

Memorandum

To: Debbie Potter, Community Development Director
City of Alameda

From: John Bliss, P.E., Vice President
SCI Consulting Group

Date: May 25, 2016

Subject: Cost and Fee Estimate for Proposed City of Alameda Renter Protection Initiative,
November 2016

In early 2016, the Alameda Renters Coalition began the process to propose an initiative (the “Initiative”) to the Alameda voters on the November 2016 General Election ballot. This initiative proposes a City charter amendment entitled “The Alameda Renter Protection and Community Stabilization Charter Amendment.” This proposed charter amendment describes a process intended to protect tenants from the rapidly increasing cost of residential rental housing and the potential risk of eviction, and includes various definitions, an annual general adjustment of 65% of the local Consumer Price Index, an elected rental housing board and specific rental housing fees.

The Initiative will likely go before voters in November of 2016, and if approved, will supersede the City of Alameda’s adopted Rent Stabilization and Limitations on Evictions Ordinance (“Ordinance”) which created a new regulatory framework for both rental property owners and residential tenants. The purpose of this memorandum is to document the general estimate of the associated required rental housing fee in support of the Initiative’s described activities.

Sources of Information

In order to estimate the required rental housing fee to support the Initiative, the following research and analysis was conducted: 1) review of and basic cost modelling of the Initiative; 2) review and analysis of the costs to support the City’s Ordinance; 3) interview / data-sharing with City of Berkeley’s Rent Stabilization Program’s Executive Director Jay Kelekian and staff; 4) interview / data-sharing with City of Santa Monica’s Rent Control Program’s Executive Director Tracy Condon and staff; and 5) a review of rental housing program regulatory fees throughout California.

Cost and Fee Factors, Ranges and Accuracy

The estimated costs per rental housing unit in support of the Ordinance is \$131. The costs associated with Initiative are estimated to be greater than the costs associated with Ordinance, largely based upon three factors:

- The annual maximum allowable rent increase of 65% of the CPI in the Initiative will usually be considerably lower than the 5% rent increase threshold (which triggers a Rent Review Advisory Committee hearing) in the Ordinance. With this minimal increase in allowable rent, we anticipate a greater number of hearing requests to go before a neutral hearing officer, and an associated significant increase in costs. For comparison, the City of Alameda Rent Program Regulatory Fee Study anticipates the cost of each RRAC hearing

at \$4,705, and this cost does not include extra time by the Housing Authority staff to coordinate and arrange the additional hearings resulting from the Initiative's 65% of the CPI threshold.

- An elected rental housing board, as required by the Initiative but not by the Ordinance, will result in considerably higher operational costs, including election costs. After the initial Rent Board is elected, subsequent elections can be consolidated with regularly scheduled City Council elections which will have a measurable reduction in per election costs.
- In the event the Rent Board's decision is challenged, the cost to defend the litigation will be passed on to the landlords and, more significantly, if there are monetary damages, those damages, including legal fees, will likely be assessed against the City.

The annual registration fee per rental housing unit in Berkeley, as of July 1, 2016, will be \$234.00. However, this does not include election costs and some other costs, which are estimated to cost up to an additional \$25 per year per rental housing unit. The annual registration fee per rental housing unit in Santa Monica is \$174.96. The programs in both Berkeley and Santa Monica are very similar to what is proposed in the Initiative. They both have mature programs, elected rental control boards and annual general adjustments of 65% and 75% of the local Consumer Price Index, respectively.

Hence, the cost per rental unit in support of the Initiative can be bracketed as above \$131 per rental housing unit in support of the Ordinance and likely closer to the City of Berkeley's rate of \$234 per rental housing unit. The rate in support of Santa Monica's program is an important datum, but must be tempered by regional cost differences. Further, start-up costs associated with the Initiative are assumed to be significant, but will likely decline over time.

In any case, this memorandum serves to provide an approximate, not exact, per rental housing fee, and has determined the current City of Berkeley rate as an accurate model to use.

Fee Estimate

The annual rental housing fee in support of the Initiative is estimated to be \$234 per rental housing unit, which would generate approximately \$3.3 million to support all activities. Although Berkeley's current fee does not recover all costs, it is assumed that there will be less Initiative-related activity in Alameda than in Berkeley. In order to provide fee information in a similar breakdown as the Initiative, assume that the Rental Housing Program Regulatory Fee would \$246.50 per rental unit and \$172.55 for rental units only covered by Just Cause for Evictions protections.

If you have any questions or require additional information, please do not hesitate to contact me. I can be reached at (707) 430-4300 or via email at john.bliss@sci-cg.com.

Sincerely,



John Bliss, P.E.
Vice President