

# AGENDA ITEM REQUEST FORM

Department: Rent Program

Department Head: Nicolas Traylor

Phone: 620-6564

Meeting Date: March 20, 2019

Final Decision Date Deadline: March 20, 2019

**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, 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. At their meeting on February 20, 2019, members of the Board provided feedback and direction to staff regarding proposed Fiscal Year 2019-20 budget options. Utilizing this feedback, staff members have prepared revised budget options and a revised fee study for the Rent Board's consideration and potential adoption.

## 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> |   |

## ITEM

- 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:** (1) ADOPT revised Fiscal Year 2019-20 Budget Option A; (2) RECEIVE and APPROVE the Fiscal Year 2019-20 Residential Rental Housing Fee Study; (3) 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 \$112.00 per Partially Covered Rental Unit, which includes Governmentally Subsidized Rental Units; and (4) APPROVE a revision to the salary of the Executive Director to reflect the budgeted amount in the proposed Fiscal Year 2019-20 budget, effective on July 1, 2019 – Rent Program (Nicolas Traylor 620-6564).

AGENDA ITEM NO:  
**G-1.**



# AGENDA REPORT

**DATE:** March 20, 2019

**TO:** Chair Gray and Members of the Rent Board

**FROM:** Nicolas Traylor, Executive Director

**SUBJECT:** REVISED FISCAL YEAR 2019-20 BUDGET AND FEE STUDY

## **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, 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. At their meeting on February 20, 2019, members of the Board provided feedback and direction to staff regarding proposed Fiscal Year 2019-20 budget options. Utilizing this feedback, staff members have prepared revised budget options and a revised fee study for the Rent Board's consideration and potential adoption.

## **RECOMMENDED ACTION:**

(1) ADOPT revised Fiscal Year 2019-20 Budget Option A; (2) RECEIVE and APPROVE the Fiscal Year 2019-20 Residential Rental Housing Fee Study; (3) 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 \$112.00 per Partially Covered Rental Unit, which includes Governmentally Subsidized Rental Units; and (4) APPROVE a revision to the salary of the Executive Director to reflect the budgeted amount in the proposed Fiscal Year 2019-20 budget, effective on July 1, 2019.

## **FISCAL IMPACT:**

The fiscal impact of the proposed budget options are as follows:

Budget Option A would result in a projected operating budget of \$2,923,584 and corresponding fees of \$212 for fully-covered Rental Units and \$112 for partially covered Rental Units (fees rounded up to the nearest dollar).

## ITEM G-1

Budget Option B would result in a projected operating budget of \$2,883,390 and corresponding fees of \$210 for fully-covered Rental Units and \$109 for partially covered Rental Units (fees rounded up to the nearest dollar).

### DISCUSSION:

#### Background

In accordance with Section 11.100.060(I) of the Richmond Rent Ordinance, the amount of the Residential Rental Housing Fee will be approved by the City Council after a recommendation by the Board is provided to the City Council. 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 is funded by the Residential Rental Housing Fee. The Rental Housing Fee is approved by the City Council, following a recommendation from the Rent Board.

As described in Section 11.100.060(o) of the Richmond Rent Ordinance, the Board shall assess annually that a sufficient number of staff are employed, including an Executive Director, hearing examiners, housing counselors and legal staff, as may be necessary to perform its function efficiently in order to fulfill the purpose of the Rent Ordinance. To this end, staff recommend that the Board consider the addition of three additional FTE in the Fiscal Year 2019-20 budget, including a Staff Attorney, Rent Program Services Analyst (housing counselor), and Administrative Aide. The rationale for the addition of such positions is described in the Revised Fiscal Year 2018-19 Operating Budget and Fee Study and summarized below:

Proposed Additional Position	Rationale
Staff Attorney (1 FTE)	An additional Staff Attorney is needed to provide legal support, staff trainings, and guidance to the Public Information and Compliance Unit, Hearings Unit, and Management Unit, as well as function as a backup Hearing Examiner and assist the lead Staff Attorney with legal research, analysis, and representation.
Rent Program Services Analyst (1 FTE)	The demand for counseling on the Rent Ordinance and related policies exceeds staff capacity and currently only one Rent Program Services Analyst is able to assist monolingual Spanish-speaking households.
Administrative Aide (1 FTE)	An additional Administrative Aide is necessary to administer rent registration and rent tracking, including the creation and maintenance of a complete database of tenancies, rents, and exempt statuses as well as an annual mailing of Maximum Allowable Rent notices and close monitoring of exempt status, which improves billing accuracy.

## ITEM G-1

### Rent Board Feedback on Proposed Budget Options

At their Regular Meeting on February 20, 2019, members of the Rent Board received and discussed a recommended proposed Budget Option A, and an alternative proposed Budget Option B, along with a draft corresponding Residential Rental Housing Fee Study.

The table below contains a summary of modifications requested by members of the Board, as well as a description of the actions taken by staff to address each request.

<b>Requested Modification</b>	<b>Staff Recommendations</b>
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.
Consideration of lost revenue in Fee Study – can lost revenue be captured in the adoption of next year’s fees?	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.
In the Fee Study, please show a chronology of the fees charged in all previous years	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.
Development of Financial Best Practices Guidelines for the Rent Board and staff (would include a policy for budget amendments)	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.

## ITEM G-1

Requested Modification	Staff Recommendations
Development of financial projections to illustrate the financial impact of adding FTEs	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.
Please ensure adequate resources are allocated to staff training	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).

### City Policy Concerning Budget Amendments

In accordance with the City’s Budget Process (Attachment 2), amendments to the budget may be made throughout the fiscal year. A mid-year budget review is conducted and presented to the City Council in February. Any amendment or transfer of appropriations between object group levels within the same department must be authorized by the Finance Director or his/her designee. Appropriations of new monies, transfers between funds, or any amendment to the total level of appropriations require formal action through City Council resolution irrespective of amount. Supplemental appropriations financed with unanticipated revenues during the year must also be approved by the City Council.

### Proposed 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: the FY 2019-20 Residential Rental Housing Fee recommended by the Rent Board is brought before the City Council for potential approval
- August/September: FY 2019-20 Residential Rental Housing Fee invoices are mailed
- October/November: FY 2019-20 Residential Rental Housing Fee is due

**DOCUMENTS ATTACHED:**

Attachment 1 – Revised Fiscal Year 2018-19 Operating Budget and Fee Study

Attachment 2 – City Budget Development and Amendment Process

# FISCAL YEAR 2019- 20 BUDGET AND RENTAL HOUSING FEE STUDY

## CITY OF RICHMOND RENT PROGRAM

*REVISED MARCH 2019*



Nicolas Traylor  
EXECUTIVE DIRECTOR | CITY OF RICHMOND RENT PROGRAM  
440 CIVIC CENTER PLAZA, SUITE 200, RICHMOND, CA 94804  
[WWW.RICHMONDRENT.ORG](http://WWW.RICHMONDRENT.ORG)

## **ACKNOWLEDGMENTS**

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### **Rent Program Department Team**

Paige Roosa  
*Deputy Director*

Vickie Medina  
*Analyst*

Magaly Chavez  
*Analyst*

Charles Oshinuga  
*Staff Attorney*

Moises Serano  
*Administrative Intern*

Philip Verma  
*Analyst*

Paul Cohen  
*Hearing Examiner*

Cynthia Shaw  
*Administrative Analyst*

Ramona Howell  
*Administrative Aide*

Michelle Arriaga  
*Administrative Aide*

Jose Jaimez  
*Administrative Intern*

Bailey Maher  
*UC Berkeley PSI Intern*

Johana Gurdian  
*UC Berkeley PSI Intern*



### **IT Department Team**

Sue Hartman  
*Director*

Randall Narron  
*Senior Programmer*

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# RENT PROGRAM ORGANIZATION AND GOALS

## Mission Statement

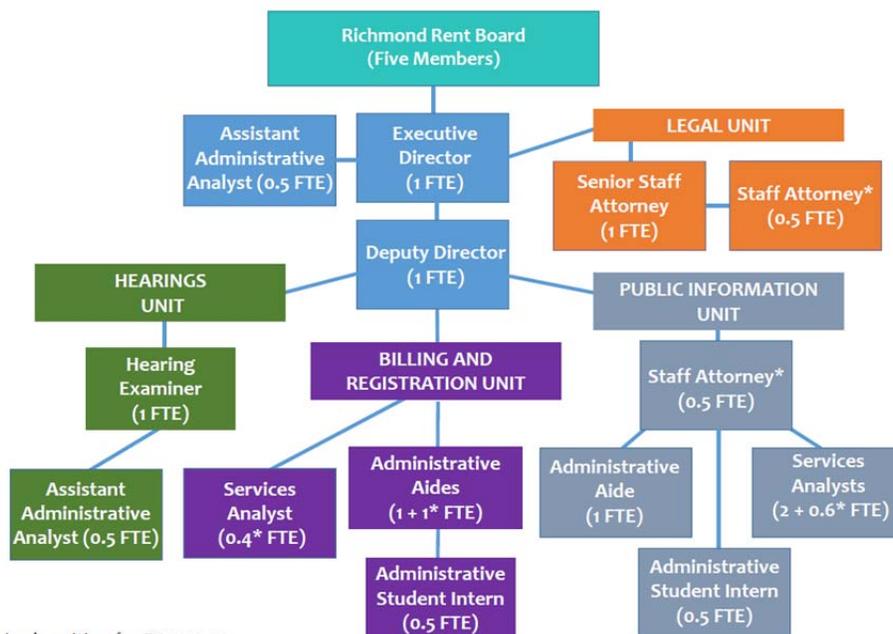
The mission of the Rent Program is to promote neighborhood and community stability, healthy housing, and affordability for Richmond tenants through the regulating of those landlord/tenant matters that reasonably relate to rents and evictions, while maintaining a landlord’s right to a fair return.

## Organizational Chart and Unit Descriptions

The Richmond Rent Program was established following the adoption of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance (Rent Ordinance) by Richmond voters in 2016. In accordance with the Rent Ordinance, an Executive Director appointed by a five-member Rent Board comprised of Richmond residents leads the Rent Program. No more than two members of the Rent Board may own or manage rental property or act as realtors.

The proposed organizational chart for Fiscal Year 2019-20 is shown below. This proposed structure includes the addition of Billing and Registration and Legal Units, as well as an additional 3 full-time equivalents (FTEs): a Staff Attorney (1 FTE) to manage the Public Information and Compliance Unit, assist with legal analysis, and act as a backup hearing examiner; an additional Rent Program Services Analyst (1 FTE) to further support the Public Information and Compliance Unit; and an additional Administrative Aide (1 FTE) to assist the Billing and Registration Unit with collection of the Rental Housing Fee.

**Figure 1. Proposed 2019-20 Rent Program Organizational Chart**



\*Desired position for FY 2019-20

### ***Management Unit (2.5 FTE)***

The Management Unit, comprised of the Executive Director, Deputy Director, and Assistant Administrative Analyst (0.5 FTE), is responsible for guiding the development of the Rent Program Department and managing day-to-day operations. The Management Unit also conducts policy research to support the Department and Rent Board, which includes conducting surveys and studies to help guide administrative improvements and the formation of sound public policy. The Management Unit oversees all personnel related issues (hiring, training, discipline in conformance with MOU's, etc.) Other duties include providing staff support to the Rent Board, including but not limited to the preparation of agendas, minutes and documents for all Rent Board meetings. Additionally, the Management Unit conducts payroll, purchasing, finance and accounting and administrative workflow processes. Central to the Management Unit's duties are preparation, monitoring and reporting of the annual Rent Program budget. The Management Unit also publishes the Rent Program Annual Report, required by the Rent Ordinance.

### ***Legal Unit (1.5 FTE)***

The Legal Unit includes the Rent Program's existing Staff Attorney (shown in the organizational chart as a "Senior Staff Attorney") and 0.5 FTE of an additional Staff Attorney, whose tasks would also include supervision of and quality control of information provided by the Public Information Unit. The duties of the Legal Unit include representing the Board in litigation, advising the Director and the Rent Board on legal matters (this may include the preparation of Confidential Legal Memoranda and ensuring compliance with Brown Act requirements, reviewing and opining on decisions on appeal, coordinating responses to public records act requests, training Rent Program Services Analysts, supervising investigations and lawsuits for non-compliance, reviewing contracts, and responding to legal challenges to the Ordinance and applicable regulations. Staff members in the Legal Unit are also responsible for drafting regulations for consideration by the Rent Board and establishing processes to monitor rent increase and termination notices in accordance with the requirements of the Rent Ordinance.

### ***Public Information Unit (4.6 FTE)***

The Public Information Unit, comprised of a proposed Staff Attorney (0.5 FTE), Administrative Aide, Administrative Student Intern, and Rent Program Services Analysts (2.6 FTE), is responsible for educating community members about Landlord and Tenant rights and responsibilities under the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance, as well as related State and Federal laws. The proposed additional Staff Attorney is responsible for supervising and ensuring quality control of counseling sessions. Education is provided by Rent Program Services Analysts and Staff Attorney in the form of one-on-one counseling, facilitating mediation sessions, drafting print materials such as the Guide to Rent Control, and providing direct referrals to community legal services agencies. Rent Program Services Analysts also plan, prepare, and conduct monthly community educational workshops for Landlords and Tenants and assist Landlords and Tenants with the filing of Rent Adjustment Petitions. Administrative staff members in the Public Information and Compliance Unit also assist with purchasing and contract management.

***Billing and Registration Unit (2.9 FTE)***

The proposed Billing and Registration Unit, comprised of two Administrative Aides (proposed combined 2 FTE) an Administrative Student Intern (0.5 FTE), and 0.4 FTE of a Rent Program Services Analyst, is responsible for the creation and maintenance of the Department's property enrollment and tenancy registration database with assistance from IT Department staff, which supports all departmental functions. The enrollment and tenancy registration database is an essential tool used to generate accurate Rental Housing Fee invoices, track the Maximum Allowable Rent for Controlled Rental Units, and manage contract and case information for all Rental Units in the City of Richmond. Billing and Registration Unit staff members are responsible for planning and executing the annual billing cycle of the Rental Housing Fee and managing the collection of revenue, including late fees. This unit is directly supervised by the Deputy Director.

***Hearings Unit (1.5 FTE)***

The Hearings Unit consists of the Department's Hearing Examiner, who is supported by an Assistant Administrative Analyst (0.5 FTE). The main functions of the Hearing Unit include conducting hearings and issuing decisions, conducting settlement conferences, acting as a back-up resource on interpretation of the Rent Ordinance and Regulations, assisting with drafting public information documents such as the Guide to Rent Control and numerous Frequently Asked Questions, maintaining all forms required for administration of the Rent Adjustment Petition process and conducting mediations. Staff members in the Hearings Unit also assist with special projects, such as working with City staff to develop rent registration/tracking software to adjust rents in the Maximum Allowable Rent Tracking database. This unit is directly supervised by the Deputy Director. The additional Staff Attorney may also act as a backup Hearing Examiner.

**Progress Towards the Achievement of Fiscal Year 2018-19 Goals**

As part of the Fiscal Year 2018-19 Rent Program budget development process, staff members identified a series of goals, for which the proposed Fiscal Year 2018-19 budget would support. Table 1, on the following page, provides a status update on the goals established for the 2018-19 fiscal year.

**Table 1. Progress towards achievement of Fiscal Year 2018-19 goals**

Fiscal Year 2018-19 Goal	Progress Towards Achievement
Establish a robust rent registration and rent tracking database	<b>Progress is ongoing.</b> The structure of the database was developed, forms were developed, and form packets were disseminated to property owners. Approximately 2,000 Property Enrollment forms and 1,200 Tenancy Registration forms have been received to date and are in the process of being entered into the database. Staff members anticipate the bulk of Property Enrollment information submitted will be entered into the system by the close of the 2018-19 fiscal year; however, the submission and processing of Property Enrollment and Tenancy Registration forms is a continuous cycle. Approximately 7,000 Tenancy Registration forms must be processed in the 2019-20 fiscal year.
Establish a fully operational hearings unit (i.e. clear the backlog of petitions already filed). This includes developing all petition forms and getting them online	<b>Complete.</b> The Hearings Unit is fully operational.
Train Rent Program Services Analysts and other senior staff on conducting mediations	<b>Complete.</b> The Deputy Director, Hearing Examiner, and Rent Program Services Analysts completed a 40-hour mediation training in October 2018.
Get the Mediation Program fully up and running	<b>Nearly complete.</b> Staff members are in the process of developing a Rent Program mediation guide and requisite forms and notices. While the formal mediation program has yet to be launched, staff members conduct informal mediations on a regular basis. Staff members anticipate a formal mediation program will be fully operational by the close of the 2018-19 Fiscal Year.
Publish the Guide to Rent Control in Richmond	<b>Nearly Complete.</b> The Guide to Rent Control is in draft form and staff anticipate finalizing the text by the close of the 2018-19 Fiscal Year.
Work collaboratively with other City departments to improve housing inspection options and strengthen affordable housing policy	<b>Progress is ongoing.</b> Staff members have met with staff from the Housing Authority, Planning and Building Services Department, City Manager’s Office, Code Enforcement, and Fire Department to improve housing inspection options and strengthen affordable housing policy. The Affordable Ad Hoc Committee has also met numerous times to prepare a resolution and amended regulation formalizing an agreement with affordable housing providers to limit “rent shock,” which was adopted by the Rent Board in February 2019. In addition, staff members have engaged with other City departments to streamline communication and create new workflows and lines of communication to ensure the requirements of the Rent Ordinance are satisfied.
Improve website and develop online registration of new tenancies, and other administrative forms	<b>Progress is ongoing.</b> Several features were added to the Rent Program website in Fiscal Year 2018-19, including easy-to-identify shortcuts to forms and contact information, frequently asked questions modules, a reorganized and reformatted Laws and Regulations page and an online method for submission of Property Enrollment and Tenancy Registration forms on the City’s e-Trakit site. The online submission of forms and notices has yet to be fully launched; staff members anticipate systems will continue to be developed in the 2019-20 fiscal year.

## **Proposed Fiscal Year 2019-20 Goals**

The proposed Fiscal Year 2019-20 budget has been prepared for the Board's consideration in acknowledgement of the following goals in three broad categories: Program Development, Outreach, and Program Sustainability.

### **PROGRAM DEVELOPMENT:**

1. Continue to invest resources in staff training, particularly for the Rent Program Services Analysts, to ensure staff members are knowledgeable on the requirements of the Rent Ordinance, Rent Board Regulations, and related State and Federal laws
2. Launch the formal mediation program
3. Continue to develop an online filing system for the submission of Property Enrollment and Tenancy Registration forms, as well as the filing of rent increase and termination of tenancy notices on the City's e-trakit website

### **OUTREACH:**

1. Publicize the Guide to Rent Control in Richmond and develop one-page fact sheets on common topics such as Just Cause for Eviction, Owner Move-In evictions, the Ellis Act, and the Relocation Ordinance
2. Expand education efforts to target specific groups, such as (but not limited to) Tenants and providers of affordable housing, realtors, and monolingual Spanish-speaking households
3. 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

### **PROGRAM SUSTAINABILITY:**

1. Improve collection of the Rental Housing Fee (greater than 80% compliance) to build up the Rent Program's reserves
2. Continue to work collaboratively with other City departments to improve rental housing inspection options, seismic safety policy, enforcement of the Relocation Ordinance, and the collection of other City fees, such as the Business License Tax, Fire Prevention Services Fee, and Rental Inspection Program fee
3. Continue to develop and refine the City's first comprehensive database of Rental Units, which provides benefits City-wide, in the form of fee collection, communication, and property information

## EXPENSE AND REVENUE SUMMARY

In accordance with the Rent Ordinance, the Rent Program’s budget is funded by a Residential Rental Housing Fee, paid by all Richmond Landlords.<sup>1</sup>

Table 1, below, contains a summary of funds expended and collected for departmental operations in Fiscal Years 2016-17, 2017-18, and 2018-19 through February 28, 2019. The discrepancy in the percentage of revenue collected in the current Fiscal Year 2018-19, compared to Fiscal Year 2017-18, is due in large part to the delays imposed by the Property Enrollment and Tenancy Registration project, which was required to generate accurate invoices with tiered fees. It is anticipated the remaining Fiscal Year 2018-19 Rental Housing Fee invoices will be mailed in March 2019. Collection efforts for Fiscal Year 2016-17, 2017-18, and 2018-19 Rental Housing Fees are ongoing.

**Table 2. Expense and Revenue Summary**

FISCAL YEAR FEE	BUDGETED AMOUNT	FUNDS EXPENDED	REVENUE COLLECTED	ESTIMATED REVENUE CAPACITY BASED ON UPDATED UNIT COUNT <sup>2</sup>	ESTIMATED PERCENT OF POTENTIAL REVENUE COLLECTED
2017-18 <sup>3</sup>	FY 16-17 (partial): \$1,150,433	\$1,967,837	\$2,173,778 <sup>4</sup>	\$2,792,555	77.8% <sup>5</sup>
	FY 17-18: \$2,425,338				
2018-19 <sup>6</sup>	\$2,804,925	\$1,434,322	\$1,038,489	\$2,550,164	40.7%

Source: City of Richmond Rent Program, 2019 (reports generated using TrakIT and MUNIS software systems.)

<sup>1</sup> At their meeting on December 20, 2017, Rent Boardmembers approved a [Reimbursement Agreement](#) between the Rent Board and City of Richmond to repay funds advanced by the City for program startup.

<sup>2</sup> This figure represents the total possible revenue that could be collected, calculated by multiplying the adopted fee by the updated number of total rental units based on the Rent Program’s updated unit count information.

<sup>3</sup> Includes the Fiscal Year 2016-17 Rental Housing Fee (December 2016 – June 2017)

<sup>4</sup> This figure includes revenue collected in Fiscal Year 2017-18 for both the Fiscal Year 2016-17 and Fiscal Year 2017-18 fees.

<sup>5</sup> This figure represents the percentage of potential revenue for both FY 16-17 and FY 17-18 collected in FY 17-18, during the concurrent billing cycle.

<sup>6</sup> Amount of expended funds and revenue collected reflects July 2018 – February 2019.

## **PROPOSED FY 2019-20 BUDGET**

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### **Investing in Critical Functions**

In Fiscal Year 2018-19, the Rent Program department made strides in creating a strong, actively enforced program. Staff members look forward to continued progress towards this vision in Fiscal Year 2019-20, and propose the addition of three full-time equivalents (FTEs) to support both critical day-to-day functions and longer-term developments across each departmental unit.

In the Billing and Registration Unit, for example, one additional Administrative Aide (1 FTE) is included in the proposed budget to provide critical administrative support to maintain the database of applicable rental units, process data submitted through Property Enrollment and Tenancy Registration forms, generate Rental Housing Fee invoices, and respond to inquiries from members of the public. In the Public Information and Compliance Unit, a Staff Attorney is included in the proposed budget to provide legal support, trainings, and general oversight of Rent Program Services Analysts who provide information and guidance to Landlords, Tenants, attorneys, prospective purchasers of rental property, and property managers. In addition, the proposed additional Staff Attorney could support the Hearings Unit through acting as a backup Hearing Examiner, as well as the Management Unit, in conducting legal research and supporting the Senior Staff Attorney in the event of litigation.

These staff additions are contained in Budget Option A, the recommended budget option, which would require a \$5.00 increase in the Rental Housing Fee for Fully Covered units and a \$12.00 increase in the fee for Partially Covered Rental Units (including governmentally-subsidized Rental Units). Budget Option B is an alternative, reduced budget, which would require a \$3.00 increase in the Rental Housing Fee for Fully Covered Rental Units and a \$9.00 increase in the Rental Housing Fee for Partially Covered Rental Units.

### **Proposed Budget Priorities and Alternatives**

To provide necessary support to department operations, Budget Option A, the recommended budget option, contains the modifications described below. Identified changes do not include regular, anticipated cost increases, such as step/salary increases for employees, a two percent salary differential for bilingual employees, changes in indirect costs, changes in the cost of office space at City Hall, and an increase in network IT accounts.

- An additional Staff Attorney (1 FTE) was added to provide legal support, staff trainings, and guidance to the Public Information and Compliance Unit, Hearings Unit, and Management Unit (this position would eliminate the need for backup Hearing Examiner and Outside Legal Services contracts.)
  - *A Staff Attorney is the position most suited to this role, as this individual could not only effectively train and observe staff members counseling members of the public on their rights and responsibilities under the Rent Ordinance and applicable State and Federal law, but also function as a backup Hearing Examiner and assist the lead Staff Attorney with legal research, analysis, and representation in court in the event of litigation.*

- An additional Administrative Aide (1 FTE) was added to support the administrative demands of the Billing and Registration Unit (this position would replace two part-time Administrative Student Intern positions).
  - *Accurate rent registration and rent tracking includes the creation and maintenance of a complete database of tenancies, rents, and exempt statuses as well as an annual mailing of Maximum Allowable Rent notices and close monitoring of exempt status, which improves billing accuracy. An Administrative Aide is the job classification best suited to this role due to this individual's need to perform difficult paraprofessional work, ability to interpret rules and regulations, and ability to train and provide direction to other staff members.*
- Funds for outside legal counsel were reduced from \$120,000 to \$15,000, in recognition of the fact that with a second Staff Attorney, the need for outside legal counsel is anticipated to be reduced. Accordingly, funds were reduced to \$15,000 to account for the deductible for the Errors and Omissions policy, should the Rent Program be sued on these grounds.

As part of the budget development process, budgeted versus expended funds for each line item were studied closely. For several line items, reductions in budgeted funds were supported by the Department's expenditures during the 2018-19 Fiscal Year. The following amendments are included in both the recommended Budget Option A, as well as the alternative, reduced Budget Option B. Identified changes do not include regular, anticipated cost increases, such as step/salary increases for employees, a two percent salary differential for bilingual employees, changes in indirect costs, changes in the cost of office space at City Hall, and an increase in network IT accounts.

- An additional bilingual (English and Spanish) Rent Program Services Analyst (1 FTE) was added to replace the contract Compliance Officer position and increase staff capacity to provide counseling and referrals to monolingual Spanish-speaking households
  - *The demand for counseling on the Rent Ordinance and related policies exceeds staff capacity and currently only one Rent Program Services Analyst is able to assist monolingual Spanish-speaking households. An additional Rent Program Services Analyst is necessary to support these functions, as well as address the high number of inquiries from Tenants in governmentally-subsidized rental housing and continue to support the Billing and Registration Unit with compliance work related to collection of the Rental Housing Fee.*
- The salary for the Deputy Director position was increased based on a survey of Deputy Director salaries in peer rent control jurisdictions, provided in Appendix C.
- A new line item was created to allow the Rent Program to seek financial consulting services, at a total cost of \$20,000 to complete the following scope of work:

- Develop five-year financial projections of both revenues and expenditures, specifically as they relate to collection of the Rental Housing Fee;
  - Provide recommendations on how to meet the Rent Program's goal of building 17% operating reserves by the close of the 2019-20 fiscal year, and how best to achieve long-term financial stability; and,
  - Provide recommendations regarding financial and budgetary "best practices" for employment by the Rent Board and Rent Program staff members.
- Funds for contracts with Community Legal Services Agencies were increased to allow the Eviction Defense Center to employ an additional 0.5 FTE of an attorney to manage Richmond cases.
- *In FY 2018-19, the EDC requested funding for one full time staff attorney and one 50% time paralegal. With this level of funding, the 2018-19 contract anticipated serving 15 Richmond tenants every month. The EDC grossly underestimated the high demand and need for legal services in Richmond. Within the second month of the fiscal year, the EDC was providing services to 32 Richmond tenants. Since that time, the average number of Richmond tenants with open cases receiving services has been over 45 every month, which is three times the number of clients anticipated. In the 2018 calendar year, the EDC made over 100 court appearances for Richmond tenants. To meet the high demand for services, the EDC hired another staff attorney who now dedicates 50% of her time to Richmond cases. The EDC requests that 50% of her salary be covered by funds allocated in FY 2019-20.*
- The cost of the Supplemental Liability Insurance Policy was reduced from \$25,000 to \$8,750 to reflect the actual cost of the policy retained for the Rent Program
- IT Professional Services and Startup costs were reduced to zero, since program and database have been created and are functional.
- Funds for written translation were increased from \$15,000 to \$23,500 due to the increased demand for the translation of documents pertaining to Rent Adjustment Petitions.
- Funds for postage and mailing were reduced from \$50,000 to \$20,000 to reflect the typical costs of postage and mailing incurred by departmental activities.
- Funds for community education were reduced from \$10,000 to \$2,500 to more accurately reflect the cost of community workshop events (approximately \$150 per workshop).
- Funds for office supplies were reduced from \$15,000 to \$9,000 since the physical improvements to the Rent Program office were completed. The remaining \$9,000 will fund the maintenance of standard office supplies.

- Budgeted costs of computer and phone equipment increased from \$6,300 to \$6,350 to purchase phones for the counseling stations, a printer/scanner/fax machine for the counseling stations, laptops for Rent Program Services Analysts to assist with case management, and additional computer monitors for staff.
- Funds for training and conferences were reduced from \$10,500 to \$2,000 to reflect the anticipated cost of such activities in Fiscal Year 2019-20.
- A new line item was created for subscriptions including DataTree (for property title information) and LexisNexis or WestLaw (for legal research).

The following amendment is included only in Budget Option B:

- Funds allocated for Outside Legal Counsel were increased from \$120,000 to \$160,000 due to the potential for future litigation, and in recognition of the fact that with only one Staff Attorney, contracts with outside legal counsel will be essential to defend legal challenges to the Rent Ordinance.

Table 3, on the follow page, provides a comparison of the recommended Budget Option A and alternative Budget Option B.

**Table 3. Proposed Budget Options and Corresponding Estimated Rental Housing Fee**

PROPOSED OPTION	SHORT DESCRIPTION OF SIGNIFICANT ADDITIONS <sup>7</sup>	ESTIMATED COST (\$)	TOTAL BUDGET (INCLUDING OPERATING RESERVE EQUAL TO 17% OF EXPENSES)	CORRESPONDING APPROXIMATE PROPOSED RENTAL HOUSING FEE
<b>OPTION A (RECOMMENDED) ADDITIONAL 3.0 STAFF, INCREASED FUNDS FOR COMMUNITY LEGAL SERVICES, COMPUTER EQUIPMENT, TRANSLATION SERVICES, AND LEGAL RESEARCH SUBSCRIPTION</b>	Employ an additional Staff Attorney (1 FTE), Administrative Aide (1 FTE), and Rent Program Services Analyst (1 FTE), increase funds for Community Legal Services, computer/phone equipment, translation services, and legal research subscription	<i>Staff Costs:</i> \$241,452 (salaries) + \$137,627 (benefits)+ \$18,699 (liability) + \$3,000 (IT accounts) + <i>Community Legal Services Contract increase:</i> \$50,000 + <i>Computer equipment increase:</i> \$50 + <i>Translation services increase:</i> \$8,500 contract increase <i>Legal research subscription:</i> \$3,000 <hr/> <b>\$462,328</b>	\$2,923,584	Fully Covered Units: \$212/unit  Partially Covered Units (includes Governmentally Subsidized units): \$112/unit
<b>OPTION B (ALTERNATIVE) ADDITIONAL 1.0 STAFF, INCREASED FUNDS FOR CONTRACT LEGAL COUNSEL, COMPUTER EQUIPMENT, TRANSLATION SERVICES, AND LEGAL RESEARCH SUBSCRIPTION</b>	Employ an additional Rent Program Services Analyst (1 FTE), increase funds for Community Legal Services, increase funds for contract legal counsel, computer/phone equipment, translation services, and legal research subscription	<i>Staff Costs:</i> \$74,244 (salaries) + \$42,319 (benefits)+ \$6,233 (liability) + \$1,000 (IT accounts) + <i>Community Legal Services Contract increase:</i> \$50,000 + <i>Outside Legal Counsel Contract Increase:</i> \$40,000 + <i>Computer equipment increase:</i> \$50 + <i>Translation services increase:</i> \$8,500 contract increase <i>Legal research subscription:</i> \$3,000 <hr/> <b>\$225,346</b>	\$2,883,390	Fully Covered Units: \$210/unit  Partially Covered Units (includes Governmentally Subsidized units): \$109/unit

<sup>7</sup> Identified changes do not include regular, anticipated cost increases, such as step/salary increases for employees, changes in indirect costs, and an increase in funds for computer equipment.

## **FISCAL YEAR 2019-20 RENTAL HOUSING FEE STUDY**

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### **Introduction and Background**

Section 11.100.060(l)(1) of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance (“Rent Ordinance”) provides all Landlords shall pay a Residential Rental Housing Fee to fund the Rent Program budget. The amount of the Rental Housing Fee is annually established by the Richmond Rent Board and approved by the City Council.

Under Section 50076 of the California Government Code, fees charged for any service or regulatory activity must not exceed the reasonable cost of providing the service. Those fees must be approved by the City Council, as the legislative body, in public session. Therefore, a fee study is necessary to ensure that the Residential Rental Housing Fee recommended by the Rent Board and charged to Landlords is commensurate to the level of services provided by the Rent Program.

The fee study is designed to allow the Rent Program Department to recover costs of all budgeted operations, including, but not limited to:

- Personnel costs of staff, benefits, and overtime;
- Risk management and supplemental liability insurance plan (SLIP);
- Charges allocated to City Departments to reimburse the General Fund for administrative services by central service departments (i.e. City Council, City Manager, City Attorney, City Clerk, Finance, HR, etc.);
- Information Technology (IT) expenses associated with a property and rent-tracking database and maintenance of computer hardware and software;
- Legal costs to support enforcement and defense of legal challenges to the Rent Ordinance;
- Costs of education and outreach, including the printing and distribution of print materials and hosting of community workshops and seminars;
- Contracts for translation and other professional services;
- Mileage and attendance at conferences and trainings; and,
- An operating reserve to fund unanticipated costs and variations in collection of the Rental Housing Fee.

### **Structure of the Rental Housing Fee**

Consistent with direction from the Rent Board in 2017, its first year of existence, the FY 2016-17 and FY 2017-18 Rental Housing Fees were established as “flat fees,” applicable to all units regardless of partial or full applicability under the Rent Ordinance. This approach was justified during the first 1.5 years of program startup since the tasks and associated benefits of Departmental startup were reasonably shared among rental units regardless of status.

For the 2018-19 Fiscal Year, the Rent Board adopted a tiered fee, much like that contemplated in the [2017 Fee Study](#) prepared by Management Partners. Under this approach, costs of program administration are allocated among three components or layers: a general “program” layer (calculated at 55% of costs), a “just cause” layer (20% of total costs), and a “rent control” layer (25% of costs).<sup>8</sup> Such allocations correspond with the amount of resources spent administering each component of the program. Staff members recommend the Board continue to utilize a tiered-fee approach to the Fiscal Year 2019-20 Rental Housing Fee to ensure the requirements of Section 50076 of the California Government Code are met.<sup>9</sup> The figure on the following page illustrates this concept and identifies key example tasks associated with each program component. This list is not exhaustive; the tasks below are identified for illustrative purposes only.

**Figure 2. Fee Layers and Associated Tasks**

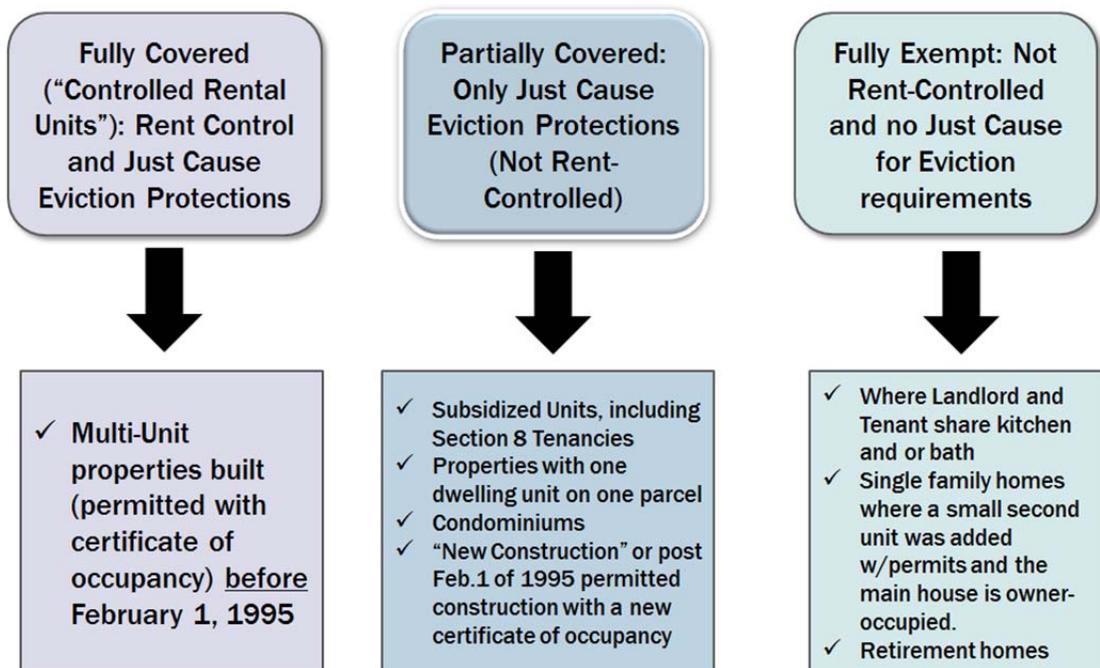


<sup>8</sup> Community legal services contracts (contained in Budget Options A and B) and a contract for a backup hearing examiner (contained in Budget Option B) are allocated 50% to just cause and 50% to rent control layers.

<sup>9</sup> Staff recommend that the allocation utilized in FY 2018-19 of 40% Program Layer, 25% Just Cause for Eviction Layer, and 35% Rent Control Layer be modified to 55% Program Layer, 20% Just Cause for Eviction Layer, and 25% Rent Control Layer, consistent with the services associated with each layer.

The amount of the Rental Housing Fee applicable to a particular Rental Unit depends on its status. Units applicable to the Just Cause for Eviction requirements, but exempt from the Rent Control provisions of the Ordinance (such as single family homes, governmentally-subsidized units, condominiums, and recently constructed units), are responsible for payment of Program and Just Cause for Eviction layers. Units subject to the Just Cause for Eviction and Rent Control provisions of the Rent Ordinance would be responsible for payment of all three layers. Units that are fully exempt from the Rent Ordinance are not responsible for payment of the Rental Housing Fee. Figure 2, below, identifies the types of units within each of these categories.

**Figure 3. Fully Covered, Partially Covered, and Fully Exempt Rental Units**



### The Proposed Elimination of a "Third Tier," Lesser Fee for Rental Units in Governmentally Subsidized Housing

At their meeting on March 21, 2018, members of the Rent Board directed staff to explore the possibility of adding a "third tier" to the Rental Housing Fee applicable to Rental Units located within governmentally-subsidized housing developments. Consistent with Regulation 202, adopted by the Rent Board on November 15, 2017, governmentally-subsidized Rental Units include:

- Rental Units in which a Tenant holds a Section 8 Housing Choice Voucher and where the Rent does not exceed the Payment Standard as published by the U.S. Department of Housing and Urban Development.
- Rental Units for which the rent is subsidized by the Project-Based Section 8 Program.

- Rental Units that are “rent restricted” in a Low Income Housing Tax Credit Program project. “Rent restricted” means the rent charged for the unit is affordable for a qualifying Tenant pursuant to the Regulatory Agreement.
- Rental Units for which the rent is subsidized by the Section 202 Supportive Housing for the Elderly Program (assuming the property is not considered a “nonprofit home for the aged” as identified in Section 11.100.030(d)(2) of the Rent Ordinance).
- Rental Units that are “rent restricted” under a regulatory agreement between a governmental agency and a property owner. “Rent restricted” means the rent charged for the unit is affordable for a qualifying Tenant pursuant to the Regulatory Agreement.
- Rental units owned or managed by the Richmond Housing Authority.

Current estimates indicate there are approximately 4,211<sup>10</sup> governmentally-subsidized rental units that meet the above criteria.

At the time of staff’s analysis in 2018, a separate “tier” for Rental Units located in governmentally-subsidized housing developments was presumed to be supported for policy and programmatic reasons, such as the fact that rent-restricted units are exempt from the rent control provisions of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance (see Regulation 202). Except in cases of noncompliance with regulatory agreements or those in which the rent charged exceeds the Payment Standard established by HUD, Tenants in these units do not have the ability to submit Rent Adjustment Petitions due to decreases in space, services, or in response to habitability concerns, or file excess rent complaints. In addition, rent-restricted units were already subject to a form of just cause for eviction requirements prior to the effective date of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance.

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, the services offered to both governmentally-subsidized and non-subsidized rental units, 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. Irrespective of whether individuals take advantage of services offered, the services offered to Tenants and Landlords of governmentally-subsidized rental units are the same as those offered to Partially Covered rental units; therefore, a difference in the fee charged between these units is not justified. Instead, staff recommends 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.

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<sup>10</sup> At their November 15, 2017, meeting, Boardmembers received a report including an inventory and estimate of the total number of subsidized housing units in the City of Richmond. This report indicated there were 4,283 subsidized housing units in the City. Since that time, staff discovered there are 24 deed-restricted subsidized housing units at VUE at Hilltop Apartments, not 96. The current estimated number of units therefore reflects this 72-unit reduction in the estimated number of subsidized housing units in the City.

## Applicable Unit Counts and Database Development

The number of applicable Rental Units within each category is a critical input in the calculation of the Rental Housing Fees for partially and Fully Covered units. The Fiscal Year 2016-17 and Fiscal Year 2017-18 Fee Study utilized data provided by the Contra Costa County Assessor's Office to identify suspected Rental Units. While County Assessor data may be used to arrive at an estimated number of total rental units, it cannot produce an exact figure. Nevertheless, County Assessor data was the best and most readily available data at the time of the Fiscal Year 2016-17 and Fiscal Year 2017-18 Fee Study.

Since the first iteration of the Rental Housing Fee Study in Fiscal Year 2017-18, staff have continued to refine the database of Rental Units in the City of Richmond, most notably through the completion of an exemption verification project of single family homes in the City to accurately identify units that are truly rented. This project involved mailing an introductory letter and policy information to all single family homes and condominiums possessing one of the following characteristics in the County Assessor database:

- (1) No Homeowner's Tax Exemption was claimed
- (2) The site address of the property did not match the owner on record's mailing address

Approximately 15,500 properties met the above criteria. To confirm applicability to the Rent Ordinance, Rent Program staff members mailed information about the requirements of the Rent Ordinance to all owners of property that met the criteria above. Owners of properties in the City of Richmond that did not contain any Rental Units (for example, owners of condominiums that are owner-occupied) were required to complete and submit a Declaration of Owner Occupation and/or Exemption form and submit documentation to allow staff members to approve the exemption. Rent Program staff members received and processed approximately 1,700 Declaration of Owner Occupation and/or Exemption forms.

Additional sources of data, including the identification of rental units not identified in the previous fee study, include:

- Rental Units enrolled in the Rent Program online at [www.richmondrent.org/enroll](http://www.richmondrent.org/enroll)
- Rental Units identified by the Rental Inspection Program
- Rental Units participating in the Section 8 Housing Choice Voucher Program
- Rental Units with an active business license
- Rental Units in subsidized housing developments, such as those built with Low Income Housing Tax Credits (LIHTC), based on the [inventory of deed-restricted affordable housing](#) prepared by Rent Program staff members in 2017
- Unknown Rental Units identified through Tenant inquiries to the Rent Program Department

Since the adoption of last year's Rental Housing Fee, staff members have continued to refine the database of Rental Units through processing of Property Enrollment and Owner Declaration forms. These processes have unveiled a significant number of suspected rental

units that are not truly rented, decreasing the total number of applicable rental units among which the Rent Program budget is divided to calculate the Rental Housing Fee. For example, the processing of Property Enrollment forms has unearthed many multifamily properties where an owner may occupy one unit. In such case, the status of a unit would be changed from “Compliant” or “Noncompliant” [Partially or Fully-Covered Rental Unit] to “Owner Occupied.” The table below summarizes these changes as of February 13, 2019.

**Table 4. Unit Status Changes, 2018 – 2019**

**NOTE: These numbers are in the process of being verified and all figures are subject to change.**

STATUS	CHANGE BETWEEN 2018 AND 2019 (POSITIVE NUMBER – UNITS ADDED; NEGATIVE NUMBER – UNITS LOST)	CURRENT TOTAL
SUSPECTED FULLY COVERED RENTAL UNITS	+175	175
FULLY COVERED RENTAL UNITS	-1,946	7,627
SUSPECTED PARTIALLY COVERED RENTAL UNITS	+53	54
PARTIALLY COVERED RENTAL UNITS	-366	7,192
GOVERNMENTALLY SUBSIDIZED RENTAL UNITS	0	4,211
OWNER OCCUPIED/HOMEOWNER EXEMPT	+3,782	4,614
RENT FREE	+75	159
NOT AVAILABLE FOR RENT	+8	170
NOT APPLICABLE <sup>11</sup>	+496	527

<sup>11</sup> Includes Statuses “Exempt,” “APN not on file,” “Outside City Boundaries,” “Ineligible,” “Vacant Lot,” and “Non-Applicable”

### Rental Housing Fees Associated with each Budget Option

Table 5, below, presents the estimated tiered fees associated with each proposed budget option:

**Table 5. Fiscal Year 2018-19 Proposed Budget Options and Rental Housing Fees**

UNIT COUNTS		OPTION A (RECOMMENDED)	OPTION B (ALTERNATIVE)
TOTAL EXPENDITURES: <sup>12</sup>		\$2,923,584	\$2,883,390
FULLY COVERED UNITS <sup>13</sup>	7,802	\$211.35	\$209.58
PARTIALLY COVERED UNITS (INCLUDING SUBSIDIZED UNITS) <sup>14</sup>	11,457	\$111.26	\$108.95
TOTAL REVENUE <sup>15</sup> :		\$2,937,208	\$2,887,233

### Comparison to Previously Adopted Rental Housing Fee and Peer Jurisdictions

On May 15, 2018, the Richmond City Council adopted [Resolution 32-18](#), approving the Fiscal Year 2018-19 Residential Rental Housing Fee in the City's master fee schedule of \$207 per Controlled Rental Unit, \$100 per Partially Covered Rental Unit, and \$50 per Governmentally Subsidized Rental Unit. Table 6, below, shows the proposed percentage increase in the fee for each existing tier. Table 7, on the following page, contains a historical comparison of the Residential Rental Housing Fees charged in FY 2016-17, FY 2017-18, FY 2018-19, and the proposed fee for FY 2019-20.

**Table 6. Comparison of 2018-19 Rental Housing Fee to Proposed Option A and Option B Fees**

TIER (PROPOSED FY 2019-20 FEE DOES NOT INCLUDE THIRD TIER)	2018-19 FEE	2019-20 OPTION A FEE	OPTION A PERCENTAGE INCREASE	2019-20 OPTION B FEE	OPTION B PERCENTAGE INCREASE
FULLY COVERED UNITS	\$207	\$212	2.4%	\$210	1.4%
PARTIALLY COVERED UNITS	\$100	\$112	12.0%	\$109	9.0%
GOVERNMENTALLY SUBSIDIZED UNITS	\$50	\$112	124.0%	\$109	118.0%

<sup>12</sup> Total expenditures include a 17% operating reserve

<sup>13</sup> Includes suspected Fully Covered rental units

<sup>14</sup> Includes suspected Partially Covered rental units

<sup>15</sup> Fees rounded to the nearest full dollar

**Table 7. Comparison of Proposed FY 2019-20 Rental Housing Fee to Prior Years**

FISCAL YEAR	FULLY COVERED RENTAL UNITS	PARTIALLY COVERED RENTAL UNITS	GOVERNMENTALLY SUBSIDIZED RENTAL UNITS
<b>2017-18</b> (includes half of FY 2016-17)	\$145	\$145	\$145
<b>2018-19</b>	\$207	\$100	\$50
<b>2019-20</b> (Proposed Option A)	\$212	\$112	\$112

Table 8 on the follow page compares the proposed Rental Housing Fee to fees in other jurisdictions with rent programs in the state of California. This table calculates a per unit cost of administration, revealing that of California’s actively enforced programs, Richmond’s per unit cost is the lowest. Yet while Richmond’s proposed fees are lower than those charged in peer jurisdictions with actively enforced rent programs, it is important to consider that Richmond’s median rental rates are also less than those in peer rent control jurisdictions.

**Table 8: Comparison of Program Budgets, Unit Counts, Fees, and Median Rents in Case Study Cities**

JURISDICTION	PROGRAM BUDGET (FY 18-19)	APPLICABLE RENTAL UNITS <sup>16</sup>	FY 2018-19 FEES (PER UNIT)	MEDIAN GROSS RENT <sup>17</sup>	PORTION OF FEE PASSED THROUGH TO TENANTS
<b>ACTIVELY ENFORCED RENT PROGRAMS</b>					
BERKELEY	\$5,172,000	19,093	\$250	\$1,523	50%; City may reimburse low-income tenants <sup>18</sup>
SANTA MONICA	\$5,241,630 <sup>19</sup>	27,542	\$198	\$1,669	50%
EAST PALO ALTO	\$431,100	2,325	\$222	\$1,613	50%
RICHMOND	Proposed Option A: \$2,846,634	7,802 Fully Covered units; 11,457 Partially Covered units	Proposed Option A: \$208 per Fully Covered Unit; \$109 per Partially Covered Unit	\$1,329	0%
<b>COMPLAINT-DRIVEN RENT PROGRAMS</b>					
LOS ANGELES	\$10,624,185 <sup>20</sup>	631,000	\$24.51	\$1,302	50%
OAKLAND	\$2,795,050	65,000	\$68.00	\$1,255	50%
WEST HOLLYWOOD	\$2,580,521	16,805	\$144 <sup>21</sup>	\$1,490	50% (excludes Section 8 tenants)
ALAMEDA	\$1,789,000	14,899	\$106	\$1,607	Not yet established
SAN FRANCISCO	\$8,545,317	173,000	\$45.00 per apartment unit; \$22.50 per residential hotel room	\$1,709	50%

Sources: Management Partners, 2017; City of Richmond Rent Program, 2019

<sup>16</sup> “Applicable rental units” refers to the number of units subject to the Rental Housing Fee in each case study jurisdiction.

<sup>17</sup> The American Community Survey is an estimate; numbers denote estimates. Margins of error are not shown. Data source: 2013-2017 ACS 5-Year Estimates Table B25064

<sup>18</sup> Pass-through only applies to tenancies that began prior to January 1, 1999.

<sup>19</sup> Budget includes total operating expenses and does not include \$474,622 of “non-operating expenses,” including a capital improvement project and annual PERS loan payment.

<sup>20</sup> Figure represents the total funds contributed by the Rent Stabilization Trust fund for the Rent Stabilization Program (operated by the Housing and Community Investment Department).

<sup>21</sup> West Hollywood’s Rent Program receives support from the City’s General Fund, and the \$144 fee allows the program to recover 65% of total costs. The program would need to collect \$221 per unit to achieve 100% cost recovery.

## **Conclusion and Recommended Actions**

The proposed 2019-20 Budget Options A and B reflect the overarching mission of the Rent Program; that is, to create an actively enforced program that effectively serves empowered and knowledgeable community members. The Fiscal Year 2019-20 Fee Study will allow the Rent Program to recover costs of all budgeted operations in a manner consistent with Section 50076 of the California Government Code.

The recommendations put forth by staff for consideration by the Rent Board are as follows:

- Staff members recommend that the Board adopt Fiscal Year 2019-20 Budget Option A to provide the support necessary for continued development of all Rent Program operations;
- Approve the Fiscal Year 2019-20 Rental Housing Fee Study; and,
- Recommend to the City Council adoption of a two-tier fee structure of \$212 for Fully Covered Rental Units and \$112 for Partially Covered Rental Units (governmentally subsidized units shall be charged the fee for Partially Covered Rental Units.)

## **APPENDICES**

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Appendix A: Revised Proposed FY 2019-20 Budget (Option A) and Fee Study Calculations

Appendix B: Revised Alternative FY 2019-20 Budget (Option B) and Fee Study Calculations

Appendix C: Deputy Director Salary Survey

# ITEM G-1 ATTACHMENT 1A

## RENT PROGRAM DRAFT FISCAL YEAR 2019-20 BUDGET AND FEE STUDY (RECOMMENDED OPTION A)

REVENUE											
	Units	Proposed Fees FY 2019-20	Costs Recovered						Program Fee Part	Just Cause Fee Part	Rent Control Fee Part
Fully Covered	7,802	\$ 212.00	\$ 1,654,024						\$ 77.78	\$ 33.48	\$ 100.09
Partially Covered	11,457	\$ 112.00	\$ 1,283,184								
<b>Total Units</b>	<b>19,259</b>		<b>\$ 2,937,208</b>								

EXPENDITURES												FEE COMPONENTS			
	FY 19-20 Salary	Benefits (at 57% of Salary)	FY 19-20 Salary & Benefits***	TOTAL (1 employee)											
					BUDGETED AMOUNT FY 18-19	BUDGETED AMOUNT FY 19-20	Salary Assumptions (includes Step Increase)	Alloc %	Program	Alloc %	Terminations	Alloc %	Rent		
<b>Title</b>		0.57													
Executive Director*	\$ 153,336	\$ 87,402	\$ 244,938	\$ 244,938	\$ 229,400	\$ 244,938	\$9,024 - \$14,364	55.0%	\$ 134,716	20.0%	\$ 48,988	25.0%	\$ 61,234		
Deputy Director*	\$ 120,000	\$ 68,400	\$ 188,400	\$ 188,400	\$ 157,939	\$ 188,400	\$8,087 - \$12,873	55.0%	\$ 103,620	20.0%	\$ 37,680	25.0%	\$ 47,100		
Staff Attorney*	\$ 145,380	\$ 82,866	\$ 228,246	\$ 228,246	\$ 217,508	\$ 228,246	\$9,024 - \$14,364	55.0%	\$ 125,535	20.0%	\$ 45,649	25.0%	\$ 57,062		
Staff Attorney**	\$ 108,288	\$ 61,724	\$ 170,012	\$ 170,012	\$ -	\$ 170,012	\$9,024 - \$14,364	55.0%	\$ 93,507	20.0%	\$ 34,002	25.0%	\$ 42,503		
Hearing Examiner* **	\$ 145,380	\$ 82,866	\$ 228,246	\$ 228,246	\$ 217,508	\$ 228,246	\$9,024 - \$14,364	55.0%	\$ 125,535	20.0%	\$ 45,649	25.0%	\$ 57,062		
Rent Program Services Analyst**	\$ 87,780	\$ 50,035	\$ 137,815	\$ 137,815	\$ 133,131	\$ 137,815	\$6,357 \$6,674 \$6,977 \$7,315 \$7,684	55.0%	\$ 75,798	20.0%	\$ 27,563	25.0%	\$ 34,454		
Rent Program Services Analyst	\$ 92,208	\$ 52,559	\$ 147,167	\$ 147,167	\$ 127,258	\$ 147,167	\$6,357 \$6,674 \$6,977 \$7,315 \$7,684	55.0%	\$ 80,942	20.0%	\$ 29,433	25.0%	\$ 36,792		
Rent Program Services Analyst**	\$ 74,244	\$ 42,319	\$ 116,563	\$ 116,563	\$ -	\$ 116,563	\$6,357 \$6,674 \$6,977 \$7,315 \$7,684	55.0%	\$ 64,110	20.0%	\$ 23,313	25.0%	\$ 29,141		
Administrative Analyst	\$ 74,244	\$ 42,319	\$ 116,563	\$ 116,563	\$ 115,075	\$ 116,563	\$6,357 \$6,674 \$6,977 \$7,315 \$7,684	55.0%	\$ 64,110	20.0%	\$ 23,313	25.0%	\$ 29,141		
Administrative Aide	\$ 64,320	\$ 36,662	\$ 100,982	\$ 100,982	\$ 93,853	\$ 100,982	\$4,910 \$5,115 \$5,360 \$5,602 \$5,873	55.0%	\$ 55,540	20.0%	\$ 20,196	25.0%	\$ 25,246		
Administrative Aide**	\$ 70,476	\$ 40,171	\$ 110,647	\$ 110,647	\$ 93,853	\$ 110,647	\$4,910 \$5,115 \$5,360 \$5,602 \$5,873	55.0%	\$ 60,856	20.0%	\$ 22,129	25.0%	\$ 27,662		
Administrative Aide**	\$ 58,920	\$ 33,584	\$ 92,504	\$ 92,504	\$ -	\$ 92,504	\$4,910 \$5,115 \$5,360 \$5,602 \$5,873	55.0%	\$ 50,877	20.0%	\$ 18,501	25.0%	\$ 23,126		
Administrative Student Intern (0.5 FTE)**	\$ 19,997		\$ 19,997	\$ 19,997	\$ 16,685	\$ 19,997	\$15.54 \$17.20 \$18.81 \$20.51 \$22.07	55.0%	\$ 10,998	20.0%	\$ 3,999	25.0%	\$ 4,999		
Administrative Student Intern (0.5 FTE)**	\$ 19,997		\$ 19,997	\$ 19,997	\$ 16,685	\$ 19,997	\$15.54 \$17.20 \$18.81 \$20.51 \$22.07	55.0%	\$ 10,998	20.0%	\$ 3,999	25.0%	\$ 4,999		
<del>Administrative Student Intern (0.5 FTE)</del>					\$ 16,685	\$ -									
<del>Administrative Student Intern (0.5 FTE)</del>					\$ 16,685	\$ -									
Bilingual Pay Differential (2%)						\$ 10,523		55.0%	\$ 5,788	20.0%	\$ 2,105	25.0%	\$ 2,631		
Overtime/Comp Time					\$ 5,000	\$ 5,000		55.0%	\$ 2,750	20.0%	\$ 1,000	25.0%	\$ 1,250		

\*Salary increases for Executive Staff are discretionary in nature. Figures shown represent maximums and are subject to Board or Director approval. \*\*Budgeted as a bilingual position  
 \*\*\*Also includes auto allowances and health insurance opt-out plans if employee has elected for these benefits

<b>TOTAL SALARIES AND BENEFITS</b>	<b>\$ 1,457,265</b>	<b>\$ 1,937,601</b>	<b>\$ 1,065,681</b>	<b>\$ 387,520</b>	<b>\$ 484,400</b>
<b>Cost Pool and Risk Management:</b>					
General Liability and Worker's Comp	\$ 68,563	\$ 81,029		\$ 16,206	\$ 20,257
Space at 440 Civic Center Plaza	\$ 52,275	\$ 64,523		\$ 12,905	\$ 16,131
Indirect Cost	\$ 51,454	\$ 51,454		\$ 10,291	\$ 12,864
Supplemental Liability Insurance Policy (SLIP)	\$ 25,000	\$ 8,750		\$ 1,750	\$ 2,188
<b>Sub-Total Cost Pool + Risk Management</b>	<b>\$ 197,292</b>	<b>\$ 205,756</b>	<b>\$ 113,166</b>	<b>\$ 41,151</b>	<b>\$ 51,439</b>
<b>IT Costs</b>					
IT Professional Services and Startup Costs	\$ 3,000	\$ 0			
Annual IT Costs (Including replacement funding)	\$ 21,683	\$ 23,683		\$ 4,737	\$ 5,921
<b>Sub-Total IT Expenses</b>	<b>\$ 24,683</b>	<b>\$ 23,683</b>	<b>\$ 13,026</b>	<b>\$ 4,737</b>	<b>\$ 5,921</b>

# ITEM G-1 ATTACHMENT 1A

Legal Costs												
Outside Legal Counsel (Litigation)		\$ 120,000	\$ 15,000	Outside legal counsel to respond to litigation pertaining to the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance. Previous litigation was dismissed without prejudice on Saturday, May 6, 2017. Contract outside legal counsel may be necessary in the event of future claims (for Errors and Omissions, for example)	55.0%	\$ 8,250	20.0%	\$ 3,000	25.0%	\$ 3,750		
Community Services Agency Contracts		\$ 150,000	\$ 200,000	Legal services to provide assistance to Tenants that have paid the Maximum Allowable Rent, are being evicted (Unlawful Detainer), and are able to provide evidence that their Landlord is not in compliance with the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance.			50.0%	\$ 100,000	50.0%	\$ 100,000		
<b>Sub-Total Legal Expenses</b>		<b>\$ 270,000</b>	<b>\$ 215,000</b>			<b>\$ 8,250</b>		<b>\$ 103,000</b>		<b>\$ 103,750</b>		
Professional and Admin Services												
Contractor to Focus on Compliance		\$ 97,500	\$ -	Duties assumed by Rent Program Services Analyst								
Contract Hearing Examiner Services		\$ 57,000	\$ -	Duties assumed by second Staff Attorney								
Contract for Financial Consulting Services		\$ -	\$ 20,000	Proposed Contract with Financial Consultant to (1) Develop Financial Projections, (2) Provide recommendations to achieve long-term financial stability, and (3) Provide recommendations regarding financial and budgetary best practices	55.0%	\$ 11,000	20.0%	\$ 4,000	25.0%	\$ 5,000		
Translation Services		\$ 15,000	\$ 23,500	Translation services to (1) translate print and outreach materials (assumes 4,500 words per month @ \$0.14/word (2) Rent Adjustment Petition decisions (approximately \$430 per decision, three translated decisions per month) and verbal translation (assumes 60 minutes per month @ \$0.65 per minute).	55.0%	\$ 12,925	20.0%	\$ 4,700	25.0%	\$ 5,875		
<b>Sub-Total Professional &amp; Admin</b>		<b>\$ 169,500</b>	<b>\$ 43,500</b>			<b>\$ 23,925</b>		<b>\$ 8,700</b>		<b>\$ 10,875</b>		
Other Operating Expenses												
Postage & Mailing		\$ 50,000	\$ 20,000	Costs of mailing include production, printing, proofing, and postage	55.0%	\$ 11,000	20.0%	\$ 4,000	25.0%	\$ 5,000		
Copying & Duplicating		\$ 5,000	\$ 5,000	Bulk printing of materials for public outreach and information	55.0%	\$ 2,750	20.0%	\$ 1,000	25.0%	\$ 1,250		
Copy Machine Rental		\$ 5,000	\$ 5,000	Cost of rental and maintenance of Xerox machines in 440 Civic Center Plaza	55.0%	\$ 2,750	20.0%	\$ 1,000	25.0%	\$ 1,250		
Miscellaneous Expenses		\$ 10,000	\$ 10,000	Miscellaneous expenses associated with program development and operations	55.0%	\$ 5,500	20.0%	\$ 2,000	25.0%	\$ 2,500		
Office Supplies		\$ 21,000	\$ 9,000	Cost of general office supplies	55.0%	\$ 4,950	20.0%	\$ 1,800	25.0%	\$ 2,250		
Computer/Phone Supplies		\$ 6,300	\$ 6,350	10 computer monitors @ \$175.00; 3 phone setups (for counseling stations) @ \$200; 3 laptops @ \$1,200; 1 printer for counseling station @ \$400	55.0%	\$ 3,493	20.0%	\$ 1,270	25.0%	\$ 1,588		
Community Education		\$ 10,000	\$ 2,500	Materials for community workshops and other outreach events	55.0%	\$ 1,375	20.0%	\$ 500	25.0%	\$ 625		
Mileage		\$ 1,000	\$ 1,000	Use of City pool car	55.0%	\$ 550	20.0%	\$ 200	25.0%	\$ 250		
Training /Conferences		\$ 10,500	\$ 2,000	Attendance at trainings/continuing education and/or conferences (e.g. APA)	55.0%	\$ 1,100	20.0%	\$ 400	25.0%	\$ 500		
Phone		\$ 1,200	\$ 1,200	Cell phone for Executive Director	55.0%	\$ 660	20.0%	\$ 240	25.0%	\$ 300		
Books/Materials		\$ 200	\$ 200	Educational and reference materials	55.0%	\$ 110	20.0%	\$ 40	25.0%	\$ 50		
Data Subscriptions		\$ 3,000	\$ 6,000	DataTree subscription (\$250 per month) and legal research subscription (\$250 per month)	55.0%	\$ 3,300	20.0%	\$ 1,200	25.0%	\$ 1,500		
UC Berkeley Public Service Internship Program Interns		\$ 3,000	\$ 3,000	The Rent Program has partnered with the UC Berkeley Public Service Center to host two interns at the Rent Program Office. The requested financial contribution for the Public Service Internship Program is a \$1,500 stipend per intern for the academic year.	55.0%	\$ 1,650	20.0%	\$ 600	25.0%	\$ 750		
Ad & Promotional materials		\$ 2,000	\$ 2,000	Posting of community events and other information in publications; use of Canva graphics; Adobe InDesign subscription (\$240 annually)	55.0%	\$ 1,100	20.0%	\$ 400	25.0%	\$ 500		
<b>Sub-Total Other Operating</b>		<b>\$ 128,200</b>	<b>\$ 73,250</b>			<b>\$ 40,288</b>		<b>\$ 14,650</b>		<b>\$ 18,313</b>		
<b>TOTAL OPERATING AND SALARY EXPENSES</b>		<b>\$ 2,246,940</b>	<b>\$ 2,498,790</b>			<b>\$ 1,264,334</b>		<b>\$ 559,758</b>		<b>\$ 674,697</b>		
Reserves:												
Operating Reserve (17%)		\$ 381,470	\$ 424,794.29	As recommended by the Government Finance Officers Association (GFOA)	55%	\$233,636.86	20%	\$84,958.86	25%	\$106,198.57		
<b>GRAND TOTAL INCLUDING RESERVES</b>		<b>\$ 2,807,925</b>	<b>\$ 2,923,584</b>			<b>\$ 1,497,971</b>		<b>\$ 644,717</b>		<b>\$ 780,896</b>		

# ITEM G-1 ATTACHMENT 1B

## RENT PROGRAM DRAFT FISCAL YEAR 2019-20 BUDGET AND FEE STUDY (ALTERNATIVE OPTION B)

REVENUE											
		Units	Proposed Fees FY 2019-20	Costs Recovered					Program Fee Part	Just Cause Fee Part	Rent Control Fee Part
	Fully Covered	7,802	\$ 210.00	\$ 1,638,420					\$ 75.00	\$ 33.95	\$ 100.63
	Partially Covered	11,457	\$ 109.00	\$ 1,248,813							
	<b>Total Units</b>	<b>19,259</b>		<b>\$ 2,887,233</b>							

EXPENDITURES												FEE COMPONENTS				
	FY 19-20 Salary	Benefits (at 57% of Salary)	FY 19-20 Salary & Benefits***	TOTAL (1 employee)												
					BUDGETED AMOUNT FY 18-19	BUDGETED AMOUNT FY 19-20	Salary Assumptions (includes Step Increase)	Alloc %	Program	Alloc %	Terminations	Alloc %	Rent			
<b>Title</b>		0.57														
Executive Director*	\$ 153,336	\$ 87,402	\$ 244,938	\$ 244,938	\$ 229,400	\$ 244,938	\$9,024 - \$14,364	55.0%	\$ 134,716	20.0%	\$ 48,988	25.0%	\$ 61,234			
Deputy Director*	\$ 120,000	\$ 68,400	\$ 188,400	\$ 188,400	\$ 157,939	\$ 188,400	\$8,087 - \$12,873	55.0%	\$ 103,620	20.0%	\$ 37,680	25.0%	\$ 47,100			
Staff Attorney*	\$ 145,380	\$ 82,866	\$ 228,246	\$ 228,246	\$ 217,508	\$ 228,246	\$9,024 - \$14,364	55.0%	\$ 125,535	20.0%	\$ 45,649	25.0%	\$ 57,062			
Hearing Examiner* **	\$ 145,380	\$ 82,866	\$ 228,246	\$ 228,246	\$ 217,508	\$ 228,246	\$9,024 - \$14,364	55.0%	\$ 125,535	20.0%	\$ 45,649	25.0%	\$ 57,062			
Rent Program Services Analyst**	\$ 87,780	\$ 50,035	\$ 137,815	\$ 137,815	\$ 133,131	\$ 137,815	\$6,357 \$6,674 \$6,977 \$7,315 \$7,684	55.0%	\$ 75,798	20.0%	\$ 27,563	25.0%	\$ 34,454			
Rent Program Services Analyst	\$ 92,208	\$ 52,559	\$ 147,167	\$ 147,167	\$ 127,258	\$ 147,167	\$6,357 \$6,674 \$6,977 \$7,315 \$7,684	55.0%	\$ 80,942	20.0%	\$ 29,433	25.0%	\$ 36,792			
Rent Program Services Analyst**	\$ 74,244	\$ 42,319	\$ 116,563	\$ 116,563	-	\$ 116,563	\$6,357 \$6,674 \$6,977 \$7,315 \$7,684	55.0%	\$ 64,110	20.0%	\$ 23,313	25.0%	\$ 29,141			
Administrative Analyst	\$ 74,244	\$ 42,319	\$ 116,563	\$ 116,563	\$ 115,075	\$ 116,563	\$6,357 \$6,674 \$6,977 \$7,315 \$7,684	55.0%	\$ 64,110	20.0%	\$ 23,313	25.0%	\$ 29,141			
Administrative Aide	\$ 64,320	\$ 36,662	\$ 100,982	\$ 100,982	\$ 93,853	\$ 100,982	\$4,910 \$5,115 \$5,360 \$5,602 \$5,873	55.0%	\$ 55,540	20.0%	\$ 20,196	25.0%	\$ 25,246			
Administrative Aide**	\$ 70,476	\$ 40,171	\$ 110,647	\$ 110,647	\$ 93,853	\$ 110,647	\$4,910 \$5,115 \$5,360 \$5,602 \$5,873	55.0%	\$ 60,856	20.0%	\$ 22,129	25.0%	\$ 27,662			
Administrative Student Intern (0.5 FTE)**	\$ 19,997			\$ 19,997	\$ 16,685	\$ 19,997	\$15.54 \$17.20 \$18.81 \$20.51 \$22.07	55.0%	\$ 10,998	20.0%	\$ 3,999	25.0%	\$ 4,999			
Administrative Student Intern (0.5 FTE)**	\$ 19,997			\$ 19,997	\$ 16,685	\$ 19,997	\$15.54 \$17.20 \$18.81 \$20.51 \$22.07	55.0%	\$ 10,998	20.0%	\$ 3,999	25.0%	\$ 4,999			
Administrative Student Intern (0.5 FTE)**	\$ 19,997			\$ 19,997	\$ 16,685	\$ 19,997		55.0%	\$ 10,998	20.0%	\$ 3,999	25.0%	\$ 4,999			
Administrative Student Intern (0.5 FTE)**	\$ 19,997			\$ 19,997	\$ 16,685	\$ 19,997		55.0%	\$ 10,998	20.0%	\$ 3,999	25.0%	\$ 4,999			
Bilingual Pay Differential (2%)						\$ 9,157		55.0%	\$ 5,037	20.0%	\$ 1,831	25.0%	\$ 2,289			
Overtime/Comp Time					\$ 5,000	\$ 5,000		55.0%	\$ 2,750	20.0%	\$ 1,000	25.0%	\$ 1,250			

\*Salary increases for Executive Staff are discretionary in nature. Figures shown represent maximums and are subject to Board or Director approval. \*\*Budgeted as a bilingual position  
 \*\*\*Also includes auto allowances and health insurance opt-out plans if employee has elected for these benefits

<b>TOTAL SALARIES AND BENEFITS</b>	<b>\$ 1,457,265</b>	<b>\$ 1,713,713</b>	<b>\$ 942,542</b>	<b>\$ 342,743</b>	<b>\$ 428,428</b>
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Cost Pool and Risk Management:													
					BUDGETED AMOUNT FY 18-19	BUDGETED AMOUNT FY 19-20							
General Liability and Worker's Comp					\$ 68,563	\$ 68,563	Workers Compensation - \$2,748 per employee, General Liability - \$3,485 per employee (combined total \$6,233 per employee.) 11 FTEs FY 19-20	55.0%	\$ 37,710	20.0%	\$ 13,713	25.0%	\$ 17,141
Space at 440 Civic Center Plaza					\$ 52,275	\$ 64,523	Space at 440 CCP is based on the percentage of total square footage occupied. This percentage is then applied to the total annual debt service. Rent Program is presumed to occupy 0.9% of Civic Center's total square footage. Since the Rent Program's square footage has expanded by approximately 25% since FY 2016-17, the budgeted amount for FY 2019-20 was increased by 25%.	55.0%	\$ 35,488	20.0%	\$ 12,905	25.0%	\$ 16,131
Indirect Cost					\$ 51,454	\$ 51,454	Indirect Costs are charges allocated to City Departments to reimburse the General Fund for administrative services by central service departments (i.e. City Council, City Manager, City Attorney, City Clerk, Finance, HR, etc.) Allocations are determined in the City's cost allocation plan completed by an external consultant. The City Manager's Office was used as the basis since Rent Program was not included in the Cost Allocation Plan.	55.0%	\$ 28,300	20.0%	\$ 10,291	25.0%	\$ 12,864
Supplemental Liability Insurance Policy (SLIP)					\$ 25,000	\$ 8,750	Errors and Omissions and General Liability Coverage for the Rent Program	55.0%	\$ 4,813	20.0%	\$ 1,750	25.0%	\$ 2,188
<b>Sub-Total Cost Pool + Risk Management</b>					<b>\$ 197,292</b>	<b>\$ 193,290</b>			<b>\$ 106,310</b>		<b>\$ 38,658</b>		<b>\$ 48,323</b>
IT Costs													
IT Professional Services and Startup Costs					\$ 3,000	\$ 0	IT Services - Contract with DataTree for property verification data (\$250 per month); Contract with Superior for database development						
Annual IT Costs (Including replacement funding)					\$ 21,683	\$ 23,683	General PC software and costs.	55.0%	\$ 13,026	20.0%	\$ 4,737	25.0%	\$ 5,921
<b>Sub-Total IT Expenses</b>					<b>\$ 24,683</b>	<b>\$ 23,683</b>			<b>\$ 13,026</b>		<b>\$ 4,737</b>		<b>\$ 5,921</b>

# ITEM G-1 ATTACHMENT 1B

Legal Costs												
Outside Legal Counsel (Litigation)		\$ 120,000	\$ 160,000	Outside legal counsel to respond to litigation pertaining to the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance. Previous litigation was dismissed without prejudice on Saturday, May 6, 2017. Contract outside legal counsel may be necessary in the event of future claims (for Errors and Omissions, for example)	55.0%	\$ 88,000	20.0%	\$ 32,000	25.0%	\$ 40,000		
Contract Hearing Examiner Services		\$ 57,000	\$ 57,000	Contract attorney to act as a backup hearing examiner in the event there is (1) a conflict of interest between either party and the Staff Hearing Examiner or (2) backup services are needed to adequately handle the volume of petitions submitted in the first operational year of the Hearings Unit. Assumes 6 petitions per fiscal year, 38 hours per petition, at a rate of \$250 per hour.	0.0%	\$ -	50.0%	\$ 28,500	50.0%	\$ 28,500		
Community Services Agency Contracts		\$ 150,000	\$ 200,000	Legal services to provide assistance to Tenants that have paid the Maximum Allowable Rent, are being evicted (Unlawful Detainer), and are able to provide evidence that their Landlord is not in compliance with the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance.	0.0%		50.0%	\$ 100,000	50.0%	\$ 100,000		
<b>Sub-Total Legal Expenses</b>		<b>\$ 270,000</b>	<b>\$ 417,000</b>			<b>\$ 88,000</b>		<b>\$ 160,500</b>		<b>\$ 168,500</b>		
<b>Professional and Admin Services</b>												
Contractor to Focus on Compliance		\$ 97,500	\$ -	Duties assumed by Rent Program Services Analyst								
Contract for Financial Consulting Services		\$ -	\$ 20,000	Proposed Contract with Financial Consultant to (1) Develop Financial Projections, (2) Provide recommendations to achieve long-term financial stability, and (3) Provide recommendations regarding financial and budgetary best practices	55.0%	\$ 11,000	20.0%	\$ 4,000	25.0%	\$ 5,000		
Translation Services		\$ 15,000	\$ 23,500	Translation services to (1) translate print and outreach materials (assumes 4,500 words per month @ \$0.14/word (2) Rent Adjustment Petition decisions (approximately \$430 per decision, three translated decisions per month) and verbal translation (assumes 60 minutes per month @ \$0.65 per minute).	55.0%	\$ 12,925	20.0%	\$ 4,700	25.0%	\$ 5,875		
<b>Sub-Total Professional &amp; Admin</b>		<b>\$ 112,500</b>	<b>\$ 43,500</b>			<b>\$ 23,925</b>		<b>\$ 8,700</b>		<b>\$ 10,875</b>		
<b>Other Operating Expenses</b>												
Postage & Mailing		\$ 50,000	\$ 20,000	Costs of mailing include production, printing, proofing, and postage	55.0%	\$ 11,000	20.0%	\$ 4,000	25.0%	\$ 5,000		
Copying & Duplicating		\$ 5,000	\$ 5,000	Bulk printing of materials for public outreach and information	55.0%	\$ 2,750	20.0%	\$ 1,000	25.0%	\$ 1,250		
Copy Machine Rental		\$ 5,000	\$ 5,000	Cost of rental and maintenance of Xerox machines in 440 Civic Center Plaza	55.0%	\$ 2,750	20.0%	\$ 1,000	25.0%	\$ 1,250		
Miscellaneous Expenses		\$ 10,000	\$ 10,000	Miscellaneous expenses associated with program development and operations	55.0%	\$ 5,500	20.0%	\$ 2,000	25.0%	\$ 2,500		
Office Supplies		\$ 21,000	\$ 9,000	Cost of general office supplies	55.0%	\$ 4,950	20.0%	\$ 1,800	25.0%	\$ 2,250		
Computer/Phone Supplies		\$ 6,300	\$ 6,350	10 computer monitors @ \$175.00; 3 phone setups (for counseling stations) @ \$200; 3 laptops @ \$1,200; 1 printer for counseling station @ \$400	55.0%	\$ 3,493	20.0%	\$ 1,270	25.0%	\$ 1,588		
Community Education		\$ 10,000	\$ 2,500	Materials for community workshops and other outreach events	55.0%	\$ 1,375	20.0%	\$ 500	25.0%	\$ 625		
Mileage		\$ 1,000	\$ 1,000	Use of City pool car	55.0%	\$ 550	20.0%	\$ 200	25.0%	\$ 250		
Training /Conferences		\$ 10,500	\$ 2,000	Attendance at trainings/continuing education and/or conferences (e.g. APA)	55.0%	\$ 1,100	20.0%	\$ 400	25.0%	\$ 500		
Phone		\$ 1,200	\$ 1,200	Cell phone for Executive Director	55.0%	\$ 660	20.0%	\$ 240	25.0%	\$ 300		
Books/Materials		\$ 200	\$ 200	Educational and reference materials	55.0%	\$ 110	20.0%	\$ 40	25.0%	\$ 50		
Data Subscriptions		\$ 3,000	\$ 6,000	DataTree subscription (\$250 per month) and legal research subscription (\$250 per month)	55.0%	\$ 3,300	20.0%	\$ 1,200	25.0%	\$ 1,500		
UC Berkeley Public Service Internship Program Interns		\$ 3,000	\$ 3,000	The Rent Program has partnered with the UC Berkeley Public Service Center to host two interns at the Rent Program Office. The requested financial contribution for the Public Service Internship Program is a \$1,500 stipend per intern for the academic year.	55.0%	\$ 1,650	20.0%	\$ 600	25.0%	\$ 750		
Ad & Promotional materials		\$ 2,000	\$ 2,000	Posting of community events and other information in publications; use of Canva graphics; Adobe InDesign subscription (\$240 annually)	55.0%	\$ 1,100	20.0%	\$ 400	25.0%	\$ 500		
<b>Sub-Total Other Operating</b>		<b>\$ 128,200</b>	<b>\$ 73,250</b>			<b>\$ 40,288</b>		<b>\$ 14,650</b>		<b>\$ 18,313</b>		
<b>TOTAL OPERATING AND SALARY EXPENSES</b>		<b>\$ 2,189,940</b>	<b>\$ 2,464,436</b>			<b>\$ 1,214,090</b>		<b>\$ 569,987</b>		<b>\$ 680,359</b>		
<b>Reserves:</b>												
Operating Reserve (17%)		\$ 381,470	\$ 418,954.04	As recommended by the Government Finance Officers Association (GFOA)	55%	\$230,424.72	20%	\$83,790.81	25%	\$104,738.51		
<b>GRAND TOTAL INCLUDING RESERVES</b>		<b>\$ 2,750,925</b>	<b>\$ 2,883,390</b>			<b>\$ 1,444,514</b>		<b>\$ 653,778</b>		<b>\$ 785,097</b>		

**ITEM G-1  
ATTACHMENT 1C**

2018-19 Deputy Director Salary Survey				
City	Job Title	Low (Annual Salary)	High (Annual Salary)	Source
Berkeley	Deputy Director of Rent Stabilization	\$118,345	\$155,532	<a href="https://www.cityofberkeley.info/uploadedFiles/Human_Resources/Level_3_-_General/SalaryListBENEFITED.pdf">https://www.cityofberkeley.info/uploadedFiles/Human_Resources/Level_3_-_General/SalaryListBENEFITED.pdf</a>
San Francisco	Deputy Director I/II/III/IV/V	\$104,182	\$231,868	<a href="http://citidex.sfgov.org/cgi-bin/dhr/findClass.cgi?MyID=0955">http://citidex.sfgov.org/cgi-bin/dhr/findClass.cgi?MyID=0955</a>
Beverly Hills	Deputy Director of Rent Stabilization	\$137,844	\$172,296	<a href="http://www.beverlyhills.org/cbhfiles/storage/files/15155035271-275074371/ExecutiveSalarySchedule(AppendixA)-NewStructure.FINAL_effective04-10-18.pdf">http://www.beverlyhills.org/cbhfiles/storage/files/15155035271-275074371/ExecutiveSalarySchedule(AppendixA)-NewStructure.FINAL_effective04-10-18.pdf</a>
Oakland	Manager, Rent Stabilization Program	\$136,488	\$167,592	<a href="http://www2.oaklandnet.com/government/o/HumanResources/sSalarySchedule/index.htm">http://www2.oaklandnet.com/government/o/HumanResources/sSalarySchedule/index.htm</a>
San Jose	Deputy Director	\$116,893	\$182,084	<a href="http://www.sanjoseca.gov/DocumentCenter/View/1206">http://www.sanjoseca.gov/DocumentCenter/View/1206</a>
Alameda	Community Development Manager	\$122,080	\$148,389	<a href="https://www.alamedaca.gov/Departments/City-Administration/Human-Resources">https://www.alamedaca.gov/Departments/City-Administration/Human-Resources</a>
Santa Monica	Deputy Director of Special Projects	\$131,400	\$162,228	<a href="https://www.smgov.net/Departments/HR/Labor_Relations.aspx">https://www.smgov.net/Departments/HR/Labor_Relations.aspx</a>
	<b>AVERAGE</b>	<b>\$123,890</b>	<b>\$174,284</b>	

## **Budgeting**

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### *Budgetary Accounting*

The City adopts a budget annually to be effective July 1, for the ensuing fiscal year. The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the City Council.

The City uses an encumbrance system as an extension of normal budgetary accounting for the General Fund, special revenue funds, and capital projects funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Unencumbered and unexpended appropriations lapse at year-end.

### *Budget Development Process*

The budget development process is the formal method through which the City establishes its program priorities, goals and service levels for the upcoming fiscal year. Through the budget development process, policy is set, programs are established, service levels are expressed, performance measures are articulated, and resources are identified.

The “budgetary” method of accounting is used for preparing the City’s budget. The budget is a plan of revenue and expense activities for the fiscal year and is intended to provide a clear, concise, and coordinated financial program to attain the City’s goals and objectives. Revenue estimates are derived using historical and economic data on the state and local levels. The budget should be balanced with current revenues equal to or greater than current expenditures.

### Responsibilities:

1. The Finance Director has the overall administrative responsibility for planning, coordinating, analyzing, preparing and issuing the budget.
2. Each department director is responsible for preparing and submitting the budget for the department and its subsidiary divisions in accordance with the budget instructions.
3. The City Manager, in close consultation with the division and department directors, is responsible for making the final determination of the proposed budget to be submitted for approval to the City Council.
4. The City Council is responsible for approving the annual operating budget.

### Preparing the Budget:

1. As a general rule, from October to December, the City Manager, the Finance Director, and Budget Division hold a series of planning meetings to analyze financial performance and determine preliminary budget guidelines for the upcoming fiscal year.
2. Following the planning meetings, the Finance Director prepares strategy recommendations for the upcoming budget and presents them to the City Manager.
3. The City Manager and the Finance Director make a final determination of the budget

# ITEM G-1

## ATTACHMENT 2

strategy and guidelines.

4. In January and February, the Budget Division drafts the budget guidelines, instructions, supporting materials, forms and worksheets, and distributes them to all departments and divisions responsible for budget preparation.

The budget guidelines are based on financial information that includes:

- a. New budget policies for the upcoming fiscal year.
  - b. Department worksheets with historical actual and proposed operating revenue and expenses.
  - c. Variance analysis (actual versus budgeted financial activity) and forecast analyses.
5. The Budget Division coordinates a series of workshops to provide technical assistance to staff who is involved in preparing budgets for their departments or divisions.
  6. Under the direction of the department director, departments and divisions prepare their budgets.
    - a. Budgets are expected to conform to the standards set forth in the Budget Guidelines and Instructions manual.
    - b. Should the budget deviate from those standards, the department or division prepare a justification.
    - c. If a department's proposed budget includes new programs, the department includes information and justification on the programs including amounts that will be required to fund their implementation.
  7. When the division and department budgets are completed, the department director reviews them and forwards them to the Budget Division.
  8. The Budget Division compiles the divisional and departmental budgets into a draft for a single City-wide budget, analyzing all revenue and expenditure projections to ensure that they meet the City's goals and objectives, adhere to the budget guidelines, and that no category has been overlooked.
  9. The Budget Division presents to the City Manager and the Finance Director the completed draft budget and a master list of departments' proposed new programs.
  10. The City Manager, Finance Director, and department directors meet between March and the end of April to review the draft budget, make necessary adjustments, and determine which of the proposed new programs will be presented to the City Council for adoption. These meetings are an opportunity for each department and division to present their proposed budget and their justifications for new programs, and to enhance senior management's knowledge of operational needs.
  11. When the draft budget has been approved by the City Manager and the Finance Director, the adjusted divisional and departmental budgets are returned to the department directors for their information and acknowledgement.
  12. In early May, the Budget Division compiles a brief summary of the draft budget and sends a copy to the City Council pursuant to the applicable City resolution.
  13. The Budget Division distributes the draft budget summary to the City Council. At the May City Council meeting, the department directors hold a work session to inform the City Council about budget strategies and the financial data upon which it is based.
  14. Based upon the City Council's comments, the Budget Division may subsequently revise the draft budget.
  15. Public hearings are conducted on the proposed budgets to review all

## **ITEM G-1 ATTACHMENT 2**

appropriations and sources of financing.

16. At its June meeting, the City Council formally adopts the budget. Once adopted, the budget is the City Council's approved operational plan for the ensuing fiscal year.

### Monitoring the Budget:

1. Once in place, the adopted budget becomes the main internal control document used to monitor and manage the City's financial position.
2. Expenditures are controlled at the fund level for all budgeted departments within the City. This is the level at which expenditures may not legally exceed appropriations.
3. Department directors review the monthly financial reports and prepare written explanations of significant variances between actual revenues and expenditures and the budget projections. These data are intended to help department directors control expenditures and maximize revenue.
4. The Budget Division prepares and submits to the City Manager and the Finance Director the monthly City-wide variance report for review. During this review, budgetary issues are addressed and corrective action is taken.
5. Throughout the year, department directors assist their divisions and departments in taking any necessary corrective action to control costs.

### Budget Amendments:

Amendments to the budget may be made throughout the fiscal year. A mid-year budget review is conducted and presented to the City Council in February. Any amendment or transfer of appropriations between object group levels within the same department must be authorized by the Finance Director or his/her designee. Appropriations of new monies, transfers between funds, or any amendment to the total level of appropriations require formal action through City Council resolution irrespective of amount. Supplemental appropriations financed with unanticipated revenues during the year must also be approved by the City Council.