Report to Mayor and City Council

Tuesday, July 07, 2020

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 through a consulting contract. With the modification of the City's rent control ordinance to CPI based adjustments, City staff is able to process the CPI-based rent increase applications but the more complex Capital Improvement and Fair Return applications still require more detailed and time consuming analysis than staff is able to provide. After conducting a Request for Proposals (RFP) and reviewing responses to the RFP, it was determined that RSG, Inc., the City's current consultant, was the most qualified to provide those services. Staff recommends that the City Council approve a contract services agreement with RSG, Inc. to provide Mobile Home Rent Review services to the City of Carson. **II. RECOMMENDATION**

TAKE the following actions:

1. APPROVE the contract services agreement with RSG, Inc. to provide Mobile Home Rent Review services for three years, through June 30, 2023, in an amount not-to-exceed $466,420.

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

Prior to 2017, City staff processed General, Capital Improvement, and Fair Return rent increase applications. Starting in January 2017, these services were exclusively provided by a consultant. In addition, the City has moved to a deposit-based system of application fees, which are different than the prior system of fees. These fees pay for 100% of the cost of processing applications, including the cost of the consultant, City Attorney's office and staff. The net cost for the City to administer the entire rent control program has been reduced to nearly zero from about $400,000 per year.

On May 7, 2020 the City issued RFP No. 20-008 to solicit proposals from qualified vendors to provide rent review and housing compliance monitoring service to the City (Exhibit No. 1). At the conclusion of the RFP, proposals had been received from three consultants (Exhibit No. 2). 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 consideration of the current pandemic, RSG also provided a discounted rate for the first year, in anticipation of reduced rent review applications. The proposed cost for the first year of the agreement is $142,700; the cost for the second and third years of the agreement is $161,860 per year.

Through the amendment of the City's Mobile Home Park Rent Control Ordinance in 2017, 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, conducting the financial analysis that is the basis of the application, preparing 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.

For a Fair Return rent increase application, a park owner may believe that a general rent increase (now CPI) 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.

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%.

It is the recommendation of staff that the City approve the agreement for contract services with RSG, Inc. to provide these services (Exhibit No. 3). RSG was founded in 1979 and

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has provided 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 and have in-depth history and experience with the City's rent control ordinance and in administering the rent control program. RSG has provided excellent service to the City and staff recommends approval of a new agreement to continue those services.

V. FISCAL IMPACT

There is no fiscal impact to the general fund for these services. The costs for the services provided by this contract are a not-to-exceed amount of $142,700 for FY 2020/21. Funds for this service have been included in the adopted FY 2020/21 budget and will be recovered through the application deposits from Mobilehome park owners.

VI. EXHIBITS

1. RFP No. 20-008. (pgs. 4-39)
2. Bid register for RFP No. 20-008. (pg. 40)
3. Proposed agreement with RSG, Inc. (pgs. 41-70)

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