

Budget Worksession

Agenda Item #	2
Meeting Date	May 7, 2009
Prepared By	Barbara B. Matthews City Manager <i>BBM</i>
Approved By	

Discussion Item	Final Reconciliation Discussion
Background	<p>The City's new fiscal year will commence on July 1, 2009. In accordance with Article VIII of the Charter of the City of Takoma Park, the City Manager prepared a proposed budget for consideration by the City Council. A public hearing on the proposed budget was held on April 13, 2009.</p> <p>To date, the Council has held a series of worksessions to hear presentations and discuss individual departmental budgets. The Council has also held several budget reconciliation worksessions to reach consensus on a final budget for FY 2010.</p> <p>During the budget worksession on May 4, 2009, the Council requested that the City Manager provide certain information to facilitate its continued discussion of the FY 2010 budget. The requested information is provided as part of this agenda packet.</p>
Policy	<p>In accordance with Article VIII of the Charter of the City of Takoma Park, the City Manager is charged with submission of a proposed budget for consideration of the City Council. Before adoption of the budget, the City Council shall hold at least one public hearing.</p> <p>A public hearing on the City Manager's proposed budget was held on April 13, 2009.</p>
Fiscal Impact	
Attachments	<ul style="list-style-type: none"> • Memo dated May 5, 2009 from Public Works Director Daryl Braithwaite regarding street maintenance • Memo dated May 6, 2009 from Housing and Community Development Director Sara Anne Daines concerning rental license fees • Memo dated May 6, 2009 from Housing and Community Development Director Sara Anne Daines regarding affordable housing programming options • Memo dated May 6, 2009 from City Manager Barbara B. Matthews concerning Community Indicators
Recommendation	Staff recommends that the City Council discuss the proposed budget, request additional information as needed, and provide final direction to staff regarding the FY 2010 budget.
Special Consideration	

Memo

To: Barbara B. Matthews, City Manager
From: Daryl Braithwaite, Director of Public Works
Date: May 5, 2009
Re: Street Maintenance

During the budget worksession on May 4, 2009, the issue of road maintenance was raised. This memo is to provide information about future road projects on City streets as well as State highways, and to provide information on the cost-sharing arrangement with WSSC.

Street Restoration Schedule

In 2004, EBA Engineering, Inc. was retained to provide an assessment of the condition of City streets. The resulting Street Study has been utilized to prioritize street improvement projects.

By the end of FY11, all streets rated as fair to failed in the Street Study will have been resurfaced. Those that had an insufficient base under the street were completely rebuilt.

The following streets are scheduled to be renovated in FY10 and FY11.

FY10: Baltimore Avenue from Takoma Avenue to Albany Avenue
Westmoreland Avenue from Carroll Avenue to Walnut Avenue
Wildwood Avenue from Kirklynn to Anne Street

FY11: Grant Avenue from Holly Avenue to the deadend
Jackson Avenue from Glenside Drive to Wildwood Drive
Palmer Lane from Flower Avenue to the deadend
Chaney Drive from Flower Avenue to the deadend

Before the start of FY12, the City Engineer will reassess all the streets in the City and will develop a new schedule for restoration based on the pavement condition rating assigned to each street.

Financing

When the Street Study was received, the City Council committed to expend at least \$500,000 per year on street rehabilitation. In order to expedite the work, the City issued bonds in the amount of \$2,005,000 to be used for street improvement projects.

For the duration of the 2004 street bond issue, a portion of the \$500,000 allocation for street work is utilized for debt service; the balance of the allocation is expended on street rehabilitation. Following pay off of the bonds in FY 12, the City Engineer and I believe that the annual budget of \$500,000 will be sufficient to address those streets most in need of resurfacing and/or complete rehabilitation each year.

Payments Received From WSSC for Street Resurfacing

When WSSC notified the City of the extensive water replacement projects they were planning in Takoma Park, the City and WSSC established a Memorandum of Understanding (MOU). The MOU provides for WSSC to pay the City the equivalent of 50% of the cost to mill and pave a street if the current condition of the street surface was rated good or better. Since streets that were rated fair, poor, very poor, and failed were already scheduled for resurfacing by the City in the program established in 2005, no payment for restoration of those streets was required; however, WSSC was to provide for permanent patches on the water line trenches on those streets.

The streets listed below were included in the MOU for cost share payments. I have also included their pavement condition index, or PCI. The PCI rating schedule is as follows: 56 to 70 = good, 71 to 85 = very good, 86 to 100 = excellent.

- Heather Avenue (was resurfaced after WSSC work in 2008)
- Jackson Avenue from Flower to Garland, PCI 60
- Columbia Avenue from Carroll to Hickory, PCI 88
- Grant Avenue from Maple to Carroll, PCI 70
- Lincoln Avenue from Maple to Jackson, PCI 84
- Erie Avenue, PCI 88
- Pine Avenue, PCI 90
- Elm Avenue from Pine to Ethan Allen, PCI 78 to 100
- Poplar Avenue from Elm to New Hampshire, PCI 80 to 100
- Circle Avenue from Poplar to deadend, PCI 75
- Flower Avenue from Carroll to Garland, PCI 56

To date, the City has received \$42,818 for Heather and Jackson Avenue. Payment for the remainder of the streets is expected to be received before the end of FY09. It is the Department's assumption that, when the streets are reassessed, the surface condition rating of the streets listed above will be lowered as a result of the trench patches. However, for many of the streets, the ratings may still be good or above. As a result, the Department anticipates many of these streets will not be resurfaced until many years in the future.

Road Surface Conditions on State Highways

Currently the roads in the worst shape in the City are State Highway routes. These include Carroll Avenue from Lincoln to Westmoreland, Carroll Avenue from Central to Flower, and Ethan Allen Avenue. WSSC has been performing water and sewer line replacement on both sections of Carroll Avenue. SHA requires that WSSC mill and pave the street surface over the trench (one lane) at the completion of the project. According to Teresa Daniels, the WSSC representative who attended a meeting in Takoma Park on May 26, 2009, the resurfacing for those sections of Carroll Avenue should be completed by August 2009.

The surface conditions of Ethan Allen Avenue are the result of heavy traffic and numerous utility cuts and patches over time. The City has made numerous requests to SHA for the resurfacing of Ethan Allen Avenue. The Department recently learned that SHA now asserts that Ethan Allen Avenue from Carroll Avenue to Elm Avenue is the maintenance responsibility of the City. The Department has asked the City Attorney's Office to review the historical records for this section

of Route 410 and anticipates meeting with SHA in the future to discuss its assertion relative to maintenance responsibility.

In addition, SHA lists the section of Philadelphia Avenue from Cedar Avenue to Chestnut Avenue as being under City maintenance. Since SHA recently repaved this section, the issue of maintenance responsibility is clearly a matter of confusion that needs to be addressed in the near future.

MEMORANDUM

To: Barbara B. Matthews, City Manager
From: Sara Anne Daines, Housing and Community Development Director
Date: May 6, 2009
Subject: Rental License Fees

The following was prepared in response to Councilmember Wright's questions regarding the cost of the City's current Rental Housing Licensing Program. Two issues were raised about the services the City's provides in this specific area: 1) the extent to which the current licensing fees cover the costs of administering the licensing program and 2) the extent to which the fees cover the costs of all of the programming offered by the Department to local landlords and tenants – Rental Housing Licensing, Landlord Tenant support, the activities associated with the Commission on Landlord and Tenant Affairs (COLTA) and the rent stabilization program costs incurred by the City as a COLTA expense.

Rental Housing Licensing Program

As noted in the accompanying attachment (Exhibit A), the current license fee and anticipated FY10 revenues cover the cost of administering the rental housing licensing program. Expenses included in this analysis include projected FY10 staffing costs of both Code Enforcement and Finance personnel involved in the processing of the City's rental housing licenses, the anticipated costs of continuing the Memorandum of Agreement with Montgomery County for inspection services, associated operating supplies and a flat administrative fee of 20%. Assuming the issuance of 335 licenses for 3,051 rental units, estimated revenues exceed the projected per rental unit cost of licensing by \$8.00 per unit. This calculation does not include any legal costs that may be incurred during the licensing process.

Total Rental Housing Programming

The costs of all programming directly linked to the City's rental housing – which includes approximately 60% of the City's households – exceed the revenues generated by the licensing program by approximately \$86.00 per rental unit (See Exhibit A). This figure may vary depending upon the extent to which the City is required to access the services of its Rents Analyst which in turn is linked to the number of Fair Return Rent Increase petitions submitted in any given period. Direct Rental Housing Licensing program costs, the total costs budgeted for the Landlord Tenant Division (Fund #5200) and the Commission on Landlord and Tenant Affairs (Fund #5300) and a flat administrative fee of 20% were included in this calculation. The calculation does not include any legal costs incurred by COLTA or those associated with the rent stabilization program.

Financing / Fee Options

If the City were to continue its current licensing fee structure - \$94 per rental unit adjusted on an annual basis by the CPI - the revenues generated by the licensing fees would cover the anticipated costs of administering the program and no changes in the fee structure would be required.

Alternatively, if the Council were to require that the programming provided to local landlords and tenants be revenue neutral – that the revenue generated by the licensing program offsets all of the costs associated with the described programming, it would be necessary to re-evaluate the current fee structure.

There are several options the Council could pursue if it wanted to increase revenues to the extent that the licensing fees could cover all anticipated programming costs.

- 1) The rental fee could be increased from \$94 to \$180 per rental unit. This represents roughly a 91% or \$86 increase per rental unit per year (or \$7.14 per rental unit per month). With the exception of single family residences and those multi-family properties which have been exempted from the requirements of rent stabilization, landlords have been limited to rent increases of 0.04% for the upcoming fiscal year (July 1, 2009 – June 30, 2010).

In rent stabilized properties for example, landlords charging rents in the \$650 to \$800 per month range will be limited to rent increases of \$2.60 to \$3.30 effective July 1. The fee for a single family house – not limited to the 0.04% rent increase – would see an increase of \$86. Larger properties such as the Park Ritchie Apartments with its 189 rental units and which is subject to the rent increase limits set forth in City Code would experience a fee increase of \$16,254. These costs could potentially be passed onto the tenants in the event a petition for a Fair Return Rent Increase is filed by the landlord and approved by COLTA.

- 2) The rental fee could be reconfigured similar to that in municipalities such as College Park and Rockville where the fee varies depending upon the type and size of the rental property. Other localities established a minimum fee per building with an additional fee assessed based upon the number of units in the building. Additional information on the fee structure of these and other municipalities can be found in Exhibit B.

In an effort to assess what impact this approach may have on revenues, staff calculated a flat fee of \$300 per building with an additional per unit fee of \$225 for buildings with 2 or more rental units. Under this scenario, the rental housing licensing program would generate sufficient funds to cover anticipated costs of all of the City's rental housing programming.

This fee structure, offered here for illustrative purposes only, would roughly triple the licensing costs for a single family residence with larger properties such as the Park Ritchie experiencing an increase of \$25,100 or 241%. The impact - on a per unit per month basis - would be \$17 for single family homes and \$11.00 for larger rental facilities such as the Park Ritchie. As noted above, these costs could potentially be passed onto the tenants in the event a petition for a Fair Return Rent Increase is filed by the landlord and approved by COLTA.

- 3) Another source of revenue that could be used to offset certain costs associated with COLTA, specifically those directly incurred with the processing of Fair Return Rent Increase petitions, would be an application fee, paid by the landlord prior to the processing of any rent increase petition. The fee could be structured in such a manner to offset the costs incurred by the City for the services of the Rents Analyst. Due to the limited number of petitions that have been filed this past fiscal year following the recodification of the Rent Stabilization Ordinance, it is difficult to determine what an appropriate fee might be at this time. There is currently no application fee required for the filing of rent increase petitions. Past Councils, having expressed concern about its impact on affected tenants, elected not to assess a fee.

The current licensing fee – and all annual fee increases – is established by Takoma Park City Code Chapter 6.08. Changes to the fee structure would require an amendment to the Ordinance.

ESTIMATED COST TO PROVIDE PROGRAMMING TO LOCAL LANDLORDS AND TENANTS

Rental Housing Licensing Program		Per License	Per Unit
Staffing Costs	Code Enforcement Division	\$ 66.70	\$ 7.33
	Finance Department	\$ 43.81	\$ 4.81
Contracted Services	Montgomery County	\$ 531.13	\$ 58.32
Operating Supplies	Code Enforcement Division	\$ 12.50	\$ 1.37
	Subtotal	\$ 654.14	\$ 71.83
	Administrative Overhead (20%)	\$ 130.83	\$ 14.37
	Total Cost	\$ 784.97	\$ 86.20
	Estimated Revenues	\$ 894.54	\$ 94.00
	Over / Under	\$ 109.57	\$ 7.80

Programming Provided to Local Landlords and Tenants		Per License	Per Unit
Program Costs	Rental Housing Licensing	\$ 654.14	\$ 71.83
	Landlord Tenant	\$ 415.86	\$ 45.66
	COLTA (*)	\$ 294.04	\$ 32.29
	Subtotal	\$ 1,364.04	\$ 149.78
	Administrative Overhead (20%)	\$ 272.81	\$ 29.96
	Total Cost	\$ 1,636.85	\$ 179.74
	Estimated Revenues	\$ 894.54	\$ 94.00
	Over / Under	\$ (742.31)	\$ (85.74)

RENTAL LICENSE FEES IN THE DC METROPOLITAN AREA

Montgomery County

All fees paid on an annual basis

- \$98 for single-family, townhouse, duplex, back-to-back townhouse, and 4-plex
- \$56 per unit for condo/garden apt., condo/high-rise, stacked piggyback townhouse
- \$38 per unit for apartment buildings

College Park

All fees paid on an annual basis

- \$550 for a fraternity/sorority
- \$225 for a single-family or town house
- \$220 for a rooming house
- \$190 per unit for a building with 2-5 units
- \$110 per unit for a building with 6 or more units and condo units

Gaithersburg

All fees paid on a biennial basis

- \$150 for single-family and condo units
- \$100 per unit for apartment

Rockville

- \$150 for single-family, biennially
- \$50 per unit for apartment, annually

Greenbelt

All fees paid on an annual basis.

- \$150 for single-family, condo, or town house
- \$100 per unit for multi-family

MEMORANDUM

To: Barbara B. Matthews, City Manager
From: Sara Anne Daines, Housing and Community Development Director
Date: May 6, 2009
Subject: Affordable Housing Programming Options

The following was prepared to facilitate the Council's FY10 budget discussion, recognizing that the Affordable Housing Policy and Action Plan will not be considered until after the budget has been finalized. The listing includes a variety of projects and programs being considered by staff as it finalizes its recommendations. The listing is not comprehensive and will be further refined. It does not include any capital projects to be funded through the City's Community Development Block Grant (CDBG) program. Any programming included in the Affordable Housing Plan will be presented to the Council for review and approval prior to its implementation.

Workshops and Seminars (Estimated Budget: \$10,000 - \$15,000)

Development, promotion and offering of a series of workshops and other training programs on a variety of subject matter including, but not limited to Post-Purchase Counseling, Condominium Board Development, Takoma Park Housing Laws (for Realtors), Reverse Mortgages, and the Maryland Homeowner and Renters Property Tax Credit Programs. Anticipated programming would supplement the City's currently offered workshops on foreclosure prevention, homeownership and tenant rights.

Emergency Housing Assistance (Estimated Budget: \$10,000 - \$15,000)

Provision of emergency housing assistance to be provided to renters and homeowners on a case by case basis for a variety of housing related expenses: Mortgage payments, utility costs, rent, emergency repairs, etc. Assistance would be provided through a third party, selected following the issuance of a Request for Proposals.

Relocation Assistance (Estimated Budget: \$10,000 - \$15,000)

Relocation assistance provided to tenants displaced due to the conversion of their rental facility to a condominium or the renovation of the building. Assistance intended to supplement assistance required to be paid by the landlord under Maryland's Condominium Conversion Law and Montgomery County's Displacement Law.

Predevelopment Assistance (Estimated Budget: \$15,000 - \$20,000)

Revolving loan fund designed to provide funds to offset pre-development costs (appraisals, building inspections, application fees, etc.) incurred by nonprofit housing providers exploring purchase of foreclosed properties in Takoma Park and by tenant associations investigating the purchase of their rental facility.

First Time Home Buyer Credit (Estimated Budget: \$5,000)

Mortgage credit provided to income qualified first-time home owners.

Renters Credit

(Estimated Budget: \$5,000)

Patterned after the State of Maryland's Renter's Tax Credit program, credit would be provided to income qualified renters.

Homeowner Helper

(Estimated Budget: \$3,000)

Limited program designed to assist older residents physically unable to maintain the grounds of their homes – shoveling, moving, raking, etc. - possibly providing limited employment opportunity to local youth.

Marketing

(Estimated Budget: \$4,000)

Expansion of existing efforts to promote available affordable housing opportunities and encourage preservation of existing housing stock.

Memo

To: City Council
From: Barbara B. Matthews, City Manager *BBM*
Date: May 6, 2009
Re: Community Indicators

My proposed budget for FY 2010 allocated \$50,000 for expanded affordable housing programming. A proposal has been made to apply \$25,000 of this amount to the Community Indicators Project. That initiative has been studying housing indicators in the Takoma Park/Long Branch area.

Staff's understanding is that the Community Indicators housing effort is largely completed. Future areas of interest are health and economic indicators.

Housing and Community Development Director Sara Anne Daines has provided a list of affordable housing programming options for which the \$50,000 allocated in the proposed budget could be used. Whether the development of health and economic indicators is of greater interest or of higher priority is a policy matter for the Council to decide.