

AGENDA ITEM REQUEST FORM

Department: Rent Program

Department Head: Nicolas Traylor

Phone: 620-6564

Meeting Date: November 14, 2018

Final Decision Date Deadline: November 14, 2018

STATEMENT OF THE ISSUE: At the April 18, 2018, regularly scheduled Rent Board meeting, several residents from Heritage Park apartments gave comments on rent increases and safety on the property. Chair Gray directed Legal Counsel to address the concerns brought forth by these residents and provide information about the application of the Rent Ordinance to the property. On June 20, 2018, the Rent Board appointed two of its members to an Affordable Housing Ad Hoc Committee to develop a voluntary agreement with affordable housing providers, in conjunction with Rent Program staff. The purpose of this agreement was to limit sudden rent increases in these units and address other concerns raised by Tenants regarding habitability, health and safety issues. After several meetings and discussions with providers and Tenant stakeholders, the Ad Hoc Committee recommends that the Rent Board review and discuss the proposed limit on maximum rent increases for LIHTC 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

- Presentation/Proclamation/Commendation (3-Minute Time Limit)
- Public Hearing Regulation Other:
- Contract/Agreement Rent Board As Whole
- Grant Application/Acceptance Claims Filed Against City of Richmond
- Resolution Video/PowerPoint Presentation (contact KCRT @ 620.6759)

RECOMMENDED ACTION: (1) RECEIVE an update from the Ad Hoc Committee on their efforts to reach an agreement with affordable housing providers to address rent increases and living conditions in Low-Income Housing Tax Credit developments; and (2) DISCUSS proposed strategies to mitigate destabilizing rent increases and address living conditions in Low-Income Housing Tax Credit developments – Rent Program (Nicolas Traylor 620-6564).

AGENDA ITEM NO:
J-2.



AGENDA REPORT

DATE: November 14, 2018
TO: Chair Gray and Members of the Rent Board
FROM: Affordable Housing Ad Hoc Committee
SUBJECT: AD HOC COMMITTEE REPORT AND RECOMMENDATION

STATEMENT OF THE ISSUE:

At the April 18, 2018, regularly scheduled Rent Board meeting, several residents from Heritage Park apartments gave comments on rent increases and safety on the property. Chair Gray directed Legal Counsel to address the concerns brought forth by these residents and provide information about the application of the Rent Ordinance to the property. On June 20, 2018, the Rent Board appointed two of its members to an Affordable Housing Ad Hoc Committee to develop a voluntary agreement with affordable housing providers, in conjunction with Rent Program staff. The purpose of this agreement was to limit sudden rent increases in these units and address other concerns raised by Tenants regarding habitability, health and safety issues. After several meetings and discussions with providers and Tenant stakeholders, the Ad Hoc Committee recommends that the Rent Board review and discuss the proposed limit on maximum rent increases for LIHTC units.

RECOMMENDED ACTION:

(1) RECEIVE an update from the Ad Hoc Committee on their efforts to reach an agreement with affordable housing providers to address rent increases and living conditions in Low-Income Housing Tax Credit developments; and (2) DISCUSS proposed strategies to mitigate destabilizing rent increases and address living conditions in Low-Income Housing Tax Credit developments – Rent Program (Nicolas Traylor 620-6564).

FISCAL IMPACT:

There is no fiscal impact related to this item at this time.

DISCUSSION:Background

There are approximately 4,283 governmentally-subsidized rental units in Richmond, representing about 20 percent of the city's rental housing stock. Of these, approximately 2,702 receive Low-Income Housing Tax Credits (LIHTC). The maximum rents in LIHTC units are determined annually by the California Tax Credit Allocation Committee (TCAC) based on Area Median Income for the Oakland-Fremont, CA HUD Metro FMR Area, which contains Alameda and Contra Costa counties. The methodology employed by HUD to calculate Area Median Income may not accurately reflect median income for Richmond Tenants, given income disparities between the City of Richmond and Contra Costa County as a whole. It is important to note that historically, annual increases to TCAC maximum rents have averaged between two and three percent (similar to, if not lower than, the percentage applied to Controlled Rental Units). However, between 2016 and 2018, TCAC maximum rents rose nearly 24 percent, due to increases in Area Median Income for Alameda and Contra Costa counties.

On November 15, 2017, the Richmond Rent Board adopted Regulations 202 and 204 (formerly Regulation 17-01) exempting "governmentally subsidized rental units" from the rent control provisions of the Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance (Rent Ordinance). There were three main arguments for exempting governmentally subsidized units. First, such units were already rent-regulated and rent levels are set at below-market levels at the onset of a tenancy. Second, adding another layer of regulation would potentially increase the administrative complexity for a Rent Program still in its early stages of development. Third, most rent control jurisdictions exempt governmentally subsidized units and do so in part to encourage Landlords to rent to low-income Tenants or build affordable housing.

In March 2018, Tenants at multiple LIHTC developments in Richmond received rent increases in of up to 12 percent. Although these increases were permitted by TCAC and followed several years of minimal rent increases, they were around three times what a Tenant in a Controlled Rental Unit could have received. Soon after, around thirty Tenants from the Heritage Park at Hilltop senior development raised concerns about these increases to both the City Council and the Rent Board. They expressed fears that 12 percent rent increases would leave some seniors on fixed incomes homeless and others unable to buy medication or enough food. Subsequently, at its June 20, 2018, meeting, the Rent Board appointed two of its members to an ad hoc committee to develop an agreement with 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. After further conversations with Tenants and providers, the Ad Hoc Committee has prepared proposed amendments to Regulation 204 (Attachment 1).

Key Issues Addressed by the Ad Hoc Committee

The Ad Hoc Committee aimed to resolve two main questions:

(1) Are TCAC’s rent restrictions sufficient to address “rent shock,” particularly in potentially-anomalous years like 2018, when Area Median Income and TCAC maximum rents increased more than 10 percent?

The key purpose of the Rent Ordinance is to “*promote neighborhood and community stability, healthy housing, and affordability for renters in the City of Richmond...*” The Rent Ordinance helps stabilize rents and provides eviction protections in a high-cost housing market. These provisions are aimed at protecting Tenants from displacement caused by “rent shock” or arbitrary evictions, allowing them to benefit from and contribute to Richmond’s improving economy. Although there is no universal definition for “rent shock”, the Rent Board’s standard for “rent shock” is reflected in two ways. First, under the Rent Ordinance, the Annual General Adjustment (AGA) in Controlled Rental Units is restricted to the 100 percent of the Consumer Price Index (3.6 percent for 2018). Second, pursuant to Regulation 602, in cases where a Landlord has not previously taken the allowed rent increases, they are restricted to 5 percent of these deferred or “banked” increases in addition to the AGA in any 12-month period.

While both Controlled Rental Units and LIHTC rental units are regulated by a governmental agency, their regulation processes are different. Unlike the Rent Board, TCAC does not regulate the percentage of rent increases; rather, it regulates the maximum rent an owner may charge, based on Area Median Income and household size. This regulatory scheme lacks limitations on the amount of an increase an owner may take at any one time to reach the TCAC Maximum Rent. Therefore, a Tenant in a LIHTC unit could still experience a large relative rent increase. At their May 2018 meeting, Rent Board members expressed concern that in years when the Area Median Income increases substantially, Tenants living in LIHTC units would not enjoy the same protections from “rent shock” as their counterparts in Controlled Rental Units.¹

(2) Are LIHTC Tenants in Richmond able to successfully assert their rights to safe and habitable living conditions?

The Rent Ordinance also provides Tenants with recourse if they experience a reduction in habitability, services or space. Tenants in Controlled Rental Units can use the Rent Adjustment Petition process to compel Landlords to provide healthy housing that meets local and state habitability standards. Since the Rent Board exempted LIHTC units from the rent control provisions of the Rent Ordinance, these Tenants do not have that option. However, Tenants in LIHTC units are able to participate in Rent Program mediation and can lodge complaints with TCAC. Additionally, providers are all required to provide onsite management and are bound by state law and TCAC regulations to

¹ Around half of the city’s LIHTC units also receive tenant- or project-based Section 8 subsidies. Tenants in those units typically pay no more than 30 percent of their household income to rent and are therefore unlikely to experience “rent shock” in the same way as LIHTC Tenants without such subsidies.

provide units that are safe and habitable. Affordable housing management is charged with responding to Tenant complaints in a timely manner and keeping units in good condition. In fact, LIHTC providers that are not providing safe and habitable housing or are overcharging Tenants can be subject to substantial financial penalties, including the recapture of tax credits in severe cases.

Rent Program staff regularly receives grievances from LIHTC Tenants regarding habitability, safety, and issues getting satisfactory responses from management. While LIHTC Tenants can be empowered to advocate for themselves by learning about their rights after consulting with Rent Program staff, both LIHTC Tenants and providers would benefit from the Rent Program's assistance through its mediation services. In phone calls and meetings, both affordable housing providers and Tenants have indicated their interest in mediation.

Conversations with Stakeholders

After Tenants from Heritage Park and other developments raised concerns to the Rent Program, staff set up a conference call on May 18, 2018, with 13 affordable housing providers to discuss whether or not their exemption from the rent control provisions of the Rent Ordinance could continue to be justified in light of the unusually large rent increases. In early June 2018, six affordable housing providers, representing approximately 63 percent of the deed-restricted units in the City of Richmond, submitted letters to the Rent Program indicating their willingness to limit annual rent increases in LIHTC units as a means to provide better housing stability for LIHTC Tenants. These providers initially proposed a rent increase limit of around 8 percent (Attachment 2).

On August 24, 2018, Rent Program staff met with Tenants and Tenant advocates of affordable housing. At this meeting, many expressed concerns about large rent increases leading to displacement and homelessness, particularly for low-income seniors and others on fixed incomes. Participants argued that an 8 percent rent increase limit, as proposed by affordable housing providers, would amount to a significant financial burden. Instead, the Tenants and advocates proposed a rent increase limit of 2 percent. Rent Program staff relayed these concerns to the affordable housing providers, who agreed to revise their proposal.

On October 15, 2018, providers submitted another letter to the Rent Program Executive Director indicating their willingness to limit their annual TCAC rent increases to no more than 6 percent (Attachment 3). Affordable housing providers argue that the large increases allowed these past two years are an exception and not the rule, as over the last 12 years, TCAC maximum rents have increased on average 2.6 percent.

Conclusion

The Ad Hoc Committee heard the concerns from both the affordable housing providers and Tenants regarding “rent shock” and healthy and safe housing. The Ad Hoc Committee has determined that the best method for engendering healthy, safe and stable housing is to adopt a resolution that formalizes the relationship between the Rent Board and affordable housing providers, and creates a process to review annual increase limits and living conditions in affordable rental units. For LIHTC units to remain exempt from the rent control provisions of the Rent Ordinance, they will need to demonstrate to the Rent Board on an annual basis that the state regulatory system as governed by TCAC adequately effectuates the purpose of the Rent Ordinance.

The Ad Hoc Committee therefore proposes:

- 1) A limit on rent increases in any 12-month period for Tenants in LIHTC units that do not receive a Section 8 subsidy as well;
- 2) A robust mediation process for LIHTC Tenants and providers;
- 3) A designated liaison (Rent Program staff member) who would address unresolved habitability complaints; and
- 4) A requirement that the Rent Program issue an annual report to the Rent Board on the state of affordable housing in Richmond, including but not limited to, rent increases, habitability issues, and eviction patterns. This report would be a key tool for the Rent Board in reviewing whether or not the exemption pursuant to Regulation 202 effectuates the purpose of the Rent Ordinance. This report would include a recommendation to the Rent Board as to whether or not to continue exempting LIHTC units from the rent control provisions of the Rent Ordinance.

DOCUMENTS ATTACHED:

Attachment 1 – Draft Amendments to Regulation 204

Attachment 2 – June 2018 letters from Affordable Housing Providers to Executive Director Nicolas Traylor with initial proposals

Attachment 3 – October 15, 2018 letter from Richmond Affordable Housing Community to Executive Director Nicolas Traylor

204. Maintaining an Exemption Pursuant to Regulation 202: Compliance with Applicable Laws and Regulations

- A. Notwithstanding Regulation 202, Rental Units described in Regulation 202 shall not be exempt from Section 11.100.070 of the Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance where the property owner has failed to substantially comply with all of the applicable provisions of the Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance, Rent Board Orders, Regulations, and/or Resolutions, as well as the Implied Warranty of Habitability as described in Civil Code 1941.1, and Richmond Municipal Code Section 6.40.040. This includes, but is not limited to, a property owners obligation to comply with the following:
- (1) Timely payment of all owing Residential Rental Housing Fee. For purposes of this provision, a payment shall be considered timely where a property owner remits payment of the Residential Rental Housing Fee within 30 calendar days from the date the Rent Program sends the invoice. Where there is a dispute in the amount owed, payment shall be considered timely where the owner remits payment of the Residential Rental Housing Fee within 30 calendar days from the date the Rent Program sends the amended invoice. However, where the dispute is wholly concerned with assessed late fees, payment shall be considered timely where the owner remits payment of the Residential Rental Housing Fee within 5 calendar days from the date the Rent Program sends the amended invoice or 30 calendar days from the date the Rent Program sent the initial invoice, whichever is later. If a dispute does not result in an amended invoice, payment shall be due within 30 calendar days from the date the Rent Program sent the initial invoice;
 - (2) Payment of the Business License Tax pursuant to Richmond Municipal Code Section 11.100.060(1)(1);
 - (3) Enrollment of all applicable Rental Units pursuant to Regulation 405(B);
 - (4) All of the applicable provisions set forth in Resolution 18-01; and
 - (5) Any and all requirements set forth in any regulatory agreement executed between a developer and/or property owner and a Federal, State, or government entity.
- B. Where Rent Program Staff members have determined a property owner has failed to comply with any of the obligations set forth in Regulation 204(A), Rent Program Staff members shall immediately notify the property owner in writing of the obligation(s) the property owner has failed to satisfy. The written notification must identify the specific obligation(s) the property owner has failed to satisfy and provide the property owner up to 60 calendar days from the date of mailing of the notification to bring itself into compliance with the identified obligation(s). If a property owner fails to timely comply with the obligation(s) identified in the Rent Program Staff member's written notification, Rent Program Staff members may agendize an item of noncompliance for the next regularly scheduled Rent Board meeting. The agenda item shall include an identification of the specific property that has failed to comply, specific findings of noncompliance, a recommendation of the removal of the

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exemption contained in Regulation 202 as it relates to the noncompliant property, and any other information Rent Program staff member(s) deems relevant.

- C. In addition to Regulation 204(A), Rental Units described in Regulation 202 shall not be exempt from Section 11.100.070 of the Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance where there is no longer in effect (a) a tenant with a Section 8 Housing Choice Voucher in the Rental Unit, (b) the Rental Unit is no longer in a Project-Based Section 8 Program, and/or (c) the Rental Unit is no longer rent restricted under a regulatory agreement and/or declaration of restrictive covenants.
- D. Nothing in Regulation 204(A) and/or Regulation 204(B) shall preclude tenants residing in Rental Units described in Regulation 202 from seeking advice or assistance from the Rent Program concerning applicable provisions of the Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance and utilizing the remedies provided in the Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance to the extent permitted by Federal, State, and local law.



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%).



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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

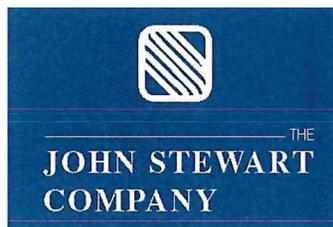


Exhibit 1: Historical 1-Bed 50% AMI Rents

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%).

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.

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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 J-2 ATTACHMENT 2

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

June 5, 2018

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Respectfully submitted,



Sydne Garchik
MRK Partners
Owners of Cypress and Monterey Pines

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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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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 J-2 ATTACHMENT 2

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, 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 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 while expenses continued to increase putting a significant financial strain on the City's affordable housing properties. Even 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%).

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.

ITEM J-2 ATTACHMENT 2

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

Respectfully submitted,



Paul Kudirka
Fairfield Residential
Owner of Baycliff Apartments

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

ITEM J-2 ATTACHMENT 3

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

October 15, 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 revise our proposal to protect residents living in restricted affordable developments against "rent shock" during years with abnormally high TCAC allowable rent increases. As discussed on September 26th, there are multiple factors leading to our original rent cap proposal of an 8% annual increase but we were willing to get together as a group to see if we would be comfortable bringing this down without creating future financial burdens for our properties.

After ownership review, **we are now willing to accept a 6% annual rent cap** and feel strongly that this is both a fair concession and where all our groups need to end up in order to not create an undue financial burden on our properties or the residents for the following reasons:

- As you know, rents for tax credit units are heavily restricted with some properties 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 and was a catch up for several years with little or no increases. For example, there were **no** rent increases from 2012 to 2015 while expenses continued to increase at our properties (utilities, wages, etc.), putting a significant financial strain on our properties and the City's affordable housing stock. Even 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). *Limiting to less than 6% will prevent the affordable communities from effectively catching up to expenses after multiple years of flat or minimal increases.*
- As tenants are feeling the pressure from rent shock, property owners are dealing with a similar pressure from abnormal increases in expenses. Utilities, personnel wages, repairs and maintenance, and general contracts continue to rise. For example, since 2004, PG&E has had an average annual increase of 5%, which as you can see from Exhibit A outpaces the annual average of affordable rent increases over the same time period. Further restricting our ability to make up these costs could eventually cause a financial strain and erode the quality of the affordable housing stock that strongly contributes to the Richmond community.

TCAC properties in particular are structured to provide a level of rent stability for the residents while their income increases. Rents are set at 30% of a particular Area Median Income (AMI), but a resident's income can increase without their rent increasing. Thus, a resident paying the rent for the 50% AMI can be making income that is 55% of the AMI and still only pay the rent of 30% of the 50% AMI. This allows residents to increase their disposable income and receive the full benefit of their increased income without a portion of it going to rent. We recognize that we have residents who are on a more fixed

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ATTACHMENT 3

income structure, such as seniors on Social Security Income, and this is the primary group that has responded to the large increases allowed by TCAC. We acknowledge a need to take their concerns into consideration as well and are willing to voluntarily accept a 6% maximum cap on annual increases, but as stated above, our properties need to keep pace with rising costs for utilities and services.

Our goal is to provide safe and affordable housing and a critical component for achieving that goal is to have sufficient income at the property to pay staff and vendors to maintain the property.

Respectfully submitted,

Richmond Affordable Housing Community

Exhibit 1: Historical 1-Bed 50% AMI Rents

	Rent	Growth	Growth (Hold Harmless)	Avg. 2000 to Date
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