

Memorandum

City of Lawrence

Planning & Development Services

TO: David L. Corliss, City Manager

FROM: Planning and Development Services Staff

Date: For December 17, 2013 City Commission Regular Meeting

RE: Rental Expansion – Update to Agenda

This memo responds to requests for additional information from the City Commission as noted below.

How many units will be inspected by the end of 2017, the proposed automatic expiration date included in Ordinance 8840 Draft 2?

Per the draft Administrative Regulations, staff proposes to implement the following schedule for the initial inspection of new units entering the expanded program:

1. Year 1 (2015) – Licensee name begins with A, B, C, D, E, F, G, or H
2. Year 2 (2016) – Licensee name begins with I, J, K, L, M, N, O, P or Q
3. Year 3 (2017) – Licensee name begins with R, S, T, U, V, W, X, Y, or Z

This schedule aims to inspect the first round of sampled units for every program participant new to the expanded program by the end of 2017.

Under the former sampling size criteria, it was assumed that approximately 2,400 units per year will be inspected, resulting in approximately 3,400 total inspections¹. Revising the sample size to its current form of sampling properties owned by a single entity, and not just larger rental properties as originally proposed, will presumably reduce this figure by some margin, though staff has not determined by how much.

¹ Assumes 18,000 total units divided by a three-year inspection program. 6,000 properties per year will need to be inspected. Staff's analysis of the number of properties with single-structure housing type 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.

It is typical that city program improvements and/or reductions in existing programs are discussed during preparation of the city's annual budget. While all landlords will receive an initial inspection by the end of 2017, data will need to be compiled early in 2017 to share with the commission during the process to determine the 2018 budget and the budget-supported programs. There may be enough information to draw conclusions regarding the program's success at that time; however, establishing an expiration date for the program in 2018 or 2019 would provide more complete data on how the program is working for all stakeholders involved.

It should also be noted that the City Commission may cease the program at any time, regardless of whether the ordinance contains an expiration date.

What is the cost of the program to the licensee?

Considering the costs of the program for one unit over a three-year cycle to capture an inspection of the unit, a licensee would pay the \$10 license fee in each of the three years and the \$50 inspection fee in one of the three years. $\$80 / 36 \text{ months} = \mathbf{\$2.22 \text{ per month}}$ for city's cost plus any maintenance required to repair noted violations.

If the unit qualified for the incentive program and the cost was viewed from the perspective of an inspection every 6 years, the cost would be the \$10 license fee for each of six years and the \$50 inspection fee once during the six years. This equates to \$110 total or **\$1.53 per month**.

The above costs are the most a licensee would pay per month to support the program. As the number of units increases, the costs lessen per the fee schedule. If the licensee owned 100 units, then the costs over three years would be reduced due to the fee schedule and sampling element of the program. $(100 \text{ units} \times \$9 \text{ license fee} \times 3 \text{ years}) + (\$50 \text{ inspection fee} \times 10 \text{ units (10\% sample size)}) = \$3,200$. This total divided by the 100 units, then divided by 36 months equals **\$0.89 per month** per unit.