



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: JANUARY 8, 2019

DEPARTMENT: OFFICE OF THE CITY MANAGER

FROM: ANDREW MYRICK, ECONOMIC DEVELOPMENT MANAGER

TITLE: MEMORANDUM OF UNDERSTANDING WITH NRN FOR STUDY
OF RENTAL REGISTRY AND INSPECTION PROGRAM

RECOMMENDED MOTION:

A motion to approve the attached Resolution authorizing the Mayor to sign a Memorandum of Understanding between the City of Salinas and the National Resource Network.

RECOMMENDATION:

Staff recommends that the Council approve the attached Resolution.

EXECUTIVE SUMMARY:

The **Salinas Ten-Year Plan** developed by the National Resource Network includes several recommendations to help the City address its current housing affordability crisis, including a recommendation to develop a rental registry and inspection program. The National Resource Network has offered to provide a grant of \$75,000 (to be combined with a City match of \$25,000) to fund an initiative to assist in the development and, if appropriate, implementation of a rental registry and inspection program. This initiative would include community involvement during the program development phase to ensure that any program is tailored to meet Salinas' specific needs.

BACKGROUND:

On December 4, 2018, representatives from the National Resource Network presented The Salinas Ten-Year Plan, a Report providing a detailed blueprint for achieving long-term fiscal sustainability while preserving key City programs, to the City Council. The Salinas Ten-Year Plan also explored the City's role in addressing the area's affordable housing crisis.

As noted in the Salinas Ten-Year Plan, the increasing price of housing in the Salinas area, particularly as relative to wages, is causing or exacerbating a number of challenges currently being experienced by the City of Salinas. Examples of this include increased overcrowding in existing units, increased demand for street parking space in residential neighborhoods as a result of increased household sizes, increased numbers of people using recreational vehicles parked in the right-of-way as a residence, greater demand for services for the homeless, increased maintenance costs associated with homeless populations, increased pressure to convert existing single and

multi-family units to employee housing, potential increased labor costs for employers as employees struggle to find housing at current wage levels, challenges to obtaining accurate counts of the actual population of the City, and potentially decreased tax revenue as increasing portions of families' incomes are spent on housing instead of purchasing taxable goods. These impacts are in addition to the human costs faced by individuals and families struggling with these issues, which disproportionately affect vulnerable populations such as the economically disadvantaged, undocumented immigrants, and children.

The Salinas Plan included a number of recommendations regarding actions which could be taken by the City to address the current housing affordability crisis. One of the most significant recommendations related to this is the creation of a rental registry and inspection program (discussed in Recommendations IN07 and NR05 in the Salinas Ten-Year Plan). Many cities currently utilize rental registry and/or inspection programs: the Salinas Ten-Year Plan references programs in Eastvale, Fresno, Hemet, Los Angeles, Sacramento, and Santa Cruz as examples. The establishment of this program would provide foundational data points from which other City initiatives would be developed. Further, it would assist in ensuring that residents are not subjected to overcrowded conditions, and that units being used as rentals are in a state of good repair and are not a danger to the safety or well-being of residents.

Given the growing urgency of the housing affordability crisis, the National Resource Network has offered to make resources available to retain the services of the same consultants that developed the Salinas Ten-Year Plan to develop a rental registry and inspection program. The cost of developing and implementing a rental registry and inspection program has been estimated at approximately \$100,000. The National Resource Network has offered a grant of \$75,000 from the John and Laura Arnold Foundation to match a \$25,000 contribution from the City to fully fund this effort. Costs which exceed the estimated project cost of \$100,000 would be the responsibility of the National Resource Network. Work would commence immediately, with completion expected in June 2019. The Economic Development Division has sufficient existing resources to fund this effort without significantly impacting operations.

An initial evaluation of how such a program could be structured may be found in the attached Excerpt from the Salinas Ten-Year Plan: Recommendation NR05. Under the sample program shown, landlords would pay an annual registration fee. Regular inspections of units would occur on a four-year cycle. While the numbers are only very rough estimates and are likely to change, please note that the per-unit fees associated with the program are relatively modest, starting at \$75 per year for registration with a \$50-70 inspection fee due every four years. These fees would be used to offset City costs and hire additional staff in code enforcement and/or public safety functions to implement this program.

Staff is aware that it is imperative that a program of this type be properly structured to target areas of particular concern in Salinas, without having unintended negative side effects. To accomplish this, this engagement will include analysis of the actual costs associated with the program, both for City government and for landlords and residents. Another key component of this engagement involves public outreach. In order to ensure that all voices have been heard and that the program is designed to effectively accomplish its goals, the plan includes outreach to many different community stakeholder groups, including landlords, neighborhood advocates, City staff, elected

and appointed officials, and the agricultural industry, with the hope that these diverse voices will enable the design of a program tailored for the City's needs. Any program developed will be brought back to the City Council for consideration prior to implementation.

The housing affordability crisis has shown no signs of abating on its own. This program is a key component of the recommendations for housing provided in the Salinas Ten-Year Plan. The National Resource Network would cover $\frac{3}{4}$ of the costs of the engagement. The program will be developed with community input. Implementation of such a program would not have a negative impact on the City's budget. Staff recommends that the City Council approve the attached Resolution.

CEQA CONSIDERATION:

The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378).

STRATEGIC PLAN INITIATIVE:

This program relates to the Council Goals of a Safe, Livable Community and Quality of Life.

DEPARTMENTAL COORDINATION:

All City Departments were consulted in the development of the Salinas Ten-Year Plan. Further, this effort will build off of work previously done by Community Development Department staff exploring the potential for a program such as this. It is expected that this effort will primarily involve staff from the Community Development Department and the Economic Development Division, with support from other City Departments (particularly the Fire Department and Police Department) as appropriate.

FISCAL AND SUSTAINABILITY IMPACT:

The Salinas Plan report estimates that the revenues generated as a result of the creation and operation of a rental registry and inspection program would have a significant positive impact on City finances, with an estimated impact of approximately \$430,000 in FY20 increasing to approximately \$1.5 million in FY 23 as the program is gradually phased in. These numbers would be examined and refined as a part of this engagement – however, the net impact on the City's budget would be either neutral or positive.

ATTACHMENTS:

RESOLUTION, including Exhibit A

Exhibit A – Proposed Memorandum of Understanding
Excerpt from Salinas Ten-Year Plan: Recommendation NR05