

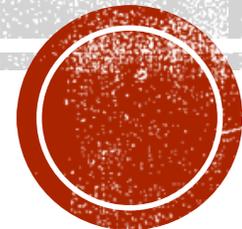
# **DISCUSSION ON POTENTIAL EXTERNAL FUNDING SOURCES FISCAL YEAR 2025-26 BUDGET UPDATE**

**ITEM H-2**

**Richmond Rent Program**

**Nicolas Traylor-Executive Director**

**February 19, 2025**



# STATEMENT OF THE ISSUE

- Under Section 11.100.060(1) 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.



# BACKGROUND

- **Funding Discussion – Rent Board Meeting (Dec. 18, 2024)**
- **Key Point:** The Rent Ordinance (Section 11.100.060(1)) allows the Rent Board to seek funding from “**any available source**” for necessary expenses.
- **Board Action:** Directed staff to explore funding solutions, including:
  - **Grants**
  - **Partnerships with the City**
  - **Strategies to Improve Compliance**



# RENT PROGRAM FUNDING STRUCTURE

- **Special Revenue Fund:** Funded exclusively by **Residential Rental Housing Fees**.
- **Restricted Use:** Funds **must** be used only for Rent Program operations/services.
- **Separate from City's General Fund:** Ensures **transparency** and compliance with **Government Accounting Standards Board (GASB)** guidelines.
- **→ Key Takeaway:** The Rent Program's dedicated funding structure ensures accountability and proper fund management



# STAFF RESEARCH AND FINDINGS

- **California Grants Portal ([www.grants.ca.gov](http://www.grants.ca.gov))**
  - Identified **13 grants** in housing, community, and economic development.
  - **None** aligned with the Rent Program's regulatory scope.
- **Grants.gov Search**
  - Primarily serves **501(c)(3) nonprofits** with strict eligibility criteria.
  - **Not suitable** for the Rent Program's funding needs.
- **➡ Conclusion:** No viable grant opportunities found that align with the Rent Program's regulatory mission.



# NONPROFIT VS. GOVERNMENT FUNDING

## Funding & Grant Limitations:

### 501(c)(3) Nonprofits vs. Special Revenue Funds

- Nonprofits can access donations, crowdfunding, membership fees, and event revenue.
- The Rent Program, as a Special Revenue Fund, is limited in funding options.
- **Types of Government Grants:**
  - **Categorical Grants** – Specific-purpose funding with strict guidelines.
  - **Block Grants** – Broad-purpose funding (e.g., community development).
  - **Pass-Through Grants** – Federal funds distributed via states.
  - **Competitive Grants** – Merit-based awards requiring proposals.
  - **Federal Assistance Programs** – Funding for infrastructure, disaster relief, etc.
- **Challenges for the Rent Program:**
  - Grants must align with its regulatory mission (rent regulation, eviction oversight).
  - HUD grants focus on affordable housing and do not align with the program's scope.



# 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).
- Other grants include:
  - **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:**

- 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.



# OTHER TYPES OF FUNDING SOURCES

- **Donor-Advised Funds (DAFs)**

- **What are DAFs?**

- Philanthropic giving accounts managed by financial service providers, community foundations, or charities.

- **How They Work:**

- **Funding the Account** – Donors contribute funds to a designated investment account.
- **Growing the Funds** – Investments help the funds grow over time.
- **Making Donations** – Donors decide when and where to allocate funds.

- **Key Considerations:**

- Donations must align with the intended purpose set by the donor.
- Funds must comply with the Rent Program's regulatory scope, similar to grants.



# CITY CLASSIFICATIONS THAT PREPARE, MANAGE OR ASSIST WITH GRANTS

- **Need for a Grant Writer:** An experienced professional is required to research, identify, and secure funding opportunities.
- **Budget Considerations:** Long-term costs include salaries, benefits, and Cal-PERS contributions.
- **Current Grant Management Structure:**
  - No dedicated grant management staff in the City.
  - Department Directors oversee grants with Finance tracking budgets.
  - City Council/Boards must approve all grants.
- **Existing Roles with Grant Duties:**
  - Analysts, Project Managers, Executive Assistants (none are primarily focused on grants).
- **Challenges:** Assigning dedicated grant-writing tasks may conflict with employee union agreements.



# OVERVIEW OF PRACTICAL AND LEGAL CONSIDERATIONS

- **Legal & Practical Considerations:** Agencies like the Rent Program face complexities when seeking grants, as they traditionally rely on **fee-based funding**.
- **Key Challenges:**
  1. **Fund Management:** External funds must be **separated** from fee-based revenue for transparency
  2. **Budgeting Risks:** Grants are **unpredictable** and can lead to shortfalls.'
  3. **Staff Allocation:** Fundraising efforts must not **divert resources** from core duties.
  4. **Government vs. Non-Profit Constraints:** Regulatory agencies have **stricter legal and budget controls**.
  5. **Legal Risks:** Fundraising outside regulatory scope may result in **legal challenges**.
  6. **Political Influence:** External funding could **compromise impartiality**.
  7. **Mission Distraction:** Seeking funds may reduce **effectiveness in core operations**.
  8. **Uncertain Funding Outcomes:** Grants must align with **scope, timing, and financial feasibility**.
-  **Bottom Line:** External funding must be carefully managed to **avoid risks and maintain regulatory integrity**.



# RENT PROGRAM FINANCIAL STABILITY AND CITY COST POOL CHARGES

- ◇ **Challenges:**
  - Budget instability due to **fluctuating City cost pool charges**.
  - No formal **Cooperative Agreement** with the City of Richmond, making external funding efforts riskier.
- ◇ **Recommendation:**
  - **Prioritize a long-term Cooperative Agreement** with the City to stabilize cost allocations and simplify budget planning.
- **Increasing Revenue Through Compliance (💰 Most Effective Strategy for Financial Stability)**
  - Strengthen **compliance efforts** to ensure all rental properties pay the **Residential Rental Housing Fee**.
  - Allocate staff resources to **identify unregistered rental properties** and collect delinquent fees.
- **Conclusion:** Rather than relying on uncertain external funding, focusing on **compliance and cost stabilization** ensures long-term financial health.



# CONCLUSION

- ◇ **No Current Grants Available:**
  - Research found **no local, state, or federal grants** aligning with the Rent Program's regulatory scope.
  - Past success: **\$15,000 grant** received for **COVID-19 rent assistance outreach**—but such funding is unreliable for budgeting.
- ◇ **Challenges of External Funding:**
  - Legal and practical risks must be carefully managed.
  - Potential compliance and integrity concerns.
- ◇ **Staff Recommendations:**
  - Prioritize compliance efforts** to increase **Rental Housing Fee collection**.
  - The Board should **carefully evaluate risks** before pursuing external funding.



# FY 2025-26 BUDGET 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
<p>April Regular Rent Board Meeting (4/16/2025)</p> <p>Packet published 4/11/2025</p>	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
<p>City Council Meeting in April – April 29, 2025 (staff will insert placeholder for subsequent meetings in the event item requires several meetings)</p> <p>(Item request due in eSCRIBE 4/11/22, supporting docs due 4/16)</p>	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



# 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.



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