

# Item G-1: Regulation Establishing the 2022 Annual General Adjustment



April 20, 2022 | Regular Meeting of the Richmond Rent Board

## Item G-1: Statement of the Issue

Section 11.100.070(b) of the Richmond Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance (Rent Ordinance) requires that no later than **June 30** of each year, the Board announce the percentage by which Rent for eligible Rental Units will be generally adjusted effective **September 1** of that year.

# Item G-1: AGA Background

- The Rent Board is required to announce the percentage by which Rent for eligible Rental Units will be generally adjusted effective September 1 of that year.
  - This rent percentage increase is referred to as the Annual General Adjustment or “AGA”
- The AGA reflects 100% of the Consumer Price Index for all urban consumers, measured for the San-Francisco-Oakland-San Jose region (“CPI”).
- The U.S. Bureau of Labor Statics quarterly publishes the CPI change in a given 12-month period.
- For our purposes, according to the Bureau of Labor Statistics, the CPI change for the annual period beginning in **February 2021 and ending in February 2022 was 5.2%**

# Item G-1: Proposed Regulation 609

To maintain compliance with the Rent Ordinance, staff members are proposing adoption of Regulation 609, which would:

- Announce the 2022 AGA at 5.2%
- Authorize Landlords who are in compliance with the Rent Ordinance and other applicable Regulations, to increase rents by no more than 5.2% for tenancies that began prior to September 1, 2021
- Require a valid notice of rent increase be served on tenants prior to increasing the rents by the AGA
- It would also reaffirm the following noticing obligations:
  - Prior to increasing rents Landlords must serve tenants with a notice of rent increase in a manner consistent with Civil Code Section 827
  - Serve the Rent Board with a copy of the Rent increase notice
  - File a copy of proof of service of the Rent increase with the Rent Board

## Item G-1: Regulation 602 Banking

### **602. Banking**

C. In the event that a current year's Annual General Adjustment exceeds five percent (5%), a Landlord may not apply any deferred Annual General Adjustment increases until the next Annual General Adjustment increase less than five percent (5%) is effective.

## Item G-1: Next Steps

- Staff members will prepare a drafted a template rent increase notice and Maximum Allowable Rent Calculator for Landlord use based on the new 2022 Annual General Adjustment. These forms will be posted on the Rent Increase page on the Rent Program website ([www.richmondrent.org](http://www.richmondrent.org)).
- Announcement of the 2022 AGA will also be published through the Rent Program listserv and on social media accounts.

<b>MAXIMUM ALLOWABLE RENT (MAR) CALCULATOR</b>	
DISCLAIMER: This resource applies to rent-controlled units only. Information has not been verified by City staff. Questions? Please call (510) 234-RENT.	
<b>STEP 1: ENTER THE BASE RENT</b>	
The Base Rent is the rent in effect as of July 21, 2015, or the first rent charged for Tenants that moved in after July 21, 2015.	
LINE 1	Enter the Base Rent: <input type="text"/>
<b>STEP 2: CALCULATE THE MAXIMUM ALLOWABLE RENT</b>	
The Annual General Adjustment is equal to 100% of the Consumer Price Index and is adopted annually by the Rent Board. In order to be eligible to apply the Annual General Adjustment rent increase for a given year, the Tenant must have resided in the unit prior to September 1 of the prior year.	
LINE 2	If the Tenant moved into the Rental Unit prior to September 1, 2015, multiply Line 1 by 0.03 (if the Tenancy began on or after September 1, 2015*, enter "0") <input type="text"/>

## Item G-1: Recommended Action

ADOPT Regulation 608, establishing the 2022 Annual General Adjustment in the amount of 5.2% for tenancies commencing prior to September 1, 2021 – Rent Program (Fred Tran, 510-620-6537).

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CITY OF

*Richmond* CALIFORNIA

# FISCAL YEAR 2022-23 BUDGET AND RENTAL HOUSING FEE STUDY UPDATE

City of Richmond Rent Program  
April 20, 2022, Regular Rent Board Meeting  
Item H-1  
[www.richmondrent.org](http://www.richmondrent.org)

# Update on Budget and Fees

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- On February 16, 2022, the Rent Program presented two options for a proposed budget, Option A and Option B. Both budget options included using cost pool amounts similar to amounts charged by the City of Richmond in the previous fiscal years.
- The Board directed staff to craft a budget reflecting Option B, which included funding a new Rent Program database and modest staff salary adjustments.
- The proposed Rental Housing Fees under Option B were: \$228 for Fully Covered Rental Units and \$129 for Partially Covered Rental Units.

# Update on Budget and Fees

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- On February 17, 2022, the City of Richmond informed the Rent Program that Cost Pool allocation amounts would increase significantly. The increase in Cost Pool allocation was the result of utilizing a new methodology. The new methodology resulted in a 267 percent increase in Rent Program Cost Pool for General Liability, Admin. Charges, and Civic Center Allocation and 66 percent increase for Worker's Compensation.
- The resulting increase would raise the Rental Housing Fee from the proposed amounts of \$228 and \$129 to approximately \$275 and \$155.
- Staff believe that by pooling Rent Program funds such as General Liability and Worker's Compensation needs to align with Government Code 50076, which prohibits using the Program's regulatory fee in such a way that it constitutes a tax.

# Interim Solution - Tentatively Reached

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- During the month of March 2022, Rent Program staff engaged in discussions with the City Manager's Office, the City Attorney, Finance, and Human Resources Department to address legal concerns related to a methodology that does not align with Government Code 50076.
- The City of Richmond and the Rent Program reached an understanding that any methodology for cost pool allocation used for the Rent Program must align with Government Code 50076. During a meeting on April 6, 2022, the City and Rent Program tentatively reached an interim solution:
  - The City and Rent Program would jointly hire a consultant to recommend a methodology that is in line with Government Code 50076. The consultant would also study current costs and anticipated costs for establishing next year's cost pool amounts.
  - For this fiscal year, the Rent Program would use last year's Cost Pool for General Liability amounts adjusted for inflation (3.2%).

## Continued: Interim Solution - Tentatively Reached

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- Upon studying the methodology used by the City that increased Cost Pool amounts significantly for Admin. Charges, Rent Program staff have also determined that certain cost pool line items (which were charged as line items in previous years and again proposed this fiscal year) should not be charged to the Rent Program, in addition to the number of full-time staff being overstated (17 FTEs vs. 10 FTEs) in a consultant report.
- Such line items and corresponding charges include:
  - 1 Equipment Services / Fleet Services
  - 2 Non-Departmental
  - 3 City Manager's Office
  - 4 City Attorney
  - 5 Human Resources (included in new methodology of General Liability and Worker's Compensation Insurance allocation)

# Increase in Fringe Benefits

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- Rent Program staff were preparing a proposed budget (Option B) that included adjusting certain cost pool line items that were either inappropriately charged or charges that the Rent Program should not incur, as well as utilizing the placeholder cost pool amounts from last fiscal year (adjusted for inflation). This brought the Rental Housing Fee to a level that was similar to the original amount proposed by Staff at the February 26, 2022 Regular Meeting of the Rent Board.
- After the first week of April 2022, the City of Richmond inputted the Fringe Benefit costs for Rent Program budget (healthcare, retirement, taxes, and other benefits) which had increased from 62% to 78% of Staff total salaries and wages. This new increase results in the Fringe Benefits budget increasing by \$259,398 or 34.8% and leading to Rental Housing Fees of \$264 for Fully Covered and \$149 for Partially Covered Rental Units.

## Continued: Increase in Fringe Benefits

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- Upon receiving the significantly increased Fringe Benefits amounts, Rent Program staff requested an explanation and documentation regarding the increase.
- Rent Program staff are still waiting for documentation and confirmation of the Fringe Benefits increase, until a full explanation and documentation has been provided, Staff are presenting two main budget scenarios: one that includes an increase to 78% and the other that includes maintaining the 62% level.

# Options and Recommendations for the Rent Board

- Although Rent Program staff recommend funding the new database of \$100,000, the Board may opt to remove this line item, resulting in a reduction of the fee of approximately \$9 for Fully Covered and \$5 for Partially Covered Rental Units. The total monthly cost for landlords to include the cost of the database is less than \$1 per month during the fiscal year.
- Staff recommend maintaining the modest increases in Staff Salaries. Removing this line item would only result in the fee decreasing by \$2 for Fully Covered and \$1 for Partially Covered Rental Units. The resulting impact on staff may reduce retention and harm the stability of the Program. As previously described the COVID-19 pandemic has seriously impacted the ability of the Program to recruit and maintain staffing levels and the services that correspond.
- Staff recommend that any adopted budget should include \$20,000 to hire a cost allocation consultant to reconcile charges and assist determining future cost allocation charges (assure alignment with Government Code 50076).



# Budget Option B (With New Database)

PROPOSED SCENARIOS	DESCRIPTION OF SIGNIFICANT CHANGES	TOTAL BUDGET (INCLUDING OPERATING AND RISK RESERVES EQUAL TO 18% OF EXPENSES)	CORRESPONDING APPROXIMATE PROPOSED RENTAL HOUSING FEE (ROUNDED UP TO NEAREST DOLLAR)
78% FRINGE OPTION B	Reclassification from Assistant Administrative Analyst to Senior Administrative Analyst Increase current staff salaries for automatic Step Increases and cost-of-living, \$20K for Consultants, 80% Fringe Benefits, adjusted Cost Pool Allocation	\$3,603,670	Partially Covered Units: \$149/unit Fully Covered Units: \$266/unit
62% FRINGE OPTION B	Reclassification from Assistant Administrative Analyst to Senior Administrative Analyst Increase current staff salaries for automatic Step Increases and a portion for cost-of-living, \$20K for Consultants, 62% Fringe Benefits, adjusted Cost Pool Allocation	\$3,359,938	Partially Covered Units: \$139/unit Fully Covered Units: \$248/unit

# Budget Option Without New Database

PROPOSED SCENARIO	DESCRIPTION OF SIGNIFICANT CHANGES	TOTAL BUDGET (INCLUDING OPERATING AND RISK RESERVES EQUAL TO 18% OF EXPENSES)	CORRESPONDING APPROXIMATE PROPOSED RENTAL HOUSING FEE (ROUNDED UP TO NEAREST DOLLAR)
78% FRINGE OPTION B	Reclassification from Assistant Administrative Analyst to Senior Administrative Analyst Increase current staff salaries for automatic Step Increases and cost-of-living, \$20K for Consultants, 80% Fringe Benefits, adjusted Cost Pool Allocation	\$3,485,670	Partially Covered Units: \$145/unit Fully Covered Units: \$257/unit
62% FRINGE OPTION B	Reclassification from Assistant Administrative Analyst to Senior Administrative Analyst Increase current staff salaries for automatic Step Increases and a portion for cost-of-living, \$20K for Consultants, 62% Fringe Benefits, adjusted Cost Pool Allocation	\$3,241,938	Partially Covered Units: \$135/unit Fully Covered Units: \$239/unit

## Next Steps and Recommended Action

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- **RECEIVE** an update of the Budget and Fee Study and direct Staff regarding budget options in consideration of (1) interim solution of using last fiscal year's cost pool numbers adjusted for inflation and additional research, (2) budgeting for a consultant to assist with cost pool methodology analysis to aligns with Government Code 50076, and (3) in consideration of a probable significant increase in Fringe Benefit costs for Fiscal Year 2022-23.

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