

**REVISED FISCAL YEAR  
2019-20 BUDGET AND  
RENTAL HOUSING FEE  
STUDY**

CITY OF RICHMOND RENT PROGRAM

ITEM G-1 | March 20, 2019 Regular Rent Board Meeting

[www.richmondrent.org](http://www.richmondrent.org)

# STATEMENT OF THE ISSUE

- ❖ **In accordance with Section 11.100.060(n) of the Rent Ordinance, prior to July 1, the Board is required to hold a public hearing on a proposed budget and adopt an annual budget for the ensuing fiscal year.**
  - The budget shall be funded by the Residential Rental Housing Fee, which is approved by the City Council following a recommendation from the Rent Board.
- ❖ **At their meeting on February 20, 2019, the Board provided feedback and direction to staff regarding the proposed budget options for Fiscal Year 2019-20.**
- ❖ **Utilizing this feedback, staff members have prepared revised budget options and a revised fee study for the Rent Board's consideration and potential adoption.**

# CONTENTS OF THIS PRESENTATION

**(1) Revised FY 2019-20 Budget Options**



**(2) Revised FY 2019-20 Rental Housing Fee Study**



**(3) Next Steps and Recommendations**



# (1) REVISED FY 2019-20 BUDGET OPTIONS

FISCAL YEAR 2019-20 BUDGET & FEE STUDY

# INCORPORATION OF RENT BOARD FEEDBACK

- ❖ **At their Regular Meeting on March 20, 2019, members of the Rent Board received and discussed a recommended Budget Option A, and an alternative Budget Option B, along with a draft corresponding Fee Study.**
- ❖ **The following slides contain a summary of modifications requested by members of the Board and a description of the actions taken by staff members to address each request.**

Requested Modification	Staff Recommendation
In hiring process, staff should give priority to a Staff Attorney that is fluent in both English and Spanish	The additional Staff Attorney has been budgeted as a bilingual position (in receipt of the 2% salary differential). If Budget Option A is approved, it is anticipated staff will work with staff in the Human Resources Department to ensure that the job announcement includes a statement that priority will be given to applicants who are fluent in Spanish.

# INCORPORATION OF RENT BOARD FEEDBACK (continued)

Requested Modification	Staff Recommendation
<p>Consideration of lost revenue in Fee Study – can lost revenue be captured in the adoption of next year’s fees?</p>	<p>Staff members do not recommend that lost revenue due to a change in the number of total Rental Units be considered in the calculation of the FY 2019-20 Fee Study, since the associated cost does not translate to a service rendered by the Rent Program. Instead, a reserve of 17% has been included in the Fee Study.</p>
<p>In the Fee Study, please show a chronology of the fees charged in all previous years</p>	<p>A table has been added to the revised 2019- 20 Budget and Fee Study (Table 7, page 21) to illustrate the Rental Housing Fees charged, and change in the fees over time.</p>
<p>Development of Financial Best Practices Guidelines for the Rent Board and staff (would include a policy for budget amendments)</p>	<p>The City’s existing budget practices document is contained in Attachment 2 of this report. The City Manager and Finance Director recommend that Rent Program staff retain a Financial Services Consultant to develop “best practices” and a long-term financial plan for the Rent Program. The estimated cost of such services is approximately \$20,000 and is included in Budget Options A and B.</p>

# INCORPORATION OF RENT BOARD FEEDBACK (continued)

Requested Modification	Staff Recommendation
<p>Development of financial projections to illustrate the financial impact of adding FTEs</p>	<p>Rather than relying on existing staff resources, the City Manager and Finance Director recommend that Rent Program staff retain a Financial Services Consultant to develop five-year projections for the Rent Program and examine the current staffing plan to identify strategies for efficiency. The estimated cost of such services, including the development of financial and budgetary “best practices” as described above, is approximately \$20,000 and is included in Budget Options A and B.</p>
<p>Please ensure adequate resources are allocated to staff training</p>	<p>Staff recommend that the original amount (\$2,000) budgeted for trainings and conferences be maintained. Staff do not anticipate the need for additional third party trainings, and many trainings, seminars, and conferences attended by staff charge nominal fees (if any).</p>

# ADDITIONAL MODIFICATIONS

- ❖ **The revised FY 2019-20 budget options also include the following revisions:**
  - ❖ **\$15,000 was allocated to contract legal counsel in the event of future errors and omissions claims**
  - ❖ **A separate line item for staff members in receipt of a two percent salary differential for bilingual capabilities is now included in the Salaries and Benefits section of the budget**
    - ❖ **Net impact: +\$10,523**
  - ❖ **Funds for office supplies were increased from \$6,000 to \$9,000 in observation of current year spending and to ensure adequate funds are allocated to the various supplies necessary in each Departmental unit**

# BUDGET OPTION SUMMARY

	Description of Significant Changes	Estimated Cost of Significant Changes	Total Budget (including 17% reserves)	Corresponding Rental Housing Fee (rounded up to closest dollar)
<b>Budget Option A (Recommended)</b>	<ul style="list-style-type: none"> <li>-Three additional FTEs</li> <li>-Increased funds for community legal services</li> <li>-Increase funds for computer equipment</li> <li>-Increase funds for translation services</li> <li>-Add funds for legal research subscription</li> </ul>	\$462,328	\$2,923,584	<p>Fully Covered Units: \$212/unit</p> <p>Partially Covered Units (incl. Governmentally Subsidized Units): \$112/unit</p>
<b>Budget Option B (Alternative)</b>	<ul style="list-style-type: none"> <li>-One additional FTE</li> <li>-Increased funds for community legal services</li> <li>-Increase funds for computer equipment</li> <li>-Increase funds for translation services</li> <li>-Add funds for legal research subscription</li> </ul>	\$225,346	\$2,883,390	<p>Fully Covered Units: \$210/unit</p> <p>Partially Covered Units (incl. Governmentally Subsidized Units): \$109/unit</p>

**(2) REVISED FY 2019-20  
RENTAL HOUSING FEE STUDY**  
DRAFT FISCAL YEAR 2019-20 BUDGET & FEE STUDY

# RENTAL HOUSING FEES FOR EACH BUDGET OPTION

UNIT COUNTS		BUDGET OPTION A FEES (PER UNIT)	BUDGET OPTION B FEES (PER UNIT)
TOTAL EXPENDITURES:		\$2,923,584	\$2,883,390
FULLY COVERED UNITS	<b>7,802</b> (1,948 less than FY 18/19)	\$212	\$210
PARTIALLY COVERED UNITS	<b>11,457</b> (1,076 more than FY 18/19)	\$112	\$109
TOTAL REVENUE:		\$2,937,208	\$2,887,233

# COMPARISON OF PROPOSED FY 2019-20 FEE TO PRIOR YEARS

FISCAL YEAR	FEE TIERS	FULLY COVERED RENTAL UNITS	PARTIALLY COVERED RENTAL UNITS	GOVERNMENTALLY SUBSIDIZED RENTAL UNITS
2017-18 (includes half of FY 2016-17)	One	\$145	\$145	\$145
2018-19	Three	\$207	\$100	\$50
2019-20 (Proposed Option A)	Two	\$212	\$112	\$112

# THE PROPOSED ELIMINATION OF A “THIRD TIER,” LESSER FEE FOR GOVERNMENTALLY-SUBSIDIZED RENTAL UNITS

- ❖ Under the adopted structure for the Fiscal Year 2018-19 Rental Housing Fee, governmentally-subsidized Rental Units were responsible for approximately half of the “Program” layer, half of the “Just Cause for Eviction” layer, and none of the “Rent Control” layer of the Rental Housing Fee.
- ❖ Based on the services rendered and staff time dedicated specifically to Tenants and providers of affordable housing in Fiscal Year 2018-19, the same structure for the Fiscal Year 2019-20 Rental Housing Fee is no longer supported.
- ❖ The services offered to Tenants and Landlords of governmentally-subsidized rental units are the same as those offered to partially covered rental units; therefore, the fee should be same between these units.
- ❖ Instead, staff recommend that governmentally subsidized rental units be subject to the fee for Partially Covered Rental Units, since governmentally subsidized rental units are currently exempt from rent control pursuant to Rent Board Regulation 202.

# COMPARISON TO PEER JURISDICTIONS

JURISDICTION	PROGRAM BUDGET (FY 18-19)	RENT-STABILIZED UNITS	FY 2018-19 FEES (PER UNIT)	MEDIAN GROSS RENT (2013-2017 ACS 5-YEAR ESTIMATE)
<b>ACTIVELY ENFORCED RENT PROGRAMS</b>				
BERKELEY	\$5,172,000	19,093	\$250.00	\$1,523
SANTA MONICA	\$5,241,630	27,542	\$198.00	\$1,669
EAST PALO ALTO	\$431,100	2,325	\$222.00	\$1,613
RICHMOND	\$2,923,584 (proposed Option A for FY 19-20)	7,802 fully covered units; 11,457 partially covered units	\$212.00 for fully covered units; \$112.00 for partially covered units (proposed Option A for FY 19-20)	\$1,329
<b>PASSIVELY ENFORCED RENT PROGRAMS</b>				
LOS ANGELES	\$10,624,185	631,000	\$24.51	\$1,302
OAKLAND	\$2,795,050	65,000	\$68.00	\$1,255
WEST HOLLYWOOD	\$2,580,521	16,805	\$144.00	\$1,490
ALAMEDA	\$1,789,000	14,899	\$106	\$1,607
SAN FRANCISCO	\$8,545,317	173,000	\$45.00 for apartments; \$22.50 for residential hotel rooms	\$1,709

# (3) NEXT STEPS AND RECOMMENDATIONS

FISCAL YEAR 2019-20 BUDGET & FEE STUDY

# NEXT STEPS

- ❖ **Upon the Rent Board's adoption of the Fiscal Year 2019-20 Budget and approval of the corresponding Residential Rental Housing Fee Study, staff members anticipate the following next steps:**
- ❖ **May 2019: the FY 2019-20 Residential Rental Housing Fee recommended by the Rent Board is brought before the City Council for potential approval**
- ❖ **August/September 2019: FY 2019-20 Residential Rental Housing Fee invoices are mailed**
- ❖ **October/November 2019: Residential Rental Housing Fee is due**

# RECOMMENDED ACTION

- ❖ **The recommendations put forth by staff for consideration are as follows:**
- ❖ **ADOPT** revised Fiscal Year 2019-20 Budget Option A;
- ❖ **RECEIVE** and **APPROVE** the Fiscal Year 2019-20 Residential Rental Housing Fee Study;
- ❖ **DIRECT** staff to prepare a resolution, consistent with the Rent Board's approved Fee Study and Budget, recommending to the City Council approval of the Fiscal Year 2019-20 Residential Rental Housing Fees in the amount of \$212.00 per Controlled Rental Unit and \$112 per Partially Covered Unit, which includes Governmentally Subsidized Rental Units; and
- ❖ **APPROVE** a revision to the salary of the Executive Director to reflect the budgeted amount in the Proposed FY 2019-20 budget, effective on July 1, 2019.

# **REGULAR MEETING OF THE RICHMOND RENT BOARD**

**March 20, 2019 | City Council Chambers**

# **GENERAL OVERVIEW OF APPEAL PROCESS**

# Rent Board Appeals

## Overview of Terms

**Appeal-** To seek review of a hearing examiner's decision by the Rent Board.

**Appellant-** The party who appeals the hearing examiner's decision

**Respondent-** The party responding to the appeal

**De novo-** "anew", hearing a case anew

**Remand-** Send a matter back to the hearing examiner with specific directions

**Affirm-** To confirm, ratify, or approve a hearing examiner's decision

**Reverse-** Overturn a hearing examiner's decision

**Record-** Any and all evidence submitted and admitted during the hearing with the hearing examiner.

**Stayed:** To put on hold

# Rent Board Appeals

## Appeal Process

- 30 days from the day of receipt of notice of hearing examiner's decision
- A party is presumed to have received the hearing examiner's decision 5 business days after it is mailed

# Rent Board Appeals

## Appeal Steps

- Appeals must be made on a Rent Program form.
  - Make sure to identify the specific ground your appeal is based on. The Board cannot consider an appeal that fails to state specific grounds of the appeal and specific facts/arguments supporting those grounds.*(Regulation 842 (A))*
  - The Appeal is limited to the record and is not an opportunity to re-litigate the issue unless otherwise specified by the Rent Board. Appeal and supporting documentation must be based on the Record.*(Regulation 842 (A))*

# Rent Board Appeals

## Submitting Appeal Form

- Once the appeals form is completed:
  - Send or personally submit the form to the Rent Program
  - Send a copy to the Respondent and their representative
  - Send a copy to the hearing examiner

# Rent Board Appeals

## Responding to an Appeal

- The Respondent must respond within 15 days from the date the appeal was filed
  - The response need not be on a Rent Program form, but it is highly encouraged that Respondents use a Rent Program form to submit a response
  - The Response is limited to the record and is not an opportunity to re-litigate the issue unless otherwise specified by the Rent Board
  - Send a copy to the Appellant and their representative

# Rent Board Appeals

## What happens when an Appeal is filed?

- The Hearing Examiner's decision is stayed pending appeal. (*Regulation 842 (B)*)
- Staff will prepare a recommended action to the Board, to either remand, modify, reverse, or affirm the hearing examiner's decision. (*Regulation 842 (C)*)

# Rent Board Appeals

## General Structure of an Appeal Hearing?

- Each party is allowed 7 minutes to present argument (*Regulation 842 (E)*)
  - Appellant argues first and is given 5 minutes
  - Respondent argues next and is given 7 minutes
  - Appellant has the last word and is given 2 minutes
- Where translation is required, that party shall have double the time to argue. (*Regulation 842 (E)*)
- The Board may allow more time to any party at its discretion (*Regulation 842 (E)*)
- Appellant carries the burden of proof of demonstrating substantial evidence exists to overturn the Hearing Examiner's decision

# Rent Board Appeals

## Appeal Hearing that is not De Novo

- Arguments must be based exclusively on the Record before the hearing examiner
- Parties shall not discuss or comment on factual matters or evidence not presented to the hearing examiner or officially noticed by Staff
- Parties may discuss legal matters and any pertinent issues on appeal
- The Board cannot consider any discussions, comments, or evidence brought up during the hearing that is not part of the Record

# Rent Board Appeals

## De Novo Appeal Hearing

- If the Board elects to conduct a hearing De Novo, then a new hearing on the matter will commence.
  - Parties will be permitted to call witnesses
  - Parties will be permitted to present evidence that was not presented at the prior hearing
  - Parties will be permitted to discuss factual matters that were not discussed at the hearing
  - Parties will not be permitted to exceed the scope of the petition in which the matter was brought
- Where the Board elects a De Novo hearing, the Board may continue the matter to give parties appropriate time to prepare their matter.

# Rent Board Appeals

## Ruling on an Appeal

- After hearing arguments from both sides, the Board will take a vote.
  - 3 Board members are required to affirm, modify, remand, or reverse the decision of a hearing examiner
- Any decision the Board reaches must be supported by written findings of facts and conclusions of law.
  - However, the Board may vote to adopt Staff's recommendation unchanged. In that case, the parties to the appeal will be notified only of the Board's decision
  - When the Board does not adopt staff recommendation as written, a written decision of the Board must be mailed to all parties

# Rent Board Appeals

## Decorum

- Each party is to be respectful and not interrupt one another
- Parties must solely address the Rent Board, unless there is a De Novo hearing where parties are permitted to engage in cross examination
- Address the Rent Board respectfully
- In the event that you hear a comment that you disagree with, hold your response until it is your time to address the Rent Board
- Be aware that the Rent Board may interrupt you at anytime with questions of its own