

DISCUSSION YEAR 2022-23
BUDGET OPTIONS AND RENTAL
HOUSING FEE
CITY OF RICHMOND RENT PROGRAM

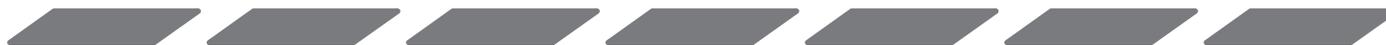
ITEM G-1 | February 16, 2022 Regular Rent Board Meeting
www.richmondrent.org

CONTENTS OF THIS PRESENTATION

(1) Rent Program Mission Statement, Organization and Goals



(2) Discuss Fiscal Year 2022-23 Budget and Fee Options



(3) Receive Direction from the Board



STATEMENT OF THE ISSUE

- ❖ In accordance with Section 11.100.060(I) of the Richmond Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance, the amount of the Residential Rental Housing Fee will be determined by the City Council after a recommendation by the Board is provided to the City Council.
- ❖ Prior to July 1, the Board shall 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.
- ❖ Staff members have prepared draft budget options and a corresponding draft fee study for the Rent Board's consideration and comment. The purpose of this item is to receive preliminary feedback from the Board prior to the scheduling of a public hearing for potential adoption of the Fiscal Year 2022-23 budget.

RENT PROGRAM MISSION STATEMENT

The mission of the Rent Program is to promote neighborhood and community stability, healthy housing, and affordability for Richmond tenants through the regulating of those landlord/tenant matters that reasonably relate to rents and evictions, while maintaining a landlord's right to a fair return.

PROPOSED FY 2022-23 GOALS



PROPOSED FY 2022-23 GOALS

PROGRAM DEVELOPMENT

- ❖ Continue to invest in staff training and professional development to ensure staff members are knowledgeable on the requirements of the Rent Ordinance, Rent Board regulations, and related State and Federal laws.
- ❖ Continue to develop online services (e.g. filing system for the submission of Property Enrollment and Tenancy Registration forms, online appointment scheduling system, increasing zoom counseling sessions, as well as the filing of rent increase and termination of tenancy notices)

PROGRAM SUSTAINABILITY

- ❖ Maintain collection of the Rental Housing Fee (greater than 90% compliance) to solidify the Rent Program's reserves to assure the viability and meets the financial needs
- ❖ The sustainability of the agency is tied to the ability to retain, develop and effectively deploy staff resources in the most effective and efficient manner possible
- ❖ Continue to work collaboratively with other City departments to improve rental housing inspection options, Richmond's Rent Assistance Program, enforcement of the Relocation Ordinance, and the collection of other City fees (e.g. Business License Tax, Fire Prevention Services Fee, and Rental Inspection Program fee)
- ❖ Continue to develop and refine the Rent Program's database, transitioning from using the City's Trak-It database, to a new database solution designed to work specifically for the needs of the Rent Program. A more effective and efficient database will allow for more accurate billing, enhancing the Program's collection rate and improving the Program's ability to accurately track lawful rents, Hearing's decisions, eviction trends, etc. The anticipated long-term impact should be a decrease in overall long-term staff costs, by reducing the number of positions necessary to perform the work of the agency

OUTREACH

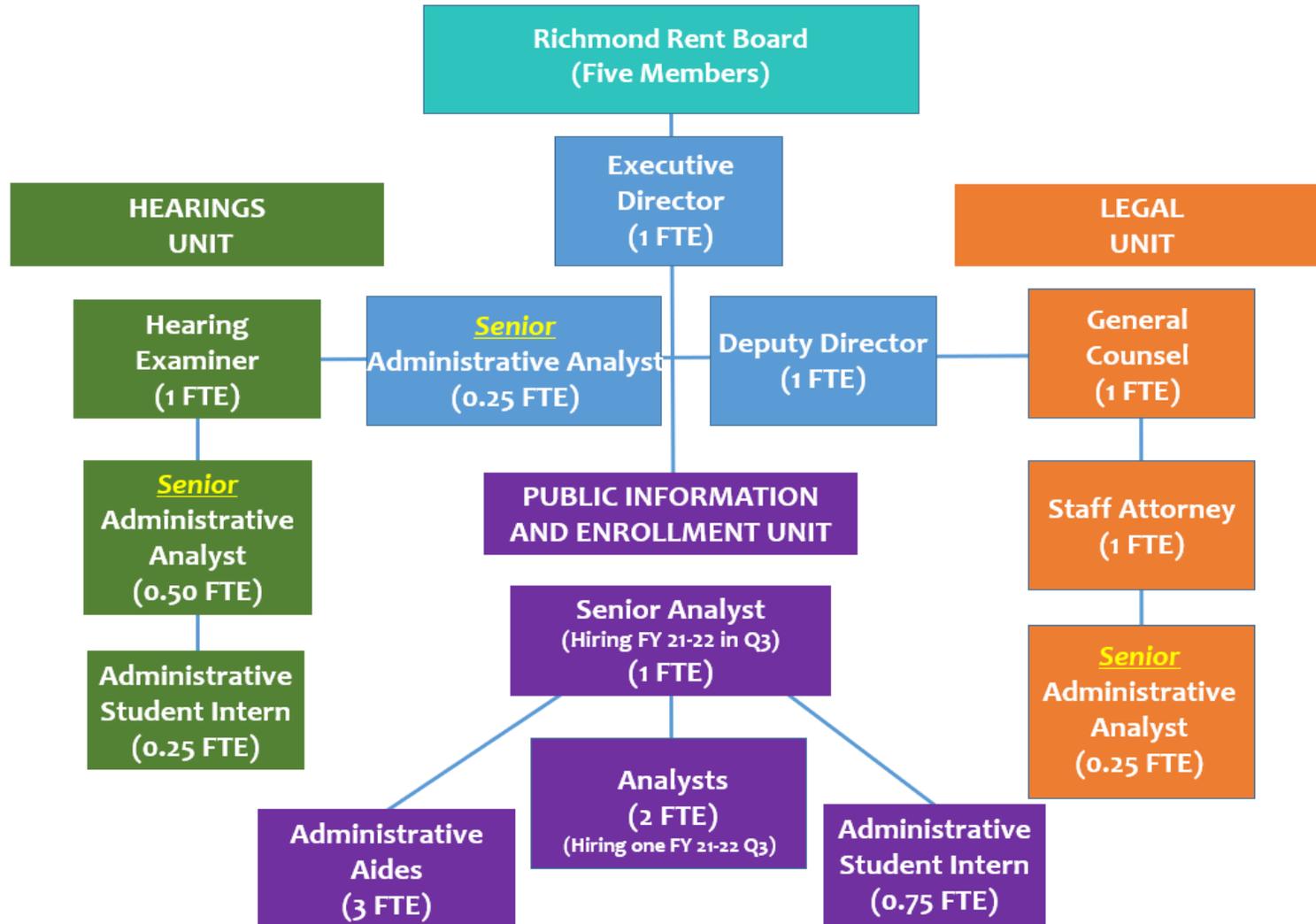
- ❖ Increase awareness of the Rent Ordinance by publicizing and distributing the comprehensive Guide to Rent Control in Richmond and continue to develop online outreach services (e.g. fact sheets and webinars and podcasts on new pandemic related laws and other common topics such as Just Cause for Eviction, Owner Move-In evictions, rent increases, the Rent Adjustment Petition process, the Ellis Act, and the Relocation Ordinance)
- ❖ Expand education efforts through targeted outreach to specific groups, such as (but not limited to) Tenants and providers of affordable housing, realtors, monolingual Spanish speaking households, small property owners and problem properties (those with code violations)
- ❖ Develop systems to produce Notices of the Maximum Allowable Rent (MAR) (sent to Landlords and Tenants when Tenancy Registration Forms are submitted), including a database accessible to the public where community members can research the MAR for a particular rental unit

EXPENSE AND REVENUE SUMMARY

FISCAL YEAR	BUDGETED AMOUNT	FUNDS EXPENDED	FEE REVENUE COLLECTED	COLLECTION RATE
2017-18	FY 16-17 (partial) \$1,150,433	\$1,967,834	\$2,753,351	77%
	FY 17-18 \$2,425,338			
2018-19	\$2,804,925	\$2,047,186	\$2,192,672	78%
2019-20	\$2,923,584	\$2,264,738	\$2,684,140	92%
2020-21	\$2,896,242	\$2,137,638	\$2,778,234	96%
2021-22 *	\$2,893,854	\$2,456,820	\$2,604,469	90% + Projected Collection

* 2021-22 projection to fiscal year end June 30, 2022, currently in Period 7

PROPOSED RENT PROGRAM ORGANIZATIONAL CHART



PROPOSED BUDGET PRIORITIES

Staff members recommend the Board consider the following line items to the Fiscal Year 2022-23 operating budget to support department operations (included in Budget Option A and Option B):

- ❖ Reclassification from Assistant Administrative Analyst to Senior Administrative Analyst (1 FTE) to assist with managing the Hearings Unit, provide administrative support to the Executive Director, and Legal Unit (*reallocation in Third Quarter of fiscal year*) **(\$6,738)**
- ❖ Increase current staff salaries for automatic Step Increases and a portion for cost of living (*executive, management, and staff level*) **(\$26,308)**

Note: Identified changes do not include significant changes to indirect costs, fringe benefits, changes in the cost of office space at City Hall, and an increase in network IT accounts.

PROPOSED BUDGET PRIORITIES

Funds for the following line items will remain flat or decreased in Fiscal Year 2022-23 for operations (included in Budget Options A and B):

- ❖ Professional and Administrative Services – Legal Services, Promotional Expenditures, other Professional Services. Note Option B will have an increase of \$100,000 in the line item for Professional Services/Information Technology **(\$545)**
- ❖ Other Operating Expenses – Mailings, Postage, Office Supplies **(\$9,470)**
- ❖ The Program is awaiting the Fringe Benefits, Cost Pool for Insurance, Administrative Charges, and Civic Center Allocation from the Finance Department which may impact the fee calculation.

PROPOSED BUDGET PRIORITIES – OPTION B

Professional and Administrative Services – increase of **\$100,000** in line item for Professional Services/Information Technology .

Proposal for the implementation of a cloud-based solution that is well-suited with the Program’s critical needs and goals.

The solution will consist of a CRM/Database to store all the rental unit data such as property addresses, landlord information, and activity log. The system would also integrate billing/invoicing, tenant registration, and petition case management.

PROPOSED BUDGET PRIORITIES – OPTION B

Challenges with current TRAKit system:

- Planform was developed for Building and Code Enforcement permit functions. The Rent Program leveraged the system and property data to operate as a CRM and billing
- Only one IT Staff member maintains and supports the entire system Citywide
- Program staff must manually update multiple data fields for **ALL** units of a property to revise any owner information update
- System does not integrate with other systems or website, version outdated, potential data loss with updated version
- IT Staff must create a custom script to generate a report, Program competing with other department priorities for report requests (Annual Reports/Billing)
- Owners have no access or visibility to property information, billing data, or tenancy (rent) information
- Tenancy Registration submitted to Program on paper and inputted manually
- Hearing Unit – Petitions (Case Management) process not implemented, staff

PROPOSED BUDGET PRIORITIES – OPTION B

Cloud based solution to offer functions to improve efficiency, accuracy, and stability:

- Consider platforms designed specifically for rent programs to offer CRM, billing/invoicing, online rent registration, and case management
- Support for entire interface, including technical, reports, and workflow changes
- Program staff can efficiently update property information
- System to integrate with other solutions and website, automatic version updates, and securely store data
- Property owners will have access to update and visibility to property information, billing data, or tenancy (rent) information online
- Reports can be generated and customized by internal staff
- Implement Annual General Adjustment and Maximum Allowable Rent calculator to aid property owners/managers with rent increases
- Accessible data will increase compliance with the Program and collection of fees

PROPOSED BUDGET OPTIONS AND CORRESPONDING ESTIMATED RENTAL HOUSING FEE (COMPARISON)

PROPOSED OPTION	DESCRIPTION OF SIGNIFICANT CHANGES	ESTIMATED COST (\$)	TOTAL BUDGET (INCLUDING OPERATING AND RISK RESERVES EQUAL TO 18% OF EXPENSES)	CORRESPONDING APPROXIMATE PROPOSED RENTAL HOUSING FEE (ROUNDED UP TO NEAREST DOLLAR)
OPTION A	Reclassification from Assistant Administrative Analyst to Senior Administrative Analyst Increase current staff salaries for automatic Step Increases and cost- of-living	\$33,046	\$2,978,210	Partially Covered Units: \$124/unit Fully Covered Units: \$219/unit
OPTION B	Reclassification from Assistant Administrative Analyst to Senior Administrative Analyst Increase current staff salaries for automatic Step Increases and a portion for cost-of-living and IT Database Solution – annual subscription and setup costs	\$133,046 (\$100,00 more than Option A)	\$3,096,210	Partially Covered Units: \$129/unit Fully Covered Units: \$228/unit

COMPARISON TO PEER JURISDICTIONS

Jurisdiction	Program Fees (FY 2021-2022)	Regulated Rental Units (Estimated)
Actively Enforced Rent Programs		
Berkeley	\$250 per unit	19,093
East Palo Alto	\$222 per unit	2,325
Richmond	\$218 per unit	7,515
	(Fully Covered Properties)	(Fully Covered Properties)
	\$123 per unit	10,208
	(Partially Covered Properties)	(Partially Covered Properties)
Santa Monica	\$198	26,565

10-YEAR FINANCIAL PROJECTION

FINANCIAL STABILITY RECOMMENDATIONS (First 3):

- 1. Maximizing revenue** – A significant challenge for the Rent Program is identifying all units that are subject to the Rental Housing Fee.
- 2. Inflationary increase for Rental Housing Fee** -The City includes an inflationary increase in most of its fees when it adopts its Master Fee Schedule each year. It determines the percentage increase based on the Employment Cost Index from the US Bureau of Labor Statistics. The Rent Board does not include inflationary increases for its fees. Large increases every few years are harder than smaller increases every year for both the Rent Board and the landlords. A steady planned increase in the fee allows planning by both parties, is consistent with the Rent Board’s need to match revenues and expenditures, and is logical to landlords.
- 3. Reserve policy** - The Government Finance Officers Association (GFOA) recommends that governments should maintain a prudent level of financial reserves to protect against reducing service levels or raising fees because of temporary revenue shortfalls or unpredicted one-time expenditures. Currently at 18%.

FY 2022-23 is in line with projected 10-year Financial Projection for Revenues and Expenditure

RECOMMENDED ACTION

- ❖ **RECEIVE** the proposed Fiscal Year 2022-23 Rent Program operating budget options and corresponding Rental Housing Fee and **PROVIDE** direction to staff.