



DATE: July 2, 2019

TO: Mayor and City Council

FROM: Deputy City Manager

SUBJECT: Amendment of the Fiscal Year 2020 Master Fee Schedule to Update the Fees Associated with Administration of the New Residential Rent Stabilization and Tenant Protection Ordinance and the Mobilehome Space Rent Stabilization Ordinance

RECOMMENDATION

That the City Council adopts a resolution (Attachment II) authorizing the amendment to Resolution 19-059, the resolution for the City of Hayward Fiscal Year 2020 Master Fee Schedule associated with the administration of the new Residential Rent Stabilization and Tenant Protection Ordinance and the Mobile Home Space Rent Stabilization Ordinance.

SUMMARY

On June 18 and 25, 2019¹, the City Council introduced and then adopted an ordinance creating a new Residential Rent Stabilization and Tenant Protection Ordinance (RRSO) to mitigate displacement of Hayward residents. The Council also approved a resolution increasing the associated budget allocation by \$359,000 and updating the rent review fee to cover the costs associated with administration of the ordinance, with the exception of changing the fee associated with the Mobile Home Space Rent Stabilization ordinance until staff notifies mobile home stakeholders regarding the change. Staff is returning to City Council with this item because the resolution that updates the rent review fee in the master fee schedule should have been agendized as a public hearing, which requires publication of a public hearing notice, and to address City Council's concern regarding notification of mobile home park stakeholders of the proposed fee change.

¹ June 18, 2019 Staff Report and Attachments

<https://hayward.legistar.com/LegislationDetail.aspx?ID=3985848&GUID=52D1B678-D6BB-401A-AB3C-8990885C0CDD&Options=&Search=>

June 25, 2019 Staff Report and Attachments

<https://hayward.legistar.com/LegislationDetail.aspx?ID=3993709&GUID=DD94A516-2054-4932-B6F6-443E0928C65B>

Public notice was published in the Daily Review on June 21, 2019. Additionally, staff sent letters to mobile home park owners and mobile home park residents on June 26, 2019 regarding the proposed fee increase.

The proposed legislation will set rent review fees for FY 2020 as follows:

1. Annual Fee per Mobilehome Space \$5.00
2. Annual Fee per Rental Unit \$19.00
3. Annual Fee per Covered Rental Unit \$40.00

BACKGROUND

On June 18, 2019, the City Council introduced and then adopted an ordinance creating a new Residential Rent Stabilization and Tenant Protection Ordinance (RRSO) to mitigate displacement of Hayward residents. The Council also approved a resolution increasing the associated budget allocation by \$359,000 and updating the rent review fee to cover the costs associated with administration of the ordinance, with the exception of changing the fee associated with the Mobile Home Space Rent Stabilization ordinance until staff notifies mobile home stakeholders regarding the change. Staff is returning to City Council with this item because the resolution that updates the rent review fee in the master fee schedule should have been agendaized as a public hearing, which requires publication of a public hearing notice, and to address City Council's concern regarding notification of mobile home park stakeholders of the proposed fee change.

DISCUSSION

Staff proposes updating the rent stabilization administration fees to cover the cost of administration of the RRSO and the Mobile Home Space Rent Stabilization Ordinances. Typically, these fees are updated annually in the master fee schedule as part of the budget process. Due to pending modification of the Residential Rent Stabilization Ordinance, the rent stabilization fees were not modified for fiscal year 2020.

Staff proposes that the rent stabilization administration fees be updated to invoice property owners in advance to recover the current fiscal year budgeted expenses. Historically, the rent stabilization administration fees were billed and collected two years in arrears (i.e. invoices sent out in November 2018 were to recover costs from calendar year 2017). Staff anticipates that revenue generated from the proposed fee for FY 2020 will fully offset the costs to administer the program.

Mobile Home Space Fee

Proposed changes to the fee associated with the Mobile Home Space Rent Ordinance is based on actual expenditures from last year's program and a proportional share of personnel costs associated with administration of both rent stabilization ordinances. The fee covers the cost of administering the dispute resolution process, archiving in-place transfer forms, and responding to inquiries regarding the ordinance. As provided for in the Mobile Home Space

Rent Stabilization Ordinance, the fee is paid by the park owners and half of the fee can be passed through to the tenant.

Residential Dwelling Unit Fee

Staff proposes that the residential dwelling unit fee be charged to all rental units in the City. This fee will vary based on the type of unit as defined under the new RRSO because the effort and services provided to administer the program for each unit type (Covered Rental Unit, Rental Unit) differs drastically. More specifically, the fee for a unit that will have access to mediation and binding arbitration services (Covered Rental Unit), as proposed in the new RRSO, will be higher than a unit that does not. The additional mediation and binding arbitration service results in higher administration costs, including staff time, professional services, and supplies. The remaining rental units, including single-family homes and condominium rentals, as well as all other rental units built after 1979 (Rental Unit), would have access to all services except mediation and binding arbitration, and therefore the cost for administering the RRSO for these units is significantly lower.

As provided for in the existing and new RRSO, the fee is paid by the landlord and half of the fee can be passed through to the tenant.

Proposed Rent Stabilization Administration Fees

Table 1 below compares the FY 2019 fees and the proposed FY 2020 fees that will be necessary to recover expected expenses for both rent stabilization programs and to ensure that there is no adverse fiscal impact to the General Fund.

Table 1. Rent Stabilization Administration Fee Comparison

FEE	MOBILE HOME	RENTAL UNIT	COVERED RENTAL UNIT
FY 2019	\$1.62	\$0.00	\$3.59
Proposed	\$5.00	\$19.00	\$40.00

For context, the following are examples of rent review fees charged for residential dwelling units in other neighboring jurisdictions:

- **City of Richmond²:** Charges a tiered rental housing fee. The fee for FY 18-19 was \$207 for Fully Covered Rental Units, \$100 for Partially Covered Rental Units (such as single-family homes, condominiums, and new construction), and \$50 for Governmentally Subsidized Rental Units (including units in the Section 8 Housing Choice Voucher Program).

² City of Richmond Residential Rental Housing Fee: <https://www.ci.richmond.ca.us/3679/Fees>

- **City of Berkeley**³: The fee for FY 18-19 was \$250 per unit and applies to all units subject to the City's Rent Stabilization Ordinance.
- **City of Oakland**⁴: The fee for FY18-19 was \$68 per unit and applies to all units subject to the City's Rent Adjustment Program.
- **City of San Jose**⁵: The fee for units covered under the Apartment Rent Ordinance (ARO) is \$77.30 per unit and \$6.20 per unit for units not covered under the ARO.
- **City of Fremont**⁶: The Rent Review Program Annual Fee is \$24 per unit and applies to all non-owner occupied residential rental properties in the City of Fremont⁷.

The fee increases proposed are based on staff estimates and will be reassessed after the City has data on actual fee revenues and program expenditures.

Program Administration

Based on the proposed changes in the administration of the Residential Rent Review program, staff is anticipating an increased workload that current staffing levels cannot support. Staff anticipates an increase in public questions and inquiries related to the Rent Review Program, as well as mediation and binding arbitration petitions. Additionally, the implementation of the requirement that landlords file notices of all rent increases and evictions with the City and the maintenance of the City's rental housing database will require significant additional effort. To administer the program, staff is proposing the following items to augment the program's FY 2020 operating budget:

- **Staffing** - Addition of one Program Specialist (+ 1.0 FTE) at a total salary and benefit cost of \$154,394. This position will work solely on the Rent Review Program and ensure that the community's needs are addressed in a timely, responsive, and thorough manner.
- **Consultant services** – Increase of \$159,000 to previously budgeted amounts to cover the costs of additional professional services for increased tenant/landlord mediation and arbitration services, educational seminars, webinars and workshops on relevant housing topics, and translation services.
- **Overhead Expenses** - Increase of \$45,606 for expenses, such as supplies, printing and postage costs for mailers, public notices, correspondence, billing, etc.

Staff recommends approval of the resolution authorizing the amendment to Resolution 19-059, the resolution for the City of Hayward Fiscal Year 2020 Master Fee schedule associated with the administration of the new Residential Rent Stabilization and Tenant Protection Ordinance and the existing Mobile Home Space Rent Stabilization Ordinance.

³ City of Berkeley Rent Stabilization Board Registration Information:

https://www.cityofberkeley.info/Rent_Stabilization_Board/Home/FY_2018-2019_Registration_Information.aspx

⁴ City of Oakland Rent Adjustment Program Fee: <https://www.oaklandca.gov/services/rent-adjustment-program-fee>

⁵ City of San Jose Rent Stabilization Program: fee information provided by San Jose City staff

⁶ City of Fremont Master Fee Resolution No. 8672 (Fees as amended through March 20, 2019):

<https://www.fremont.gov/DocumentCenter/View/25240/MASTER-FEE-SCHEDULE-effective-03202019?bidId=>

⁷ City of Fremont Rent Review Program Annual Fee – Frequently Asked Questions:

<https://fremont.gov/DocumentCenter/View/37993/Landlord-Letter---FAQ>

FISCAL IMPACT

On June 18, 2019, the Council approved a total budget allocation to cover the cost of the Rent Review Program in an amount not to exceed \$633,668 in FY 2020. Staff anticipates that revenue generated from proposed fee changes will fully offset the costs of both the new Residential Rent Stabilization and Tenant Protection Ordinance and the existing Mobile Home Space Rent Stabilization Ordinance.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities Initiative is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work, and play for all. This item supports the following goal and objectives:

Goal 2: Provide a mix of housing stock for all Hayward residents and community members, including the expansion of affordable housing opportunities and resources.

Objective 1: Centralize and expand housing services.

Objective 3: Conserve and improve the existing housing stock.

PUBLIC CONTACT

Public notice was published in the Daily Review on June 21, 2019. While it is not the typical practice for amending the master fee schedule, staff sent letters mobile home park owners and mobile home park residents on June 26, 2019 regarding the proposed fee increase and this public hearing. Increasing the fee for rental property owners has been included in discussion with stakeholders since February 19, 2019.

NEXT STEPS

If the proposed resolution is adopted, staff will invoice the fee on August 1, 2019 and the fee will be due and payable by August 31, 2019.

Prepared by: Christina Morales, Housing Division Manager

Recommended by: Jennifer Ott, Deputy City Manager

Approved by:



Kelly McAdoo, City Manager