



CITY OF MOUNTAIN VIEW

MEMORANDUM

Rent Stabilization Program,
Community Development Department

DATE: January 24, 2022

TO: Rental Housing Committee

FROM: Anky van Deursen, Program Manager

SUBJECT: **Update on Funding of the MHRSO and City Budget Request for MHRSO Start-Up Funding**

RECOMMENDATION

To receive an update on funding of the Mobile Home Rent Stabilization Ordinance and City budget request for Mobile Home Rent Stabilization Ordinance start-up funding related to its implementation. The discussion will include information regarding start-up and ongoing program costs, the City's budget process, and initial considerations regarding the Mobile Home Rent Stabilization Ordinance budget and fee.

BACKGROUND

On September 28, 2021, the City Council adopted an Ordinance of the City of Mountain View Enacting the Mobile Home Rent Stabilization Ordinance (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 new program in the City of Mountain View. However, the implementation of the MHRSO will benefit from an existing administrative framework currently in place for implementation of the City's Community Stabilization and Fair Rent Act (CSFRA). This existing framework will provide some efficiencies with MHRSO administration, such as the Rental Housing Committee (RHC); experienced staff and hearing officers; infrastructure such as a database, processes, and procedures for meetings; and management of a petition and hearing process.

Nevertheless, the MHRSO program will still require staffing and dedicated resources for its implementation and administration. CSFRA funds, consisting of fees collected from CSFRA-covered multi-family apartments, can only be used for the CSFRA program and are not available for the MHRSO program. Therefore, a budget and fee amount needs to be established to administer the MHRSO.

The MHRSO, in Section 46.9(8), delegates the 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, in Section 46.9(b), also states 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 midyear budget request and advanced necessary funds to start up the CSFRA until the RHC established a budget and collected rental-housing fees. During the CSFRA start-up period, the City utilized internal staff resources, outside professional services, hired staff, and budgeted for outreach, RHC meetings, and operational expenses. The City did receive reimbursement of these funds once the RHC was able to collect rental-housing fees.

ANALYSIS

Startup Costs/City Funding

Like the CSFRA, the MHRSO will require advance funding from the City to support the start-up of the program. Key components of start-up work include, but are not limited to:

- Development of the MHRSO rules and regulations.
- Establishment of petition and hearing processes, including the capital improvement pass-through process.
- Expanding the current database/software used for the CSFRA to include mobile homes.

- Third-party consultants/legal services to assist in the start-up phase of the MHRSO, including drafting forms and templates for petitions and hearing processes as well as filing requirements; designing outreach materials and other collateral; compliance and enforcement mechanisms and researching; analyzing best practices in other mobile home rent stabilization jurisdictions in California; and utilizing the findings to inform the development and implementation of an effective MHRSO.
- Training.

In addition to the above start-up costs, the MHRSO includes key ongoing annual costs, such as staffing, operating costs, annual fees for database, legal services, Hearing Officer services, and overhead costs for City support/administrative services.

On February 8, 2022, the City Council will consider Fiscal Year 2021-22 midyear budget requests, which will include a request for MHRSO start-up funding. If start-up funding is approved, this will help reduce the fee level that the RHC will need to set for Fiscal Year 2021-22. Staff will provide an update to the RHC regarding City start-up funding and potential MHRSO Fiscal Year 2021-22 budget/fee level at a subsequent meeting.

Ongoing Costs/Initial Budget Considerations

Staffing

Based on an evaluation of the anticipated workload for the MHRSO program, which would cover the six mobile home parks in Mountain View and the 1,130 units within, one permanent full-time staff position will be required to administer the program. This position will be requested through the City's budget request.

Operating Costs

Operating costs are related to office operations, communications, outreach efforts, and costs 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, flyers, and resource guides; office equipment and office supplies; and education and outreach meetings.

Legal/Hearing Officer Services

Outside legal counsel attends the meetings of the RHC, assists in the preparation of the agenda, and reviews agenda reports and presentations to the RHC. Outside legal counsel

reviews materials related to the MHRSO, such as forms and petitions; provides legal advice; compliance and enforcement; Hearing Officer training; and researches and analyzes best legal practices. Hearing Officers will provide services to administer petition hearings and decisions.

Information Technology

Staff proposes using the existing framework of the CSFRA Database Registry and requests expansion of the database software by 3Di. The database services also incur annual costs for maintenance and hosting.

Overhead

Ongoing indirect costs will also be incurred for the support of the MHRSO program. Administrative overhead costs are related to Finance and Administrative Services, Human Resources, Information Technology, City Attorney as well as administration and management. As with the CSFRA, a standard 15% allocation of the budget is charged by the City to cover indirect costs.

Annual Rental Space Fees

The MHRSO stipulates that the RHC set an annual rental space fee to recover the costs of the program. This is similar to the cost-recovery mechanism for the CSFRA, which uses the following methodology to fund the CSFRA Program: the CSFRA annual rental housing fee is calculated by dividing the total amount of the annual budget as approved by the RHC by the total amount of rental units covered by the CSFRA.

The MHRSO covers 1,130 mobile home rental space units in the City of Mountain View. In order to recover the costs of the MHRSO, an approved budget amount would be divided by the number of mobile home units (1,130) for each fiscal year.

In order to mitigate the fee per space unit in the start-up year, City staff has proposed for a City contribution to assist with start-up costs. The Council will deliberate this item at its meeting on February 8, 2022.

At a subsequent meeting, information will be provided to the RHC including information based on the City's midyear process, if Council approves start-up costs that will help with the Fiscal Year 2021-22 fee level. If Council approves the position request, Fiscal Year 2021-22 and future fiscal years would include one FTE position plus other ongoing costs.

NEXT STEPS

After the February 8, 2022 City Council meeting, a draft budget will be presented to the RHC in subsequent meetings to discuss, review, provide feedback, and adopt a Fiscal Year 2021-22 budget for the MHRSO and set Fiscal Year 2021-22 space fees.

FISCAL IMPACT

There is no fiscal impact for the RHC to receive an update regarding funding of the MHRSO.

PUBLIC NOTICING – Agenda posting.

AvD/8/CDD/HRC
895-01-24-22M-3