

**DRAFT FISCAL YEAR 2019-20
OPERATING BUDGET AND
RENTAL HOUSING FEE STUDY**
CITY OF RICHMOND RENT PROGRAM

ITEM G-1 | February 20, 2019 Regular Rent Board Meeting
www.richmondrent.org

STATEMENT OF THE ISSUE

- ❖ In accordance with Section 11.100.060(I) of the Richmond Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance, the amount of the Residential Rental Housing Fee will be determined by the City Council after a recommendation by the Board is provided to the City Council.
- ❖ Prior to July 1, the Board shall hold a public hearing on a proposed budget and adopt an annual budget for the ensuing fiscal year. The budget shall be funded by the Residential Rental Housing Fee.
- ❖ Staff members have prepared draft budget options and a corresponding draft fee study for the Rent Board's consideration and comment. The purpose of this item is to receive preliminary feedback from the Board prior to the scheduling of a public hearing for potential adoption of the Fiscal Year 2019-20 budget.

CONTENTS OF THIS PRESENTATION

(1) Rent Program Mission Statement, Organization and Goals



(2) Proposed Fiscal Year 2019-20 Budget Options



(3) Draft Fiscal Year 2019-20 Rental Housing Fee Study



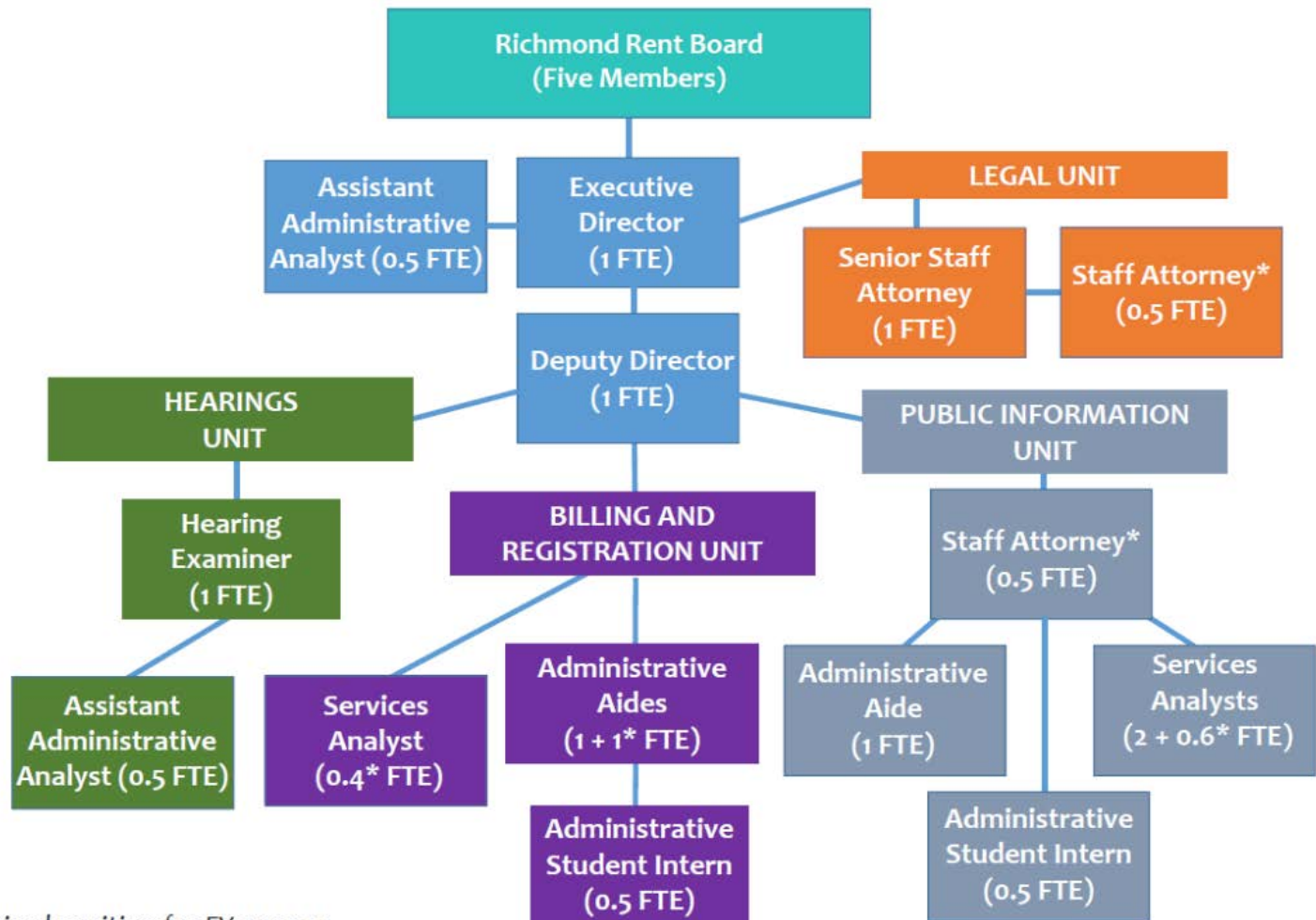
(1) RENT PROGRAM MISSION STATEMENT, ORGANIZATION AND GOALS

DRAFT FISCAL YEAR 2019-20 OPERATING BUDGET

RENT PROGRAM MISSION STATEMENT

The mission of the Rent Program is to promote neighborhood and community stability, healthy housing, and affordability for Richmond tenants through the regulating of those landlord/tenant matters that reasonably relate to rents and evictions, while maintaining a landlord's right to a fair return.

PROPOSED RENT PROGRAM ORGANIZATIONAL CHART



*Desired position for FY 2019-20

PROPOSED FY 2019-20 GOALS



PROPOSED FY 2019-20 GOALS

PROGRAM DEVELOPMENT

- ❖ Continue to invest resources in staff training, particularly for the Rent Program Services Analysts, to ensure staff members are knowledgeable on the requirements of the Rent Ordinance, Rent Board regulations, and related State and Federal laws
- ❖ Launch the formal mediation program
- ❖ Continue to develop an online filing system for the submission of Property Enrollment and Tenancy Registration forms, as well as the filing of rent increase and termination of tenancy notices on the City's e-trakit website

OUTREACH

- ❖ Publicize the Guide to Rent Control in Richmond and develop one-page fact sheets on common topics such as Just Cause for Eviction, Owner Move-In evictions, the Ellis Act, and the Relocation Ordinance
- ❖ Expand education efforts to target specific groups, such as (but not limited to) Tenants and providers of affordable housing, realtors, and monolingual Spanish speaking households
- ❖ Develop systems to produce Notices of the Maximum Allowable Rent (MAR) (sent to Landlords and Tenants when Tenancy Registration Forms are submitted), including a database accessible to the public where community members can research the MAR for a particular rental unit

PROGRAM SUSTAINABILITY

- ❖ Improve collection of the Rental Housing Fee (greater than 80% compliance) to build up the Rent Program's reserves
- ❖ Continue to work collaboratively with other City departments to improve rental housing inspection options, seismic safety policy, enforcement of the Relocation Ordinance, and the collection of other City fees, such as the Business License Tax, Fire Prevention Services Fee, and Rental Inspection Program fee
- ❖ Continue to develop and refine the City's first comprehensive database of Rental Units, which provides benefits City-wide, in the form of fee collection, communication, and property information

EXPENSE AND REVENUE SUMMARY

FISCAL YEAR FEE	BUDGETED AMOUNT	FUNDS EXPENDED	REVENUE COLLECTED	ESTIMATED REVENUE CAPACITY BASED ON UPDATED UNIT COUNT ¹	ESTIMATED PERCENT OF POTENTIAL REVENUE COLLECTED
2017-18 ²	FY 16-17 (partial): \$1,150,433	\$1,967,837	\$2,154,058 ³	\$2,792,555	77.1% ⁴
	FY 17-18: \$2,425,338				
2018-19 ⁵	\$2,804,925	\$1,166,226	\$799,702	\$2,550,164	31.3%

¹ This figure represents the total possible revenue that could be collected, calculated by multiplying the adopted fee by the updated number of total rental units based on the Rent Program’s updated unit count information.

² Includes the Fiscal Year 2016-17 Rental Housing Fee (December 2016 – June 2017)

³ This figure includes revenue collected in Fiscal Year 2017-18 for both the Fiscal Year 2016-17 and Fiscal Year 2017-18 fees.

⁴ This figure represents the percentage of potential revenue for both FY 16-17 and FY 17-18 collected in FY 17-18, during the concurrent billing cycle.

⁵ Amount of expended funds and revenue collected reflects July 2018 – mid February 2019.

(2) PROPOSED FY 2019-20 BUDGET OPTIONS

DRAFT FISCAL YEAR 2019-20 OPERATING BUDGET

PROPOSED BUDGET PRIORITIES

Staff members recommend the Board consider adding the following line items to the Fiscal Year 2019-20 operating budget to support department operations (included in Budget Option A):

- ❖ Employ an additional Staff Attorney (1 FTE) to provide legal support, staff trainings, and guidance to the Public Information and Compliance Unit, Hearings Unit, and Management Unit (*net cost includes elimination of contract Hearing Examiner and Contract Legal Counsel*) **(-\$6,988)**
- ❖ Employ an additional Administrative Aide (1 FTE) to support the administrative demands of the Billing and Registration unit (*net cost includes elimination of one Administrative Student Intern*) **(+\$52,510)**
- ❖ Employ an additional bilingual (English and Spanish) Rent Program Services Analyst (1 FTE) to increase staff capacity to provide counseling and referrals to monolingual Spanish-speaking households (also included in Budget Option B) (*net cost includes elimination of Contract Compliance Officer position*) **(+\$19,063)**
- ❖ Create a new line item for data subscriptions, including DataTree (property title information) and LexisNexis (for legal research) **(+\$3,420)**

Note: Identified changes do not include regular, anticipated cost increases, such as step/salary increases for employees, changes in indirect costs, changes in the cost of office space at City Hall, and an increase in network IT accounts.

PROPOSED BUDGET PRIORITIES

Staff members recommend the Board consider increasing funds for the following line items to the Fiscal Year 2019-20 operating budget to support department operations (included in Budget Options A and B):

- ❖ Increase funds for contract Community Legal Services Agencies, specifically, the Eviction Defense Center, to allow them to employ an additional 0.5 FTE of an attorney to work on Richmond cases (+\$50,000)
- ❖ Increase the budgeted salary for the Deputy Director position to more accurately reflect salaries in peer jurisdictions (+\$30,461)
- ❖ Increase funds for written translation to account for the increased demand for the translation of documents pertaining to Rent Adjustment Petitions (+\$8,500)
- ❖ Increase funds for computer equipment to purchase phones and a printer and scanner for the counseling stations, laptops for the Rent Program Services Analysts to assist with case management, and additional computer monitors for staff (+\$50)

Note: Identified changes do not include regular, anticipated cost increases, such as step/salary increases for employees, changes in indirect costs, changes in the cost of office space at City Hall, and an increase in network IT accounts.

PROPOSED BUDGET PRIORITIES

Staff members recommend the Board consider reducing funds for the following line items to the Fiscal Year 2019-20 operating budget to support department operations (included in Budget Options A and B):

- ❖ Decrease funds for the Supplemental Liability Insurance Policy to reflect the actual cost of the policy retained for the Rent Program **(-\$12,000)**
- ❖ Decrease funds for postage and mailing to reflect the typical postage and mailing costs incurred by departmental activities **(-\$30,000)**
- ❖ Decrease funds for community education to more accurately reflect the cost of community workshop events (typically approximately \$150 per workshop) **(-\$7,500)**
- ❖ Reduce funds for office supplies, since the physical improvements to the Rent Program office were completed in 2018 **(-\$15,000)**
- ❖ Reduce funds for training and conferences to reflect the anticipated cost of such activities in FY 2019-20 **(-\$8,500)**
- ❖ Eliminate the additional 8% risk reserve, to budget reserves at 17% of expenses, consistent with the GFOA

Note: Identified changes do not include regular, anticipated cost increases, such as step/salary increases for employees, changes in indirect costs, changes in the cost of office space at City Hall, and an increase in network IT accounts.

IMPORTANCE OF HIRING AN ADMINISTRATIVE AIDE TO SUPPORT THE BILLING AND REGISTRATION UNIT

- ✓ **Accurate rent registration and rent tracking includes:**
 - ✓ Creation and maintenance of a database of tenancies, rents, and exempt statuses
 - ✓ Annual mailing of notices of the Maximum Allowable Rent for Controlled Rental Units
 - ✓ Close monitoring of exempt status, which improves billing accuracy
- ✓ **Function of an Administrative Aide (per the Human Resources Department):**
 - ✓ Performs difficult paraprofessional work in the maintenance of records of unit operations
 - ✓ Administrative Aide functions with greater independence at a journey paraprofessional level
 - ✓ Must have general knowledge of administrative techniques including principles of organization, budgeting, and personnel administration
 - ✓ Must have basic mathematical knowledge and simple accounting techniques
 - ✓ Must have the ability of interpret rules and regulations
 - ✓ Must have the ability to train and provide direction to other personnel

IMPORTANCE OF HIRING AN ADDITIONAL STAFF ATTORNEY TO SUPPORT LEGAL & PUBLIC INFORMATION UNITS

- ✓ Conduct quality control of all counseling sessions
- ✓ Lead continuous training of Rent Program Services Analysts on applicable laws and regulations
- ✓ Act as a backup Hearing Examiner
- ✓ Support the Senior Staff Attorney with legal research and recommendations
- ✓ Example Qualifications of the Staff Attorney (per the Human Resources Department) (not an exhaustive list):
 - ✓ Knowledge of civil and administrative procedures, pleading and practices and effective techniques in the presentation of court cases
 - ✓ Knowledge of judicial procedures and rules of evidence
 - ✓ Skill in performing legal research, evaluating alternatives, and making sound recommendations
 - ✓ Skill in presenting statement of fact, law and argument clearly and logically
 - ✓ Ability to interpret state and federal laws and constitutional provisions affecting municipal operations

IMPORTANCE OF HIRING AN ADDITIONAL BILINGUAL RENT PROGRAM SERVICES ANALYST

- ✓ **The demand for counseling on the Rent Ordinance and related policies exceeds staff capacity, and only one Rent Program Services Analyst is able to assist monolingual Spanish-speaking households.**
 - ✓ Approximately 20% of the households that require a consultation with an Analyst require counseling in Spanish, based on data presented in the January 2019 Monthly Report
- ✓ **An additional Rent Program Services Analyst is necessary to address the high number of inquiries from Tenants in governmentally-subsidized rental housing**
 - ✓ Approximately one quarter of Rental Units in the City of Richmond receive some form of governmental subsidy; these counseling sessions require a more nuanced understanding of how these various programs operate in the context of the Rent Ordinance
- ✓ **The expertise of a Rent Program Services Analyst is necessary to support the Billing and Registration Unit with compliance work related to collection of the Rental Housing Fee**
- ✓ **Example qualifications of a Rent Program Services Analyst per the Human Resources Department) (not an exhaustive list):**
 - ✓ Knowledge of rent and housing laws
 - ✓ Knowledge of statistical methods and applications
 - ✓ Ability to learn and interpret relevant laws, regulations, and policies
 - ✓ Ability to research, analyze, and compile data
 - ✓ Ability to prepare and present effective presentations, manage websites and social media accounts
 - ✓ Ability to work effectively with persons from diverse social, cultural, and economic backgrounds

PROPOSED BUDGET OPTIONS AND CORRESPONDING ESTIMATED RENTAL HOUSING FEE OPTION A

PROPOSED OPTION	SHORT DESCRIPTION OF SIGNIFICANT ADDITIONS	ESTIMATED COST (\$)	TOTAL BUDGET (INCLUDING OPERATING RESERVE EQUAL TO 17% OF EXPENSES)	CORRESPONDING APPROXIMATE PROPOSED RENTAL HOUSING FEE
<p style="text-align: center;">OPTION A (RECOMMENDED) ADDITIONAL 3.0 STAFF, INCREASED FUNDS FOR COMMUNITY LEGAL SERVICES, COMPUTER EQUIPMENT, TRANSLATION SERVICES, AND LEXISNEXIS SUBSCRIPTION</p>	<p>Employ an additional Staff Attorney (1 FTE), Administrative Aide (1 FTE), and Rent Program Services Analyst (1 FTE), increase funds for Community Legal Services, computer/phone equipment, translation services, and LexisNexis subscription</p>	<p><i>Staff Costs:</i> \$241,452 (salaries) + \$137,628 (benefits)+ \$18,699 (liability) + \$3,000 (IT accounts) + <i>Community Legal Services Contract increase:</i> \$50,000 + <i>Computer equipment increase:</i> \$50 + <i>Translation services increase:</i> \$8,500 contract increase <i>LexisNexis subscription:</i> \$3,420</p> <hr/> <p>\$462,749</p>	<p>\$2,864,554</p>	<p>Fully Covered Units: \$208/unit</p> <p>Partially Covered Units (includes Governmentally Subsidized units): \$109/unit</p>

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 B

PROPOSED OPTION	SHORT DESCRIPTION OF SIGNIFICANT ADDITIONS	ESTIMATED COST (\$)	TOTAL BUDGET (INCLUDING OPERATING RESERVE EQUAL TO 17% OF EXPENSES)	CORRESPONDING APPROXIMATE PROPOSED RENTAL HOUSING FEE
<p>OPTION B (ALTERNATIVE) ADDITIONAL 1.0 STAFF, INCREASED FUNDS FOR CONTRACT LEGAL COUNSEL, COMPUTER EQUIPMENT, TRANSLATION SERVICES, AND LEXISNEXIS SUBSCRIPTION</p>	<p>Employ an additional Rent Program Services Analyst (1 FTE), increase funds for Community Legal Services, increase funds for contract legal counsel, computer/phone equipment, translation services, and LexisNexis subscription</p>	<p><i>Staff Costs:</i> \$74,244 (salaries) + \$42,319 (benefits)+ \$6,233 (liability) + \$1,000 (IT accounts) + <i>Community Legal Services Contract increase:</i> \$50,000 + <i>Outside Legal Counsel Contract Increase:</i> \$40,000 + <i>Computer equipment increase:</i> \$50 + <i>Translation services increase:</i> \$8,500 contract increase <i>LexisNexis subscription:</i> \$3,420</p> <hr/> <p>\$225,766</p>	<p>\$2,843,508</p>	<p>Fully Covered Units: \$207/unit</p> <p>Partially Covered Units (includes Governmentally Subsidized units): \$108/unit</p>

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 (COMPARISON)

PROPOSED OPTION	DESCRIPTION OF SIGNIFICANT CHANGES	ESTIMATED COST (\$)	TOTAL BUDGET (INCLUDING OPERATING AND RISK RESERVES EQUAL TO 17% OF EXPENSES)	CORRESPONDING APPROXIMATE PROPOSED RENTAL HOUSING FEE (ROUNDED UP TO NEAREST DOLLAR)
OPTION A (RECOMMENDED)	Employ an additional Staff Attorney (1 FTE), Administrative Aide (1 FTE), and Rent Program Services Analyst (1 FTE), increase funds for Community Legal Services, computer/phone equipment, translation services, and LexisNexis subscription	\$462,749	\$2,864,554	Partially Covered Units: \$109/unit Fully Covered Units: \$208/unit
OPTION B (ALTERNATIVE)	Employ an additional Rent Program Services Analyst (1 FTE), increase funds for Community Legal Services, increase funds for contract legal counsel, computer/phone equipment, translation services, and LexisNexis subscription	\$225,766 (\$236,983 less than Option A)	\$2,843,508 (\$21,046 less than Option A)	Partially Covered Units: \$108/unit Fully Covered Units: \$207/unit

**(3) DRAFT FISCAL YEAR 2019-20
RENTAL HOUSING FEE STUDY**

DRAFT FISCAL YEAR 2019-20 OPERATING BUDGET

INTRODUCTION AND BACKGROUND

- ❖ Section 11.100.060(I)(1) of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance (“Rent Ordinance”) provides all Landlords shall pay a Residential Rental Housing Fee to fund the Rent Program operating budget.
- ❖ The amount of the Rental Housing Fee is determined annually by the City Council following a recommendation from the Rent Board.
- ❖ Under Section 50076 of the California Government Code, fees charged for any service or regulatory activity must not exceed the reasonable cost of providing the service. Those fees must be approved by the City Council, as the legislative body, in public session.
- ❖ A fee study is necessary to ensure that the Residential Rental Housing Fee recommended by the Rent Board and charged to Landlords is commensurate to the level of services provided by the Rent Program.

INTRODUCTION AND BACKGROUND (CONTINUED)

- ❖ The fee study is designed to allow the Rent Program Department to recover costs of all budgeted operations, including, but not limited to:
 - ❖ Personnel costs of staff, benefits, and overtime;
 - ❖ Risk management and supplemental liability insurance plan (SLIP);
 - ❖ Charges allocated to City Departments to reimburse the General Fund for administrative services by central service departments (i.e. City Council, City Manager, City Attorney, City Clerk, Finance, HR, etc.);
 - ❖ Information Technology (IT) expenses associated with the creation of a rent-tracking database and maintenance of computer hardware and software;
 - ❖ Legal costs to support enforcement and defense of legal challenges to the Rent Ordinance;
 - ❖ Costs of education and outreach, including the printing and distribution of print materials and hosting of community workshops and seminars;
 - ❖ Contracts for translation and other professional services;
 - ❖ Mileage and attendance at conferences and trainings; and,
 - ❖ Operating reserves to fund unanticipated costs and variations in collection of the Rental Housing Fee.

PROPOSED FEE STRUCTURE AND EXAMPLE SERVICES

Program Layer (55%) (previously 40%)

- Departmental administration and management
- Legal defense of the Rent Ordinance and Departmental policies
- Preparing studies, regulations, and reports as directed by the Rent Board
- Property Enrollment
- Billing and collection of the Rental Housing Fee
- Website maintenance
- Interdepartmental coordination

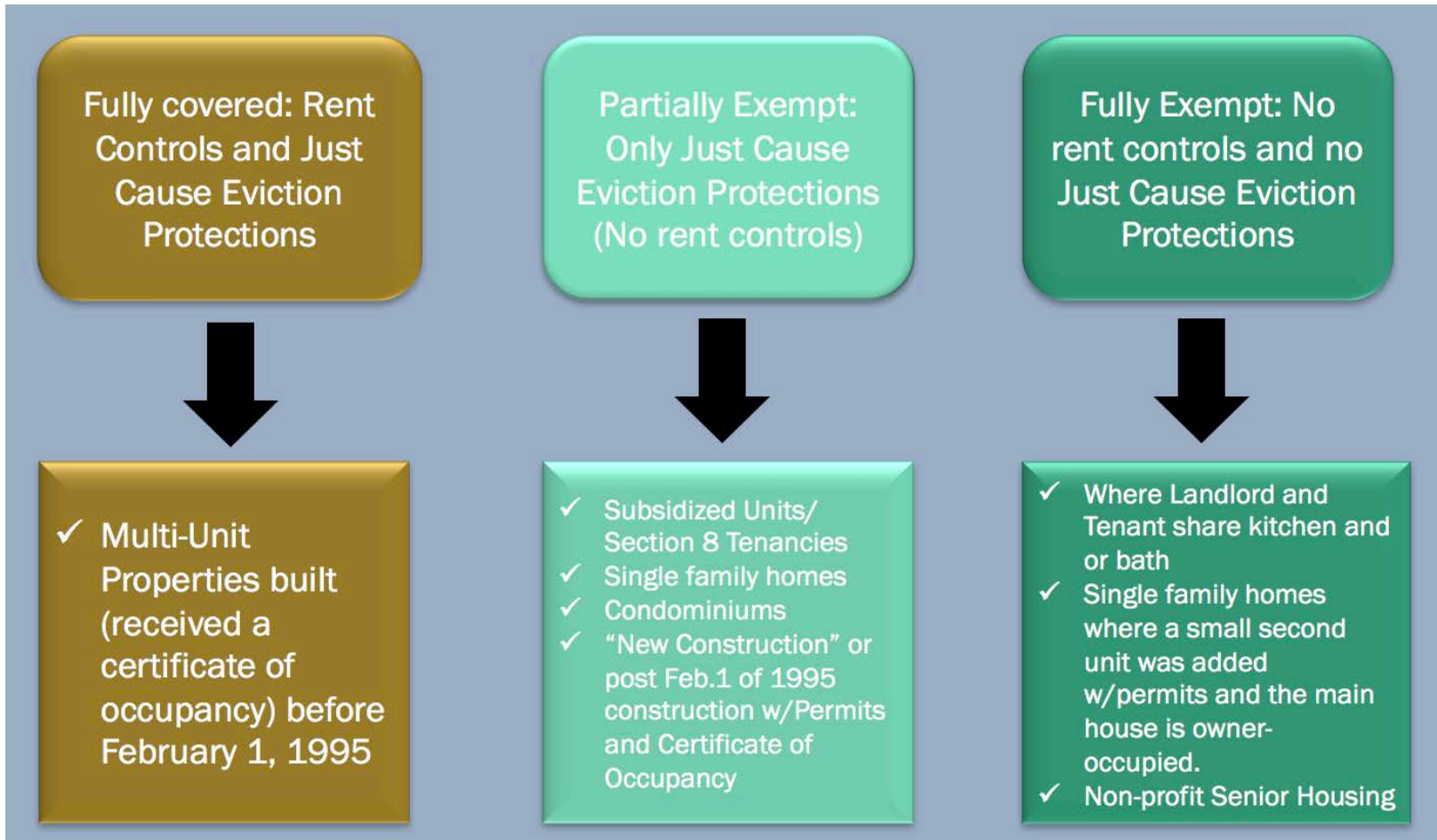
Just Cause for Eviction Layer (20%) (previously 25%)

- Public education and outreach (includes counseling)
- Legal services referrals to community services agencies
- Administration of Relocation Ordinance, Withdrawal from Rental Market, and Owner Move in processes
- Mediation of eviction-related complaints
- Development of termination of tenancy and written warning notice templates
- Review of Termination of Tenancy notices

Rent Control Layer (25%) (previously 35%)

- Public education and outreach (includes counseling)
- Legal services referrals to community services agencies
- Administration of petition and hearings to adjudicate Rent Adjustment Petitions and Excess Rent Complaints
- Rent Registration and tracking of the Maximum Allowable Rent
- Development of rent increase templates
- Establishment of the Annual General Adjustment

PROPOSED FEE STRUCTURE (CONTINUED)



THE PROPOSED ELIMINATION OF A “THIRD TIER,” LESSER FEE FOR GOVERNMENTALLY-SUBSIDIZED RENTAL UNITS

- ❖ Under the adopted structure for the Fiscal Year 2018-19 Rental Housing Fee, governmentally-subsidized Rental Units were responsible for approximately half of the “Program” layer, half of the “Just Cause for Eviction” layer, and none of the “Rent Control” layer of the Rental Housing Fee.
- ❖ Based on the services rendered and staff time dedicated specifically to Tenants and providers of affordable housing in Fiscal Year 2018-19, the same structure for the Fiscal Year 2019-20 Rental Housing Fee is no longer supported.
- ❖ The services offered to Tenants and Landlords of governmentally-subsidized rental units are the same as those offered to partially covered rental units; therefore, the fee should be same between these units.
- ❖ Instead, staff recommend that governmentally subsidized rental units be subject to the fee for Partially Covered Rental Units, since governmentally subsidized rental units are currently exempt from rent control pursuant to Rent Board Regulation 202.

RENTAL HOUSING FEES FOR EACH BUDGET OPTION

UNIT COUNTS		BUDGET OPTION A FEES (PER UNIT)	BUDGET OPTION B FEES (PER UNIT)
TOTAL EXPENDITURES:		\$2,864,554	\$2,843,508
FULLY COVERED UNITS	7,802 (1,948 less than FY 18/19)	\$207.16	\$206.75
PARTIALLY COVERED UNITS	11,457 (1,076 more than FY 18/19)	\$108.96	\$107.40
TOTAL REVENUE:		\$2,871,629	\$2,852,370

COMPARISON TO PEER JURISDICTIONS

JURISDICTION	PROGRAM BUDGET (FY 18-19)	RENT-STABILIZED UNITS	FY 2018-19 FEES (PER UNIT)	MEDIAN GROSS RENT (2013-2017 ACS 5-YEAR ESTIMATE)
ACTIVELY ENFORCED RENT PROGRAMS				
BERKELEY	\$5,172,000	19,093	\$250.00	\$1,523
SANTA MONICA	\$5,241,630	27,542	\$198.00	\$1,669
EAST PALO ALTO	\$431,100	2,325	\$222.00	\$1,613
RICHMOND	\$2,846,634 (proposed Option A for FY 19-20)	7,802 fully covered units; 11,457 partially covered units	\$208.00 for fully covered units; \$109.00 for partially covered units (proposed Option A for FY 19-20)	\$1,329
PASSIVELY ENFORCED RENT PROGRAMS				
LOS ANGELES	\$10,624,185	631,000	\$24.51	\$1,302
OAKLAND	\$2,795,050	65,000	\$68.00	\$1,255
WEST HOLLYWOOD	\$2,580,521	16,805	\$144.00	\$1,490
ALAMEDA	\$1,789,000	14,899	\$106	\$1,607
SAN FRANCISCO	\$8,545,317	173,000	\$45.00 for apartments; \$22.50 for residential hotel rooms	\$1,709

STAFF RECOMMENDATIONS

- ❖ The recommendations put forth by staff for consideration are as follows:
- ❖ Staff recommend that the Board adopt Fiscal Year 2019-20 Budget Option A to provide the support necessary for continued development of all Rent Program operations;
- ❖ Approve the Fiscal Year 2019-20 Rental Housing Fee Study; and
- ❖ Recommend to the City Council adoption of a fee of \$208 for fully covered Rental Units and \$109 for partially covered Rental Units, including governmentally-subsidized Rental Units.

ITEM H-1 RECOMMENDED ACTION

- ❖ **RECEIVE** draft, proposed Fiscal Year 2019-20 Rent Program operating budget options and corresponding Rental Housing Fee Study and **PROVIDE** direction to staff.

UNIT STATUS CHANGES, 2018-2019

STATUS	CHANGE BETWEEN 2018 AND 2019 (POSITIVE NUMBER – UNITS ADDED; NEGATIVE NUMBER – UNITS LOST)	CURRENT TOTAL
SUSPECTED FULLY COVERED RENTAL UNITS	+175	175
FULLY COVERED RENTAL UNITS	-1,946	7,627
SUSPECTED PARTIALLY COVERED RENTAL UNITS	+53	54
PARTIALLY COVERED RENTAL UNITS	-366	7,192
GOVERNMENTALLY SUBSIDIZED RENTAL UNITS	0	4,211
OWNER OCCUPIED/HOMEOWNER EXEMPT	+3,782	4,614
RENT FREE	+75	159
NOT AVAILABLE FOR RENT	+8	170
NOT APPLICABLE(1)	+496	527

⁽¹⁾ Includes Statuses “Exempt,” “APN not on file,” “Outside City Boundaries,” “Ineligible,” “Vacant Lot,” and “Non-Applicable”

Item H-1: Affordable Housing Ad Hoc Committee Report and Recommendation

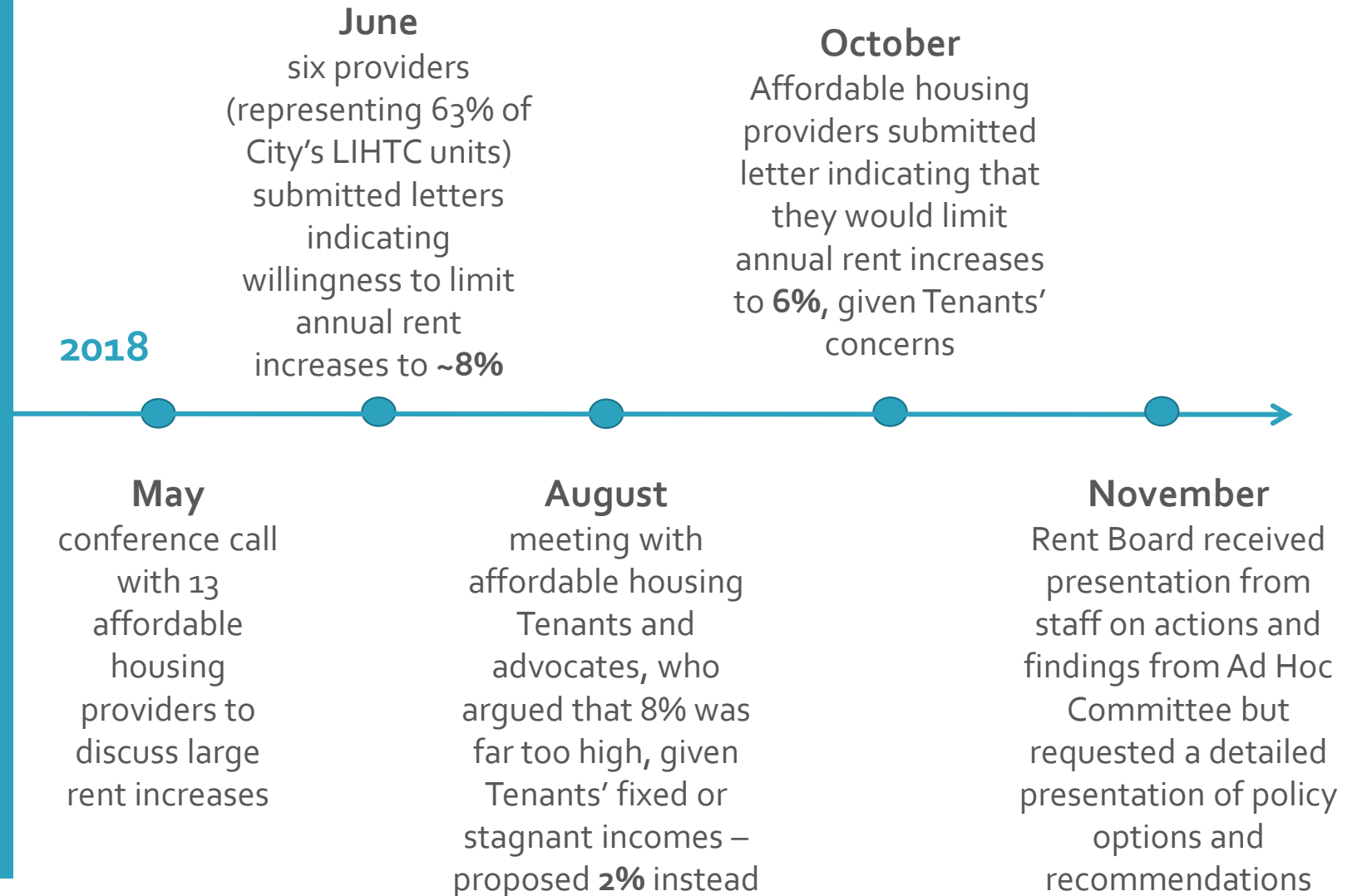
February 20, 2019 | Regular Meeting of the Richmond Rent Board

Item H-1: Statement of the Issue

Following discussion among Boardmembers and receipt of comments from Tenants in LIHTC Rental Units and affordable housing providers at the **November 14, 2018, Special Meeting**, members of the Rent Board requested a detailed report addressing policy options and recommendations regarding how, if at all, to regulate Rental Units in LIHTC properties.

The Affordable Housing Ad Hoc Committee has prepared the requested information and is seeking Rent Board adoption of its recommendations.

Item H-1: Timeline



Question 1: To what extent should rent increases in LIHTC properties be limited?

Recommended by
Ad Hoc Committee

Proposed Annual Limit	Potential Benefits	Potential Drawbacks
2%	Would stabilize rents for fixed & low-income residents (esp. seniors)	<ul style="list-style-type: none"> - May discourage investment in building and maintaining affordable housing - Providers will have little incentive to agree
CPI	Easier to administer because of consistency with Annual General Adjustment	<ul style="list-style-type: none"> - Less predictable than a flat rate - Providers will have little incentive to agree
5%	<ul style="list-style-type: none"> - Would protect residents from unusually large rent increases (<i>avg. annual increase 2000-2018 = 3.1%</i>) - Lower than permitted annual increase under banking regulation 	May cause hardship for tenants on fixed incomes
5% + CPI	Easier to administer because of consistency with banking regulation 602	<ul style="list-style-type: none"> - Combines two very different systems (rent ceiling and percentage cap) - May cause housing instability in years where TCAC max rents increase substantially
No additional restrictions	Easier to administer since staff will not need to monitor rent increases	May cause housing instability in years where TCAC max rents increase substantially

Question 2: How should the Board ensure Tenants are able to assert their rights to habitable living conditions in LIHTC rental units?

Recommended by
Ad Hoc Committee

Proposal	Potential Benefits	Potential Drawbacks
Mediation Program for LIHTC Residents	<ul style="list-style-type: none"> - Can resolve housing-related issues and disputes more efficiently than a formal court process - Both providers and tenants have expressed interest in this process 	<ul style="list-style-type: none"> - Resolution of issues is not guaranteed - Requires more staff time and resources
Designated Affordable Housing Liaison	<ul style="list-style-type: none"> - Centralizes communication of issues between the Rent Program, tenants, and providers - Coordinates high-level discussions between the Program and providers - Tracks complaints and outcomes for reports to Rent Board 	Requires more staff time and resources

Question 3:

How often should Rent Program staff members be required to report to the Rent Board regarding affordable housing issues?

Recommended by Ad Hoc Committee

Proposal	Potential Benefits	Potential Drawbacks
One report per year as part of Annual Report	Reduces staff time, since it would be incorporated as part of annual reporting requirement	Rent Board would not receive updates as regularly
One standalone report per year in addition to Annual Report	Would give Board more opportunity to study and discuss issues in LIHTC developments (2x per year total)	Increased staff time/resources
Two standalone reports per year in addition to Annual Report	Would give Board more opportunity to study and discuss issues in LIHTC developments (3x per year total)	Increased staff time/resources

Question 4:

Which mechanism(s) of policy creation should the Board employ to best establish and enforce its interests?

Recommended by
Ad Hoc Committee

Proposal	Potential Benefits	Potential Drawbacks
Resolution	<ul style="list-style-type: none"> - States Board priorities regarding housing stability in LIHTC properties - Can be rescinded in the future if necessary 	A non-binding policy statement, rather than a law
Amended Regulation 204	<ul style="list-style-type: none"> - Clarifies the procedures by which providers are exempt from rent control and when/how this exemption can be revoked - Can be amended in the future if necessary 	None
MOU <i>(would need to be drafted)</i>	Would memorialize the Rent Board's policies, with signed agreement by providers	<ul style="list-style-type: none"> - Time and resources required to coordinate with all the providers' attorneys - Not enforceable
Contract	Would formalize agreement between providers and Rent Board in way that is enforceable in court	<ul style="list-style-type: none"> - Time and resources required to coordinate with all the providers' attorneys - Difficult to assess damages and costly to enforce in case of breach of contract - Difficult to change in the future if necessary

Summary of Ad Hoc Committee Recommendations

- **Establishing a 5 percent limit** on annual rent increases in LIHTC units
- **Establishing a mediation program** and designating an **affordable housing liaison** to resolve grievances, particularly with regards to habitability, health and safety issues
- **Reporting twice a year** to Rent Board regarding the state of affordable housing in Richmond (once as standalone, once as part of Annual Report)
- **Adoption of a Resolution** stating the Board's policy priorities regarding affordable housing
- **Adopting amendments to Regulation 204** to clarify the nature of the exemption for affordable housing units and the process for revoking this exemption if necessary

Estimated Fiscal Impact of Recommended Actions

- Allocation of approximately 0.5 FTE of existing staff resources to perform the following associated tasks:
 - Administering amendments to Regulation 204
 - Preparing an annual report concerning affordable housing units
 - Acting as Affordable Housing Liaison
 - Developing targeted outreach materials for affordable housing residents
 - Establishing materials and protocols for the mediation program tailored to residents of affordable housing

Item H-1: Recommended Action

- (1) ADOPT a resolution establishing a limit on rent increases in LIHTC rental units not to exceed 5% per year and affirming the proposed amendments to Rent Board Regulation 204 as set forth by the Affordable Housing Ad Hoc Committee
- (2) AMEND Regulation 204 to:
 - (a) clarify those provisions of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance, Richmond Municipal Code, and California Civil Code, where, if violated, may result in a revocation of the exemption from Section 11.100.070 of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance as provided in Regulation 202; and
 - (b) establish a process for revocation of such exemption

Supplemental Slides

Item H-1: Background

Low Income Housing Tax Credits (LIHTC)

- 2,702 LIHTC units estimated in Richmond (approximately half of these also receive Section 8 subsidy)
- Maximum rents in LIHTC units set annually by California Tax Credit Allocation Committee (TCAC) based on number of bedrooms and Area Median Income for Alameda & Contra Costa counties
- Exempt from the rent control provisions of the Rent Ordinance but not the just cause for eviction provisions (Regulation 202 & Regulation 204, previously 17-01, adopted November 15, 2017)

Item H-1: Ad Hoc Committee Purpose

The Affordable Housing Ad Hoc Committee aimed to resolve two key questions:

1. Are TCAC's rent restrictions sufficient to address "rent shock," particularly in potentially-anomalous years like 2018, when Area Median Income and TCAC maximum rents increased more than 10 percent?
2. Are LIHTC Tenants in Richmond able to successfully assert their rights to safe and habitable living conditions?

Item H-1: Findings on “Rent Shock”

- Rent Ordinance aims to promote community stability and housing affordability by limiting annual rent increases and prevent “rent shock”
- Unlike the Rent Board, TCAC does not regulate the amount of annual increases – instead, it sets a rent ceiling each year based on AMI
- Historically, average increases to TCAC maximum rents were similar or less than CPI (~2.6% annually over the past 12 years)
- TCAC maximum rents for the East Bay increased 24% between 2016 and 2018 due to rising AMI
- Many working families, seniors and people receiving disability assistance have not seen similar increases in incomes

Item H-1: Findings on Safety and Habitability

- Since LIHTC units are exempt from rent control, residents cannot use the rent adjustment petition process
- LIHTC residents *can* utilize Rent Program counseling and mediation services
- As part of their regulatory agreements, LIHTC providers are required to provide safe, habitable units and on-site management
- Rent Program staff have received numerous complaints from residents regarding living conditions that affect health and safety
- LIHTC providers and Tenants expressed interest in the Rent Program's mediation services