



WORK SESSION AGENDA ITEM SUMMARY

City Council

STAFF

Marcy Yoder, Neighborhood Services Manager
Meaghan Overton, Housing Manager
Josh Birks, Deputy Sustainability Officer
Caryn Champine, Director of PDT

SUBJECT FOR DISCUSSION

Housing Strategic Plan Implementation: Rental Housing Strategies.

EXECUTIVE SUMMARY

The purpose of this item is to provide updates about public engagement to date and present options for potential next steps to implement three interrelated Housing Strategic Plan (HSP) strategies:

- Rental licensing/registration (Strategy 20)
- Occupancy ordinance revisions (Strategy 21)
- Small Landlord Incentives (Strategy 26)

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Which potential next steps do Councilmembers support for rental licensing/registration?
2. Which potential next steps do Councilmembers support for occupancy ordinance revisions?

BACKGROUND / DISCUSSION

Since 2005, Council has had several in-depth conversations about rental registration/licensing, occupancy, and nuisance regulation as part of the community dialogue about neighborhood livability. Council has also reviewed regular evaluations of the occupancy ordinance and its impacts. A list of relevant Council work sessions and hearings is included as an Attachment for reference.

At the October 26, 2021 work session, staff updated 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, revisions to the occupancy ordinance, and development of small landlord incentives.

Updates to share with Council at this work session focus on providing a **community engagement overview** of activities to date and outlining potential next steps for **rental licensing/registration** and **occupancy ordinance revisions**. Key topics for each strategy include a brief overview of existing conditions, outcomes and themes from community engagement, a summary of recommendations and best practices, and potential next steps toward implementation of these HSP strategies. Future work on small landlord incentives is dependent on Council direction for rental licensing/registration and occupancy ordinance revisions and will not be covered at this work session.

Community Engagement Overview

Fort Collins has had a long-standing community dialogue about the best way(s) to ensure safe, healthy housing for renters, efficiently use existing housing stock, and address nuisance issues. During development of the HSP in 2020, extensive community engagement continued to highlight a need to explore rental registration/licensing and occupancy ordinance revisions. Over the last year, staff has built on the HSP community dialogue by engaging with a range of community members to ensure that multiple perspectives are included in the current exploration of rental housing strategies.

Group Engaged	Engagement Activities Conducted
Renters, neighborhood groups, HOAs	Housing Strategic Plan engagement, 2020-2021 Community Questionnaire, Aug. 2022 Pop-up Engagement, Aug. 2022 Rental Housing Task Force
Landlords, realtors, property managers	Presentation to Northern CO Rental Housing Association, Feb. 2022 Presentation to Board of Realtors, Feb. 2022 Rental Industry Questionnaire, Feb./March 2022 Rental Housing Task Force
City Departments	Convening of Rental Housing and Occupancy Core Team Conversations with IT, Building Services, Communications and Public Involvement Office, City Attorney's Office
Council	Ad Hoc Housing Committee discussion, Dec. 2020 Rental Strategies Work Session, Oct. 2021

Summary of Key Engagement Activities

Rental Industry Questionnaire, February/March 2022: This online questionnaire was primarily focused on soliciting feedback from rental owners, property managers, and landlords to better understand how potential rental programs (e.g., registry and occupancy regulations) might impact the industry, and to explore specific elements of program design. Assessor's data was used to identify and mail flyers to nearly 9,000 likely owners of rental property within Fort Collins to ensure wide awareness of the questionnaire. A total of 1,912 people responded to the questionnaire: 68% identified themselves as rental owners, managers, or landlords, 20% were residents who live or work in Fort Collins but do not own or manage rental property.

**Figure 1.
Sample Size
of Survey
Respondents**

Source:

Fort Collins Rental
Strategy Industry
Survey, 2019 5-year
American Community
Survey, and Root Policy
Research.

	Number	Share	
Total Responses	1,912	100%	
Rental owner, manager, or landlord	1,293	68%	
Live or work in Fort Collins	384	20%	
Other (e.g., landowners, realtors, 2nd homeowners)	16	1%	
Total units owned or managed	1,293	100%	
1 unit	577	45%	
2 to 5 units	498	39%	
5 to 10 units	108	8%	
10 to 50 units	61	5%	
50 to 100 units	7	1%	
More than 100 units	34	3%	
Type of housing units owned or managed	1,293	100%	
Detached single-unit home	932	72%	21%
Attached single-unit home/duplex/triplex	399	31%	15%
Condo/Apartment/rental unit in a multiunit building	336	26%	58%
Accessory dwelling unit (ADU)	25	2%	n/a
Mobile home/trailer	10	1%	0%
Retirement community/independent or assisted living	3	0%	n/a
Group home (unrelated occupants who are disabled)	3	0%	n/a

**Distribution
of Fort Collins
Rentals by
Units in
Structure
(2019 ACS data)**

¹ Addresses were selected if their mailing address differed from the physical address with the assumption that the residential unit was rented out or not owner occupied if the addresses were different.

² Program structure questions were reserved for those in the industry directly impacted (i.e., rental owners, managers, and landlords). All respondents were asked general questions about the licensing program and occupancy restrictions.

Rental Housing Task Force, March-August 2022: In early 2022, the City convened a Task Force to support deeper exploration of the three strategies and to work collaboratively to propose modifications to current rental housing policy for consideration by staff, the broader public, and Council. A total of 76 people applied for 20 spots, and applications were reviewed by a committee of staff. The top scoring applications for landlord/property managers, renters, and others were invited to participate. Staff consulted with the City Attorney's Office on the criteria utilized for selection and the information shared with the selection team. Demographic information was collected from applicants but was not used in the selection process; it was considered in aggregate for the entire application pool to evaluate the task force's representativeness.

A panel of applicants was selected to represent a diversity of perspectives, including rental housing tenants, property owners/landlords and property managers, and people who fit neither category. Fort Collins residents Jack Armstrong, Jade Beaty, Julia Berger, Lisa Cunningham, Brannan Davis, Adam Eggleston, Emily Gallichotte, Carrie Gillis, Cecilia Granby, Sean Haines, Nicole Hanson, Mike Herder, Torey Lenocho, Robert Long, Lindsay Mason, Amy Pezzani, Jose Luis Ramos, Carolyn J. Rasley, and Isabella Zapata served as task force members for the duration of ten meetings. One task force member withdrew from participation due to other commitments. The total composition of the group was 19 members, and all meetings were facilitated by a professional third-party facilitator.

The task force members shared multiple perspectives and affiliations. They are listed below:

Renter	Industry Representative	Other
Currently renting	Realtor	Non-profit executive
Single parent	Large landlord	Immigrant to US
Experienced homelessness	Small landlord	HOA Board representative
Affordable housing tenant	Real estate appraiser	Fifth generation Fort Collins resident
Seeking home ownership	Contractor	CSU Off-Campus Life
Parent of renters	Property Manager	
Former CSU student	Former Housing authority employee	

The Task Force met a total of ten times between March 30 and August 3, 2022. The 19 Task Force members attended an average of 8.5 meetings each. Each meeting had an average of 16 Task Force members present. Task Force members completed homework assignments between meetings to ensure they were well informed. Early meetings were primarily informational as the Task Force members received presentations from staff as well as a panel including Paul Anderson, Lloyd Walker, David Roy, and Benton Roesler to explore opinions about the City's U+2 Policy.

Community Questionnaire, August 2022: This questionnaire sought opinions about how much the City's approach to rental housing regulation and occupancy should change, if at all. The questionnaire also asked respondents their opinions about a range of potential next steps for rental registration/licensing and occupancy ordinance revisions. Additional "pop-up" engagement utilizing the Neighborhood Services lemonade stand was conducted to increase awareness of the community questionnaire and encourage participation; particularly in areas where changes to occupancy and extra occupancy have been raised as a concern. A total of 1,739 responded to the questionnaire: 64% indicated that they owned their home, 31% of respondents indicated that they rented their home, 19% of respondents were landlords. The charts below show respondents by Council District and housing tenure (rent/own):

Council District	Total	Owners	%Owners	Renters	%Renters
District 1	226	138	61%	82	36%
District 2	223	150	67%	62	27%
District 3	143	94	65%	46	32%
District 4	227	154	68%	63	28%
District 5	373	249	67%	113	30%
District 6	264	144	55%	111	42%

Additional details, including summary reports from the Rental Industry Questionnaire, Rental Housing Task Force Recommendations, and Community Questionnaire, have been included as attachments. Key findings from these engagement activities have been incorporated into the next two sections, which discuss rental licensing/registration and occupancy ordinance revisions.

Rental Licensing/Registration

In November 2005, alongside changes to enforcement of the occupancy ordinance, Council also considered several options for rental registration and licensing. However, a formal rental registration or licensing program was not pursued at that time. The most recent community discussion about occupancy and rental housing strategies occurred 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.

Existing Conditions

More than 40% of all housing in Fort Collins is renter-occupied. Census data indicates that 46.9% of housing units in Fort Collins are renter-occupied, and City Utilities data estimates that 43% of housing units (about 38,000 homes) in Fort Collins are rental properties.

	Estimated Number of homes*	Estimated Percentage of all housing
Total (citywide)	87,863	100%
Owned Units	49,775	57%
Rental Units	38,088	43%
<i>Single-Household, detached rentals</i>	14,419	16% (38% of all rentals)
<i>Multi-household, mixed-use or manufactured housing rentals</i>	23,669	27% (62% of all rentals)

**Note: This data is the best available information at present but should be interpreted as an estimate because of potential data gaps or lags in reporting property information.*

To further understand ownership patterns of rental properties in Fort Collins, staff worked with Root Policy Research to conduct an Investor Ownership Analysis in April 2022 (attached). This analysis focused specifically on investor ownership of single family, du-/tri-plex, and townhome units, as traditional rental units in multi-family buildings have always been “investor” properties. Investor presence in the single family, townhome, and condo markets has increased nationwide since the Great Recession, when many such homes fell into foreclosure. Staff sought to explore the degree to which Fort Collins is experiencing this trend. The analysis found that more than 99% of single, duplex, triplex, and townhome units are owned by landlords who own fewer than 5 properties, and about 90% of these landlords own only 1 property in addition to their residence. In addition, the analysis found that most landlords (85%) are entities based in Colorado, while approximately 15% of landlords are out of state entities.

Number of Investment Properties Owned	All Investors		Rental Units Represented	
	Num.	Pct	Num.	Pct
1 property	11,113	90.3%	11,113	74.6%
2 properties	776	6.3%	1,552	10.4%
3 to 5 properties	335	2.7%	1,211	8.1%
6 to 10 properties	54	0.4%	395	2.7%
More than 10 properties	24	0.2%	626	4.2%
Total	12,302	100%	14,897	100%

Community Engagement Findings

Overall, findings from community engagement indicated that many people support some degree of change to the way the City regulates rental housing. Community comments during HSP 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. Rental registration/licensing and rental inspections were common suggestions for addressing these concerns. Sixty percent of all respondents to the Community Questionnaire supported either tweaks to the City's regulations or significant changes.

In addition, most respondents to the Community Questionnaire indicated that they "agree" or "strongly agree" with implementing rental registration (56%), implementing rental licensing (50%), and maintaining the current complaint-based inspection program (56%).

However, the Community Questionnaire results highlighted clear differences in opinion between people who are renting their homes and people who identify themselves as landlords/property managers. The only potential next step where many of both renters and landlords agreed was on maintaining the City's current complaint-based inspection program. (Note: "Neutral" or "No Opinion" responses are not included in the tabulation below.)

RENTAL STRATEGIES Agree or disagree with the following statements:	All Respondents		Renters		Homeowners		Landlords	
	Yes	No	Yes	No	Yes	No	Yes	No
Should Fort Collins rental strategies stay as they are?	40%	60%	25%	75%	46%	54%	53%	47%
Require that all landlords obtain a license to rent property in the City	50%	40%	63%	21%	45%	48%	13%	78%
Require that all landlords register their rental properties with the City	56%	34%	69%	17%	52%	40%	21%	69%
Proactively inspect rental properties on a regular basis for health and safety violations	47%	37%	62%	20%	42%	44%	15%	72%
Inspect rental properties only when a complaint is filed	56%	26%	60%	22%	53%	28%	56%	23%

The Rental Industry Questionnaire further highlighted the concerns of landlords/property managers:

- Potential costs were identified as a drawback to a licensing and inspection program, and most rental landlords/managers indicated they would pass costs on to tenants.
- Respondents indicated concern that the City was not clearly defining the problem and that rental registration/licensing was not an effective way to address the minority of units that might be substandard.
- Respondents preferred that inspections occur only if a complaint is received and that inspections focus narrowly on health and safety issues.
- Fair treatment of small and large landlords was identified as a challenge.
- Participants expressed a lack of trust with the City of Fort Collins. Specific concerns included that the City would move forward without further consideration from stakeholders, and that City lacked the ability and capacity to scale-up a pilot program for all rentals.

Task Force Recommendations

- Implement Rental Registration: By a vote of 12 in favor and four opposed, the Task Force approved a recommendation that the City of Fort Collins establish a mandatory rental housing registration program to create an up-to-date and complete listing of all rental housing units and who owns them within the City. The recommendation suggests that registration should include a nominal one-time fee for each rental unit and that landlords who fail to register their rental properties should be assessed a fine. To incentivize participation, the Task Force recommends that the City should consider establishing a landlord/tenant portal to provide resources and marketing connections. When a property is sold, the recommendation suggests that the new owner should be required to register the property in their own

name. Further, the Task Force recommends that registration information should include a designated responsible party listed for each rental unit and that contact information for the property owner should not be provided publicly unless the designated responsible party has granted permission.

- Do Not Implement Rental Licensing: By consensus, the Task Force agreed not to recommend the City establish a rental housing licensing program at this time.
- Maintain Complaint-Based Rental Inspections: The Task Force recommends against proactive inspections for the rental housing program in favor of an inspection program that is initiated only after a complaint has been filed.

Peer Cities and Best Practices

Though the Task Force did not recommend rental licensing and proactive inspections, Peer Cities research suggests that the best practice for proactively addressing the health and safety of rental housing is to design a rental licensing program that requires periodic inspections. Additionally, best practices include a fee structure designed to cover program costs, training for staff, landlords, and tenants, and a collaborative approach to designing a licensing program that involves both landlords and tenants.

Potential Next Steps

Bold font denotes potential next steps that have demonstrated both community and Rental Housing Task Force support. Rental Housing Task Force recommendations are noted with an asterisk (*). In addition to rental registration, staff also recommends an inspection program be implemented to address health and safety of rental housing. An inspection program was also outlined as a best practice.

- No change to rental regulations
- **Establish a mandatory rental registration program (*)**
- **Continue complaint-based rental inspections with a focus on habitability (health and safety) (*)**
- Establish a mandatory rental licensing program
- Require periodic proactive inspection of rental units, particularly single-unit, duplex, triplex, townhome, and units 10+ years old – *staff recommendation*
- Require inspections for extra occupancy rentals – *staff recommendation*

Occupancy Ordinance Revisions

The City has had an adopted occupancy ordinance since 1963. Active enforcement of the ordinance (also called U+2) began in 2005 with the establishment of an occupancy enforcement program. In December 2020, the Council Ad Hoc Housing Committee expressed a range of opinions about the City's occupancy ordinance. Discussion included whether the occupancy ordinance should be rescinded in favor of rental registration, or whether it should be amended and "right-sized" to better meet community needs. Some suggested that revisions to the definition of "family" and the process for approval of extra occupancy rental housing could be two "quick wins" to pursue. However, all Committee members supported further exploration of potential revisions to the occupancy ordinance.

Existing Conditions

- Currently, enforcement is managed with a complaint-based system that investigates reports of suspected over occupancy, typically based on parking, noise, or rubbish issues. In the last several years, cases have ranged from 160 to just over 200 annually. Typically, 35-50% of complaints are sustained, and the balance are unfounded or unproven.
- The demographic characteristics of households in violation of U+2 and the impact of U+2 on the housing market have been studied regularly to evaluate the effectiveness of the occupancy ordinance. The City partnered with Corona Insights to conduct the most recent of these evaluations in 2018, which was presented to Council at a work session in January 2019.

- Compared to the previous survey in 2005, the 2018 study reported a dramatic shift in the demographics of households in violation of U+2. These demographic shifts suggest that, compared to 2005, a wider cross-section of households are bringing in roommates in violation of the occupancy ordinance, likely to defray high housing costs.

	2005	2018
Total (est) households in violation	1,238	1,234
Percentage college students	71%	47%
Percentage children under 18	Negligible	13%

Community Engagement Findings

During the HSP engagement there was not a clear consensus about the best path forward for the City's occupancy ordinance. Some participants supported repealing or modifying U+2. This was seen as a potential benefit for people of all ages living on single incomes, and an opportunity to "free up" additional homes for rental or purchase. Others credited U+2 with positively impacting their neighborhoods and controlling nuisance issues.

Many comments brought up concerns about the definition of a "family" in the current occupancy ordinance, pointing to changes in community demographics and household configurations as reasons to reevaluate the ordinance. Several participants shared stories about the impact of high housing costs that led them to "double up" with other households in violation of the occupancy limits. Suggestions for potential solutions included limiting occupancy to the number of bedrooms in a home or to a certain amount of space for each person, rather than an ordinance based on peoples' relationships to each other.

The Rental Industry Questionnaire supported increasing U+2 if the property was suitable.

The Community Questionnaire indicated that most respondents were in favor of changing the occupancy code in some way (69%). Overall, there was support to allow extra occupancy citywide (62%), to make the extra occupancy rental process easier (59%), to have occupancy match the number of bedrooms in a house (51%), and to increase occupancy limits to more than three unrelated people (56%). There was also support for focusing on regulating nuisance issues rather than limiting occupancy (56%). However, people who identified themselves as homeowners who were not part of the rental industry (landlord, real estate, etc.) disagreed with all potential policy options and were split evenly regarding nuisance. (Note: "Neutral" or "No Opinion" responses are not included in the tabulation below.)

OCCUPANCY Agree or disagree with the following statements:	All Respondents		Renters		Homeowners		Non Industry homeowners	
	Yes	No	Yes	No	Yes	No	Yes	No
Should Fort Collins occupancy limit stay as they are?	31%	69%	22%	78%	36%	64%	45%	55%
Allow extra occupancy rentals in more places around the city	62%	35%	72%	23%	50%	41%	43%	49%
Make the process to approve extra occupancy easier	59%	33%	74%	21%	51%	39%	43%	46%
Adjust occupancy limit to match number of bedrooms in a home	51%	50%	59%	33%	47%	44%	38%	51%

Regulate occupancy based on household function, not family relatedness	48%	41%	51%	31%	21%	47%	28%	52%
Regulate occupancy based on number of parking spaces	22%	61%	12%	69%	27%	57%	24%	63%
Focus on regulating nuisances instead of occupancy	56%	32%	61%	26%	54%	36%	44%	44%
Increase occupancy limits to more than 3 unrelated residents	56%	37%	73%	23%	47%	45%	39%	52%
Eliminate occupancy limits completely	36%	54%	52%	36%	27%	63%	24%	67%

Task Force Recommendations

The following recommendations were approved by a vote of 16 in favor and one opposed. The primary recommendation is to change the City's occupancy ordinance. If the occupancy ordinance is not changed, the Task Force recommends adjustments to the extra occupancy process.

- Regulate by number of bedrooms: The Task Force recommends that the definition of family be removed from occupancy regulations. Instead, the Task Force recommends that current occupancy code be replaced with one that is based on the number of bedrooms to utilize the City's existing home inventory more fully; OR
- Make extra occupancy easier: The Task Force recommends considering the following as a new occupancy code is established:
 - Removing the U+2 policy from zoning law and that the policy be replaced with occupancy regulations that are enforced through administrative processes;
 - Making it easier for property owners to obtain exemptions to occupancy regulations and increasing the regions of the city where extra-occupancy permits are allowed;
 - Requiring properties with extra occupancy designations to renew permits every five years; and
 - Removing extra occupancy designations when property ownership changes and/or when a property violates public nuisance ordinances.

Recommendations and Best Practices

Peer Cities research recommendations for implementation were varied. Common approaches to regulating occupancy included identifying a specific number of unrelated adults permitted, regulating based on number of bedrooms or square footage, or regulating based on household functionality rather than familial relatedness.

Potential Next Steps

Bold font notes potential next steps that have both community and Rental Housing Task Force support. Rental Housing Task Force recommendations are noted with an asterisk (*).

- No change to occupancy ordinance
- **Change occupancy code to align with number of bedrooms rather than the number of unrelated adults (*)**; OR
- **Allow extra occupancy rentals citywide (*) and evaluate extra occupancy rental applications through an administrative permit process, not a land use approval (*)**
- Increase the number of unrelated adults permitted
- Regulate based on household functionality rather than familial relatedness

NEXT STEPS

To implement the rental housing HSP strategies in a thoughtful way that aligns with best practices and peer cities research, responds to community input, and respects the diversity of perspectives around rental housing strategies, staff has outlined several next steps for Council to consider. Bold font notes potential next steps that have demonstrated both community and Rental Housing Task Force support. Rental Housing Task Force recommendations are noted with an asterisk (*).

Rental Registration/Licensing	Occupancy
<ul style="list-style-type: none"> • No change to rental regulations • Establish a mandatory rental registration program (*) • Continue complaint-based rental inspections with a focus on habitability (health and safety) (*) • Establish a mandatory rental licensing program • Require periodic proactive inspection of rental units, particularly single-unit, duplex, triplex, townhome, and units 10+ years old – <i>staff recommendation</i> • Require inspections for extra occupancy rentals – <i>staff recommendation</i> 	<ul style="list-style-type: none"> • No change to occupancy ordinance • Change occupancy code to align with number of bedrooms rather than the number of unrelated adults (*) OR • Allow extra occupancy rentals citywide (*) and evaluate extra occupancy rental applications through an administrative permit process, not a land use approval (*) • Increase the number of unrelated adults permitted • Regulate based on household functionality rather than familial relatedness

ATTACHMENTS

Summary of Previous Council Action
 Rental Industry Questionnaire
 Investor Ownership Analysis
 Rental Housing Task Force
 Community Questionnaire
 Literature Review - Health Impacts of Rental Housing Regulations
 Powerpoint Presentation