

Memorandum

City of Lawrence

Planning & Development Services

TO: David L. Corliss, City Manager
 FROM: Scott McCullough, Director
 CC: Diane Stoddard, Assistant City Manager
 Casey Toomay, Assistant City Manager
 Date: March 2, 2015
 RE: Rental Licensing and Inspection Program Report – 2014 Annual Report

The new city-wide rental licensing and inspection program became effective July 1, 2014. RS (Single-Dwelling Residential) zoned rental units (most of which were licensed under the prior program) were transitioned to the new program beginning July 1, 2014. Licensing non-RS zoned rental units as part of the program began on January 1, 2015 (although owners of property in non-RS zoned districts could elect to voluntarily license before then and many of them have). Inspections for non-RS zoned units will begin in July 2015, though a few owners/managers have requested earlier inspections and Staff have accommodated these requests.

The City has developed a website devoted to the Rental Licensing Program, which can be viewed at www.lawrenceks.org/pds/rental-licensing or www.lawrenceks.org/rent. The website contains information such as a Program Handbook, the adopting ordinance, inspection forms and guidance, licensing process and inspection brochures, a tenant information brochure, diagrams of program processes and FAQs for both owners and tenants. New or updated information is frequently being added to the website.

The table below summarizes the program outcomes for July through December 2014.

Annual Rental License Summary Data

ANNUAL RENTAL LICENSE SUMMARY DATA			
	2014	2015	2016
LICENSES			
Total Licenses Issued (at end of year)*	1,871		
Total Units Licensed (at end of year)*	2,659		
INSPECTIONS			
Initial, 3-Year or 6-Year Inspections Completed (by unit)	123		
Initial, 3-Year or 6-Year Inspections Completed with No Violation Found (by unit)	32		
Initial, 3-Year or 6-Year Inspections Completed with Violation Found (by unit)	91		
% of Units Inspected with Violations (for Initial, 3 or 6 year inspections)	74.0%		
Reinspections Completed	86		
Reinspections Completed with Violations Corrected	81		
% of Units in need of Reinspection that are Reinspected**	89.0%		
VIOLATIONS			
Total Number of Violations Found	375		
Average Number of Violations when Found	4.1		
% of Units Inspected that Qualify for Inspection Incentive (5 or less violations)	82.1%		
PMC CASES			
Total Number of PMC Cases Created as a Result of a Rental Inspection	56		
% of Rental Units with PMC Case Created as Result of a Rental Inspection	45.5%		
Total Number of Violations Found	118		
Average Number of Violations on PMC Case	2.1		
PMC Cases resulting from Tenant Complaint not as a Result of Rental Inspection	24		
MISC.			
Number of Inspections Scheduled where Consent was Denied	0		
Administrative Search Warrants Sought	0		
Administrative Search Warrants Issued	0		
Notices of Violation Issued to Tenants on Tenant Caused Violations	0		
FEES			
Total Fees Collected	\$50,226.00		

*The number of "Total Licenses Issued (at end of the year)" and "Total Units Licensed (at end of year)" in this report are different than the total number of "Active Licenses - New" and "Total Units" reported on the December 2014 monthly report. This is because monthly reports

have reflected license "Status" at a single point in time (the last day of the month). Since licenses frequently change, from "Issued" status to other statuses after issuance (such as to "NOV to Inspect", "Probation" or "Prosecution") or vice versa, the monthly point in time reports do not reflect a running total of new licenses issued in the Total column for each monthly report. This year-end report reflects the cumulative total of all licenses issued under the new program in 2014. Beginning with the January 2015 report, a new table reflecting the running total of licenses issued year to date will be included in each monthly report.

**This figure is not 100% because the data is captured at a point in time and there will be outstanding reinspections not accounted for in this figure.

Highlights of the Program

Other highlights of the program are outlined below. Note that this data is based on licensing and inspecting units in primarily the RS districts where most have participated in the former program.

- While the new program requires only that RS zoned units be licensed in 2014, 736 RM zoned units were voluntarily licensed in 2014 and 13 Master Licenses in non-RS districts were issued representing 801 units. This reflects the desire by some owners/managers to license their units at a time convenient to them.
- The required corrections on violations are being made in less than a month, on average, with nearly 100% compliance within 60 days.
- 31 property owners have been issued notices to appear in municipal court under the new program for failure to obtain a license or renew a prior license, resulting in 46 complaints. The results of the 46 complaints are as follows:
 - 33 cases were dismissed for various reasons. In all cases, compliance was obtained.
 - 2 defendants did not appear; therefore, warrants have been issued.
 - 4 guilty pleas have been plead and 1 guilty verdict was delivered after a 2015 trial of a case initiated in 2014.
 - 6 cases initiated in 2014 have pending court dates.

Noteworthy: At the end of 2014, Staff initiated a courtesy phone call policy to property owners who are on probation, scheduled to be sent to court, or about to have their license revoked. The results are that the administrative workload in PDS and Municipal Court has been reduced and many owners are licensing their properties with this final soft warning; thereby accomplishing the goal of having property owners license their dwelling units.

- The 4 guilty pleas and 1 guilty verdict amounted to \$2,500 in fines paid and \$300 in court costs paid.
- Summary of educational outreach efforts in 2014:
 - Developed and implemented, with continual updates/enhancements, a Rental Licensing & Inspection Program city website.
 - Conducted 5 public educational seminars on the following dates: 5/15 at Union Pacific Depot; 6/3 at Douglas County Fairgrounds; 6/18 at Freestate High School; 11/14 at Fire Station #5; and 11/20 at Fire Station #5. Staff estimates that 225 attended these seminars.
 - Developed Lawrence in Focus video segments about the program and what to expect on program inspections.
 - Mailed 2,560 program information postcards to all licensed units in September 2014.
 - Initiated a monthly application assistance day for any interested owners and/or property managers to meet with Staff regarding completing the license application.
 - Created and produced a refrigerator info magnet provided to tenants of occupied units during inspections.
 - Initiated proactive monthly identification of non-RS zoned rental property owners assimilated from GIS (and County) records/databases and from water utility billing records. This results in issuing an advisory letter approximately 50 days prior to the owner's license deadline, with a follow-up advisory notice mailed approximately 15-20 days before the owner's license deadline.

Program Revenues and Expenditures

While it is too early in the program to meaningfully assess the normal operating program revenues against the normal operating expenditures, given the limited number of licenses issued in 2014 and the startup costs of the program, information on the revenues and expenditures for 2014 is provided below. Note that some positions included in the table have provided significant time to implementing the new program and this will likely continue in 2015 as the remaining units are licensed and inspections of non-RS units begin. After 2015, however, it is anticipated that the costs associated with these positions will be greatly reduced or become too small to track. There also were a number of one-time purchases to equip the office – computers, hardware, furniture, etc., that will not be included in next year's review.

Revenues (July - December 2014)	
Total Program Revenues	\$50,266
Expenditures (Pre-July - December 2014)	
Salaries - Total Compensation for Staff Dedicated Solely to Rental Program	
Administrative Assistant (2)	\$52,319
Rental Inspectors (2)	\$54,462
Field Supervisor (1)	\$39,889
Sub Total	\$146,670
Salaries - Total Compensation for Support Staff for the Program	
Code Enforcement Manager (60%)	\$34,165
Assistant Director - Development Services (30%)	\$15,880
Assistant Director - Planning (20%)	\$10,535
Business Systems Analyst (20%)	\$8,181
Director - PDS (20%)	\$16,608
Communications Manager (5%)	\$2,762
Sub Total	\$88,131
Printing, Marketing and Advertising	\$7,538
Office Supplies and Apparel	\$1,860
Vehicle Charges and Maintenance/Repair	\$578
Vehicle Fuel	\$254
Recruitment, Education and Subscriptions	\$619
Office Utilities and Janitorial Services	\$1,476
Computers, Printers and Software	\$8,493
Sub Total	\$20,818
Grand Total	\$255,619

Note: Municipal Court revenues and expenditures are not included in this report.

Staff previously reported that annual program revenues would equal approximately \$317,000 after all units were licensed and being inspected under the sampling protocols of the program. The low revenue of \$50,266 for 2014 reflects only a small portion of the number of units that will be licensed by the end of 2015. Accordingly, only a small number of units were inspected in 2014, primarily within the RS districts, which has held the revenue to a lower amount than will be normal with full implementation of the program. Revenue will not normalize until the end of 2016 when the program has had a full year of licensing and inspecting.

Staff previously reported that first year program costs, including equipment and Staff dedicated solely to the program, would total \$421,614. Six-month costs under the same parameters equal \$167,488, or approximately 40% of the estimated costs. The costs of the program are not 50% of the estimated costs due to not staffing the program fully, which is determined by workload demand.

Personnel

Prior to the program being approved, Staff assumed, based on the draft of Ordinance No. 8840, that the program would require 4 new Inspectors, an upgrade of the then current Inspector to a Field Supervisor, and 2 new Administrative Assistants. Staffing was phased in throughout 2014 as the licensing and inspection workload increased. At year's end, the staffing dedicated solely to the rental licensing and inspection program included two full time Inspectors, a Field Supervisor, and two Administrative Assistants. The other two Inspector positions were not filled due to the lower inspection rate as units are brought into the program compared to the rate once all units are licensed. As non-RS units come online in 2015, the staffing will be assessed and additional staffing hired as needed.

Recommended Program Revisions

Implementing Ordinance 8840 and prosecuting violations of the program leads Staff to offer several program revisions as outlined below. These revisions, if acceptable to the City Commission, will be presented in a future ordinance for the City Commission's consideration.

- In the Administrative Regulations, reduce the number of units eligible for a Master License from 11 or more to 4 or more. Staff is finding that there is greater efficiency in issuing a Master License than several individual licenses for multi-unit structures that are owned under one entity. This revision has no negative affect for owners or tenants but a very positive affect in work efficiency for Staff.
- Reconcile references to "Owner", "Licensee" and "Person" ("Owner" and "Licensee" are defined in 6-1302, DEFINITIONS, "Person" is not). "Owner" and "Licensee" are referenced throughout the Code, except in 6-1320 (a) and (b), UNLAWFUL ACTS, and 6-1321, MUNICIPAL OFFENSE, both of which reference "Person" instead of "Owner" and/or "Licensee". Consider eliminating "person" under 6-1320(a) & (b) and have the language read: "...it shall be unlawful to rent, lease, sublease..." or add "owner" and/or "licensee" in place of "person". This is intended to close a legal loophole and will aid in the prosecution of cases.
- Modify requirement for owner's signature in 6-1305 (e) in specified instances (e.g., the property agent provides a copy of a valid management agreement that authorizes the agent to execute such documents, an agent provides a valid power of attorney to act on behalf of the owner, etc.). Staff has, by practice, accommodated situations where an authorized agent signs for an owner where it is exceedingly difficult for the owner to sign the application and where the agent provides evidence of having authority to act on the owner's behalf. Revising the ordinance will align with what Staff believes is a reasonable practice.
- Increase or eliminate the \$5.00 late fee set forth in 6-1309 (b). Staff is of the opinion that the late fee does not act as a deterrent to not license a unit and causes more confusion to applicants and more tracking issues for Staff than it is worth to collect at such a low amount. Although intended to compel applicants to submit applications in a timely manner, the fee needs to be increased to make it worth the administrative effort to collect, in Staff's opinion, or removed altogether since the consequence of prosecution and paying the \$500 fine seems to be deterrent enough at this time.
- Consider new language that would provide Staff the ability to issue a Notice of Violation for all units of a complex when it is apparent, after completing the sample inspections, that the violation exists throughout the complex. For example, inspection sampling finds that all units inspected have inadequate makeup air to the furnace although the units are otherwise in very good condition. Staff would like to clarify the authority to cite all units without requiring the scheduling of additional inspection sampling for the landlord, tenants and Staff. Staff believes this is in keeping with the intent of sampling – to ensure that the entire property is maintained at a certain standard – without the added step of additional sample inspections. Staff and the owner would work to ensure proper re-inspection and follow up in a way that causes the least amount of inconvenience to the schedules of tenants and the landlord – photo evidence, selective sampling of all other units, or an affidavit by the landlord stating the repairs were made.

Other Program Data

The below tables summarize key data from the new rental program during the 2014 year.

Active Licenses – Year –end 2014

Active Licenses			
	2014	2015	2016
RLSF	1122		
NEW	1122		
RENEWED	0		
RLMF	736		
NEW	736		
RENEWED	0		
RLMA	13		
NEW	13		
RENEWED	0		
NEW RLMA (UNITS)	801		
RENEWED RLMA (Units)	0		
Total Licenses	1871		
New	1871		
Renewed	0		
Total Units	2659		
New Units	2659		
Renewed Units	0		

Licenses by Status - 2014

Year End 2014	RLSF	RLMF	RLMA	RLMA UNITS	TOTAL LICENSES	TOTAL UNITS
RL-ISSUED	1122	736	13	801	1871	2659
RL-INACTIVE	23	6	1	1	30	30
RL-PENDING	5	11	0	0	16	16
RL-1N	7	0	0	0	7	7
RL-1N INSPECT	0	0	0	0	0	0
RL-2N NOV	0	0	0	0	0	0
RL-2N NOV INSPECT	0	0	0	0	0	0
RL-CL TO LICENSE	2	0	0	0	2	2
RL-CL INSPECT	0	0	0	0	0	0
RL-NOV TO LICENSE	5	0	0	0	5	5
RL-NOV INSPECT	0	0	0	0	0	0
RL-DENIED	4	0	0	0	4	4
RL-APPEAL	0	0	0	0	0	0
RL-PROBATION	16	9	0	0	25	25
RL-PROSECUTION	2	0	0	0	2	2
RL-REVOCAION	0	0	0	0	0	0
RL-WARRANT	0	0	0	0	0	0
TOTALS	1186	762	14	802	1962	2750

The above reports (Active Licenses and Licenses by Status) reflect point in time data taken at the end of 2014 and represent a snapshot of the program at that time.

of Units with Active Violations – YTD

# of UNITS WITH ACTIVE VIOLATIONS-2014							
	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Total
0-30 Days	0	12	11	23	16	9	71
31-60 Days	0	0	2	0	1	3	6
61-90 Days	0	0	0	1	0	1	2
91-180 Days	0	0	0	0	0	0	0
> 180 Days	0	0	0	0	0	0	0
TOTALS	0	12	13	24	17	13	79
Average Days	0.0	15.6	21.5	15.8	17.3	28.5	19.8

Top Violations Found – Year-end 2014

Top Violations on a Rental License-YTD	
Description	# Found
6-1314(a)(23) Smoke Alarms	147
6-1314(a)(19) GFCI Receptacles	73
6-1314(a)(20) Receptacle Outlet Covers	34
6-1314(a)(7) Window Locks	21
6-1314(a)(5) Windows	15
6-1314(a)(14) Mechanical Appliances	14
6-1314(a)(11) Plumbing Fixtures	14
6-1314(a)(7) Openable Windows	12
6-1314(a)(4) Handrails and Guards	9
6-1314(a)(22) Egress Windows	8

Total Fees Collected by Fee Type – Year-end 2014

RENTAL LICENSE FEES COLLECTED				
	2014	2015	2016	TOTAL
DOCKETING FEE	\$0.00			\$0.00
FAILURE TO APPEAR FEE	\$25.00			\$25.00
INSPECTION FEE	\$8,700.00			\$8,700.00
LATE PAYMENT FEE	\$0.00			\$0.00
RE-INSPECTION FEE	\$50.00			\$50.00
RENTAL LICENSE FEE MASTER	\$11,839.00			\$11,839.00
RENTAL LICENSE FEE PER UNIT	\$29,612.00			\$29,612.00
TOTAL	\$50,226.00	\$0.00	\$0.00	\$50,226.00

The fees collected at the end of the year for 2014 differ slightly then the totals when adding up the monthly reports. This difference is primarily due to refunds being given in a different month than when the money was taken in. The above report is the most accurate.

Top PMC violations generated from a Rental Inspection – Year-end 2014

Top Violations on a Property Maintenance Case - YTD 2014	
Description	# Found
304.18.1 Deadbolt Locks	35
304.13 Window, Skylight and Door Frames.	15
504.1 Plumbing Fixtures	14
304.2 Paint and Siding in Good Condition, Including Facia, Soffits, Doors & Windows	7
304.14 Insect Screens	6
304.13.2 Openable Windows	6
305.3 Interior Surfaces	6
304.15 Doors, Including Assemblies & Hardware	5
403.2 Ventilation Fan	5
304.5 Exterior Structure Foundation Walls.	4
304.7 Roof and Drainage in Good Condition	4

Conclusion

The City Commission, Stakeholders and Staff spent the first half of 2014 completing the program elements contained in Ordinance 8840 and educating themselves on the new program. The transition of RS zoned units to the new program went fairly smooth but revisions are needed as noted above, in Staff's opinion. In Staff's opinion, the program is fulfilling its purpose by increasing the health of the housing stock and creating safer living units for tenants. Staff applauds the efforts of the rental industry – the owners, landlords, property managers, and tenants – for helping to make the transition to the new program as efficient as possible. As with any program, there will be unique circumstances outside the norm of doing business that Staff and the industry will need to work through. Together with the industry, Staff looks forward to completing the implementation of the program in 2015.