

AGENDA ITEM REQUEST FORM

Department: Rent Program

Department Head: Nicolas Traylor

Phone: 620-6564

Meeting Date: February 19, 2025

Final Decision Date Deadline: February 19, 2025

STATEMENT OF THE ISSUE: Under Section 11.100.060(I) of the Richmond Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance, the City Council sets the Residential Rental Housing Fee based on the Rent Board's recommendation. Before July 1, the Rent Board must hold a public hearing, propose a budget, and adopt an annual budget for the next fiscal year.

At the Board's direction, staff have explored potential alternative funding sources and will present the findings. An updated fiscal year 2025–26 Budget and Fee Study timeline has been prepared for Board review.

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> | |

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- 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:

RECEIVE a presentation detailing:

- Potential external funding sources, including private and government grants.
- Concerns and limitations of seeking such funds.
- The fiscal year 2025–26 Budget and Fee Study timeline.

For further inquiries, contact Nicolas Traylor or Fred Tran at 510-620-6564.

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AGENDA REPORT

DATE: February 19, 2025

TO: Chair Cantor and Members of the Rent Board

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

SUBJECT: DISCUSSION ON POTENTIAL EXTERNAL FUNDING SOURCES -
FISCAL YEAR 2025–26 BUDGET UPDATE

STATEMENT OF THE ISSUE:

Under Section 11.100.060(l) of the Richmond Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance, the City Council sets the Residential Rental Housing Fee based on the Rent Board's recommendation. Before July 1, the Rent Board must hold a public hearing, propose a budget, and adopt an annual budget for the next fiscal year.

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RECOMMENDED ACTION:

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FISCAL IMPACT:

There is no fiscal impact related to this item.

DISCUSSION:

Background and Context

At the December 18, 2024 Rent Board meeting, Board Member Dockens highlighted the Rent Ordinance's provision allowing the Rent Board to request and receive funding from "any available source" to cover reasonable and necessary expenses under Section 11.100.060(l). The Board directed staff to explore potential funding solutions, including grants, partnerships with the City, and strategies to improve compliance.

Rent Program Funding Structure

The Rent Program operates as a Special Revenue Fund, meaning its funding comes exclusively from Residential Rental Housing Fees and thus must be used only for program operations. These funds are separate from the City's General Fund to offer transparency and meet the accounting requirements under the Government Accounting Standards Board (GASB) guidelines.

Staff Research and Findings: External Sources Explored

California Grants Portal (www.grants.ca.gov): 13 grants were identified in housing, community, and economic development classification. However, none aligned with the Rent Program's regulatory scope. The www.grants.gov platform was also searched for potential funding opportunities. This site primarily caters to 501(c)(3) nonprofits and has strict eligibility requirements, making it unsuitable for the Rent Program's requirements and needs.

Nonprofit vs. Government Funding

501(c)(3) nonprofits have access to diverse funding options such as donations, crowdfunding, and membership fees, selling goods and services and event revenue, which are not available to the Rent Program as a Special Revenue Fund.

Although there are various types of government grants, such as Categorical Grants (grants designated for specific purposes with stringent guidelines), Block Grants (grants that fund broader purposes, utilized with a general fund functioning area such as community development or public health), Pass Through Grants (federal grants passed through to the state and then to local governments with state oversight), Competitive Grants (grants requiring proposals and awarded based on merit and alignment with grantor's objectives and grantees regulatory scope), and Federal Assistance Programs (grants for specific purposes, such as infrastructure, disaster relief or public safety enhancements). The Rent Program's external funding opportunities, including the grant categories mentioned above, are limited to grants that align with its regulatory mission. Government grants researched by staff included grants provided by the US Department of Housing and Urban Development (HUD), are related to addressing substandard housing and increasing affordable housing options. These grants do not align with the

regulatory scope of the Rent Program (i.e. regulating rents and evictions and providing recourse for fair return).

Other Types of Grants Available and Associated Restrictions

Grant Restrictions and Management Grants typically fall into two categories:

Restricted Grants: Funds must be used for specific purposes outlined in the grant application, often with limits on administrative costs.

Unrestricted Grants: Provide more flexibility but are much less common (only ~20% of available grants).

Grants also encompass varying reporting and management requirements. Other categories of grants may include other conditions such as the following:

Unconditional Grants: Minimal reporting; funds provided upfront.

Contingent Grants: Disbursed in installments tied to specific benchmarks.

Reimbursable Grants: Require expenses to be incurred and reported before reimbursement, often necessitating audits.

Other Types of External Funding Sources

Corporate Philanthropy

Corporate philanthropy encompasses a variety of funding opportunities, such as:

- Grants provided through corporate foundations.
 - Official partnerships or sponsorships.
 - One-time donations tied to specific campaigns, projects, or events.
 - Matching gift programs that match employee donations.
 - Volunteer grants are awarded based on employee volunteer hours.
 - Financial matches for employees raising funds through peer-to-peer initiatives.
 - Annual workplace giving programs benefiting local or partner nonprofits.
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Donor-Advised Funds (DAFs)

While not technically grants, donor-advised funds (DAFs) operate similarly. They serve as philanthropic giving accounts managed by sponsoring organizations such as financial service providers, community foundations, or single-issue charities with the following steps:

1. Funding the Account: Donors contribute funds into a designated investment account managed by the sponsoring organization.
2. Growing the Funds: The account's funds are invested and grow over time.
3. Making Donations: Donors decide when and which organizations will receive contributions from the fund.

DAF funders require that donations are used for their intended purpose, and these requirements directly influence how the funds are allocated and spent. The intended purpose of these donations, just as with grants must align with the regulatory scope of the Rent Program.

City of Richmond Classifications/Positions Tasked with Preparing, Managing, or Assisting with Grants

To undertake researching, identification, and writing of grants, the Rent Program would need an experienced grant writer. This individual would need to establish a reliable pipeline of grant opportunities and work with the City and Board to secure external funding. Budgeting for such a position would require careful consideration of long-term costs such as ongoing Cal-PERS (retirement) contributions and employee benefits. The Board and staff must also evaluate the probability of being awarded grants and how the funding coincides with the Rent Program's budgeting timeline.

Currently, the City does not have dedicated staff for grant management.

Instead:

- **Department Directors** typically oversee the application and management of grants. The department would collaborate with the Finance Department to track and budget costs.
- **City Council, Boards/Commissions** must approve all grants.

According to the City's Human Resources Department, no position is solely dedicated to managing grants. Instead, grant-related responsibilities are integrated into broader job classifications, allowing departments flexibility in assigning tasks.

City Positions That May Be Involved in Grant Writing and Management

The following roles may include grant-related duties, though they are not primarily focused on grants:

1. Administrative Analyst
2. Associate Administrative Analyst
3. Senior Administrative Analyst
4. Management Analyst
5. Senior Management Analyst

- 6. Executive Assistant I/II
- 7. Project Manager I/II/III

This flexible structure allows departments to assign grant tasks as needed while maintaining a broad scope of responsibilities across roles. Assigning the above-mentioned classifications to primarily write grants may face roadblocks from the employee Unions, arguing that such employees would be working outside the scope of their Memorandum of Agreement lists of duties.

High Level Overview of Practical and Legal Considerations

Overview of Practical and Legal Considerations for Seeking External Funding

When government regulatory agencies, such as the Rent Program, explore external funding sources like grants, they must navigate significant legal and practical challenges. Traditionally, these agencies rely on fee-based funding tied to their regulatory services. Seeking outside funding introduces complexities that, if not properly managed, could jeopardize the agency's integrity and effectiveness. Below are the key considerations:

1. Segregating and Managing External Funds

When external funding is acquired, it must be separated from standard fee-based income to ensure transparency and compliance with legal standards. This requires careful financial management, including distinct accounting for internal and external funds and related expenses.

2. Budgeting for Uncertain Revenues

External funding sources, such as grants, are often unpredictable. Planning initiatives or allocating resources based on these uncertain revenues can lead to budget shortfalls if funding does not materialize. Agencies must avoid committing expenses without guaranteed funding to remain compliant with fiscal regulations.

3. Justifying Staff Allocation for Fundraising

Assigning staff to pursue external funding must be justified, especially when these activities fall outside the agency's core regulatory duties. Careful balance is needed to ensure this does not divert resources from the agency's primary mission.

4. Differences Between Governmental and Non-Profit Budgets

Governmental regulatory agencies operate under stricter legal and budgetary constraints compared to non-profits, which typically have more flexibility in fundraising and spending. Government agencies must adhere to local, state, and federal regulations that tightly control how funds are managed and allocated.

5. Legal Risks of Overstepping Regulatory Authority

Engaging in fundraising beyond an agency's authorized regulatory scope can result in legal challenges. Such activities may be perceived as overreach and could invite scrutiny, potentially undermining the agency's credibility and authority.

6. Risks of Political Influence from Funders

Accepting external funds from politically affiliated entities poses risks of undue influence, which could compromise the agency's objectivity. For example, the *Citizens United v. FEC* Supreme Court decision highlighted concerns about the influence of external funding. Agencies must remain impartial and free from political bias to maintain public trust.

7. Potential Distraction from Core Responsibilities

Fundraising efforts can divert resources and attention away from the agency's primary regulatory mission. This may result in diminished effectiveness and public trust if core functions are neglected in favor of grant-seeking activities.

8. Challenges with Scope, Timing, and Funding Probability

The process of securing grants involves significant uncertainty. Key challenges include:

- **Regulatory Scope Alignment:** Grants must align with the agency's regulatory responsibilities.
- **Timing of Funding:** The availability of grant funds must coincide with the agency's budget process and deadlines.
- **Likelihood of Success:** The probability of receiving grants can be uncertain, making reliance on such funding a financially risky endeavor.

Long-Term Financial Stability of the Rent Program Budget and City Cost Pool Charges

The Rent Program's budget has faced some instability in past fiscal years due to fluctuating and increasing City cost pool charges. Introducing additional uncertainties by allocating funds to pursue outside funding sources could further destabilize the Rent Program's budget process.

Currently, the Cost Pool for General Liability Insurance, Workers' Compensation, Administrative Charges, and Civic Center Allocation (rent) remains unresolved, as no formal cooperation agreement exists. Rent Program leadership and the City of Richmond are engaged in ongoing discussions to establish a long-term Cooperative Agreement. Without this agreement in place, pursuing and budgeting for external funding may increase the complexity passing the program's annual budget.

To address immediate concerns and meet the current budget timeline, staff recommend prioritizing the establishment of a long-term cooperation agreement with the City of

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Richmond regarding cost pool charges. This approach would provide a more stable foundation for managing the Rent Program's budget moving forward.

Increasing Rent Program Revenue Through Compliance Efforts

The Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance (Rent Ordinance) allows the Rent Board to pursue outside funding sources to support its mission and strengthen financial stability. However, in the absence of external funding, the most effective way to achieve financial stability is to focus on improving compliance with the Residential Rental Housing Fee, which funds Rent Program services and activities.

Allocating staff resources to identify and investigate residential rental properties that have avoided Rent Program regulations, as well as collecting delinquent Residential Rental Housing Fees, offers the most direct path to long-term financial stability for the program. Strengthening compliance efforts ensures that the agency can fulfill its mission while maintaining a stable financial foundation.

Conclusion

Staff research has found no current local, state, or federal grants that align with the regulatory scope of the Rent Program. However, this does not mean such funding sources do not exist or may not exist in the future. For example, during the COVID-19 pandemic, the Rent Program successfully applied for and received a \$15,000 grant for emergency rent assistance outreach. Although rent assistance grants continue to exist, they are not a reliable source of funding for budgetary purposes.

While pursuing external funding could provide additional resources, it also introduces various legal and practical challenges. The Rent Program would need to address these challenges carefully to maintain its integrity, comply with legal requirements, and uphold its regulatory mission.

Staff recommend that the Board carefully weigh the legal and practical risks of incorporating external funding into the budget. To strengthen the Rent Program's financial stability, staff also suggest increasing resources dedicated to compliance efforts and the collection of Residential Rental Housing Fees.

DOCUMENTS ATTACHED:

Attachment 1- Timeline for FY 2025-26 Rent Program Budget

Attachment 2- Research sources DISCUSSION ON POTENTIAL EXTERNAL FUNDING SOURCES FOR - FISCAL YEAR 2025–26 BUDGET

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PROPOSED FY 2025-26 BUDGET AND FEE STUDY TIMELINE

Date	Task	Lead
February 1, 2025	Budget Kickoff Meeting with Rent Program – Review Proposed Timeline	Fred
February Regular Rent Board Meeting	Board Receives Timeline for Budget Adoption/Fee Study Approval/Approval of Fee/Billing	Nick
April 1, 2025	Newspaper announcement is sent to be published in the paper on Wednesday, April 5 & Saturday, April 8, 2025	Cindy
April Regular Rent Board Meeting (4/16/2025) <i>Packet published 4/11/2025</i>	PUBLIC HEARING HELD: Board receives revised FY 25/26 Budget and Fee Study and considers adoption (if not adopted, item may be continued in April and May, potential Special Meetings required)	Fred
City Council Meeting in April – April 29, 2025 (staff will insert placeholder for subsequent meetings in the event item requires several meetings) <i>(Item request due in eSCRIBE 4/11/22, supporting docs due 4/16)</i>	City Council Adopts Resolution Approving FY 25/26 Rental Housing Fee	Nick
May 2025	Rent Program staff notify Finance Department staff (Andrea Miller and Antonio Banuelos) of adopted fee for inclusion in the City’s Master Fee Schedule	Fred

Section 11.100.060(n) of the Rent Ordinance states:

(n) Budget. The Board shall, prior to July 1 of each year, hold a public hearing on a proposed budget and adopt an annual budget for the ensuing fiscal year. At least thirty-five days prior to the beginning of each fiscal year, the Board's Executive Director shall submit to the Board the proposed budget as prepared by the Executive Director. After reviewing the same and making such revisions as it may deem advisable, the Board shall determine the time for the holding of a public hearing thereon and shall cause to be published a notice thereof not less than ten days prior to said hearing, by at least one insertion in the official newspaper. Copies of the proposed budget shall be available for inspection by the public in the office of the Board at least ten days prior to said hearing. The City Council and the City Manager shall have no authority to oversee, supervise, or approve this budget. Upon final adoption, the budget shall be in effect for the ensuing fiscal year and the amounts stated therein shall be and become appropriated by the Board for the respective objects and purposes therein specified. At any meeting after the adoption of the budget the Board may amend or supplement the budget by the affirmative votes of at least three members. Copies of the adopted budget and any amendments or supplements shall be filed with the City Clerk, and City Manager.

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Research Sources for Agenda Report on Discussion of Potential External Funding
[and Related Practical and Legal Concerns]

1. **California Grants Portal.** Website: www.grants.ca.gov
2. **General Accounting Standards Board.** Website: www.gasb.org
3. **HUD Grants Website.** www.hud.gov/program_offices/spm/gmomgmt/grantsinfo
4. **Government Accountability Office (GAO) - Appropriations Law Resources**
Website: <https://www.gao.gov/legal/appropriations-law/resources>
5. **Federal Election Commission (FEC) - Citizens United v. FEC Case**
Website: <https://www.fec.gov/legal-resources/court-cases/citizens-united-v-fec/>
6. **Consumer Financial Protection Bureau (CFPB) - Wikipedia Entry**
Website: https://en.wikipedia.org/wiki/Consumer_Financial_Protection_Bureau
7. **The Australian - ASIC Criticism and Funding Structure**
Website: <https://www.theaustralian.com.au/business/asic-critics-back-right-of-asic-to-capitalise-on-its-wins/news-story/36fcb8a9ee19f259dc095ddff0636f8e>
8. **The Wall Street Journal - SEC and Regulatory Challenge**
Website: <https://www.wsj.com/articles/sec-needs-to-prepare-for-more-regulatory-challenges-agency-watchdog-says-67c35eb2>
9. **Barron's - Supreme Court Ruling on Regulatory Agencies**
Website: <https://www.barrons.com/advisor/articles/supreme-court-sec-regulatory-powers-curbed-a450f466>

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