



AGENDA REPORT

Rent Program

DATE:	June 25, 2024
TO:	Mayor Martinez and Members of the City Council
FROM:	Nicolas Traylor, Rent Program Executive Director
Subject:	Resolution Establishing the Fiscal Year 2024-25 Residential Rental Housing Fee
FINANCIAL IMPACT:	The Rent Program budget is funded by the Rental Housing Fee. The amount of the Fiscal Year 2024-25 Residential Rental Housing Fee recommended by the Rent Board is \$239.00 per Controlled Rental Unit and \$136.00 per Partially Covered Unit. As the Residential Rental Housing Fee is the only source of revenue for Rent Program operations for the foreseeable future, the fiscal impact to the City will depend upon both the dollar amount of the fees adopted by the City Council, and fee payment compliance rates. To compel compliance, Ordinance 21-18 N.S., amended by the City Council on July 17, 2018, establishes penalties for late payment and authorizes the Rent Board to commence collection actions at any time for nonpayment of the Rental Housing Fee.
PREVIOUS COUNCIL ACTION:	N/A
STATEMENT OF THE ISSUE:	The purpose of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance is to promote housing stability and affordability for Richmond renters to the greatest extent allowable under California law while providing Landlords a fair return. In accordance with Section 11.100.060(I) of the Richmond Fair Rent, Just Cause for

	Eviction, and Homeowner Protection Ordinance, after receiving the Rent Board’s recommendation on the amount of the Residential Rental Housing Fee, the City Council shall determine the amount of the fee by voting on the Rent Board’s recommendation. The Rent Board is requesting the adoption of a resolution amending the Master Fee Schedule by establishing the Residential Rental Housing Fee for Fiscal Year 2024-25.
RECOMMENDED ACTION:	ADOPT a resolution establishing the Fiscal Year 2024-25 Residential Rental Housing Fee in the amount of \$239 per Controlled Rental Unit, and \$136 per Partially Covered Rental Unit – Rent Program (Nicolas Traylor 510-620-6564).

DISCUSSION:

Background

The Rent Program is funded by a Residential Rental Housing Fee, paid by all Landlords of Rental Units in the City of Richmond in accordance with Section 11.100.060(l)(1) of the Fair Rent, Just Cause for Eviction, and Homeowner Protection Ordinance (“Rent Ordinance”). The amount of the Rental Housing Fee is determined annually when the City Council votes on the Rent Board’s recommendation of the amount of the fee. 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 a 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.

Fiscal Year (FY) 2024-25 Rental Housing Fee Study

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 (e.g., City Council, City Manager, City Attorney, City Clerk, Finance, Human Resources, etc.) as allocations and offset are being negotiated with the City and Rent Program staff;
- Information Technology (IT) expenses associated with a property and rent-tracking database and maintenance of computer hardware and software;

- 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.

Proposed Structure of the Rental Housing Fee

Consistent with direction from the Rent Board in 2017, its first year of existence, the Fiscal Year 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 utilized during the first 1.5 years of program startup since the tasks and associated benefits of the agency’s startup were reasonably shared among Rental Units regardless of status.

During FY 2018-19, 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). 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 in its determination of the Fiscal Year 2024-25 Rental Housing Fee to ensure the requirements of Section 50076 of the California Government Code are met.

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 Rent Ordinance (such as properties with only one dwelling unit on the parcel, governmentally subsidized units, condominiums, and permitted units built after February 1, 1995), 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.

Comparison of Fiscal Year 2024-25 Fee to Prior Year Fees

The Rental Housing Fee for FY 2024-25 is recommended at: \$239 for Fully Covered Rental Units and \$136 for Partially Covered Rental Units. The table below compares the proposed Fiscal Year 2024-25 Rental Housing Fee to prior year fees.

Fiscal Year	Fully Covered Rental Units	Partially Covered Rental Units	Governmentally Subsidized Rental Units
2017-18	\$145	\$145	N/A
2018-19	\$207	\$100	\$50
2019-20	\$212	\$112	N/A
2020-21	\$219	\$124	N/A
2021-22	\$218	\$123	N/A
2022-23	\$226	\$127	N/A
2023-24	\$220	\$125	N/A
2024-25	\$239	\$136	N/A

Next Steps

Given, adoption of the Fiscal Year 2024-25 Residential Rental Housing Fee by the City Council, the fee will be incorporated into the Master Fee Schedule and charged to all Richmond Landlords in accordance with the Rent Ordinance.

DOCUMENTS ATTACHED:

- Attachment 1 – Resolution
- Attachment 2 – Ordinance 21-18 N.S.