



Rent Stabilization Department

Rent Stabilization Department Operating Budget FY2024

January 10, 2024





Background

Rent Stabilization Department

- Charter Amendment authorizes the Board to:
 - > Establish a budget for the reasonable and necessary expenses for implementation of the provisions of the Charter Amendment (Measure H)
 - > Charge fees to landlords in an amount sufficient to support the Board's adopted budget (Rental Housing Fee)
- May 2023 – City Council authorized \$500,000 advance from City's General Fund to support start-up
 - > \$457,379 expenses incurred as of 12/31/23
- December 2023 – City Council established the Rent Stabilization Department (RSD) to support the Board's implementation of the Charter Amendment



Background

Rent Stabilization Department

- Budget to conform to City's Fiscal Year
 - > July 1, 2023 – June 30, 2024 (FY2024)
- FY2024 Operating Budget Strategy for RSD
 - > Initial budget for new department
 - > Includes prior expenditures of the Board
 - > Hiring essential staff to support initial department operations
 - > Establish the Rental Registry Database
 - > Implement Hearing and Petition Processes
 - > Secure an office location
 - > One-time equipment/infrastructure - Office Furniture and Technology
 - > Reflective of Bhyv Consulting Cost Staffing Model and Cost Analysis (Attachment A)



FY2024 Operating Expenses

Rent Stabilization Department

Category	FY 2024 Recommended	
Personnel	\$	1,005,426
Services & Supplies	\$	1,531,500
Internal Service Charges	\$	339,306
Grand Total	\$	2,876,232

Full-time Equivalents
(FTE)

12.0



Expense Cost Drivers

Rent Stabilization Department

Category	Notes	FY2024	
		Recommended	Percent
Personnel		\$1,005,426	35%
Salary & Benefits (12.0 FTE)		\$860,276	86%
Board Compensation		\$145,150	14%
Services & Supplies		\$1,531,500	53%
Consultant/Professional Services	One-time	\$800,000	52%
IT Equipment	One-time	\$275,000	18%
Software - Rental Registry		\$150,000	10%
Office Equipment	One-time	\$90,000	6%
Language Translation Services		\$75,000	5%
Office Rent		\$72,000	5%
Other O&M		\$69,500	5%
Internal Service Charges		\$339,306	12%
Cost Allocation Plan (Finance, HR, General Legal)		\$193,764	57%
IT Services	5	\$145,542	43%



FY2024 Revenues

Rent Stabilization Department

Category	FY 2024 Recommended
Rental Housing Fee	\$ 2,876,232
Grand Total	\$ 2,876,232



Rental Housing Fee

Rent Stabilization Department

Total Costs	Total Number of Rental Units	Rental Housing Fee Per Unit
\$ 2,876,232	31,316	\$ 91.85

- The recommended Rental Housing Fee incorporates repayment of the \$500,000 advance from the City's General Fund, as authorized by the City Council in May 2023 to fund start-up expenses.



Rental Housing Fee

Rent Stabilization Department

- Recommend delaying the billing of the fee
 - > Align to Rental Registry database launch, estimated June 2024, or later
 - > Delay may result in two-year combined bill of \$200-300, or more
 - > Plan to revisit Rental Housing Fee and billing options during FY2025 budget discussion with Board in April/May 2024



Other Considerations

Rent Stabilization Department

- RSD will have a negative cash position until fees are collected
 - > Up to \$2.876M should all expenses occur
 - > City reserves will cover the negative position without Board needing to request advances
- Once FY2024 Operating Budget adopted by Board, will be presented to City Council for adoption



FY2024 6-Month Workplan

Rent Stabilization Department

- Establish the Rent Stabilization Department
 - > Secure office space and technology infrastructure
 - > Hire and onboard initial staff
- Implement the Rental Registry Database
- Implement Petition and Hearing Processes
- Create website with relevant information for tenants and landlords
- Create robust communications channels for receiving and processing inquiries.



FY2024 6-Month Workplan

Rent Stabilization Department

- Tenant & Landlord Education, Awareness and Support:
 - > Enhance Housing Counseling Services
 - > Support community meetings and workshops
- Support the PRHB with Policy Development

Detailed RSD workplan presentation in the coming weeks with milestone dates and regular progress updates to Board and public



FY2025 Future Outlook

Rent Stabilization Department

- FY2025 budget and Rental Housing Fee to be developed and presented to Board April/May 2024
 - > Covers the period: July 1, 2024 – June 30, 2025
 - > New budget based on actual expenditures
 - > Update Staffing and operational requirements
 - > Develop new workplan to ensure full operations and service delivery



FY2025 Future Outlook

Rent Stabilization Department

- Anticipating increases to FY2025 budget, staffing plan and Rental Housing Fee as the department reaches full operations
 - > As a comparison: Bhyv Consulting Study (Attachment A)
 - \$5.9M Annual Budget
 - 22.5 FTE
 - \$213 Rental Housing Fee



FY2025 Future Outlook

Rent Stabilization Department

- Cost of Service Study in FY2025
 - > Specialized consultants will be engaged
 - > Ensures a data-driven, and clearly documented and transparent assessment of department's financial requirements
 - > Includes rationale behind Rental Housing Fee calculation and how the funds collected will be used



Recommendation

Rent Stabilization Department

RECOMMENDATION: It is recommended that the Pasadena Rental Housing Board approve the following:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15 061 (b)(3) (common sense exemption);
2. Adopt the FY2024 Recommended Budget for the Rent Stabilization Department of \$2,876,232, inclusive of the previously appropriated \$600,000, including 12.0 FTE and \$91.85 Rental Housing Fee per rental unit as described in the report; and
3. Delay the billing of the FY2024 Rental Housing Fee until the Rental Registry database is functional, expected June 2024 or later, resulting in a temporary negative cash position for the department.