



Council Finance Committee Meeting
December 1, 2022, 4-6 pm
Via Zoom

Council Attendees: Emily Francis (acting Chair), Kelly Ohlson, Shirley Peel

Staff: Kelly DiMartino, Travis Storin, John Duval, Ginny Sawyer, Dean Klingner, Drew Brooks, Teresa Roche, Kelley Vodden, Jen Poznanovic, Nina Bodenhamer, Blaine Dunn, Jo Cech, Holly Mason, Randy Bailey, Trevor Nash, Renee Reeves, Caryn Champine, Dana Hornkohl, Marc Virata, Monica Martinez, Clay Frickey, Megan Valliere, Kelley Vodden, Jill Hueser, Tracy Ochsner, Brian Hergott, Blake Visser, Kendall Minor, Josh Birks, SeonAh Kendall, Meaghan Overton, Marcy Yoder, Lindsay Ex, Gerry Paul, Claire Goodwin, Dave Lenz, Kerri Ishmael, Zack Mozer, Erik Martin, Carolyn Koontz

Others: Jason Sherrill, Chris Beabout (developers)
Molly Bohannon, Coloradoan

Meeting called to order at 4:00 pm

Approval of minutes from the November 3, 2022, Council Finance Committee Meeting. Kelly Ohlson moved for approval of the minutes as presented. Emily Francis seconded the motion. Minutes were approved unanimously via roll call by; Kelly Ohlson and Emily Francis.

A. Financial Policy Updates

Blaine Dunn, Accounting Director

SUBJECT FOR DISCUSSION: 2022 Financial Policy Review

EXECUTIVE SUMMARY: Once a year a portion of Financial Policies are reviewed and updated as needed. Staff is committed to reviewing each policy no less than every 3 years. Policy 7 and Policy 8 were reviewed in January 2022, but additional concerns were brought forward with some of those changes, so staff has adjusted the recommendations around the Local Government Investment Pools. Staff is also adding one change under Policy 5, to be reviewed by the Committee during this meeting. Policies up for review this year are:

- Financial Management Policy 5 – Fund Balance
- Financial Management Policy 7 – Debt
- Financial Management Policy 8 – Investment

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance Committee support the changes as recommended?

Tracy Ochsner; we can move forward with the parking structure design and in the back of our minds, think if we still want to do the 30-year plan, we can accommodate that space. I think there is some opportunity there. I am not eliminating that option as we design the parking structure.

Brain Hergott; I agree, right now the parking structure is very conceptual, so it would be easy to modify the design to make sure we are allowing the space that the Judge could need later for courtroom expansion.

Kelly DiMartino; would there be offices in the parking structure? Do we have retail on the ground floor?

Brain Hergott; they asked us as we went forward with design, include flat floors so we could transition it to offices if needed. No offices in the design initially.

Emily Francis; I don't see the downside of planning for 30 years. We could always phase in construction but having the plan and understanding how that would look with our other Civic Center plans. The court could change over the years, and we could change what that design looks like.

Tracy Ochsner; would it be fair to suggest that we plan for the 30 years, but we don't move past a conceptual design for the 30-year addition. We plan for it, but we don't design for it.

Emily Francis; can you explain the difference between designing and planning.

Tracy Ochsner; in planning, we would still allow for that space no matter how we design the parking structure, we could always add on that building in the future. If we did even conceptual design, we could block out that space for the court addition, but we would not go into full design but just take it to conceptual, but keep that space earmarked for the court.

Travis Storin; we will arrange for an appropriation ordinance for design funds associated with a 15-year facility.

D. Rental Licensing Pilot Programming

Meaghan Overton, Sr. Manager, Social Sustainability

Marcy Yoder, Sr. Manager, Neighborhood Services

SUBJECT FOR DISCUSSION

Request for Appropriation in the amount of \$1,600,000 from General Fund for Rental Registration and Inspection Program Start-Up Phase

EXECUTIVE SUMMARY

In August 2022, Council directed staff to develop a rental housing program that included mandatory registration of rental properties and proactive inspections to ensure that rental housing is healthy and safe. Staff has conducted a detailed fee analysis with the intent of making the rental housing program self-sustaining if approved by City Council. However, setting up the program will require an initial outlay of funds to hire additional staff, purchase software, and conduct program activities. To that end, staff is seeking feedback from Council Finance on an initial appropriation in the amount of \$1,600,000 (2023: \$776,388 and 2024: \$823,612).

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Is Council Finance Committee supportive of the request for a \$1,600,000 appropriation from the General Fund to support starting the rental registration and inspection program?

BACKGROUND/DISCUSSION

Previous Council Direction

At a work session on October 26, 2021, staff shared information with Council about the history of rental housing strategies, findings from recent demographic and market analysis, a summary of peer cities research, and an outline of a proposed roadmap to implement rental housing strategies. Several Councilmembers supported additional community engagement in early 2022 to further explore potential design of a rental registration/licensing program.

Upon receiving this Council direction at the October 26, 2021, work session, staff began an extensive community engagement process to assess feedback from rental owners, property managers, landlords, and renters. These efforts included an informational mailing to over 9,000 likely landlords identified through City Utilities and County Assessor's data; a rental industry questionnaire in February/March 2022 (1,912 responses); a formal Rental Housing Task Force that met ten times between March and August 2022; and a community questionnaire in August 2022 (1,739 responses). A comprehensive explanation of each of these engagement efforts is provided in Attachment 1.

On August 23, 2022, staff presented Council with findings from public engagement and best practice/peer cities research along with several options for potential next steps to implement Housing Strategic Plan (HSP) strategies related to rental licensing/registration (Strategy 20) and occupancy ordinance revisions (Strategy 21). Key topics for each strategy included a brief overview of existing conditions, an examination of outcomes and themes from community engagement, a summary of recommendations and best practices, and potential next steps toward implementation.

During the August 23 work session, several Councilmembers supported rental registration, while several others supported rental licensing. There was general support for a rental housing program that includes proactive inspections. Based on this Councilmember feedback, a cross-departmental group of staff has designed a rental housing program that requires registration of all rental properties and proactive inspections. Council consideration of this rental housing program is currently scheduled for the January 17, 2023, Council Hearing.

Program Cost

One of the key components of the rental program is a thorough understanding of expected initial and ongoing costs to the City and a careful calibration of fees. Root Policy Research conducted a fee analysis based on staff's proposed program structure to provide a baseline cost estimate and the corresponding fees necessary to ensure full cost recovery over the first five years of implementation (Attachment 2).

The figure below shows program expenses for the City of Fort Collins over the first five years of implementation. 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 \$223,380. Ongoing annual program costs are estimated at \$73,775. Overall, the estimated program cost over the first five years is \$4,089,443 in administrative costs to the City (\$2.5 million is inspection-related and \$1.6 million is non-inspection related costs).

Though the ongoing rental housing program is designed to be self-sustaining if approved by City Council, the start-up phase will require an initial appropriation in the amount of \$1,600,000 to hire staff, purchase software,

and fund program activities and engagement for the first two years of the program. This appropriation (including approximately 3% additional funding to account for inflation) has been included in the analysis of full cost recovery, which means that the initial outlay of funds will be recovered in full over the first five years of program implementation.

Program costs for 2023 and 2024 are estimated as follows:

	FTE	Per FTE Cost	2023 Estimate	2024 Estimate
Compensation				
Program Manager	1	\$90,000	\$67,500	\$90,000
Engagement Specialist	1	\$65,000	\$48,750	\$65,000
Admin/Tech	1	\$50,000	\$37,500	\$50,000
.25 Deputy CBO	0.25	\$25,000	\$4,688	\$6,250
Lead Bldg Inspector	1	\$80,000	\$60,000	\$80,000
Bldg Inspector	3.25	\$70,000	\$113,750	\$227,500
Bulding and Dev. Review Tech	1	\$60,000	\$30,000	\$60,000
Total Salaries	8.5		\$362,188	\$578,750
Benefits	0.25		\$90,547	\$144,688
One-Time Costs				
Software	1	\$75,000	\$75,000	\$0
Translation	1	\$10,000	\$10,000	\$0
Vehicle	4.25	\$30,000	\$127,500	\$0
Clothing	4.25	\$500	\$2,125	\$0
Boots	4.25	\$160	\$680	\$0
Tools	4.25	\$100	\$425	\$0
iPad	4.25	\$1,300	\$5,525	\$0
Destop Computer	4.25	\$500	\$2,125	\$0
Total One-Time Costs			\$223,380	\$0
Ongoing Annual				
Marketing	1	\$20,000	\$20,000	\$20,000
Postage	1	\$10,000	\$10,000	\$10,000
Phone	4.25	\$50	\$213	\$213
Clothing	4.25	\$250	\$1,063	\$1,063
Vehicle Maintenance and Fuel	4.25	\$10,000	\$42,500	\$42,500
Total Ongoing Annual Costs			\$73,775	\$73,775
Total Compensation/One-Time/Ongoing Costs			\$749,889	\$797,213
Total 2023-2024				\$1,547,102

Fee Structure

The program fee options are all designed to cover all administrative costs for the first five years of implementation. This includes the initial appropriation for the “start-up” phase of the program. Fees can be

assessed per unit, per property, or using a hybrid approach. The fee analysis from Root Policy Research notes that 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. Staff concurs with Root Policy Research’s recommendation to pursue a hybrid fee structure. The figure below outlines all of the potential fee options and the costs to a range of property owners on an annual basis:

Approach 1:		Annual Fees	
Fee Options if first inspection included with registration		Per Property	Per Unit
Fee Structure Options (includes registration and first inspection)			
Option 1. Per Unit Fee Structure		\$0	\$30
Option 2. Per Property Fee Structure		\$65	\$0
Option 3. Hybrid Fee Structure (75% property; 25% unit)		\$49	\$21
Reinspection Costs			
Single inspector annual costs			\$80,300
Cost of Reinspection (per unit inspected)			\$68
Approach 2:		Annual Fees	
Fee Options if registration separate from inspection fee		Per Property	Per Unit
Fee Structure Options (registration and inspection fees assessed separately)			
Option 1. Per Unit Fee Structure			
Registration fee (paid by all properties)		\$0	\$11
Inspection fee (paid only by non-exempt properties)		\$0	\$23
Total Annual Fee (for non-exempt properties)		\$0	\$35
Option 2. Per Property Fee Structure			
Registration fee (paid by all properties)		\$25	\$0
Inspection fee (paid only by non-exempt properties)		\$43	\$0
Total Annual Fee (for non-exempt properties)		\$68	\$0
Option 3. Hybrid Fee Structure (75% property; 25% unit)			
Registration fee (paid by all properties)		\$19	\$5
Inspection fee (paid only by non-exempt properties)		\$32	\$13
Total Annual Fee (for non-exempt properties)		\$51	\$18
Reinspection Costs			
Single inspector annual costs			\$80,300
Cost of Reinspection (per unit inspected)			\$68

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Is Council Finance Committee supportive of the request for a \$1,600,000 appropriation from the General Fund to support starting the rental registration and inspection program?

DISCUSSION / NEXT STEPS

Kelly Ohlson; supportive of the program – might be doing a lot less than I would like to see, but better than the nothing we do now - I am pleased that the Inspection and registration fees are so low. It breaks down the argument that it would automatically be passed along. \$5 will not make or break people's survival. I am very pleased as this is 1/5 to 1/8 of what I anticipated it might be. I am unlikely to move away from my position. I am supportive, and this is very fine work.

Shirley Peel; are there a lot of people that rent mobile homes?

Marcy Yoder; 247 is what we estimate our rentals to be. We do have quite a few owner-occupied mobile homes.

Shirley Peel; Do you know if the mobile home parks are renting to these people? Is it a single landlord or a company?

Marcy Yoder; the mobile home parks have homes along with a lot to rent.

Shirley Peel; at some point mobile homes can't be fixed or it is more expensive to fit them than they are worth – if they came in and said you need to do all these things, what would happen?

Marcy Yoder; we anticipate the way the code language will be written is that the home would have to be in compliance to pass the minimum health and safety guidelines. We are still investigating what does that mean or is it any different with a mobile home than with another type of building? They are regulated differently through building code, etc. The other thing that will start to give us some additional information is the Budget offer that was just approved between Neighborhood Services and Utilities concentrates on code compliance and energy efficiency inside of mobile homes. We will learn a lot in the next year about what it takes to make that mobile home a safe, healthy, and efficient unit.

Shirley Peel; I am not in favor of rental licensing, but I will keep digging and researching.

Emily Francis; Council hasn't decided on licensing versus registration, we are assuming that the cost is the same, correct?

Meaghan Overton; yes, the direction we heard from Council at the last work session was design a program that will get information about rentals and have inspections. The inspections are one of the big pieces of the costs. So, whether it is registration or licensing in technicality, those costs are likely to be very similar to each other. It is the inspection costs that we wanted to make sure were separated and clear. Registration and licensing will probably cost a similar amount of money regardless of the direction Council chooses.

Emily Francis; does our estimate on how many rental properties there are, include and require an inspection if somebody is renting a room out of their house?

Marcy Yoder; there I no way for us to know that from assessor date. Our data is based on the owner not living in that unit. I do think there is a small segment of potential there that, as a part of our outreach and education, we are going to need to figure out the best way to uncover and address that. Those situations are probably going to be the most difficult for us to enforce. The way we are looking at this and the way we know it is based on who property owner is and if that their primary residence.

Emily Francis; confirming that the intent of the program is to include those.

I think the hybrid model is great and I am also supportive of this going to Council for \$1.6M.

To Shirley's point, really keeping an eye on the mobile homes. We are going to need some creative solutions on what we are going to do with that housing segment.

ACTION ITEM:

Please add Fort Collins to the table, so it will be easier for Council to compare so we don't have to go back and forth?

Kelly Ohlson; wise move for staff – wording and semantics can make a difference but let's not get hung up on registration versus licensing. Let's get a rational program that will be real but not over the top and not overly costly. I think we are heading in the right direction. I don't think we are calling it registration or licensing, is that correct?

Marcy Yoder; we have been calling it Rental Housing Programming and we do have a question out to the City Attorney's office about registration / licensing and how that all fits into code language so, I expect that you will also get some additional information from the City Attorney's office prior to first reading about if there is a difference and if they are recommending one or the other based on our ability to enforce. The staff team who has been working on this agrees with what Kelly said, we want it to be a real, substantive program that we can enforce when we have a unit that is not passing inspections and the owner is not willing to upgrade to make it a healthy and safe unit. We want the ability to say you can no longer have tenants in that space

Kelly Ohlson; I am a very strong proponent of this program - not overreach or over the top and not costly I am not going to worry about an owner who is renting a room in their house. I am concerned about friends of mine who for years have rented a basement unit with no egress windows. Let's not get hung up on overreach or perfection.

Marcy Yoder; what Kelly is saying does make sense to me and aligns with the kinds of conversations we have been having.

Kelly Ohlson; let's deal with the real issues and not peripheral ones – we can address those later - let's go for the important stuff.

John Duval; there isn't any real distinction between registration and licensing. What is important is what are the real remedies that the city have employ? if you are not registered or licensed, what happens? What can the city do?

Meeting adjourned at 5:51 pm