOSED RENTAL HOUSING FEE (ROUNDED UP TO NEAREST DOLLAR)	PROPOSED PORTION OF FEES PAID BY RENT-CONTROL TENANT (50%)
C – OPTION B PLUS ADDITIONAL RESOURCES FOR COMPLIANCE-RELATED WORK	Add funds to hire an additional Administrative Aide to administer rent registration and add a contract attorney to assist with compliance-related work	\$116,086 (Option B)+ \$97,500 contract (assumes contractor would work 10-15 hours per week at a rate of \$150/hour) = \$213,586	\$2,804,925	Fully Covered Units: \$207/unit  Partially Covered Units: \$100/unit  Governmentally Subsidized Units: \$50/unit	\$103.50 (\$8.60 per month)

Identified changes do not include regular, anticipated cost increases, such as step (salary) increases for employees, changes in indirect costs, and an increase in funds for computer equipment.

# WHAT WOULD A COMPLIANCE OFFICER DO?

- Perform field investigations on unpaid Rental Housing Fees;
- Review account files to determine amounts owed and research previous payment history and collection activity;
- Investigate the location of debtors and schedule appointments to discuss collection matters;
- Explain laws and procedures of collection to persons with unpaid or delinquent accounts; recommend settlements and/or further legal action on delinquent accounts;
- Prepare small claims action and serve required documents on debtors;
- Enforce The Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance and issue citations to landlords in non-compliance;
- Canvass suspected rental units and serve notices to improperly or non-registered landlords; assist in the enforcement of business license tax and other City taxes upon discovery during investigation;
- Document information on delinquent accounts and collection activities and initiate legal action as necessary;
- Maintain current knowledge of City municipal code and other legislation affecting City collections; (If not an attorney, the compliance officer would work closely with the Rent Program Staff Attorney to draft compliance and collection letters);
- Prepare and file liens with the County Recorder's office; and
- Review settlement recommendations and recommend appropriate Rent Program management actions on collection cases.

# PROPOSED PROJECTS AND ASSIGNMENTS

- **Conduct an Exemption verification mass mailing to target properties or areas, such as new construction, duplexes, single family homes/condos and properties that have been served inspection and building inspection notices due to habitability issues**
- **Following up with additional correspondence and pursuing collections for property owners who've already been assessed the Rental Housing fee and late penalties still not paid**
- **Conduct further investigation on properties where the invoices have been sent back to us as "return to sender"- hundreds of addresses on file with the county assessors office are somehow incorrect or outdated**
- **Suing property owners for fees and penalties**
- **Preparing the necessary documents to lien properties for outstanding Rental Housing Fees**
- **Making site visits to verify exemption**
- **With Support from Staff Attorney, prompt Board-initiated hearings for cases of non-compliance**
- **Negotiate settlements for large sums of outstanding late fees**
- **Prepare investigation reports for hearings related to bringing a property into compliance**

# EXAMPLES OF NONCOMPLIANCE CASES THE COMPLIANCE OFFICER WOULD BE FOCUSING ON...

- Properties where some of the units are rented to rent controlled tenants and other are rented to Section 8 tenants. The City's records (and therefore our records) would only show the units that were non-Section 8, even though Section 8 units are subject to the Rental Housing Fee.
- Single family homes: There are many single family homes and single family homes with auxiliary units (duplexes) that have not registered. An initial search on craigslist and other rental housing provider websites found that there were many unregistered single family homes that have not enrolled or paid the fee.
- Unpermitted units that we discover through tenant complaints or through ads on the web, or through neighbors.
- Rooming Houses: If rooms are rented separately within a single family home they may be subject to rent regulation. Many of these properties would only be listed as single units, even though each room rented out would count as a separate unit.
- Our preliminary research indicates that there are many condos that are being rented out near the Marina- but are currently listed as owner-occupied.
- Duplexes where the main house is owner-occupied and the second unit is rented. These types of properties would be exempt if the second unit qualifies as a "small second unit" under the Small Second Unit Ordinance. However, many of these small second units were not built with permits and are therefore subject to rent controls.
- Many landlords claimed an exemption from rent controls/just cause as owner-occupied or "rent free". We suspect that there are a good number of units where rent is actually paid (services in lieu of rent, paying for the mortgage, bills, etc.) or the unit is not actually owner-occupied.

# RENTAL HOUSING FEES FOR EACH BUDGET OPTION

UNIT COUNTS		BUDGET OPTION A FEES (PER UNIT)	BUDGET OPTION B FEES (PER UNIT)	BUDGET OPTION C FEES (PER UNIT)
<b>TOTAL EXPENDITURES:</b>		<b>\$2,556,693</b>	<b>\$2,683,050</b>	<b>\$2,804,925</b>
<b>FULLY COVERED UNITS</b>	<b>9,558</b>	<b>\$188</b>	<b>\$198</b>	<b>\$207</b>
<b>PARTIALLY COVERED UNITS (EXCLUDING SUBSIDIZED UNITS)</b>	<b>6,249</b>	<b>\$91</b>	<b>\$96</b>	<b>\$100</b>
<b>GOVERNMENTALLY SUBSIDIZED UNITS</b>	<b>4,211</b>	<b>\$46</b>	<b>\$48</b>	<b>\$50</b>
<b>TOTAL REVENUE:</b>		<b>\$2,559,269</b>	<b>\$2,694,516</b>	<b>\$2,813,956</b>

# PROPOSED RENTAL HOUSING FEE SUMMARY

Proposed Budget Option	Proposed Fully Covered Unit Fee	Proposed Partially Covered Unit Fee	Proposed Gov. Subsidized Unit Fee
Option A – Baseline budget with physical improvements	\$188	\$91	\$46
<i>Rent registration possible for...</i>	+\$10 more than baseline fee	+\$5 more than baseline fee	+2 more than baseline fee
Option B – Option A plus additional resources for rent registration	\$198	\$96	\$48
<i>Rent registration AND additional resources for compliance-related work possible for...</i>	+\$19 more than baseline fee	+\$9 more than baseline fee	+\$4 more than baseline fee
Option C – Option B plus additional resources for compliance-related work	\$207	\$100	\$50

# PROPOSED NEXT STEPS

Task	Proposed Timeline
Rent Board considers adoption of Fiscal Year 2018-19 Rent Program Budget (includes public hearing)	April 23, 2018, Special Meeting
Rent Board approves Fiscal Year 2018-19 Fee Study, recommends to the City Council approval of the Fiscal Year 2018-19 Rental Housing Fee, and directs staff to study and prepare a regulation permitting a 50% pass-through of the Rental Housing Fee for rent-controlled Tenants	April 23, 2018, Special Meeting
City Council receives Fiscal Year 2018-19 Fee Study	May 22, 2018, Regular Meeting (study session)
City Council adopts Fiscal Year 2018-19 Rental Housing Fee	June 19, 2018, Regular Meeting
Rental Housing Fee bills generated	July 2018
Rental Housing Fee bills mailed	August 2018
Rental Housing Fee due	September 2018

# ITEM H-1 RECOMMENDED ACTION

- ❖ (1) ADOPT revised Fiscal Year 2018-19 Budget Option C;
- ❖ (2) RECEIVE and APPROVE the Fiscal Year 2018-19 Residential Rental Housing Fee Study;
- ❖ (3) DIRECT staff to prepare a resolution, consistent with the Rent Board's approved Fee Study and Budget, recommending to the City Council approval of the Fiscal Year 2018-19 Residential Rental Housing Fees in the amount of \$207.00 per Controlled Rental Unit, \$100.00 per Partially Covered Unit, and \$50.00 per Governmentally Subsidized Unit, at the next regularly scheduled meeting; and
- ❖ (4) DIRECT staff to conduct a study of policy options for a possible pass-through of a portion of the Rental Housing Fee to be paid by Tenants and present these options at the Board's Regular Meeting in May