

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 6, 2018
RE: Rental Licensing and Inspection Program Annual Report – 2017 Program Year

The city-wide rental licensing and inspection program became effective on July 1, 2014. In 2017, Staff completed the third full year of inspections that concluded the initial three-year inspection cycle (2015-2017) that was established by Section 2.0 (Implementation of the Residential Rental Property Ordinance) of the Administrative Regulations.

The 2017 Annual Report provides noteworthy highlights, the Program Revenues vs. Expenditures table, a personnel summary, a budget analysis, the annual rental license summary table and eleven other statistical tables that provide relevant information for 2017.

Highlights of 2017

- As of December 31, 2017, there were 6,237 rental licenses in good standing with a total of 20,186 dwelling units licensed.
- In 2017, staff completed 1,091 initial inspections and 664 re-inspections for a total of 1,755 inspections.
- In 2017, 1,909 violations were identified during rental inspections compared to 2,173, violations in 2016. Smoke alarms and GFCI receptacles continue to be the most common violations.
- In 2017, 28.6% of all rental units inspected also had a Property Maintenance Code (PMC) case associated with them. (291 PMC cases were initiated with a total of 596 violations cited).
- In 2017, 20 cases were sent to prosecution compared to 28 in 2016.
- The number of units inspected in 2017 that qualified for the 6-year inspection incentive cycle was 92.6% compared to 94.5% in 2016.

Program Revenues and Program Expenditures

As identified in the table below, staff collected \$353,267 in fees during 2017 (annual license fees/inspection fees), an increase of \$10,645 from 2016. Much of the increase can be attributed to the additional 1,226 licenses issued in 2017, most of which were for previously unlicensed properties and new rental construction projects that were completed in 2017.

The Program Revenues vs. Expenditures Table below provides additional analysis of expenditures for the program from 2015-2017.

Program Revenues vs. Expenditures (2015-2017)	2015	2016	2017
Program Revenues (License and Inspection Fees)	325,894	342,602	353,267
Program Expenditures			
Compensation for Staff dedicated \geq 75% of Work Hours to Rental Program (<i>Gross Wages, Employer Paid Benefits & Health Insurance</i>)			
Administrative Staff (2) (100%)	108,553	113,144	115,073
Administrative Staff (1 part-time) (100%)	16,256	24,051	¹ 16,516
Rental Inspectors (2) (75%) <i>reduced from 100% in 2016</i>	134,077	115,340	115,287
Field Supervisor	81,558	82,178	² 0
Sub Total	340,444	334,713	246,876
Compensation for Support Staff dedicated <50% of Work Hours to Rental Program (<i>Gross Wages, Employer Paid Benefits & Health Insurance</i>)			
Code Enforcement Manager (40%) <i>reduced from 50% in 2016</i>	57,289	59,000	48,070
Assistant Director - Development Services (5%) <i>reduced from 10% in 2016</i>	11,225	11,400	5,802
Assistant Director - Planning (5%) <i>reduced from 10% in 2016</i>	11,186	11,239	5,753
Business Systems Analyst (5%) <i>reduced from 10% in 2016</i>	12,835	9,394	4,895
Director - PDS (5%)	8,801	8,998	9,188
Sub Total	101,876	100,031	73,708
Annual Non-Personnel Operating Costs			
Printing, Marketing and Advertising (Return Envelopes/Postcards)	5,450	0	290
Office Supplies and Apparel	860	423	493
Vehicle Charges and Maintenance/Repair	1,655	1,951	2,467
Vehicle Fuel	1,075	1,017	628
Recruitment, Education and Subscriptions	0	0	0
Utilities/data plans (Electric, Phone, I-pad) and Janitorial Services	2,271	4,690	4,644
Computers, Printers and Software	0	0	2,200
Sub Total	11,311	8,081	10,722
Total	453,631	442,825	³331,306
Budget Impact	-127,727	-100,223	+21,961

¹ Reduction in compensation due to position being eliminated through attrition in August due to a reduction in administrative workload

² The position of Field Supervisor was eliminated in late 2016 and the position was re-classified to a Code Enforcement Officer (Rental Inspector) for 2017.

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.

Personnel Summary

As the Program vs. Expenditures Table highlights, there were significant reductions in personnel expenditures in 2017. As noted in the 2016 annual report, a Code Enforcement Officer (Rental Inspector) position that became vacant in July 2016 was eliminated in the City's 2017 approved budget, significantly reducing personnel costs in 2017. Because of the reduction in Rental Inspectors, the previously authorized Field Inspection Supervisor was re-classified to a Code Enforcement Officer (Rental Inspector) in 2017, further reducing personnel costs during 2017 and beyond.

As 2017 progressed, staff also continued to review current and projected workloads of the two full-time and one part-time administrative support staff. Staff concluded the daily responsibilities of issuing new licenses and license renewals, completing phone/email correspondence and all other miscellaneous daily administrative duties could be effectively absorbed by the two full-time administrative staff. Because of these findings, the budgeted part-time (20 hrs. per week) administrative support position that became vacant in July 2017 remains unfilled at this time. This part-time position was critical when it was created to assist with the heavy influx of initial rental applications and rental inspections required to be completed over the first three years of the program expansion. It is anticipated that administrative support staff personnel expenditures for 2018 will remain relatively constant in comparison to 2017.

As the Rental Program stabilized and matured in 2017, a review of time spent by other staff that support the program was completed. As the Program vs. Expenditures Table notes, Rental Inspectors spent approximately 75% of their time during 2017 on the Rental Program (with about 25% of their time spent on other code enforcement responsibilities). The reduction in time spent on the Rental Program was a result of staff completing 196 fewer inspections in 2017 compared to 2016 which enabled them to assist the Code Enforcement Division with other code enforcement responsibilities throughout the year. Because of the high percentage of property owners that received the six-year inspection incentive cycle during their initial inspections (93.3% avg. 2015-2017), the number of inspections required to be completed from 2018-2020 will be substantially fewer than the number required during the initial three-year inspection cycle of 2015-2017. Thus, it is anticipated that the two Rental Inspectors will continue to expand their non-rental program code enforcement responsibilities in 2018 due to the expected fewer number of initial unit inspections. Therefore, their time commitment to the Rental Program in 2018 will likely be less than in 2017, resulting in less Rental Program expenditures for these two positions.

Furthermore, there was slightly less time committed to the Rental Program by four of the other five staff who support the program, as noted in the Program Revenues vs. Expenditures table. Because of these and the other changes noted above, personnel expenditures for 2017 were reduced by \$114,160 from 2016.

Budget Analysis

As directed by the City Commission when expanding the program, staff provides an ongoing review of the program's revenues vs. expenditures to ensure the program is operating in a fiscally responsible manner, not only for the City of Lawrence but for the stakeholders who are licensed and inspected per the program's regulations. A tenet of the program, when expanded in 2014,

was to be operationally budget neutral. The third full year of the program continued to provide valuable data to help achieve that objective.

As the Program Revenues vs. Expenditures Table identifies, revenues did not keep pace with expenditures in 2015 and 2016. While revenues exceeded expenses in 2017 in the amount of \$21,961, from 2015 through 2017 total expenses exceeded revenues by \$205,999, thus creating a negative budget impact since the expansion of the program.

The 2016 report noted that an annual fluctuation on either side of the revenue continuum is more likely the norm rather than the exception due to many variables – number of new units coming online, number of units qualifying for the 6-year versus 3-year inspection cycle, etc. For example, as noted above, staff projects there will be a noticeably lower number of inspections completed in 2018-2020 with subsequent lower inspection fees collected than the inspection years of 2015-2017 since many units (93.3% for a three-year average) qualified for the 6-year inspection cycle.

For these reasons, staff recommends that no change in the annual licensing and inspection fees be made for 2018. Staff will continue to annually monitor and report the fiscal impact of the program.

2017 Statistics

The tables in this report depict statistics related to the rental licensing and inspection program for the 2017 reporting period– from January 1 to December 31, 2017

Reports for other time periods may be found on the following website:
<http://www.lawrenceks.org/pds/rental-licensing/reports>

A reference guide for key acronyms used in the tables may be found on the following website:
http://lawrenceks.org/assets/pds/devservices/ced/reports/ds_ced_rental_report_acronyms_key.pdf

Annual Rental License Summary Table

RENTAL LICENSE SUMMARY DATA				
	2014	2015	2016	2017
LICENSES				
Licenses Issued - Program Inception (July 1, 2014) to Month's End	1,871	6,407	6,128	6,237
Units Licensed - Program Inception (July 1, 2014) to Month's End	2,659	16,605	18,960	20,186
INSPECTIONS				
Initial, 3-Year, 6-Year or Additional Inspections Completed (by unit)	123	975	1161	1016
Initial, 3-Year, 6-Year or Additional Inspections Completed with No Violation Found (by unit)	32	404	410	387
Initial, 3-Year, 6-Year or Additional Inspections Completed with Violation Found (by unit)	91	571	751	629
% of Units Inspected with Violations (for Initial, 3, 6 year or Additional inspections)	74.0%	59.9%	65.8%	61.9%
Reinspections Completed	86	531	812	666
Reinspections Completed with Violations Corrected	81	509	765	632

VIOLATIONS					
Total Number of Violations Found	375	1791	2173	1909	
Average Number of Violations when Found	4.1	3.1	2.9	3.0	
% of Units with Violations Outstanding after 30 Days	-	28.9%	42.7%	43.0%	
% of Units with Violations Outstanding after 60 Days	-	11.5%	28.7%	22.6%	
% of Units Inspected that Qualify for Inspection Incentive (5 or less violations)	82.1%	92.2%	94.5%	92.6%	
PROPERTY MAINTENANCE CASES					
Total Number of PMC Cases Created as a Result of a Rental Inspection	56	314	347	291	
Total Number of Violations Found-PMC	130	766	714	596	
% of Rental Units with PMC Case Created as Result of a Rental Inspection	45.5%	36.7%	32.2%	28.6%	
Average Number of Violations on PMC Case	2.1	2.4	2.1	2.0	
PMC Cases resulting from Tenant Complaint not as a Result of Rental Inspection	24	71	74	55	
MISC.					
Number of Inspections Scheduled where Consent was Denied	0	1	1	0	
Administrative Search Warrants Sought	0	1	1	0	
Administrative Search Warrants Issued	0	1	1	0	
Number of Cases sent to Prosecution	0	35	28	20	
Notices of Violation Issued to Tenants on Tenant Caused Violations	0	1	0	0	
FEES					
Total Fees Collected	\$50,226	\$325,864	\$345,602	\$353,267	

Total Active Licenses (at year's end)

Total Active Licenses 2017	
	2017
RLSF	2395
RLMF	3184
RLMA	658
RLMA (Units)	14607
Total Licenses	6237
Total Units	20186

*Reports data on number of licenses (and units) in active status at year's end.

RENTAL PROGRAM INSPECTIONS 2017				
	RLSF	RLMF	RLIU	TOTAL INSPECTIONS
RL-INITIAL PROGRAM INSPECTION	339	414	338	1091
RL-VIOLATION FOUND	203	266	149	618
RL-NO VIOLATION FOUND	106	105	171	382
RL-CANCELLED	16	19	4	39
RL-NO CONSENT FORM	2	6	4	12
RL-NO SHOW	12	18	10	40
RL-PARTIALLY CORRECTED	0	0	0	0
RL-VIOLATION CORRECTED	0	0	0	0
RL-ADDTL INITIAL INSPECTION	1	4	1	6
RL-VIOLATION FOUND	0	3	1	4
RL-NO VIOLATION FOUND	0	0	0	0
RL-CANCELLED	1	0	0	1
RL-NO CONSENT FORM	0	0	0	0
RL-NO SHOW	0	1	0	1
RL-PARTIALLY CORRECTED	0	0	0	0
RL-VIOLATION CORRECTED	0	0	0	0
RL-3-YEAR INSPECTION	14	1	0	15
RL-VIOLATION FOUND	6	1	0	7
RL-NO VIOLATION FOUND	5	0	0	5
RL-CANCELLED	1	0	0	1
RL-NO CONSENT FORM	0	0	0	0
RL-NO SHOW	2	0	0	2
RL-PARTIALLY CORRECTED	0	0	0	0
RL-VIOLATION CORRECTED	0	0	0	0
RL-6-YEAR INSPECTION	0	0	0	0
RL-VIOLATION FOUND	0	0	0	0
RL-NO VIOLATION FOUND	0	0	0	0
RL-CANCELLED	0	0	0	0
RL-NO CONSENT FORM	0	0	0	0
RL-NO SHOW	0	0	0	0
RL-PARTIALLY CORRECTED	0	0	0	0
RL-VIOLATION CORRECTED	0	0	0	0
RL-REINSPECTION	224	288	153	665
RL-VIOLATION FOUND	0	0	1	1
RL-NO VIOLATION FOUND	0	0	0	0
RL-CANCELLED	0	0	0	0
RL-NO CONSENT FORM	0	0	0	0
RL-NO SHOW	0	1	0	1
RL-PARTIALLY CORRECTED	11	15	5	31
RL-VIOLATION CORRECTED	213	272	147	632
TOTALS	578	707	492	1777

Number of Units Inspected by Inspection Result – YTD

INSPECTIONS BY RESULT 2017	
	2017
RL-VIOLATION FOUND	630
RL-NO VIOLATION FOUND	387
RL-CANCELLED	41
RL-NO CONSENT FORM	12
RL-NO SHOW	44
RL-PARTIALLY CORRECTED	31
RL-VIOLATION CORRECTED	632
Total Inspections	1777

Number of Units Inspected by Inspection Type – YTD

INSPECTIONS BY TYPE 2017	
	2017
RL-INITIAL PROGRAM INSPECTION	1091
RL-ADDTL INITIAL INSPECTION	6
RL-3-YEAR INSPECTION	15
RL-6-YEAR INSPECTION	0
RL-REINSPECTION	665
Total Inspections	1777

Number of Violations Found by Status at end of year

YTD VIOLATIONS BY STATUS - 2017	
	2017
ACTIVE	103
APPEAL	0
EXTENSION	1
IN COMPLIANCE	1805
TOTAL VIOLATIONS	1909

***Reports data at a point in time (year's end)**

Violations per Unit – YTD

YTD VIOLATIONS PER UNIT - 2017	
	2017
RENTAL LICENSES	
0 Violations	387
1-3 Violations	430
4-5 Violations	122
>5 Violations	75
Average Violations (when found)	3.0
TOTAL UNITS WITH VIOLATIONS	627
PROPERTY MAINTENANCE CASES	
1-3 Violations	255
4-5 Violations	21
>5 Violations	15
Average Violations	2.0
TOTAL UNITS WITH VIOLATIONS	291

of Units with Active Violations – YTD

# of UNITS WITH ACTIVE VIOLATIONS-2017												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0-30 Days	23	23	46	81	63	92	57	19	31	12	12	6
31-60 Days	3	8	9	6	18	30	22	29	6	8	5	10
61-90 Days	1	0	2	3	1	7	10	11	5	2	5	3
91-180 Days	1	2	0	1	1	1	3	5	9	7	6	7
> 180 Days	4	4	3	2	1	1	2	2	2	3	4	8
TOTALS	32	37	60	93	84	131	94	66	53	32	32	34
Average Days in Violation	44.6	48.3	31.4	23.5	22.6	25.3	29.7	47.6	45.1	67.1	76.3	95.4

Top Violations found –YTD

Top Violations on a Rental License-2017	
Description	# Found
6-1314(a)(23) Smoke Alarms	834
6-1314(a)(19) GFCI Receptacles	305
6-1314(a)(20) Receptacle Outlet Covers	110
6-1314(a)(7) Window Locks	86
6-1314(a)(4) Handrails and Guards	82
6-1314(a)(24) Fire Extinguishers	59
6-1314(a)(14) Mechanical Appliances	54
6-1314(a)(22) Egress Windows	51
6-1314(a)(6) Exterior Doors	48
6-1314(a)(11) Plumbing Fixtures	39

Total Fees Collected by Fee Type

RENTAL LICENSE FEES COLLECTED					
	2014	2015	2016	2017	TOTAL
DOCKETING FEE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FAILURE TO APPEAR FEE	\$25.00	\$250.00	\$325.00	\$475.00	\$1,075.00
INSPECTION FEE	\$8,700.00	\$61,050.00	\$53,050.00	\$54,650.00	\$177,450.00
LATE PAYMENT FEE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
RE-INSPECTION FEE	\$50.00	\$150.00	\$0.00	\$0.00	\$200.00
RENTAL LICENSE FEE MASTER	\$11,839.00	\$171,311.00	\$199,213.00	\$205,054.00	\$587,417.00
RENTAL LICENSE FEE PER UNIT	\$29,612.00	\$93,133.00	\$90,014.00	\$93,087.50	\$305,846.50
TOTAL	\$50,226.00	\$325,894.00	\$342,602.00	\$353,266.50	\$1,071,988.50

of Property Maintenance Code Cases generated from Rental Inspections

PROPERTY MAINTENANCE CASES GENERATED FROM RENTAL INSPECTIONS - 2017	
	Total
RLSF	117
RLMF	125
RLIU	49
TOTAL	291

Top 10 PMC violations generated from a Rental Inspection

Top Violations on a Property Maintenance Case - 2017	
Description	# Found
304.14 Insect Screens	90
504.1 Plumbing Fixtures	80
403.2 Ventilation Fan	62
304.18.1 Deadbolt Locks	56
304.13 Window, Skylight and Door Frames.	44
304.13.2 Openable Windows	44
304.2 Paint and Siding in Good Condition, Including Facia, Soffits, Doors & Windows	27
305.4 Stairs and Walking Surfaces	20
305.6 Doors and Door Assemblies	15
305.3 Interior Surfaces	15

Conclusion

It is staff's opinion that the information provided in this report continues to support the program's purpose to systematically create safe, code compliant rental housing stock in our city by regulating

the minimum code requirements established within the ordinance and the Property Maintenance Code (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 1,091 initial inspections and 664 re-inspections in 2017 that resulted in 1,909 violations cited. In addition, staff opened 291 Property Maintenance Code (PMC) cases that originated from a rental inspection that resulted in an additional 596 violations being cited for a total of 2,505 code violations cited in 2017. To demonstrate the overall success of the inspections conducted to date, staff has cited 8,454 code violations since the expansion of the program.

In closing, staff looks forward to another productive year in 2018. 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 even in its relatively small sampling of rental properties throughout the city.