



DATE: March 28, 2022

TO: Members of the Rental Housing Committee

FROM: Anky van Deursen, Program Manager

SUBJECT: **Mobile Home Rent Stabilization Program Recommended Budget for FY 2021-22 and FY 2022-23**

RECOMMENDATION

To review and provide feedback on the recommended Mobile Home Rent Stabilization Program budget for FY 2021-2022 and FY 2022-23, including amounts advanced by the City to assist with the startup and implementation of the MHRSO. The budget is scheduled for adoption at a subsequent meeting of the Rental Housing Committee (RHC) on April 25, 2022. The annual rental space fees are calculated based on the budget as established by the RHC.

BACKGROUND

On September 28, 2021, the City Council adopted an Ordinance of the City of Mountain View enacting Mobile Home Rent Stabilization (MHRSO). This Ordinance went into effect on October 28, 2021. The stated purpose of the MHRSO in Section 46.1 is to *“protect mobile home residents from unreasonable rent increases, while at the same time protecting the rights of park owners and mobile home landlords to receive a fair return on their property and rental income sufficient to cover increases in the costs of repairs, maintenance, insurance, employee services, additional amenities and other costs of operation.”*

The MHRSO creates a second rent stabilization program in the City of Mountain View, comparable to the Community Stabilization and Fair Rent Act (CSFRA). The implementation of the MHRSO program benefits from the existing framework for the CSFRA program, using built up experience, expertise and streamlined processes, such as the management of a petition and hearing process, the development of forms and the use of best practices, as well as a trusted relationship with hearing officers, and an established database that can be expanded upon. However, the MHRSO program still requires staffing and dedicated resources for its development, implementation and administration. CSFRA funds, consisting of fees collected from CSFRA covered multi-family apartments, can solely be used for the CSFRA program and are not available for the MHRSO program.

Duties of the Rental Housing Committee

The MHRSO in Section 46.9(8) assigns the Rental Housing Committee (RHC) powers and duties to implement and administer the MHRSO, including to *“Establish a budget for the reasonable and necessary implementation of the provisions of the MHRSO, including without limitation the hiring of necessary staff, and charge fees as set forth herein in an amount sufficient to support that budget.”*

The MHRSO (Section 46.9(b)) also states that the RHC shall *“finance the Committee’s reasonable and necessary expenses, including, without limitation, engaging any staff as necessary to ensure implementation of the MHRSO, by charging Park Owners an annual space rental fee, in amounts deemed reasonable by the Committee in accordance with applicable law. The Committee is also empowered to request and receive funding when and if necessary, from any available source, including the city, for the Committee’s reasonable and necessary expenses”*.

During the initial implementation of the CSFRA in 2017, the City approved a mid-year budget request, advanced necessary funds for the CSFRA Program, and used City resources to ensure the effective implementation of the CSFRA until the RHC established a budget and collected rental-housing fees. The City did receive reimbursement of these funds once the RHC was able to collect rental-housing fees.

Similarly, from the effective date of the MHRSO (October 28, 2021), initial startup costs were incurred for the MHRSO program implementation, including internal staff resources as well as outside legal services, outreach efforts, and operational expenses. City Council approved a mid-year budget request to advance all necessary funds and used City resources to ensure the effective implementation of the MHRSO until the RHC could collect annual rental space fees. A total amount of \$ 399,000 was advanced for the initial implementation of the MHRSO, with \$107,000 provided as one-time non-reimbursable startup funds, and \$292,000 as an loan, to be reimbursed once the RHC establishes and collects annual rental space fees as provided in Sec. 46.9c.

In this memo, staff will detail the city advanced Fiscal Year 2021-2022 funds, draft budget for FY 2021-22 and FY 2022-23 as well as recommendations for setting the annual rental space fee for the continued implementation and administration of the MHRSO.

ANALYSIS**BUDGET FISCAL YEAR 2021-22**

The MHRSO creates a new program in the City of Mountain View and requires dedicated resources for its development and implementation. Although the start-up of the MHRSO benefits from the experience, expertise and processes developed for the CSFRA, the preparation and implementation of the MHRSO still requires dedicated up-front start-up funding and continued

resources. Due to existing heavy workloads, current CSFRA staff would only be able to work on implementation of the MHRSO on a part time basis to translate existing CSFRA infrastructure and processes to adapt to MHRSO requirements. Additionally, the MHRSO implementation includes new components such as space rental requirements for just cause evictions, exemptions, petition and hearing processes and capital improvement pass-through processes as well as specific outreach and education efforts.

In order to start implementation of the MHRSO program, City Council approved a mid-year budget request for the startup costs and implementation of the MHRSO for a total amount of \$399,000, based on staff's best estimate of the costs to implement the program in FY 2021-22. This includes approval of one additional FTE Analyst I/II.

The Fiscal Year 2021-22 budget totals \$399,000 and consists of the following key expenditures (see Attachment 1):

1. Staffing—\$135,000
2. General operating costs—\$60,200
3. Database IT system—\$30,000
4. Third-party professional services—\$130,000
5. City resources/administrative support—\$43,800

\$107,000 of the funds are for one-time costs related to the start-up of the program in its first year of existence, which do not have to be reimbursed back to the City. \$292,000 are estimated ongoing operating costs, which includes staff time, ongoing outreach and education (including efforts to explore the development of a Memorandum of Understanding), third party professional services, annual costs to maintain the database system, and City resources and administrative support. These funds are to be reimbursed to the City once the RHC collects annual rental space fees. Table 1 shows the key components of these funds, divided into the One-time startup costs of \$107,000 and the operating costs of \$292,000 reimbursable to the City.

Table 1: FY 2021-22 Budget & City funding for MHRSO Program

	Category	FY 2021-22 (8 months)	
		City paid Start Up Costs	Operating Costs
		Non-reimbursable	Reimbursable to City
1	Personnel		135,000
2	Operating Costs		60,200
3	Database	25,000	5,000

4	3 rd P Providers:		
	Legal Services	30,000	25,000
	Consultants	50,000	
	Hearing Officers		20,000
	Translations		2,250
	Training	2,000	
	Settlement Conf.		750
5	15% Adm. Costs		43,800
6	TOTAL COSTS	107,000	292,000

FY 2021-22 Annual Rental Space Fee

To ensure full funding of the MHRSO program, the annual rental space fee is calculated by dividing the total amount of the Fiscal Year budget as approved by the RHC, by the total amount of mobile home spaces covered by the MHRSO. The city provided one-time startup funding of \$107,000, which does not have to be reimbursed. The City does request reimbursement of the operating funds of \$292,000. The number of rental spaces covered by the MHRSO for FY 2021-22 amounts to 1,130. Based on the above calculation, the fee would be \$258.40 per space for Fiscal Year 2021-22 ($\$292,000 / 1,130$), which once collected shall be returned to the City.

BUDGET FISCAL YEAR 2022-23

Resources in fiscal year 2022-23 for the continued implementation and administration of the MHRSO program include the following key components:

1. Staffing for the development, implementation, and administration of the MHRSO.
2. General operating costs, including preparation and conducting of RHC meetings, meeting materials, as well as costs associated with education, outreach, clinics and communications.
3. Third-party professional contract services.
4. Database/Registry system to facilitate monitoring, compliance, and implementation of MHRSO requirements.
5. City resources/administrative support.
6. Litigation reserve.

The implementation and administration of the MHRSO by the RHC and CSFRA staff will provide efficiencies and efficacies due to the experience gained with the CSFRA program but does not eliminate all costs as explained below. The following estimates are deemed necessary to fund the MHRSO implementation work through the FY 2022-23.

1. Staffing - \$205,400

The addition of one FTE Analyst I/II will support the CSFRA staff with implementation and administration of the MHRSO. This will amount to an annual cost of approximately \$205,400.

The responsibilities of the Analyst I/II position would include, but are not limited to, the following:

- Assist with the overall implementation of the MHRSO, including facilitating implementation of adopted rules and regulations, such as the petition and hearing process, the capital improvement pass through process, and appeal process and maintain records and recordings of these quasi-judicial processes.
- Conduct research to determine best practices as maintained in other mobile home rent stabilization jurisdictions.
- Coordinate with staff across the City as needed, including the City Attorney's Office, Finance and Administrative Services, Information Technology, Community Development, Fire, Document Processing, etc.
- Function as the primary contact for both internal and external customers related to the MHRSO. This includes responding to inquiries and issues through e-mail, phone, and in-person interactions in an effective and timely manner.
- Update, monitor, and analyze data in the database/registry. Oversee expansion of the existing CSFRA database/registry to allow registration of mobile home space units, as well as additional information that will facilitate the effective implementation of MHRSO, such as the banking provision; vacancy and turnover rates; rents levels and compliance with rent limits; and petition/ hearing information. At the request of the RHC, staff will run reports and provide data to assist the RHC in making informed decisions, adjustments to the MHRSO rules and regulations, etc.

This requested staffing level is based on analysis of current staffing of the CSFRA team. Currently the CSFRA team includes five (5) full-time positions, including a Program Manager, one Senior Management Analyst, two Administrative Analyst I/II positions, and one Secretary. Staff also uses hourly staffing for specific outreach and education purposes. CSFRA staff is responsible for the following programs: CSFRA Rent Stabilization Program, Tenant Relocation Assistance Ordinance/SB330, COVID-19 related programs such as the Eviction Moratorium, Rent Relief and the Housing & Eviction Prevention Program, including the Eviction Help Center.

On average, staff each work over 90-100 hours biweekly and are supported by other City departments and third-party service providers, to provide meaningful services for the above-listed programs.

Based on start-up workload for the MHRSO program, it is expected that most CSFRA staff would lend their expertise on a part-time basis for the implementation of the MHRSO to translate existing CSFRA infrastructure and processes to adapt to MHRSO requirements. However, parts of the MHRSO implementation will include new components, such as space rental requirements for just cause evictions, exemptions, as well as petition and hearing processes and capital improvement pass through processes.

The workload of the 5 FTE's CSFRA team is currently estimated at 6.3 FTE's (1.3 FTE's overtime), with 5 FTE's for the CSFRA program, 0.35 FTE for the TRAO program and 1 FTE for the Housing & Eviction Prevention Program. This leaves no space to take on additional tasks for the MHRSO program. Considering the volume, multi-faceted nature, and complexities of the work, staff recommends providing for one FTE Analyst I/II, to assist with the intricacies of mobile home rent stabilization specifics.

Proposed Staffing Level in Comparison with Other Jurisdictions:

Most jurisdictions with rent stabilization use a combination of dedicated staff, existing city resources, and outside professional services to administer their programs. The table below summarizes the number of city staff for each mentioned jurisdiction's rent stabilization program, the number of covered rental units in each city, and staffing ratios. The following jurisdictions include both Rental Units as well as Mobile Homes in their Rent Stabilization Programs: East Palo Alto, San Jose, Fremont, Los Angeles City and Los Angeles County (highlighted in grey in the table below).

Table 2: Staffing ratios in rent stabilized Jurisdictions

Jurisdiction	# of Units	Staffing FTEs	# of Units Per Staff	Staff per 1,000 Units
Berkeley	20,000	22	909	1.10
Santa Monica	28,000	26	1,077	0.93
Oakland	65,000	11	5,909	0.81
East Palo Alto	2,500	2	1,250	0.80
Richmond	18,000	13	1,385	0.55
West Hollywood	17,000	8.5	2,000	0.50
San Jose	39,000	16	2,436	0.41
Fremont	24,792	7	3,542	0.36
Mountain View (Proposed Staffing)	15,000 (+ 1,130)	6	2,688	0.37
Mountain View (Current Staffing)	15,000 (+1,130)	5	3,226	0.33
San Francisco	173,000	31	5,581	0.18
Los Angeles City	600,000	90	6,666	0.15
Los Angeles County	200,000	32	6,250	0.16

Compared to the staffing levels of other rent stabilization programs, the proposed staffing plan for the City of Mountain View, including the mobile home rental units, indicates a relatively lean program. The number of covered units per staff is 2,688 units, which falls well below the range seen in other smaller cities. Looking at the staffing ratio from the opposite direction, the ratio of 0.37 staff per 1,000 units is also well below the spectrum that runs from 0.36 to 1.10 for comparably sized cities.

2. General Operating Expenses— \$ 10,000

General operating expenses are cost estimates for program expenditures related to office operations, communications, outreach efforts, and cost of materials. Staff is able to make use of existing infrastructure and services but will incur specific costs related the MHRSO with regard to design, printing, mailing, and postage of outreach materials such as postcards, and flyers, and office equipment and office supplies.

3. Database / Registry \$ 5,000

Using the existing framework of the CSFRA Database Registry, and the initial expansion of this database by our vendor 3Di in FY 2021-22, annual fees for support and licensing are estimated to be \$5,000.

4. Third-Party Professional Services—\$ 50,000

Staff recommends contracting with third-party consultants for services such as legal support and hearing officer services. Staff will be able to make use of existing CSFRA consultants in certain circumstances but needs to separately budget and invoice services provided for the MHRSO program. This includes the following third-party professional services and cost projections:

Outside Legal Services (\$25,000). Staff recommends hiring outside legal counsel of Goldfarb & Lipman, with expertise in rent stabilization, to provide dedicated resources. Outside legal counsel attends the meetings of the RHC, assists in the preparation for and attendance at RHC meetings and presentation of proposed regulations, legal advice on implementation and administration of the MHRSO, and any petition hearings. The fees are based on the level of the experience of the attorney providing the service and will vary. They are only incurred as services are rendered.

Prehearing Settlement Conference Services (\$4,000). Staff recommends funding to provide prehearing facilitation services, provided by expert hearing officers/mediators, potentially reducing demands for formal hearings. The cost is estimated to be able to provide settlement services for 10 cases.

Hearing Officer Services (\$20,000). Staff recommends funding to provide petition hearing services in accordance with adopted rules and regulations. The proposed budget includes 20 cases at an average of \$1,000 per case.

Translation Services (\$1,000). Staff recommends allocating funds for translation services to be utilized for ongoing educational and outreach events, such as workshops, stakeholder meetings, and materials. The estimated costs include 20 hours at \$50 per hour.

5. Litigation Reserve - \$25,000

Like CSFRA practice, a yearly amount is recommended to be incorporated for potential litigation.

6. City Administrative Support – 15%

The above items recommended for funding are direct costs associated with the implementation and operations of the program. However, indirect costs will also be incurred for the support of the program. Administrative overhead costs are related to Finance and Administrative Services,

Human Resources, Information Technology, City Attorney, Administration & Management. To truly identify and calculate the cost of these services, the City proposes to include the MHRSO in its next cost allocation plan update. However, until that time, the City is proposing a 15 percent allocation of the MHRSO budget to cover indirect costs. This is a standard allocation percentage the City charges for the administration of contracts and some other programs.

Table 3: FY 2022-23 Budget for MHRSO Program

	Category	FY 2022-23
1	Personnel	205,400
2	Operating Costs	10,000
3	Database	5,000
4	3 rd P Providers:	
	Legal Services	25,000
	Consultants	
	Hearing Officers	20,000
	Translations	1,000
	Training	
	Settlement Conf.	4,000
5	Litigation Res.	25,000
	SUB-TOTAL	295,400
6	15% Adm. Costs	44,310
	TOTAL BUDGET	339,710

FY 2022-23 Annual Rental Space Fees

The MHRSO stipulates that the RHC sets an annual rental space fee to recover the costs of the program. This is similar to the cost recovery mechanism for the CSFRA. To ensure full funding of the MHRSO program, the annual rental space fee is calculated by dividing the total amount of the Fiscal Year budget as approved by the RHC, by the total amount of mobile home spaces covered by the MHRSO. If the RHC approves the recommended budget of \$339,710 this amount is divided by the total amount of mobile home spaces covered by the MHRSO (1,1300). The fee would be \$300,60 per space for Fiscal Year 2022-23. These fees are usually charged 6 months into the fiscal year (January).

FISCAL IMPACT

There is no fiscal impact to the review and discussion of the budget. However, when the RHC adopts a budget, and the applicable space fee, the fee will need to be sufficient to fund the costs of the program.

PUBLIC NOTICING—Agenda posting.

ATTACHMENTS

1. Fiscal Year 2021-22 and 2022-23 Recommended Budget for the MHRSO Program

MOBILE HOME RENT STABILIZATION ORDINANCE (MHRSO)

Statement of Revenues, Expenditures and Balances

	Adjusted Budget <u>2021-22</u>	Estimated <u>2021-22</u>	Recom. Budget <u>2022-23</u>
Revenues and Sources of Funds:			
Investment Earnings	\$ 0	500	500
Space Rental Fees	0	0	346,910
Prior Year Space Rental Fees	0	0	292,003
Transfer from General Non-Op Fund	399,000	399,000	0
Total	<u>399,000</u>	<u>399,500</u>	<u>639,413</u>
Expenditures and Uses of Funds:			
Operations	355,200	155,990	295,400
General Fund Administration	43,800	43,800	51,010
Transfer to General Non Oper Fund	0	0	292,000
Total	<u>399,000</u>	<u>199,790</u>	<u>638,410</u>
Revenues and Sources Over (Under) Expenditures and Uses	0	199,710	1,003
Beginning Balance, July 1	0	0	199,710
Reserve/Rebudget Items	<u>0</u>	<u>0</u>	<u>0</u>
Ending Balance, June 30	<u>\$ 0</u>	<u>199,710</u>	<u>200,713</u>

On September 28, 2021, the City Council adopted an Ordinance of the City of Mountain View enacting Mobile Home Rent Stabilization (MHRSO). This Ordinance went into effect on October 28, 2021. The MHRSO creates a second rent stabilization program in the City comparable to the Community Stabilization and Fair Rent Act (CSFRA). The MRHSO in Section 46.9(8) assigns the Rental Housing Committee (RHC) powers to administer the MHRSO which RHC to establish a budget for the reasonable and necessary expenses as necessary to ensure implementation of MHRSO by charging rental space fee for Mobile Home Owners.

MHRSO SPACE RENTAL FEE

Fiscal Year	MVCC §§/CP/ Other	Title of Fee	Amount	Fee Basis	Effective Date
2021-22	Ordinance 8.21 SEC46.9 b.	Space Rental Fee	\$258.40	Mobile Home Rental Space	10/28/2021
2022-23	Ordinance 8.21 SEC 46.9 b.	Space Rental Fee	\$307.00	Mobile Home Rental Space	7/1/2022