

Memorandum

City of Lawrence

Planning & Development Services

TO: Thomas M. Markus, City Manager
FROM: Scott McCullough, Director Planning & Development Services
CC: Diane Stoddard, Assistant City Manager
Casey Toomay, Assistant City Manager
Date: March 22, 2017
RE: Rental Licensing and Inspection Program Annual Report – 2016 Program Year

The city-wide rental licensing and inspection program became effective on July 1, 2014. In 2016, Staff provided the first full year annual report (for 2015) that contained program highlights, a summary of program revenues and expenditures, and various performance measure tables.

The 2016 Annual Report provides statistical highlights, an analysis of program revenues and expenditures, and performance measure tables for 2016 and for 2016 compared to prior years of the program. These performance measures continue to assist Staff in identifying program effectiveness and workloads.

Highlights of the 2016 Program

- As of December 31, 2016, there were 6,128 rental licenses in good standing for 18,890 total dwelling units.
- In 2015, Staff completed 975 initial inspections and 531 re-inspections for a total of 1,506 inspections. In 2016, those numbers increased to 1,161 initial inspections and 812 re-inspections for a total of 1,973 inspections.
- In 2016, 2,173 violations were identified during rental inspections, with deficient smoke alarms and GFCI receptacles being the most common.
- In 2016, 32% of all rental units inspected had a Property Maintenance Code (PMC) case associated with them (347 PMC cases were initiated).
- In 2016, 28 cases were sent to prosecution.
- In 2016, one (1) tenant refused consent and an administrative search warrant was executed to complete the required inspection.
- In 2016, four instances of potentially dangerous natural gas leaks were detected during an inspection by inspectors, resulting in calls to Black Hills Energy and immediate resolution of the leaks.
- The numbers of units inspected in 2016 that qualified for the 6 year inspection incentive cycle was 95% compared to 92% in 2015.

Program Revenues and Program Expenditures

As identified in the table below, staff collected \$352,400 in fees during 2016 (annual license fees/inspection fees), an increase of \$26,506 (8.13%) from 2015. Staff issued 519 new licenses in 2016, with the majority of these licenses issued for properties that were identified by Staff in their continual efforts to identify unlicensed properties.

Program Revenues vs. Expenditures (2015 vs. 2016)		2015	2016
Program Revenues (License and Inspection Fees)		325,894	352,400
Program Expenditures			
Total Compensation for Staff Dedicated Solely to Rental Program (Gross Wages, Employer Paid Benefits & Health Insurance)			
Administrative Staff (2)		108,553	113,144
Administrative Staff (part-time)		16,256	¹ 24,051
Rental Inspectors (2)		134,077	² 115,340
Field Supervisor (1)		81,558	82,178
	Sub Total	340,444	334,713
Total Compensation for Support Staff for the Program (Gross Wages, Employer Paid Benefits & Health Insurance)			
Code Enforcement Manager (50%)		57,829	59,000
Assistant Director - Development Services (10%)		11,225	11,400
Assistant Director - Planning (10%)		11,186	11,239
Business Systems Analyst (10%) <i>reduced from 15% in 2015</i>		12,835	9,394
Director - PDS (5%)		8,801	8,998
	Sub Total	101,876	100,031
Annual Non-Personnel Operating Costs			
Printing, Marketing and Advertising(Return Envelopes/Postcards)		5,450	0
Office Supplies and Apparel		860	423
Vehicle Charges and Maintenance/Repair		1,655	1,951
Vehicle Fuel		1,075	1,017
Recruitment, Education and Subscriptions		0	0
Utilities/data plans (Electric, Phone, I-pad) and Janitorial Services		2,271	4,690
Computers, Printers and Software		0	0
	Sub Total	11,311	8,081
	Total	453,631	³ 442,825

¹ Increase in compensation due to 2016 being the first full year of employment for this part-time position.

² Reduction in compensation due to one inspection position becoming vacant on July 22, 2016; therefore, the compensation totals for this position are for ½ of the year resulting in a reduction in compensation vs. 2015.

³ Municipal Court revenues and expenditures are not included in this report for rental cases that are sent to court for violations of the provisions of the rental licensing and inspection ordinance.

While expenditures continued to exceed revenues from annual license and inspection fees in 2016, the annual shortfall was substantially reduced by \$37,312 (29.21%), from \$127,737 in 2015 to \$90,425 in 2016. Although there are many unknown variables from year to year regarding license and inspection fees, 2017 revenues are projected to at least equal 2016 revenues or to increase based on the large number of new multi-family construction projects being completed in 2017 and other unlicensed dwelling units being identified by Staff as rental units.

Additionally, personnel expenditures will decrease in 2017 due to the elimination of one inspector position, which is discussed in detail below. For these reasons, it is anticipated the financial disparity between expenditures and revenues will decrease in 2017.

Personnel Summary

During 2016, Staff continued to review current and projected workloads of rental program inspection and administrative support staff. As a result, it was determined that the rental inspector position that became vacant in July 2016 would not be filled. This decision was made after a thorough analysis of the number of inspections completed in 2016 year-to-date, the projected number of inspections to be completed for the remainder of 2016, and the anticipated inspection workload for 2017.

Because the vacant inspector position will not be filled in 2017, the program's personnel expenditures will decrease by an estimated additional \$30,000 during 2017 from 2016. This rental inspector position will remain vacant throughout 2017 and beyond since inspections are not expected to increase due to the elevated percentage (92%-95%) of property owners that have received the incentive inspection cycle of a six year schedule vs. a three-year inspection cycle since the inception of the expanded program.

Program Initiatives and Enhancements

In 2016, Staff continued to make minor modifications to the rental website, performance measures, internal policies and processes. These modifications continued to help shape a more efficient program and one that focused on creating additional user friendly procedures for property owners, property resident agents and tenants without creating a negative impact to the overall objectives of the program. A noteworthy initiative in 2016 was the effort to identify and license previously unlicensed units which contributed to the increase in license and inspection fees collected in 2016. Staff will continue with this initiative throughout 2017.

The following tables identify statistical highlights for licensing and inspections.

Annual Rental License Summary Data

RENTAL LICENSE SUMMARY DATA			
	2014	2015	2016
LICENSES			
Licenses Issued - Program Inception (July 1, 2014) to Month's End	1,871	6,407	6,128
Units Licensed - Program Inception (July 1, 2014) to Month's End	2,659	16,605	18,960
INSPECTIONS			
Initial, 3-Year, 6-Year or Additional Inspections Completed (by unit)	123	975	1161
Initial, 3-Year, 6-Year or Additional Inspections Completed with No Violation Found (by unit)	32	404	410
Initial, 3-Year, 6-Year or Additional Inspections Completed with Violation Found (by unit)	91	571	751
% of Units Inspected with Violations (for Initial, 3, 6 year or Additional inspections)	74.0%	59.9%	65.8%
Reinspections Completed	86	531	812
Reinspections Completed with Violations Corrected	81	509	765
Total Number of Violations Found			
Total Number of Violations Found	375	1791	2173
Average Number of Violations when Found	4.1	3.1	2.9
% of Units with Violations Outstanding after 30 Days	-	28.9%	42.7%
% of Units with Violations Outstanding after 60 Days	-	11.5%	28.7%
% of Units Inspected that Qualify for Inspection Incentive (5 or less violations)	82.1%	92.2%	94.5%
Total Number of PMC Cases Created as a Result of a Rental Inspection			
Total Number of PMC Cases Created as a Result of a Rental Inspection	56	314	347
% of Rental Units with PMC Case Created as Result of a Rental Inspection	45.5%	36.7%	32.2%
Average Number of Violations on PMC Case	2.1	2.4	2.1
PMC Cases resulting from Tenant Complaint not as a Result of Rental Inspection	24	71	74
MISC.			
Number of Inspections Scheduled where Consent was Denied	0	1	1
Administrative Search Warrants Sought	0	1	1
Administrative Search Warrants Issued	0	1	1
Number of Cases sent to Prosecution	0	35	28
Notices of Violation Issued to Tenants on Tenant Caused Violations	0	1	0
FEES			
Total Fees Collected	\$50,226	\$325,864	\$345,602

*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 and December 2015 monthly reports. 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 program thru 2016.

**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

Active Licenses			
	2014	2015	2016
RLSF	1122	2307	2518
NEW	1122	1377	249
RENEWED	0	930	2269
RLMF	736	2846	3210
NEW	736	2746	213
RENEWED	0	100	2997
RLMA	13	394	665
NEW	13	389	208
RENEWED	0	5	457
NEW RLMA (UNITS)	801	10275	1549
RENEWED RLMA (Units)	0	95	11922
Total Licenses	1871	5547	6393
New	1871	4512	670
Renewed	0	1035	5723
Total Units	2659	15523	18320
New Units	2659	14398	1132
Renewed Units	0	1125	17188

# of UNITS WITH ACTIVE VIOLATIONS-2016												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0-30 Days	70	63	80	66	82	24	19	22	33	33	36	20
31-60 Days	11	11	12	17	9	23	5	8	6	4	8	9
61-90 Days	1	2	5	3	5	2	17	2	3	5	3	3
91-180 Days	5	5	3	4	7	8	11	8	4	1	3	5
> 180 Days	9	5	9	9	8	9	8	11	10	13	13	12
TOTALS	96	86	109	99	111	66	60	51	56	56	63	49
Average Days in Violation	46.8	44.1	41.7	47.9	48.6	85.5	90.0	97.1	82.2	88.4	89.3	116.5

RENTAL LICENSE FEES COLLECTED				
	2014	2015	2016	TOTAL
DOCKETING FEE	\$0.00	\$0.00	\$0.00	\$0.00
FAILURE TO APPEAR FEE	\$25.00	\$250.00	\$325.00	\$600.00
INSPECTION FEE	\$8,700.00	\$61,050.00	\$53,050.00	\$122,800.00
LATE PAYMENT FEE	\$0.00	\$0.00	\$0.00	\$0.00
RE-INSPECTION FEE	\$50.00	\$150.00	\$0.00	\$200.00
RENTAL LICENSE FEE MASTER	\$11,839.00	\$171,311.00	\$199,213.00	\$382,363.00
RENTAL LICENSE FEE PER UNIT	\$29,612.00	\$93,133.00	\$90,014.00	\$212,759.00
TOTAL	\$50,226.00	\$325,894.00	\$342,602.00	\$718,722.00

The fees collected at the end of 2015 and 2016 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 Violations on a Rental License-YTD	
Description	# Found
6-1314(a)(23) Smoke Alarms	1006
6-1314(a)(19) GFCI Receptacles	370
6-1314(a)(20) Receptacle Outlet Covers	111
6-1314(a)(7) Window Locks	91
6-1314(a)(4) Handrails and Guards	79
6-1314(a)(15) Combustion Air	67
6-1314(a)(24) Fire Extinguishers	66
6-1314(a)(22) Egress Windows	61
6-1314(a)(14) Mechanical Appliances	57
6-1314(a)(11) Plumbing Fixtures	48

As in 2015, smoke alarms and GFCI receptacles continued to be the top two cited code violations in 2016.

Top PMC violations generated from a Rental Inspection – Year-end 2016

Top Violations on a Property Maintenance Case - YTD 2016	
Description	# Found
304.18.1 Deadbolt Locks	107
504.1 Plumbing Fixtures	97
304.14 Insect Screens	94
304.13.2 Openable Windows	61
305.3 Interior Surfaces	55
304.13 Window, Skylight and Door Frames.	51
403.2 Ventilation Fan	45
304.2 Paint and Siding in Good Condition, Including Facia, Soffits, Doors & Windows	26
305.6 Doors and Door Assemblies	26
305.3 Walls, Ceilings Other Surfaces	16

As in 2015, dead bolt locks were the most cited violation of the PMC in 2016. Insect screen violations and plumbing fixture violations remained common violations.

Conclusion

The second full year of the expanded program continued to provide valuable data in regards to the revenues generated by the annual licensing and inspection fees compared to the expenditures. In regards to this data, staff's forecast in the 2015 report that an increase in revenues was likely in 2016 came to fruition as the end-year financial report confirmed there was an 8.13% increase in revenues.

Staff estimates these revenues should remain comparatively stable or increase in 2017 due to the completion of numerous multi-family construction projects combined with Staff's efforts in continuing to identify existing unlicensed units. In addition, compensation and benefit reductions related to the elimination of the one inspector position will assist in reducing the disparity between the revenues and expenditures totals that was identified in this year's report and that may continue to occur in 2017. While the program will most likely never be cost-neutral due to the annual potential fluctuation on either side of the continuum, it is a goal of Staff that the program's revenues vs. expenditures are reviewed annually to ensure the program is operating in a fiscal responsible manner not only to the City of Lawrence but to the stakeholders who are licensed and inspected per the program's regulations.

It is Staff's opinion that the information provided in this report continues to support the program's purpose which is to systematically create safe, code compliant rental housing stock in our city by regulating the minimum code requirements established within the ordinance and the PMC by requiring a sampling (10%) of a property owner's rental portfolio to be inspected on a periodic schedule. In support of this purpose; Staff completed 1,161 initial inspections in 2016 that resulted in 2,173 violations cited with another 347 cases opened for violations of the PMC.

In closing, Staff looks forward to another productive year in 2017. Staff believes the program since its inception on July 1, 2014, continues to yield valuable, measurable and positive statistical data that clearly demonstrates the program has a valued and important purpose in the community.