

Rent Stabilization Program,
Community Development Department
Finance & Administrative Services Department

DATE: May 23, 2022

TO: Rental Housing Committee

FROM: Jesse Takahashi, Finance and Administrative Services Director
Anky van Deursen, Program Manager

SUBJECT: **CSFRA Fiscal Year 2022-23 Recommended Budget**

RECOMMENDATION

To review and provide feedback on the Fiscal Year 2022-23 Recommended Budget for the administration of the Community Stabilization and Fair Rent Act. The Fiscal Year 2022-23 budget is scheduled for adoption at a meeting of the Rental Housing Committee on June 20, 2022. The recommended annual Rental Housing Fee is calculated based on the Recommended Budget and will be established by the Rental Housing Committee.

INTRODUCTION AND BACKGROUND

On November 8, 2016, the Community Stabilization and Fair Rent Act (CSFRA) was passed by the voters. The purpose of the CSFRA is “to promote neighborhood and community stability, healthy housing, and affordability for renters in the City of Mountain View by controlling excessive rent increases and arbitrary evictions to the greatest extent allowable under California law, while ensuring Landlords a fair and reasonable return on their investment and guaranteeing fair protections for renters, homeowners, and businesses” (Section 1700).

The CSFRA creates a rent stabilization program in the City of Mountain View and requires dedicated resources for its development, implementation, and administration. Section 1709(d) of the CSFRA empowers the Rental Housing Committee (RHC) to establish a budget for the reasonable and necessary implementation of the provisions of the CSFRA, and Section 1709(j) requires the RHC to finance its reasonable and necessary expenses, including, without limitation, engaging any staff as necessary to ensure implementation of the CSFRA by charging landlords an annual Rental Housing Fee. On June 16, 2021, the RHC adopted its fifth CSFRA budget for Fiscal Year 2021-22 and set a Rental Housing Fee of \$102 per unit.

ANALYSIS

Fiscal Year 2022-23 will be the sixth fiscal year of operations, and the RHC and staff continue to evaluate and assess the appropriate level and most effective and efficient methods to implement the CSFRA.

The COVID-19 pandemic and its impacts are still evident in our community. Staff processed more than 3,300 inquiries in this fiscal year to date, including discussions of the eviction moratoria and resources available for financial assistance and support for tenants and landlords experiencing financial hardships as a result of the pandemic. In addition to other outreach efforts, staff worked with several City departments, legal services agencies, and community groups to develop and disseminate a multilingual information campaign about the State's COVID-19 rent relief program and to coordinate assistance for those who wished to apply.

Through the commitment, flexibility, and hard work of the RHC and staff, the collective efforts and the partnerships that have developed, as demonstrated by the Federally funded, State-administered, and locally promoted rental relief programs, showed what can be accomplished when we all work together.

The State rent relief program closed on March 31, 2022 for new applications and is still processing previously submitted applications. A Statewide moratorium extension was adopted for pending State rent-relief applications until June 30, 2022. With the eviction moratorium scheduled to expire, staff remains focused on the rent stabilization program's core goals of limiting evictions and stabilizing rents. As of May 12, 2022, the California COVID-19 Rent Relief Program has received 849 applications, provided financial assistance averaging \$10,612 to 603 Mountain View households with \$6,398,976 in total funds being distributed to Mountain View landlords. While 246 households are still awaiting assistance, tenants remain protected while their applications are in process.

It is anticipated that the ending of the Statewide eviction moratorium will result in unknown economic and judicial impacts on the residents and the rental housing market. Staff's continued endeavors to mitigate the impacts experienced by tenants and landlords will continue throughout Fiscal Year 2022-23 through outreach and education events, including a Housing and Eviction Help Center, a collaboration with the Housing Department and community agencies to address all questions and issues housing-related. Staff has requested City funds to operate this Help Center and is not requesting any CSFRA funds in this budget cycle for Fiscal Year 2022-23 (Fiscal Year 2021-22 was \$45,000). Taking the above into account, staff deems the Recommended Budget for Fiscal Year 2022-23 appropriate in order to ensure critical services to aid in the stability of our community.

The key expenditures of the CSFRA include, but are not limited to:

1. Staffing for the administration of the CSFRA;
2. General operating costs, including education, outreach, and communications as well as costs associated with RHC meetings and office expenses;
3. Third-party professional services; and
4. City resources/administrative support.

The RHC adopts a budget annually, and the Fiscal Year 2022-23 Recommended Budget is staff's best estimate of the costs for the program, taking into consideration experience of the past and current fiscal years. Most costs are ongoing program expenses.

The following table provides a comparison of the current year adopted and estimated actuals and the upcoming fiscal year Recommended Budget (dollars in thousands):

Table 1: Comparisons of Fiscal Year 2021-22 Adopted/Estimated with Fiscal Year 2022-23 Recommended Budget

	Adopted Budget 21/22	Estimated Actuals 21/22	Recommended Budget 22/23	Variance
Revenues:				
Interest Earnings	\$ 18	\$ 16	\$ 15	\$ (3)
Rental Housing Fee	1,525	1,487	1,435	(90)
Total Revenue	1,543	1,503	1,450	(93)
Operating Expenses	1,804	1,449	1,782	(22)
Operating Balance	(261)	54	(332)	(71)
City Administration	266	266	253	(13)
Self-Insurance	18	18	28	10
Comp Absence Reserve	8	8	10	2
Eqmt. Replacement Reserve	3	3	5	2
Excess (Def.) of Revenue	(556)	(241)	(628)	(72)
Beginning Balance	1,537	1,537	1,296	(241)
Reserve/Rebudget	(439)	(396)	(320)	119
Ending Balance	\$ 542	\$ 900	\$ 348	\$(194)

Fiscal Year 2021-22 Estimated Actuals

For Fiscal Year 2021-22, revenues are estimated at \$1.502 million, about \$40,000 lower than the Adopted Budget at \$1.543 million. Total operating expenditures are estimated at \$1.45 million, \$355,000 less than adopted. Lower expenditures are a result from a partially vacant position, less-than-anticipated need for Hearing Officers and facilitation services, staff time charged to other divisions of the Community Development Department for non-CSFRA tasks performed, lower-than-anticipated costs for litigation services, and database system costs not completely spent.

Fiscal Year 2022-23 Recommended Budget

Revenues are recommended lower compared to the Fiscal Year 2021-22 Adopted Budget due to the use of fund balances, and expenditures are recommended to be increased compared to the current fiscal year Adopted Budget. In total, recommended expenditures are slightly lower than this year's budget and \$333,000 more than the estimated actuals of the current fiscal year. The components of the expenditures in the Fiscal Year 2022-23 Recommended Budget are as follows:

Staffing—\$1,058,647

Staffing costs are about \$140,000 higher compared to last year's budget. The Fiscal Year 2022-23 Recommended Budget includes the addition of one full-time position of an Outreach Specialist (with the official Administrative Assistant classification) to replace the third-party education and outreach services previously provided by Project Sentinel. Besides managing the Mountain View Housing Helpline, this position will also provide dedicated outreach services and events for the rental housing community with services in English, Spanish, and other languages upon request. Staff has also requested \$100,000 funding from the City to partially cover the Outreach Specialist position, but since no formal notification has been received, this amount is not (yet) included in the Recommended Budget.

The staffing would consist of a total of 6.0 FTEs: 1.0 Program Manager, 1.0 Senior Management Analyst, 2.0 Administrative Analysts, 1.0 Secretary, and 1.0 Outreach Specialist.

General Operating—\$173,500

General Operating Expenses include program expenditures related to office operations, cost of materials, communications, outreach and education efforts, and RHC preparations and meetings. Examples of such cost items include development, printing, mailing, and postage of outreach materials, such as newsletters, postcards, flyers, and resource guides; RHC agenda packets and materials; office equipment and office supplies; noticing for meetings; education and workshops; and training costs. These costs are comparable to the costs in the previous Adopted Budget.

Third-Party Professional Services—\$416,500

Third-party professional services are \$132,500 less comparable to last year's budget. The Recommended Budget includes the following contract cost projections for third-party professional services:

Outside Legal Services (\$175,000): The law firm of Goldfarb and Lipman continues to provide expert legal services to the RHC. These services include drafting and reviewing agendas and staff memos for the RHC meetings; drafting, and updating rules and regulations to implement the CSFRA; regular presentations to the RHC regarding agenda items; reviewing materials related to the CSFRA, including forms and petitions; providing legal advice; compliance and enforcement; Hearing Officer training; drafting RHC decisions on appeal petitions; researching and analyzing best practices in other California rent-stabilized cities; and utilizing the findings to inform the development and implementation of an effective CSFRA. It is anticipated that an average amount of 49 hours is needed each month to cover RHC meetings (attendance at meetings, agenda review, drafting and review of staff reports, and drafting of RHC decisions on appeal petitions), legal advice on implementation and administration of the CSFRA, drafting or revising of regulations, and petition hearing oversight.

Project Sentinel (\$10,000): Project Sentinel is no longer providing education and outreach services but will continue to be managing the administration of Hearing Officers and facilitators. The Recommended Budget includes funding for 12 hours per month at \$70 per hour. This is a reduction of \$115,000 compared to last year's budget.

Hearing Officer Services (\$100,000). The Hearing Officers continue to provide petition hearing services in accordance with adopted rules and regulations. The Recommended Budget maintains the same level as the previous year, although fewer petitions were filed than anticipated. However, the expiration of the eviction moratorium and the added Capital Improvement Petition Process may increase the demand for petitions compared to the current year.

Litigation (\$100,000): The CSFRA is still the subject of two lawsuits regarding the application of the CSFRA (*Redwood Villa Inc. v. City of Mountain View, Mountain View Rental Housing Committee*, Santa Clara Superior Court Case 18CV322991, and *Enlightened Investments, Inc. v. City of Mountain View Rental Housing Committee, City of Mountain View*, Santa Clara Superior Court Case 21CV390118). The Recommended Budget includes \$100,000 for litigation and would be used to pay legal expenses related to lawsuits.

Prehearing Settlement Conference Services (\$5,000): Settlement conferences provide prehearing settlement facilitation services, potentially reducing demands for formal hearings. The Recommended Budget includes funding for 12 cases at \$400 per case.

Tenant Relocation Services (\$7,500): This service is to provide counseling and process services as well as neutral third-party income eligibility determination for tenant relocation assistance under the CSFRA and Tenant Relocation Assistance Ordinance (TRAO). The Recommended Budget includes funding for approximately 25 cases at \$300 per case.

Facilitation Services (\$5,000): Facilitation services are utilized for ongoing educational workshops as well as for input-gathering at stakeholder meetings for landlords, tenants, and other stakeholders. The Recommended Budget includes funding for 25 hours at \$200 per hour.

Translation Services (\$10,000): Translation services are utilized for Spanish and Chinese translations of all outreach materials, webpages, educational videos, stakeholder meetings, and workshops. The Recommended Budget includes funding for 125 hours at \$80 per hour.

KMVT (\$4,000): KMVT broadcasts RHC meetings, which can be accessed online on the City's website through Legistar.

Table 2: Cost Comparisons for Professional Services Over the Years

Fiscal Year	18/19	19/20	20/21	21/22	22/23 Recommended
Legal	\$200,000	\$200,000	\$175,000	\$175,000	\$175,000
Litigation	\$200,000	\$150,000	\$125,000	\$80,000	\$100,000
Hearing Officers	\$250,000	\$200,000	\$100,000	\$100,000	\$100,000
Outreach, Education	\$125,000	\$125,000	\$125,000	\$125,000	\$10,000
Prehearing Settlement	\$20,000	\$15,000	\$10,000	\$5,000	\$5,000
Translations	\$8,000	\$4,000	0	\$5,000	\$10,000
Facilitation	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Relocation Assistance	\$10,000	\$5,000	\$5,000	\$5,000	\$7,500
Help Center	0	0	0	\$45,000	0
KMVT	0	0	\$4,000	\$4,000	\$4,000
Total	\$818,000	\$704,000	\$555,000	\$ 549,000	\$416,000

Information Technology—\$94,000 plus \$39,000

The Recommended Budget for Information Technology software development consists of a rebudget of the estimated remainder of the Fiscal Year 2021-22 budget for the database system amounting to \$94,000. The implementation of the database system is progressing with several phases launched, but subsequent phases will not be completed prior to the end of the current fiscal year. Therefore, the remainder is recommended to be rebudgeted for Fiscal Year 2022-23 and will not impact the fee calculated for Fiscal Year 2022-23. The recommended ongoing expenses of \$39,000 cover the annual software license for the database as well as a license for the CoStar subscription.

City Resources/Administrative Support—\$253,150

Many of the items recommended for the CSFRA budget are direct costs associated with the implementation and operations of the program. However, indirect costs are also incurred for the support of the program. Indirect costs would include, but are not limited to, the following:

- Finance and Administrative Services:
 - Budget—the development of an annual budget and fee.
 - Accounts Receivable—for the annual billing and collection of the Rental Housing Fee.
 - Accounts Payable—the staff time necessary to make payments for the obligations of the CSFRA. Examples would be the payment of consultants, legal services, mediator services, tenant relocation services, etc.
 - Payroll—for the current personnel on a biweekly basis. This would include the processing, tax reporting, and benefit payments.
 - Document Processing—the processing of documents, including agendas, agenda reports, and minutes for the RHC.
 - Purchasing/Contracts—for the purchase of certain goods and services as well as the processing of contracts for services.
- Human Resources—provides for the administration of benefits and recruitment of personnel.
- Information Technology—provides for cost and maintenance of the telephone system, computers, printers, website, etc.
- Administration and Management—provides for administration and management of the staff and the program from the Community Development Department, Finance and Administrative Services Department, Information Technology Department, City Attorney's Office, City Clerk's Office, and City Manager's Office.

Other costs typically included in administrative overhead would be facilities for the allocation of office space and maintenance, telephone services, copier services, etc. Currently, staff administering the CSFRA and staffing the RHC are functioning in facilities provided by the City.

General Liability, Compensated Absences, and Equipment Replacement—\$43,210

Other City costs include general liability, compensated absences, and equipment replacement.

It is currently unknown whether the ongoing administration of the CSFRA, and more specifically the petition process, will impact the existing Multi-Family Housing Inspection Program as the majority of the rental units covered by the CSFRA are included in this program. The Multi-Family Housing Inspection Program is funded through an annual program fee. To date, several petition applications have been referred to the Multi-Family Housing Inspection Program, and staff has been able to incorporate the inspections required in their current workload. Staff will continue to monitor the impacts of the implementation of the CSFRA on the Multi-Family Housing Program.

To truly identify and calculate the cost of these services, the City proposes to include the CSFRA in its next cost allocation plan update. However, until that time, the City is proposing a 15% allocation of the CSFRA budget to cover all the indirect costs identified. This is a standard allocation percentage the City charges for the administration of contracts and some other programs that are generally less intensive than the CSFRA, and it is possible that once a cost allocation plan can be performed, the costs could be higher.

Petition Fee

In previous years, the RHC decided to not include a nominal petition fee for submitting petitions. Consequently, staff has not included such fee in the Recommended Budget for Fiscal Year 2022-23. One reason for such petition fee would be to deter frivolous filing of petitions. To date in Fiscal Year 2021-22, nine petitions have been filed. If the RHC is interested in a petition fee, staff requests the RHC provide direction to review and propose such a petition fee in tonight's meeting.

Table 3: Number of Petitions per Fiscal Year

Fiscal Year	17-18	18-19	19-20	20-21	21-22
Landlord	13	3	1	0	2
Tenant	5	49	11	21	7

Rebudgets and Reserve

As previously mentioned, a rebudget of \$94,000 is recommended for database development. Rebudgets are items that were budgeted as capital outlay or limited period expenditures but have not been expended to date. The funds are still needed for the purpose originally identified and, therefore, requested to be carried over into the Fiscal Year 2022-23 budget.

Starting in Fiscal Year 2018-19, the RHC established a reserve balance of approximately 20% of operating expenditures to be phased in over two fiscal years and approved a total contribution of \$415,000 for the past fiscal years. A reserve of 20% of operating expenditures would be similar to the level of other City fund reserves that are generally between 20% and 25%. Taking into account the Recommended Budget’s net expenses and providing the RHC would like to maintain a 20% reserve, no additional funds need to be added.

The reserve provides a balance to be used for expenditures that are not appropriated during the annual budget process and to cover expenditures if revenues fall short of budget. If additional costs are incurred or unanticipated expenditures are required midyear, the reserve would provide funding for these expenditures until the budget and fee can be established for the following fiscal year. To date, the CSFRA program has not used the reserves.

Annual Rental Housing Fee

To ensure full funding of the CSFRA program, the Rental Housing Fee is calculated by dividing the total amount of the Fiscal Year Budget, as approved by the RHC, less the prior fiscal year ending balance and the limited-period funding for the database system, by the total amount of rental units covered by the CSFRA. The number of rental units covered by the CSFRA (both fully and partially covered) for Fiscal Year 2022-23 has been estimated to stay the same as for Fiscal Year 2021-22, namely 14,950. Based on the above, the fee would be \$96 per unit for Fiscal Year 2022-23. For comparison, in Fiscal Year 2021-22, the RHC adopted a Rental Housing Fee of \$102 per unit. For a complete overview of fees charged in previous years, see Table 2.

Table 4: Annual Rental Housing Fees per Fiscal Year

Fiscal Year	17-18	18-19	19-20	20-21	21-22
Annual Rental Housing Fee	\$155	\$124	\$101	\$85	\$102

The Rental Housing Fee is invoiced together with the Multi-Housing Inspection Fee in January of each fiscal year. Billing these two fees together provides for efficiencies.

REQUESTED ACTION

Staff has prepared the Recommended Budget based on staff’s best estimate for administration of the CSFRA program for Fiscal Year 2022-23, taking into account a continued level of service to address the needs of the rental housing community through a robust outreach and education program as well as the collaborative Housing and Eviction Help Center. Staff requests feedback to the Recommended Budget. Staff will be presenting the RHC budget for adoption at its next meeting on June 20, 2022.

FISCAL IMPACT

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

PUBLIC NOTICING—Agenda posting.

JT-AVD/JS/6/CDD/RHC

814-05-23-22M

Attachment: 1. CSFRA Fiscal Year 2022-23 Statement of Revenues, Expenditures, and Balances