

## MEMORANDUM

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**To:** Marcy Yoder  
**From:** Mollie Fitzpatrick, Julia Jones, and Lucy McGehee  
**Re:** Rental Registry Fee Structure  
**Date:** November 15, 2022, Revised November 29, 2022

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### Fort Collins Proposed Program Structure

This memo provides fee structure options for the proposed City of Fort Collins rental licensing/registry program for the City's consideration. The fee proposed for Fort Collins is designed to recover program administration costs and distribute such costs across the full inventory of rental units in the City. Fee structure alternatives are crafted to balance the total impact on program costs, number of units in a development, and number of properties owned/managed by payors.

**Registration.** The proposed rental licensing/registry program includes an annual enrollment/renewal with an accompanying fee. Enrollment includes basic information about property ownership and a local contact for the rental property. The City of Fort Collins will collect rental unit information for the licensing/registry program through an online application. All rental units will be required to register including:

- Single family detached units
- Attached units (duplex, row, townhouses)
- Multifamily units (apartments or condos)
- Mobile homes

**Inspections.** All rental properties in the City will be inspected unless the property falls under one of the exemptions below. Inspection of licensed/registered rentals will occur on a five-year schedule. The City will use in-house inspectors—separate from existing building inspectors—to complete inspections of rental units. Units will be inspected as follows:

- All individually owned rental units regardless of type (detached, mobile home, condo, attached housing)
- Multifamily rental properties with less than 100 units will be inspected using a random sample of 10% of total units.

- Multifamily rental properties with more than 100 units will be inspected using a random sample of 5% of total units.

The following properties will be exempted from an inspection but are still required to renew their license/registration annually.

- Properties that were constructed (or substantially remodeled and inspected by the City's inspectors) within the past 10 years.
- Affordable housing units inspected under the U.S. Department of Housing and Urban Development (must provide a copy of the inspection report to the City).

## Fee Structure Options

Rental registration programs are often designed to be full cost recovery programs, though some programs are "subsidized" through General Fund allocations for program administration. Registration and inspection fees can be structured by unit, by building, or by property; some programs separate registration and inspection fees, whereas others assess a single all-encompassing fee. Details on peer community fees are included at the end of this memo for context in evaluating the fee options proposed for Fort Collins.

This section provides a rationale for potential fee structure options in Fort Collins and fee costs for payors. It considers both per unit and per property fee options and focuses on a full-cost recovery fee.

**Anticipated inspections.** Overall, the City of Fort Collins has an estimated 12,496 rental properties (with 27,480 total units). Of those, 678 properties (5,954 units) would likely be exempt from inspections (due to age or HUD inspections) leaving 11,818 rental properties (with 21,526 total units) that are likely to require inspections.

Figure 1 shows the number of rental units and properties in the City of Fort Collins that would be subject to inspections every five years (excluding properties that are less than 10 years old and affordable units inspected by HUD). A reinspection rate of 60% is used to account for units that need more than one inspection. This count of units and properties are used to calculate the number of inspections that will need to be completed annually.

With a random sample method for multifamily units, the number of inspections needed every five years is 11,965 unit inspections. A reinspection rate of 60% results in 7,179 additional inspections. Annually, the City of Fort Collins would have an estimated 3,829 inspections.

**Figure 1.**  
**Rental Units and Properties in Fort Collins and Estimated Annual Inspections**

Units and Properties	Inspections			
	Pct. Inspected	Properties	Units	Estimated Inspections
<b>Inspection Exempt</b>	<b>0%</b>	<b>678</b>	<b>5,954</b>	<b>0</b>
<b>Inspection Required</b>		<b>11,818</b>	<b>21,526</b>	<b>11,965</b>
Single Family Detached	100%	7,377	7,377	7,377
Single Family Attached	100%	2,471	2,471	2,471
Duplex	100%	1,134	1,134	1,134
Multi Unit (less than 100 units)	10%	564	4,518	452
Multi Unit (more than 100 units)	5%	30	5,784	289
Mobile Homes	100%	242	242	242
<b>Reinspection Estimate</b>	<b>60%</b>			<b>7,179</b>
<b>Total Annual Inspections</b>	<b>20%</b>			<b>3,829</b>

Source: 5-year 2020 ACS, Larimer County Assessor, Housing Catalyst, and Root Policy Research.

**Program costs.** Figure 2 shows the number of in-house inspectors needed to administer the program in the City of Fort Collins. The City would need to hire one lead inspector and 3.25 FTE inspectors. The following assumptions were used to calculate the number of inspectors needed:

- Each inspector can perform five inspections daily on average.
- Inspectors work 47 weeks (235 days) per year accounting for holiday and vacation.
- Each inspector can complete 1,175 inspections per year.
- The lead inspector can complete half the number of inspections as a regular inspector.
- Complaint based rental inspections will increase as the City educates tenants on their rights (0.25 FTE was added to cover this increase).

**Figure 2.**  
**Estimated Inspector FTE's to Administer Program**

Source:  
 City of Fort Collins and Root Policy Research.

	Inspectors	
	Assumptions	FTE
Units per day per inspector	5	
Days per year per inspector	235	
Inspector Capacity (units/year)	1,175	3.00
Lead Inspector Capacity (units/year)	588	1.00
Plus uptick in reporting		0.25
<b>Estimated Inspectors Needed</b>		<b>4.25</b>

Figure 3 shows program expenses for the City of Fort Collins. Expenses include employee compensation, one-time upfront costs, and ongoing program costs. Employee salary and benefits (with 4.25 FTE inspectors) would cost \$723,438. One-time costs for the City are estimated at \$253,380. Ongoing annual program costs are estimated at \$73,775.

Overall, the estimated program cost over the first five years is \$4,239,443 in administrative costs to the City. The program fee options, discussed in the subsequent section, are all designed to cover all administrative costs for the first five years of implementation.

**Figure 3.  
Program Expenses**

Note:

Annual inspection costs include compensation (salary and benefits) for building inspectors and the building and dev. Review tech, along with the "per inspector" ongoing annual costs. Non-Inspection related includes compensation for all other staff positions and the ongoing marketing and postage costs.

Source:

City of Fort Collins and Root Policy Research.

Category	Expenses		
	FTE	Per FTE Cost	Estimate
<b>Compensation</b>			
Program Manager (M1)	1.00	\$90,000	\$90,000
Engagement Specialist (P1)	1.00	\$65,000	\$65,000
Admin/Tech	1.00	\$50,000	\$50,000
.25 Deputy CBO (M1)	0.25	\$25,000	\$6,250
Lead Bldg Inspector	1.00	\$80,000	\$80,000
Bldg Inspector (each)	3.25	\$70,000	\$227,500
Building and Dev. Review Tech.	1.00	\$60,000	\$60,000
<b>Total Salaries</b>	<b>8.50</b>		<b>\$578,750</b>
<b>Benefits</b>	<b>0.25</b>	<b>\$578,750</b>	<b>\$144,688</b>
<b>One Time Costs</b>			
Software	1.00	75,000	\$75,000
Marketing	1.00	20,000	\$20,000
Postage	1.00	10,000	\$10,000
Translation	1.00	10,000	\$10,000
Vehicle	4.25	30,000	\$127,500
Clothing	4.25	500	\$2,125
Boots	4.25	160	\$680
Tools	4.25	100	\$425
IPAD	4.25	1,300	\$5,525
Desktop computer	4.25	500	\$2,125
<b>Total One Time Costs</b>			<b>\$253,380</b>
<b>Ongoing Annual Costs</b>			
Per Inspector			
Phone	4.25	\$50	\$213
Clothing (after year 1)	4.25	\$250	\$1,063
Vehicle maintenance and gas	4.25	\$10,000	\$42,500
Marketing and Postage			\$30,000
<b>Total Ongoing Annual Costs</b>			<b>\$73,775</b>
<b>Total</b>			
<b>Upfront Costs Total</b>			<b>\$253,380</b>
<b>Annual Costs Total</b>			<b>\$797,213</b>
<i>Annual inspection cost</i>			<i>\$503,150</i>
<i>Annual non-inspection cost</i>			<i>\$294,063</i>
<b>First Five Years Cost</b>	<b>5.00</b>		<b>\$4,239,443</b>

**Full cost recovery fee options for Fort Collins.** Figure 4 shows fee structure options for complete cost recovery in the first five years of program implementation. Two different approaches are shown for fee calculation:

- **One approach is to imbed the cost of inspections into the overall registration fee.** This approach effectively requires all registered properties to “share” the inspection cost, even though some properties will be exempt from the actual inspections.
- **The second approach is to separate the cost of registration from the cost of inspection** such that inspection-exempt properties pay a lower registration fee while properties that require inspection pay both a registration fee and an inspection fee. The inspection fee is modeled as an annual fee (even though inspections would only occur every 5 years) but could be assessed every five years instead (which would simply require multiplying the fee shown in the figure by five).

Within each approach, three annual fee assessment options are presented: a per property fee; a per-unit fee; and a hybrid fee (which assumes a base fee per property and a marginal per-unit fee for each additional unit in the property). The hybrid fee assumes 75% of the cost recovery occurs through the per-property assessment and the remaining 25% of costs are recovered through the marginal per-unit fee.

There is an additional cost calculated for reinspection per unit. The cost of reinspection is calculated by estimating the ongoing annual expenses for one inspector (\$80,300) divided by the number of inspections an inspector can complete annually on average (1,175 inspections). The cost of a reinspection would be \$68 per unit per reinspection required.

Under the first approach, which reflects an all-in-one registration + inspection fee, assessed on all rental properties in the City:

- Option one requires a per unit fee for all licensed/registered units of \$31 per unit.
- Option two requires a per property fee for all licensed/registered properties (regardless of unit count) of \$68 per property.
- Option three requires a combination of a fee per property (75% of cost recovery) and per unit (25%). This hybrid fee results in a \$51 fee per property (includes the first unit) and \$22 per additional unit.

Under the second approach, which reflects a registration fee for all rental units and an inspection fee for all rental properties that do not qualify for an inspection exemption:

- Option one requires a registration fee for all licensed/registered units of \$13 per unit and an additional \$23 per unit annually for properties requiring an inspection.

- Option two requires a per property fee for all licensed/registered properties (regardless of unit count) of \$28 per property plus an additional \$43 per property annually for properties that do qualify for an inspection exemption.
- Option three requires a registration fee per of \$21 per property (75% of cost recovery) and \$6 per additional unit (25%). Properties that do not qualify for an inspection exemption would pay another \$32 per property and \$13 per additional unit annually.

**Figure 4.**  
**Fee Structure Options for Complete 5-Year Cost Recovery**

<b>Approach 1:</b>		<b>Annual Fees</b>	
<b>Fee Options if first inspection included with registration</b>		<b>Per Property</b>	<b>Per Unit</b>
<b>Fee Structure Options (includes registration and first inspection)</b>			
<b>Option 1. Per Unit Fee Structure</b>		\$0	\$31
<b>Option 2. Per Property Fee Structure</b>		\$68	\$0
<b>Option 3. Hybrid Fee Structure (75% property; 25% unit)</b>		\$51	\$22
<b>Reinspection Costs</b>			
Single inspector annual costs			\$80,300
<b>Cost of Reinspection (per unit inspected)</b>			<b>\$68</b>
<b>Approach 2:</b>		<b>Annual Fees</b>	
<b>Fee Options if registration separate from inspection fee</b>		<b>Per Property</b>	<b>Per Unit</b>
<b>Fee Structure Options (registration and inspection fees assessed separately)</b>			
<b>Option 1. Per Unit Fee Structure</b>			
Registration fee (paid by all properties)		\$0	\$13
Inspection fee (paid only by non-exempt properties)		\$0	\$23
Total Annual Fee (for non-exempt properties)		\$0	\$36
<b>Option 2. Per Property Fee Structure</b>			
Registration fee (paid by all properties)		\$28	\$0
Inspection fee (paid only by non-exempt properties)		\$43	\$0
Total Annual Fee (for non-exempt properties)		\$70	\$0
<b>Option 3. Hybrid Fee Structure (75% property; 25% unit)</b>			
Registration fee (paid by all properties)		\$21	\$6
Inspection fee (paid only by non-exempt properties)		\$32	\$13
Total Annual Fee (for non-exempt properties)		\$53	\$19
<b>Reinspection Costs</b>			
Single inspector annual costs			\$80,300
<b>Cost of Reinspection (per unit inspected)</b>			<b>\$68</b>

Notes: Per unit reflects cost per total unit (not per inspected unit). In the hybrid fee structure, the first unit is included with property fee; per unit fee is assessed on each additional unit.

Source: Root Policy Research.

Figure 5 illustrates how the fee options described above would impact property owners of a variety of property types and sizes. A per unit structure is more expensive for larger multifamily properties whereas the per property fee is more expensive for single unit owners. The hybrid fee provides the most equitable distribution of fee costs among different property types and unit counts compared to the other two fee structures. **Root recommends the City of Fort Collins adopt hybrid fee structure.**

**Figure 5.**  
**Sample Fees by Property Type Using Fee Structure Options**

	Total Fee by Property Type		
	Single Family or Mobile Home	50 Unit Building	250 Unit Building
<b>Approach 1: Fee Structure Options (includes registration and first inspection)</b>			
<b>Option 1. Per Unit Fee Structure</b>	\$31	\$1,543	\$7,714
<b>Option 2. Per Property Fee Structure</b>	\$68	\$68	\$68
<b>Option 3. Hybrid Fee Structure (75% property; 25% unit)</b>	\$51	\$1,121	\$5,488
<b>Approach 2: Fee Structure Options (with registration and inspection separate)</b>			
<b>Option 1. Per Unit Fee Structure</b>			
Exempt from inspection	\$13	\$627	\$3,136
<b>Option 2. Per Property Fee Structure</b>			
Exempt from inspection	\$28	\$28	\$28
Inspection required	\$70	\$70	\$70
<b>Option 3. Hybrid Fee Structure (75% property; 25% unit)</b>			
Exempt from inspection	\$21	\$303	\$1,453
Inspection required	\$53	\$969	\$3,279
<b>Reinspection Costs</b>			
Number of Units Inspected	1	5	13
Cost of Reinspection	\$68	\$342	\$854

Source: Root Policy Research.

Figure 6 shows fee structures and costs for peer communities interviewed by Root (additional details on peer community programs is included in the appendix to this memo). Overall, the recommended hybrid fee for the City of Fort Collins falls in the middle of the group in terms of costs to rental property owners.

**Figure 6.**  
Peer Community Fee Structures

	Registration/License		Inspection	
	Frequency	Fee	Frequency	Fee
<b>Ames, Iowa</b>	Annual	\$50 single family \$100 duplex \$23-\$30 per unit multifamily	1 to 4 years	\$50 for 3+ reinspections
<b>Austin, Texas</b>	Annual	\$372 per property	Annual	Utility billing
<b>Boulder, Colorado</b>	4 years	\$190 per single family or per building	4 years	3rd party
<b>Lawrence, Kansas</b>	Annual	\$14-\$17 per unit	3-6 years	\$50 per unit
<b>Seattle, Washington</b>	2 years	\$70 per property \$15 per unit	5-10 years	\$175 property \$35 per unit
<b>Westminster, Colorado</b>	2 years	\$50 per unit	2-4 years	\$40 per unit

Source: Root Policy Research.



## Appendix: Peer Community Fee Detail

Root interviewed six peer communities with rental registration and inspection programs about their rental regulations and fees. These communities were selected because they are 1) university anchored (with a few exceptions); 2) have unique program requirements or methods of enforcement; and 3) have proactive inspections.

- Ames, Iowa
- Austin, Texas
- Boulder, Colorado
- Lawrence, Kansas
- Seattle, Washington
- Westminster, Colorado

Peer community program details related to fee structure are shown in Figure A-1 on the following page.

The communities interviewed either directly fund their program through fees, allocate fees to the general fund to fund the program through the general fund, or collect fees and other department specific funding to run the program. Most communities are cost neutral, while some communities are working toward that goal or using a unique funding structure. Cost recovery depends on the frequency of registration/licensing renewals (ranges from 1 to 4 years in communities), the fee structure and frequency of inspections (varies). The fee structure for the program determines the staffing capacity.

Communities where fees collected fully fund the program include Ames, Boulder, and Seattle. Programs funded through the general fund include Lawrence and Westminster. Programs funded through the general fund can be cost neutral if fee revenue contributed to the general fund is adequate. Finally, the City of Austin charges a small fee that covers the cost of registration paperwork and funds the remainder of the program's administration (staff, inspectors, etc.) through a clean community fee—\$4.25 collected monthly as part of utility billing.

Communities interviewed indicated the fee calculation itself can be a challenge. Fees that are calculated per property have a larger impact on small properties whereas fees calculated per unit have a larger impact on large properties. Interviewees suggested the fee calculation be tailored to the amount of staff time and resources properties require. A tiered fee based on the size of the property was preferred.

Figure A-1. Peer Community Program Details

	Registration/ Licensing Fee	Inspection Fee	Cost Recovery	Inspections Complaint or Proactive	Inspection Frequency	Staffing
<b>Ames, Iowa</b>	Single family \$50; duplex \$100; multifamily \$23-\$30 per unit	Included in registration fee; 3+ inspections \$50 each	100%	Proactive	1 to 4 year rotation; frequency based on performance	3 full time inspectors
<b>Austin, Texas</b>	\$372 per property	No fee for inspection; clean community fee \$4.25/month utility charge funds code enforcement	Covers registration, not staff	Registered repeat offender properties	Annual	8 full time inspectors, 1 supervisor
<b>Boulder, Colorado</b>	\$190 per SF unit or per building	Third party inspectors	100%; pre-2021 60% fee recovery, 40% general fund	Proactive	4 years	3 full time licensing team, inspections conducted by 3rd party
<b>Lawrence, Kansas</b>	\$14-\$17 per unit	\$50 per unit	General fund	Proactive	3 years typical; 5 or less violations, 6 years	3 inspectors
<b>Seattle, Washington</b>	\$70 for property and 1st unit; \$15 per additional unit	\$175 for property and 1st unit; \$35 per additional units	Working toward self-sufficiency	Proactive; random selection of 10% of all rental units in city per year	At least once every 5-10 years	1 call center, 3 administrative, 1 cashier, 3 inspectors, 1 senior inspector, 1 manager
<b>Westminster, Colorado</b>	\$50 per unit	\$40 per unit	100%	Proactive	2 and 4 year schedule of inspections based on property age	3 inspectors, 1 part time admin