

Memorandum

City of Lawrence

Planning & Development Services

TO: Craig Owens, City Manager
FROM: Scott McCullough, Director Planning & Development Services
CC: Diane Stoddard, Assistant City Manager
Casey Toomay, Assistant City Manager
Date: August 20, 2019
RE: Rental Licensing and Inspection Program Annual Report – 2018 Program Year

The city-wide rental licensing and inspection program became effective on July 1, 2014. The 2018 Annual Report provides noteworthy highlights, the Program Revenues vs. Expenditures table, a personnel summary, a budget analysis, the annual rental license summary table and ten other statistical tables that provide relevant information for 2018.

Highlights of 2018

- As of December 31, 2018, there were 6,127 rental licenses in good standing with a total of 20,653 dwelling units licensed.
- In 2018, staff completed 323 initial inspections and 204 re-inspections for a total of 527 inspections.
- In 2018, 643 violations were identified during rental inspections. Smoke alarms and GFCI receptacles continue to be the most common violations.
- In 2018, 27.6% of all rental units inspected also had a Property Maintenance Code (PMC) case associated with them. (89 PMC cases were initiated with a total of 235 violations cited).
- The number of units inspected in 2018 that qualified for the 6-year inspection incentive cycle was 89.5% compared to 92.6% in 2017.

Program Revenues and Program Expenditures

As identified in the table below, staff collected \$330,678 in fees during 2018 (annual license fees/inspection fees), a decrease of \$21,589 from 2017. Much of this reduction is directly attributed to the reduced number of inspections completed and the associated inspection fees collected in 2018 vs. 2017. This reduction in the required number of inspections to be completed was accurately projected in the 2017 annual report as the number of rental units that received the 6 year inspection incentive cycle in lieu of the three year inspection cycle in 2015 was 92% leading to a much lower required number of inspections to be completed in 2018.

The Program Revenues vs. Expenditures Table below provides additional analysis of expenditures for the program from 2015-2018.

Program Revenues vs. Expenditures (2015-2018)	2015	2016	2017	2018
Program Revenues (License and Inspection Fees)	325,894	342,602	353,267	330,678
Program Expenditures				
Compensation for Staff >50% of Work Hours to Rental Program (<i>Gross Wages, Employer Paid Benefits & Health Insurance</i>)				
Administrative Technician (2) (100%)	108,553	113,144	115,073	113,811
Administrative Technician (1 part-time 100%) <i>position eliminated in 2018</i>	16,256	24,051	16,516	0
Rental Inspectors (2) (50%) <i>reduced from 75% in 2017</i>	134,077	115,340	115,287	74,212
Field Supervisor - <i>position eliminated in 2017</i>	81,558	82,178	0	0
Sub Total	340,444	334,713	246,876	188,023
Program Expenditures				
Compensation for Support Staff <50% of Work Hours to Rental Program (<i>Gross Wages, Employer Paid Benefits & Health Insurance</i>)				
Code Enforcement Manager (40%)	57,289	59,000	48,070	48,980
Assistant Director - Development Services (5%)	11,225	11,400	5,802	5,932
Assistant Director - Planning (5%)	11,186	11,239	5,753	5,853
Business Systems Analyst (5%)	12,835	9,394	4,895	5,010
Director - PDS (5%)	8,801	8,998	9,188	9,376
Sub Total	101,876	100,031	73,708	75,151
Annual Non-Personnel Operating Costs				
Printing, Marketing and Advertising (Return Envelopes/Postcards)	5,450	0	290	0
Office Supplies and Apparel	860	423	493	241
Vehicle Charges and Maintenance/Repair	1,655	1,951	2,467	427
Vehicle Fuel	1,075	1,017	628	791
Recruitment, Education and Subscriptions	0	0	0	0
Utilities/data plans (Electric, Phone, I-pad) and Janitorial Services	2,271	4,690	4,644	5,089
Computers, Printers and Software	0	0	2,200	324
Sub Total	11,311	8,081	10,722	6,204
Total	453,631	442,825	331,306	269,378
Budget Impact	-127,727	-100,223	+21,961	+61,300

Personnel Summary

As the Program vs. Expenditures Table highlights, there are two noteworthy reductions in personnel expenditures that occurred in 2018. A part-time administrative technician position that became vacant in mid-2017 was eliminated in 2018. Secondly, the two rental inspection staff reduced their allotted time commitment from 75% in 2017 to 50% in 2018 as a result of the reduced inspection workload. It is anticipated that this percentage of time allotment will remain constant throughout 2019. Other job responsibilities for these two positions include, but are not limited to, investigating tenant complaints outside of the rental program, completing other Property Maintenance Code, Land Development Code, and Sign Code investigations as well as supporting the short-term (Airbnb) rental licensing and inspection program.

In addition, as the 2017 report highlighted, a review of allocated time committed to the program by other support staff was completed with reductions identified. Those percentages remained constant in 2018 but are expected to drop moderately in 2019. With the physical merger of the Planning & Development Services Department that occurred in early 2019, the position of Assistant Director of Development Services was eliminated and the duties of the two administrative technicians that were assigned to the program were reorganized. It is anticipated that the program in moving forward will utilize one full-time administrative technician position.

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 fourth 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 and \$61,300 in 2018, from 2015 through 2017 total expenses exceeded revenues by \$205,989, thus creating an overall negative budget of \$144,689 since the expansion of the program. With the above-mentioned reductions in personnel expenditures for 2019 combined with an increase in the number of projected inspections in 2021 and with new construction rental units being completed and occupied; staff foresees the overall negative budget gap continuing to lessen in the coming years.

It is important to note that as previous annual reports have highlighted, 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 in 2017, staff accurately projected that there will be a noticeably lower number of inspections completed in 2018 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 2019. Staff will continue to annually monitor and report the fiscal impact of the program.

2018 Statistics

The tables in this report depict statistics related to the rental licensing and inspection program for the 2018 reporting period– from January 1 to December 31, 2018

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	2018
LICENSES					
Active Licenses - Program Inception (July 1, 2014) to Month's End	1,871	6,407	6,128	6,237	6,127
Units Licensed - Program Inception (July 1, 2014) to Month's End	2,659	16,605	18,960	20,186	20,653
INSPECTIONS					
Initial, 3-Year, 6-Year or Additional Inspections Completed (by unit)	123	975	1161	1016	323
Initial, 3-Year, 6-Year or Additional Inspections Completed with No Violation Found (by unit)	32	404	410	387	105
Initial, 3-Year, 6-Year or Additional Inspections Completed with Violation Found (by unit)	91	571	751	629	188
% of Units Inspected with Violations (for Initial, 3, 6 year or Additional inspections)	74.0%	59.9%	65.8%	61.9%	58.2%
Re-inspections Completed	86	531	812	666	204
Re-inspections Completed with Violations Corrected	81	509	765	632	193
VIOLATIONS					
Total Number of Violations Found	375	1791	2173	1909	643
Average Number of Violations when Found	4.1	3.1	2.9	3.0	3.4
% of Units with Violations Outstanding after 30 Days	-	28.9%	42.7%	43.0%	41.0%
% of Units with Violations Outstanding after 60 Days	-	11.5%	28.7%	22.6%	12.0%
% of Units Inspected that Qualify for Inspection Incentive (5 or less violations)	82.1%	92.2%	94.5%	92.6%	89.5%
PROPERTY MAINTENANCE CASES					
Total Number of PMC Cases Created as a Result of a Rental Inspection	56	314	347	291	89
Total Number of Violations Found- PMC	130	766	714	596	235
% of Rental Units with PMC Case Created as Result of a Rental Inspection	45.5%	36.7%	32.2%	28.6%	27.6%
Average Number of Violations on PMC Case	2.1	2.4	2.1	2.0	2.6
PMC Cases resulting from Tenant Complaint not as a Result of Rental Inspection	24	71	74	55	64
MISC.					
Number of Inspections Scheduled where Consent was Denied	0	1	1	0	0
Administrative Search Warrants Sought	0	1	1	0	0
Administrative Search Warrants Issued	0	1	1	0	0
Number of Cases sent to Prosecution	0	35	28	20	0
Notices of Violation Issued to Tenants on Tenant Caused Violations	0	1	0	0	0
FEES					
Total Fees Collected	\$50,226	\$325,864	\$345,602	\$353,267	\$330,678

Total Active Licenses (at year's end)

Total Active Licenses 2018	
	2018
RLSF	2292
RLMF	3123
RLMA	712
RLMA (Units)	15238
Total Licenses	6127
Total Units	20653

Number of Units Inspected by Inspection Result – YTD

INSPECTIONS BY RESULT 2018	
	2018
RL-VIOLATION FOUND	188
RL-NO VIOLATION FOUND	105
RL-CANCELLED	6
RL-NO CONSENT FORM	5
RL-NO SHOW	19
RL-PARTIALLY CORRECTED	11
RL-VIOLATION CORRECTED	193
Total Inspections	527

Number of Violations Found by Status at end of year

YTD VIOLATIONS BY STATUS - 2018	
	2018
ACTIVE	82
APPEAL	0
EXTENSION	1
IN COMPLIANCE	560
TOTAL VIOLATIONS	643

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

RENTAL PROGRAM INSPECTIONS 2018				
	RLSF	RLMF	RLIU	TOTAL INSPECTIONS
RL-INITIAL PROGRAM INSPECTION	109	130	35	274
RL-VIOLATION FOUND	70	77	8	155
RL-NO VIOLATION FOUND	31	35	27	93
RL-CANCELLED	2	4	0	6
RL-NO CONSENT FORM	2	2	0	4
RL-NO SHOW	4	12	0	16
RL-PARTIALLY CORRECTED	0	0	0	0
RL-VIOLATION CORRECTED	0	0	0	0
RL-ADDTL INITIAL 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-3-YEAR INSPECTION	24	16	8	48
RL-VIOLATION FOUND	16	13	4	33
RL-NO VIOLATION FOUND	4	3	4	11
RL-CANCELLED	0	0	0	0
RL-NO CONSENT FORM	1	0	0	1
RL-NO SHOW	3	0	0	3
RL-PARTIALLY CORRECTED	0	0	0	0
RL-VIOLATION CORRECTED	0	0	0	0
RL-6-YEAR INSPECTION	1	0	0	1
RL-VIOLATION FOUND	0	0	0	0
RL-NO VIOLATION FOUND	1	0	0	1
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	88	95	21	204
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	5	5	1	11
RL-VIOLATION CORRECTED	83	90	20	193
TOTALS	222	241	64	527

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

Violations per Unit 2018

YTD VIOLATIONS PER UNIT - 2018	
	2018
RENTAL LICENSES	
0 Violations	105
1-3 Violations	119
4-5 Violations	40
>5 Violations	31
Average Violations (when found)	3.4
TOTAL UNITS WITH VIOLATIONS	190
PROPERTY MAINTENANCE CASES	
1-3 Violations	74
4-5 Violations	4
>5 Violations	11
Average Violations	2.6
TOTAL UNITS WITH VIOLATIONS	89

of Units with Active Violations 2018

# of UNITS WITH ACTIVE VIOLATIONS-2018	
	2018
0-30 Days	111
31-60 Days	55
61-90 Days	11
91-180 Days	9
> 180 Days	3
TOTALS	189

Top Violations found 2018

Top Violations on a Rental License-2018	
Description	# Found
6-1314(a)(23) Smoke Alarms	278
6-1314(a)(19) GFCI Receptacles	115
6-1314(a)(20) Receptacle Outlet Covers	44
6-1314(a)(18) Electrical Wiring	28
6-1314(a)(4) Handrails and Guards	25
6-1314(a)(7) Window Locks	23
6-1314(a)(22) Egress Windows	17
6-1314(a)(6) Exterior Doors	16
6-1314(a)(14) Mechanical Appliances	15
6-1314(a)(24) Fire Extinguishers	12

Total Fees Collected by Fee Type

RENTAL LICENSE FEES COLLECTED						
	2014	2015	2016	2017	2018	TOTAL
DOCKETING FEE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FAILURE TO APPEAR FEE	\$25.00	\$250.00	\$325.00	\$475.00	\$250.00	\$1,325.00
INSPECTION FEE	\$8,700.00	\$61,050.00	\$53,050.00	\$54,650.00	\$14,800.00	\$192,250.00
LATE PAYMENT FEE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
RE-INSPECTION FEE	\$50.00	\$150.00	\$0.00	\$0.00	\$0.00	\$200.00
RENTAL LICENSE FEE MASTER	\$11,839.00	\$171,311.00	\$199,213.00	\$205,054.00	\$225,668.00	\$813,085.00
RENTAL LICENSE FEE PER UNIT	\$29,612.00	\$93,133.00	\$90,014.00	\$93,087.50	\$89,960.56	\$395,807.06
TOTAL	\$50,226.00	\$325,894.00	\$342,602.00	\$353,266.50	\$330,678.56	\$1,402,667.06

of Property Maintenance Code Cases generated from Rental Inspections

PROPERTY MAINTENANCE CASES GENERATED FROM RENTAL INSPECTIONS - 2018	
	Total
RLSF	41
RLMF	43
RLIU	5
TOTAL	89

Top 10 PMC violations generated from a Rental Inspection

Top Violations on a Property Maintenance Case - 2018	
Description	# Found
304.13.2 OPENABLE WINDOWS	29
504.1 GENERAL - PLUMBING SYSTEMS AND FIXTURES	27
305.3 INTERIOR SURFACES	22
403.2 BATHROOMS AND TOILET ROOMS - VENTILATION	20
304.13 WINDOW, SKYLIGHT AND DOOR FRAMES	20
304.18.1 DOORS - DEADBOLT LOCKS	19
304.14 INSECT SCREENS	19
604.3 ELECTRICAL SYSTEM HAZARDS	13
305.4 STAIRS AND WALKING SURFACES	11
305.6 INTERIOR DOORS	9

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. To demonstrate the overall success of the inspections conducted to date, staff has cited 9,097 code violations since the expansion of the program. 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.