



CITY OF ALAMEDA

RENT PROGRAM REGULATORY FEE STUDY

JUNE 2017
FINAL REPORT

PREPARED FOR:

**CITY OF ALAMEDA
CITY COUNCIL**

PREPARED BY:



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CITY OF ALAMEDA

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ACKNOWLEDGEMENTS

This Rent Program Regulatory Fee Study was prepared by SCI Consulting Group (“SCI”) under contract with the City of Alameda (“City”). The work was accomplished under the general direction of Debbie Potter, Director of the Community Development Department.

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EXECUTIVE SUMMARY

INTRODUCTION

On March 1, 2016, the City of Alameda (“City”) adopted a Rent Review, Rent Stabilization and Limitations on Evictions Ordinance (“Ordinance”) creating a new regulatory framework for both rental property owners and residential tenants (“Rent Program”). The Ordinance went into effect on March 31, 2016 and is intended to protect tenants from the rapidly increasing cost of rental housing and the potential risk of eviction. The Ordinance also establishes procedures to help resolve landlord-tenant disputes over rent increases, particularly those greater than 5% in one year.

In June 2016, a Rent Program Regulatory Fee Study (“Study”) was presented to the City Council to establish the legal and policy basis for imposing an annual Rent Program Regulatory Fee (“Fee”) on rental units within the City for administration of the new Rent Program and enforcement of the Ordinance.

The Council elected to fund the program with general fund revenue rather than adopt a fee at that time. A key reason was a desire to gather more data about the program and the cost to administer the program. Additionally, the City placed the Ordinance on the November 2016 ballot to provide City of Alameda registered voters with the opportunity to confirm the Ordinance.

On November 8, 2016, the registered voters within the City of Alameda confirmed Measure L1, the Rent Stabilization Act. The Program has now been in effect for 13 months. In April 2017, City Council accepted the annual report for the Program, directed staff to prepare certain amendments to the Ordinance and update the Rent Program Regulatory Fee Study based on revised administrative and service costs and the updated inventory of rental units.

PROPOSITION 26

Proposition 26, the “Stop Hidden Taxes Initiative,” was passed by California voters on November 2, 2010 and amended Article XIII of the State Constitution. It provides a definition of a “tax” for state and local purposes so that neither the Legislature nor local governments can circumvent these restrictions on increased taxes by simply defining new or expanded taxes as “fees.” Accordingly, under Proposition 26, a tax has been very broadly defined as meaning “any levy, charge, or exaction of any kind imposed by” a local government, except for seven categories.

In order to impose such fees, this Study will present findings in order to meet the procedural requirements of Proposition 26, which are as follows:

1. Demonstrate that the levy, charge, or other exaction is not a tax; and
2. The amount is not more than necessary to cover the reasonable cost of the governmental activity; and

3. The manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burden on, or benefits received from, the governmental activity.

To determine the Fee consistent with these procedural requirements, this Study utilizes a cost of service methodology and approach. Under this method, the total annual cost of administration of the Rent Program and enforcement of the Ordinance by the City are determined. These annual costs are then applied to all of the rental units subject to the Fee to determine an annual cost / fee per rental unit.

SUMMARY OF GENERAL FINDINGS

The following general findings from the Study are:

1. The administrative structure and the processes described in the Ordinance are well designed and fair, and should work effectively for the City to limit the effects of rapid rent increases, and the associated risks of evictions, without placing an undue or onerous burden upon the City's rental marketplace.
2. The City's proposed Fee is not a tax, but a regulatory fee in that the Ordinance creates a new City regulation for both residential rental property owners and residential tenants. The Fee recovers the full costs associated with enforcement of the new regulations.
3. The City went through a deliberative process to establish a reasonable expenditure plan that is valid for use in setting the Fee.
4. The Fees determined by this Study do not exceed the reasonable cost of the administration of the Program and enforcement of the Ordinance.
5. The manner in which cost of the administration of the Program and enforcement of the Ordinance is allocated to a payor bears a fair or reasonable relationship to the payor's burden on, or benefits received from, the governmental activity.

SUMMARY OF GENERAL RECOMMENDATIONS

Based on the findings presented in the Study, the following general recommendations are:

1. The City should establish a Rent Program Regulatory Fee in the amount of \$122 annually per rental unit within the City to fairly recover the costs of administration of the Rent Program and enforcement of the Ordinance.
2. Each year, the City should evaluate the actual costs versus estimates to determine whether or not the Fee can be adjusted annually based on the change in the Consumer Price Index or if another comprehensive update is needed. The new Fee would then be effective on July 1 of each year.

DETERMINATION OF RENTAL UNITS

This section describes the process for determining the number of rental units subject to the Rent Program Regulatory Fee.

Using February 2017 Assessor's lien roll data provided by the Alameda County Assessor's office, all residential properties within the City were identified and classified as 1) rental units and 2) excluded units. Figure 1 below shows the estimated number rental units. Rental units include all currently rented single family residences, and individually owned condominiums and townhomes and include all multi-family units currently rented or that are vacant but available to the rental market. Owner-occupied units in multi-family buildings in which the property owner resides (e.g. triplex where the owner lives in one unit and rents two units) were identified and the units not occupied by the owner were designated as rental units. Rental units not subject to the Ordinance are defined as units, regardless of ownership, for which the rents are regulated by regulatory agreement or federal law, such as the Section 8 Voucher Program, and other units excluded in paragraph (i) of subsection Z of Section 6-58.15 of the Ordinance. Rental units owned by a public agency or not-for-profit were identified in the Assessor's data.

Rental units were then further categorized as 1) exempt or 2) non-exempt rental units as defined by the Costa Hawkins Rental Housing Act of 1995. California state law exempts single-family residences, condominiums, and multi-family units, built after February 1995, from rent stabilization. These properties are categorized as Exempt. Multi-family residences, including duplexes, built before February of 1995, are not exempt from rent stabilization. These properties are categorized as Non-Exempt.

The parcel data research included in this Study in support of the Rent Program Regulatory Fee provides a high degree of accuracy, but is dynamic and limited by the accuracy of the Assessor data. For example, the mixed-use developed property (e.g., live-work developments) residential unit information is incomplete and could not be corroborated without additional field research. It is recommended that the City work directly with mixed-use property owners to verify the correct number of rental residential units.

FIGURE 1 – ESTIMATED RENTAL UNITS

Land Use	Exempt Units ¹	Non- Exempt Units ¹	Total Units	Excluded Units ²
Single Family Detached / Townhome	2,036	0	2,036	
Multi-Family Residential	6	12,676	12,682	
Mixed Use	2	405	407	
Condominium	504	0	504	
Subtotal	2,548	13,081	15,629	2,597
			841³	
Total Rental Units			14,788	

Source: City of Alameda; County of Alameda Assessor's Office; SCI Consulting Group

¹ Exempt units are single family rental homes and multi-family units built after February 1, 1995. Non-exempt units are multi-family units built before 1995.

² There are 2,597 units, regardless of ownership, for which the rents are regulated by regulatory agreement or federal law and other units excluded in subsection Z of Section 6-58.15 of the Ordinance.

³ There are 841 private sector Section 8 voucher units not subject to the Ordinance which could not be identified in the Assessor's data.

DETERMINATION OF REGULATORY COSTS

This section determines the costs associated with administration and regulation of the Rent Program. The type of costs covered in the Fee include direct labor and indirect labor costs, contracted services and supply costs.

FULLY BURDENED HOURLY RATES

The City of Alameda entered into a staffing services agreement with the Housing Authority of the City of Alameda (Housing Authority) to administer the Rent Program in April 2016. In November 2016, the City issued a Request for Proposals for Program Administration Services. City staff is recommending that the Housing Authority continue in its capacity as Program Administrator. Therefore, the cost determination is based on the Housing Authority continuing as Program Administrator.

Labor costs are based on the fully burdened hourly rates for City and Housing Authority staff involved with administration of the Rent Program and enforcement of the Ordinance. Figure 2 shows the salary/wage and benefits for City and Housing Authority staff. According to the Housing Authority and the City, a full-time employee is available for 1,872 hours per year to perform the activities. The Community Development Director is available 1,950 hours per year to perform the activities. This excludes annual paid leave hours.

FIGURE 2 – FULLY BURDENED HOURLY RATES EFFECTIVE JULY 1, 2017

Department / Office / Division	Position	Annual Salary and Benefits	Fully Burdened Hourly Rate ¹
		<i>Calc</i> a	b = a / billable hours
Rent Program	Director	\$193,968	\$103.61
Rent Program	Analyst	\$148,274	\$79.20
Rent Program	Rent Specialist	\$105,382	\$56.29
Rent Program	Assistant	\$91,027	\$48.62
City Attorney's Office	Assistant City Attorney	\$237,709	\$126.98
City Attorney's Office	Paralegal	\$112,471	\$60.08
Finance	Accounting Technician	\$107,638	\$57.49
Community Development	Director	\$272,336	\$139.66
Contracted Labor	Hearing Officer		\$300

Source: City of Alameda; Housing Authority

Notes:

¹ The fully burdened hourly rates include annual salary and benefits divided by "billable hours" for each position: Community Development Director at 1,950 billable hours and all others at 1,872. The Hearing Officer is a flat rate per hour.

COMPOSITE FULLY BURDENED HOURLY RATE FOR RENT PROGRAM

Figure 3 below shows the determination of the composite fully burdened hourly labor rate for the Rent Program. The Housing Authority estimates that 6.0 full-time equivalents (“FTEs”) will be necessary to administer the Rent Program. Dedicated staff will include the Director, an Analyst, three (3) Rent Specialists, and a Program Assistant. As shown, the composite fully burdened hourly rate for the Rent Program is \$66.72.

FIGURE 3 – COMPOSITE FULLY BURDENED HOURLY RATE FOR RENT PROGRAM

Position Description	FTEs	Fully Burdened Hourly Rate ¹
Director	1.0	\$103.61
Analyst	1.0	\$79.20
Rent Specialist	3.0	\$56.29
Assistant	1.0	\$48.62
Composite Fully Burdened Hourly Labor Rate	6.0	\$66.72

Source: City of Alameda; Alameda Housing Authority; SCI Consulting Group

Notes:

¹ See Figure 2. The composite fully burden hourly rate is based on the number of FTEs by position for the Program.

DIRECT AND INDIRECT LABOR COSTS

Figures 4 through 8 on the following pages detail the direct and indirect labor associated with administration of the Rent Program and enforcement of the Ordinance. The labor costs are segmented by Rent Program activity and level of effort provided by City and Housing Authority staff. The hours for each Rent Program activity were determined for Housing Authority and City Attorney staff by diagramming the tasks involved with the activity and the estimated level of effort. (These flowcharts are in Appendices A through C.) These time estimates and level of effort were then reviewed and evaluated by other Housing Authority staff, City management and SCI for their reasonableness.

FIGURE 4 – RENT PROGRAM LABOR COSTS BY ACTIVITY

Task / Activity	Position Description	Fully Burdened Hourly Rate	Staff (FTEs)	Annual Billable Hours	Estimated Annual Labor Cost
	<i>Calc</i>	<i>a</i>	<i>b (rounded)</i>	<i>c</i>	<i>d = a * c</i>
Program General Administration					
Public Contact for Inquiries	Program	\$66.72	0.827	1,548	\$103,283
Outreach materials/workshops/clinics/mailers	Program	\$66.72	0.974	1,824	\$121,697
Development of program policies, procedures, forms, website	Program	\$66.72	0.143	267	\$17,831
Administration of Client Management Database and online forms	Program	\$66.72	0.427	800	\$53,376
Reporting and Analysis data statistics	Program	\$66.72	0.267	500	\$33,360
Quality assurance of case files	Program	\$66.72	0.080	150	\$10,008
Total			2.718	5,089	\$339,555

Source: Housing Authority; City of Alameda; SCI Consulting Group

FIGURE 5 – CIP PROCESS BY ACTIVITY

Task / Activity	Position Description	Fully Burdened Hourly Rate	Staff (FTEs)	Annual Billable Hours	Estimated Annual Labor Cost
	<i>Calc</i>	<i>a</i>	<i>b (rounded)</i>	<i>c</i>	<i>d = a * c</i>
CIP Process					
Program Administrator reviews CIP application	Program	\$66.72	0.025	46	\$3,069
Program Administrator works with Landlord concerning tenant relocation issues and capital improvement projects.	Program	\$66.72	0.026	48	\$3,203
Total			0.051	94	\$6,272

Source: Housing Authority; City of Alameda; SCI Consulting Group

FIGURE 6 – RENT INCREASE ADMINISTRATION LABOR COSTS BY ACTIVITY

Task / Activity	Position Description	Fully Burdened Hourly Rate	Staff (FTEs)	Annual Billable Hours	Estimated Annual Labor Cost
	<i>Calc</i>	<i>a</i>	<i>b (rounded)</i>	<i>c</i>	<i>d = a * c</i>
Rent Increase					
Intake, Review, and Case Management	Program	\$66.72	1.830	3,425	\$228,516
Case Preparation, Pre-Mediation, Pre-Settlement, Notices Invalidated	Program	\$66.72	0.775	1,450	\$96,744
RRAC Mediates; Post RRAC Meeting	Program	\$66.72	0.109	204	\$13,611
Prepare File for Non-Binding CC Review	Program	\$66.72	0.008	15	\$1,001
Total			2.722	5,094	\$339,872

Source: Housing Authority; City of Alameda; SCI Consulting Group

FIGURE 7 – APPEALS PROCESS

Task / Activity	Position Description	Fully Burdened Hourly Rate	Staff (FTEs)	Annual Billable Hours	Estimated Annual Labor Cost
	<i>Calc</i>	<i>a</i>	<i>b (rounded)</i>	<i>c</i>	<i>d = a * c</i>
Appeals Process					
Prepare File for Hearing Officer	Program	\$66.72	0.032	60	\$4,003
Hearing Officer	Contracted	\$300.00	0.096	180	\$54,000
Total			0.128	240	\$58,003

Source: Housing Authority; City of Alameda; SCI Consulting Group

FIGURE 8 – TERMINATION ADMINISTRATION LABOR COSTS BY ACTIVITY

Task / Activity	Position Description	Fully Burdened Hourly Rate	Staff (FTEs)	Annual Billable Hours	Estimated Annual Labor Cost
	<i>Calc</i>	<i>a</i>	<i>b (rounded)</i>	<i>c</i>	<i>d = a * c</i>
Termination Administration					
Intake: Landlord submission or Tenant request for review for compliance	Program	\$66.72	0.120	225	\$15,012
Valid: Filing and Administration: Owner Move-in, Demolition, Withdrawal, and Governmental Order	Program	\$66.72	0.235	440	\$29,357
Invalid Filing; Non-Responsive Landlord to Deficiencies	Program	\$66.72	0.123	230	\$15,346
Total			0.478	895	\$59,714

Source: Housing Authority; City of Alameda; SCI Consulting Group

FIGURE 9 – CITY ADMINISTRATION / LEGAL SUPPORT LABOR COSTS BY DEPT. / POSITION

Task / Activity	Position Description	Fully Burdened Hourly Rate	Staff (FTEs)	Annual Billable Hours	Estimated Annual Labor Cost
	<i>Calc</i>	a	b (rounded)	c	d = a * c
City Administration					
Finance Department	Account Technician	\$57.49	1.000	1,872	\$107,621
Community Development Department	Director	\$139.66	0.100	195	\$27,234
Legal Support					
City Attorney's Office	Assistant City Attorney	\$126.98	1.000	1,872	\$237,707
City Attorney's Office	Paralegal	\$60.08	0.500	936	\$56,235
Total			2.600	4,875	\$428,796

Source: City of Alameda; SCI Consulting Group

SERVICES AND SUPPLIES COST

The annual cost of contracted services, supplies and other expenses associated with 1) administration of the Program; 2) collection of the Fee by the Finance Department; 3) legal support provided by the City Attorney's office; and 4) oversight by the Community Development Department are presented below and on the following page. Cost allocations cover overhead costs associated with executive, finance, human resources and information technology support of all budgeted positions.

As shown in Figure 10, the anticipated services and supplies cost for administering the Rent Program is \$402,700 which includes one-time costs of \$77,000. Figure 11 shows the annual services and supplies cost associated with City administration and legal support which totals \$164,800.

FIGURE 10 – SERVICES AND SUPPLIES COST – RENT PROGRAM ADMINISTRATION

Administration Costs	Annual	One-Time Cost	Total
Audit	\$2,500		\$2,500
Recruitment Services	\$1,000	\$4,000	\$5,000
Software/licenses: Microsoft/ Adobe/Database	\$6,000		\$6,000
Database: Server Purchase and development of solution & related IT Costs		\$40,000	\$40,000
Database Maintenance Costs	\$10,000		\$10,000
Laserfiche Online forms	\$8,100		\$8,100
Website Hosting	\$400		\$400
Phone/Fax/Internet Services	\$3,000		\$3,000
Copy Services (1 copy machine with one year service)	\$3,000		\$3,000
Office Supplies: Including Ink and Paper	\$8,000		\$8,000
Outreach/Mail Services: Printing and Postage	\$30,000		\$30,000
Translation Services for inquiries/cases/meetings	\$3,000		\$3,000
Translation Services: Brochure (x1)/FAQ's (x3)/Print Ads (x12)	\$4,000	\$3,000	\$7,000
Market Assessment Consultant	\$5,000		\$5,000
Mediation for 20 cases (\$500/per Case)	\$10,000		\$10,000
Staff Trainings/Conferences	\$10,000		\$10,000
RRAC Mediation Training	\$5,000		\$5,000
Fair Housing Training (3 per year)	\$10,000		\$10,000
Overhead Costs			
Finance/HR/IT/Exec. Support	\$95,000		\$95,000
Office Costs (subject to change)			
IT Support (\$130/per hour; 62 hours for set up & ongoing	\$1,300	\$8,000	\$9,300
Equipment & Set up: Computer/Copiers/Fax/Phones		\$22,000	\$22,000
Lease (approx. 800 sq. ft.) at \$11.50 per sq. ft	\$110,400		\$110,400
Total	\$325,700	\$77,000	\$402,700

Source: Alameda Housing Authority; City of Alameda Finance Department; SCI Consulting Group

FIGURE 11 – SERVICES AND SUPPLIES COST – CITY ADMINISTRATION

Item	Annual Cost
Finance Department	
Software	\$5,500
Forms Printing	\$10,000
Postage	\$20,000
Office Equipment	\$6,000
Equipment Maintenance	\$1,500
Bank Charges	\$20,000
Cost Allocations (Intra and Inter-dept.)	\$28,000
Total Finance Department	\$91,000
City Attorney's Office	
Cost Allocations (Intra and Inter-dept.)	\$70,000
Total City Attorney's Office	\$70,000
Community Development Department	
Cost Allocations (Intra and Inter-dept.)	\$3,800
Total Community Development Department	\$3,800
Total City Administration and Legal Support	\$164,800

Source: City of Alameda Finance Department; SCI Consulting
Group

DETERMINATION OF FEES

This section presents the determination of the total cost per rental unit.

RENT PROGRAM REGULATORY FEE

Figure 12 shows the determination of the Fee. The original estimated cost of the Rent Program was \$1.95 million. Costs attributable to the Rent Program are estimated to be approximately \$1.79 million. As shown, the proposed fee is \$122 per rental unit per year.

FIGURE 12 – RENT PROGRAM REGULATORY FEE DETERMINATION

Category	FTEs	Labor Costs	Services and Supplies	One-Time Cost	Annual Cost
<i>Calc</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e = b + c + d</i>
Rent Program	6.0	\$749,416	\$325,700	\$77,000	\$1,152,116
City Legal Support	1.5	\$293,941	\$70,000	\$0	\$363,941
City Administration	1.1	\$134,855	\$94,800	\$0	\$229,655
Hearing Officer		\$54,000	\$0	\$0	\$54,000
Total Cost	8.6	\$1,232,212	\$490,500	\$77,000	\$1,799,712
Rental Units ¹					14,788
Rent Program Regulatory Fee (Per Unit, Rounded)					\$122

Source: Alameda Housing Authority; City of Alameda; SCI Consulting Group

Notes:

¹ See Figure 1.

RENT STABILIZATION PROGRAM SUMMARY 2016-17 AND 2017-18

The City of Alameda's Rent Stabilization Program started in April 2016, with the initial Fee Study being completed in June 2016 and revised in May 2017. Following is a brief explanation of the additional information that supported this revised Fee Study.

Due to the uncertainty of the duration and long-term viability of the Rent Stabilization Program, it was administered with several permanent employees and supplemented with temporary employees and minimal resources. For example, the program is currently managed by a Director working at 80% of a FTE, one permanent Rent Specialist at 100% of a FTE, and one to three FTE temporary workers, who are not fully burdened employees, from the Housing Authority. There has also been a delay in one-time, capital purchases such as a client management database and equipment.

The City is moving forward with a full and complete implementation and administration of the Rent Stabilization Program. The Housing Authority has been recommended as Program Administrator for the next three years, and is actively recruiting to hire four permanent employees: one Program Analyst, two Rent Specialists, and a Program Assistant. The transition from temporary to permanent employees increases the cost to run the program over last year since permanent employees are fully burdened. Additionally, there is a 3% increase in annual salaries and benefits. The Housing Authority is currently looking for new office space as the Housing Authority administration building does not have sufficient space to host the program. The estimated cost to lease the new office space is \$110,400 per year. The City's Finance Department will also require a full-time person for billing and questions, which was not needed when the City funded the program and invoices were not issued.

Additional one-time costs for a client management database, recruiting, IT set up, equipment, and translation services are budgeted for purchase in the upcoming fiscal year. The total cost of the one-time purchase is \$77,000.

The Housing Authority administration of the program has allowed staff to refine policies and procedures and revise the hours needed for the program activities such as the Rent Increase, Termination, and the Capital Improvement Plan (the "CIP") administration. Figure 13 below shows the revised hours needed to perform the main program activities from 2016-17 to 2017-18.

FIGURE 13 – HOURS NEEDED TO PERFORM MAIN PROGRAM ACTIVITIES

	2016 - 2017 Estimated Annual Billable Hours	2017 - 2018 Estimated Annual Billable Hours
Rent Increases	4,050	5,094
Terminations	5,870	895
Capital Improvement Plan	390	94
Appeals Process	360	240

There has also been a reduction in the projected City Attorney's hours for the Rent Program. In the Rent Study from last year, it was estimated the program would require 3 FTEs from the City Attorney's office. Today, the request has been reduced to 1.5 FTEs. The Housing Authority has worked closely with City Attorney's office for interpretation of the ordinance pertaining to questions and new cases from the landlords and tenants. This relationship is expected to continue in the upcoming year since the program is relatively new.

The full implementation and administration of the Rent Program includes significant changes such as office relocation, training four new employees, input and training on a new Client Management Database System, and setup of new software and equipment. We do anticipate some unforeseen expenses or situations may arise as they do with any new programs. We would recommend the Housing Authority and City continue to evaluate the actual costs versus estimates of the Program to determine whether the Fee can be adjusted annually.

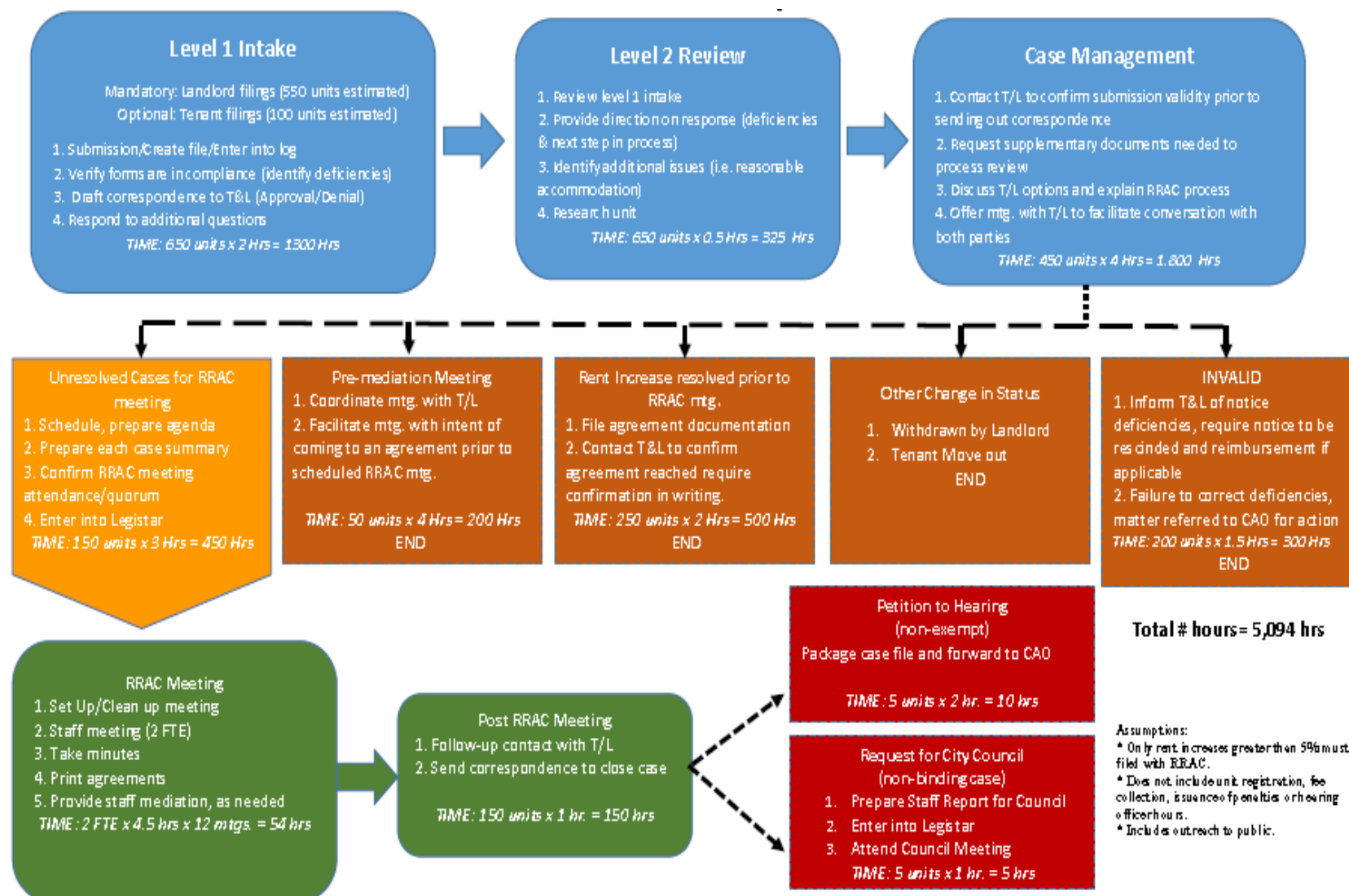
APPENDICES

Appendix A – Rent Increase Flowchart

Appendix B – Termination Flowchart

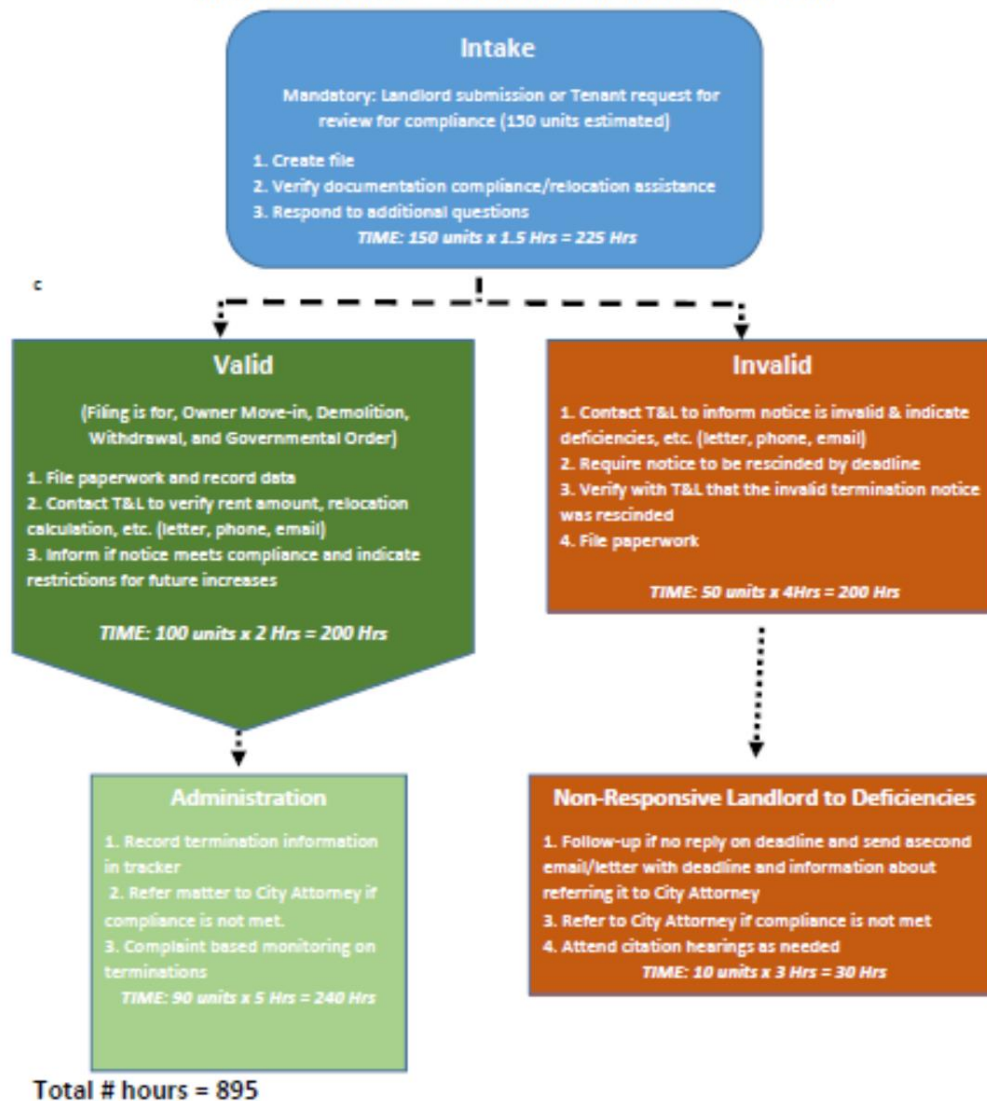
Appendix C – Capital Improvement Plan Flowchart

APPENDIX A – RENT INCREASE FLOWCHART



APPENDIX B – TERMINATION FLOWCHART

Attachment B - Termination Work Flow

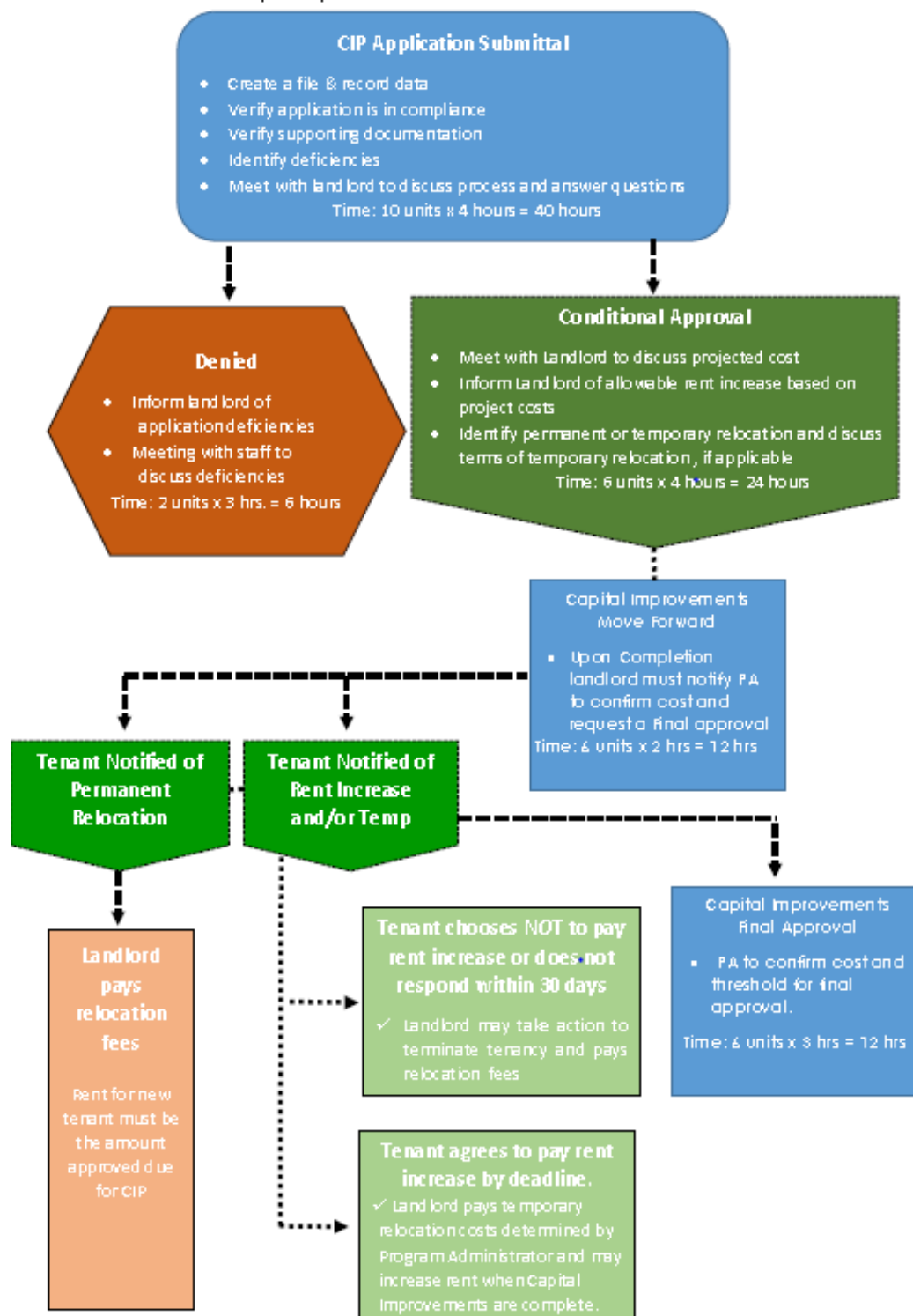


Assumptions:

- * Data entry and annual reporting are included in estimated hours.
- * Assumes that there are currently some units that are not filing terminations
- * All penalties and all enforcement is done by City Attorney's Office.
- * Assumes inclusion of single family homes.

APPENDIX C – CAPITAL IMPROVEMENT PLAN FLOWCHART

- Landlord seeks to increase rent over maximum allowance for a capital improvement; and/or
- Landlord believes the capital improvement work necessitates a relocation of the tenant



Total Hours = 74 hours (assuming active CIP's per year w/o one tenant per unit)

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