

AGENDA ITEM REQUEST FORM

Department: Rent Program

Department Head: Bill Lindsay

Phone: 620-6512

Meeting Date: June 21, 2017

Final Decision Date Deadline: June 21, 2017

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. 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.

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> | |

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- | | | |
|---|--|---|
| <input type="checkbox"/> Presentation/Proclamation/Commendation (3-Minute Time Limit) | | |
| <input type="checkbox"/> Public Hearing | <input type="checkbox"/> Ordinance | <input type="checkbox"/> Other: <u>Training</u> |
| <input type="checkbox"/> Contract/Agreement | <input type="checkbox"/> Council As Whole | |
| <input type="checkbox"/> Grant Application/Acceptance | <input type="checkbox"/> Claims Filed Against City of Richmond | |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Video/PowerPoint Presentation (contact KCRT @ 620.6759) | |

RECOMMENDED ACTION: RECEIVE an amended Fiscal Year 2016-17 and Fiscal Year 2017-18 Residential Rental Housing Fee Study and RECOMMEND to the Richmond City Council a "flat fee" of \$47 for all rental units for Fiscal Year 2016-17 and either a "flat fee" of \$98 for all rental units for Fiscal Year 2017-18 or a "tiered fee" approach for non-controlled and Controlled Rental Units of \$50 and \$193, respectively – Rent Program (Bill Lindsay 620-6512).

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AGENDA REPORT

RENT PROGRAM

DATE: June 21, 2017

TO: Chair Gray and Members of the Rent Board

FROM: Bill Lindsay, City Manager
David Jensen, Management Partners
Christine Butterfield, Management Partners

SUBJECT: AMENDED FISCAL YEAR 2016-17 AND FISCAL YEAR 2017-18
RESIDENTIAL RENTAL HOUSING FEE STUDY

STATEMENT OF THE ISSUE:

In accordance with Section 11.100.060(l) 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. 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.

RECOMMENDED ACTION:

RECEIVE an amended Fiscal Year 2016-17 and Fiscal Year 2017-18 Residential Rental Housing Fee Study and RECOMMEND to the Richmond City Council a "flat fee" of \$47 for all rental units for Fiscal Year 2016-17 and either a "flat fee" of \$98 for all rental units for Fiscal Year 2017-18 or a "tiered fee" approach for non-controlled and Controlled Rental Units of \$50 and \$193, respectively.

FISCAL IMPACT:

The amended Fiscal Year 2016-17 and Fiscal Year 2017-18 Residential Rental Housing Fee Study contemplates a "flat-fee" approach, in which all Rental Units applicable to any portion the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance would be charged \$46.87 per unit (rounded to \$47) for Fiscal Year 2016-17 and \$97.81 per unit (rounded to \$98) for Fiscal Year 2017-18. As the Residential Rental Housing Fee is the only source of revenue for Rent Program operations for the

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foreseeable future, the fiscal impact to the City will depend upon both the dollar amount of the fees adopted by the City Council, and fee payment compliance rates.

DISCUSSION:

Background

Section 50076 of the California Government Code requires that fees charged for any service or regulatory activity may 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. Pursuant to Richmond Municipal Code (RMC) Chapter 11.100.060 (l) (1), the Rent Board is responsible for recommending the Residential Rental Housing Fee to the City Council.

Relationship to Fiscal Year 2016-17 and Fiscal Year 2017-18 Rent Program Budgets

On May 24, 2017, the Rent Board adopted amended Fiscal Year 2016-17 and Fiscal Year 2017-18 Rent Program Budgets. These budgets form the basis for the Residential Rental Housing Fee. Employing a “flat fee” approach, the cost of the Rent Program and Rent Board operations are shared equally across all of the estimated 24,797 Rental Units applicable to the Ordinance.

In Fiscal Year 2016-17 and Fiscal Year 2017-18, sharing the cost of program startup and implementation across all Rental Units is justified because all Rental Units receive a service from the administration, education, and startup tasks required to launch a new City program and department. As the Rent Program and Rent Board mature, the Rent Board may consider transitioning to a tiered fee approach.

Proposed “Flat Fee” Amounts

As described in the Addendum to Rent Program Fee Study, dated June 14, 2017, calculation of a flat fee is quite simple. Using the proposed budget of \$2,425,355 spread over the estimated rental unit count (24,797 units) results in a fee of \$97.81 (Attachment 1).

The Amended 2016-17 and Fiscal Year 2017-18 Rent Program Budgets adopted by the Rent Board on May 24, 2017, produce a fee of \$46.87 per unit for Fiscal Year 2016-17 and \$97.81 per unit for Fiscal Year 2017-18. The table below provides a comparison of the differences in the fees based on the methodology used to calculate the fee.

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	Tiered Fee Approach	Flat Fee Approach
FY 16-17 Fee: Just Cause Units	\$46.87	\$46.87
FY 16-17 Fee: Rent-Controlled Units	\$46.87	\$46.87
FY 17-18 Fee: Just Cause Units	\$50.12	\$97.81
FY 17-18 Fee: Rent-Controlled Units	\$192.94	\$97.81

Pass-Through of the Fee

The Board may consider whether or not a portion of the fee may be passed through to Tenants in July/August. Once the fee is adopted by the Board, staff shall commence additional research on this matter for the Board's consideration.

Billing Timeline

In accordance with Section 11.100.060(l)(1) of the Ordinance, the City shall charge the Residential Rental Housing Fee at the same time as the Business License Tax, the majority of which are billed in October.

DOCUMENTS ATTACHED:

Attachment 1 – Addendum to Rent Program Fee Study, June 14, 2017

Attachment 2 – Estimate of Applicable Units

Attachment 3 – Rent Program Fee Study, May 16, 2017

Attachment 4 – Amended Fiscal Year 2016-17 and Draft 2017-18 Rent Program Budgets

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To: Mr. Bill Lindsay, City Manager, City of Richmond

From: David Jensen, Senior Manager
Christine Butterfield, Senior Management Advisor

Subject: Addendum to Rent Program Fee Study – Flat Fee Approach

Date: June 14, 2017

Management Partners is providing this addendum to the fee study dated May 16, 2017, in response to Rent Board (Board) members' interest in a flat fee charged for all rental units. Such an approach can be justified if there is a nexus between the flat fee and the level of effort and resources required for the regulatory activity provided. The original fee design was based on the experience of other cities with rent stabilization and just-cause for eviction ordinances. However, these programs have been in operation for many years. In those peer programs, the administrative structures are in place and bulk of the ongoing work is related to inquiries and petitions on rent issues. The City of Richmond's program is still in a program initialization phase. In the coming fiscal year, the bulk of the labor and resources will be spent registering the rental properties, providing public education and outreach, and supporting the Rent Board in the development of policies and procedures. Since these activities apply to all rental units, it lends support for an equal distribution of fees to all rental units.

As with all potential fee models, it will be critical to collect accurate data on the labor and other resources committed to the various program elements and report them to the Board to allow the program fee to be adjusted appropriately. The three-component fee model proposed in the original fee study, or another multi-level fee model, may be more appropriate to the workload of the Board's staff as the program matures but a rational basis for a flat fee does exist now.

The original fee proposal assumed the certain subsidized rental units would be exempt from the rent stabilization program fees because those tenants or properties have been provided rent protections under other government programs. All tenants, however, will be provided just-cause for eviction protections and all landlords are required to register their rental units with the Board. Accordingly, in the proposed flat fee model, no rental units subject to either rent control, just cause eviction or both have been exempted from the fee.

Calculation of a flat fee is quite simple. Using the proposed budget of \$2,425,355 spread over the full estimated rental unit count of 24,797 rental units results in a fee of \$97.81, as indicated in Table 1.

Table 1. Flat Fee Model Calculation

Flat Fee Model - Budget	Applicable Units	Proposed Fees FY 2017-2018
\$ 2,425,355	24,797	\$97.81

For the sake of simplicity, Management Partners is recommending the fee be rounded to \$98 per unit for fiscal year 2017-2018.



Assessor Data Extract of Residential Properties in Richmond dated Jan 2017								
Property Type	Residential Parcels in Richmond	Units in Parcel	Total Residential Units	Properties with Occupancy After February 1, 1995	Units in Properties Not Exempt under Costa-Hawkins	Homeowner Exemptions on File	Rental Units Subject to Rent Stabilization	All Rental Units *** (Subject to Just-Cause)
Single Family *	15,406	1	15,406	14,767	-	8,152	-	
Single Family	51	1	51	50	-	22	-	
Single Family	250	1	250	206	-	72	-	
Single Family	4,087	1	4,087	4,051	-	1,746	-	
Single Family	1,071	1	1,071	713	-	599	-	
Single Family	2,209	1	2,209	942	-	1,339	-	
Condo/Coop	3,145	1	3,145	2,586	-	1,334	-	
All Single Family	26,219		26,219	23,315	-	13,264	-	12,955
Duplex	895	2	1,790	880	1,760	201	1,559	1,589
Triplex	230	3	690	224	672	30	642	660
Quad	615	4	2,460	608	2,432	29	2,403	2,431
Combo	80	From Assessor Count**	240	79	237	13	224	227
5-12	219	From Assessor Count**	1,503	216	1,481	4	1,477	1,499
13-24	21	From Assessor Count**	402	20	386	-	386	402
25-59	20	From Assessor Count**	658	15	526	-	526	658
60+	25	From Assessor Count**	4,376	18	3,252	-	3,252	4,376
All Multiple Family	2,105		12,119	2,060	10,746	277	10,469	11,842
Total	28,324		38,338	25,375	10,746	13,541	10,469	24,797

* The Assessor has several property use codes that are all single family home types. All single family homes and condos are exempt from rent stabilization under the Costa-Hawkins Act but subject to Just-Cause

** The Assessor's property records includes a unit count for each multi-family parcels greater than quads plus "Combos." Total unit count for multiples is a sum of the Assessor unit count for each parcel.

*** Rental units are presumed to be all of residential properties where there is no home-owner tax exemption is on file with the Assessor.

There may be other reasons no exemption is on file but those are expected to be rare. Calculated from values in Column D - Column G

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To: Mr. Bill Lindsay, City Manager, City of Richmond

From: David Jensen, Senior Manager
Christine Butterfield, Senior Management Advisor

Subject: Rent Program Fee Study

Date: May 16, 2017

Management Partners is pleased to support the City of Richmond in the implementation of the Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Program (Program). As you know, there are a relatively small number of cities in the State of California with active rent stabilization and tenant protection programs. Each of these programs is unique to the community needs and local political preferences. Like the detailed elements of each program design, the fee structures are different in many respects. All programs are primarily supported by user fees and most are entirely supported by user fees, as is required by the chartering ordinance (ordinance) of the Program.

Typically, landlords are required to pay the user fee, and then require reimbursement for some portion (usually one-half of the total fee spread over 12 months) from the tenant. Municipalities with rent stabilization and tenant protection programs usually find that both landlords and tenants derive some benefit from the program, with tenants gaining some protections and landlords gaining certainty about what and how the system works. To enable the program to begin effective operations as soon as possible and minimize the impact on other critical City functions, Management Partners has developed an entirely fee-based program for consideration by the Richmond Rent Board (Board).

Our approach uses a cost of service methodology to estimate necessary and reasonable annual program costs consistent with the administrative requirements set forth in the ordinance and state law. These program costs are then used to estimate a program fee that reflects a fair and reasonable relationship to the impact and benefit of the ordinance. However, because Program costs are influenced by program activity, such as number and type of tenant and landlord petitions, number of administrative hearings, and activity related to the number and type of tenant evictions, we have made general assumptions related to program activity. Additionally, in its initial year, the program will require more support from the Board as the Board (with assistance from staff) develops its policies and processes to implement those policies. As the Program accumulates history, the estimated cost allocations may be tuned appropriately in future budgets to reflect actual workload.

Costs and Fees for Public Services

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. Pursuant to Richmond Municipal Code (RMC) Chapter 11.100.060 (l) (1), the Board is also responsible for recommending the Residential Rental Housing Fee to the City Council. The ordinance contemplates that the fee will fund the Program budget. Further, (RMC) Chapter 11.100.060 (n), outlines that the Board will develop and approve a budget each year prior to July 1. We anticipate these two processes will occur concurrently with the City's typical budget process.

To develop the estimates identified in this report, we spent considerable time with City staff reviewing existing and potential new administrative and organizational structures to identify those that are consistent with City practice and capable of meeting program needs. When possible, we used existing City expense information and practices including:

- Personnel compensation, pay and benefits for program staffing;
- Supplies and external services;
- Internal service charges for such items as information technology support, risk insurance costs, and office space; and
- A reserve fund to cover unknown costs and variations in fee collection with the new program.

Structure of the Fee Program

In terms of methodology the fee structure must comply with the requirements of Section 50076. Following our review of the Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance, there are two broad groups subject to the terms of the program. The first are the landlords and tenants of multiple family units for which a certificate of occupancy was issued prior to February 1, 1995 that are eligible for local rent stabilization controls under the Costa-Hawkins Rental Housing Act. Those tenants will receive rent protections under the ordinance, and those landlords will be provided with oversight on how rent adjustments may be made and a fair return on their property investments protected. The second, larger group includes all tenants who are provided with Just Cause for Eviction and other protections as defined by City ordinances, with concomitant obligations on tenants and landlords. In addition, the Board is charged under the ordinance with tracking changes in tenancy and terms of tenancy, ensuring proper notice has been delivered as required by the ordinance, and other duties related to the payment of related rental housing fees, and support for landlords and tenants in complying with the statutes.

Therefore, we propose a fee structure that captures these categories of beneficiaries along with the administrative activities and public education necessary to implement the Program. As such, the fee structure will be allocated across three general functions. Each component is linked to the cost of the underlying services. As depicted in Figure 1, Management Partners proposes the following:



- *Program Administration Function.* The costs included in this component are the base costs of the Program, staff support provided to the Board, and outreach and education activities.
- *Terminations Function.* This component includes administration of tenant termination related issues, reports, petitions, and other landlord/tenant issue resolution processes not related to rent stabilization.
- *Rent Stabilization Function.* The final component offsets the cost of collecting rent information, monitoring changes in rents, supporting the Annual General Adjustment and rent increase and decrease petition processes.

Figure 1. Fee Structure



Cost Allocation

Costs for the Program are easily identified. They include the personnel costs, supplies, and services dedicated to the Program. Program staff are only responsible for rental housing-related services and do not split their time with other city functions. In the proposed fee structure, allocating costs to each of the three general functions is critical to ensuring fair fees are developed.

Even parallels with peer agencies provide minimal insight to what the workload will be because of the differences in the communities, enabling ordinances, and Board policies. The estimated allocation of costs is 40% to administration, 10% to terminations, and 50% to rent-related issues. Costs can be allocated on an employee-by-employee or line item basis. Although the broad allocation estimate is 40%/10%/50%, individual employees can be expected to contribute differently to each function.



In the startup year, the executive director is likely to spend at least 50% of his or her time on administrative issues. The most senior staff are expected to contribute approximately 40% of their time as policies are proposed by staff and developed and approved by the Board, publications and business processes are developed, and staff are trained.

Peer city programs do not track services related to most routine terminations, but consider it to be a negligible volume of work, although Rent Board staff in Richmond have spent a great deal of time on termination questions since the start of the Program. That is expected to level off as landlords and tenants become familiar with the terms of the just-cause protections and broader rental housing program. The largest block of time is spent on rent-related issues, from setting the increase levels allowed each year, to adjudicating rent disputes, processing fair-return petitions, and enforcing violations of the rent limits.

Fee Exemptions

Certain types of rental housing are exempt from rent control ordinances under the Costa-Hawkins Rental Housing Act but in the context of this report, the term “exempt units” refers to those rental units that have been exempted from the payment of Program fees under the Richmond Municipal Code or policies of the Board.

The ordinance expressly excludes all government-owned housing from its provisions. In addition, the Board has the authority to exempt other subsidized housing from its provisions. Contra Costa County tax assessor’s records indicates a total of 24,547 rental units in Richmond. The majority of those units are single family homes, condominiums, or multiple family units not subject to the rent stabilization terms of the ordinance, i.e. multi-family units for which a certificate of occupancy was issued after February 1995. Accordingly, the county tax records indicate 10,469 units are subject to rent stabilization. The Richmond Housing Authority owns or operates 250 units of low-income housing in its program portfolio and those units, as mentioned, are exempt from the Ordinance

Many other rent stabilization programs throughout the state also exclude rental units in the Section 8 housing voucher program from rent stabilization provisions under the logic that the Section 8 program provides mechanisms that accomplish the goal of protecting tenants from excessive increased rent impacts. Moreover, the ordinance does not exclude Section 8 housing from the just-cause provisions. In January 2017, Richmond Housing Authority staff reported the housing authority’s contract with the U.S. Department of Housing and Urban Development (HUD) limits the authority to 1,851 participating units in the Section 8 voucher program. This study assumes Section 8 units will be exempt from rent stabilization fees but not termination and base administration fees. However, the Board is free to adopt a policy that does not exclude Section 8 units from rent stabilization.



Fee Development

Management Partners proposes a startup fee consisting only of the administrative and termination components to be implemented in FY 2016-17 that offsets the Program budget approved by the City Council in December 2016, covering the period from January through June 2017. That fee is applied equally to all rental units because all units are subject to those provisions. The startup budget of \$1,150,620 spread over the City's 24,547 non-exempt rental units corresponds to a startup fee for FY 2016-17 of \$46.87 per unit.

The City Council appointed a Board on April 26, 2017. Therefore, in FY 2017-18, the Program will operate for a 12-month period. During that time, the Board will recruit and appoint an executive director and any other necessary staff. However, until the Program is fully staffed, the City of Richmond staff recommend a budget of \$2,425,355 for FY 2017-18. The fee components and estimates of the units to which the fees are applied are shown in Table 1 below.

Table 1. 2018 Proposed Budget and Fees

	Applicable Units	Exempt Units	Units Applied	Proposed Fee for Applicable Units	Total Fee	Budget
FEES						
Units Subject to Rent Stabilization	10,469	2,101	8,368	\$142.82	\$192.94	\$1,195,091
All Rental Units	24,797	250	24,547	\$50.12	\$50.12	\$1,230,264
				Total Fee Revenue		\$2,425,355
EXPENDITURES						
				Personnel Expenses		\$979,497
				Operating Expenses		\$960,787
				Reserves		\$485,071
				Total Expenditures		\$2,425,355

Other Rental Housing Services: Fees and Fee Collection

In addition to the Program fee (i.e., Rental Housing Fee), the City of Richmond provides additional services to rental housing business operators that also require cost recovery fees. These include the business license tax, rental housing safety inspections, and fire safety inspections. Traditionally, each of these fees has been collected independently because they were provided by a different organizational unit within the City and each operated on its own schedule.

Section 11.100.060 (l) of the ordinance requires that landlords pay these fees to comply with the Program and before any petition for a rent increase can be heard. City staff are working on



integrating the Program fee with the due dates of the other rental housing operator programs and fees so landlords receive a single bill. Additionally, payment of all fees is required by the ordinance for landlords to implement rent increases. Tracking payment history across different systems and processes is difficult and errors are likely to occur. The single, full rental housing program bill, including the charges for business license taxes and safety inspections, is a goal of the City. This consolidation will be more convenient for landlords and more efficient for City operations. Bills containing the business license fees and rental housing fees at a minimum is to be issued in the month of October beginning this year. The October bill will include rental housing fee for Fiscal Year 2016-2017 as well as the other fees for Fiscal Year 2017-2018.

Partial Pass-Through of Fees

Most of the peer city programs allow landlords to pass up to 50% of the current program fee to non-exempt tenants; [R.M.C. 11.100.060(l)(1)] states that landlords must pay the fee. In the peer cities, landlords all pay the fee once a year but recover the 50% divided over each month's rent as indicated in Table 2. The Board may choose to implement a similar policy, allowing partial recovery of fees from tenants over the course of a year.

Comparison with other Rent Stabilization Fees: Program and Services

Program Fees

The cost of rent stabilization programs throughout the state vary depending on the complexity of the programs; degree of oversight provided; size of the city; and subsidies from the general fund, grants or other related service fees charged. A summary of rent stabilization program fees is provided in Table 2 on the next page.

Berkeley, Santa Monica, and East Palo Alto charge higher fees than proposed here as they provide a higher degree of oversight and track the rents charged for each program unit. The programs in those cities require landlords to report every change in tenancy and rent. The cities monitor rents very closely, and provide many support services for both landlords and tenants.

Based on our review, the City of West Hollywood's program elements appear to parallel those contemplated in the City of Richmond Program. West Hollywood tracks only new tenancies and does not track rents by unit on an ongoing basis. Not surprisingly, the proposed Program fee is similar to the West Hollywood program fee.

Service Fees

Several of the rent stabilization programs in the state charge service fees in addition to the program fee. For example, relocation process-related fees are occasionally charged. Those fees often cover just the cost of a relocation service to assist the displaced tenants. One or two cities offset their internal costs with such fees, but most internal costs are offset in the yearly rental unit fee as indicated here. Other cities charge fees for some hearing-related petitions or for mediation services. The ordinance contemplates adding fees related to relocations. As the



program matures in the City of Richmond, the Board may choose to recommend such additional fees as the policies of the Board are implemented and historical data is collected on the nature of the work required to support the program.

Conclusion

Management Partners has proposed this fee program to provide the City of Richmond with a solid revenue stream for the initial months of operation to provide revenues necessary for the operation of Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection program. If this fee were adopted, the City's General Fund will be reimbursed for the costs it has assumed to run the program following the effective date of the Ordinance and, a going forward basis, the City's General Fund will not subsidize the program's costs. Rate changes and additional fees may become necessary as the City accumulates historical data on the needs of the community and the program.



Table 2. Fees in Peer Rent Stabilization Programs

	Berkeley	Santa Monica	East Palo Alto	Los Angeles	Oakland	West Hollywood	Alameda	San Francisco	Richmond
Program Budget	\$4,863,500	\$5,026,553	\$637,370	\$22,347,942	\$2,950,000	\$1,900,000	\$1,939,248	\$6,942,409	\$2,425,355
Rent Stabilized Units	19,093	27,542	2,325	631,000	65,000	16,805	14,899	173,000	8,368
Fees (per units)	\$234/year	\$175/year	\$234/year	\$25/year	\$68/year	\$120/year	New program; fees not yet established	\$40 apartment; \$20 residential hotel room	\$192.94 rent stabilized, \$50.12 all other rentals
Who pays the fees?	Landlord	Landlord	Landlord	Landlord	Landlord	Landlord	Not established	Landlord	Landlord
Exemptions	Government subsidized housing, non-profit housing	Government subsidized housing	All Section 8	City-owned Section 8 only	Government subsidized housing	Government subsidized housing	Not established	Government subsidized housing	Government owned and operated
Portion Passed-Through to Tenants	50%; City may reimburse low-income tenants	50%	50%	50%	50%	50% (No pass through for Section 8 tenants)	Not yet established	50%	Not yet established (pending policy direction of the Board)



AMENDED FISCAL YEAR 2016-17 and DRAFT 2017-18 RENT PROGRAM BUDGETS

AMENDED FISCAL YEAR 2016-17 and DRAFT 2017-18 RENT PROGRAM BUDGETS																							
										DRAFT FY 2017/2018	AMENDED FY 2016/2017 (7 Months)												
REVENUE										FEE COMPONENTS													
										Applicable Units	Exempt Units	Charged Units	Proposed Fees FY 2017-2018	Costs Recovered	Proposed Fee FY 2016-2017	Costs Recovered	Program Fee Part	Terminations Fee Part	Rent Stabilization Fee Part				
Rent Stabilized Unit Fees										10469	2101	8368	\$ 142.82	\$ 1,195,091			\$ 38.23	\$ 11.88	\$ 142.82				
All Rental Unit Fees										24797	250	24547	\$ 50.12	\$ 1,230,264	\$ 46.87	\$ 1,150,433			\$ 50.12				
													\$ 2,425,355		\$ 1,150,433			\$ 192.94					
EXPENDITURES										COST ALLOCATION													
										2017-2018	2016-2017												
Personnel - Salary & Benefits										Salary (Step 3)/ Month	Annual Salary (Months Budgeted)	Benefits (at 55% of Salary)	Annual Salary & Benefits	# of employees (FTE)	COMPENSATION	Salary Ranges	Alloc %	Program	Alloc %	Terminations	Alloc %	Rent	
Possible Positions, Titles, & Expenses											12	0.55				Salary Assumptions							
Executive Director										\$ 11,554	\$ 138,650	\$ 76,258	\$ 214,908	1	\$ 214,908.12	\$ 68,225	\$ 8,087 - \$12,873 (4 month estimate)	50.0%	\$ 107,454	10.0%	\$ 21,491	40.0%	\$ 85,963
Senior Management Analyst*										\$ 8,247	\$ 98,964	\$ 54,430	\$ 153,394	1	\$ 153,394.20	\$ 85,368	\$7,158 \$7,496 \$7,868 \$8,247 \$8,657	40.0%	\$ 61,358	10.0%	\$ 15,339	50.0%	\$ 76,697
Management Analyst I/II*										\$ 7,315	\$ 87,780	\$ 48,279	\$ 136,059	1	\$ 136,059.00	\$ 75,700	\$6,357 \$6,674 \$6,977 \$7,315 \$7,684	40.0%	\$ 54,424	10.0%	\$ 13,606	50.0%	\$ 68,030
Management Analyst I/II*										\$ 7,315	\$ 87,780	\$ 48,279	\$ 136,059	1	\$ 136,059.00	\$ 75,700	\$6,357 \$6,674 \$6,977 \$7,315 \$7,684	40.0%	\$ 54,424	10.0%	\$ 13,606	50.0%	\$ 68,030
Associate/Administrative Analyst*										\$ 7,315	\$ 87,780	\$ 48,279	\$ 136,059	1	\$ 136,059.00		\$6,357 \$6,674 \$6,977 \$7,315 \$7,684	30.0%	\$ 40,818	10.0%	\$ 13,606	60.0%	\$ 81,635
Admin Trainee *										\$ 5,914	\$ 70,968	\$ 39,032	\$ 110,000	1	\$ 110,000.40	\$ 61,293	\$3,685 \$3,829 \$3,983 \$4,151 \$4,325	30.0%	\$ 33,000	10.0%	\$ 11,000	60.0%	\$ 66,000
Code Enforcement Officer I* (duties shall include the issuance of citations and liens for non-compliance with payment of fees approved by City Council)										\$ 2,689	\$ 32,262	\$ 17,744	\$ 50,006	0.5	\$ 50,006.10		\$4,727 \$4,940 \$5,159 \$5,377 \$5,577	100.0%	\$ 50,006				
Admin Intern (P/T - 15 hrs./wk.)										\$ 1,292	\$ 15,506			1	\$ 15,505.56	\$ 8,295	15.54 17.20 18.81 20.51 22.07	30.0%	\$ 4,652	10.0%	\$ 1,551	60.0%	\$ 9,303
Admin Intern (P/T - 15 hrs./wk.)										\$ 1,292	\$ 15,506			1	\$ 15,505.56	\$ 8,295	15.54 17.20 18.81 20.51 22.07	30.0%	\$ 4,652	10.0%	\$ 1,551	60.0%	\$ 9,303
Overtime/Comp Time															\$ 12,000.00	\$ 10,000		30.0%	\$ 3,600	10.0%	\$ 1,200	60.0%	\$ 7,200
*Titles subject to final review by the Human Resources Department																							
TOTAL PERSONNEL EXPENSES													8.5	\$ 979,497	\$ 392,876		\$ 414,386		\$ 92,949		\$ 472,162		
Professional Services and Administrative Costs										COSTS		COMMENTS											
400201 Professional Services																							
Management Partners															\$ 20,000	\$ 128,500	Analytical and policy development support for program implementation	40.0%	\$ 8,000	10.0%	\$ 2,000	50.0%	\$ 10,000
Relocation (OPC Contract)															\$ 10,000	\$ 10,000	Relocation assistance to provide counseling support and services to Tenants, as may be determined by policy of the Rent Board.	40.0%	\$ 4,000	10.0%	\$ 1,000	50.0%	\$ 5,000
Mediation (Contract)															\$ 60,000	\$ 15,000	Mediation services to provide a mediation option for Landlords and Tenants to potentially reduce demands for formal hearings, as may be determined by policy of the Rent Board; Assumes 8 cases per month, \$100/hr., 6 hours maximum.	40.0%	\$ 24,000	10.0%	\$ 6,000	50.0%	\$ 30,000
Hearing Officers (Contract)															\$ 80,000	\$ 20,000	Hearing Officer services to ensure that hearings are administered in accordance with adopted Rent Board rules and procedures (Contract or Employee - does not include benefits, cost pool, or risk management). Assumes 2 hours per case @ \$220/hour.	40.0%	\$ 32,000	10.0%	\$ 8,000	50.0%	\$ 40,000
Outside Legal Counsel (Measure L litigation)															\$ 50,000	\$ 50,000	Outside legal counsel to respond to litigation pertaining to the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance. Previous litigation was dismissed without prejudice on Saturday, May 6, 2017. Reflects estimate for anticipated future litigation.	40.0%	\$ 20,000	10.0%	\$ 5,000	50.0%	\$ 25,000

	Legal Services and/or Additional Legal Counsel		\$ 135,494	\$ 20,000	Legal services to provide assistance to Tenants that have paid the Maximum Allowable Rent, are being evicted (Unlawful Detainer), and are able to provide evidence that their Landlord is not in compliance with the Fair Rent, Just Cause for Eviction, and Home Owner Protection Ordinance, as may be determined by policy of the Rent Board (Contract or Employee). NOTE: FY17-18 .60 FTE (~3 days a week) Assistant City Attorney salary and benefits, but does not include cost pool or risk management.	0.0%	\$ -	50.0%	\$ 67,747	50.0%	\$ 67,747
	Rent Program Legal Counsel		\$ 160,000	\$ 40,000	Legal Counsel to assist with training, daily operations, reviewing regulations, assisting with compliance and enforcement of the Ordinance, Excess Rent Complaints, Rent Adjustment Petitions, and the hearing process. Assumes approximately 12 hours per week.	40.0%	\$ 64,000	10.0%	\$ 16,000	50.0%	\$ 80,000
	Translation Services (Contract)		\$ 30,000	\$ 10,000	Translation services to ensure that all forms and notices are available in both English and Spanish, at a minimum, and for oral translation, as it may be advantageous for administration. Assumes 9,000 words per month @ \$0.14/word and 25 hours of verbal translation @ \$50.00/hour.	40.0%	\$ 12,000	10.0%	\$ 3,000	50.0%	\$ 15,000
	Community Education		\$ 20,000	\$ 5,000	LEAP Digital Rent Program Literacy Proposal & other outreach activities.	40.0%	\$ 8,000	10.0%	\$ 2,000	50.0%	\$ 10,000
400242	Mileage		\$ 1,000		Use of City pool car.	40.0%	\$ 400	10.0%	\$ 100	50.0%	\$ 500
400243	Training / Conferences		\$ 15,000		Legal and professional trainings (e.g. dispute resolution, handling of sensitive information) for staff, attendance at conferences.	40.0%	\$ 6,000	10.0%	\$ 1,500	50.0%	\$ 7,500
400244	Cell Phone		\$ 1,200		Assumed for (FY 2017-18.)	40.0%	\$ 480	10.0%	\$ 120	50.0%	\$ 600
400262	Books & Subs		\$ 200		Educational and reference materials	40.0%	\$ 80	10.0%	\$ 20	50.0%	\$ 100
400271	Ad & Promotional materials		\$ 2,000		Posting of community events and other information in publications	40.0%	\$ 800	10.0%	\$ 200	50.0%	\$ 1,000
	Subtotal Professional Services & Administrative Costs		\$ 584,894	\$ 298,500			\$ 179,760		\$ 112,687		\$ 292,447
	Information Technology Expenses										
	Startup Costs Year 1 and 2		\$ 29,500	\$ 27,399	Estimated startup costs.	40.0%	\$ 11,800	10.0%	\$ 2,950	50.0%	\$ 14,750
	Annual IT Costs (Including replacement funding)		\$ 18,683	\$ 12,452	General PC software and costs	40.0%	\$ 7,473	10.0%	\$ 1,868	50.0%	\$ 9,342
	IT Support		\$ -	\$ 19,000	IT staff support not included in city cost	40.0%	\$ -	10.0%	\$ -	50.0%	\$ -
	Subtotal Information Technology Expenses		\$ 48,183	\$ 58,851	51,471.50		\$ 19,273		\$ 4,818		\$ 24,092
	Other Operating Expenses										
400231	Postage & Mailing		\$ 75,000	\$ 50,000	Costs of mailing include production, printing, proofing, and postage (assumes ~\$25,000 per mailing.)	40.0%	\$ 30,000	10.0%	\$ 7,500	50.0%	\$ 37,500
400233	Copying & Duplicating		\$ 50,000	\$ 10,000	Bulk printing of materials for public outreach and information	40.0%	\$ 20,000	10.0%	\$ 5,000	50.0%	\$ 25,000
400304	Rental Exp - XEROX		\$ 5,000	\$ 3,500	Cost of rental and maintenance of Xerox machines in 440 Civic Center Plaza.	40.0%	\$ 2,000	10.0%	\$ 500	50.0%	\$ 2,500
400322	Misc. Exp		\$ 10,000		Miscellaneous expenses associated with program development and operations (FY 2017-18.)	40.0%	\$ 4,000	10.0%	\$ 1,000	50.0%	\$ 5,000
400341	Office Supplies and Furniture		\$ 6,000	\$ 1,000	Cost of general office supplies, timestamp, and office furniture (e.g. desk chairs.)	40.0%	\$ 2,400	10.0%	\$ 600	50.0%	\$ 3,000
	Subtotal Other Operating Expenses		\$ 146,000	\$ 64,500			\$ 58,400		\$ 14,600		\$ 73,000
	Cost Pool and Risk Management			\$ 105,620							

ATTACHMENT 4

	General Liability and Worker's Comp		\$ 52,981	\$ 43,631	FY 17/18 Workers Compensation - \$2,748 per employee, General Liability - \$3,485 per employee (combined total \$6,233 per employee.) 7 FTEs FY 16-17; 7.5 FTEs FY 17-18	40.0%	\$ 21,192	10.0%	\$ 5,298	50.0%	\$ 26,491
	Space at 440 Civic Center Plaza		\$ 52,275	\$ 30,179	Space at 440 CCP is based on the percentage of total square footage occupied. This percentage is then applied to the total annual debt service. Rent Program is presumed to occupy 0.9% of Civic Center's total square footage. The percentage was applied to the total annual debt service for FY 2016-17 to determine the cost.	40.0%	\$ 20,910	10.0%	\$ 5,228	50.0%	\$ 26,138
	Indirect Cost		\$ 51,454	\$ 31,810	Indirect Costs are 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.) Allocations are determined in the City's cost allocation plan completed by an external consultant. Since the Rent Program dept. is new, it was not included in the current cost allocation plan. Staff recommended using the allocation of a department similar in size. In this case, the City Manager's Office was used as the basis.	40.0%	\$ 20,582	10.0%	\$ 5,145	50.0%	\$ 25,727
	SLIP Policy		\$ 25,000		General liability policy for the Rent Control program (FY 2017-18.)	40.0%	\$ 10,000	10.0%	\$ 2,500	50.0%	\$ 12,500
	Subtotal Cost Pool + Risk Management		\$ 181,710	\$ 105,620			\$ 72,684		\$ 18,171		\$ 90,855
	TOTAL OPERATING EXPENSES		\$ 960,787	\$ 527,471	\$ 960,787		\$ 330,117		\$ 150,276		\$ 480,394
	Reserves										
	Operating Reserve (17%)		\$ 329,848	\$ 156,459	As recommended by the Government Finance Officers Association (GFOA.)	40.0%	\$ 131,939	10.0%	\$ 32,985	50.0%	\$ 164,924
	Risk Reserve (8%)		\$ 155,223	\$ 73,628	Risk Management reserve fund.	40.0%	\$ 62,089	10.0%	\$ 15,522	50.0%	\$ 77,611
	Subtotal Reserves		\$ 485,071	\$ 230,087			\$ 194,028		\$ 48,507		\$ 242,536
	TOTAL		\$ 2,425,355	\$ 1,150,433			\$ 938,532		\$ 291,733		\$ 1,195,091
					Effective allocation rate		38.70%		12.03%		49.27%