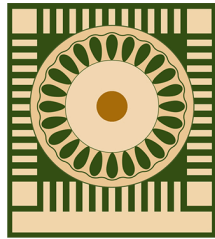


# **CITY OF HAYWARD**

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CITY OF  
**HAYWARD**  
HEART OF THE BAY

## **Agenda**

**Thursday, March 2, 2023**

**6:00 PM**

**Conference Room 2A & Virtual Platform (Zoom)**

**Homelessness-Housing Task Force**

NOTICE: The Homelessness-Housing Task Force will hold a hybrid meeting in Conference Room 2A and virtually via Zoom.

**PUBLIC PARTICIPATION**

*How to submit written Public Comment:*

*Send an email to [crissy.mello@hayward-ca.gov](mailto:crissy.mello@hayward-ca.gov) by 3:00 p.m. the day of the meeting. Please identify the Agenda Item Number in the subject line of your email. Emails will be compiled into one file, distributed to the Task Force and City staff, and published on the City's Meeting & Agenda Center under Documents Received After Published Agenda. Written comments received after 3:00 p.m. that address an item on the agenda will still be included as part of the record.*

*How to provide live Public Comments during the meeting:*

*Participate at Hayward City Hall, Conference Room 2A or click the link below to join the meeting:  
<https://hayward.zoom.us/j/88181800501?pwd=OExUTWs4UDRJSjVyMUI5Sk1KbXVRQT09>*

*Webinar ID: 881 8180 0501*

*Password: HHTF-0302*

*Or join by phone:*

*US: +1 669 900 6833 or +1 646 931 3860*

*Webinar ID: 881 8180 0501*

*Password: 646203639*

**CALL TO ORDER**

**AB 2449 TELECONFERENCE NOTIFICATIONS AND CONSIDERATION**

**ROLL CALL**

**PUBLIC COMMENTS**

**APPROVAL OF MINUTES**

1. [MIN 23-026](#) Minutes of the Homelessness-Housing Task Force Meeting on September 28, 2022

**Attachments:** [Attachment I Draft Minutes 092822](#)

**WORK SESSION**

2.      [WS 23-008](#)      Social Impact Bonds Program and Proposal to Reallocate \$3 Million of American Rescue Plan Act of 2021 (ARPA) Funding from the Wealth Building and Tax-Defaulted Property Acquisition Assistance Programs to the Social Impact Bonds Program for Down Payment Assistance

**Attachments:**      [Attachment I Staff Report](#)

**REPORTS/ACTION ITEMS**

3.      [RPT 23-024](#)      Informational Report on Rent Stabilization Administration Fee Increase

**Attachments:**      [Attachment I Staff Report](#)  
                                  [Attachment II Benchmarking Research](#)

**FUTURE AGENDA ITEMS**

**TENTATIVE SCHEDULE**

June 1, 2023

- Let's House Hayward Plan Update
- Objective Standards Update (Tentative)

September 7, 2023

- Status Report for the Residential Rent Stabilization and Tenant Protection Ordinance (RRSO) & Tenant Relocation Assistance Ordinance (TRAO)

December 7, 2023

- Provide Update on Housing Related Legislative Changes

March 7, 2024

- Housing Element related Municipal Code Amendments (Tentative)

**TASK FORCE MEMBER/STAFF ANNOUNCEMENTS AND REFERRALS**

**ADJOURNMENT**



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**File #:** MIN 23-026

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**DATE:** March 2, 2023

**TO:** Homelessness-Housing Task Force

**FROM:** Assistant City Manager

**SUBJECT**

Minutes of the Homelessness-Housing Task Force Meeting on September 28, 2022

**RECOMMENDATION**

That the Task Force approves the minutes of the meeting on September 28, 2022.

**ATTACHMENTS**

Attachment I Draft Minutes 09/28/2022

**MINUTES OF THE HOMELESSNESS-HOUSING TASK FORCE MEETING  
REMOTE PARTICIPATION  
Wednesday September 28, 2022, 6:00 p.m.**

**CALL TO ORDER**

The Homelessness-Housing Task Force meeting was called to order by Council Member Lamnin at 6:02 p.m. The meeting was conducted consistent with Assembly Bill 361/Gov Code 54953(e)(2)(B). The Task Force meeting includes teleconference participation by all Task Force members and the public.

**ROLL CALL**

Present:

Council Member Salinas  
Council Member Wahab  
Council Member Lamnin

Absent: None

**OTHER PARTICIPANTS**

Amy Cole-Bloom, Management Analyst; Christina Morales, Housing Division Manager; Dena Belzer, Consultant; Derek Braun, Consultant; Irene Perez, Senior Secretary; Jennifer Ott, Assistant City Manager; Nick Tabari, Audio Visual Specialist; Rosemary Vazquez, Interpreter

**PUBLIC COMMENTS**

There were none.

**APPROVAL OF MINUTES**

**1. Minutes of the Homelessness-Housing Task Force Meeting on June 29, 2022.**

It was moved by Council Member Wahab, seconded by Council Member Salinas, and carried unanimously, to approve the minutes of the Homelessness-Housing Task Force meeting on June 29, 2022.

**WORK SESSION**

**2. Affordable Housing Ordinance Feasibility Study Preliminary Findings and Policy Recommendations**

**MINUTES OF THE HOMELESSNESS-HOUSING TASK FORCE  
MEETING  
REMOTE PARTICIPATION  
Wednesday September 28, 2022 6:00 p.m.**

**ATTACHMENT I**

Housing Manager Morales announced the report and introduced Strategic Economics' Principal, Derek Braun, who provided a presentation on the preliminary findings of the Affordable Housing Ordinance Feasibility Study.

Council Member Lamnin opened the public comments section at 6:41 p.m.

The following individuals spoke during public comments:

Ro Aguilar

Council Member Lamnin closed the public comments section at 6:45 p.m.

Council Members Wahab, Salinas and Lamnin provided comments on the preliminary findings and recommendations in support of an increase in inclusionary housing requirements for low-density ownership housing, maintaining existing requirements for rental housing and high-density ownership housing, and expressed preference for on-site inclusionary units for larger projects.

**WORK SESSION**

**3. Implementation Update on the Residential Rent Stabilization and Tenant Protection Ordinance**

Management Analyst Cole-Bloom presented a PowerPoint on the Residential Rent Stabilization and Tenant Protection Ordinance (RRSO) Implementation Update.

Council Member Lamnin opened the public comments section at 7:50 p.m.

There were no speakers during public comments.

Council Member Lamnin closed the public comments section at 7:50 p.m.

Council Members Salinas and Lamnin provided comments.

**FUTURE AGENDA ITEMS**

**TENTATIVE SCHEDULE**

December 1, 2022

- Review Proposed Tax-Defaulted/Foreclosed Property Program

March 2, 2023

- Discuss Future Agenda Items

**MINUTES OF THE HOMELESSNESS-HOUSING TASK FORCE  
MEETING  
REMOTE PARTICIPATION  
Wednesday September 28, 2022 6:00 p.m.**

**ATTACHMENT I**

Council Member Lamnin requested adding a legislative update regarding recently adopted housing laws.

**TASK FORCE MEMBERS/STAFF ANNOUNCEMENTS AND REFERRALS**

None.

**ADJOURNMENT**

Council Member Lamnin adjourned the meeting at 8:02 p.m.



# CITY OF HAYWARD

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**File #:** WS 23-008

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**DATE:** March 2, 2023

**TO:** Homelessness-Housing Task Force

**FROM:** Assistant City Manager

**SUBJECT**

Social Impact Bonds Program and Proposal to Reallocate \$3 Million of American Rescue Plan Act of 2021 (ARPA) Funding from the Wealth Building and Tax-Defaulted Property Acquisition Assistance Programs to the Social Impact Bonds Program for Down Payment Assistance

**RECOMMENDATION**

That the Homelessness-Housing Task Force (HHTF):

1. Receive and provide comments on a presentation from the Richmond Community Foundation (RCF) on a proposed Social Impact Bonds Program; and
2. Provide comments on a proposal to reallocate \$3 million American Rescue Plan Act of 2021 (ARPA) funding from the Wealth Building and Tax-Defaulted Property Acquisition Assistance Programs to a Social Impact Bonds Program for down payment assistance.

**SUMMARY**

On April 27, 2021, the City Council adopted a resolution authorizing the acceptance of \$38 million in federal stimulus allocation under the American Rescue Plan Act of 2021 (ARPA). On July 13, 2021, City Council approved the Hayward Federal Stimulus Expenditure Plan which included \$4.25 million for housing programs. Staff have already implemented the Foreclosure Prevention Program and the Emergency Relocation Assistance Program but have yet to implement the Wealth Building Program and Tax Defaulted Property Acquisition Program. All funds awarded through ARPA must be obligated no later than December 31, 2024.

In May 2022, representatives from Richmond Community Foundation (RCF) and Neighborhood Housing Services of the East Bay (East Bay NHS), both non-profit community development organizations, reached out to staff to present the idea of a Social Impact Bonds Program (the "SIB Program"), which has already been successfully implemented in the City of Richmond. The SIB Program is funded through the issuance of municipal bonds. The bond proceeds are used to acquire vacant or blighted properties, transforming them into clean, affordable, for-sale units that would be sold to buyers who intend to owner-occupy the properties. Staff proposes reallocating the \$3 million allocated to the Wealth Building and Tax-Defaulted Property Acquisition Programs for a down payment assistance program that could be used in conjunction with a Social Impact Bonds Program to provide deeper levels of affordability. The SIB Program would accomplish the same objectives as the Wealth Building and Tax-Defaulted Property Acquisition programs by providing opportunities for wealth building through homeownership and conversion of blighted



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**File #:** WS 23-008

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properties into housing opportunities for low- and moderate-income households.

**ATTACHMENTS**

Attachment I Staff Report



**DATE:** March 2, 2023

**TO:** Homelessness-Housing Task Force

**FROM:** Assistant City Manager

**SUBJECT:** Social Impact Bonds Program and Proposal to Reallocate \$3 Million of American Rescue Plan Act of 2021 (ARPA) Funding from the Wealth Building and Tax-Defaulted Property Acquisition Assistance Programs to the Social Impact Bonds Program for Down Payment Assistance

## **RECOMMENDATION**

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2. Provide comments on a proposal to reallocate \$3 million American Rescue Plan Act of 2021 (ARPA) funding from the Wealth Building and Tax-Defaulted Property Acquisition Assistance Programs to a Social Impact Bonds Program for down payment assistance.

## **SUMMARY**

On April 27, 2021, the City Council adopted a resolution authorizing the acceptance of \$38 million in federal stimulus allocation under the American Rescue Plan Act of 2021 (ARPA). On July 13, 2021, City Council approved the Hayward Federal Stimulus Expenditure Plan which included \$4.25 million for housing programs. Staff have already implemented the Foreclosure Prevention Program and the Emergency Relocation Assistance Program but have yet to implement the Wealth Building Program and Tax Defaulted Property Acquisition Program. All funds awarded through ARPA must be obligated no later than December 31, 2024.

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properties. Staff proposes reallocating the \$3 million allocated to the Wealth Building and Tax-Defaulted Property Acquisition Programs for a down payment assistance program that could be used in conjunction with a Social Impact Bonds Program to provide deeper levels of affordability. The SIB Program would accomplish the same objectives as the Wealth Building and Tax-Defaulted Property Acquisition programs by providing opportunities for wealth building through homeownership and conversion of blighted properties into housing opportunities for low- and moderate-income households.

## **BACKGROUND**

On April 27, 2021, the City Council adopted a resolution authorizing the acceptance of \$38 million in federal stimulus allocation under the American Rescue Plan Act of 2021 (ARPA). On July 13, 2021, City Council approved the Hayward Federal Stimulus Expenditure Plan which included \$4.25 million for housing programs. Staff have already implemented the Foreclosure Prevention Program and the Emergency Relocation Assistance Program and have yet to implement the Wealth Building Program and Tax-Defaulted Property Acquisition Program. A summary of each of the remaining programs is provided below:

*Wealth Building Program.* Promote home ownership and wealth building by providing down payment assistance, home revitalization grants, other housing stabilization grants, commercial assistance grants, or education assistance grants.

*Tax-Defaulted Property Acquisition Program.* Assist community members and/or mission driven organizations such as Community Land Trusts or non-profit organizations acquire tax-defaulted or foreclosed properties.

All funds awarded through ARPA must be obligated no later than December 31, 2024. Staff have identified a program that could potentially meet the objectives of both of the programs yet to be implemented.

## **DISCUSSION**

In May 2022, representatives from Richmond Community Foundation (RCF) and Neighborhood Housing Services of the East Bay (East Bay NHS), both non-profit community development organizations, reached out to staff to discuss the use of Social Impact Bonds to create affordable ownership housing from distressed properties (the “SIB Program”). This program has already been successfully implemented in the City of Richmond. The SIB Program is funded through the issuance of municipal bonds and uses the bond proceeds to acquire and rehabilitate foreclosed, vacant, and/or derelict properties, providing relief to neighborhoods affected by these properties by transforming them into clean, affordable, for-sale units. Bonds are paid back through the sale proceeds of the homes. Staff proposes using the remaining housing ARPA funds as down payment assistance loans to help eligible households close funding gaps needed to acquire a property through the SIB Program.

*Conversion of Distressed Properties to Affordable Housing Resources*

The Social Impact Bonds Program presented by RCF is a strategy to create housing opportunities from underutilized properties. The City would issue municipal bonds or partner with a Joint Powers Agency (JPA) to issue municipal bonds (Social Impact Bonds) to provide the initial funding for the program and loan the bond proceeds to RCF. RCF would use the bond proceeds to acquire target properties from lenders (banks or mortgage pool trustees), or through tax sales or other means and rehabilitate the properties to bring them up to habitable and marketable standards. Since the target properties are likely in poor condition or being sold due to tax delinquency, the assumption is that these properties could be acquired at very favorable, below market prices. These properties would then be resold to eligible owner-occupants at an affordable price. Principal and interest on the Social Impact Bonds would be paid solely from the proceeds generated from the program with no liability for repayment on the City's part. RCF would work with local non-profits like East Bay NHS and the City to find eligible owner-occupant buyers for the properties acquired with bond proceeds. The above is a general proposed concept for the program for feedback and more information will be provided by RCF at the March 2, 2023 HHTF meeting.

### Wealth Building

This program promotes wealth building in multiple ways.

**Equitable Development Initiative.** Developers who identify as racial or ethnic minorities are severely underrepresented in a market dominated by large global and national firms. These developers have historically faced significant barriers to entering the real estate industry due to the lack of access to capital, equity, and experience. The proposed program would include an equitable development initiative to help increase the development capacity of local developers of color. RCF would engage local developers or contractors of color by providing the opportunity to provide rehabilitation services for properties acquired through the program helping them to gain experience and grow their business.

**Wealth Building through Home Equity.** The ownership model proposed by RCF and NHS, would utilize the Social Impact Bond Strategy to sell acquired properties at cost with reasonable return for investors to enable sale at affordable prices without resale restrictions to buyers that intend to owner-occupy the home. Purchasers would have the benefit of market appreciation.

**Limited Wealth Building with Housing Stability.** Based on a preliminary review of the ARPA guidelines, the City may be required to impose recapture requirements or resale restrictions if we use federal ARPA funds for down payment assistance to create ownership opportunities for low-income households. Staff is still researching ARPA requirements to ensure compliance with ARPA guidelines, but staff is proposing applying the remaining \$3 million in housing ARPA funding from the Wealth Building and Tax-Defaulted Property Acquisition Programs. This will likely reduce the amount of wealth building but would start buyers on the pathway of homeownership and stabilize housing costs for buyers making the transition from rental to ownership.

Regardless of the approach, rehabilitating distressed properties for the purposes of affordable homeownership reduces the number of vacant and blighted properties in the community,

which will translate to positive impacts and creates wealth building opportunities for community members consistent with the intent of the proposed Wealth Building and Tax-Defaulted Property Acquisition Programs. Consolidation of these two programs will help staff to meet the upcoming expenditure deadline. Staff is seeking HHTF feedback on the proposed Social Impact Bond Program and the use of \$3 million in housing ARPA funding for down payment assistance to be used with the SIB Program.

### **ECONOMIC IMPACT**

There is no immediate economic impact with the consideration of this report.

### **STRATEGIC ROADMAP**

This agenda item supports the Strategic Priority of Preserve, Protect & Produce Housing in general.

### **FISCAL IMPACT**

Implementing this type of program to reduce the vacant and blighted property inventory in the City could mean positive fiscal impacts for the City because of increased tax revenue and reduced costs for code enforcement and law enforcement to mitigate distressed properties.

### **NEXT STEPS**

If supported by the HHTF, staff would review program requirements with the City Attorney's Office, further review the ARPA guidelines to ensure compliance with funding requirements, further develop the proposed program, and bring the item to City Council for consideration.

*Prepared by:* Doris Tang, Management Analyst

*Recommended by:* Christina Morales, Housing Manager  
Dustin Claussen, Assistant City Manager

Approved by:



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Kelly McAdoo, City Manager



# CITY OF HAYWARD

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**File #:** RPT 23-024

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**DATE:** March 2, 2023

**TO:** Homelessness-Housing Task Force

**FROM:** Assistant City Manager

**SUBJECT**

Informational Report on Rent Stabilization Administration Fee Increase

**RECOMMENDATION**

That the Homelessness-Housing Task Force (HHTF) receives and reviews this staff report proposing an increase to the annual rent stabilization administration fee, which is necessary to meet the Rent Stabilization and Tenant Protection Ordinance (RRSO) requirement that the costs of administering the RRSO be reimbursed in full through the imposition of the annual fee.

**SUMMARY**

Hayward City Council adopted the Residential Rent Stabilization and Tenant Protection Ordinance (RRSO) in July 2019. The RRSO includes Section 12-1.17, which establishes that the costs of administering the RRSO shall be reimbursed in full through the imposition of a rent stabilization fee, paid annually with an amount recommended to Council by the City Manager and Housing Division. When the RRSO was adopted, Council authorized fees of \$40 per Covered Rental Unit and \$19 per Rental Unit. Covered Rental Units have a higher per unit fee because they are covered under the rent increase threshold and rent dispute resolution provisions of the RRSO, which requires additional staff and consultant work to administer. Owners of Covered Rental Units may pass through half the cost of the fee to the tenants. Owners of Rental Units are not restricted by the City's RRSO on increases that may cover the cost of the fee, though they may be subject to a State rent increase threshold.

The annual fee has not been increased since it was established in July 2019. The fee was developed based on best estimates for the number of Covered Rental Units and Rental Units in the City and the anticipated costs of implementing the RRSO. Since then, City Council adopted the Tenant Relocation Assistance Ordinance (TRAO) without an increase in fees to cover administrative costs. In recent years, administrative expenses have exceeded collected revenues. Staff has not recommended fee increases since FY 2020 due to increased economic constraints experienced by tenants and property owners during the peak of the COVID-19 pandemic. Other non-restricted housing funds were used to offset the RRSO and TRAO administration costs; however, it is no longer feasible to use other revenue funds to offset expenses.

Staff proposes increases to both the Covered Rental Unit and Rental Unit fees to account for the following administration expenses, which have substantially increased since the RRSO was adopted:

- Increase staffing capacity: City staff are currently allocating hours to the Rent Stabilization Fund

that significantly exceed the planned allocation due to the substantial demand on staff time for implementing the RRSO and TRAO. By increasing staffing from 2.75 FTE to 4.0 FTE, the City will be able to meet the full administrative obligation of the RRSO and TRAO.

- Increase consultant capacity: The City contracts with the non-profit Project Sentinel to manage the rent dispute resolution process, develop implementation resources and tools, and provide outreach and education support to Hayward community members. They have not increased their rates in several years and the City has seen an increase in petitions of nearly 50% from the first year of implementation to the most recent fiscal year. Increasing the contract with Project Sentinel will account for inflation and increased petition volume.
- Increase marketing efforts: Through participation in the national 18-month Eviction Prevention Learning Lab, staff identified several opportunities for improving information accessibility, particularly for Hayward community members who are most challenging to reach by traditional means. By increasing the budget for marketing efforts, the City will better meet the obligation to advise tenants and landlords of their rights and responsibilities under the RRSO and TRAO.

Staff is not requesting an increase to the Mobile Home Space Rent Ordinance fee because the level of services is relatively unchanged. Based on analysis of the above expenses and current budget projections, staff recommends the following increases:

	<b>Proposed Fee Increase</b>		
	<b>MH</b>	<b>RU</b>	<b>CRU</b>
FEE PER UNIT	\$5	\$32	\$66
INCREASE FROM FY 19 FEE	\$0	\$13	\$26
PERCENT TOTAL INCREASE	0%	68%	65%
<b>TOTAL PROJECTED REVENUE</b>	<b>\$1,034,823</b>		

Legend: MH = Mobile Home Unit; RU = Rental Unit; CRU = Covered Rental Unit

## ATTACHMENTS

Attachment I Staff Report

Attachment II Benchmarking Research



**DATE:** March 2, 2023  
**TO:** Homelessness-Housing Task Force  
**FROM:** Assistant City Manager  
**SUBJECT:** Informational Report on Rent Stabilization Administration Fee Increase

## **RECOMMENDATION**

That the Homelessness-Housing Task Force (HHTF) receives and reviews this staff report proposing an increase to the annual rent stabilization administration fee, which is necessary to meet the Rent Stabilization and Tenant Protection Ordinance (RRSO) requirement that the costs of administering the RRSO be reimbursed in full through the imposition of the annual fee.

## **SUMMARY**

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The annual fee has not been increased since it was established in July 2019. The fee was developed based on best estimates for the number of Covered Rental Units and Rental Units in the City and the anticipated costs of implementing the RRSO. Since then, City Council adopted the Tenant Relocation Assistance Ordinance (TRAO) without an increase in fees to cover administrative costs. In recent years, administrative expenses have exceeded collected revenues. Staff has not recommended fee increases since FY 2020 due to increased economic constraints experienced by tenants and property owners during the peak of the COVID-19 pandemic. Other non-restricted housing funds were used to offset the RRSO and TRAO administration costs; however, it is no longer feasible to use other revenue funds to offset expenses.

Staff proposes increases to both the Covered Rental Unit and Rental Unit fees to account for the following administration expenses, which have substantially increased since the RRSO was adopted:



- Increase staffing capacity: City staff are currently allocating hours to the Rent Stabilization Fund that significantly exceed the planned allocation due to the substantial demand on staff time for implementing the RRSO and TRAO. By increasing staffing from 2.78 FTE to 4.0 FTE, the City will be able to meet the full administrative obligation of the RRSO and TRAO.
- Increase consultant capacity: The City contracts with the non-profit Project Sentinel to manage the rent dispute resolution process, develop implementation resources and tools, and provide outreach and education support to Hayward community members. They have not increased their rates in several years and the City has seen an increase in petitions of nearly 50% from the first year of implementation to the most recent fiscal year. Increasing the contract with Project Sentinel will account for inflation and increased petition volume.
- Increase marketing efforts: Through participation in the national 18-month Eviction Prevention Learning Lab, staff identified several opportunities for improving information accessibility, particularly for Hayward community members who are most challenging to reach by traditional means. By increasing the budget for marketing efforts, the City will better meet the obligation to advise tenants and landlords of their rights and responsibilities under the RRSO and TRAO.

Staff is not requesting an increase to the Mobile Home Space Rent Ordinance fee because the level of services is relatively unchanged. Based on analysis of the above expenses and current budget projections, staff recommends the following increases:

	Proposed Fee Increase		
	MH	RU	CRU
FEE PER UNIT	\$5	\$32	\$66
INCREASE FROM FY 19 FEE	\$0	\$13	\$26
PERCENT TOTAL INCREASE	0%	68%	65%
<i>TOTAL PROJECTED REVENUE</i>	<i>\$1,034,823</i>		

Legend: MH = Mobile Home Unit; RU = Rental Unit; CRU = Covered Rental Unit

## BACKGROUND

In July 2019, City Council adopted the Rent Stabilization and Tenant Protection Ordinance (RRSO; Ordinance No. 19-12).<sup>1</sup> Section 12-1.17 of the RRSO establishes that the costs of administering the RRSO shall be reimbursed in full through the imposition of a rent stabilization fee, paid annually with an amount recommended to Council by the City Manager and Housing Division. At the time of adoption, the following fees were established:

<sup>1</sup> June 18, 2019, City Council Meeting Agenda and Materials: <https://hayward.legistar.com/LegislationDetail.aspx?ID=3985848&GUID=52D1B678-D6BB-401A-AB3C-8990885C0CDD&Options=&Search=>

Description	FY 19-20 Rates
Annual Fee per Covered Rental Unit	\$40
Annual Fee per Rental Unit	\$19

Covered Rental Units are those covered by the rent increase threshold provision of the RRSO. The fee is greater than Rental Units, which are not covered by the rent increase threshold, because additional resources are required to administer the rent review process. Owners of Covered Rental Units may pass through half the cost of the fee to the tenants. Owners of Rental Units are not restricted by the City’s RRSO on increases that may cover the cost of the fee, though they may be subject to a State rent increase threshold. The above fee amounts were calculated in FY 2020 using the following key assumptions:

- Staffing and supplies and services expenses that cannot explicitly be attributed to administration of the Rent Review Program for Covered Rental Units were distributed proportionally by rental unit based on the proportion of Covered Rental Units (43%) and Rental Units (57%) at the time of the calculation.
- Supplies and services directly related to administering the Rent Review Program for Covered Rental Units (such as the costs of specific marketing activities and the contract for the mediation and arbitration consultant, Project Sentinel) were distributed 95% to Covered Rental Units and 5% to Rental Units, as a small proportion of the consultant’s education activities benefit tenants and landlords for both unit types.

In July 2020, City Council adopted the Tenant Relocation Assistance Ordinance (TRAO; Ordinance No. 20-15). The TRAO created requirements for permanent and temporary relocation assistance that apply to almost all units in Hayward. Since adoption, there have been 29 relocation cases and 22 (76%) of them have been due to a Code Enforcement Notice of Violation. Administering this ordinance requires substantial communication with landlords and tenants, as well as collaboration and coordination with Code Enforcement, the Fire Department, and the City Attorney’s Office. Staff have also had to draft and revise Regulations for the Ordinance (per Section 12-2.14) and manage the Emergency Relocation Assistance Fund, funded through the American Rescue Plan Act. The City uses these funds to provide emergency payments to qualifying tenants displaced from their homes due to natural disaster. The funds are also available for instances when landlords do not pay required relocation assistance within the timeline established in the TRAO and TRAO Regulations. The funds allow the City to pay the tenant directly and recover the costs from the landlord. The TRAO does not include imposition of additional administrative fees.

**DISCUSSION**

The rent stabilization fee has not been increased since adoption of the new RRSO in July 2019 and in recent fiscal years, administrative expenses have exceeded collected revenues. In 2019, fees were calculated based on the best available estimates for the number of Covered Rental Units and Rental Units in Hayward and the costs of administering the RRSO. Since then, City Council adopted the TRAO without an increase in fees to cover administrative

costs. After three years of implementation expenses, there is additional data to better understand the staff and consultant time and resources required to implement both the RRSO and TRAO.

Staff has not recommended fee increases since FY 2020 due to increased economic constraints experienced by tenants and property owners during the peak of the COVID-19 pandemic. During that time, staff identified other funds that could offset RRSO and TRAO administrative costs; however, as expenses rise across all Housing Division funds and other eligible fund balances are depleted, it is no longer feasible to use other revenue funds to offset expenses incurred through administration of the RRSO and TRAO.

Staff's analysis of the current fee and the need to increase it considers the following factors:

- **Increase in staffing requirements:** Currently, the Housing Division has 2.78 FTE working on the administration of the RRSO, as outlined below. Since implementation of the RRSO and the subsequent adoption of the TRAO, each of the partially funded positions spends at least 50% of their time administering these programs.
  - Housing Division Manager: .35 FTE
  - Management Analyst: .23 FTE
  - Senior Secretary: .20 FTE
  - Senior Secretary: 1.0 FTE
  - Community Programs Specialist: 1.0 FTE
- **Increase in consultant expenses:** The City contracts with the non-profit Project Sentinel to manage the mediation and arbitration process for Covered Rental Units submitting petitions for review of rent. Project Sentinel also develops and delivers outreach presentations and creates templates and resources with City staff. Project Sentinel has not increased their rates in several years and the City has seen an increase in petitions of nearly 50% from the first year of implementation to the most recent fiscal year, likely due to a number of factors including improved outreach and inflation pressures.
- **Increase in marketing and outreach expenses:** Through participation in the Eviction Prevention Learning Lab, staff identified several outreach and marketing activities that can improve communication and education with tenants and landlords, with specific focus on reaching those who are the hardest to reach. Investing in these resources can improve accessibility and increase awareness of the RRSO and TRAO for tenants and landlords with the goal of preventing unnecessary evictions and displacement.

Based on current budget projects and analysis, staff recommends increasing the annual fee to account for the above increases in expenses, which will meet the obligation under Section 12-1.17 to reimburse the full cost of administration of the ordinance through the annual fee. Staff does not recommend making any changes to the fee for administering the Mobile Home Space Rent Stabilization Ordinance (MRSO) because the level of service is relatively unchanged. Specifically, the proposed fee increase for the RRSO is based on the following assumptions:

- **Staffing changes:** Adjust the FTE allocations to accurately reflect staff time spent administering the RRSO and TRAO.
  - Housing Division Manager: .50 FTE (increase of .15 FTE)
  - Management Analyst: 1.0 FTE (increase of .77 FTE)
  - Senior Secretary: .50 FTE (increase of .30 FTE)
  - Senior Secretary: 1.0 FTE (no change)
  - Community Programs Specialist: 1.0 FTE (no change)
- **Consultant contract change:** Negotiate new rates with Project Sentinel to adjust for inflation and account for an increased volume of petitions.
- **Marketing and outreach changes:** Increase the supplies and services budget for marketing expenses to improve accessibility and increase awareness of the RRSO and TRAO.

Additionally, as with calculations made for the fee in 2019, the proposed fee increase proportionally distributes expenses that cannot explicitly be attributed to administration of the Rent Review Program based on the most recent proportion of Covered Rental Units and Rental Units. Expenses directly related to administering the Rent Review Program for Covered Rental Units are distributed 95% to Covered Rental Units and 5% to Rental Units. Finally, the proposed rate increases account for the rate of unpaid fees from previous fiscal years.

The following fee increases were calculated based on the above assumptions and scenarios:

	<b>Proposed Fee Increase</b>		
	<b>MH</b>	<b>RU</b>	<b>CRU</b>
FEE PER UNIT	\$5	\$32	\$66
INCREASE FROM FY 19 FEE	\$0	\$13	\$26
PERCENT TOTAL INCREASE	0%	68%	65%
<b>TOTAL PROJECTED REVENUE</b>	<b>\$1,034,823</b>		

Legend: MH = Mobile Home Unit; RU = Rental Unit; CRU = Covered Rental Unit

When the fee was adopted in FY 2020, staff conducted benchmarking research using FY 2019 data to compare the administrative fees of comparable jurisdictions with similar programs. Staff revisited this research as part of the fee increase analysis and, on average, fees in the comparable jurisdictions increased about 30%. Attachment II has more detailed information on the benchmarking research.

## **ECONOMIC IMPACT**

There will be an economic impact to landlords and tenants with this fee increase, as the annual fee for both Covered Rental Units and Rental Units will increase. Tenants will likely experience some impact, as under the RRSO, owners of Covered Rental Units may pass

through half the cost of the annual fee to tenants. Owners of Rental Units are not restricted by the City's RRSO on increases that may cover the cost of the fee, though they may be subject to a State rent increase threshold.

## **FISCAL IMPACT**

Revenue generated by the current fee implemented in FY 2020 is not sufficient to cover existing expenses incurred in administering the RRSO and TRAO. Staff anticipates that revenue generated by the proposed fee change included in this staff report will offset the costs of administering the program. There is no anticipated impact to the General Fund.

## **STRATEGIC ROADMAP**

This agenda item supports the Strategic Priority of Present, Protect, & Produce Housing. Specifically, this item relates to the implementation of the following projects:

Project 7, Parts 7b:                Monitor the implementation of the Rent Stabilization Ordinance and prepare a statistical report

## **PUBLIC CONTACT**

The City engaged in substantial public contact when revising the RRSO in 2019. For additional information on that process, see attachments for the June 18, 2019 Council Meeting.<sup>2</sup> Staff will provide mailed notification to all property owners of the fee increase once finalized and with sufficient notice before the FY 2024 invoices are mailed.

## **NEXT STEPS**

Staff will integrate HHTF input into a legislative business item for Council in March. The proposed fee increase will take effect for FY 2023-2024. Prior to mailing out FY 2024 invoices, staff will mail a notification of fee increase to all property owners. Staff will include an update on the annual billing process at the September HHTF meeting.

*Prepared by:*                Amy Cole-Bloom, Management Analyst II

*Recommended by:*        Dustin Claussen, Assistant City Manager  
Christina Morales, Housing Division Manager

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<sup>2</sup>June 18, 2019, City Council Meeting Agenda and Materials:  
<https://hayward.legistar.com/LegislationDetail.aspx?ID=3985848&GUID=52D1B678-D6BB-401A-AB3C-8990885C0CDD&Options=&Search=>

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', with a long horizontal flourish extending to the right.

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Kelly McAdoo, City Manager

### Rent Stabilization Fee Benchmarking Research

When Council adopted the rent review fee in 2019, staff provided benchmarking research comparing the fees assessed by other cities with similar ordinances. The original research used fees from FY 18-19. Below is a table updating that research, demonstrating that, on average, fees increased about 30%.

City	FY 18-19 Fee	FY 22-23 Fee	Increase	Updates & Applicability
Richmond	\$207 for Fully Covered Rental Units	\$226 for Fully Covered Rental Units	9%	Tiered fee based on type of unit
	\$100 for Partially Covered Rental Units (e.g., single-family homes, condominiums, and new construction)	\$127 for Partially Covered Rental Units	27%	
	\$50 for Governmentally Subsidized Rental Units	\$127 for Governmentally Subsidized Rental Units	154%	
Berkeley	\$250 per unit	\$250 per Fully Covered Unit	0%	New fees were added in 2020, creating fees for units partially covered by the Rent Ordinance and affordable units managed by a non-profit
		150 per Partially Covered Unit	New	
		\$37 per affordable units	New	
Oakland	\$68 per unit	\$101 per unit	49%	All units subject to the City's Rent Adjustment Program
Fremont	\$24 per unit	\$12 per unit	-50%	Residential landlords who have five or more residential rental units