
INTERNAL AFFAIRS COMMITTEE AGENDA

A Committee of the Chico City Council: Councilmembers Huber, Ory, and Chair Brown
Meeting of October 5, 2020 – 4:00 p.m.

PUBLIC PARTICIPATION: *This meeting is being conducted in accordance with Executive Order N-29-20.* Members of the public may virtually attend the meeting using the City's WebEx platform.

WebEx public participants may use the following information to remotely view and participate in the Internal Affairs Committee meeting online:

Event Name: **Internal Affairs Committee Meeting 10-05-20 4:00 PM**

Date/Time: **Monday, October 5, 2020 4:00 pm**

Event URL: <https://chico.webex.com/chico/onstage/g.php?MTID=eea7b2ae8f2efc7f4bd2e485fe18b443c>

Event #: **146 861 9284**

Password: **IAC**

Call-in #: **1-214-459-3653** Call-in Password: **146 861 9284**

REGULAR AGENDA

A. DISCUSSION OF DEVELOPING RENTAL REGISTRY

On December 2, 2019 and February 3, 2020, the Internal Affairs Committee heard discussions regarding tenant protections. Specifically, the committee discussed the creation of a Rent Registry to facilitate the collection of rental rates and eviction notices issued in the City of Chico. The committee requested additional information regarding the costs associated with developing a Rent Registry for the City of Chico.

Recommendation:

The City Manager recommends the Committee discuss the report and provide staff with further direction or forward a recommendation to the Council for consideration.

B. SEX TRAFFICKING ORDINANCE

At the December 17, 2019 City Council meeting, the Council voted to refer discussion of a sex trafficking ordinance to the Internal Affairs Committee.

C. BUSINESS FROM THE FLOOR

Members of the public may address the Committee at this time on any matter not already listed on the agenda, with comments being limited to three minutes. The Committee cannot take any action at this meeting on requests made under this section of the agenda

C. ADJOURNMENT AND NEXT MEETING

The meeting will adjourn to the next regular Internal Affairs Committee meeting scheduled for Monday, November 2, 2020 at 4:00 p.m.

SPEAKER ANNOUNCEMENT

NOTE: Citizens and other interested parties are encouraged to participate in the public process and will be invited to address the Committee regarding each item on the agenda. In order to maintain an accurate and complete record, the following procedural guidelines have been implemented:

1. Speakers will be asked to “raise their hand” in the WebEx platform
2. The Clerk will call speakers in the order the notification is received.
3. Speakers may address the Committee one time per agenda item.
4. Speakers will have up to three minutes to address the Committee.

Distribution available in the office of the City Clerk

Posted: 09-30-20 prior to 5:00 p.m. at 421 Main St. Chico, CA 95928 and www.ci.chico.ca.us

Copies of the agenda packet are available for review at: City Clerk’s Office, 411 Main St. Chico, CA 95928



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Internal Affairs Agenda Report

Meeting Date: 10/5/2020

TO: **Internal Affairs Committee**

FROM: **Mark Orme**, City Manager

RE: Discussion of Developing a Rent Registry

REPORT IN BRIEF:

On December 2, 2019 and February 3, 2020, the Internal Affairs Committee heard discussions regarding tenant protections. Specifically, the committee discussed the creation of a Rent Registry to facilitate the collection of rental rates and eviction notices issued in the City of Chico. The committee requested additional information regarding the costs associated with developing a rent registry for the City.

Recommendation:

The City Manager recommends direction if additional information or action is necessary.

FISCAL IMPACT:

Variable. There is a wide range in costs associated with the Rent Registry. Implementation of a tenant protection program or to staff appropriate divisions to enforce municipal code changes to protect tenants would require additional staff. The staffing level would be dependent on the type of program selected.

BACKGROUND:

On December 2, 2019 and February 3, 2020, the Internal Affairs Committee heard discussions regarding tenant protections. Specifically, the committee discussed the creation of a Rent Registry to facilitate the collection of rental rates and eviction notices issued in the City of Chico. The committee requested additional information regarding the costs associated with developing a rent registry for the City.

DISCUSSION:

Rent Registry

Rental registration is a local regulation that requires landlords to register with the city and provide the city with essential information to enforce other tenant protection ordinances. There are several communities that maintain a rental registry for the purpose of rent-control enforcement including, but are not limited to San Jose, Berkeley, East Palo Alto, Richmond, Beverly Hills, Los Angeles, Santa Monica, and West Hollywood. Other cities, such as Pittsburg, Santa Cruz, and Fresno, maintain registries for the purposes of rental property inspections.

To support the registries, most of the communities charge rental property owners an annual fee ranging from \$50 to \$250 to support the registry and the staffing necessary to maintain and respond to information entered into the registry. In some cases, communities, such as San Jose, treat a rental structure as one that requires a specific business license in order to identify the total population of rental housing.

City Utilizing a Form Based Registry System

Some of the cities, such as Richmond, which is close to the population of Chico, maintain a registry but in a PDF fillable form version. This results in the City receiving electronic or paper forms that they must process, digitize and then evaluate. As a result of this version and the other tenant protection requirements instituted, Richmond maintains an entire division at a cost of \$2.4 million to administer their entire tenant protection program.

City Evaluating Third-Party Registry Development System

Last year, San Francisco undertook an evaluation in starting and maintaining a rental registry. The estimated cost for starting the registry was estimated at \$300,000 with an ongoing staffing and maintenance cost between \$1.7 million and \$3.6 million per year depending on the extent of the program. This process is ongoing and may be more elaborate than desired by the City Council.

City Utilizing Inhouse Support to Develop Registry System

San Jose maintains an online rent registry portal that contains the same information desired by the Internal Affairs Committee – including updating rental rates for units, submitting notices of termination/eviction, and providing a plethora of information about the rent control program. A unique aspect involved the City using inhouse support to develop the registry as well as utilizing existing software already owned by San Jose. While the City of Chico may not have all the staff and software necessary, it appears that San Jose may be a closer fit for the information desired.

San Jose developed the registry using Salesforce, their customer relationship system, and integrated the system with other City databases in planning, code enforcement and public works. In January 2017, the City of San Jose dedicated one Information Technology person for about 18 months to develop the system. The City found a number of data reliability issues which require 1.5 full-time equivalent staffers to maintain, update and correct the information within the system. A total of 6-10 staff persons were involved in its development, and the City maintains three staff for just the system and 19 staff for the tenant protection program. An estimated cost of just the registry comes close to \$400-500,000, with about \$300,000 a year in maintaining the system.

City Could Consider Limited Registry System as a Reactive Data System

Currently, the City of Chico utilizes the Citizen Service software to issue business and bicycle licenses. An account is restricted to the use of the business or bike owner and offers the opportunity to enter all the relevant information required by the City's Administrative Services Department to issue a license. The data resides in a database accessible by City staff and remains available for City purposes.

The Citizen Serve software may allow the City to create a unidirectional database of rent rates and eviction notices that would allow a property owner to enter key rental unit information that would be available for City use. The software may also allow the City to report which units have provided data and to allow City staff to respond to claims of excessive rent increases or unjust eviction. According to Administrative Services staff, the cost of such a system may be up to \$25,000 for implementation.

City of Chico Developing a Registry System

A Rent Registry system, its form and function are strongly correlated to the policy goals of the City. Thus, the development and implementation cost would vary drastically based on how the city utilizes the registry to support its goals. For example, if the City intended to document information in the rental market for use when complaints are received, the registry would be an online form-based portal which is intended to just collect information for staff. The cost of this would be less than a database system that is intended to provide bidirectional data access and staff to clean and correct information in the system. One would place the majority of the operational work on the software system, while the other would increase staff cost to address data reliability issues.

Thus, the Internal Affairs Committee may consider these areas to guide the type of system necessary to support the committee's policy goals:

- **Reactive vs Proactive:** Does the City desire a reactive, complaint driven program, or an active enforcement program related to tenant protection requirements.
 - Currently, City Code Enforcement operates in a reactive, complaint driven manner, while the City's Fire inspection program is proactive on multifamily housing units.
- **Data-Focused vs Staff-Focused:** Does the City want to rely upon a data-based control to enforce tenant protection requirements or a staff-based control.
 - The City is moving to more modern software systems, but currently, most City programs are staff-focused which results in increased cost for those programs. This includes Code Enforcement, Fire inspections, permit processing, etc.
- **Program Structure:** How does the City want the program structured and funded – a collateral responsibility for Code Enforcement or a new program? Is this a general fund investment in additional Code Enforcement staff or is the City looking to recreate a regulatory structure including licensing, fees, and other requirements?

OPTIONS:

On February 3, 2020, the Internal Affairs Committee requested City staff to develop a system for the rent registry. The following offers incremental options to implement the rent registry and focus the program on specific policy objectives. City staff also obtained a third-party proposal to implement a rent registry. The proposal includes broader services than originally contemplated in a rent registry, but any contracted option can be negotiated.


Policy Objective	Description	Application	Implementation
CITY STAFF DRIVEN			
Gather Data on Available Rental Units	<p>Establish database to allow the input of details related to each rental unit available in the City.</p> <p>Identify unit, type, average market rent rate, occupancy, and other key data points.</p>	<p>Application to any structure fully utilized as a rental.</p> <p>Annually updated.</p>	<p>Approximately \$25,000. Develop database within the Business License system to facilitate the collection and maintenance of information.</p> <p>Ordinance likely required.</p>
Disincentivize Violations	<p>Establish complaint driven program to identify potential violators. Each report of violation will be investigated with violation of appropriate rent regulations being penalized.</p>	<p>Violation to be assessed at \$1,000 or 5 times the amount constituting violation, whichever larger.</p>	<p>Same as above plus staff time to respond to code violation complaints.</p>
Disincentivize Violations with Incentive for Education and Compliance	<p>Establish complaint driven program to identify potential violators. Each report of violation will be investigated with violation of appropriate rent regulations being penalized.</p> <p>Incentivize properties and ownership with no violations over the past 5 years and who receive regular education on proper property management.</p>	<p>Violation to be assessed at \$1,000 or 5 times the amount constituting violation, whichever larger.</p> <p>Violation to be assessed at \$500 or 3 times the amount constituting violation, whichever larger.</p>	<p>Same as above plus staff time to respond to code violation complaints.</p> <p>Same. Would require the establishment and sanctioning of approved training program.</p>
THIRD PARTY DRIVEN			
Rental Registry Option 1 – Basic Rental Registration (includes initial identification & education portion in initial period)	<p>Under a basic rental registration program, a City is typically only concerned with tracking top level rental information on a per property/address basis. Information is tracked at the property/landlord level and typically includes basic information about the property such as the parcel data, number of units, landlord details, property management details, etc.</p> <p>Any information can be tracked, but since it is tracked at the property level, it is typically gathered in summary format. For example, unit data may track total units and how many are section 8, but not the detailed tracking by unit. The data can be used for basic rental inventory information, inspection tracking, and as a first step to more detailed reporting.</p>		<p>\$18.00/account (Initial Period / Registration) \$15.00/account/Period + CPI (Subsequent Filing Periods)</p>
Rental Registry Option 1 add-on – Detailed Rental Registration	<p>This add on to a basic rental registration provides all the data in option 1, and further collects the details at the unit level.</p> <p>Each unit is tracked as its own separate account, providing a deeper dive in the data. Basic landlord and property data is enhanced to include information down to each unit, such as the individual unit's amenities, tenant, rent collected, etc.</p> <p>With full unit details, the City can track any number of unique data elements and is set to enforce multiple aspects of regulation including rent stabilization requirements, inspections, tenant complaints, and a more detailed housing inventory data analysis program</p>		<p>Additional \$3 / unit (Can be waived with mandatory online filing)</p>

<p>Option 2</p> <p>Full Rental Compliance Program</p>	<p>Similar to option 2, a full rental compliance program collects detailed unit level data, specific to a city's needs and current ordinance requirements. It further adds compliance checks and enforcement on local and state levied mandates for those individual units.</p> <p>Tracking the individual unit combined with the unit's tenant, enforcement of rent increases, amenity offerings, tenant complaints, and other ordinance requirements, allows third-party to implement a turn-key program for monitoring all aspects of a rental management program.</p> <p>Unlike Option 1, where compliance is focused solely on registration and data gathering, this option broadens compliance to include the landlord compliance on a unit by unit basis. Third-party will monitor and enforce unit level regulations, respond to tenant complaints, and perform individual unit inspections for compliance.</p>	<p>\$20 / Unit + Inspection Fees (Flat or Hourly Rate based on custom inspection requirements)</p> <p>Can be customized based on requirements.</p>
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CONCLUSION:

The City Manager presents the information to allow the Internal Affairs Committee to discuss and determine a recommendation to the full City Council. Upon City Council direction, City staff recommend the City Attorney draft the appropriate Municipal Code update to implement this program including any business license and administrative components.

Prepared by:



Chris Constantin,
Assistant City Manager

Recommended and Approved by:



Mark Orme,
City Manager

ATTACHMENTS:

Attachment A Proposal for Rent Registry

City of Chico, CA

03/06/2020

Service Descriptions
HdL Rental Property
Administration Services



Submitted by:
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BACKGROUND & SERVICE OPTIONS

HdL offers a wide variety of services designed to assist cities with managing varying aspects of property rental oversight. These can range from implementing an managing a simple registration and information gathering program, to a more detailed rental program that tracks compliance with rent stabilization ordinances and the intricate requirements that go hand in hand with tracking compliance with local or state law.

HdL offers custom tailored services to address each client's unique needs. These programs combine HdL's local government expertise and leading local government software technology to deliver a full service program to the City, which requires little to no effort for the City to manage. With HdL's ability to handle all aspects of education, customer support, and administration, City concerns with staffing requirements and oversight can be assuaged.

Each custom delivery is grouped in to basic service categories, that depend on the City's unique goals. The options below represent the primary groups and basic descriptions of the services. The City can then further customize the deliverable under each category, resulting in a fully custom implementation.

Option 1 – Basic Rental Registration

Under a basic rental registration program, a City is typically only concerned with tracking top level rental information on a per property/address basis. Information is tracked at the property/landlord level and typically includes basic information about the property such as the parcel data, number of units, landlord details, property management details, etc. Any information can be tracked, but since it is tracked at the property level, it is typically gathered in summary format. For example, unit data may track total units and how many are section 8, but not the detailed tracking by unit. The data can be used for basic rental inventory information, inspection tracking, and as a first step to more detailed reporting.

Option 1 (add on) – Detailed Rental Registration

This add on to a basic rental registration provides all the data in option 1, and further collects the details at the unit level. Each unit is tracked as its own separate account, providing a deeper dive in the data. Basic landlord and property data is enhanced to include information down to each unit, such as the individual unit's amenities, tenant, rent collected, etc. With full unit details, the City can track any number of unique data elements and is set to enforce multiple aspects of regulation including rent stabilization requirements, inspections, tenant complaints, and a more detailed housing inventory data analysis program

Option 2 – Full Rental Compliance Program

Similar to option 2, a full rental compliance program collects detailed unit level data, specific to a city's needs and current ordinance requirements. It further adds compliance checks and enforcement on local and state levied mandates for those individual units. Tracking the individual unit combined with the unit's tenant, enforcement of rent increases, amenity offerings, tenant complaints, and other ordinance requirements, allows HdL to implement a turn-key program for monitoring all aspects of a rental management program.

Unlike Option 1, where compliance is focused solely on registration and data gathering, this option broadens compliance to include the landlord compliance on a unit by unit basis. HdL will monitor and enforce unit level regulations, respond to tenant complaints, and perform individual unit inspections for compliance.

SUMMARY & SAMPLE PRICING

Each service option described above is designed to provide a guide for a service deliverable. HdL delivers its service offerings in a modular capacity, allowing a custom built service program to meet the City’s unique needs. With the onset of the new state law regarding rent control, and the growing need for cities to manage and report on its rental housing inventory, HdL’s custom programs are a cost effective way to quickly deploy the most advanced technology and knowledgeable staff efficiently and effectively.

Sample pricing for service group options are indicated below. Compensation costs listed can be further refined upon service discussions with the City.

Service	Cost Range
Option 1 – Basic Rental Registration (includes initial identification & education portion in initial period)	\$18.00/account (Initial Period / Registration) \$15.00/account/Period + CPI (Subsequent Filing Periods)
Option 1 (Add on – Detailed Rental Registration)	Additional \$3 / unit (Can be waived with mandatory online filing)
Option 2 – Full Rental Compliance Program*	\$20 / Unit + Inspection Fees(Flat or Hourly Rate based on custom inspection requirements)
*sample pricing provided. Custom pricing available for option 2 depending on scope	

Rental Property Administration Services

General Scope of Services

Rental Property Registration Database Management – HdL will transfer the City’s existing databases as they relate to Property rental in to HdL’s internal administration tools. HdL will maintain the data and provide copies of data or reports at the City’s request. The City will not be required to use or maintain any software in house for managing the Rental Property registry.

Renewal Processing – Send active rental property accounts a renewal notice within 45 days of the renewal period ending. Accounts will receive all applicable forms necessary to complete the renewal process.

New Account Processing – HdL will process any new rental property applications and complete the new account registration process in a timely fashion.

Payment Posting / Processing – HdL will process all payments for new and renewal accounts. Accounts will be updated with payment information and revenues will be remitted to the City net HdL’s fees on no less than a monthly basis.

Rental Support Center – HdL will provide landlords with multiple support options for registering, renewing, making payments and for general inquiries. A local will be provided to landlords in order to access one of our specialists Monday-Friday 8:00am to 5:00pm Pacific. Landlords will also have access to support via, e-mail, fax, and via the Landlord Support Center On-Line.

On-Line Filing & Payment Processing – As an additional service to the City and its community, HdL will make available options for rental property owners to visit a website, that can be linked to the City’s website, to submit online applications, renewals, and payments, updates, and other online functionality

Optional Services – HdL can provide additional services designed to ensure smooth transition and implementation of the administration program for both the City staff and the community. Options such as remote system access, rental owner support stations, and other related items can be designed and implemented upon City request.

Project Planning and Implementation – HdL’s project management team will work in partnership with the City to develop a detailed outline of the scope of work and specific services/options deployed. During the project planning period, the City will have the opportunity to review and approve general timelines and milestones for project implementation as well as project details such as language for rental property owner correspondence and other operational items. Project plans are flexible so as to evolve with the program, allowing HdL and the City to quickly make course corrections along the way to address needs or concerns that may arise.

Communication – HdL understands that the key to any partnership is communication. HdL ensures the free flow of information between the City and the HdL Compliance Management team by establishing clear guidelines during project planning. HdL provides multiple points of contact for City personnel and provides scheduled progress meetings via teleconference, webinars, and in person meetings.

Consulting and Support – In addition to the Discovery and Audit services delivered under the Compliance Management Program, the City benefits from a team of experts that include Certified Revenue Officers(CRO), former Finance Directors and City Managers and other team members with decades of experience in servicing local government. These resources are available to the City to provide support on complicated tax nexus issues, best practice approaches, sample documents and forms, ordinance reviews and other tax compliance and management related issues.

Reporting – HdL will deliver a suite of reporting options that capture a summary of the activities as well as details performed under the individual programs. HdL offers a variety of standard weekly, monthly, quarterly and annual reports as well as the option to customize and develop unique reporting solutions to meet the City’s ad-hoc requests.

Online Services – The City and its business community will both benefit from the online functionality unique to the HdL Compliance Management Program. The City will benefit from a variety of services such as reporting and account lookups while the rental property community will have access to file their applications, make payments, correspond with tax specialists and receive assistance for their rental property questions all online.

Dispute Resolution – Whether a dispute arises from a newly registered property or from a deficiency determination on an existing property HdL will support the City in resolving disputes arising from the rental property community. The HdL dispute resolution process can assist the City in resolving owner issues by providing ordinance reviews and interpretation, best practices, case law updates, expertise on nexus issues, refund defense, and other services tailored to assist the City in administering Rental Property.

RENTAL PROPERTY EDUCATION & COMPLIANCE SERVICES

Enriched Data Portfolio / Lead Identification – Utilizing data provided by the City, as well as the HdL Enriched Data Portfolio (EDP), HdL’s team builds an enhanced listing of entities subjected to the Rental Property Program. These entities are electronically matched to the existing files of the City using advanced data matching algorithms, allowing HdL staff to identify which entities are compliant and which entities require follow up.

Exception Resolution – HdL’s compliance team doesn’t rely on electronic matching alone. Records are reviewed by our skilled team members, filtering out records that may lead to erroneous contacts. This extra

step allows staff to find additional revenues not otherwise identifiable through electronic means and assists in reducing potential complaints levied at City staff and management.

Compliance Communication and Outreach – Upon exception resolution, HdL staff initiates contact with the identified entities through a series of City approved communication methods. HdL makes every effort to simplify the process for rental property owners and utilizes a variety of mediums for communication including mail, telephone, email and web-site access. Potential non-compliant entities are notified of their options to comply or dispute their non-compliant status. Initial notification packets include everything a rental property owner needs to become compliant and multiple methods of resolving their accounts.

Landlord Assistance Center – HdL maintains a support and service center where the rental property community can access support during normal business hours. Owners calling our toll free line can expect minimal hold times along with access to a variety of options which include filing support, payment options, resolution of specific tax issues and other services designed to reduce the burden of registering. Our team of experts, including our resident Certified Revenue Officers (CRO), implement a business friendly and education centric approach to supporting the rental property business community in all aspects of the compliance process.

Landlord Assistance Center Online – Rental Property Owners are encouraged to take advantage of the range of services available on-line, 24 hours a day, seven days a week. With *HdL Flex File*, owners can choose to file their new rental property registration as well as make payments via our on-line filing portal. In addition to filing and paying for taxes, owners can obtain copies of applications, general support and FAQs, schedule appointments and request copies of their registration all with the click of a button. Our on-line services underscore HdL's commitment to excellence in customer service and education by continually improving the registration and payment experience for the rental property business community.

Document Submission / Processing – Whether the property owner chooses to respond by mail, email or our online filing website, each application submission is reviewed for completion and accuracy prior to processing. Any additional documentation needed to complete the approval of a submission can also be requested or forwarded to other City departments either as a pre-requisite or as a courtesy to the owner. All submissions are filed and stored electronically and made available to the City via the remittance process or upon request.

Invoicing – Once an application is approved, invoices are forwarded to the taxpayer indicating detailed transaction and fee information. Property owners are provided the opportunity to pay their balances via mail, online, or over the phone services. Property owners will also have continued access to our Business Support Center for any questions or disputes arising from the invoice process.

Remittance – Upon collection of all requirements which may include the payment, application and/or other documentation HdL will prepare a remittance package to include payment as well as copies of all rental property correspondence and other relevant information. Remittances are usually done on a monthly basis but can occur as often as weekly depending on volumes and City preferences. Remittances packages may also be done electronically via the HdL electronic remittance process. If utilizing the electronic remittance option, applications together with all relevant information are provided to the City in an electronic image format with revenues distributed to the City in one payment net HdL's fees. Using the electronic remittance option will allow the City to upload the data directly to the City's database saving data entry time.