

# Memorandum

## City of Lawrence

### Planning & Development Services

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

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

**CC:** Scott McCullough, Director

**Date:** May 2013

**RE:** Rental Expansion

#### **Background**

At the March 26 city commission meeting, staff presented an update [memo](#) 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, the commission directed staff to provide additional information contained in this update memo. A revised ordinance outlining the details of expanding the rental licensing program has not been drafted.

The commission requested information on the following issues:

1. Cost of Program and Fee Schedule - Provide 3 scenarios of how the fee schedule could be established using a sliding scale to provide equity between small and large rental properties. Consider requiring properties to pay an additional, one time Program Development Fee to pay for initial expansion costs associated with the program. Provide information related to expanding the program taking into account the existing costs of the current program.
2. Contract Inspection Labor - Investigate the costs of using contract labor to complete inspections.
3. Inspection Cap - Provide information on capping the number of inspections for large properties.
4. Incentive Review – provide information on how the incentive program could be established.
5. Efficient Re-Licensing - Provide information to ensure convenient re-licensing of properties to reduce the burden of annual registration.

#### **Cost of Program and Fee Schedule**

The tables below depict the costs of the existing program, the initial costs of expanding the program, and the on-going costs of the entire program, including the existing RS-based program. It assumes that the program will utilize a model of inspecting 10% of multi-dwelling properties, which will require three new enforcement officers and two

new administrative support positions for the first two years, and one administrative support position thereafter.

**Total Annual Cost of Existing RS Zoned Program**  
**(Note: Over last two years, revenue has generated about \$40,000)**

Position	Total Compensation <sup>1</sup>	Computer, Office Equipment, Phone, etc.	Vehicle Cost, Fuel & Maintenance	Cost per Position
Code Enforcement Officer	\$68,900	Not Applicable	\$2,500 <sup>2</sup>	\$71,400
Code Enforcement Manager (60%)	\$60,412	Not Applicable	\$500	\$60,912
Planning Director (10%)	\$14,600	Not Applicable	Not Applicable	\$14,600
			<b>Total Costs</b>	<b>\$146,912</b>

**Initial Costs to Expand Program Citywide**  
**(Costs per year for two years)**

Position	Total Compensation	Computer, Office Furniture, Phone, etc.	Vehicle Cost, Fuel & Maintenance	Cost per Position
New Code Enforcement Officer	\$62,122	\$2,300 <sup>3</sup>	\$2,500	\$66,922
New Code Enforcement Officer	\$62,122	\$2,300	\$16,800 <sup>4</sup>	\$81,222
New Code Enforcement Officer	\$62,122	\$7,800 <sup>5</sup>	\$16,800 <sup>6</sup>	\$86,722
Creation of Code Enforcement Officer II (Field Supervisor)	\$10,000 <sup>7</sup>	Not Applicable	Not Applicable	\$10,000
Administrative	\$37,213	\$7,800	Not Applicable	\$45,013

<sup>1</sup> Total Compensation includes annual salary, health insurance, KPERS retirement contributions, FICA and Worker's Compensation benefits.

<sup>2</sup> Existing Code Enforcement Officer position currently has vehicle and there is one vehicle within the division that is currently available for a new hire.

<sup>3</sup> Division has two unoccupied work stations available; therefore, only the cost of computers/phone of \$2,300 is shown for two of the three new officer positions.

<sup>4</sup> Costs of fuel and maintenance combined with the purchase of a new Ford Fusion or Focus.

<sup>5</sup> Additional costs are attributed to the purchasing of office furniture including cubicle work stations, chairs, office equipment, scanner, etc.

<sup>6</sup> Costs of fuel and maintenance combined with the purchase of a new Ford Fusion or Focus.

<sup>7</sup> Existing Code Enforcement Officer position upgraded to act as Field Supervisor/Inspector.

Support III				
Administrative Support III	\$37,123	\$7,800	Not Applicable	\$45,013
			<b>Total Costs</b>	<b>\$334,892</b>

A total of \$334,892 is needed to expand the program citywide based on a scenario of inspecting 10%, capped at 15, units. However, a major effort will be needed in the first two years to register all of the properties and get the inspection portion of the program working as effectively as possible. Staff believes that two Administrative Support positions will be needed during the first two years, but that after this, one support position will be able to maintain the administrative functions of the program.

**On-Going Cost for Total Program after Two-Year  
Initial Start-up<sup>8, 9</sup>**

Position	Total Compensation	Computer, Office Furniture, Phone, etc.	Vehicle Cost, Fuel & Maintenance	Cost per Position
Code Enforcement Manager (60%)	\$60,412	Not Applicable	\$500	\$60,912
Planning Director (10%)	\$14,600	Not Applicable	Not Applicable	\$14,600
Code Enforcement Officer	\$62,122	Not Applicable	\$2,500	\$64,622
Code Enforcement Officer	\$62,122	Not Applicable	\$2,500	\$64,622
Code Enforcement Officer	\$62,122	Not Applicable	\$2,500	\$64,622
Code Enforcement Officer II	\$72,122	Not Applicable	\$2,500	\$74,622
Administrative Support III	\$37,213	Not Applicable	Not Applicable	\$37,213
			<b>Total Costs</b>	<b>\$385,741</b>

The first two years of expanding the program will cost a total of \$481,804 each year (existing RS program plus new personnel). Normal ongoing operating costs, after the initial two-year expansion start up and not taking into account increases in personnel costs, are anticipated to be approximately \$386,000 for the entire program. The

<sup>8</sup> Does not include future personnel cost increases such as merit pay, insurance, KPERS, etc.

<sup>9</sup> Compensation costs have been refined to account for more accurate data.

commission has directed that the fees should pay for the start up costs and ongoing operation costs for the entire program.

The first two years will cost approximately \$95,804 more per year than years following given the start up costs of purchasing vehicles, office equipment, the additional Administrative Support position, etc. One option to make up the difference between the initial costs and ongoing costs is to charge a one-time \$10.00 program development fee for all properties (existing and new to the program) payable upon initial property registration or relicensing for existing properties in the first year of expansion. This fee would generate the funds necessary to offset the difference between the two-year start up costs and the ongoing regular program costs (\$95,804 x 2 years = \$191,608 / approx. 20,000 units = \$9.60). Thereafter, the normal fee for re-registering a property would go toward maintaining the program.

The Commission may wish to consider applying this fee in perpetuity as new properties are added to the program, similar to the city's system development fees for sewer infrastructure. While the initial start up will require significant effort and inspections should get more efficient after the first several years, the city will continue to grow and more units will be added every year to the program. This fee could help address program growth as necessary in future years.

The following options address the matter of creating a sliding scale for larger complexes so that the fee system is equitable. Economies of scale warrant the need for a sliding scale for the registration work completed by staff even if the inspection fee remains constant. The options below assume that a program development fee of some amount is established to pay for initial expansion expenses.

Option 1

- Annual registration fee of \$10 per unit – no cap. (\$200,000)
- Inspection fee of \$50. (\$200,000)

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	\$386,000

Option 2

- Annual registration fee of \$10 per unit – capped according to the following schedule:
  - 1-50 units (12,800 units) – no cap (\$128,000)
  - 51-100 units (1,500 units) – 90% of total registration fee (\$13,500)
  - 101-150 units (2,300 units) – 80% of total registration fee (\$18,400)
  - 150+ units (3,400 units) – 70% of total registration fee (\$23,800)
- Inspection fee of \$50. (\$200,000)

Number of	Annual	Annual	Total	Cost of program
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Units	License Fee Revenue per Scale	Inspection Fee Revenue	Revenue Generated	
20,000 (est.)	\$183,700	4,000 (est.) x \$50 per unit = \$200,000	\$383,700	\$386,000

Option 3

- Annual registration fee of \$10 per unit – capped according to the following schedule:
  - 1-100 units (14,300 units) – no cap (\$143,000)
  - 101-150 units (2,300 units) – 80% of total registration fee (\$18,400)
  - 150+ units (3,400 units) – 70% of total registration fee (\$23,800)
- Inspection fee of \$50. (\$200,000)

Number of Units	Annual License Fee Revenue per Scale	Annual Inspection Fee Revenue	Total Revenue Generated	Cost of program
20,000 (est.)	\$185,200	4,000 (est.) x \$50 per unit = \$200,000	\$385,200	\$386,000

These options are based on assumptions and staff maintains that the program fees should be reviewed after periodic program use to determine whether fees are in line with the program's costs.

**Contract Inspection Labor**

Staff received prices from three home inspection companies and three companies that perform fire protection equipment testing to generate the information below. It should be noted that none of the companies perform exactly the same type of inspection as is currently performed under the current inspection program, but this provides the commission an idea of fees for their services. House inspections can take significantly more time to inspect and generate the associated report and the fire inspections appear to cover much less than a rental inspection does. The rental inspection is somewhere in the middle in terms of work required to complete both the inspection and administrative tasks.

In addition to the inspections, a contract inspection program will require city supervision and personnel to process enforcement actions. This often involves additional work by the inspectors that city staff will be involved with regardless of whether contract inspectors are used. The Administrative Support positions and at least one other Supervisor position will be required to manage a contract inspection program, in staff's opinion.

Company names have been withheld to protect any proprietary information.

**Inspection pricing by private contractors**

**Home Inspection Co. No. 1**

\$290 and up for whole home inspection – detailed report with pictures

**Home Inspection Co. No. 2**

\$325 Single family dwelling under 3500 sq. ft.

Price goes up in \$50 increments for every 500 square feet added.

\$500 Duplex

\$650 Triplex

\$800 Four-plex

\$50 Detached out buildings without utilities

\$75 Detached out buildings with utilities

**Home Inspection Co. No. 3**

\$325 under 3200 sq. ft.

**Fire Inspection Co. No. 1**

\$35 Min. charge & \$5 per extinguisher - Fire extinguisher testing

\$350-400 per building - Sprinkler testing in hallways and common areas

\$600-700 per building – Smoke detector testing

\$350-400 per building – Fire alarm monitoring in hallways and common areas

**Fire Inspection Co. No. 2**

Fire extinguisher testing only

\$40 Service charge per location

\$5 per extinguisher

**Fire Inspection Co. No. 3**

Fire extinguisher and smoke detector testing only

\$35 Service charge per location

\$5 per extinguisher

\$1.50 per smoke detector

Assuming an inspector inspects 1,155 units per year<sup>10</sup> at an annual inspection cost of \$64,622, the cost per inspection for city staff to complete one is approximately \$56.00.

**Inspection Cap**

The commission discussed capping the number of inspections at 10% or 15, whichever is less. This was viewed as reasonable to determine if a property is generally compliant and eligible to receive incentives for being in a “good” state of repair and given that the commission desires to keep the expansion costs and staffing as low as possible. This assumes that additional inspections can be performed at a complex where the initial inspections generate the need for such based on poor inspection results.

The following table reflects the number of units of the majority of the larger complexes in the city and the number of units that would be inspected based on a 10% inspection policy capped at 15 units. Note, that under staff's proposal additional units could be immediately inspected if the initial inspection of 10% produces results demanding so.

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<sup>10</sup> See June 13, 2012 memo

<b>COMPLEX</b>	<b>ADDRESS</b>	<b># UNITS</b>	<b>10%</b>	<b>Cap at 15</b>	<b>Actual % Inspected</b>
Meadowbrook	2601 Dover Sq	Approx. 500	50	15	3%
Campus Court at Naismith	1301 W 24th St	372	38	15	4%
The Connection	3100 Ousdahl Rd	326	33	15	4.6%
Hunter's Ridge	550 Stoneridge	300	30	15	5%
Aberdeen North/South	2300 Wakarusa	296	30	15	5%
Park 25	2401 W 25th Sts	254	26	15	6%
Remington Sq	4100 W 24th Pl	224	23	15	6.7%
Hawks Point I, II & III	1421 W. 7 <sup>th</sup> St, 951 Arkansas and 1145 Louisiana	217	22	15	6.9%
Hutton Farms	Kasold and Peterson	212	22	15	7%
Pinnacle Woods	5000 Clinton Pkwy	208	21	15	7.2%
Legends Place	4100 W 24th Pl	200	20	15	7.5%
The Reserve	2511 W 31st St	200	20	15	7.5%
The Grove	4301 W 24th Pl	172	18	15	8.7%
Chase Ct	1942 Stewart Ave	168	17	15	8.9%
highpoint	2001 W 6th	168	17	15	8.9%
Trailridge	2512 W 6th	168	17	15	8.9%
Pine Tree Townhouses	149 Pinecone Dr	160	16	15	9.4%
Greens At Alvamar	3700 Clinton Pkwy	152	16	15	9.9%
Eagle Ridge	530 Eldridge	148	15	15	10%
Peppertree	3100 W 22nd St	146	15	15	10%
Malls Olde English Village	2411 Louisiana	144	15	15	10%
Tuckaway	2600 W 6th	144	15	15	10%
South Pointe/Park Villas	2310 W 26th	139	14	14	10%
Parkway Commons	3601 Clinton Pkwy	124	13	13	10%
Cedarwood Villa	2411 Cedarwood Ave	122	13	13	10%
West Hills	1012 Emery Rd	112	12	12	10%
Ironwood	1501 George Williams Way	108	11	11	10%
Northwinds	1311 George Ct	108	11	11	10%
Village Square	850 Avalon Rd	107	11	11	10%
Fox Run	4500 Overland Dr	104	11	11	10%
Hampton Court	2350 Ridge Ct	104	11	11	10%
Prairie Ridge Place	2424 Melrose Ln	100	10	10	10%
Berkeley Flats	1123 Indiana	98	10	10	10%

Crosswinds	2130 Silicon Ave	96	10	10	10%
Frontier Apartments	546 Frontier Rd	96	10	10	10%
Cimarron Townhomes	1615 Willow Cove	88	9	9	10%
Jacksonville	700 Monterey Way	88	9	9	10%
Laurel Glen	1401 E 24th	88	9	9	10%
Lorimar Townhomes	3801 Clinton Pkwy	87	9	9	10%
Graystone Apartments	2512 W 6th	86	9	9	10%
Eddingham Place	1501 Eddingham Dr	76	8	8	10%
Villa 26	2859 Four Wheel Dr	76	8	8	10%
Alvadora	5555 W 6th	75	8	8	10%
Quail Creek Apartments	2111 Kasold	75	6	6	10%
University Terrace	1605 W 9th st	72	8	8	10%
Westgate	4641 W 6th st	72	8	8	10%
Aspen West	2900 bob Billings	71	8	8	10%
Canyon Court	700 Comet Ln	71	8	8	10%
Heatherwood Valley Apts.	2040 Heatherwood Dr	71	8	8	10%
Park West Apartments	445 Eisenhower Dr	70	7	7	10%
Parkway Terrace	2340 Murphy Dr	68	7	7	10%
Sunrise Village	660 Gateway Ct	68	7	7	10%
Holiday Apartments	211 Mount Hope Ct	64	7	7	10%
Sunflower Apts	26th & Redbud	64	7	7	10%
Sunrise Place	837 Michigan	64	7	7	10%
Orchard Corners	1405 Apple Ln	63	7	7	10%
Clinton Place - LDCHA	2125 Clinton Pkwy	58	6	6	10%
Spanish Crest	2706 Redbud Ln	56	6	6	10%
Parkway 4000	4001 Parkway Cir	55	6	6	10%
Hanover Place	200 Hanover Pl	54	6	6	10%
Leanna Mar Townhomes	4501 Wimbledon	52	6	6	10%
Saddlebrook Townhomes	625 Folks	52	6	6	10%
Harper Square	2201 Harper	51	6	6	10%
Parkway 6000	4825 Innsbrook	51	6	6	10%
Briarwood	4237 Briarwood Dr.	49	5	5	10%
Oaks, The	2357 Ridge Court	49	5	5	10%
Princeton Place	2208 Princeton Blvd	48	5	5	10%
California Apts	501/527 California St	45	5	5	10%
Crescent Heights	1815 W 24 <sup>th</sup> St.	44	5	5	10%
Park West Townhomes	1501 George Williams Way	42	5	5	10%

Hawker	1011 Missouri	41	5	5	10%
Naismith Place	1502 W 25th Ct	41	5	5	10%
Tamarind	1517 W 9th St	40	4	4	10%
The Woods	630 Michigan	40	4	4	10%
Windgate Apartments	1701 W 4th	38	4	4	10%
Stonecrest Townhomes	1000 Monterey Way	35	4	4	10%
Briarstone	1008 Emery Rd	34	4	4	10%
Harvard Square	2105 Harvard Rd	34	4	4	10%
Summer Tree Apts	600 & 605 Eldridge	28	3	3	10%
Emery Place	1419/1423 Ohio	27	3	3	10%
Ashbury Townhomes	925 E 14th	25	3	3	10%
Melrose Court Apartments	1605 Tennessee	25	3	3	10%
Country Club	512 Rockledge Rd.	24	3	3	10%
Courtside Townhomes	4100 Clinton Pkwy	22	3	3	10%
Congressional Townhomes	5000 block of Congressional Pl & Way	20	2	2	10%
Kentucky Place	1310/1314 Kentucky	19	2	2	10%
Plaza IV Townhomes	2801 Four Wheel Dr	18	2	2	10%
Williams Point	4501 Wimbledon	18	2	2	10%
Southview Commons	1700 Ohio	15	2	2	10%
1015 Mississippi	1015 Mississippi	14	2	2	10%
Acorn Apartments	1815 W 24th St	13	2	2	10%
1712 Ohio	1712 Ohio	11	2	2	10%
911 Mass Street	911 Mass	10	1	1	10%
1025 Mississippi	1025 Mississippi	10	1	1	10%
Stadium View	1040 Mississippi	9	1	1	11.1%
Gateway Court Apts	621 Gateway Court	8	1	1	12.5%
Hike Properties	901 Illinois	8	1	1	12.5%

### **Incentive Review**

Recent discussion on rewarding “good” properties has centered on extending the inspection cycle and inspecting fewer units in the year of inspection. Reducing inspection fees was viewed as problematic since it would create uncertainty in forecasting and maintaining a cost neutral program to the general fund. Also, fewer inspections would reduce the fees paid in any event. Poor performing properties would pay higher fees as more inspections would be completed.

Completing inspections every 5 years for eligible properties, versus 3 for properties that do not initially pass inspection, is a viable option for creating an incentive for properties to be code compliant. The burden and expense of the inspections is reduced for properties that meet the criteria to receive the incentive.

### **Efficient Re-Licensing**

Staff appreciates the commission's direction on making re-licensing as efficient as possible for landlords and we believe we currently do make it as efficient as possible. The annual re-registration [letter](#) contains important information regarding scheduling the inspection, payment options, occupancy guidelines, and allows them to make changes to contact information. This approach appears to be working for landlords, though staff will continue to seek ways to serve the customer to this end.