

AGENDA ITEM REQUEST FORM

Department: Rent Program

Department Head: Nicolas Traylor

Phone: 620-6564

Meeting Date: September 20, 2017

Final Decision Date Deadline: September 20, 2017

STATEMENT OF THE ISSUE: On Tuesday, August 15, 2017, Rent Program staff members met with members of the subsidized housing development community to discuss their concerns regarding their compliance with the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance. As an outcome of this meeting, the group put forth a request to have the Rent Board consider a waiver of the requirement for the owners of subsidized housing developments to pay FY 16-17 and FY 17-18 Rental Housing Fees.

INDICATE APPROPRIATE BODY

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

ITEM

- | | | |
|---|--|---------------------------------|
| <input type="checkbox"/> Presentation/Proclamation/Commendation (3-Minute Time Limit) | | |
| <input type="checkbox"/> Public Hearing | <input type="checkbox"/> Regulation | <input type="checkbox"/> Other: |
| <input type="checkbox"/> Contract/Agreement | <input checked="" type="checkbox"/> Rent Board 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 a presentation from subsidized housing developers regarding their request for a waiver for payment of the FY 2016-17 and FY 2017-18 Residential Rental Housing Fee – Rent Program (Nicolas Traylor/Paige Roosa 620-6564).

AGENDA ITEM NO:

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AGENDA REPORT

DATE: September 20, 2017

TO: Chair Gray and Members of the Rent Board

FROM: Nicolas Traylor, Executive Director
Paige Roosa, Management Analyst

SUBJECT: FEE WAIVER REQUEST FROM SUBSIDIZED HOUSING DEVELOPERS

STATEMENT OF THE ISSUE:

On Tuesday, August 15, 2017, Rent Program staff members met with members of the subsidized housing development community to discuss their concerns regarding their compliance with the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance. As an outcome of this meeting, the group put forth a request to have the Rent Board consider a waiver of the requirement for the owners of subsidized housing developments to pay FY 16-17 and FY 17-18 Rental Housing Fees.

RECOMMENDED ACTION:

RECEIVE a presentation from subsidized housing developers regarding their request for a waiver for payment of the FY 2016-17 and FY 2017-18 Residential Rental Housing Fee – Rent Program (Nicolas Traylor 620-6564).

FISCAL IMPACT:

Subsidized rental units comprise a significant portion of the City's rental housing stock. The financial impact of waiving fees for approximately 5,000 rental units would amount to approximately \$725,000.

DISCUSSION:

Receive presentation from representatives of the subsidized housing development community.

DOCUMENTS ATTACHED:

Attachment 1 – Memorandum from Executive Director Nicolas Traylor and Management Analyst Paige Roosa

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M E M O R A N D U M

TO: Chair Gray and Members of the Rent Board

FROM: Nicolas Traylor, Executive Director
Paige Roosa, Management Analyst

THRU: Michael Roush, Legal Counsel
Bill Lindsay, City Manager
Diane Luther, EAH Housing
Sydne Garchik, MRK Partners
Grayling Harris, CHDC
Jack Gardner, John Stewart Company

DATE: September 15, 2017

SUBJECT: SUBSIDIZED HOUSING DEVELOPMENT REQUEST FOR WAIVER OF
PAYMENT OF FY 16-17 AND FY 17-18 RESIDENTIAL RENTAL HOUSING
FEES

Executive Summary

On Tuesday, August 15, 2017, Executive Director Nicolas Traylor and Management Analyst Paige Roosa met with members of the subsidized housing development community to discuss their concerns regarding their compliance with the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance (“the Ordinance”).

Their chief concerns were (1) whether the protections afforded by the Ordinance, particularly with respect to the rent control and just cause for eviction requirements, conflicts with their other regulatory requirements; and (2) the financial burden imposed by the requirement to pay Fiscal Year 2016-17 and Fiscal Year 2017-18 Residential Rental Housing Fees (FY 16-17 and FY 17-18 Rental Housing Fees).

As an outcome of this meeting, the group put forth a request to have the Rent Board consider a waiver of the requirement for the owners of subsidized housing developments to pay FY 16-17 and FY 17-18 Rental Housing Fees.

After consultation with City staff and legal counsel, we strongly advise against the approval of a waiver for payment of the Fiscal Year 2016-17 and Fiscal Year 2017-18 Residential Rental Housing Fees for legal, financial, and equity reasons, described below. In the future, the Rent Board may consider the adoption of a tiered fee with the provision that owners of subsidized owners are responsible for only a portion of the fee, for example only that portion of the fee applicable to administering the just cause for eviction portion of the Ordinance. Staff will conduct additional research to propose strategies for best supporting tenants and landlords of

subsidized housing developments in the City. In the interim, it is against the interest of the Rent Board and the community to grant any waiver of any portion of the FY 16-17 and FY 17-18 Rental Housing Fees.

Discussion

The FY 16-17 and FY 17-18 Residential Rental Housing Fee Study approved by the Rent Board on June 21, 2017, and corresponding Residential Rental Housing Fees adopted by the City Council on July 25, 2017, are premised on owners of all Rental Units paying both Fiscal Year 2016-17 and Fiscal Year 2017-18 Residential Rental Housing Fees because all owners receive a benefit from the startup of the Rent Program. The granting of a waiver for one group due to perceived financial hardship calls into question the financial hardship that other owners may experience. Because the Residential Rental Housing Fee is the Rent Program's sole source of revenue for the foreseeable future, waiving the fee for one group will require increasing the fee paid by other owners to avoid financial insolvency or a significant reduction in Rent Program related services. Finally, all rental property owners, even owners of subsidized units, must from time to time incur new fees imposed by local, state or federal law, and must build those fees into their budgets and operating costs. This is simply the reality of doing business in the rental housing market.

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. While members of the subsidized housing community have expressed concerns about the "double-regulation" effect of the requirement to comply with HUD regulatory requirements and the requirements of the Ordinance, the experience of Rent Program staff members thus far is that many tenants of subsidized housing in Richmond have needed the assistance and support from the Rent Program and its staff, and, in select cases, tenants have raised issues which have required a great deal of staff involvement to effectively resolve. It would therefore be unjust to waive the requirement for owners of subsidized housing to pay the fee for such services, while increasing fees for owners whose tenants have not received similar services.

Proposed Next Steps

Richmond is home to approximately 5,000 subsidized housing units, as inventoried by Rent Program staff in their analysis presented to the Rent Board on June 21, 2017. This amounts to approximately 20% of the City's total housing stock as estimated by Management Partners. The suite of subsidy programs utilized to construct and maintain these units, including the Section 8 Housing Voucher Program and the Low Income Housing Tax Credit Program, necessitate further study in order to prepare sound regulations for the Rent Board's consideration concerning how the rent regulation and eviction requirements of the Ordinance apply to subsidized units. While Rent Program staff members are actively working on this policy issue, this task must be reasonably balanced with other elements of the Program, such as retaining permanent staff and developing regulations and a hearing process concerning requests for an upward or downward adjustment of rents.

Given the significant proportion of rental units in the City receiving governmental subsidy, and the number of tenants residing in these units, Rent Board policies concerning subsidized

housing must be carefully prepared and thoroughly considered. The inquiries brought to the Rent Program by tenants of subsidized rental units reveal a growing need for the Rent Program to provide services to these units. As such, staff members are researching innovative policy and community engagement tools to further support affected tenants, landlords, and property managers, such as a Tenant Protection Ordinance and providing on-site counseling at affordable housing sites throughout the City. Staff members will continue to keep the Rent Board informed of the status of this research.

Recommendation

For the reasons expressed above, staff recommends that the Board not grant any waiver to owners of subsidized rental housing for the FY 16-17 and FY 17-18 Rental Housing Fees.

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