



## Legislation Details (With Text)

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**Title:** CONSIDER APPROVAL OF AN AGREEMENT WITH RSG, INC. TO PROVIDE MOBILE HOME RENT REVIEW SERVICES (CITY COUNCIL)  
**Sponsors:** Community Services  
**Indexes:**  
**Code sections:**  
**Attachments:** 1. Exhibit No. 1 - Draft Agreement - RSG.pdf, 2. File Summary

Date	Ver.	Action By	Action	Result
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## Report to Mayor and City Council

Tuesday, July 03, 2018

Consent

### SUBJECT:

**CONSIDER APPROVAL OF AN AGREEMENT WITH RSG, INC. TO PROVIDE MOBILE HOME RENT REVIEW SERVICES (CITY COUNCIL)**

### I. SUMMARY

Since the retirement of the City's Housing Program Manager in December of 2016, administration of the Mobile Home Rent Review program has been provided by RSG, Inc. (RSG). With the modification of the City's rent control ordinance to CPI based adjustments, City staff will be able to process the CPI based rent increase applications but the more complex Capital Improvement and Fair Return applications will require more detailed and time consuming analysis than staff is able to provide. It is the recommendation of staff that the City continues to contract with RSG to provide these services. The applicants for Capital Improvement and Fair Return applications will be responsible to place a deposit to pay for the entire cost of processing these applications including RSG, staff, and the City Attorney's office. Staff is planning to present these new deposits for City Council's consideration on July 17, 2018. Starting July 1, 2018, RSG will no longer hold regular office hours in City Hall on Wednesdays, but will come in periodically as needed. Going forward, the burden of processing applications for the entire rent control program on the City's General Fund will be reduced by approximately \$272,000 compared to 2017.

## **II. RECOMMENDATION**

TAKE the following actions:

1. APPROVE the contract service agreement with RSG, Inc. to provide Mobile Home Rent Review services in the amount not-to-exceed \$243,100 through June 30, 2020.
2. AUTHORIZE the Mayor to execute the agreement, following approval as to form by the City Attorney.

## **III. ALTERNATIVES**

TAKE any other action the City Council deems appropriate.

## **IV. BACKGROUND**

### Rent Control Applications

Through the adoption the City's Mobile Home Park Rent Control Ordinance last year, the process by which mobile home park owners may obtain a general rent increase was significantly streamlined and has enabled staff to process general rent increase applications. However, the more complex capital improvement and fair return rent increase applications still require a high degree of expertise. This requires an application review, which includes ensuring that the applications are complete and adhere to the program guidelines, preparing and sending correspondence to the park owners informing them if their application has been accepted or rejected and, if the application is rejected, detailing the reason for the rejection of the application and informing the park owner of any deficiencies.

### Fair Return Applications

For a Fair Return rent increase application, a park owner may believe that a general rent increase does not allow the park owner to earn a fair return on their investment. If a park owner requests a Fair Return Analysis, 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, as well as 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 the application.

### Capital Improvement Applications

For a Capital Improvement rent increase application, a determination of allowable capital improvement increases are based on amortization schedules identified in the program 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, 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%.

### Application Fees

General Rent application fee has been eliminated in favor of new reduced application fee. This new fee will pay for staff time necessary to process these requests; therefore, fiscal impact to the General Fund would negligible. On July 17<sup>th</sup>, staff will be proposing to eliminate the existing Capital Application fee and replace it with a deposit based system. This deposit will pay for 100% of the cost of processing the application including cost for RSG, City Attorney's office, and staff. Similarly, a deposit based system will be introduced for Fair Rent Applications. The following table compares the old fees to the new fees/deposits and provides the parties responsible to process these applications:

	Old Fee	New Fee/Deposit	Responsible for Processing
General Rent Application Fee	\$2,000 plus \$15/space	225 plus \$2/space (Fee)	City Staff
Capital Application Fee	\$2,000 plus \$15/space	\$13,000 (Deposit)	RSG plus limited City staff support
Fair Rent Application Fee	N/A	\$30,000 (Deposit)	RSG plus limited City staff support

### Savings

Prior to 2017, City staff processed general, capital, and fair rent applications. Starting in January 2017, RSG exclusively provided these services. The following table provides a summary of total cost to the General Fund and the number of applications processed:

	2016	2017	2018 (5 months)
Staff Cost	\$190,000	\$30,000	\$15,000
RSG Cost	\$17,000	\$212,000	\$98,000
City Attorney Cost	\$21,000	\$30,000	\$15,000
Total Cost	\$228,000	\$272,000	\$128,000 (5 Months) \$307,000 (Annualized)
Number of General Rent Applications	7	6	4
Number of Capital Applications	0	4	1
Total Applications	7	10	5 (5 Months) 12 (Annualized)

Going forward, the cost for the City to administer the entire rent control program will be reduced to almost zero. The CPI based ordinance simplifies the rent application process with a fee that will cover the staff time spent on the applications with no RSG or City Attorney involvement. In addition, the Capital and Fair Rent applications will be based on a deposit system that will pay for 100% of the time for RSG, City Attorney, and staff. Therefore, going forward, the burden on the City's General Fund will be reduced by approximately \$272,000 compared to 2017.

### About RSG

RSG was founded in 1979 and has served as trusted advisors who provide reliable

information and thorough analyses to local governments regarding community improvement, management, financial, real estate, and affordable housing services. They have provided the City with invaluable information regarding rent control and administration. Based on their history and experience with the City's rent control ordinance and in administering the rent control program, RSG is deemed a sole-source provider for these services. RSG has provided excellent service to City in administering the rent control program and staff recommends approval of a new agreement to continue those services.

## **V. FISCAL IMPACT**

The entire cost of this two-year agreement (\$243,100) will be paid by the deposits paid by the park owners once the City Council adopts the deposits system for the Capital and Fair Rent applications and these fees are effective. In addition, going forward, the burden of processing applications for the rent control program on the City's General Fund will be reduced by approximately \$272,000 compared to 2017. Fiscal impact for FY 2018/19 is a not-to-exceed amount of \$121,550 and funds for this service have been included in the proposed FY 2018/19 budget.

## **VI. EXHIBITS**

1. Draft agreement with RSG, Inc. (pgs. 5-34)

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