



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: NOVEMBER 19, 2024

**DEPARTMENT: COMMUNITY DEVELOPMENT
CITY ATTORNEY'S OFFICE
FINANCE
HUMAN RESOURCES**

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**TITLE: ESTABLISHMENT OF RENT STABILIZATION PROGRAM FEE,
AMENDMENT OF RENTAL REGISTRATION FEE, APPROVAL OF
FY 24-25 PROGRAM BUDGET AND GENERAL FUND LOAN
TRANSFER, AND WORKFORCE ALLOCATION MODIFICATION**

RECOMMENDED MOTION:

A motion recommending the City Council approve:

1. A Resolution establishing a Rent Program Fee for the Rent Stabilization Ordinance (Ordinance No. 2681 N.C.S.) on each Controlled Rental Unit owned and offered for rent in the City of Salinas subject to Ordinance No 2681; and
2. A Resolution amending Residential Registration Fees established by Ordinance Number 2663 (N.C.S.) and integrated into the City's Schedule of Fees and Charges for City Services by Resolution No. 22622; and
3. A Resolution
 - a. establishing the FY 24-25 Residential Rental Registration and Rent Stabilization Program revenue and expense budgets in the amount of six hundred fifty-five thousand two hundred fifty (\$655,250); and
 - b. authorizing the appropriation of two hundred five thousand two hundred and three (\$205,203) to the Residential Rental Registration and Rent Stabilization Program in the form of a General Fund loan transfer; and
 - c. approving an amended Workforce Allocation to add two limited term administrative positions to the Community Development Department's workforce to staff the above-referenced program.

EXECUTIVE SUMMARY:

The City Council adopted a Rental Registration Program (April 2023) and Rent Stabilization Program (September 2024). Implementation of the Rental Registration and Rent Stabilization Program (Program) requires City Council action to establish Program registration fees and a FY 24-25 budget, hire additional administrative staff, and authorize a loan transfer from the General Fund to cover Program start-up costs prior to collecting sufficient Program fee revenue to cover Program expenses.

DISCUSSION:

The City retained Economic & Planning Systems, Inc. (“EPS”) to prepare an analysis of the City’s costs to provide and administer the programs created by the Rent Stabilization Ordinance (“Fee Study”). The Fee Study further recommended that the Residential Rental Registration Program be merged with the Rent Stabilization Program (Program) and recommended Program Fee amounts for the registration of residential rental units subject to the Ordinances. Post Ordinance adoption, the City entered into a second Agreement for Professional Services with EPS to conduct additional analysis and refine their recommendations for staff allocation, Program cost and fees, and anticipated timing for reaching a cost-neutral status.

FY 24-25 Proposed Program Staffing, Workforce Allocation Modification, and Budget

Using the EPS Fee Study, Community Development and Finance staff worked collaboratively to estimate staffing, software, and education and outreach costs though FY 24-25. The Fee Study recommended 5.1 Full Time Equivalent (FTE) positions to staff the Program. After discussion with EPS, additional interviews with other jurisdictions, and refinement of projected Program Fee revenue, Program staffing allocation has been reduced to 3.2 FTE positions. The Rental Registration and Rent Stabilization Ordinance Program will be staffed with a Planning Manager (partial), one Community Development Analyst, one limited term Administrative Analyst, and one limited term Administrative Aide as shown below.

- 0.2 FTE Planning Manager
- 1.0 FTE Community Development Analyst (Limited Term)
- 1.0 FTE Admin Analyst (Limited Term)
- 1.0 FTE Admin Aide (Limited Term)
- 3.2 FTE

The Community Development Department requests authorization to add the limited term Administrative Analyst and limited term Administrative Aide to the Department’s workforce to staff the Program. The limited term Administrative Analyst and limited term Administrative Aide will need to be filled immediately to assist with implementation of the program by January 1, 2025.

The proposed FY 24-25 Program budget has a total cost of \$732,350, however, the Community Development Analyst (Limited Term) will continue to be funded out of a United Way grant for the remainder of the fiscal year, therefore reducing the proposed FY 24-25 Program budget to \$655,250 as shown below.

| | |
|--|------------------|
| Salaries and Benefits | \$142,250 |
| Software | \$200,000 |
| Supportive Services (Hearing Officer, Education/Outreach) | \$300,000 |
| Indirect Costs/Overhead | <u>\$ 13,000</u> |
| | \$655,250 |

Program Fees

The Fee Study recommended a flat fee of \$28.00 per rental unit subject to the Residential Registration Ordinance and a flat fee of \$115.00 per rental unit subject to the Rent Stabilization Ordinance. Multiplying these fee rates by the number of subject units, city staff projected Program revenues using 30% to 90% collection rates. Staff projections, provided as an attachment to this staff report show that an 80% collection rate would be required for the Program to be cost neutral. Depending on the revenue collection rate, the Program funding gap ranged from \$107,111 (70% collection rate) to \$379,699 (50% collection rate) per year.

Given that the Program is intended to be self-sustaining, EPS was asked to revisit their Fee analysis to minimize the gap between Program revenues collected and expenses. In addition, EPS conducted follow up interviews with jurisdictions identified in their Fee Study to collect information regarding collection rates, the timeframe for reaching cost-neutral status, and staff work allocation. A revised Fee Study with updated Program Fee analysis and recommendation is provided as an attachment to this staff report.

Table 4-13 of the Updated Fee Study, provided as an attachment to this staff report, increases both Program Fees and projects Program revenue to cover Program costs in Year 3 at a 50% collection rate. The revised recommended Rental Registration fee per unit is \$45.00 and \$170.00 per unit for Rent Stabilization Units.

CEQA CONSIDERATION:

Not a Project. Adoption of this Resolution is not a project under the California Environmental Quality Act (CEQA Guidelines Section 15061(b)(3)) because it would not have a significant effect on the environment. Additionally, the City’s approval of this Resolution is exempt because it does not meet the definition of a “project” under CEQA, pursuant to CEQA Guidelines sections 15060(c)(1) and 15378(a), because it has no potential to result in a direct or reasonably foreseeable physical change in the environment.

STRATEGIC PLAN INITIATIVE:

The City Council’s consideration of the proposed actions to establish Program Fees and Budget, budget appropriation, and workforce allocation augmentation to implement a merged Rental Registration and Rent Program is consistent with and furthers the City Council’s goal of promoting and preserving Housing/Affordable Housing (City of Salinas Strategic Plan 2022-2025).

DEPARTMENTAL COORDINATION:

The City Attorney’s Office and Community Development, Finance and Human Resources Departments collaborated on and contributed to the preparation of this agenda item. Community Development’s Housing and Community Development Division will administer Program implementation in continued coordination with the city departments listed above.

FISCAL AND SUSTAINABILITY IMPACT:

Program implementation is intended to be cost-neutral and self-funded through the collection of annual fee revenues. However, based upon perspective obtained from other jurisdictions, initial implementation of similar programs has often resulted in lower than anticipated revenues and the need for additional sources of funding, including the General Fund. At this time, based on a conservative projection of a thirty percent (30%) fee collection rate, an estimated amount of \$205,203 will need to be appropriated from the General Fund in FY 24-25 in the form of a loan transfer to cover Program start-up costs including contracting for Program portal and data base development, hiring administrative staff, developing education and marketing materials, and providing Program supportive services. Should actual Program revenue collection rates exceed Program costs, the General Fund loan transfer will be repaid. The table below establishes the FY 24-25 appropriation of revenue and expenses. Program Budget and Fees will be included as part of the FY 25-26 budget development process.

| Fund | Appropriation | Appropriation Name | Total Appropriation | Amount for recommendation | FY 24-25 Operating Budget Page | Last Budget Action (Date, Resolution) |
|-------------|----------------------|--|----------------------------|----------------------------------|---------------------------------------|--|
| 2530 | 00.000-90.1000 | Transfer In from General Fund | \$0 | \$205,203 | N/A | N/A |
| 1000 | 00.000-95.2530 | Transfer Out to RRR/RSO Program | \$0 | \$205,203 | N/A | N/A |
| 2530 | 30.3220-56.3530 | Charges for Rental Registration Fees | \$0 | \$97,632 | N/A | N/A |
| 2530 | 30.3220-56.3540 | Charges for Rent Stabilization Fees | \$0 | \$212,422 | N/A | N/A |
| 2530 | 30.3220-61.1100 | Salaries & Benefits | \$0 | \$142,250 | N/A | N/A |
| 2530 | 30.3220-66.5800 | Capital Outlays Computer Software | \$0 | \$200,000 | N/A | N/A |
| 2530 | 30.3220-63.5900 | Outside Services Other Professional Services | \$0 | \$300,000 | N/A | N/A |
| 2530 | 30.3220-64.1000 | Other Charges Administrative Overhead | \$0 | \$13,000 | N/A | N/A |

ATTACHMENTS:

Draft Resolutions

Staff Program Cost and Revenue Projections

Table 4-13: Estimated Program Fee: Revised Proposed Number of FTE

EPS Updated Fee Study: November 14, 2024

