

AGENDA ITEM REQUEST FORM

Department: Rent Program

Department Head: Nicolas Traylor

Phone: 620-6564

Meeting Date: August 19, 2020

Final Decision Date Deadline: August 19, 2020

STATEMENT OF THE ISSUE: Between 2019 and 2020, owners of 1,087 dwelling units sought a determination of exemption or inapplicability of the Rent Ordinance because the dwelling units were owner occupied, offered "rent-free," or not available for rent. To date, such requests have been processed and granted administratively. On July 15, 2020, the Rent Board considered and discussed revised Chapter 2 Regulations. In response to feedback provided during the discussion, staff members have prepared an alternative proposal to Chapter 2 of the Rent Board's regulations to strengthen the policies and procedures by which claims of exemption or inapplicability from the Rent Ordinance are granted or denied to ensure a thorough and consistent process.

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

- | | | | |
|---|--|--|--|
| <input type="checkbox"/> Presentation/Proclamation/Commendation (3-Minute Time Limit) | | | |
| <input type="checkbox"/> Public Hearing | <input type="checkbox"/> Regulation | <input checked="" type="checkbox"/> Other: <u>Study and Action Session</u> | |
| <input type="checkbox"/> Contract/Agreement | <input type="checkbox"/> Rent Board As Whole | | |
| <input type="checkbox"/> Grant Application/Acceptance | <input type="checkbox"/> Claims Filed Against City of Richmond | | |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Video/PowerPoint Presentation (contact KCRT @ 620.6759) | | |

RECOMMENDED ACTION: RECEIVE a presentation containing an alternative proposal to revised Chapter 2 Regulations, concerning the process whereby property owners may seek an exemption or determination of inapplicability of a dwelling unit from provisions of the Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance and PROVIDE direction to staff – Rent Program (Nicolas Traylor/Paige Roosa 620-6564).

AGENDA ITEM NO:

G-1.



AGENDA REPORT

DATE: August 19, 2020

TO: Chair Maddock and Members of the Rent Board

FROM: Nicolas Traylor, Executive Director
Paige Roosa, Deputy Director

SUBJECT: ALTERNATIVE PROPOSAL TO REVISED CHAPTER 2 RENT BOARD REGULATIONS

STATEMENT OF THE ISSUE:

Between 2019 and 2020, owners of 1,087 dwelling units sought a determination of exemption or inapplicability of the Rent Ordinance because the dwelling units were owner occupied, offered “rent-free,” or not available for rent. To date, such requests have been processed and granted administratively. On July 15, 2020, the Rent Board considered and discussed revised Chapter 2 Regulations. In response to feedback provided during the discussion, staff members have prepared an alternative proposal to Chapter 2 of the Rent Board’s regulations to strengthen the policies and procedures by which claims of exemption or inapplicability from the Rent Ordinance are granted or denied to ensure a thorough and consistent process.

RECOMMENDED ACTION:

RECEIVE a presentation containing an alternative proposal to revised Chapter 2 Regulations, concerning the process whereby property owners may seek an exemption or determination of inapplicability of a dwelling unit from provisions of the Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance and PROVIDE direction to staff – Rent Program (Nicolas Traylor/Paige Roosa 620-6564).

FISCAL IMPACT:

While these regulations will require involvement from staff members in the Billing and Registration, Management, and Hearings Units, it is not anticipated that additional FTEs will be required to administer this process. The development of a more robust exemption process is anticipated to bolster compliance with payment of the Rental Housing Fee, which could create a positive fiscal impact on the Program.

DISCUSSION:

Background and Purpose of Revised Chapter 2 Regulations

Chapter 2 of the Rent Board’s adopted regulations, titled “Applicability” was initially adopted in late 2017 to clarify those types of dwelling units fully and partially exempt from the Rent Ordinance. Chapter 2 was later expanded in 2018 to define Rooming and Boarding houses and create a process whereby a property owner could request a determination of, and challenge, a unit’s exempt status.

Over 6,000 units in the Rent Program’s database of housing units are currently catalogued as conditionally fully exempt from the Rent Ordinance. As described on page 24 of the Board’s approved Fiscal Year 2020-21 Rental Housing Fee study, there are currently 5,463 units in the Rent Program’s database of housing units that are classified as “Owner Occupied,” 250 that are classified as “Rent-Free,” and 317 units that are classified as “Not Available for Rent.” Between 2019 and 2020, owners of 1,087 dwelling units sought such a determination on these grounds.

In its current form, Chapter 2 does not contemplate a procedure whereby an owner can request a determination of inapplicability because a dwelling unit is owner occupied or does not meet the requirements of a Rental Unit as defined by the Rent Ordinance because there is no Rent exchanged or the unit is not available for rent (and is, instead, for example, used for storage space.) As a result, staff members lack Board-approved policy guidance as it relates to enforcing requirements such as property enrollment, tenancy registration, and payment of the Rental Housing Fee. The alternative proposal for amendments to Chapter 2 would provide this necessary policy guidance.

Summary of Alternative Proposal

Rather than creating new policies and procedures for categories of exempt or inapplicable Rental Units, the alternative proposal would simply clarify that the Administrative Determination process described in Rent Board Regulations 205 and 206 also apply to circumstances where an owner claims that a rental unit does not fall under the Rent Ordinance because it is not offered for rent, owner-occupied, or offered “rent free.” As currently written, Regulations 205 and 206 provide:

“205. Application for Exemption Determination

Notwithstanding Regulation 403, a Landlord may request that an administrative decision be rendered regarding the applicability of R.M.C. 11.100 et. seq (Fair Rent, Just Cause For Eviction, and Homeowner Protection Ordinance) on a property or unit owned or occupied by the requesting party. All requests for an administrative decision regarding exemption must be made on an approved Rent Program form. The Landlord must complete the approved form and attach sufficient information and documentation demonstrating a claimed exemption. The

Landlord shall have the burden of proof of demonstrating a claimed exemption.

206. Issuing an Administrative Decision on Exemption Status

A. In rendering an administrative decision, the Executive Director or assigned staff member may conduct an independent investigation into the underlying facts and rely on information and documentation obtained thereof.

B. All administrative decisions under this Regulation must be made in writing, provide an explanation of the basis for the decision with citations to R.M.C. 11.100 et.seq (Fair Rent, Just Cause For Eviction, and Homeowner Protection Ordinance), and adequately describe the evidence relied on in reaching the decision.

C. All administrative decisions under this Regulation must be rendered within 30 calendar days from the date of application¹. The Rent Program shall notify the Landlord and all Tenants in the affected unit, of its exemption determination.

D. If the Landlord disagrees with the Executive Director or assigned staff member's administrative decision, the Landlord may, within 15 calendar days from the date of the administrative decision plus any additional time permitted under California Code of Civil Procedure Section 1013(a), as amended, file a request for hearing on exemption status. The hearing shall be conducted in accordance with the rules and procedures set forth in Chapter 8 of these Regulations.

The proposed process would be administered as follows:

- (1) Landlord completes administrative determination request with supporting evidence
- (2) Within 30 days, the Executive Director or their designee issues an Administrative Determination
- (3) If the Landlord disagrees with the Administrative Determination, they may file a Petition to Determine Exempt Status within 15 calendar days from the date of the Administrative Determination
- (4) Either party may appeal the Hearing Examiner's decision

Next Steps

Should the Rent Board approve of the alternative proposal, staff members will prepare revised Chapter 2 regulations for the Board's consideration at their Regular Meeting in September.

DOCUMENTS ATTACHED:

Attachment 1 – Existing Chapter 2 Regulations

¹ Staff recommend that the time to render a decision be extended from 30 to 60 days in consideration of the volume of requests that may be received in a 1-2 month period, particularly during billing cycles.

ITEM G-1

**August 19, 2020
RENT BOARD MEETING**

ATTACHMENT 1

Chapter 2: APPLICABILITY

200. Purpose

The purpose of this Chapter 2 is to describe those categories of properties which are exempt from the Ordinance and to provide a process and procedure for those Controlled Rental Units seeking to establish an exemption from this Ordinance.

[Formerly Regulation 17-01; Adopted November 15, 2017]

201. Rental Units Exempt from both the Rent Control (R.M.C § 11.100.070) and Just Cause for Eviction (R.M.C § 11.100.050) Provisions of the Ordinance

- A. Rental Units in hotels, motels, inns, tourist homes and rooming and boarding houses that are rented primarily to transient guests for a period of fewer than 14 days;
- B. Rental Units in any hospital, convent, monastery, extended medical care facility, asylum, or non-profit home for the aged, or dormitory owned and operated by an accredited institution of higher education;
- C. Rental Units for which there is a Temporary Tenancy, as defined in R.M.C § 11.100.030(q);
- D. Rental Units that are lawful and in compliance with the Small, Second Unit Ordinance of the City (R.M.C § 11.15.04) if the Primary Residence is occupied by the property owner; and
- E. Rental Units where the Rental Unit is the Primary Residence of the property owner and the property owner shares with a Tenant(s) a bathroom or kitchen.

[Formerly Regulation 17-03; Adopted July 19, 2017]

201.5 Rooming and Boarding Houses

- A. For purposes of Regulation 201, Rooming and Boarding house(s) shall mean any building or portion thereof other than a hotel containing at least five (5) rooms individually offered for rent or rented to at least five tenants under separate Rental Housing Agreements.
- B. Where any building, structure, or part thereof is considered a Rooming and Boarding house, each room shall be treated as an individual Rental Unit and must be individually registered with the Rent Program, in a manner consistent with Chapter 4 of these Regulations.
- C. Use of a single Rental Housing Agreement shall not be dispositive in determining whether a building, structure, or part thereof is a Rooming and Boarding house. Rather, the following factors shall be considered by the Rent Program when determining whether a building, structure, or part thereof is a Rooming and Boarding house:

ITEM H-1 ATTACHMENT 2

- a. Whether the Landlord or Tenant maintains control over Tenant Replacement;
- b. Whether there is a single or multiple Rental Housing Agreement(s);
- c. The relationship between the Tenants of the Rooming and Boarding house;
- d. How Rent is distributed, collected, and/or paid to the Landlord;
- e. Access to common areas and/or housing services; and
- f. The period of occupancy set forth in each single or multiple Rental Housing Agreement.

This is not an exhaustive list and the Rent Program may consider other evidence that has a tendency to prove or disprove that a particular building, structure, or part thereof is a Rooming and Boarding house.

[Adopted July 18, 2018]

202. Governmentally Subsidized Rental Units Exempt from the Rent Control Provisions of the Ordinance

The following rental units are exempt from the rent control (RMC 11.100.070), but not the just cause for eviction (RMC 11.100.050) provisions of the Ordinance.

- A. Rental units in which a tenant household holds a Section 8 Housing Choice Voucher and where the rent not does exceed the Payment Standard as published by the U.S. Department of Housing and Urban Development.
- B. Rental units for which the rent is subsidized by the Project-Based Section 8 Program
- C. 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.
- D. Rental units for which the rent is subsidized by the Section 202 Supportive Housing for the Elderly Program
- E. 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.

[Formerly Regulation 17-01; Adopted November 15, 2017]

203. Other Rental Units Exempt from the Rent Control Provisions of the Ordinance

In addition to rental units that are exempt from rent control under R.M.C § 11.100.100.030 (d)(1)(2)(4) (5) and (6), rental units which a governmental unit, agency or authority owns, operates or manages are exempt from the rent control provisions of the Ordinance. Section 11.100.030 (d)(3), Richmond Municipal Code.

[Formerly Regulation 17-01; Adopted November 15, 2017]

204. Maintaining an Exemption Pursuant to Regulation 202: Compliance with Applicable Laws and Regulations

A. Notwithstanding Regulation 202, Rental Units described in Regulation 202 shall not be exempt from Section 11.100.070 of the Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance where the property owner has failed to substantially comply with all of the applicable provisions of the Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance, Rent Board Orders, Regulations, and/or Resolutions, as well as the Implied Warranty of Habitability as described in Civil Code 1941.1, and Richmond Municipal Code Section 6.40.040. This includes, but is not limited to, a property owners obligation to comply with the following:

- (1) Timely payment of all owing Residential Rental Housing Fee. For purposes of this provision, a payment shall be considered timely where a property owner remits payment of the Residential Rental Housing Fee within 30 calendar days from the date the Rent Program sends the invoice. Where there is a dispute in the amount owed, payment shall be considered timely where the owner remits payment of the Residential Rental Housing Fee within 30 calendar days from the date the Rent Program sends the amended invoice. However, where the dispute is wholly concerned with assessed late fees, payment shall be considered timely where the owner remits payment of the Residential Rental Housing Fee within 5 calendar days from the date the Rent Program sends the amended invoice or 30 calendar days from the date the Rent Program sent the initial invoice, whichever is later. If a dispute does not result in an amended invoice, payment shall be due within 30 calendar days from the date the Rent Program sent the initial invoice;
- (2) Payment of the Business License Tax pursuant to Richmond Municipal Code Section 11.100.060(1)(1);
- (3) Enrollment of all applicable Rental Units pursuant to Regulation 405(B);
- (4) All of the applicable provisions set forth in Resolution 19-01; and
- (5) Any and all requirements set forth in any regulatory agreement executed between a developer and/or property owner and a Federal, State, or government entity.

- B. Where Rent Program Staff members have determined a property owner has failed to comply with any of the obligations set forth in Regulation 204(A), Rent Program Staff members shall immediately notify the property owner in writing of the obligation(s) the property owner has failed to satisfy. The written notification must identify the specific obligation(s) the property owner has failed to satisfy and provide the property owner up to 60 calendar days from the date of mailing of the notification to bring itself into compliance with the identified obligation(s). If a property owner fails to timely comply with the obligation(s) identified in the Rent Program Staff member's written notification, Rent Program Staff members may agendaize an item of noncompliance for the next regularly scheduled Rent Board meeting. The agenda item shall include an identification of the specific property that has failed to comply, specific findings of noncompliance, a recommendation of the removal of the exemption contained in Regulation 202 as it relates to the noncompliant property, and any other information Rent Program staff member(s) deems relevant.
- C. In addition to Regulation 204(A), Rental Units described in Regulation 202 shall not be exempt from Section 11.100.070 of the Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance where there is no longer in effect (a) a tenant with a Section 8 Housing Choice Voucher in the Rental Unit, (b) the Rental Unit is no longer in a Project-Based Section 8 Program, and/or (c) the Rental Unit is no longer rent restricted under a regulatory agreement and/or declaration of restrictive covenants.
- D. Nothing in Regulation 204(A) and/or Regulation 204(B) shall preclude tenants residing in Rental Units described in Regulation 202 from seeking advice or assistance from the Rent Program concerning applicable provisions of the Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance and utilizing the remedies provided in the Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance to the extent permitted by Federal, State, and local law.

*Formerly Regulation 17-01; Adopted November 15, 2017]
[Amended February 20, 2019]*

205. Application for Exemption Determination

Notwithstanding Regulation 403, a Landlord may request that an administrative decision be rendered regarding the applicability of R.M.C. 11.100 et. seq (Fair Rent, Just Cause For Eviction, and Homeowner Protection Ordinance) on a property or unit owned or occupied by the requesting party. All requests for an administrative decision regarding exemption must be made on an approved Rent Program form. The Landlord must complete the approved form and attach sufficient information and documentation demonstrating a claimed exemption. The Landlord shall have the burden of proof of demonstrating a claimed exemption.

[Adopted June 20, 2018]

206. Issuing an Administrative Decision on Exemption Status

- A. In rendering an administrative decision, the Executive Director or assigned staff member may conduct an independent investigation into the underlying facts and rely on information and documentation obtained thereof.
- B. All administrative decisions under this Regulation must be made in writing, provide an explanation of the basis for the decision with citations to R.M.C. 11.100 et.seq (Fair Rent, Just Cause For Eviction, and Homeowner Protection Ordinance), and adequately describe the evidence relied on in reaching the decision.
- C. All administrative decisions under this Regulation must be rendered within 30 calendar days from the date of application. The Rent Program shall notify the Landlord and all Tenants in the affected unit, of its exemption determination.
- D. If the Landlord disagrees with the Executive Director or assigned staff member's administrative decision, the Landlord may, within 15 calendar days from the date of the administrative decision plus any additional time permitted under California Code of Civil Procedure Section 1013(a), as amended, file a request for hearing on exemption status. The hearing shall be conducted in accordance with the rules and procedures set forth in Chapter 8 of these Regulations.

[Adopted June 20, 2018]

207. Challenging a Rental Unit's Exempt Status

- A. Where a Rental Unit has been determined to be or treated as an exempt Rental Unit, a Tenant occupying said Rental Unit or his or her designee, may challenge the Rental Unit's exemption status by filing a Tenant petition for rent withholding, pursuant to Chapter 4 of these Regulations. Such a petition shall not be granted if the challenged Rental Unit has been determined exempt pursuant to Regulation 206, unless the Tenant can demonstrate that there has been a material change in facts, or that the information supplied by the Landlord in support of the exemption was misleading and/or false.

[Adopted June 20, 2018]