

# 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:** In fall 2017, the Rent Program Department embarked on the first billing cycle of the Rental Housing Fee. Since the Rental Housing Fee is the Rent Program's sole source of revenue for the foreseeable future, staff members utilized a proactive approach to billing and collection. At the request of the Rent Board Chair, staff members have prepared a presentation of the methodology for billing of the Rental Housing Fee.

## 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 regarding the methodology employed for the first billing cycle of the Rental Housing Fee – Rent Program (Nicolas Traylor 620-6564.)

AGENDA ITEM NO:

**H-3.**



# AGENDA REPORT

**DATE:** June 20, 2018  
**TO:** Chair Gray and Members of the Rent Board  
**FROM:** Nicolas Traylor, Executive Director  
**SUBJECT:** RENTAL HOUSING FEE BILLING METHODOLOGY

## **STATEMENT OF THE ISSUE:**

In fall 2017, the Rent Program Department embarked on the first billing cycle of the Rental Housing Fee. Since the Rental Housing Fee is the Rent Program's sole source of revenue for the foreseeable future, staff members utilized a proactive approach to billing and collection. At the request of the Rent Board Chair, staff members have prepared a presentation of the methodology for billing of the Rental Housing Fee.

## **RECOMMENDED ACTION:**

RECEIVE a presentation regarding the methodology employed for the first billing cycle of the Rental Housing Fee – Rent Program (Nicolas Traylor 620-6564.)

## **FISCAL IMPACT:**

There is no fiscal impact related to this item. As of June 8, 2018, the Rent Program Department has collected approximately \$1.8 million in Rental Housing Fee revenue from 12,491 Rental Units. This figure represents approximately 64 percent of the total Rental Housing Fees assessed for Fiscal Year 2016-17 and Fiscal Year 2017-18.

## **DISCUSSION:**

### Background

The Rent Program Department is designed to function as a cost-recovery department that operates without financial assistance from the City's General Fund.<sup>1</sup> Instead, the Department is funded by a Residential Rental Housing Fee, paid by all Landlords of Rental Units in the City of Richmond in accordance with Section 11.100.060(l)(1) of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance. The amount

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<sup>1</sup> At their meeting on December 20, 2017, Rent Boardmembers approved a [Reimbursement Agreement](#) between the Rent Board and City of Richmond to repay funds advanced by the City for program startup.

of the Rental Housing Fee is determined annually by the City Council following a recommendation from the Rent Board.

### Billing Methodology

In July 2017, IT Department staff members initiated the creation of the Rent Program's first comprehensive database of rental units in the City of Richmond utilizing a combination of data from the following sources:

- Rent Program enrollment form submission data;
- Residential Rental Inspection Program data;
- Section 8 Housing Choice Voucher data;
- The inventory of deed-restricted, affordable housing developments compiled by Rent Program staff members;
- Rental Business License data; and
- Contra Costa County Assessor data.

The first billing cycle of the Rental Housing Fee was completed with assistance from the City's IT and Finance Departments with Management Partners, a management consulting firm, operating in an advisory role. In November 2017, Rent Program staff members embarked on the first billing cycle of the Rental Housing Fee. Invoices were mailed to approximately 23,500 Rental Units identified in the City's database of total Rental Units. In many respects, the first billing cycle functioned as an additional public education and exemption verification project; approximately 4,087 suspected Rental Units mailed invoices for the Rental Housing Fee have been removed from the database following verification of exemption. This represents a correction rate of approximately 17 percent.

A description of each task associated with the first billing cycle, including an explanation of potential sources of error, is contained in Attachment 1.

### Expense and Revenue Summary

Table 1, below, contains a summary of funds expended and collected for departmental operations in Fiscal Years 2016-17 and 2017-18. The discrepancy in funds expended versus those budgeted, particularly in Fiscal Year 2017-18, is due to the absence of the Rent Program Services Analysts, Hearing Examiner, and Staff Attorney positions (three highly paid positions) for the entirety of the fiscal year.

The projected expenditures for Fiscal Year 2017-18 indicate the Department will have a negative fund balance by the close of the 2017-18 Fiscal Year, unless robust compliance efforts are undertaken to collect unpaid Rental Housing Fee revenue. Additionally, given the litigious nature of Rent Programs, it is important the Department establish adequate reserves for unanticipated expenses.

**Table 1: Expense and Revenue Summary**

<b>Fiscal Year</b>	<b>Budgeted Amount (Excluding Reserves)</b>	<b>FUNDS EXPENDED</b>	<b>Revenue Collected (as of 6/11/18)</b>
<b>2016-17</b>	<b>\$920,347</b>	<b>\$789,592</b>	<b>\$789,592<sup>2</sup></b>
<b>2017-18</b>	<b>\$1,940,271</b>	<b>\$1,148,897<sup>3</sup></b>	<b>\$1,034,853</b>
<b>Total</b>	<b>\$2,860,618</b>	<b>\$1,938,489</b>	<b>\$1,824,445</b>

*Source: City of Richmond Rent Program, 2018 (reports generated using TrakIT and MUNIS software systems.)*

Next Steps

Staff members are continuing to process completed Declaration of Owner Occupation and/or Exemption forms. In the coming weeks, staff members will mail an additional 1,000 Rental Housing Fee invoices for past due payment to property owners. Unpaid fees will be referred to the Staff Attorney and Compliance Officer for investigation and possible legal action.

**DOCUMENTS ATTACHED:**

Attachment 1 – Billing Methodology

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<sup>2</sup> The 2016-17 and 2017-18 Rental Housing Fees were billed concurrently beginning in October 2017. As such, the figure shown represents an allocation of the total revenue collected to cover expenses incurred in FY 2016-17.

<sup>3</sup> Represents YTD and projected expenditures for the entire fiscal year.

# ITEM H-3 ATTACHMENT 1

City of Richmond Rent Program

## FY 2016-17 & FY 2017-18 RENTAL HOUSING FEE BILLING METHODOLOGY

#	Date	Task	Data Source(s)	Unanticipated Outcomes
1	July 2017	<p><i>Phase One of Database Creation</i></p> <ul style="list-style-type: none"> <li>-Individual unit records are created in Traktit</li> <li>-Fees are assessed on each record</li> </ul>	<ul style="list-style-type: none"> <li>(a) Residential Rental Inspection Program database of rental units</li> <li>(b) Rent Program enrollment form</li> <li>(c) Inventory of Affordable Rental Units prepared by Rent Program staff members</li> </ul>	<ul style="list-style-type: none"> <li>-The Residential Rental Inspection Program operates on a three-year inspection cycle; therefore, some data received was “stale” – e.g. there were ownership and rental status changes that were not captured in the database.</li> <li>-Validation of submission data is not possible using CivicPlus online forms. As such, information in the enrollment form could not be verified prior to submission.</li> </ul>
2	September 2017	<ul style="list-style-type: none"> <li>-Rent Program staff mail a packet of information to all owners of <i>suspected</i> rental units, using the following criteria:               <ul style="list-style-type: none"> <li>(1) No Homeowner’s Tax Exemption filed; OR</li> <li>(2) Site address and owner’s mailing address are different</li> </ul> </li> <li>-Owners are asked to either enroll their rental units or complete the Declaration of Owner Occupation and/or Exemption if the property is not rented. To claim owner-occupied status, property owner must submit a copy of their PG&amp;E (or solar energy) bill.</li> </ul>	<p>Contra Costa County Assessor Data</p>	<ul style="list-style-type: none"> <li>-Many property owners who live in their homes may not know about the Homeowner’s Tax Exemption; therefore, this is not always a reliable indicator of rental status.</li> <li>-Some property owners prefer to have their address on file with the County as a PO box. In this case, the site address and mailing address would not match; however, this may not always indicate rented status.</li> </ul>

## ITEM H-3 ATTACHMENT 1

### City of Richmond Rent Program

#	Date	Task	Data Source(s)	Unanticipated Outcomes
3	October – November 2017	-Rental Housing Fee invoices are printed and mailed	Rental Unit data in TrakIt	Owner mailing addresses on file with the County are not always accurate; hundreds of invoices were returned to sender or came back as undeliverable due to incomplete or incorrect address.
4	February 2, 2018	<b><i>Rental Housing Fee is due</i></b>		
5	April 2018	<p><i>Phase Two of Database Creation</i></p> <p>-Additional unit records are created in TrakIt; fees are assessed on each record</p> <p>-Late fees are assessed on each record with outstanding Rental Housing Fees</p>	<p>(a) Rental Units participating in the Section 8 Housing Choice Voucher Program</p> <p>(b) Properties with a “Rental” Business License</p>	-Many commercial properties have been issued a Rental Business License that is not necessarily a <i>residential</i> business license. On the Business License application form, APN was not consistently recorded; therefore, staff members were unable to verify residential land use as recorded with the County. There were also unintended benefits: through this exercise, staff members identified multiple Rental Units housed on the same parcel with commercial uses
6	May/June 2018	Past due invoices with late fees assessed are printed and mailed to all units in database with outstanding Rental Housing Fee(s).	Rental Unit data in TrakIt	<p>-Original invoices mailed to an outdated address may have never made it to the owner.</p> <p>-Owner Declarations for owner-occupied properties may have never been completed and returned to the Rent Program for processing.</p> <p>-Over 500 returned Declarations were submitted incomplete or incorrectly and were unable to be processed.</p>

**ITEM H-3  
ATTACHMENT 1**

City of Richmond Rent Program