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Title: CONSIDER APPROVAL OF AMENDMENT NO. 1 TO AGREEMENT WITH RSG, INC. TO PROVIDE MOBILE HOME RENT REVIEW SERVICES (CITY COUNCIL)

Sponsors:

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Attachments: 1. Exhibit No. 1 - Proposed Amendment No. 1, 2. Exhibit No. 2 - Original Contract Services Agreement

Date	Ver.	Action By	Action	Result
7/5/2023	1	City Council		

Report to Mayor and City Council

Wednesday, July 05, 2023

Consent

SUBJECT:

CONSIDER APPROVAL OF AMENDMENT NO. 1 TO AGREEMENT WITH RSG, INC. TO PROVIDE MOBILE HOME RENT REVIEW SERVICES (CITY COUNCIL)

I. SUMMARY

RSG, Inc., has provided the bulk of mobile home rent review services to the City since 2017. On May 7, 2020, the City issued RFP No. 20-008 to solicit proposals from qualified vendors to provide rent review program (Program) and housing compliance monitoring service to the City. After review of the proposals that had been received, it was determined that RSG, Inc. (RSG) had the most directly applicable experience to meet the needs of the City. In July 2020, the City entered into an agreement with RSG to provide Consulting Services through June 30, 2023, with a contract sum of \$142,700 for the first year of the term and a not to exceed amount of \$161,860 per year for the second and third years of the term. The Agreement contained an option to extend the term of the Agreement for two additional one-year terms, with a contract sum not to exceed \$161,860 per year.

Although the original Agreement in 2020 allowed for two (2) one-year term extensions, staff and consultant desire to instead extend the term once through a two-year term extension. The proposed Contract Amendment (“Amendment No. 1”) extends the term to June 30, 2025. No additional tasks to the existing scope are proposed. Additionally, minor changes

to the designated personnel Consultant will use to perform the Services, and the designated personnel titles associated with the specified billing rates are included in this amendment.

The cost of the amendment remains at the current rate for a not to exceed amount of \$161,860 per year (for total of \$323,720 for two years). A large portion of the costs associated with providing mobile home rent review services are primarily covered by application fees paid by mobile home park owners for fair return and capital improvement rent increases. Rent increase applications that are based on the Consumer Price Index ("CPI") continue to be processed by City staff.

II. RECOMMENDATION

TAKE the following actions:

1. **APPROVE** Amendment No. 1 to the Contract Agreement with RSG, extending the term through June 30, 2025, for an additional \$323,720 contract sum amount (maximum not to exceed now \$790,140);

2. **AUTHORIZE** the Mayor to execute the Agreement, following approval as to form by the City Attorney.

1.

III. ALTERNATIVES

TAKE any other action the City Council deems appropriate

IV. BACKGROUND

Scope of Services

RSG has performed exceptionally well in providing the contracted services, including:

- Application Review - RSG is reviewing all fair return and capital improvement rent increase applications to ensure that they are complete and adhere with the Program guidelines. This includes preparing and sending correspondence to the mobilehome park owner informing them if their application has been accepted or rejected. If the application is rejected, RSG details the reason for the rejection and informs the park owner of any deficiencies. In the case of a base rent increase, the application process requires Property Owners to provide sufficient supporting documentation concerning income, operating expenses, and gross profit for each year since the last rental increase application was submitted to the Board. The application must also include information dating back to the purchase of the mobile home park such as: the date and purchase price of the mobile home park along with the rents and net operating income; appraisal and value; the down payment amount; and the total amount of equity in the park at the date of current application. In the case of Capital Improvement applications, RSG works with the applicant to ensure that all capital improvements meet the definitions detailed in the Program. Determination of allowable Capital Improvement

increases are based on amortization schedules identified in the Guidelines and any relevant factors affecting amortization such as the quality of the improvement and external factors that affect its longevity. The calculation of the allowable rent increase is based on the total improvement costs plus interest divided by amortization period (number of years) and then divided by 12 to reflect the monthly payment. A Capital Improvement increase should not be amortized over a period that would yield a monthly per space rent increase greater than 10%.

- Homeowner Noticing - Once an application is deemed complete, RSG prepares, and sends on behalf of the City, required homeowner notices and is available to answer any question the homeowners may have. RSG is available on-site one day per week to allow mobilehome park owners and Homeowners an opportunity to review files and ask in-person questions. All written responses must be received and included in the file no later than 10 days before the public hearing.
- Public Hearing - A public hearing must be held within 60 days RSG deems that an application is complete unless the park owner accepts a waiver. RSG polls Board members to set dates and times for the public hearings if they do not fall on a regularly scheduled meeting date. RSG prepares, and sends on behalf of the City, public hearing notices to affected Homeowners at least 15 days prior to the public hearing date. RSG also prepares staff reports that will be presented to the Board for consideration at the public hearings. The staff report must present all the material facts of each case. For the base rent increase applications, RSG also prepares multiple to help the Board determine the amount of a potential increase and help them determine that their decision results in both a fair return to the park owners and avoids excessive rent increases for the tenants. For Capital Improvement increase applications, RSG ensures that each file contains supporting documentation to justify the amount of the capital improvement expense. The staff report details options that will help the Board minimize the impact to the residents by selecting options that would reduce interest charges or allow for a one-time upfront fee, which has no interest payment. RSG also attends all public hearings and presents information to the Board.
- Project Management and Coordination - RSG works very closely with staff to coordinate mobile home rent control efforts. RSG is available for inquiries from the public and questions from homeowners or park owners. RSG is responsible for organization and maintenance of files on the applications as part of these administrative activities. Also, RSG provides bi-weekly status updates to the City to keep them informed of Program activities.

Due to the complexity of the City's Mobile Home Rent Review process and the amount of review and documentation, a specialized contractor with experience and an understanding of the City's process is required to continue to provide this service. Because of its deep experience with Carson's Program, RSG is the only contractor that has both the necessary understanding and experience with the City's process. Staff recommends approval of the Amendment No. 1 with RSG to continue to provide these services.

V. FISCAL IMPACT

The cost of the amendment remains at the current rate for a not to exceed amount of \$161,860 per year or for an additional \$323,720 contract sum amount for the extension (maximum not to exceed now \$790,140).

Costs associated with providing mobile home rent review services are primarily covered by application fees paid by mobile home park owners for fair return and capital improvement rent increases, which covers approximately 2/3 of the contract sum. These costs will be paid from the City's deposit account: 101-99-999-999-2401.

The remaining 1/3 of the contract sum is paid from the City's general fund and cover mobile home rent review services not directly related to the processing of fair return and capital improvement rent increase applications such as general administration of the rent control ordinance and general assistance to mobile home residents and prospective applicants. These costs will be paid from account number: 101-70-720-960-6004 (CD MHRR Board Professional Services).

VI. EXHIBITS

1. Proposed Amendment No. 1 to Contract Agreement with RSG, Inc. (pgs. 5-12)
2. Original RSG Agreement (pgs. 13-71)

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