



Legislation Text

File #: 2017-332, Version: 1

Report to Mayor and City Council

Tuesday, May 16, 2017

Consent

SUBJECT:

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

I. SUMMARY

At the December 6, 2016 City Council meeting, Council approved an agreement with Rosenow Spevacek Group, Inc. (RSG) to provide interim Mobile Home Rent Review services in an amount not-to-exceed \$75,000.00, through July 31, 2017 (Exhibit No. 1). As the volume of documentation provided by mobile home park owners has increased and additional applications by park owners for rent increases have come in, the amount of work anticipated by RSG to administer the City's Mobile Home Rent Review program in their original proposal has greatly exceeded expectations. As a result, staff is requesting that Council approve an amendment to the agreement with RSG to increase the contract sum by \$72,000.00 to a total amount not-to-exceed \$147,000.00, through July 31, 2017 (Exhibit No. 2).

II. RECOMMENDATION

TAKE the following actions:

1. APPROVE the amendment to the agreement with Rosenow Spevacek Group, Inc. to provide interim Mobile Home Rent Review services in the amount not-to-exceed \$147,000.00, through July 31, 2017.
2. AUTHORIZE the Mayor to execute the amendment, following approval as to form by the City Attorney.

III. ALTERNATIVES

TAKE any other action the City Council deems appropriate that is consistent with the requirements of law.

IV. BACKGROUND

At the December 6, 2016 City Council meeting, Council approved an agreement with Rosenow Spevacek Group, Inc. (RSG) to provide interim Mobile Home Rent Review services in an amount not-to-exceed \$75,000.00, through July 31, 2017. Based on a number of factors, the amount of time required by RSG to administer the City's Mobile Home Rent Review program has greatly exceeded expectations. Some of these factors include:

- More than expected additional applications have been submitted.
- Higher than expected volume of supporting documentation that some park owners have provided with their applications.
- Submittal of applications from some owners that have not submitted applications in a relatively long time, which requires multiple years' worth of documentation to review rather than a single year.
- Conducting training for new MRRB members. (New Board appointee trainings and preparation were not included in RSG's original fee estimate.)
- A substantial amount of time has been spent responding to public inquiries regarding the MRRB Program or resident inquiries regarding items not necessarily part of the MRRB Program. (This was not included in RSG's original fee estimate.)
- Responding to inquiries and answering general questions from residents regarding the proposed Mobilehome Park Closure ordinance change. (This was not included in RSG's original fee estimate.)
- MRRB hearings have had to be rescheduled multiple times when Board members were appointed or removed, requiring additional time not anticipated. (This was not included in RSG's original fee estimate.)

RSG has processed all or a portion of 7 rental applications since the middle of December, which was approximately the number anticipated under their initial proposal. It is anticipated that at least 8 more park owners are planning on submitting a general rent application this year, exceeding historical numbers. It is impossible to forecast the volume of supporting documentation that each of those applications will generate and the amount of time that will be required to review and process each of them under our current rent control ordinance but the proposed amendment is expected to allow the City to continue to administer the rent control program through the contract term ending July 31, 2017.

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

- Application Review - RSG is reviewing all applications to ensure that they are complete and adhere with the Program guidelines. This includes preparing and sending correspondence to the 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 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 accept 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 analyses based on the MNOI, GPM, and CPI analyses 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 holds regular office hours at the City and works very closely with staff. RSG is on-site 1 day a week, approximately 4-6 hours depending on what is needed, to be available for drop-ins or meetings with Homeowners or Property 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. RSG is the only

contractor that has both the necessary understanding and experience with the City's process. Staff recommends approval of the amendment with RSG to continue to provide these services on an interim basis until the City can recruit and hire a new Housing Program Manager.

V. FISCAL IMPACT

This amendment to the agreement will add \$72,000.00 to the original agreement for a total amount not-to-exceed \$147,000.00. Employee compensation savings due to retirement of the Housing Program Manager will offset the professional services expenditure. In addition, changes to the MRRB ordinance could reduce the number of applications that need to be processed under the existing ordinance and would lead to significant contract savings.

VI. EXHIBITS

1. Contract with RSG. (pgs. 5-57)
2. Draft amendment for RSG. (pgs. 58-62)

Prepared by: John Raymond, Director of Community Development