



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: 2018-2019 RENT STABILIZATION
PROGRAM

DATE: May 21, 2018

Approved

Date

5-22-18

BACKGROUND

This Manager's Budget Addendum (MBA) responds to the direction included in Mayor Liccardo's memorandum approved by the City Council on November 14, 2017 (Item 4.6) when adopting the Rent Stabilization Program staffing plan to implement the Apartment Rent Ordinance (ARO), Mobilehome Rent Ordinance, Tenant Protection Ordinance (TPO), and Ellis Act Ordinance. Staff was directed to return to the Spring budget process with:

- A current workload assessment for the 14.5 FTE already budgeted;
- The status, workplan, and effectiveness assessment of the on-line registry;
- An analysis of the extent to which technology, alternative staffing models (e.g., outsourcing to a non-profit for short-term, one-time needs), or other options may reduce the costs and staffing needed; and
- An assessment of the need for the staffing proposed in Phase III, and whether outsourcing to a non-profit might more appropriately address near-term needs that will not require sustained staffing. In particular, explain why the City needs three FTE for outreach.

ANALYSIS

As directed by the City Council, the Housing Department engaged a consultant to develop a staffing plan to implement the updated Apartment Rent Ordinance. The consultant, Management Partners, completed a Staffing Plan which was approved by City Council on November 14, 2017. The approved Plan recommended a phased approach to introducing new positions and increasing the program fees. **Table 1** summarizes the phases of the Rent Stabilization Program Staffing Plan.

Table 1: Phased Staffing Plan and Fee Levels

Phase	Effective Date	Fee Level	FTE	Description
Phase I	July 1, 2017	\$30.30 (Approved)	8.5	Two additional positions approved on April 18, 2017 to implement Tenant Protection and Ellis Act Ordinances as well as one existing position reallocated to this program.
Phase II	January 1, 2018	\$55.80 (Approved)	6.0	Six new positions added in January 2018 to support and implement the Rent Registry and new petition process included in the updated ARO.
Phase III a	July 1, 2018	\$77.30 (Proposed)	2.5	Two and a half new positions will be added in summer 2018 to support the implementation and public outreach efforts of Rent Stabilization Program. This Phase also extends the limited-dated Information Systems Analyst.
Admin	July 1, 2018		1.6	Reallocation of existing Department administration costs to the Rent Stabilization Program.
Phase III b	April 1, 2019		4.0	The final phase of staffing implementation is delayed to April 2019 to continue evaluating staffing needs of program implementation.
Annualized Costs	July 1, 2019	\$86.16 (Estimated)	0.0	The fee structure in FY 2019-2020 will reflect a full year of all new positions anticipated in Phase III.
Total			22.6	

Phase I of the Plan was approved in June 2017 as a part of the 2017-2018 Adopted Budget. Phase II added six new positions that were activated in January, 2018. This resulted in an increased annual fee for apartments covered by the ARO from \$30.30 to \$55.80.

Phase III of the staffing plan is included in the FY 2018-2019 Proposed Operating Budget. If approved by City Council, some of the Phase III positions would be filled at the beginning of the fiscal year with remainder being deferred to coincide with the anticipated increase in workload. This will result in lower expenditures in FY 2018-2019 than originally anticipated in the approved November 2017 Staffing Plan. Two and a half positions are proposed to be added in summer 2018 and one limit-dated Information Systems Analyst position will be extended through June 30, 2019. Four of the Phase III positions are proposed to be added in spring 2019, allowing the Administration time to adjust staffing if necessary. Implementation of all Phase III staff in this sequence will increase the fee for the apartments covered by the ARO from \$55.80 to \$77.30 per unit.

Current Workload

The current staff is composed of 14.5 positions. Mobilehome Rent Ordinance staffing consists of 1.5 positions that are funded from fees paid by mobilehome park owners and residents. The remaining 13 positions are focused on education, outreach and enforcement pertaining to ARO, TPO and Ellis Act Ordinance implementation. This includes education and outreach of the TPO provisions to owners and tenants of non-rent control apartments.

Currently, the existing staff are heavily engaged with activities associated with implementing the new program while also maintaining program services. Specific work functions are summarized below.

- Policy Development – Conducting analysis to determine options for outstanding policy decisions;
- Program Implementation – Developing processes, procedures and forms to reflect recent program changes.
- Ratio Utility Billing System (RUBS) Petition Process – Create new process for the one-time RUBS petition process which was not anticipated in the original Staffing Plan;
- Rent Registry Development – System testing and development of end-user help features;
- Outreach – Develop outreach and educational materials in multiple languages; and
- Program Services – Responding to tenant and landlord issues regarding rents and evictions and their rights and responsibilities under the ordinances.

Anticipated Workload

Over the coming fiscal year, current staff will transition from performing program implementation tasks, to providing program services. The approved Staffing Plan, prepared by Management Partners, was built assuming a normalized workload. The new organizational structure includes a Compliance Unit (8.0 positions), Petitions Unit (6.0 positions) and a Public Outreach and Educational Unit (1.5 positions) as well as legal (3.0 positions) and administrative staff (4.1 positions), which is anticipated to total 22.6 positions if the 2018-2019 Proposed Operating Budget recommended actions are approved. The existing staff will transition from developing policies, materials and procedures to overseeing compliance efforts, managing petitions and engaging and educating the community. As mentioned, four of the Phase III positions are recommended to be added in April 2019 so that the administration has time to assess the regular workload associated with the new ordinances.

Assessment of the Online Registry

The rent registry will allow tenants of ARO apartments to verify that the rent they are being charged is consistent with the information the apartment owner has provided to the City. It also provides automated features that reduce the City workload associated with ordinance compliance. Development of the online rent registry is in progress and is expected to go live for property owners in August. System testing with owners will start in July. The initial launch of

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the site will provide access to ARO apartment owners to register their apartments. Registration requires owners to provide the City with specific features of the apartment and the rents charged. The system will have features that will help simplify this process for owners. Staff will also provide workshops and training to owners as needed.

As soon as there is sufficient compliance from owners in providing the rents, tenant access to the rent information for their apartment will be provided. As the launch date for the system approaches, the Housing Department will provide an information memo to City Council describing the system and the training sessions that will be provided for owners and tenants. One year following the implementation of the registry, staff will provide a report summarizing the effectiveness of the rent registry.

Analysis of Alternative Service Delivery Approaches

The Housing Department has evaluated alternative staffing models that could be used to reduce staff and costs. These are discussed below.

Use of Technology

An important aspect of the rent registry is that it will help reduce the administrative costs for enforcing the ordinance. The system will be able to tell owners and tenants if rents are being increased consistent with the ARO. This will facilitate self-correction and reduce the necessary involvement of Rent Stabilization Program staff. When staff does need to be involved, the information provided via the system will help expedite enforcement. Future releases of the rent registry will add additional features that will reduce workload for both owners and the City. An example is the ability for owners to complete and file notices of termination via the rent registry.

The rent registry is built upon the Department's Salesforce database. All staff workload activity is tracked in the database. This will facilitate the Administration's annual review of workload and staffing levels.

Potential for Outsourcing

The Rent Stabilization Program currently utilizes outsourcing to address specific programmatic needs. These include Legal Services and Hearing Officers.

Legal Services – Consistent with the City Council direction, the Housing Department recently issued a request for proposals for legal services. The goal of these services is to increase housing stability by providing landlord/tenant counseling, education, referrals, and legal assistance to low-income tenants. Legal assistance may include assistance to tenants facing unlawful eviction under the City's TPO, violations of the City's ARO, or other landlord/tenant issues. The Department will be using Community Development Block Grant funds to provide these services. An evaluation will be completed upon the end of the two-year funded pilot.

Hearing Officers – Cities with rent control programs typically utilize contractual services for providing mediation and arbitration services to resolve alleged violations of rent control ordinances. However, some cities use full time staff to provide some or all of these hearings. The Housing Department will continue to contract with independent hearing officers to provide these services to allow more flexibility in responding to the demand for services.

Public Outreach – City staff will be used to develop the outreach materials in multiple languages and perform much of the community outreach. The Department will explore enhancing staff resources with non-profit partners that can provide effective, low-cost outreach to targeted communities.

Other Staffing Options – Other than these services, the Department has concluded that core administrative functions associated with managing the program would be most effectively achieved through the use of City staff. This is substantiated by the Management Partners report.

The approved staffing plan did not account for the additional workload associated with the one-time petition process allowed for owners with existing RUBS agreements. The Department will attempt to absorb the additional workload with existing staff. This may impact the delivery of other services that the Rent Stabilization Program staff can provide in the short-term until all petitions are resolved by the end of 2018.

As mentioned previously and as recommended in the 2018-2019 Proposed Operating Budget, Phase III is further broken out into two phases to align staffing with anticipated workloads. This will allow the Administration time to adjust staffing if necessary based on workload.

Public Information Team

As mentioned in the Management Partners study, “Public Outreach supports a critical component of any rent stabilization program through educating landlords about their responsibilities under the City’s rental housing programs, how to petition for rent increases above the Annual General Adjustment, just cause for eviction, and other best practices. Similarly, outreach to tenants in every district in the City is key to ensuring tenants know their rights. Public education and information resources will be key to minimizing turmoil in the rental market and reducing the number of petitions that arise as rent and other tenancy controls become binding.”

In addition to the Rent Stabilization Program, the Housing Department is responsible for addressing a number of City Council priorities. These include affordable housing, homelessness, emergency housing, and inclusionary fee revenue for affordable housing development. The 2018-2019 Proposed Operating Budget includes a Public Information Manager (PIM) position and a Public Information Representative (PIR) position. These positions are in addition to the PIR position approved in November 14, 2017 as part of the Phase II implementation and final adoption of the ARO. The fees derived from the Rent Stabilization Program will fund 50% of the

PIM and 100% of one PIR position. The second PIR position will be funded by other housing programs managed by the Department.

The PIM will oversee all of the Housing Department's external communications and outreach material development. The housing and homeless crisis require that the Department clearly articulate the strategy, the outcomes, and respond to extensive media requests for information and interviews. In addition, the Department will be conducting public outreach meetings to develop policies and educate residents on new homeless solutions such as safe parking, anti-displacement policies, an accessory dwelling unit program, and tenant/landlord issues. Developing an effective outreach and education program on the City's strategy in housing and ending homelessness is critical in increasing the communities understanding of this issue. The PIM will assist with the preparation of an overall communication plan for the Department, and will be the primary contact for the media.

The two PIR positions have different focus areas. One PIR will focus its efforts on issues pertaining to the Rent Stabilization Program. With the passage of the ARO, TPO and Ellis Act Ordinances, the City must conduct extensive outreach to educate owners and tenants on these ordinances. Brochures, flyers, the development of our intranet and other media will need to be developed in multiple languages to effectively administer the Program.

The second PIR position will focus on homelessness, affordable housing, and emergency response, and will be funded by the funding sources for these activities. The siting of permanent supportive housing sites can be very contentious. Effective messaging will be key in obtaining community support for this program. The homeless programs all need improved marketing, training, and education tools to inform both the community and homeless residents of our services. More importantly, the Housing Department's website must be updated and redesigned from the perspective of the resident seeking service from the City. The PIR position will be responsible for ensuring that information is easy to understand, updated, and sent out in a timely fashion.

COORDINATION

This memorandum was coordinated with the City Manager's Budget Office.

/s/
JACKY MORALES-FERRAND
Director, Housing Department

For questions, please contact Rachel VanderVeen, Program Administrator, at (408) 535-8231.