

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 16, 2016

CAO File No. 0220-00540-1200

Council File No. 14-0268-S3

Council District: Citywide

To: The Mayor
The Council

From:  Miguel A. Santana, City Administrative Officer 

Reference: Housing Committee Report dated February 26, 2016; Housing and Community Investment Department transmittal dated January 15, 2016, Received by the City Administrative Officer on August 8, 2016; Additional Information Received through September 16, 2016

Subject: **REPORT BACK ON EXPANDING THE ANNUAL REGISTRATION OF RENTAL UNITS SUBJECT TO THE RENT STABILIZATION ORDINANCE (RSO) TO INCLUDE RENTAL RATE DATA**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Authorize resolution position authority in the Housing and Community and Investment Department (HCID) for eight positions listed below for the Rent Stabilization Division from October 1, 2016 through June 30, 2016 to perform the duties described in the HCID transmittal dated January 15, 2016, subject to position allocation by the Personnel Department and pay grade determination by the Office of the City Administrative Officer (CAO):

Number	Class Code	Classification Title
3	1358	Administrative Clerk
1	1368	Senior Administrative Clerk
1	1461-2	Communication Information Representative II
1	8516-1	Housing Investigator I
1	9184-1	Management Analyst I
1	8516-2	Housing Investigator II
8		Total

2. Authorize the General Manager of HCID to prepare Controller instructions for any necessary technical adjustments consistent with the Mayor and City Council action on this matter, subject to the approval of the City Administrative Officer, and authorize the Controller to implement these instructions.

SUMMARY

On April 22, 2015, Council instructed the Housing and Community Investment Department (HCID) to report back on the feasibility of expanding the yearly Rent Stabilization Ordinance (RSO) registration renewal application to include information about the rent for each unit. On March 15, 2016, Council adopted the RSO Rent Registry Program A (Program) in the HCID report dated January 15, 2016. The Council also instructed the City Administrative Officer (CAO) to report relative to a fee analysis for the development of a rent registry system and to determine the staff resources necessary to implement the Program. The HCID now requests: 1) resolution authority and funding for eight new positions, including three Administrative Clerks, one Senior Administrative Clerk, one Communication Information Representative II, one Management Analyst I, one Housing Investigator I, and a Housing Investigator II, to input data not submitted electronically by landlords (approximately 88,000 properties), verify reported rent levels, investigate discrepancies, and respond to increased customer service inquiries, records requests under the California Public Records Act and tenant complaint investigations; and, 2) funding to develop and implement a database to intake, monitor and query rent information submitted by landlords, as well as produce tenant notifications.

Program Implementation and Staff Resources

The HCID reports that the Program will be implemented by January 1, 2017. Beginning in December 2016, the Rent Registry form will be included in the annual bill for over 118,000 properties. The annual RSO registration renewal fees and rent information for each unit will be due on the first of January and deemed delinquent if not paid and reported on or before the last day of February. Property owners will be able to pay and complete the Rent Registry form online. However, the HCID estimates staff will need to input 75 percent of property information manually into the rent registry database. Additionally, HCID staff will review and verify rent information for approximately 624,000 rental units.

The HCID reduced its request for 11 new position authorities to implement the Program from its January report to eight new positions. Instead of hiring a Programmer IV to develop and integrate a rent registry system with the Department's existing system, as previously requested, they will utilize an existing contract with 3Di Systems, Inc. The Department also eliminated its request for as-needed Administrative Clerks to enter and verify rental information. Finally, the HCID changed its request for a Management Analyst II to Housing Investigator II, who will oversee legal cases referred to the City Attorney's Office of Criminal Division, in addition to other duties. The HCID estimates FY 2016-17 staff costs for six months to be \$504,465 and annual costs to be \$1,008,929. The annual staff costs include salaries (\$548,933), benefits and overhead (\$459,996). The position classifications and new estimated costs are attached to this report.

The Department's estimated one-time costs associated with system development and integration have increased since the January report, from \$200,000 to \$457,085. The HCID

reports that the 2017 Program implementation timeline reduced the time available to develop and integrate the system, and therefore, increased one-time contract costs. The Department will report back to request authority to execute an amendment to the existing contract with 3Di Systems, Inc. for these costs. Ongoing costs have decreased from \$156,048 to \$140,000. They report that they will no longer pursue a cloud platform, but that the cost to implement document capture, in order to expedite document processing and reduce the need for additional staff, increased by \$50,000. The estimated annual costs for printing and postage for rent registry forms and rent verification postcards is \$267,587.

The HCID will report back if approval of the expenditures will require establishing new or transfers within the Department's accounts.

Rent Stabilization Trust Fund

The HCID states that all Program costs (salary, expense, and related costs) would be funded from the Rent Stabilization Trust Fund (RSTF), and there is sufficient funding to support the Program for approximately two years. The RSO fees fund the RSTF, which support all of the RSO programs. The HCID conducted the last RSO fee analysis in 2011, which resulted in a fee increase in January 2012. To reduce the amount of the fee increase, the HCID agreed to maintain a five percent salary savings rate in the Rent Stabilization Division. The RSTF cash balance has grown from \$8.6 million on June 30, 2012 to \$14.2 million on June 30, 2016. They report that the cash balance has grown due to staff attrition and difficulty filling vacancies, resulting in a vacancy rate greater than five percent.

The HCID conducted a preliminary fee analysis and projected that the RSTF's cash balance would be exhausted before December 31, 2018, and that a fee increase would be needed in January 2018. The preliminary fee analysis assumes additional staffing for a RSO Preservation Program, approved in the FY 2016-17 budget process, proposed staffing for the Rent Registry Program, proposed staffing for a Tenant Buyout Program (CF 15-0600-S34), and a five percent salary savings rate. The Department will report back at a later date in 2017 on a proposed fee increase to ensure sufficient funds will be available to cover the costs of these programs.

This Office concurs with HCID's requests for eight additional resolution authority positions. We recommend that HCID report back on a later date with a proposed fee increase to reflect full cost recovery of special fund operations under the Rent Stabilization Program beyond FY 2017-18.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The costs for a Rent Registry Program (Program) would be funded from the Rent Stabilization Trust Fund. The total cost to implement the Program in the first year is \$1,444,736 and the estimated annual cost is \$1,416,516. The recommendations of this report comply with the City's Financial Policies in that funding for the first year of the program is available in the Rent Stabilization Trust Fund. However, the

Housing and Community Investment Department reports that the annual Rent Stabilization Ordinance rental unit registration fee will have to increase in January, 2018. The Department will report back at a later date on a proposed fee increase to support full cost recovery of special funded operations under the Rent Stabilization Program.

MAS:EIC:02170035C

Attachments

CAO ATTACHMENT TO HCID'S PROPOSED RENT REGISTRY PROGRAM

HOUSING AND COMMUNITY INVESTMENT DEPARTMENT

**Rent Registry Program
Preliminary Costs Option A**

Cost Estimate for FY17

Revised : 09.15.16

CLASS CODE	CLASS	PROGRAM	TOTAL HOURS PER POSITION	Months	HOURLY RATE	DIRECT SALARIES
1358	Administrative Clerk	Rent Registry	1,040	6	\$25.10	26,104
1358	Administrative Clerk	Rent Registry	1,040	6	\$25.10	26,104
1358	Administrative Clerk	Rent Registry	1,040	6	\$25.10	26,104
1368	Senior Administrative Clerk	Rent Registry	1,040	6	\$30.99	32,230
1461-2	Communication Information Rep II (CIR)	Rent Registry	1,040	6	\$30.99	32,230
8516	Housing Investigator I	Rent Registry	1,040	6	\$39.83	41,423
9184-1	Management Analyst I	Rent Registry	1,040	6	\$39.83	41,423
8516-2	Housing Investigator II	Rent Registry	1,040	6	\$46.97	48,849

SALARIES		Direct Salaries Total >>	\$274,466
8	<< Total No. of Positions	Related Costs (CAP Rate 37 @ 60.36%) >>	\$165,668
		Start Up Equipment/Supplies (one-time cost) >>	\$75,600
		Lease Costs (9.64%) >>	\$26,459
		GASP Costs (22.86%) >>	\$37,872
		TOTAL Salary Costs (Direct/Indirect) >>	\$580,065

CONTRACTS		Document Capture Software/Licenses (Capricity) >>	\$140,000
		Design & Integrate with Existing Systems (one-time costs) >>	\$457,085
		TOTAL Contracts >>	\$597,085

PRINTING		Printing Expense (110,000 pcs. for Landlord) >>	\$5,227
		Printing Expense (600,000 pcs. for Tenant) >>	\$31,360
		Postage Expense (Standard 10 days) >>	\$231,000
		TOTAL Printing >>	\$267,587

GRAND TOTAL Salaries, Contracts, Printing >>		\$1,444,736
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Breakdown for Fee Analysis		TOTAL Salaries >>	\$274,466
FY17 Costs		TOTAL Related Costs >>	\$165,668
		TOTAL Other Costs >>	\$1,004,602
		GRAND TOTAL Salaries, Contracts, Printing >>	\$1,444,736

CAO ATTACHMENT TO HCID'S PROPOSED RENT REGISTRY PROGRAM

HOUSING AND COMMUNITY INVESTMENT DEPARTMENT

**Rent Registry Program
Preliminary Costs Option A**

Cost Estimate for FY18

Revised : 09.15.16

CLASS CODE	CLASS	PROGRAM	TOTAL HOURS PER POSITION	Months	HOURLY RATE	DIRECT SALARIES
1358	Administrative Clerk	Rent Registry	2,080	12	\$25.10	52,208
1358	Administrative Clerk	Rent Registry	2,080	12	\$25.10	52,208
1358	Administrative Clerk	Rent Registry	2,080	12	\$25.10	52,208
1368	Senior Administrative Clerk	Rent Registry	2,080	12	\$30.99	64,459
1461-2	Communication Information Rep II (CIR)	Rent Registry	2,080	12	\$30.99	64,459
8516	Housing Investigator I	Rent Registry	2,080	12	\$39.83	82,846
9184-1	Management Analyst I	Rent Registry	2,080	12	\$39.83	82,846
8516-2	Housing Investigator II	Rent Registry	2,080	12	\$46.97	97,698

SALARIES		Direct Salaries Total >>	\$548,933
8	<< Total No. of Positions	Related Costs (CAP Rate 37 @ 60.36%) >>	\$331,336
		Lease Costs (9.64%) >>	\$52,917
		GASP Costs (22.86%) >>	\$75,743
		TOTAL Salary Costs (Direct/Indirect) >>	\$1,008,929

CONTRACTS	Document Capture Software/Licenses (Captricity) >>	\$140,000
	TOTAL Contracts >>	\$140,000

PRINTING	Printing Expense (110,000 pcs. for Landlord) >>	\$5,227
	Printing Expense (600,000 pcs. for Tenant) >>	\$31,360
	Postage Expense (Standard 10 days) >>	\$231,000
	TOTAL Printing >>	\$267,587

Breakdown for Fee Analysis	TOTAL Salaries >>	\$548,933
FY18 Costs	TOTAL Related Costs >>	\$331,336
	TOTAL Other Costs >>	\$536,247
	GRAND TOTAL Salaries, Contracts, Printing >>	\$1,416,516