

AGENDA ITEM SUMMARY

City Council



STAFF

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SUBJECT

Items Relating to Rental Housing Program.

EXECUTIVE SUMMARY

A. First Reading of Ordinance No. 009, 2023, Adopting a Rental Housing Program as an Implementation Action of the Housing Strategic Plan and the Our Climate Future Plan.

B. First Reading of Ordinance No. 010, 2023, Appropriating Prior Year Reserves in the General Fund for the Start Up Phase of the Rental Housing Program.

The purpose of this item is to consider the adoption of a Rental Housing Program. Ordinance No. 009, 2023 would amend the City Code to create the regulations for a Rental Housing Program that includes registration and proactive rental inspections and relocate and add new definitions within Article VI of Chapter 5. Ordinance No. 010, 2023, would approve an off-cycle general fund appropriation in the amount of \$750,000 to support the start-up phase of the proposed program in 2023. An additional \$850,000 will be requested to complete the start-up phase in 2024.

The development of a Rental Housing Program implements policy direction in both the Housing Strategic Plan (2021) and the Our Climate Future Plan (2021):

- Housing Strategic Plan, Strategy 20 – Explore the option of a mandated rental license/registry program for long-term rentals and pair with best practice rental regulations
- Our Climate Future Plan, Strategy HAH6 – Explore the option of mandated rental licensing/rental registry with minimum standards for health, safety, stability, and efficiency

If adopted by City Council, staff recommends that the proposed Rental Housing Program commence the start-up phase in October 2023. The time period between adoption and start-up will be used to hire and train staff, implement new software, and conduct education and outreach with landlords, tenants, property managers, and others impacted by the Rental Housing Program.

STAFF RECOMMENDATION

Staff recommends the adoption of both Ordinances on the First Reading.

BACKGROUND / DISCUSSION

Regulations for rental housing have been a topic of community dialogue and debate for many years. In November 2005, alongside changes to the enforcement of the occupancy ordinance, Council considered several options for rental registration/licensing. However, a formal rental registration or licensing program was not pursued at that time. Council also considered rental licensing in 2016 but did not pursue a program.

Previous Council Direction

The most recent community discussion about rental housing strategies began in 2020 as part of the development of the Housing Strategic Plan. In December 2020, the Council Ad Hoc Housing Committee expressed interest in exploring rental licensing to support healthy, stable housing for people who rent their homes. The Committee encouraged consideration of a pilot program for rental registration or licensing.

At a work session on October 26, 2021, staff shared information with the 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 the potential design of a rental registration/licensing program.

Staff conducted a thorough community engagement process during an 8-month period between December 2021-July 2022. The outcomes and themes from community engagement, recommendations from a Rental Housing Task Force composed of community members, a summary of best practices, and an exploration of potential next steps toward implementation were the focus of a work session with the Council on August 23, 2022. Additional information about the themes and outcomes of this engagement process is included in the Public Outreach section of this Agenda Item Summary and in the Public Engagement Summary in the Attachments. At the August 2022 work session, Councilmembers asked staff to design a rental housing program that includes proactive inspections.

In response to Council feedback, a cross-departmental staff team designed a proposed rental housing program comprised of two essential components: 1) property registration; and 2) proactive inspections. The proposed program requires an initial appropriation of \$1.6 million for its start-up phase. An overview of the proposed program and its expected financial impact was presented to the Council Finance Committee on December 1, 2022. The Committee supported bringing the Rental Housing Program before the full Council for consideration on First Reading.

Issue Identification

Safe and stable housing provides a foundation that allows individuals, families, and communities to thrive. Livable housing has a positive impact on health, economic security, educational attainment, and the overall stability of families and communities.

In Fort Collins, the best available data suggests that more than 40% of all housing units are renter-occupied. The renter community in Fort Collins makes up a significant portion of the population and the City does not currently conduct proactive rental property inspections for health, safety, and habitability. While the City maintains a complaint-based rental inspection system to promote safe and habitable housing for renters, this program does not address power dynamics faced by tenants who often fear retaliation, increased rental payments, damaged relationships with property owners, and eviction.¹

Attachment 2 is a random sample of violations found over the last three years as part of the current complaint-based system. The highest number of cases were found in District 1 (29.5%), District 5 (23.1%), and District 6 (21.8%). The types of housing were single detached (33.3%), duplex/townhome (24.4%),

¹ Chisholm, E., Howden-Chapman, P., & Fougere, G. (2020). Tenants' responses to substandard housing: Hidden and invisible power and the failure of rental housing regulation. *Housing, Theory and Society*, 37(2), 139–161.

and large multi-unit (28.2%). The number of violations found ranged from 1 up to 44 at a single property. Inspectors identified an average of 13 “required actions” per property, and 92% of the sample had more than one violation at the property in question.

This sample data also demonstrates there are health and safety issues in a variety of housing types and geographic locations throughout the city. The most frequent violations in this sample were related to general maintenance (81%), electrical (72%), and exterior (63%). Over half of properties in the sample had violations related to smoke alarms/carbon monoxide detectors (53%) and windows (53%). While this is a random sample, generally this data confirms the highest number of cases are in areas of town with older housing stock; violations are found in all housing types; and when violations are found there tend to be multiple violations with the property.

Community comments during Housing Strategic Plan engagement indicated a range of concerns with the City’s current level of regulation: a need to proactively ensure healthy, safe units; fear of retaliation or loss of housing if renters report substandard or unsafe units; and concerns about discrimination. Feedback from landlords/property managers about a Rental Housing Program included concerns about the cost of the program, a desire to ensure fair treatment of both small and large landlords, a lack of trust in the City, a desire to keep the current complaint-based system and concerns that mandatory rental registration/licensing may not be an effective way to address substandard units.

Proposed Program Design

The proposed program design aims to address concerns about the lack of proactive inspection and to ensure safe, healthy, habitable housing for all Fort Collins residents. It also strives to thoughtfully address concerns expressed by landlords and others in the rental industry regarding fairness, unnecessary regulation, and increased costs. The proposed program includes two primary components – property registration and proactive rental inspections. A start-up phase is a key component of the proposed program, and focuses on outreach, education, and feedback from those entities participating in the initial stages of implementation. The proposed program would require landlords/property owners to enroll their properties into the program, update contact information annually, and submit their rental businesses to property inspections once every five years to ensure compliance with minimum life, health, and safety standards.

Rental Property Registration: To maintain complete and timely information about rental properties in Fort Collins, all property owners who rent to tenants would be required to enroll their rental properties into the program, including both owner-occupied rental properties and fully renter-occupied properties. The information collected at this phase would include:

- Name and contact information of the property owner(s), whether LLC or natural person;
- Contact information for the property manager if one is used;
- A local contact located no more than 70 miles from the property;
- A complete list of additional rental properties owned by the property manager, if applicable
- Types of units at the property
- Age of units
- Yes/No – Whether HUD inspections are already being completed at the property

Additional reporting could be added if the start-up phase reveals the need for additional information that could enable more data-informed decision making.

Property owners would be required to renew their registration annually to ensure that local contact information is up to date, which ultimately helps facilitate a streamlined rental property inspection process.

Proactive Rental Inspections: The second element of the Rental Housing Program is a proactive inspection program for all renter-occupied properties in the City of Fort Collins. Inspectors would evaluate the health and safety of units based upon a comprehensive list of minimum habitability standards (see Attachment 7 for proposed draft criteria). Under the proposed program, inspections would be conducted by in-house

building inspectors rather than a third party to ensure consistency in the application of minimum habitability standards for rental properties. Limited exemptions are proposed for properties under the age of ten years and for affordable housing developments that are already inspected by the U.S. Department of Housing and Urban Development (HUD).

The following rental property classifications would require inspections:

- Single detached
- Attached
- Multi-unit buildings
- Condos
- Mobile homes

All single detached, attached units, and individually owned units, regardless of property type, are proposed to be inspected once every five years. For multi-unit buildings in which units share the same property owner, properties will be inspected on a percentage basis. The program will require buildings with 0-10 units to be 100% inspected, 11 to 100 units to have 10% of units inspected and buildings with greater than 100 units to have 5% of units inspected. The percentage-based inspections will allow building inspectors to identify the general state of repair for multi-unit buildings, reinforce the City’s rental housing standards of habitability for multi-unit buildings, and relieve the burden on staff and property owners of inspecting every unit in large apartment complexes with several hundred units.

Building Type	% Inspected
Single unit, detached	100%
Single unit, attached (e.g., townhouse)	100%
Individually owned (e.g., condo)	100%
Multi-unit, 0-10 units	100%
Multi-unit, 11-100 units	10%
Multi-unit, 100+ units	5%

The implementation of inspections would be staggered, with city staff inspecting roughly 20% (3,829 units) each year. As a result, the program will not reach full implementation until five years after the end of the initial start-up phase. Units will then be inspected every five years after their first, initial inspection.

Anticipated number of inspections by unit type:

Units and Properties	Inspections			
	Pct. Inspected	Properties	Units	Estimated Inspections
Inspection Exempt	0%	678	5,954	0
Inspection Required		11,818	21,526	11,965
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
Reinspection Estimate	60%			7,179
Total Annual Inspections	20%			3,829

In addition to the implementation of proactive rental housing inspections, the current complaint-based rental inspection system would remain in place. Maintaining the complaint-based system would allow tenants to report off-cycle life, health, and safety concerns that may arise between inspections. Moreover, this system would provide an option for renters in multi-unit buildings whose units were not selected for inspection to report concerns.

Proposed Fee Structure

The proposed Rental Housing Program fee structure has been designed to cover all administrative costs as projected for the first five years of implementation. As proposed, the fee for a property that requires inspection would be \$53 per property and \$19 per unit annually. Regular analysis of fees to evaluate cost recovery would be included in the administrative tasks of the Rental Housing Program staff, similar to many other fee-based City programs. Fees have not been calibrated to include the upfront cost of implementing the program; rather, the staff is requesting an appropriation in the amount of \$1.6 million to support the program's start-up phase.

To balance the impact of fees across different types of landlords and properties, staff proposes a hybrid fee structure that allocates program costs to both the rental property (75% of the cost) and each unit being rented (25% of the cost). Staff also proposes to separate the cost of property registration from the cost of inspection to ensure that properties that require inspection are paying the full cost of those inspections.

Alternative fee structures were also considered. A "per-unit" fee is more expensive for owners of larger multi-unit properties, while a "per property" fee is more expensive for owners of single-unit properties. The staff's intent in proposing a hybrid fee structure is to provide a more equitable distribution of costs among different property types. The figure below outlines all the potential fee options considered and the costs to different types of property owners on an annual basis. Under Option 3 (Hybrid Fee Structure) the cost to a property owner whose rental units require inspection would be \$53 per property and \$19 per unit annually. A property owner whose units do not require inspection would incur costs of \$21 per property and \$6 per unit annually.

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	\$31
Option 2. Per Property Fee Structure		\$68	\$0
Option 3. Hybrid Fee Structure (75% property; 25% unit)		\$51	\$22
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	\$13
Inspection fee (paid only by non-exempt properties)		\$0	\$23
Total Annual Fee (for non-exempt properties)		\$0	\$36
Option 2. Per Property Fee Structure			
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
Option 3. Hybrid Fee Structure (75% property; 25% unit)			
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
Reinspection Costs			
Single inspector annual costs			\$80,300
Cost of Reinspection (per unit inspected)			\$68

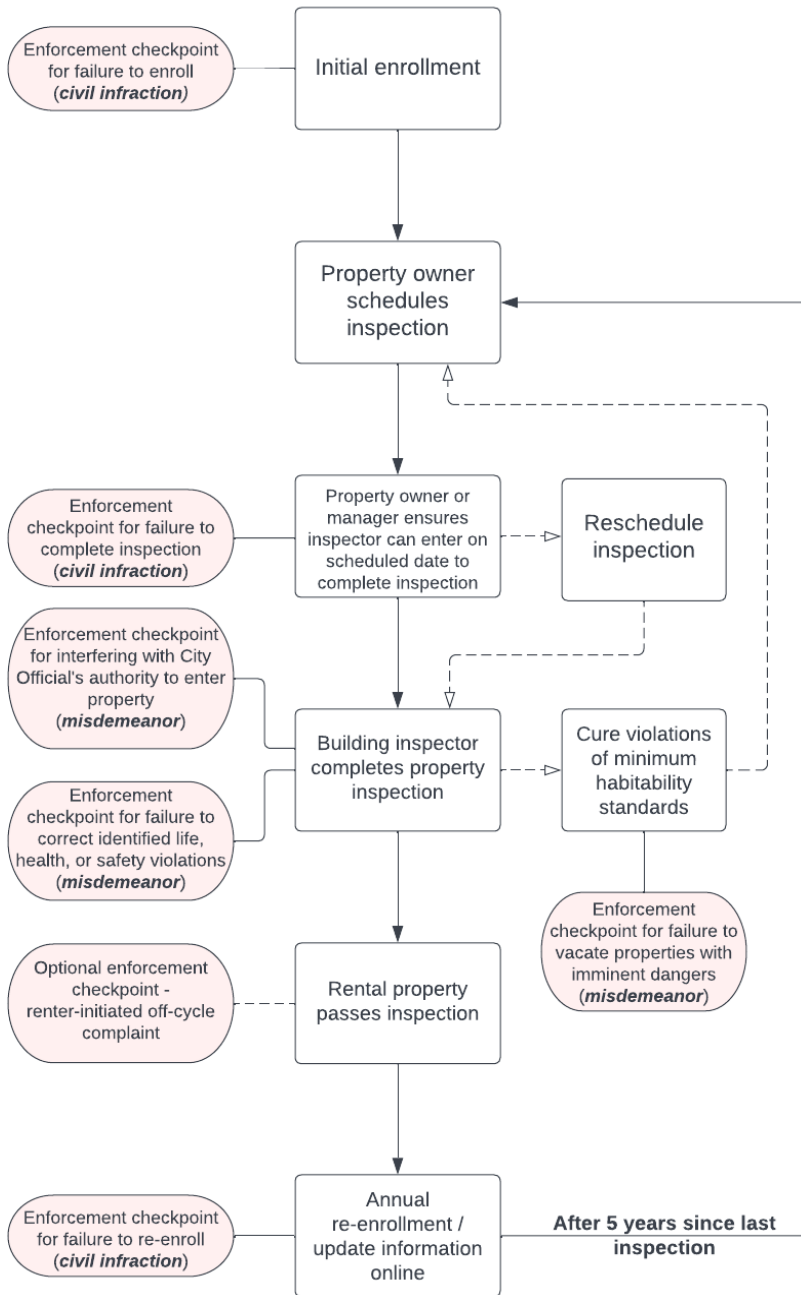
Attachment 5 includes all the details for the fee analysis completed by Root Policy Research.

Proposed Enforcement Checkpoints

Enforcement checkpoints have been built into the proposed Rental Housing Program’s design to ensure compliance at each stage. Staff intends to partner with property owners to achieve voluntary compliance with the program requirements whenever possible. A critical task of the start-up phase (and beyond) is education and outreach to landlords, property owners, property managers, and tenants to increase awareness of and compliance with the proposed program. If Council chooses to adopt the proposed program, however, staff expects that there will be some situations that may require enforcement to address violations that have not been successfully resolved through voluntary compliance.

Staff has proposed a range of penalties for failure to comply with the requirements of the Rental Housing Program that include fines, civil penalties, and, upon several repeated instances of noncompliance, misdemeanor charges. If property violations are found upon inspection, property owners will receive a notice of violation with a specified amount of time to cure the violation(s) that is dependent on the severity and implications for renter life, health, and safety. Properties with violations upon inspection will require subsequent reinspection to ensure compliance. If unpermitted work is identified during the rental housing inspection that presents a life, health, or safety concern as defined in the Building Code, a violation notice and enforcement actions would follow the current Building Code processes and codes.

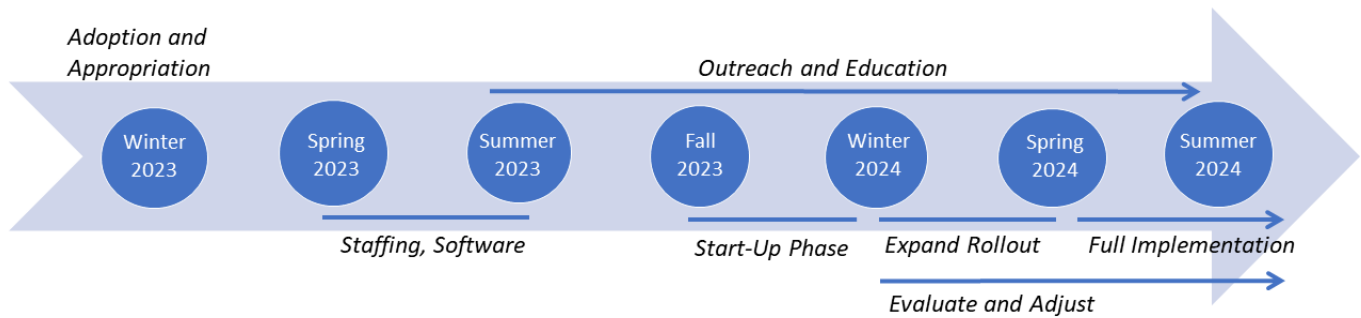
The following graphic illustrates enforcement checkpoints in the registration and inspection processes:



**Solid arrows indicate required action steps while dashed arrows indicate variable steps that depend upon individual property considerations and conditions as well as property owner actions

Implementation

If Council adopts the proposed Rental Housing Program and allocates funding for the start-up phase of the program, staff estimates that full implementation could begin as early as April 2024. The timeline below outlines the steps in the start-up phase that would lead up to the full implementation.



Adoption and Appropriation – January-February 2023

Staffing, Software – March-June 2023

- The initial phase of hiring includes the Program Manager, Engagement Specialist, Admin/Tech, and Lead Building inspector.
- Work on the Acela platform will begin to accommodate the rental housing program registration and inspection processes.
- Staff will develop all necessary rules and regulations to implement.

Outreach and Education – June 2023 (ongoing)

- Messaging and relationship building with rental industry partners will be developed and implemented.

Start-Up Phase – October 2023-January 2024

- Hire remaining staff
- Identify pilot neighborhood(s)
- Test registration and inspection processes

Evaluate and Adjust – January 2024 (ongoing)

- Identify and implement process changes
- Council memo update

Expand Rollout Citywide – January-April 2024

Full Implementation – April 2024 (ongoing)

CITY FINANCIAL IMPACTS

On December 1, 2022, staff presented initial estimates of the proposed rental housing program’s initial and ongoing costs and anticipated fee structure, which has been designed to make the program self-sustaining upon full implementation. Two of three Council Finance Committee members were supportive of an appropriation of \$1.6 million from General Fund reserves (\$750,000 in 2023 and \$850,000 in 2024) to fund the first two years of the program in its start-up phase with the below estimated costs. This Ordinance will appropriate \$750,000 in the 2023 budget. The \$850,000 for 2024 will be appropriated using the budget revision process unless otherwise directed by Council. An evaluation of the program’s implementation will be performed prior to the budget revision process in order to determine whether the full \$850,000 will be needed for 2024. These estimates do not include resources for other internal departments such as IT or legal support. If it is determined this additional work cannot be absorbed using budgeted resources, additional resources will be requested in the future and that cost will be incorporated into fee charges.

	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

Note: The total amount of the appropriation requested has been rounded to \$1.6 million to provide for an inflationary increase in 2024.

If the full implementation begins in April 2024 as planned, part of the \$850,000 2024 appropriation will be covered by fees generated and staff will be submitting a 25/26 BFO that demonstrates full fee recovery for the program.

If the full implementation is delayed beyond April 2024, it is unlikely that any of the \$850K will be recovered. Stakeholders in the rental industry have requested the City not implement during the summer as that is their primary move-in/move-out season. If the full implementation is not anticipated for January 2025, Staff will submit a BFO enhancement to fund remaining start-up costs and then submit a separate BFO offer to reflect full cost recovery upon the full implementation date.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

An overview of the proposed program and its expected financial impact was presented to the Affordable Housing Board and the Council Finance Committee on December 1, 2022. Minutes from both meetings have been included as Attachments 9 and 10.

PUBLIC OUTREACH

Past public engagement is outlined in Attachment 8. This engagement helped shape the rental program design.

The staff has collaborated with CPIO on a public awareness initiative. It includes a press release, emails to prior stakeholders, social media campaigns, an information session on January 26 as well as a new rental housing page on the Neighborhood Services website. The goal of this phase is to inform the public of the program design and ordinances being considered by Council. Staff will continue to collect public comments.

ATTACHMENTS

1. Ordinance A for Consideration
2. Ordinance B for Consideration
3. Random Sample of Violations
4. Equity Assessment
5. Peer City Research
6. Fee Memo
7. Analysis of Options and Alternatives
8. Proposed Inspection Minimum Standards
9. Community Engagement Summary
10. Draft Council Finance Committee Minutes [excerpt], December 1, 2022
11. Affordable Housing Board Minutes [excerpt], November 3, 2022
12. Affordable Housing Board Minutes [excerpt]. January 5, 2023
13. PowerPoint Presentation