

# AGENDA ITEM REQUEST FORM

Department: Rent Program

Department Head: Nicolas Traylor

Phone: 620-6564

Meeting Date: May 7, 2024

Final Decision Date Deadline: May 7, 2024

**STATEMENT OF THE ISSUE:** In accordance with Section 11.100.060(l) 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 1st, the Board is required to hold a public hearing on a proposed budget and adopt an annual budget for the ensuing fiscal year. On April 17, 2024, the Rent Board received a presentation from staff outlining budget requirements, the budget process/timeline, and discussed budget requirements with initial recommendations in the context of Program activity. Staff presented Program activity data that illustrated the need for additional resources. After the budget presentation, staff solicited Board members for feedback and budget priorities. The Board concurred that expanding outreach and education was a top priority. After the April 17, 2024, Regular Meeting of the Rent Board, staff reviewed the Budgeted versus Actual Revenue and Expenditure Report and projected expense burn rate and revenue to be collected. As a result, a probable deficit by the end of the current fiscal year (June 30, 2024) is expected. Staff are ramping up collection efforts for the remaining two months of the fiscal year to avoid a possible deficit. Considering the Program's current financial situation and the possibility that it may take time to increase the Program's collection rate, adding several new positions may lead to a mounting deficit. However, if the Board decides to add any new staff, those resources should focus on increasing the collection rate of the Rental Housing Fee and addressing the rise in Rent Adjustment Petitions filed.

## 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 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: Budget
- 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:** RECEIVE a presentation regarding the Rent Program's current financial situation and budget options. DIRECT staff to prepare a draft budget for fiscal year 2024-25, reflecting Budget Option 1 and Budget Option 2 with the Board's budget priorities incorporated in both options. (Nicolas Traylor/Fred Tran – 620-6564). ***This item was continued from the April 29, 2024, Special Rent Board Meeting.***

AGENDA ITEM NO:

**F-1.**

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# AGENDA REPORT

**DATE:** May 7, 2024

**TO:** Chair Cantor and Members of the Richmond Rent Board

**FROM:** Nicolas Traylor, Executive Director  
Fred Tran, Deputy Director

**SUBJECT:** Update on Current Financials and Budget Options

## STATEMENT OF THE ISSUE:

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**RECOMMENDED ACTION:** RECEIVE a presentation regarding the Rent Program's current financial situation and budget options. DIRECT staff to prepare a draft budget for fiscal year 2024-25, reflecting Budget Option 1 and Budget Option 2 with the Board's budget priorities incorporated in both options. (Nicolas Traylor/Fred Tran – 620-6564).

## FISCAL IMPACT:

There is no fiscal impact related to this item.

**DISCUSSION:**

At the April 17, 2024, Regular Meeting of the Richmond Rent Board, staff presented budget requirements, process/timeline, Program activity, and initial high-level recommendations. Key highlights of the presentation were that: Rent Program activity has increased significantly in the Hearings Unit, with petitions increasing by 388% compared to the previous fiscal year and billing and registration staff had a substantial backlog of work on late fee waivers, administrative determinations, property enrollment, and collections on delinquent accounts. The Board was also made aware of a notable increase in counseling, compliance outreach, legal service referrals, and the need for more reliable interpretation services. Fiscal year 2023-24 Program activity data revealed a need for additional resources to focus on increasing the collection rate, outreach, and education, and handling the rise in petitions filed. After the presentation, the Board agreed and directed staff to come back with a budget that focused on enhancing outreach, community engagement, and education. Staff were prepared to present budget options that included more resources for hearings/petitions, Rental Housing Fee compliance, collection, and enhanced outreach and education. After the April 17th Rent Board meeting, staff reviewed collection amounts at the end of the 3rd quarter and projected a deficit was probable by the end of the fiscal year (June 30, 2024).

Based on a possible and probable budget deficit of approximately \$277,000, adding staff resources may lead to mounting deficits if collection rates do not increase. Deficit spending is generally not recommended for other reasons as well. Those reasons include loss of Board autonomy from the City of Richmond and possible future cuts to Program activities and services to offset a growing debt.

Deficit Factors: Collections and Cost Pool Charges

The current projected budget deficit should inform the Board and assist with budget decisions. At present, the budget deficit, while projected, may not transpire, if two events occur:

- 1) If the staff's current efforts to increase collections for the last two months of the fiscal year are successful.
- 2) The other factor contributing to the projected deficit is the fact that the City of Richmond charged the Rent Program for cost pool charges that were challenged and not budgeted. A full cost allocation study was necessary before cost pool charges were to be established between the City and Rent Program. At present, the Executive Director and the City Manager are in negotiations regarding a waiver of future cost pool charges to incentivize collaboration between the City and the Rent Program.

Budget Options Considering a Probable Deficit

In the face of beginning the fiscal year with a probable deficit, staff recommend the Board consider two budget options:

**BUDGET OPTION 1:** Budget Option 1 is a status quo or base budget with an increase in mass mailing outreach funds and an increase in interpretation services to reduce the number of Board meetings being cancelled due to the service not being able to secure an interpreter. Budget Option 1 would be essentially the same as last fiscal year's budget with MOU negotiated salaries and fringe benefit increases. Staff are still estimating the cost for the additional interpretation service, but this increase is likely not be a permanent long-term cost as less costly artificial intelligence-based interpretation services continue to advance rapidly and may be an option in future fiscal years. To address one of the Board's top priorities, namely, outreach and community education, staff recommend including in Budget Option 1, an increase in the budget for mass mailings to all tenants and landlords, doubling mailings (from 2 to 4 times a year). Staff are still estimating the cost of doubling mass mailing projects, but the current mass mailing budget of \$30,780 would likely increase by at least 2-fold. A list of the proposed and planned mass mailings for fiscal year 2024-25 is attached to this report (Attachment 1).

In Budget Option 1, a most pressing need of the agency, more resources for Hearings related work could be satisfied through the reclassification of a vacant (entry level) Office Assistant position to an Administrative Trainee or similar position. Due to the incredible rise in petitions filed, hearings and appeals heard in fiscal year 2023-24, which frequently require interpretation, translation, and communication with mono-lingual Spanish speaking Tenants and Landlords, staff have determined that a journey level position is necessary to provide clerical support to the Hearing Unit. The overall reduced cost of reclassifying the Office Assistant to an Administrative Trainee would be around \$3,972 and would be budgeted to hire in the 2<sup>nd</sup> Quarter of fiscal year 2024-25.

**BUDGET OPTION 2** includes all aspects of Budget Option 1, plus the addition of one position, a Compliance Specialist, whose primary focus would be to increase the collection rate through focused collection efforts on delinquent accounts. An additional Compliance Specialist hired in Quarter 2 would add \$87,794 to the budget. Another significant duty of the additional Compliance Specialist would be to research, investigate, and find rental properties that have yet to enroll or pay the Rental Housing Fee. The additional cost of a Compliance Specialist, the logic goes, should be significantly or completely offset by the increase in collections achieved through the compliance work. For example, there are currently hundreds of rental properties and thousands of rental units that are delinquent in paying the required Rental Housing Fee. While the current projected budget deficit is around \$277,000, collection of those outstanding fees would more than offset the projected deficit. An additional Compliance Specialist would also focus on discovering new rental properties, which would increase the overall revenue collection and compliance rate.

Finally, as is recommended under Budget Option 1, to limit the increasing Rental Housing Fee, it would be advisable to budget for hiring the Compliance Specialist and reclassify the Office Assistant position in the 2<sup>nd</sup> Quarter of fiscal year 2024-25.

Addressing the Board's Top Budget Priority: Outreach and Education

As part of budget presentations for fiscal year 2023-24, Rent Program staff presented on the importance of outreach and education as a key element for enforcing the Richmond Rent Ordinance. In that presentation, staff went through various outreach and community education activities that were part of the Program's Comprehensive Outreach Plan. The Board was also advised of the significant impact the COVID-19 pandemic had on hampering some of the Program's outreach and community education activities. Among those activities was attendance at community events, networking with community partners (e.g. school district, non-profits), and in-person workshops. Since the Board adopted the Fiscal Year 2023-24 budget, staff have been incrementally preparing and implementing some of those activities. Attached to this report is an update on mass mailings, community canvassing, attendance at community events, and reinstatement of Saturday morning workshops (Attachment 1). Both Budget Option 1 and Budget Option 2 include additional funds for mass mailings to all tenants and landlords. Both budget options also include increased funds for in-person interpretation at Rent Board meetings.

Although staff anticipate counseling activity to continue to increase in fiscal year 2024-25, especially due to the trending increase in petitions related counseling and increased mass mailings and outreach, the appointment system created during the pandemic has allowed housing counselors to maintain a manageable case load (albeit community members sometimes wait a week or more before they can have their appointment). If counseling, (including mediation, legal service referrals and compliance outreach) activity continues to increase in fiscal year 2024-25, additional resources for counseling may be necessary for fiscal year 2024-25.

**DOCUMENTS ATTACHED:**

Attachment 1 – Outreach Plan Chart for FY 2024-25 Based on Board Priorities

# Comprehensive Outreach Plan

## Mass Mailing Projects:

Project	Audience	Estimated Date
"Know Your Rights" post-card	All landlords and tenants registered with the Richmond Rent Program.	May 2024-July 2024
Announcement of the 2024 Annual General Adjustment post-card	All landlords and tenants registered with the Richmond Rent Program.	July 2024-August 2024
Annual Fiscal Year Invoicing Project (includes informational materials)	Landlord-oriented	July 2024-September 2024
Just Cause for Eviction post-card	All landlords and tenants registered with the Richmond Rent Program	January 2025-March 2025
Courtesy Compliance Letters	Case-by-case basis; landlords and tenants	Ongoing
New Owner Outreach Project	Owner-oriented	Quarterly

## Comprehensive Outreach Plan

### Community Events:

Event	Date
East Bay Rental Housing Assoc. Presentation	Thursday, January 5, 2024
Sisters of Solidarity Event	Saturday, March 16, 2024
Park RX Day at Nicholl Park	Saturday, April 27, 2024
Cinco De May Event; 23rd Street, between Rheem Avenue and Clinton Avenue	Sunday, May 5, 2024
Farmer's Market on Fridays	1-2 times a month starting June 2024
3rd of July Fireworks Show at Marina Bay Park	Wednesday, July 3, 2024
Saturday Community Workshops	Starting September 2024

### Canvassing:

Location	Materials
Latina Center	Rent Program Flyers
Saint Cornelius Church	Rent Program Flyers
Richmond Public Library (all Richmond branches)	Rent Program Brochures and Flyers
Contra Costa County College (Student Services)	Rent Program Brochures and Flyers
Lifelong Medical Care	Rent Program Brochures and Flyers

## Comprehensive Outreach Plan

### Media:

Platform	Audience
Instagram	737 followers
Facebook	473 followers
PeachJar (not implemented)	Electronic announcements to all schools within Contra Costa County Unified School District
Listserv	Rent Program Email subscribers (approximately 1,551 subscribers)
City Manager's Weekly Report	City of Richmond Email subscribers

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