

AGENDA ITEM REQUEST FORM

Department: Rent Program

Department Head: Nicolas Traylor

Phone: 620-6564

Meeting Date: June 20, 2018

Final Decision Date Deadline: June 20, 2018

STATEMENT OF THE ISSUE: Residents at Heritage Park at Hilltop Apartments, a 192-unit Low Income Housing Tax Credit (LIHTC) development for individuals age 55 years or older, have voiced concerns about recent rent increases effective July 1, 2018, and issues associated with refuse removal and security of the premises. At the May 16, 2018, Regular Meeting, Rent Boardmembers directed staff to return in June with an update on their efforts to address resident concerns regarding rent increases in Low Income Housing Tax Credit (LIHTC) housing developments. Staff members are requesting the Board appoint an ad hoc Rent Board committee to assist staff in developing an agreement with LIHTC providers based on a proposal put forth by affordable housing providers to reduce the potential for "rent shock" among LIHTC Rental Units.

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: (1) RECEIVE an update regarding rent increases in Low Income Housing Tax Credit (LIHTC) properties and (2) APPOINT an ad hoc Rent Board committee (consisting of two Boardmembers) to work with staff to develop an agreement with Low Income Housing Tax Credit (LIHTC) providers that would limit rent increases applied in any twelve-month period to Rental Units in LIHTC developments to the lesser of (a) the maximum rent permitted by the State Tax Credit Allocation Committee or (b) the Annual General Adjustment percentage rent increase for that year plus no more than five percent of deferred rent increases – Rent Program (Nicolas Traylor/Paige Roosa 620-6564).

AGENDA ITEM NO:

H-2.



AGENDA REPORT

DATE: June 20, 2018

TO: Chair Gray and Members of the Rent Board

FROM: Nicolas Traylor, Executive Director
Paige Roosa, Deputy Director
Charles Oshinuga, Staff Attorney

SUBJECT: RENT INCREASES IN TAX CREDIT PROPERTIES

STATEMENT OF THE ISSUE:

Residents at Heritage Park at Hilltop Apartments, a 192-unit Low Income Housing Tax Credit (LIHTC) development for individuals age 55 years or older, have voiced concerns about recent rent increases effective July 1, 2018, and issues associated with refuse removal and security of the premises. At the May 16, 2018, Regular Meeting, Rent Boardmembers directed staff to return in June with an update on their efforts to address resident concerns regarding rent increases in Low Income Housing Tax Credit (LIHTC) housing developments. Staff members are requesting the Board appoint an ad hoc Rent Board committee to assist staff in developing an agreement with LIHTC providers based on a proposal put forth by affordable housing providers to reduce the potential for “rent shock” among LIHTC Rental Units.

RECOMMENDED ACTION:

(1) RECEIVE an update regarding rent increases in Low Income Housing Tax Credit (LIHTC) properties and (2) APPOINT an ad hoc Rent Board committee (consisting of two Boardmembers) to work with staff to develop an agreement with Low Income Housing Tax Credit (LIHTC) providers that would limit rent increases applied in any twelve-month period to Rental Units in LIHTC developments to the lesser of (a) the maximum rent permitted by the State Tax Credit Allocation Committee or (b) the Annual General Adjustment percentage rent increase for that year plus no more than five percent of deferred rent increases – Rent Program (Nicolas Traylor/Paige Roosa 620-6564).

FISCAL IMPACT:

There is no fiscal impact related to this item. The cost of providing counseling and regulatory services to the community is captured in the Fiscal Year 2017-18 and Fiscal Year 2018-19 Rent Program budgets.

DISCUSSION:

Background

Heritage Park at Hilltop Apartments is a 192-unit development located at 3801-3815 Lakeside Drive, Richmond, CA 94806. The property is owned by Hilltop Group LP, operating as USA Properties Fund, whose corporate office is in Roseville, CA.

At the April 23, 2018, Special Meeting of the Richmond Rent Board and May 1, 2018, Regular Meeting of the Richmond City Council, more than a dozen residents from Heritage Park at Hilltop Apartments voiced their concerns about recent rent increase notices and maintenance on the premises. Specifically, residents commented on the financial burden posed by a rent increase in excess of ten percent, as well as the perceived lack of refuse removal on the premises and inadequacy of security systems.

On November 15, 2017, the Rent Board adopted Regulation 17-01, regarding the exemption of approximately 4,283 governmentally subsidized rental housing units (including the Housing Choice Voucher Program, Project-Based Section 8 Program, Low Income Housing Tax Credit Program, and Supportive Housing for the Elderly Program) from the rent control provisions of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance (Attachment 1). For this reason, as well as the fact that Heritage Park at Hilltop Apartments was constructed in 2000 and is therefore exempt from rent regulation pursuant to the Costa-Hawkins Rental Housing Act, the Rent Program Department does not currently regulate the Maximum Allowable Rent at Heritage Park at Hilltop Apartments.

To address these issues, at their meeting on May 16, 2018, the Rent Board provided the following direction to staff:

- Attend the May 18, 2018, conference call with affordable housing providers organized by staff and continue investigations into resident concerns;
- Discuss the situation with the Richmond Housing Authority to see what support they can provide, particularly in terms of providing additional Housing Choice Vouchers to residents facing rent increases; and,
- Provide the Board with a memorandum describing the legal options available to the Board to address the rent increases at Heritage Park at Hilltop Apartments.
[A confidential memorandum will be provided to the Board.]

Each of these action items, with the exception of the legal memorandum, are described in further detail below.

May 18, 2018 Conference Call with Affordable Housing Providers

On May 18, 2018, the Executive Director and Deputy Director hosted a conference call with affordable housing providers to share concerns and solicit proposals regarding the implications of “rent shock” following the Tax Credit Allocation Committee (TCAC) new rent maximums. A list of developments represented, participants, and minutes from the discussion are contained in Attachment 2.

Capacity of the Richmond Housing Authority to Provide Additional Housing Choice Vouchers

At the May 16, 2018, Regular Meeting, the Board directed staff to inquire with the Richmond Housing Authority regarding the possibility of allocating additional Housing Choice Vouchers (Section 8) to residents at Heritage Park facing a rent increase.

According to Consultant Tia Ingram of the Richmond Housing Authority, admission in the Housing Choice Voucher (Section 8) program is by wait list only. All Richmond wait lists are currently closed with over 1,000 households waiting for assistance. Furthermore, there is no preference on the wait list for “rent burdened” households, so a Heritage Park household, if on the waitlist, would have to wait until the application reached the top for admission.

Furthermore, the Richmond Housing Authority and other housing authorities in the Bay Area are currently facing a shortfall of Housing Choice Vouchers and there is a possibility that the Housing Authority will not have sufficient funding to continue supporting all current contracts. In response, the Housing Authority has ceased issuing additional Housing Choice Vouchers and has restricted the ability of assisted households to move to a different unit. Given these findings, it is highly unlikely that the Housing Authority will be able to supply Housing Choice Vouchers to affected households.

Proposed Agreement

The primary purpose of the May 18, 2018, conference call with affordable housing providers was to solicit proposals regarding how providers can ensure tenants in Tax Credit properties will be sheltered from “rent shock” in lieu of the Rent Board rescinding Regulation 17-01, which exempts rent-restricted units (including units exempt from the rent control provisions of the Ordinance. As a result of the conversation as well as further collaboration among the providers, a proposal has been brought forth by several of Richmond’s largest tax credit property owners, whereby affordable housing providers would voluntarily agree to limit rent increases served in any twelve-month period in LIHTC developments to the lesser of (a) the maximum rent permitted by the State Tax Credit Allocation Committee or (b) the Annual General Adjustment percentage rent increase for that year plus no more than five percent of deferred rent increases.

Letters indicating a voluntary willingness to comply with such a limitation on rent increases were received from representatives of USA Properties Fund (Heritage Park at Hilltop Apartments)¹, The John Stewart Company (Arbors Apartments, Friendship Manor, Triangle Court, Pullman Point, Rubicon Homes), EAH Housing (Crescent Park), MRK Partners (Monterey Pines, Cypress Pines (formerly Deliverance Temple)), Fairfield Residential (Baycliff Apartments) and Klein Financial Corporation (Westridge at Hilltop Apartments) (Attachment 3). In total, the proposal has been approved by representatives of 2,119 deed-restricted units in Richmond, which amounts to approximately 63 percent of the total deed-restricted units in affordable housing developments in Richmond.

This concept of “banking” rent increases permitted by the Tax Credit Allocation Committee is illustrated in an example below. It is anticipated the mechanics of this concept would be further explained in a formal agreement entered into between the Rent Board and affordable housing providers.

EXAMPLE CALCULATION (*for illustrative purposes only*)

Year	Annual General Adjustment (AGA) Rent Increase	Rent Increase Permitted by the Tax Credit Allocation Committee (TCAC)	Total Permitted Rent Increase The lesser of (AGA) + 5% of any “Banked” Rent Increase OR the rent adjustment permitted by TCAC	Portion of “Banked” Rent Increase
2016 (starting year)	3.0%	4.0%	3.0%	1.0%
2017	3.4%	7.0%	4.4%	2.6%
2018	3.6%	12.0%	6.2%	5.8%
2019	3.2%	8.0%	8.2%*	0.8%

**Capped by the 5% banking limitation*

Conclusion

According to the California Tax Credit Allocation Committee Compliance Program Manager, TCAC does not regulate the frequency or the percentage of changes in the maximum rent for LIHTC units; it only provides a rent limit that an owner cannot exceed. LIHTC property owners may raise rent any time during the lease period if the limit is not exceeded. As such, without additional limitations on the amount of the rent increase that can be imposed at any one time, low-income tenants on fixed incomes, such as the residents of Heritage Park at Hilltop Apartments, may experience “rent shock” that results in potential displacement or significant financial hardship.

¹ In lieu of a formal letter, a representative from USA Properties Fund sent staff members an email indicating their willingness to support the proposal set forth by affordable housing providers.

The willingness of affordable housing providers to limit rent increases in accordance with their proposal is anticipated to reduce the potential for “rent shock” for tenants in Tax Credit Rental Units; however, it is important to note that in years with uncharacteristically high inflation, additional measures may be necessary to avoid the imposition of significantly large rent increases. The Board may seek to renegotiate the terms of the agreement should inflation increase significantly. Staff members therefore recommend the Board appoint an ad hoc Rent Board committee (consisting of two Boardmembers) to work with staff members to develop an agreement with Low Income Housing Tax Credit (LIHTC) providers that would limit rent increases applied in any twelve-month period to Rental Units in LIHTC developments to the lesser of (a) the maximum rent permitted by the State Tax Credit Allocation Committee or (b) the Annual General Adjustment percentage rent increase for that year plus no more than five percent of deferred rent increases.

DOCUMENTS ATTACHED:

Attachment 1 – Rent Board Regulation 17-01

Attachment 2 – May 18, 2018, Conference Call Meeting Minutes

Attachment 3 – Letters from Affordable Housing Providers

Attachment 4 – Email to Members of the City Council and Rent Board

RICHMOND RENT BOARD REGULATION 17-01
Regarding the Exemption of Certain Rental Units from Rent Control (RMC 11.100.070)

1. Purpose

The Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance (“Ordinance”) provides that rental units in which governmentally subsidized Tenants reside are exempt from the rent control provisions of the Ordinance only if applicable federal, state or administrative regulations specifically exempt such units from municipal rent control. Section 11.100.030 (d)(3), Richmond Municipal Code. The purpose of this Regulation is to clarify the exemption from the rent control provisions of the Ordinance to certain rental units in which governmentally subsidized tenants reside because the rents for these units are already regulated through governmental regulation. Such units would still be subject to the just cause provisions of the Ordinance under Section 11.100.050.

2. Rental Units in Which Governmentally Subsidized Tenants Reside That are Exempt from the Rent Control Provisions of the Ordinance

The following rental units are exempt from the rent control (RMC 11.100.070), but not the just cause for eviction (RMC 11.100.050) provisions of the Ordinance.

- A. Rental units in which a tenant household holds a Section 8 Housing Choice Voucher and where the rent not does exceed the Payment Standard as published by the U.S. Department of Housing and Urban Development.
- B. Rental units for which the rent is subsidized by the Project-Based Section 8 Program
- C. Rental units that are “rent restricted” in a Low Income Housing Tax Credit Program Project. “Rent Restricted” means the rent charged for the unit is affordable for a qualifying Tenant pursuant to the Regulatory Agreement.
- D. Rental units for which the rent is subsidized by the Section 202 Supportive Housing for the Elderly Program
- E. Rental units that are “rent restricted” under a regulatory agreement between a governmental agency and a property owner. “Rent Restricted” means the rent charged for the unit is affordable for a qualifying Tenant pursuant to the Regulatory Agreement.

3. Other Rental Units That are Exempt from the Rent Control Provisions of the Ordinance

In addition to rental units that are exempt from rent control under Section 11.100.100.030 (d)(1)(2)(4) (5) and (6), Richmond Municipal Code, as implemented by Rent Board Regulation 17-03, rental units which a governmental unit, agency or authority owns, operates or manages are exempt from the rent control provisions of the Ordinance. Section 11.100.030 (d)(3), Richmond Municipal Code.

4. Exemption Only Applies if Rental Unit is in Compliance with Applicable Laws and Regulations

The exemption from rent control (RMC 11.100.070) as described in Section 2 of this Regulation 17-01 only applies so long as the rental unit is in compliance with all applicable laws and regulations, and for which there is in effect (a) a tenant with a Section 8 Housing Choice Voucher in the rental unit, (b) the rental unit is in a Project-Based Section 8 Program, and/or (c) the rental unit is rent restricted under a regulatory agreement and/or declaration of restrictive covenants.

ITEM H-2
ATTACHMENT 1

Nothing in this regulation shall preclude tenants residing in rental units described in Section 2 of this Regulation 17-01 from seeking advice or assistance from the Rent Program concerning applicable provisions of the Ordinance and utilizing the remedies provided in the Ordinance to the extent permitted by Federal, State, and local law.

I, the undersigned, hereby certify that the foregoing Regulation was duly adopted and passed by the Richmond Rent Board in a regular meeting assembled on November 15, 2017, by the following vote:

AYES: Boardmembers Combs, Finlay, Maddock, and Vice Chair Gerould.

NOES: None.

ABSENT: Chair Gray.

ABSTENTIONS: None.

CYNTHIA SHAW

Cynthia Shaw, Rent Board Clerk

DAVID GRAY

David Gray, Chair

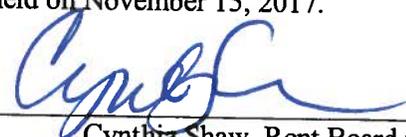
Approved as to form:

MICHAEL ROUSH

Michael Roush, Legal Counsel

State of California }
County of Contra Costa } : ss.
City of Richmond }

I certify that the foregoing is a true copy of **Regulation 17-01**, finally passed and adopted by the Rent Board of the City of Richmond at a regular meeting held on November 15, 2017.



Cynthia Shaw, Rent Board Clerk

**CITY OF RICHMOND RENT PROGRAM
Discussion with Affordable Housing Providers**

**May 18, 2018
11:00 AM - 12:00 PM**

DRAFT MEETING MINUTES

I. Introductions

Attendees:

- ❖ The John Stewart Company – Arbors, Friendship Manor, Triangle Court, Pullman Point, Rubicon Homes (*Jack Gardner, Steve McElroy*)
- ❖ CHDC – Barrett Plaza, Barrett Terrace, Chesley Mutual Housing, Lillie Mae Jones Plaza (*Grayling Harris*)
- ❖ Fairfield Residential – Baycliff Apartments (*Tim Kinnicutt, Kristi Fuller, Tony Duplisse, Gina Metzger*)
- ❖ The Carquinez (*Marcela Soto*)
- ❖ EAH Housing – Crescent Park (*Theresa Parker, Catina Wilson, Stacey Smith, Mike Damani*)
- ❖ Eden Housing – Crescent Park (*Darnell Williams*)
- ❖ MRK Partners – Monterey Pines, Cypress Pines (formerly Deliverance Temple) (*Sydne Garchik, Bryan Russell, Renee Lee, Cathy Coler*)
- ❖ USA Properties Fund – Heritage Park at Hilltop (*Angie Monges*)
- ❖ Richmond Housing Authority – Nevin Plaza, Nystrom Village (*Yvette Woods*)
- ❖ Richmond Housing Associates – Richmond City Center Apartments (*Butu Malone*)
- ❖ Richmond Village (*Tyrone Payne*)
- ❖ Klein Financial – Westridge at Hilltop (*Alan Bogomilsky*)
- ❖ Greystar Residential – VUE @ 3600 (*Ahshalic Johnson*)

II. Review of Concerns

-Executive Director previously recommended exempting LIHTC and other affordable housing from rent control due to concerns about additional regulations (genesis of Rent Board Regulation 17-01).

-Recent increases at LIHTC properties have concerned the Rent Board. Heritage Park and Baycliff saw increases of approximately 12% - these rent increases pose unique challenges for seniors and others with fixed incomes.

-Many Senior residents recently testified at City Council and Rent Board meetings about rent shock. The Rent Board is now considering re-regulating LIHTC units.

-A concern was raised about the amount of data and information provided to the Rent Board to ensure that they are aware of historic TCAC maximum rents.

ITEM H-2 ATTACHMENT 2

- Some property owners remarked they have not and do not plan to raise rents to the 2018 TCAC maximum rents.
- Many properties have multiple layers or forms of subsidy – e.g. a tax credit property may have Section 8 units, so they are further restricted in the extent to which tenant rents may be adjusted.
- What is the definition of “rent shock”? Affordable housing providers often need to impose permitted rent increases to catch up after years of low or no rent increases. Maybe we could have more communication with residents about the reasons behind the rent increases.
- Operating and maintenance costs increase each year; annual rent increases are comparatively small.
- Some developments have internal policies to guide the process of increasing rents (e.g. looking at household income.)
- If the Board were to re-regulate LIHTC units, how would that look in properties where some units also have Section 8 subsidy?
- What is a reasonable ratio for “rent burden”? This isn’t mandated, but some organizations self-regulate. It’s more than a communication effort; it’s about internal policies that are compassionate and reasonable.
- Importance of examining rent burden in addition to percentage rent increases. Households with higher incomes may be able to absorb a 10% increase but this could be detrimental for low-income households.
- There should be a carve-out in the regulation that excludes tenant-based Housing Choice Vouchers (Section 8) since these rents are already regulated (rent cannot exceed 30% of income.) If owner is charging less than the Payment Standard, it should not be subject to the City’s rent control.
- Our company doesn’t impose 10% rent increases at once.
- There is a need for greater communication for the Boardmembers. Some companies don’t plan to impose the full rent increase, but the fact that there have been little to no rent increases in prior years should be strongly considered.
- It is important to consider that LIHTC providers weren’t aware of the amount of the 2018 rent increase when the Board was considering the exemption. Therefore, it seems unfair to say that the Board was misled in their consideration of the exemption.
- Concurrence around the fact that Tenant and Project-Based Housing Choice Vouchers (Section 8) should continue to be exempt, regardless of what happens with the strictly LIHTC units, since income is considered in the calculation of rent.

-Even though we could have applied a higher rent increase to our BMR units, we chose to raise rents in accordance with the Annual General Adjustment rent increases published by the Rent Program to avoid any problems or confusion. We don't understand why the BMR maximum rents increased so much in Richmond in 2018.

-There is a need for tenant education to help them distinguish between the Tenant-based portion of rent and other types of subsidies. Our tenants don't necessarily understand the difference between Section 8 and LIHTC subsidies. The City could distribute a pamphlet explaining this in greater detail.

-Rents in LIHTC developments are heavily regulated by the IRS and TCAC. There were no rent increases between 2011 and 2015, meanwhile, our expenses continued to increase. 2018 is an anomaly, and essentially allows us to catch up after many years of minimal rent increases. We didn't increase rents this year, but we plan to push through the rent increases over time to recover cost increases.

III. Discussion of Potential Policy Solutions

-There are examples of cases where governmental agencies have entered into agreements with rental property management companies to maintain rents at certain levels during specific economic circumstances. We negotiated directly with the Housing Authority.

-We don't know what will happen to the area median income (AMI) next year, so better communication is important. We regret that the sudden increase was surprising to individuals, but this was an unusually large increase - we haven't seen an increase of this magnitude in 30 years. Maybe each year when the new Maximum Rents are announced by TCAC, the Rent Program could meet with affordable housing owners and property managers to review the permitted increases and devise appropriate procedures or standards for rent increases.

-It becomes difficult to adjust rents based on household income since, for 100% LIHTC properties, after two years, residents self-certify their income. This could be problematic if income translated to the rent amount, since there could be an incentive to falsify information.

-An affordable rent calculated at 30% of household income is the standard for the Housing Choice Voucher (Section 8) Program. Hesitation about applying a similar standard to LIHTC units since it's an incredible amount of work to individually calculate rent based on income. There are many exemptions that apply when calculating household income and this creates concerns about the reliability of self-determination or certification of household income.

-There should be an acknowledgment that TCAC does not allow rent increases every year - we need a "banking" regulation. Denying the ability to recover previous rent

increases will cause decline and disinvestment in properties in Richmond. Our net income has decreased 14% in the last year, while expenses have increased 20%. There could be a policy established that says a rent increase in a given year cannot exceed two times the approved Annual General Adjustment (AGA) per the Rent Program.

-The Board needs to understand that LIHTC housing providers will not be able to apply the AGA rent increase when TCAC does not allow it.

-Unlike rent control policies, TCAC does not allow pass-throughs for capital improvements. There's no "fair return" petition.

-The current Rent Board Regulation 17-09 regarding banking of AGA rent increases (5% plus the current year's AGA) would be doable.

IV. **Next Steps**

-LIHTC housing providers are encouraged to continue to discuss and consider policies to avoid "rent shock" for Tenants, and to send any proposals to Rent Program staff. Rent Program staff members will be reporting back to the Rent Board at its meeting in June and requesting further direction from the Board as to how to proceed given resident concerns.



Nicolas Traylor
Executive Director
City of Richmond Rent Board
440 Civic Center Plaza, Suite 200
Richmond, CA 94804

June 5, 2018

Re: Affordable Housing Rent Control

Dear Nicholas,

This letter is in response to your request for the City's affordable housing ownership group to propose a plan to protect residents living in restricted affordable developments against "rent shock." As you know, rents for tax credit units are heavily restricted, with some projects having multiple regulatory agreements (TCAC, CDLAC, HUD, etc.), and their annual rent increases are therefore governed by their specific affordability rules. The large 2018 TCAC allowable rent increase was an anomaly and was most likely a catch up for several years with little or no increases. For example, there were no rent increases from 2012 to 2015, a period during which expenses continued to increase, putting a significant financial strain on the City's affordable housing properties. Even a longer period analysis demonstrates that normal TCAC rent increases are extremely fair, as the average annual rent increase for a 1-bedroom unit restricted to 50% AMI occupancy rent was only 2.6% between 2000 and 2017 (Exhibit 1). And please note that not all property owners increased their rents to the 2018 allowable maximum (while those that did might have been forced to due to severe financial obligations caused by the long period of minimal or no rent increases). Therefore, given the variable but reasonable nature of the annual rent increases typically allowed by TCAC, we believe restricted affordable units should continue to be exempt from the "rent control" portion of the City's Fair Rent/Just Cause Ordinance.

In the event that this is not politically possible, we propose the following:

To the extent a Landlord has not increased Rent up to the Maximum Tax Credit Allocation Committee (TCAC) Rent Level, the Landlord shall have the ability to apply deferred rent increases; however, the net rent increase in any one twelve- month period shall not exceed the current year Annual General Adjustment Rent Increase plus five percent (5%) of the Rent charged at any time during the preceding 12-month period.

"Banking" of the TCAC Maximum Rent shall be calculated based on simple addition without compounding. For example, an increase of three percent (3%) plus three-point four percent (3.4%) is equal to a combined increase of six point four percent (6.4%), not six point five percent (6.5%).



After the TCAC publishes the Maximum Rent Levels for Contra Costa County, representatives of the TCAC financed properties in the City of Richmond will meet with the Richmond Rent Board Staff to discuss the application of the new TCAC Maximum Rent Levels and how they will be applied to TCAC financed properties.

Regardless of the outcome regarding rent control, the City's affordable property owners should not be required to pay the portion of the Annual Rent Board fee associated with Rent Control. Each affordable property already incurs significant costs to comply with their existing rent restrictions and the City's affordable properties cannot afford another fee. The imposition of any such fee simply reduces the resources available for the affordable property owners to properly maintain their properties and provide services to their residents.

Our goal is to provide safe and affordable housing and additional regulations and fees make it difficult to fulfil our mission.

Respectfully submitted,



Steve McElroy
Vice President

cc: Jack Gardner, President

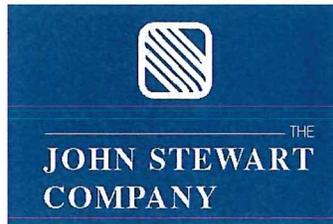


Exhibit 1: Historical 1-Bed 50% AMI Rents

Year	Rent	Growth	Growth (Hold Harmless)	Avg. 2000 to Date
2000	\$633			
2001	\$671	6.0%	6.0%	6.0%
2002	\$698	4.0%	4.0%	5.0%
2003	\$751	7.6%	7.6%	5.9%
2004	\$776	3.3%	3.3%	5.2%
2005	\$776	0.0%	0.0%	4.2%
2006	\$785	1.2%	1.2%	3.7%
2007	\$785	0.0%	0.0%	3.2%
2008	\$807	2.8%	2.8%	3.1%
2009	\$836	3.6%	3.6%	3.2%
2010	\$847	1.3%	1.3%	3.0%
2011	\$866	2.2%	2.2%	2.9%
2012	\$876	1.2%	1.2%	2.8%
2013	\$836	-4.6%	0.0%	2.2%
2014	\$862	3.1%	0.0%	2.3%
2015	\$871	1.0%	0.0%	2.2%
2016	\$914	4.9%	4.3%	2.4%
2017	\$978	7.0%	7.0%	2.6%
2018	\$1,090	11.5%	11.5%	3.1%

Note: Same percentage increases apply for all unit types and set asides.

Expanding the range of opportunities for all by
developing, managing and promoting quality
affordable housing and diverse communities.



June 6, 2018

Nicolas Traylor
Executive Director,
City of Richmond Rent Board
Via Email

Re: Affordable Housing Rent Control

Dear Nicolas,

This letter is in response to your request for the City's affordable housing ownership group to propose a plan to protect residents living in restricted affordable developments against "rent shock". As you know, rents for tax credit units are heavily restricted with some projects having multiple regulatory agreements (TCAC, CDLA, HUD, etc.) and therefore the annual increase in rents is governed by the property's specific affordability rules. The large 2018 TCAC allowable rent increase was an anomaly. There were **no** rent increases from 2012 to 2015 while expenses continued to increase, putting a significant financial strain on the City's affordable housing properties. A longer period analysis demonstrates that the normal TCAC rent increases are extremely fair, as the average 1 bedroom 50% AMI rent increase between 2000 and 2017 was only 2.6% (Exhibit 1). Also, not all property owners increased rents to the 2018 maximum allowed and others might have been forced to process the maximum rent increases due to severe financial obligations caused by the long period of minimal or no rent increases. Therefore, given the variable but reasonable nature of the annual rent increases allowed by TCAC, we believe restricted affordable units should continue to be exempt from the "rent control" portion of the City's Fair Rent/Just Cause Ordinance. In the event this is not possible, we propose the following:

To the extent a Landlord has not increased Rent up to the Maximum Tax Credit Allocation Committee (TCAC) Rent Level, the Landlord shall have the ability to apply deferred rent increases; however, the net rent increase in any one twelve- month period shall not exceed the current year Annual General Adjustment Rent Increase plus five percent (5%) of the Rent charged at any time during the preceding 12-month period.

"Banking" of the TCAC Maximum Rent shall be calculated based on simple addition without compounding. For example, an increase of three percent (3%) plus three-point four percent (3.4%) is equal to a combined increase of six point four percent (6.4, not six point five percent (6.5%).

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ITEM H-2 ATTACHMENT 3

Regardless of the outcome regarding rent control, the City's affordable property owners should not be required to pay the portion of the Annual Rent Board fee associated with Rent Control. Each affordable property already incurs significant costs to comply with their existing rent restrictions and the City's affordable properties cannot afford another fee.

Our goal is to provide safe and affordable housing and the additional regulations and fees make it difficult to fulfil our mission.

Respectfully submitted,

Mary Murtagh
President and CEO

Expanding the range of opportunities for all by
developing, managing and promoting quality
affordable housing and diverse communities.



June 6, 2018

Nicolas Traylor
Executive Director,
City of Richmond Rent Board
Via Email

Re: Affordable Housing Rent Control

Dear Nicolas,

This letter is in response to your request for the City's affordable housing ownership group to propose a plan to protect residents living in restricted affordable developments against "rent shock". As you know, rents for tax credit units are heavily restricted with some projects having multiple regulatory agreements (TCAC, CDLA, HUD, etc.) and therefore the annual increase in rents is governed by the property's specific affordability rules. The large 2018 TCAC allowable rent increase was an anomaly. There were **no** rent increases from 2012 to 2015 while expenses continued to increase, putting a significant financial strain on the City's affordable housing properties. A longer period analysis demonstrates that the normal TCAC rent increases are extremely fair, as the average 1 bedroom 50% AMI rent increase between 2000 and 2017 was only 2.6% (Exhibit 1). Also, not all property owners increased rents to the 2018 maximum allowed and others might have been forced to process the maximum rent increases due to severe financial obligations caused by the long period of minimal or no rent increases. Therefore, given the variable but reasonable nature of the annual rent increases allowed by TCAC, we believe restricted affordable units should continue to be exempt from the "rent control" portion of the City's Fair Rent/Just Cause Ordinance. In the event this is not possible, we propose the following:

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ITEM H-2 ATTACHMENT 3

Regardless of the outcome regarding rent control, the City's affordable property owners should not be required to pay the portion of the Annual Rent Board fee associated with Rent Control. Each affordable property already incurs significant costs to comply with their existing rent restrictions and the City's affordable properties cannot afford another fee.

Our goal is to provide safe and affordable housing and the additional regulations and fees make it difficult to fulfil our mission.

Respectfully submitted,

Mary Murtagh
President and CEO

ITEM H-2 ATTACHMENT 3

Nicolas Traylor
Executive Director
City of Richmond Rent Board
440 Civic Center Plaza, Suite 200
Richmond, CA 94804

June 5, 2018

Re: Affordable Housing Rent Control

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Respectfully submitted,



Sydne Garchik
MRK Partners
Owners of Cypress and Monterey Pines

Exhibit 1: Historical 1-Bed 50% AMI Rents

Year	Rent	Growth	Growth (Hold Harmless)	Avg. 2000 to Date
2000	\$633			
2001	\$671	6.0%	6.0%	6.0%
2002	\$698	4.0%	4.0%	5.0%
2003	\$751	7.6%	7.6%	5.9%
2004	\$776	3.3%	3.3%	5.2%
2005	\$776	0.0%	0.0%	4.2%
2006	\$785	1.2%	1.2%	3.7%
2007	\$785	0.0%	0.0%	3.2%
2008	\$807	2.8%	2.8%	3.1%
2009	\$836	3.6%	3.6%	3.2%
2010	\$847	1.3%	1.3%	3.0%
2011	\$866	2.2%	2.2%	2.9%
2012	\$876	1.2%	1.2%	2.8%
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2014	\$862	3.1%	0.0%	2.3%
2015	\$871	1.0%	0.0%	2.2%
2016	\$914	4.9%	4.3%	2.4%
2017	\$978	7.0%	7.0%	2.6%
2018	\$1,090	11.5%	11.5%	3.1%

Note: Same percentage increases apply for all unit types and set asides.

ITEM H-2 ATTACHMENT 3

Nicolas Traylor
Executive Director
City of Richmond Rent Board
440 Civic Center Plaza, Suite 200
Richmond, CA 94804

June 11, 2018

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Respectfully submitted,



Alan Bogomilsky
Klein Financial Corporation (KFC)
KFC is Part Owner - Westridge at Hilltop Apartments

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Nicolas Traylor
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City of Richmond Rent Board
440 Civic Center Plaza, Suite 200
Richmond, CA 94804

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Respectfully submitted,



Paul Kudirka
Fairfield Residential
Owner of Baycliff Apartments

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Paige Roosa

From: Nicolas Traylor
Sent: Monday, June 11, 2018 1:38 PM
Cc: Bill Lindsay; Bruce Goodmiller; Rachel Sommovilla; Trina Jackson; Paige Roosa; Charles Oshinuga
Subject: Update on Rent Increases at Heritage Park
Attachments: 5_18_18 Meeting Minutes.pdf

Dear Mayor Butt, Members of the City Council, Chair Gray, and Members of the Rent Board:

As you may recall, many residents at Heritage Park at Hilltop Apartments have attended recent City Council and Rent Board meetings to express their concerns regarding notices of large rent increases due to take effect July 1, as well as security, and refuse removal issues at the property. Several of you have been in communication with Deputy Director, Paige Roosa, and me, to determine how to best remedy the potential for “rent shock” these rent increases pose for Senior tenants on fixed incomes. Thank you for your participation and assistance in devising potential solutions. I write today with an exciting update regarding rent increases at Heritage Park.

On Friday, May 18, 2018, as directed by the Rent Board, Paige and I hosted a conference call with Richmond’s affordable housing providers (including the Regional Manager of USA Multifamily Management, Inc., the ownership entity of Heritage Park at Hilltop Apartments) to express our concerns about the new rent maximums published by the Tax Credit Allocation Committee and the potential these new limits have to result in substantial rent increases for existing tenants in tax credit properties who do not currently benefit from other forms of housing subsidy (such as the Section 8 program.) We solicited policy proposals from the group that would ensure tenants in tax credit properties are not subjected to exceptionally large (10+ percent) rent increases in any one year. Through an effort spearheaded by the John Stewart Company, many affordable housing providers (regardless of exempt status pursuant to the Costa-Hawkins Rental Housing Act) have expressed a willingness to adhere to the Rent Board’s “banking” regulation for rent-controlled units, which limits annual rent increases to the Annual General Adjustment rent increase plus up to five percent of any “banked” rent increases (due to deferred rent increases in prior years.) It remained unclear, however, whether the owners of Heritage Park at Hilltop Apartments shared this position.

This past Friday, June 8, 2018, Paige and I received notification from the ownership entity of Heritage Park at Hilltop Apartments of their intent to comply with the proposal put forth by fellow affordable housing providers and amend the rent increase notices originally effective July 1, 2018. While it is evident there are details that have yet to be determined, I wanted to alert you of this new development in a timely manner, as it may alter plans for upcoming City Council and Rent Board meetings. At the June 20, 2018, Regular Meeting of the Rent Board, we will provide a formal update to the Board and members of the public regarding the outcomes and recommended action concerning our communication and negotiation with affordable housing providers.

Many thanks are owed to participating affordable housing providers (see attached minutes from our conference call on May 18), members of the Rent Board and City Council, and Heritage Park residents for bringing this issue to our attention and taking creative steps to reach what I hope is a reasonable resolution.

We will continue to attend to this issue and keep you updated of any significant future developments. In the meantime, please feel free to contact me should you have any concerns or wish to discuss further.

Nicolas Traylor

Executive Director- City of Richmond Rent Program
510-620-6564