Memorandum
City of Lawrence
Planning & Development Services

TO: **David L. Corliss, City Manager**

FROM: **Brian Jimenez, Code Enforcement Manager**

CC: **Scott McCullough, Director**

Date: **March 20, 2013**

RE: **Rental Expansion**

Background
At the March 5th city commission meeting, staff presented a proposal to expand the rental licensing and inspection ordinance to include all rental units within the city. At the conclusion of staff's presentation and public comment, it was decided on a 5-0 vote to continue working on a program model that would take into consideration input from all stakeholders. Mayor Schumm and Vice-Mayor Dever hosted a meeting on March 13, 2013 to receive stakeholder input.

The outcome of the meeting was a list of issues that is summarized below. This memo provides a framework to continue the discussion. A revised ordinance outlining the details of expanding the rental licensing program has not been drafted.

The assumptions included at the stakeholders' meeting were that all properties city-wide would be registered and inspected on some determined frequency and that fees would cover program costs. While there are many variables yet to be determined, one possible outcome of the stakeholder meeting could be presented graphically here.

Registration
The two schools of thought on registration/licensing include requiring properties to register on an annual basis or only once. A fee would be required to support the staff resources and database management of the system. Elements of each are listed below.

Register annually
1. Most effort for the property owner.
2. Maintains most current data for city's and tenants' use.
3. Provides more consistent tracking of information to determine eligibility in the rental program. City uses annual licensing to know when a property is included in the Section 8 housing program for example. Properties often change status.
4. Allows the inspection fee to be lower.
5. Permits the city to use the licensing as the link to enforcement of the program's standards.

Register only once
1. Least effort for property owner.
2. Requires inspection fee to be higher to offset the one-time registration fee.
3. City will not know when a property changes from ineligible to eligible to be included in the program without a complaint or voluntary participation by owner. City uses annual licensing to know when a property is included in the Section 8 housing program for example. Properties often change status.
4. Creates challenges for enforcement since the license is directly linked to the ability to enforce the code standards of the program.

Staff recommends annual registration/licensing.

Inspections

There was consensus that using an inspection sampling size smaller than that proposed by staff would maintain the value of determining the appropriate level of maintenance at a rental property. Different sampling sizes were discussed, but the prevailing idea appeared to be to start with a small sample (10% for example) and then increase the size immediately if the 10% sample produces negative outcomes at the property.

The group discussed that the inspections should take into account tenant related items so that those items, while in need of correction, would not count against the property owner in terms of the incentive based system that is a primary element of the program. An inspection checklist has been created to reflect a possible segregation of items to aid with this issue.

There was discussion of how best to phase the inspection part of expanding the program. While it will be possible, with appropriate staffing, to inspect every rental property within a 3-year timeframe, the group believed that the following should be considered priorities for completing initial inspections:

1. Properties where complaints have been received.
2. Detached Dwelling (single-family) structures that have been converted to Multi Dwelling structures.
3. The age of the structure.
4. Receiving a poor rating from the County Appraiser's Office.

There was discussion of considering Fire Department Inspectors to complete the rental inspections. The Fire Department currently inspects Multi-Dwelling structures on an annual basis, but only the common public areas (hallways, common utility areas, etc.) of the structure and only fire related items, such as fire alarm systems, fire sprinkler systems, exiting and access. While considering the use of Fire Dept staff to complete inspections, it should be noted that the rental program is more than simply viewing the units. It involves administrative work, data tracking, and follow-up enforcement, sometimes in municipal court.

Incentives

The group discussed that "good" landlords should be less burdened with proving that they maintain their properties in a code compliant condition. Therefore, there was discussion of extending the time frame between inspections to 5 years for properties that are found after inspection to be eligible for the incentive: have no more than 5 minor violations on average for

all of the units inspected and have no major violations cited. This, along with a reduction by 50% in inspection fees, is one possible incentive package for landlords.

A "poor" performing property owner would pay full fees and have inspections every year until they brought their property into a code compliant/incentive eligible condition.

Program Size and Fees
It was reiterated that the cost of the program should be recouped by fees. One scenario noted below would establish the registration/license fee at $10/unit/year with a $50 inspection fee at time of inspecting a unit. Adjustments could be made to one fee or the other, but it was noted that lowering one fee means raising the other if the program truly pays for itself.

There was discussion about capping the fee for large complexes, taking advantage of economies of scale for their participation in the program. No decisions were made regarding this matter. Staff's opinion is that the low registration fee and small inspection sample size already makes the fee structure reasonable regardless of the size of the rental property.

To determine staffing levels, it was assumed that an inspector completes 5 inspections per day, as well as attends to other associated enforcement duties. Approximately 230 work days are anticipated during the average year of work. Using these assumptions yields the ability to complete 1,150 inspections per year per inspector.

To complete a review of all rental properties added by expanding the program within a 3-year timeframe, approximately 6,000 properties per year will need to be inspected. Staff's analysis of the number of single-family structures in non-RS districts yields approximately 6,000 total units of a single-structure type. This equates into 2,000 units per year being inspected for this housing type.   Adding to these 2,000 units a 10% sample size for the non-single-family structure type (10% of the remaining 4,000 units is 400) yields 2,400 inspections per year for the first 3 inspection years.   Staff assumes at least 1,000 re-inspections per year in the beginning years of the program, for a total of approximately 3,400 unit inspections per year. Therefore, three new Code Enforcement Officers and two new Administrative Assistants would be required to effectively expand the program to include all units in the city. This is a reduction of two inspectors from originally proposed. The reduction in staff is due to the smaller sample size of the program.

The revised total first-year cost of the program in its entirety (including the existing RS program and the expanded city-wide program) is approximately $412,000, down from $526,092 which was presented on March 5th. This represents a 22% reduction in program costs.

Estimated revenue generated from annual license fees and inspection fees for all rental units, including the existing RS units:

Number of Units	Annual License Fee Revenue	Annual Inspection Fee Revenue	Total Revenue Generated	Cost of program
20,000 (est.)	20,000 x $10 per unit = $200,000	4,000 (est.) x $50 per unit =$200,000	$400,000	$393,000

Revised Total Cost of Program

First year in 2013 dollars

Position	Total Compensation	Computer, Furniture, Phone, etc.	Vehicle Cost, Fuel & Maintenance	Cost per Position
New Code Enforcement Officer	$41,614	$2,300[1]	$2,500[2]	$46,414
New Code Enforcement Officer	$41,614	$2,300	$16,800	$60,714
New Code Enforcement Officer	$41,614	$4,150[3]	$16,800	$62,564
Code Enforcement Officer II[4]	$61,650	Not Applicable	$2,500[5]	$64,150
Administrative Support III	$37,213	$7,800	Not Applicable	$45,013
Administrative Support III	$37,213	$7,800	Not Applicable	$45,013
Code Enforcement Manager (60%)	$54,000	Not Applicable	$500[6]	$54,500
Planning Director (10%)	$14,000	Not Applicable	Not Applicable	$14,000
			Total Costs	$392,368

[1] Division has two unoccupied work stations available therefore the cost of computers/phone of $2,300 is shown for two of the new officers.

[2] Division has one extra vehicle to utilize therefore fuel and maintenance account for the total expenditure.

[3] Price of office furniture ($1,850) added for one Code Enforcement Officer position.

[4] Existing Code Enforcement Officer position upgraded to act as Field Supervisor/Inspector.

[5] Current vehicle used by Code Enforcement Officer.

[6] Manager utilizes a vehicle and averages approximately 1/5 of fuel consumption as inspection staff.