

29. Approve a Second Amendment to the Agreement with RSG, Inc. for the Administration, Management, and Implementation of the Rent Stabilization and Just Cause Eviction Ordinance on an As-Needed Basis in an Amount not to exceed \$500,000

**Department(s):**

**Recommended Action:** Authorize the City Manager to execute a Second Amendment to the Agreement with RSG, Inc., for the administration, management, and implementation of the Rent Stabilization and Just Cause Eviction Ordinance, for an amount not to exceed \$500,000, for a total agreement amount not to exceed \$1,300,000, subject to non-substantive changes approved by the City Manager and City Attorney (Agreement No. 2023-XXX).



**City of Santa Ana**  
**20 Civic Center Plaza, Santa Ana, CA 92701**  
**Staff Report**  
**November 7, 2023**

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**TOPIC:** Second Amendment to Agreement with RSG, Inc.

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**AGENDA TITLE**

Approve a Second Amendment to the Agreement with RSG, Inc. for the Administration, Management, and Implementation of the Rent Stabilization and Just Cause Eviction Ordinance on an As-Needed Basis in an Amount not to exceed \$500,000

**RECOMMENDED ACTION**

Authorize the City Manager to execute a Second Amendment to the Agreement with RSG, Inc., for the administration, management, and implementation of the Rent Stabilization and Just Cause Eviction Ordinance, for an amount not to exceed \$500,000, for a total agreement amount not to exceed \$1,300,000, subject to non-substantive changes approved by the City Manager and City Attorney (Agreement No. 2023-XXX).

**GOVERNMENT CODE §84308 APPLIES:** Yes

**DISCUSSION**

On October 19, 2021, the City Council adopted the Rent Stabilization Ordinance ("RSO") and the Just Cause Eviction Ordinance ("JCEO") and authorized staff to enter into an Agreement with RSG, Inc. ("RSG") for a one-year term in a total amount not to exceed \$300,000 for the administration, management, and implementation of the RSO and JCEO. On September 6, 2022, City Council authorized the City Manager to execute a First Amendment to the Agreement with RSG in a total amount not to exceed \$500,000 for the continued administration of the Rent Stabilization and Just Cause Eviction Ordinance ("Ordinance").

Since October 28, 2021, RSG has been assisting the City to administer, manage, and implement the Ordinance. The City has needed RSG to administer the Ordinance during this time while staff have been establishing the administrative framework necessary for City staff to administer the Ordinance. This work has included the following required steps:

- Approval by City Council of a Rental Registry and Rental Registry Fee.

- The Rental Registry and Rental Registry Fee was approved by City Council in the amended Rent Stabilization and Just Cause Eviction Ordinance on October 18, 2022.
- The procurement for a fee study consultant and the completion of a fee study to determine the Rental Registry Fee.
  - Following the adoption of the amended Ordinance, staff issued a Request for Proposals for a fee study consultant. The consultant entered into an agreement with the City on January 3, 2023 and completed the fee study that was presented to City Council on May 16, 2023.
- The adoption of the Miscellaneous Fee Schedule and FY 2023-24 Budget.
  - Following the receipt of the fee study, City Council adopted the Miscellaneous Fee Schedule on June 6, 2023 and the FY 2023-24 Budget on June 20, 2023.
  - Only after the required steps above had been completed and the FY 2023-24 Budget was adopted, staff was authorized by City Council to begin recruitment for City staff to administer the Ordinance.

Although the City now has one full-time employee in the Rent Stabilization Division to administer the Ordinance, staff continues to need RSG to effectively administer the Ordinance and serve tenants and landlords in the community. Additional staff will be hired to administer the Ordinance after the City begins to collect revenue from the Rental Registry Fee; this is expected to begin in January 2024. Therefore, staff recommends that the City Council approve a Second Amendment to the Agreement with RSG for a total amount not to exceed \$500,000 (Exhibit 1).

Under this Second Amendment, RSG will continue assisting the City to administer the Ordinance by providing the following services:

- Register rental units in the Rental Registry.
- Provide temporary staffing to respond to in-person and telephone inquiries from tenants and landlords regarding the Rental Registry and Ordinance.
- Respond to continuous general public information inquiries via e-mail and telephone.
- Conduct outreach and engagement including Rental Registry workshops for landlords.
- Review and process Fair Return Petitions, Capital Improvement Petitions, and Tenant Petitions.
- Assist the City Clerk and staff with the formation of the Rental Housing Board, including Board member trainings, orientations, and materials.
- Create outreach and engagement materials including periodically mailed letters, newsletters, e-mails, workshops, and website updates.
- Refer tenant legal matters and interpretation questions to community legal aid organizations, as needed.
- Calculate the allowable rent increase based on the Consumer Price Index.
- Provide new and temporary staff training, including training materials.

- Develop and conduct workshops for landlords and tenants.
- Create required notices in multiple languages.
- Update Frequently Asked Questions.

RSG's current scope of work will be removed and replaced as part of this amendment.

### **FISCAL IMPACT**

When staff begins collecting Rental Registry Fees beginning January 1, 2024, funds will accumulate in an account specific to the administration of the Ordinance. Since the City needs to discern which units are nonexempt in the Rental Registry in order to begin the collection of Rental Registry Fees, \$500,000 from the Inclusionary Housing Fund (41718820-62300 Contract Services) will be utilized initially for this Second Amendment in the current fiscal year. Funds are available from the City Council approved carryover amounts on September 19, 2023. Staff will explore reimbursement of the Inclusionary Housing Fund after Rental Registry Fee revenue is accumulated. In future fiscal years, funding will be included in the proposed Rent Stabilization Program budget for City Council consideration.

### **EXHIBIT(S)**

1. Second Amendment to Agreement with RSG, Inc.

Submitted By: Michael L. Garcia, Executive Director of Community Development

Approved By: Steven A. Mendoza, Acting City Manager

**SECOND AMENDMENT TO CONSULTANT AGREEMENT  
CITY OF SANTA ANA**

THIS SECOND AMENDMENT (“Second Amendment”) to Consultant Agreement is entered into on November 7, 2023, by and between RSG, INC., a California corporation (“Consultant”), and the City of Santa Ana, a charter city and municipal corporation organized and existing under the Constitution and laws of the State of California (“City”). The Consultant and City shall hereinafter be referred to collectively as “the Parties.”

**RECITALS**

- A. On October 28, 2021, the Parties entered into Agreement #A-2021-192-01 (“Agreement”), by which Consultant agreed to administer the City’s rent stabilization and just cause eviction ordinances, to further study additional regulatory framework and infrastructure, and to provide general consulting services.
- B. On September 6, 2022, the Parties entered into a First Amendment to the Agreement (#A-2022-171) to extend the term of the Agreement, append to the Scope of Services, and increase the compensation to be expended under the Agreement to cover costs during the extended term.
- C. On September 6, 2023, an extension to the Agreement (#A-2022-171-01) was exercised by the Parties, pursuant to the terms of the Agreement. The extended term for the Agreement, as amended, runs through September 6, 2024. The Agreement is current and in-effect.
- D. The Parties now wish to further amend the Agreement to append to the Scope of Services and increase the compensation to be expended to cover costs during the extended term.

**NOW THEREFORE**, in consideration of the mutual and respective promises, and subject to the terms and conditions of the Agreement, except as hereinafter modified, the Parties agree to the following:

- 1. **Section 1, Scope of Services**, shall be amended to replace Exhibit A to the Agreement with the Consultant’s Proposal dated September 26, 2023, attached hereto as Exhibit A-2 to this Second Amendment.
- 2. **Section 2(a), Compensation**, shall be amended to increase the compensation for services provided under this Agreement by \$500,000. The total amount to be expended during the term of this Agreement, including any extensions, shall not exceed \$1,300,000. The Fee Estimate shall be amended to replace Exhibit A-1 to the Agreement with the Fee Estimate detailed in Exhibit A-2 to this Second Amendment.
- 3. Except as modified by this Second Amendment, all terms and conditions of the Agreement, as amended, shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have executed this Second Amendment to the Agreement on the date and year first written above.

**ATTEST**


**CITY OF SANTA ANA**

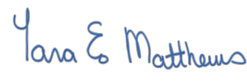
\_\_\_\_\_  
JENNIFER L. HALL  
City Clerk

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STEVEN MENDOZA  
Acting City Manager

**APPROVED AS TO FORM**  
SONIA R. CARVALHO  
City Attorney

**RSG, INC.**

By:   
Andrea Garcia-Miller  
Assistant City Attorney

  
Tara E. Matthews

**RECOMMENDED FOR APPROVAL**

  
MICHAEL L. GARCIA  
Executive Director  
Community Development Agency

**EXHIBIT A-2**

**PROPOSAL AND SCOPE OF SERVICES**

**Via Email**

September 26, 2023

Judson Brown, Housing Division Manager  
 City of Santa Ana  
 Community Development Agency  
 20 Civic Center Plaza (M-26)  
 Santa Ana, CA 92701

## **PROPOSAL –ADMINISTER THE CITY’S RENT STABILIZATION AND JUST CAUSE EVICTION ORDINANCES AND PROVIDE TRAINING, SUPPORT, AND GENERAL CONSULTING SERVICES**

RSG, Inc. welcomes the opportunity to provide the City of Santa Ana (“City”) with services related to the City’s Rent Stabilization and Just Cause Eviction Ordinance (“Ordinance”). It is our understanding that the City is seeking a consultant to provide administrative services for the City’s Just Cause Eviction and Rent Stabilization Ordinance. In the next year, the City will be hiring additional program staff to staff the new Rent Stabilization Division and we understand that RSG will help with training, implementation of the Ordinance, Rental Review Board formation, rental registration, and community outreach and engagement. The following details the scope of services RSG will provide, the project team, and the fee schedule.

### **SCOPE OF SERVICES**

RSG will perform the following Scope of Services:

### **Implementation**

RSG is available to assist the City in the continued launch of the City’s Ordinance, and to respond to public inquiries as needed. It should be noted that RSG only has Spanish speakers on staff and would need to work with the City to identify other translation services needed. We would work closely with the contacts that the City already has.

- **Content Creation** – RSG can prepare ongoing program information for property owners and tenants, including:
  - press releases,
  - website content creation, including a list of Frequently Asked Questions (FAQs),
  - maximum allowable rent increase,
  - letters to rental property owners, and
  - fliers and handouts.
- **Staffing Counter and Hotline** - RSG can provide temporary staffing to answer questions of property owners and residents, both in person for walk-ins and appointments at City Hall or the Housing Authority (or another location best suited for the clientele), and via the dedicated phone line and email address. Depending on the availability of temporary staff and the volume of inquiries, the number of days and hours of in-person staffing will be adjusted accordingly.
- **Workshops/Webinars** - RSG can conduct up to two (2) workshops per month after the introduction of any new provision to the ordinances. These workshops will be in-person and online in the form of a webinar. They will be recorded and made available on the City website for future reference. The



workshops can be tailored to specific groups such as non-profits and tenants' organizations that may assist renters with the Ordinance, and property owners and property managers. RSG will work with the City to provide translation for these workshop/webinars in Spanish and Vietnamese.

- **Written Notices to Tenants and Landlords/Owners** - RSG can work with the City Attorney to prepare and update required notices as identified in the Ordinance.

### **Ongoing Administration**

RSG is available to administer the City's Ordinance on an ongoing basis, and continue to respond to public inquiries as needed, including:

- **CPI Rent Increase Calculations** – RSG will prepare and distribute allowable rent increase amounts to affected property owners pursuant to the procedures detailed in the RSO. CPI calculations determine the allowable percentage a property owner/landlord is allowed to increase a tenant's rent by. The RSO states that this shall be the lesser of 3% per annum or 80% of the change in CPI.
- **Fair Return Petition Review** – If a property owner/landlord believes the annual RSO rent increase does not allow for a sufficient fair return on investment, they may file a petition for a fair return increase that may allow for an adjustment above the 3% or CPI calculation. This process requires reviewing income and expense information and performing a maintenance of net operating income analysis.
  - Petition Review– RSG will review the Petition to ensure that it is complete and adheres with the RSO requirements, that all claimed expenses are eligible operating expenses, and that property revenues are verified. Petition Review also includes preparing correspondence to the applicant informing them if their Petition has been deemed complete or insufficient. If the Petition is incomplete, RSG will inform the applicant of any deficiencies with sufficient detail and provide them an opportunity to submit additional information. RSG anticipates that the City will be responsible for all mailings.
  - Net Operating Income ("NOI") Analysis–RSG will use a Maintenance of Net Operating Income ("MNOI") methodology for determining fair and reasonable rent. The MNOI method is a recognized and accepted practice used in other jurisdictions for evaluating fair return increases under rent stabilization. RSG will calculate a base year NOI for a property prior to adoption of the RSO, using actual historical revenue and expenses for that property, collected through the Petition process. RSG will provide the analysis to the City for review so the City Manager or designee can decide on the allowable rent increase amount. RSG will also evaluate all the other factors that may be considered by the City Manager as part of the rent increase as detailed in the RSO Section 8-1998.3(c).
  - Written Evaluation – RSG will prepare a written evaluation of the materials submitted by the applicant and residents. The written evaluation will include a description of the various rent increase factors and the proposed allowable rents under each method.
- **Capital Improvement Petition** – RSG will ensure that all capital improvements meet the definitions detailed in the Ordinance. Determination of allowable capital improvement increases are based on amortization schedules 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.
  - Petition Review – RSG will review the Application to ensure that it is complete and adheres

to the Ordinance requirements. RSG will also confirm that all claimed expenses are eligible capital expenses. Review also includes preparing correspondence to the applicant informing them if their petition has been deemed complete or insufficient. If the Application is incomplete, RSG will inform the applicant of any deficiencies with sufficient detail and provide them an opportunity to submit additional information. RSG anticipates that the City will be responsible for all mailings.

- Written Evaluation – RSG will prepare a written evaluation of the materials submitted by the applicant and residents. The written evaluation will include a description of the capital improvements and the proposed pass-through amount. The purpose of the written evaluation is to assist the Hearing Officer or the Rental Review Board in coming to a determination.
- **Tenant Petition** – A tenant may file a petition with the City if they believe the property owner/landlord is in violation of the Ordinance.
  - Review – RSG will review the Petition for completeness and correspond with tenant as to whether it is accepted and the time of the hearing.
  - Coordination – RSG will coordinate with City staff and the Hearing Officer on any petition items.
- **Petition Hearings** – RSG will be available to attend any Hearings to answer any questions that the public, Hearing Officers, or Rental Review Board may have on our portion of the analysis. This includes time for hearing preparation and any required briefings by legal counsel prior to the Hearing(s). We understand that there is the possibility of more than one Hearing.
- **Tenant Complaints** – RSG will provide information to tenants regarding the provisions of the Ordinance but will not be expected to assist the tenant any further regarding complaints or enforcement. Rather, tenants will be directed to contact an attorney that can file a civil suit if warranted.
- **Staff Training** – RSG understands that all or a portion of the services will be on an interim basis until such time as City staff, or another designated party, is ready to assume responsibility for implementation. RSG is available to prepare training materials and support as needed for use by City staff for program implementation.

### Advisory Services

RSG understands that the City may from time to time like to continue to evaluate potential improvements to the Ordinance. RSG is available to conduct necessary research as directed, including but not limited to best practices and procedures of rent stabilization and just cause eviction ordinances in other communities. RSG can attend and participate in City Council and Staff meetings, as requested. We are also available to conduct surveys or other forms of community outreach as needed.

RSG will be available to provide analysis, expert testimony, or other support to the City regarding any legal challenges to the Ordinance.

### PROJECT TEAM

Tara Matthews will serve as the Managing Principal providing oversight for all aspects for the engagement and will be the primary consultant. She will be assisted by, Cindy Blot, Senior Associate, Sara Court, Associate,

Jill Glickman, Analyst, and Brice Wildemuth, Analyst, who all have previous experience with rent stabilization ordinances. Other RSG staff may be assigned as needed. Resumes of staff are available at [www.webrsg.com](http://www.webrsg.com) or can be provided upon request.

## REFERENCES

### Mobilehome Park Fair Return Rent Adjustment Petition Administrative Services – City of El Monte

Contact: Alma Martinez, City Manager  
11227 Valley Boulevard, Suite 200  
El Monte, CA 91731  
626.580.2001 / [amartinez@elmonteca.gov](mailto:amartinez@elmonteca.gov)

RSG assists the City of El Monte with administration of the City’s Mobilehome Park Rent Stabilization Program by providing services as it pertains to the El Rovia Trailer Village, LLC Rent Increase Petition Review and MNOI Analysis. The scope of services includes the following:

- Petition Review – RSG reviews the Petition to ensure that it is complete and adheres with the Program guidelines and that all claimed expenses are eligible Program operating expenses. Additionally, RSG verifies park revenues. Petition Review also includes preparing correspondence to the Park Owner informing them if their Petition has been accepted or rejected. Should a petition be rejected, RSG will detail the reason for the rejection to inform the Park Owner of any deficiencies.
- Maintenance of Net Operating Income (“MNOI”) Analysis – RSG calculates the MNOI and the proposed MNOI Entitlement pursuant to Section 8.70.080 of the Municipal Code.
- Public Hearing – RSG attends public hearings as needed to answer any questions that the public or Hearing Officers may have on our portion of the analysis.
- Settlement Agreement Analysis – RSG evaluates the rent differences between the terms proposed in the Settlement Agreement versus the MNOI Analysis as needed.

### Mobilehome Park Rent Control Program Administration – City of Carson

Contact: Saied Naaseh, Director of Community Development  
701 E. Carson Street  
Carson, CA 90745  
310.952.1770 / [SNaaseh@carsonca.gov](mailto:SNaaseh@carsonca.gov)

Since 2017, RSG principal Tara Matthews has served as the City of Carson’s Interim Housing Program Manager. In this role, she administers the City’s mobilehome park rent control program. The scope of services includes the following:

- Rent Increase Application Review and Processing – RSG reviews all applications submitted by park owners seeking either a capital improvement or a fair return rent increase. RSG ensures that each application is complete and adheres to the Program guidelines. This review includes closely evaluating each of the expenses submitted by the park owner to ensure that each reported expense is reasonable, accurate, and sufficiently documented. RSG’s work includes frequent communication with park owners and residents, as well as collaboration with the City’s legal counsel.
- Resident Noticing - Once an application is deemed complete, RSG prepares required noticing for the park residents and is available to answer any questions that the park residents may have. RSG is available for on-site visits as needed to allow park residents an opportunity to review the application and ask in-person questions.
- Park Inspections – The processing of each application requires an inspection of the mobilehome park which entails visually inspecting the condition of the park (Fair Return) or verifying the completion and quality of improvements to the park (Capital Improvement). The findings of the inspection are included in the staff report present to the Mobilehome Rental Review Board (“Board”). One of the

City's contract inspectors accompanies RSG at these inspections to provide expertise on the park conditions and improvements.

- Public Hearing – RSG prepares the public hearing notices mailed to park residents. RSG also prepares the staff reports presented to the Board for consideration at the public hearings. Each staff report includes all material facts related to the application and outlines various rent increase options for the Board to consider. RSG attends all public hearings to present information to the Board and answer any questions posed by the Board.
- Staff Training – RSG created a manual and templates for staff to administer the annual CPI calculations.
- Point of Contact – RSG responds to general inquiries from park owners, park residents, and the general public regarding the City's mobilehome park rent control program.

#### Rent Stabilization Program Strategic Plan – City of San Jose

Contact: Rachel VanderVeen, Deputy Director  
200 E. Santa Clara Street, 14th Floor  
San Jose, CA 95113  
408.535.8231 / [rachel.vanderveen@sanjoseca.gov](mailto:rachel.vanderveen@sanjoseca.gov)

In 2022, San Jose embarked on a process to evaluate their current Rent Stabilization Program which includes a 1) Tenant Protection Ordinance, 2) Apartment Rent Ordinance, 3) Ellis Act Ordinance, 4) Mobilehome Rental Ordinance, and 5) Housing Payment Equality Ordinance. RSG is currently preparing a data driven 3-year Strategic Plan that sets goals, identifies metrics, and clearly demonstrates whether the Rent Stabilization Program is meeting the intended purpose. The Strategic Plan will be used to report out on Program effectiveness and to make policy recommendations.

#### Review of Mobilehome Rent Review Application – City of Escondido

Contact: Holly Nelson, Housing & Neighborhood Services Manager  
201 N. Broadway  
Escondido, CA 92025  
760.839.6203 / [hnelson@escondido.org](mailto:hnelson@escondido.org)

RSG was hired by the City of Escondido in 2022 to assist with the review of a Mobilehome Rent Review Application submitted by the Eastwood Meadows Mobilehome Park. The scope includes reviewing written submissions provided by the park owner and park residents and preparing a report for the rental review board to inform their decision to grant a rent increase. Escondido considered three different types of rent increases that RSG evaluated: Maintenance of Net Operating Income (MNOI), Gross Profits Maintenance Analysis (GPM), and changes in Consumer Price Index (CPI).

#### Mobilehome Park Rent Control Review – City of Palmdale

Contact: Sophia Reyes, Housing Manager  
38300 Sierra Highway  
Palmdale, CA 93550  
661.267.5100 / [SReyes@cityofpalmdale.org](mailto:SReyes@cityofpalmdale.org)

In 2022, RSG was hired by the City of Palmdale to review 2021 mobilehome registration documentation submitted by park owners, review rent rolls and related documents, prepare a letter detailing any instances in which the park owner charged excessive rent (if applicable), and prepare a letter approving the implementation of a 2022 Permissive Rent Increase under the City's ordinance. RSG also reviewed the City's mobilehome ordinance, policies, and program documents to create a checklist of the annual registration

documentation required.

#### FEE ESTIMATE

Our services for this engagement would be charged on a time-and-materials basis. RSG proposes the below hourly rate schedule for these services.

Principal / Director	\$ 275
Senior Associate	\$200
Associate	\$ 185
Senior Analyst	\$ 150
Analyst	\$ 135
Research Assistant	\$ 125
Technician	\$ 100
Clerical	\$ 60
Reimbursable Expenses	Cost plus 10%

RSG does not charge clients for travel or mileage (except direct costs related to field work/surveys), parking, standard telephone/fax expenses, general postage, or incidental copies. However, we do charge for messenger services, overnight shipping/express mail costs, and teleconferencing services. We also charge for copies of reports, documents, notices, and support material in excess of five (5) copies. These costs are charged back at the actual expense plus a 10% surcharge.

RSG issues monthly invoices payable upon receipt, unless otherwise agreed upon in advance. Invoices identify tasks completed to date, hours expended and the hourly rate.

We appreciate the opportunity to provide these services to the City and should you have any questions, please contact Tara Matthews at 714.316.2111 or tmatthews@webrsg.com.

Thank you,



Tara E. Matthews RSG, Inc.