

# Memorandum

## City of Lawrence

### Planning & Development Services

TO: Thomas M. Markus, City Manager  
FROM: Scott McCullough, Director  
CC: Diane Stoddard, Interim City Manager  
Casey Toomay, Assistant City Manager  
Date: May 11, 2016  
RE: Rental Licensing and Inspection Program Annual Report – 2015 Program Year

The city-wide rental licensing and inspection program became effective on July 1, 2014. In the spring of 2015, Staff provided an annual report that contained program highlights, program revenues vs. program expenditures and various program performance measure tables summarizing data from July 1, 2014 through December 31, 2014.

Included in this report are highlights of the 2015 program year, a continued analysis of program revenues vs. program expenditures, an updated personnel summary of Staff assigned to the program and performance measure tables that compare 2015 program data to 2014 program data. These performance measures assist Staff in identifying the effectiveness and workload of the program.

#### **Highlights of the 2015 Program**

- Since expansion of the program on July 1, 2014, a total of 7,704 licenses (RLSF, RLMF and RLMA) have been issued for a total of 19,922 rental units licensed.
- In 2015, Staff conducted 975 initial inspections and 531 re-inspections for a total of 1,506 inspections. In 2014, Staff completed 123 initial inspections and 86 re-inspections for a total of 209 inspections.
- In 2015, 1,791 rental program violations were resulted from rental inspections, with deficient smoke alarm and GFCI receptacle violations topping the list.
- In 2015, a total of 2,554 violations were cited (rental program and Property Maintenance Code (PMC) violations) compared to 493 total code violations cited in 2014 (there have been 3,047 total code violations cited since expansion of the program).
- In 2015, 36% of all rental unit inspections generated a PMC case (314 PMC cases were initiated during 2015).
- In 2015, 35 cases were sent to prosecution.
- In 2015, one (1) tenant refused consent and an administrative search warrant was executed to complete the required inspection.
- In 2015, one (1) instance of a gas leak was detected during an inspection, resulting in a call to Black Hills for an immediate resolution to the leak.
- In 2015, the percentage of units inspected that qualified the owner for the 6 year inspection incentive cycle was 92%, compared to 82% in 2014.

#### **Program Revenues vs. Program Expenditures**

With the first full year of licensing and inspections completed, Staff is now able to meaningfully assess annual program operating revenues against annual program operating expenditures. The amount of time spent on the program by PDS management and outside department Staff was less in 2015 compared to 2014, as much (if not most) of the program's educational outreach, implementation and software modification activities were completed in 2014; time spent on the program by these Staff members is anticipated to remain constant or decrease during 2016 as the program continues to normalize.

|   |                    | 2014 (6 Mos.)      | 2015               |
|---|--------------------|--------------------|--------------------|
| <b>Program Revenues (License and Inspection Fees)</b>                           |                    | <b>\$50,226</b>    | <b>\$325,894</b>   |
| <b>Program Expenses</b>   |                    |                    |                    |
| Salaries - Total Compensation for Staff Dedicated Solely to Rental Program      |                    |                    |                    |
| Administrative Staff (2)  |                    | 52,319             | 108,553            |
| Administrative Staff (part-time)  |                    | NA                 | 16,256             |
| Rental Inspectors (2)   |                    | 54,462             | 134,077            |
| Field Supervisor (1)  |                    | 39,889             | 81,558             |
|   | <b>Sub Total</b>   | <b>146,670</b>     | <b>340,444</b>     |
| Salaries - Total Compensation for Support Staff for the Program                 |                    |                    |                    |
| Code Enforcement Manager (50%) <i>Reduced from 60% in 2014</i>                  |                    | 34,165             | 57,829             |
| Assistant Director - Development Services (10%) <i>Reduced from 30% in 2014</i> |                    | 15,880             | 11,225             |
| Assistant Director - Planning (10%) <i>Reduced from 20% in 2014</i>             |                    | 10,535             | 11,186             |
| Business Systems Analyst (15%) <i>Reduced from 20% in 2014</i>                  |                    | 8,181              | 12,835             |
| Director - PDS (5%) <i>Reduced from 20% in 2014</i>                             |                    | 16,608             | 8,801              |
| Communications Manager (0% in 2015) <i>Reduced from 5% in 2014</i>              |                    | 2,762              | 0                  |
|   | <b>Sub Total</b>   | <b>88,131</b>      | <b>101,876</b>     |
| Printing, Marketing and Advertising(Return Envelopes/Postcards)                 |                    | 7,538              | 5,450              |
| Office Supplies and Apparel   |                    | 1,860              | 860                |
| Vehicle Charges and Maintenance/Repair  |                    | 578                | 1,655              |
| Vehicle Fuel  |                    | 254                | 1,075              |
| Recruitment, Education and Subscriptions  |                    | 619                | 0                  |
| Office Utilities and Janitorial Services  |                    | 1,476              | 2,271              |
| Computers, Printers and Software  |                    | 8,493              | 0                  |
|   | <b>Sub Total</b>   | <b>20,818</b>      | <b>11,311</b>      |
|   | <b>Grand Total</b> | <b>255,619</b>     | <b>453,631</b>     |
| <b>Program Revenues Less Expenditures</b>                                       |                    | <b>(\$205,293)</b> | <b>(\$127,737)</b> |

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

In the 2014 annual report, Staff projected that 2015 annual program revenues (license and inspection fees) would equal approximately \$317,000 after all units were licensed and inspected per the sampling protocols of the program. As the table above reflects, total 2015 licensing and inspection fee revenue was \$325,894, exceeding Staff's projection by \$8,894. Staff projects that 2016 revenue will exceed 2015 revenue by \$10,500 - \$12,000, as over 700 newly constructed rental units are expected to obtain building permit certificate of occupancy approvals during 2016.

In the 2014 annual report, Staff estimated that expenses for the first full year of the program (2015), excluding management and outside department Staff not dedicated solely to the program, would be \$421,614. For 2015, these expenditures totaled \$351,755, which exceeded total 2015 program revenues by \$25,861. When the costs of management and outside department Staff not dedicated solely to the program are included, 2015 total expenses of \$453,631 exceeded 2015 program revenues by \$127,737.

Although expenses exceeded revenues in 2015, revenues should increase each year with the addition of new apartment buildings and other rental property types.

### **Personnel Summary**

As discussed in the 2014 annual report, prior to the program being approved, Staff assumed, based on the draft of Ordinance No. 8840, that the program would require four (4) new Rental Inspectors, an upgrade of the one (1) previously authorized Rental Inspector to a Rental Program Field Supervisor, and two (2) new Administrative Support staff. Staffing was phased in throughout 2014 as the licensing and inspection workload increased. At the end of 2014, Staff dedicated solely to the rental licensing and inspection program included two (2) full time Rental Inspectors, a Rental Program Field Supervisor, and two (2) Administrative Support staff.

As 2015 progressed, Staff reviewed the inspection data and determined the other two (2) budgeted Rental Inspector positions should not be filled in 2015. Staff found that the number of inspections required, based on the 10% sampling of a property owner's rental portfolio, substantially reduced the overall number of required inspections per owner, thus lowering the number of inspections required to be performed each year. For the 2017 budget, Staff will propose converting one (1) of the budgeted Rental Inspector positions to a full time Administrative Support position and eliminating the other Rental Inspector position.

### **Program Initiatives and Enhancements**

As mentioned in the 2014 annual report, one key program addition was the development of a web site devoted to the Rental Licensing Program, which can be viewed at [www.lawrenceks.org/pds/rental-licensing](http://www.lawrenceks.org/pds/rental-licensing) or [www.lawrenceks.org/rent](http://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. In 2015, new or updated information continued to be added to the website.

Throughout 2015, Staff continued to develop and refine the rental website, performance measures, internal policies and processes to shape a more efficient, customer-friendly program. Some notable initiatives and enhancements for 2015 include the following.

- Staff began providing a self-addressed return envelope to licensees to make the license process more convenient for property owners and agents.
- Staff developed and launched a new, interactive Residential Rental License Map on the city's website. The map identifies rental dwelling units that are licensed and in good standing with program requirements. The map is intended to provide consumers information about units that comply with the city's rental program and to help landlords market their code-compliant properties. The map is linked to the department's home page. Citizens are able to click on the blue map dot of a rental property and view the landlord name, zoning district, the number of units licensed and the apartment complex name, if applicable. Staff believes the map is a valuable resource for tenants, landlords and the general public.
- Staff reduced the required number of rental units on a parcel to qualify for a master license. Staff now issues many more master licenses, which reduces mailing costs and improves work efficiency for Staff and for property owners/agents who receive fewer licenses in paper form.

### **Statistic Highlights – 2014 vs. 2015**

The table below summarizes the program outcomes for July through December of 2014 and for 2015.

### **Annual Rental License Summary Data**

| <b>RENTAL LICENSE SUMMARY DATA</b>  |             |             |
|---|-------------|-------------|
|   | <b>2014</b> | <b>2015</b> |
| <b>LICENSES</b>   |             |             |
| Licenses Issued - Program Inception (July 1, 2014) to Month's End                             | 1,871       | 6,407       |
| Units Licensed - Program Inception (July 1, 2014) to Month's End                              | 2,659       | 16,605      |
| <b>INSPECTIONS</b>  |             |             |
| Initial, 3-Year, 6-Year or Additional Inspections Completed (by unit)                         | 123         | 975         |
| Initial, 3-Year, 6-Year or Additional Inspections Completed with No Violation Found (by unit) | 32          | 404         |
| Initial, 3-Year, 6-Year or Additional Inspections Completed with Violation Found (by unit)    | 91          | 571         |
| % of Units Inspected with Violations (for Initial, 3, 6 year or Additional inspections)       | 74.0%       | 59.9%       |
| Reinspections Completed   | 86          | 531         |
| Reinspections Completed with Violations Corrected   | 81          | 509         |
| <b>Total Number of Violations Found</b>   |             |             |
|   | 375         | 1791        |
| <b>Average Number of Violations when Found</b>  |             |             |
|   | 4.1         | 3.1         |
| <b>% of Units with Violations Outstanding after 30 Days</b>                                   |             |             |
|   | -           | 28.9%       |
| <b>% of Units with Violations Outstanding after 60 Days</b>                                   |             |             |
|   | -           | 11.5%       |
| <b>% of Units Inspected that Qualify for Inspection Incentive (5 or less violations)</b>      |             |             |
|   | 82.1%       | 92.2%       |
| <b>Total Number of PMC Cases Created as a Result of a Rental Inspection</b>                   |             |             |
|   | 56          | 314         |
| <b>% of Rental Units with PMC Case Created as Result of a Rental Inspection</b>               |             |             |
|   | 45.5%       | 36.7%       |
| <b>Total Number of Violations Found</b>   |             |             |
|   | 118         | 763         |
| <b>Average Number of Violations on PMC Case</b>   |             |             |
|   | 2.1         | 2.4         |
| <b>PMC Cases resulting from Tenant Complaint not as a Result of Rental Inspection</b>         |             |             |
|   | 24          | 71          |
| <b>MISC.</b>  |             |             |
| Number of Inspections Scheduled where Consent was Denied                                      | 0           | 1           |
| Administrative Search Warrants Sought   | 0           | 1           |
| Administrative Search Warrants Issued   | 0           | 1           |
| Number of Cases sent to Prosecution   | 0           | 35          |
| Notices of Violation Issued to Tenants on Tenant Caused Violations                            | 0           | 1           |
| <b>FEES</b>   |             |             |
| Total Fees Collected  | \$50,226    | \$325,894   |

\*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. Since expansion of the program on July 1, 2014, through the end of 2015, a total of 7,704 licenses (RLSF, RLMF and RLMA) have been issued for a total of 19,922 rental units licensed; this includes RL-Issued, RL-1N, RL-1N inspect, and RL-Probation.

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

### **Other Program Statistical Data**

| <b>Active Licenses</b> |             |              |
|------------------------|-------------|--------------|
|                        | <b>2014</b> | <b>2015</b>  |
| RLSF                   | <b>1122</b> | <b>2307</b>  |
| NEW                    | <b>1122</b> | <b>1377</b>  |
| RENEWED                | <b>0</b>    | <b>930</b>   |
| RLMF                   | <b>736</b>  | <b>2846</b>  |
| NEW                    | <b>736</b>  | <b>2746</b>  |
| RENEWED                | <b>0</b>    | <b>100</b>   |
| RLMA                   | <b>13</b>   | <b>394</b>   |
| NEW                    | <b>13</b>   | <b>389</b>   |
| RENEWED                | <b>0</b>    | <b>5</b>     |
| NEW RLMA (UNITS)       | <b>801</b>  | <b>10275</b> |
| RENEWED RLMA (Units)   | <b>0</b>    | <b>95</b>    |
| <b>Total Licenses</b>  | <b>1871</b> | <b>5547</b>  |
| <b>New</b>             | <b>1871</b> | <b>4512</b>  |
| <b>Renewed</b>         | <b>0</b>    | <b>1035</b>  |
| <b>Total Units</b>     | <b>2659</b> | <b>15523</b> |
| <b>New Units</b>       | <b>2659</b> | <b>14398</b> |
| <b>Renewed Units</b>   | <b>0</b>    | <b>1125</b>  |

| <b>DECEMBER 2015- Program Inception (July 1, 2014) to Month's End</b> |             |             |             |                   |                       |                    |
|---|-------------|-------------|-------------|-------------------|-----------------------|--------------------|
|   | <b>RLSF</b> | <b>RLMF</b> | <b>RLMA</b> | <b>RLMA UNITS</b> | <b>TOTAL LICENSES</b> | <b>TOTAL UNITS</b> |
| <b>RL-ISSUED</b>  | <b>3027</b> | <b>2988</b> | <b>392</b>  | <b>10590</b>      | <b>6407</b>           | <b>16605</b>       |
| RL-INACTIVE   | 278         | 448         | 21          | 559               | 747                   | 1285               |
| RL-PENDING  | 16          | 5           | 3           | 16                | 24                    | 37                 |
| RL-1N   | 369         | 827         | 57          | 1843              | 1253                  | 3039               |
| RL-1N INSPECT   | 1           | 0           | 0           | 0                 | 1                     | 1                  |
| RL-2N NOV   | 6           | 0           | 0           | 0                 | 6                     | 6                  |
| RL-2N NOV INSPECT   | 4           | 0           | 0           | 0                 | 4                     | 4                  |
| RL-CL TO LICENSE  | 5           | 7           | 1           | 3                 | 13                    | 15                 |
| RL-CL INSPECT   | 0           | 0           | 0           | 0                 | 0                     | 0                  |
| RL-NOV TO LICENSE   | 27          | 58          | 7           | 578               | 92                    | 663                |
| RL-NOV INSPECT  | 0           | 0           | 0           | 0                 | 0                     | 0                  |
| RL-DENIED   | 3           | 1           | 0           | 0                 | 4                     | 4                  |
| RL-APPEAL   | 0           | 0           | 0           | 0                 | 0                     | 0                  |
| RL-PROBATION  | 10          | 29          | 4           | 238               | 43                    | 277                |
| RL-PROSECUTION  | 14          | 7           | 0           | 0                 | 21                    | 21                 |
| RL-REVOCAION  | 0           | 0           | 0           | 0                 | 0                     | 0                  |
| RL-WARRANT  | 0           | 0           | 0           | 0                 | 0                     | 0                  |
| <b>TOTALS</b>   | <b>3760</b> | <b>4370</b> | <b>485</b>  | <b>13827</b>      | <b>8615</b>           | <b>21957</b>       |

The above reports (Active Licenses and Licenses by Status) reflect point in time data taken at the end of 2015 and represent a snapshot of the program at that time.

| <b># of UNITS WITH ACTIVE VIOLATIONS-2015</b> |             |             |             |             |             |             |             |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | <b>Jan</b>  | <b>Feb</b>  | <b>Mar</b>  | <b>Apr</b>  | <b>May</b>  | <b>Jun</b>  | <b>Jul</b>  | <b>Aug</b>  | <b>Sep</b>  | <b>Oct</b>  | <b>Nov</b>  | <b>Dec</b>  |
| 0-30 Days                                     | 35          | 14          | 22          | 17          | 17          | 27          | 41          | 18          | 62          | 74          | 171         | 41          |
| 31-60 Days                                    | 2           | 17          | 2           | 7           | 4           | 2           | 9           | 15          | 1           | 18          | 39          | 9           |
| 61-90 Days                                    | 0           | 1           | 1           | 0           | 0           | 3           | 1           | 6           | 7           | 0           | 10          | 3           |
| 91-180 Days                                   | 0           | 0           | 1           | 2           | 1           | 0           | 3           | 3           | 3           | 7           | 24          | 9           |
| > 180 Days                                    | 0           | 0           | 0           | 0           | 0           | 1           | 1           | 2           | 2           | 4           | 13          | 4           |
| <b>TOTALS</b>                                 | <b>37</b>   | <b>32</b>   | <b>26</b>   | <b>26</b>   | <b>22</b>   | <b>33</b>   | <b>55</b>   | <b>44</b>   | <b>75</b>   | <b>103</b>  | <b>257</b>  | <b>66</b>   |
| Average Days in Violation                     | <b>11.6</b> | <b>27.3</b> | <b>23.5</b> | <b>32.5</b> | <b>32.6</b> | <b>24.9</b> | <b>26.6</b> | <b>52.0</b> | <b>30.4</b> | <b>32.7</b> | <b>49.0</b> | <b>56.8</b> |

| <b>RENTAL LICENSE FEES COLLECTED</b> |                    |                     |                     |
|--------------------------------------|--------------------|---------------------|---------------------|
|                                      | <b>2014</b>        | <b>2015</b>         | <b>TOTAL</b>        |
| DOCKETING FEE                        | \$0.00             | \$0.00              | <b>\$0.00</b>       |
| FAILURE TO APPEAR FEE                | \$25.00            | \$250.00            | <b>\$275.00</b>     |
| INSPECTION FEE                       | \$8,700.00         | \$61,050.00         | <b>\$69,750.00</b>  |
| LATE PAYMENT FEE                     | \$0.00             | \$0.00              | <b>\$0.00</b>       |
| RE-INSPECTION FEE                    | \$50.00            | \$150.00            | <b>\$200.00</b>     |
| RENTAL LICENSE FEE MASTER            | \$11,839.00        | \$171,311.00        | <b>\$183,150.00</b> |
| RENTAL LICENSE FEE PER UNIT          | \$29,612.00        | \$93,133.00         | <b>\$122,745.00</b> |
| <b>TOTAL</b>                         | <b>\$50,226.00</b> | <b>\$325,894.00</b> | <b>\$376,120.00</b> |

The fees collected at the end of 2014 and 2015 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.

| <b>Top Violations on a Rental License-YTD</b> |                |
|---|----------------|
| <b>Description</b>                            | <b># Found</b> |
| 6-1314(a)(23) Smoke Alarms                    | 655            |
| 6-1314(a)(19) GFCI Receptacles                | 363            |
| 6-1314(a)(20) Receptacle Outlet Covers        | 133            |
| 6-1314(a)(7) Window Locks                     | 90             |
| 6-1314(a)(14) Mechanical Appliances           | 84             |
| 6-1314(a)(15) Combustion Air                  | 62             |
| 6-1314(a)(4) Handrails and Guards             | 54             |
| 6-1314(a)(11) Plumbing Fixtures               | 52             |
| 6-1314(a)(22) Egress Windows                  | 48             |
| 6-1314(a)(17) Electrical System Hazards       | 41             |

As in 2014, smoke alarms and GFCI receptacles continued to be the top two cited code violations in 2015.

### **Top PMC violations generated from a Rental Inspection – Year-end 2015**

| <b>Top Violations on a Property Maintenance Case - YTD 2015</b> |                |
|---|----------------|
| <b>Description</b>  | <b># Found</b> |
| 304.18.1 Deadbolt Locks   | 137            |
| 304.14 Insect Screens   | 106            |
| 304.13.2 Openable Windows                                       | 100            |
| 504.1 Plumbing Fixtures   | 79             |
| 304.13 Window, Skylight and Door Frames.                        | 74             |
| 403.2 Ventilation Fan   | 49             |
| 305.3 Interior Surfaces   | 48             |
| 304.15 Exterior Doors   | 22             |
| 304.15 Doors, Including Assemblies & Hardware                   | 20             |
| 304.7 Roof and Drainage in Good Condition                       | 18             |

As in 2014, dead bolt locks were the most cited violation of the PMC. Insect screen violations increased in 2015 while plumbing fixture violations remained a common violation.

### **Conclusion**

Throughout 2014, Staff was in a learning and educational mode regarding effective implementation of the expanded program. As identified in the 2014 Annual Report, Staff spent a great deal of time and resources before and after the effective date of Ordinance No. 8840 to provide education about the new program to stakeholders, property agents, tenants and the citizens of Lawrence. Staff believes those education initiatives set the stage for continued program success during 2015 when licensing of all dwelling units located in non-RS zoning districts began and was to be completed, and when required inspection of such units also began.



As 2015 progressed, staff continued to identify policies and procedures that could be tweaked to provide improved efficiencies for Staff, property owners and property agents without creating any negative impacts to the program. As 2016 moves forward, Staff will continue to focus on providing efficient, prompt and accurate customer service delivery while continuing to look for policies/procedures that can be improved.

In 2015, the total number of initial program inspections and re-inspections increased significantly over 2014 since 2015 was the first full year of inspection for both single-family RS-zoned properties and non-RS zoned properties, including multifamily structures/apartment buildings. As previously noted, the initial inspection cycle for the expanded program was approved to be phased in over 3 years, with 2016 being the second full year for required inspections. There are many unknown and/or changing variables that could affect the number of total inspections projected for 2016, it is anticipated that the total number of inspections completed in 2016 will be similar to the number completed in 2015.

In regards to program revenues vs. program expenditures for 2015, staff was encouraged that estimates provided in the 2014 Annual Report were close to actual program revenues and expenditures for the 2015 program year. Staff believes that revenues will increase slightly in 2016 and that expenditures will remain stable.

In closing, Staff looks forward to another productive year in 2016. It is Staff's opinion that the information provided in this report provides evidence that the program is serving its intended purpose, which is to systematically create safe, code compliant rental housing stock in Lawrence by regulating the minimum code requirements established within the ordinance and the PMC. This purpose is being accomplished by requiring that a small sample of a property owner's rental portfolio is inspected on a periodic inspection cycle. Staff believes the program has yielded measurable, quantifiable statistical data that clearly demonstrates the program is achieving valuable results in the community.