

AGENDA ITEM SUMMARY

City Council



STAFF

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Marcy Yoder, Manager, Neighborhood Services
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SUBJECT

Items Relating to Housing Strategic Plan Implementation: Rental Housing Registration Program.

EXECUTIVE SUMMARY

A. Second Reading of Ordinance No. 086, 2023, Amending Chapter 5 of the Code of the City of Fort Collins to adopt a Rental Housing Registration Program as an Implementation Action of the Housing Strategic Plan and the Our Climate Future Plan.

B. Second Reading of Ordinance No. 087, 2023, Appropriating Prior Year Reserves in the General Fund for the Startup Phase of the Rental Housing Registration Program.

These Ordinances were adopted on First Reading on June 6, 2023. Ordinance No. 086, 2023, adopted by a vote of 5-1 (Nay: Peel), adopts the Rental Housing Registration Program, which includes rental registration, improvements to the complaint-based inspection system and software, enhanced mediation, education and outreach, and incentives for voluntary compliance. Ordinance No. 087, 2023, adopted unanimously, authorizes an off-cycle General Fund appropriation in the amount of \$461,375 (with an anticipated two-year total for 2023-2024 of \$1.1 million), to support the startup and implementation phases of the program.

Ordinance No. 086, 2023, included the following amendment to Code Section 5-283 (in gray):

Sec. 5-283. Registration required.

(a) An owner of a long-term residential rental dwelling unit shall register it with the City and comply with the requirements pursuant to this Division.

(b) Long-term residential rental units described in one or more of the following paragraphs are exempted from the registration requirements of this Article:

(1) A long-term residential dwelling unit occupied by the owner; and

(2) A mobile home rental unit in a mobile home park, as defined and described in Chapter 18 of this Code.

The development of a Rental Housing Registration 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 the Council, staff anticipates the phased rollout of registration will begin in Q3 2024. The period between adoption and implementation will be used to hire and train staff, implement new software, implement improvements to the complaint-based inspection system and mediation program, and conduct education and outreach with landlords, tenants, property managers, and others impacted by the Rental Housing Registration Program. Because the timelines for hiring processes, educational outreach, and software upgrades will impact the overall program implementation timeline, staff will keep City Council updated on the progress of the rollout as milestones are achieved.

The proposed Ordinance and supporting AIS before the Council incorporates the components that a consensus of Councilmembers expressed support for bringing forward at April 18, 2023, Council meeting discussion of rental housing. The components of the proposed program include: (1) rental registration; (2) improvements to the existing complaint-based system, including software; (3) enhanced mediation services; and (4) public education and outreach programs.

STAFF RECOMMENDATION

Staff recommends the adoption of both Ordinances on Second Reading.

BACKGROUND / DISCUSSION

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 engagement processes related to housing, renters are a critical stakeholder group who are often underrepresented and may have concerns about bringing issues of living conditions to a public forum.

Current State – Rental Market

In Fort Collins, the best available data suggests that more than 40 percent of all housing units are renter occupied. The 2019 Corona Insights Rental Market Study found that 68,815 Fort Collins residents are renters in approximately 29,000 households.¹ Fort Collins Utilities data estimates that approximately 38,000 homes in Fort Collins are rental units. The renter community in Fort Collins makes up a significant portion of the population but has little control over the condition or maintenance of its rental home. Because of Fort Collins' consistently low rental vacancy rate, renters have little choice in their housing options.

Renters in Fort Collins have additional challenges to changing their living situation. Those in a position to potentially purchase a home experience a housing market with few available "starter homes" at market entry-level prices. Investors own 80 percent of all townhomes, 86 percent of all duplexes/triplexes, and an

¹ Corona Insights, "Rental Market Study: Market Trends, Occupancy Ordinance, and Short Term Rentals", *FCGov.com*, Jan. 15, 2019, www.fcgov.com/neighborhoodservices/files/corona-insights-rental-market-report-to-fort-collins-2019-01-15.pdf.

outsized share of lower-priced single-family homes (with the average investor-owned single, detached unit costing approximately \$70,000 less than the average owner-occupied single, detached unit).²

Current State – Complaint-Based Inspections and Warranty of Habitability

The City does not currently conduct proactive rental property inspections for health, safety, and habitability. The City offers complaint-based rental inspections to promote safe and habitable housing for renters, which requires the tenant to file a complaint with the City. The complaint is not anonymous, requires notification of the landlord, is only available in English, and must be filed via email or in person at the City’s Building and Development Review Center during business hours. This complaint-based inspection system identifies the renter as the initiating party to the landlord and does not address power dynamics faced by tenants who may fear retaliation, increased rental payments, damaged relationships with property owners, or eviction that can result from filing a complaint about living conditions in the unit.³

Currently, complaints requesting rental property inspections can only be submitted via email or in paper form in person at 281 North College Avenue. The forms are only available in English and contain long-form questions requiring a narrative about the issues.

The types of issues uncovered in complaint-based inspections that required repair provide a glimpse into the types of issues experienced by renters in Fort Collins. In early 2023, 148 complaint-based rental inspections from the past 7 years were compiled and analyzed to gather data on the types of issues requiring repair in Fort Collins rental homes. Properties were inspected based on minimum health and safety requirements under the International Property Maintenance Code. On average, rental inspections resulted in landlords being asked to complete 13 “required actions” that would bring their property into compliance. The range for the number of “required actions” per unit was 1 to 44. The following is a more detailed description of the types of compliance issues discovered:

Complaint Category	Description
Interior General (including Light and Ventilation)	<ul style="list-style-type: none">• Effectiveness at keeping out the elements• General condition under International Property Maintenance Code• Violations mean:<ul style="list-style-type: none">○ Home is not secure against the elements (doors, windows, and roof) or intruders (doors and locks)○ Holes in the walls or ceiling○ Vermin infestation○ No windows/windows are too small○ Hallways/stairways are not properly lit○ Inadequate ventilation from windows, no/inoperable exhaust fans in bathrooms, and issues with exhaust vents for clothes dryers• The Occupancy portion of this category refers to the general privacy for individuals• Violations mean:<ul style="list-style-type: none">○ Bedrooms are not private○ Lack of easy access to a common bathroom

² Root Policy Research to Fort Collins Housing Strategic Plan, April 12, 2022, “Investor Ownership Analysis Memorandum”, pg. 4-5, retrieved from mccmeetings.blob.core.usgovcloudapi.net/fortcollco-pubu/MEET-Packet-71444ef2f9d14106a7c3219dcaee3e52.pdf pg. 30.

³ Chisholm, E., Howden-Chapman, P., and 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.

Complaint Category	Description
	<ul style="list-style-type: none"> Food preparation area lacks enough space and equipment (such as a refrigerator) to prepare and store foods in a sanitary manner <p><i>Note: Most of the complaints were centered around the state of repair of the home's interior, its ability to keep out the elements, or defected/damaged surfaces.</i></p>
Electrical Facilities	<ul style="list-style-type: none"> Presence of, and state of, electrical service and outlets Most common violation: <ul style="list-style-type: none"> Lack of GFCI protection in kitchen and bathroom outlets, which can pose a very serious risk of harmful electric shock.
Exterior General	<ul style="list-style-type: none"> Area outside the home such as the yard, sidewalk, outbuilding, fences, decks, and stairways that are damaged, in disrepair, or infested by vermin Hazards due to tripping/falling/collapse risk <p><i>Note: This category is not concerned with aesthetic issues such as an overgrown lawn or fallen leaves that haven't been picked up.</i></p>
Mechanical Facilities	<ul style="list-style-type: none"> State of repair of mechanical appliances Violations mean: <ul style="list-style-type: none"> Mostly cited state of heating and related fuels in the home for homes unable to be heated to 68 degrees or higher during the fall/winter months Mechanical appliances related to heating do not have proper ventilation Risk of a fuel leak from mechanical appliances
Fire Safety Requirements	<ul style="list-style-type: none"> Smoke alarms and carbon monoxide detectors Means to escape the dwelling in the case of a fire including lack of egress doors/windows Difficulty escaping in case of a fire Lack of smoke alarms or carbon monoxide detectors
Plumbing Facilities	<ul style="list-style-type: none"> State of and access to sinks, showers, toilets, and laundry facilities Lack of functional and sanitary toilets, showers, and sinks, or failure to properly connect to the sewers Lack of hot water or water pressure.

Currently, rental units in Fort Collins are regulated by both the State of Colorado's 'Implied Warranty of Habitability' and the International Property Maintenance Code, adopted by Fort Collins' Building Services. These baseline requirements are enforced in different ways. Complaint-based rental inspections follow the International Property Maintenance Code. Landlords, property owners, and property managers expressed concern about the financial burden of bringing their rental into compliance with the International Property Maintenance Code.

The Implied Warranty of Habitability is a state law that requires landlords renting out residential spaces to maintain those spaces to be “fit for human habitation” and generally safe.⁴ Examples of habitability standards include:⁵

- **Waterproofing and weather protection** that are maintained in good working order on the roof, outside walls, windows, and doors;
- **Plumbing or gas facilities** that are maintained in good working order and that complied with the applicable building codes when they were installed;
- **Running hot and cold water** that are furnished to the appropriate fixtures in the property and are connected to the appropriate sewer system;
- Functioning **heating facilities** that are in good working order and that complied with the applicable building codes when they were installed. (NOTE: There is no requirement that the landlord provide air conditioning or cooling systems of any sort.);
- **Locks or security devices** that are in good working order on all exterior doors and openable windows; and
- Functioning **appliances** maintained in good working order.

The City of Fort Collins utilizes the International Property Maintenance Code for complaint-based rental inspections.

Enforcement of the Warranty of Habitability falls to the tenant. The tenant must inform the landlord in writing of a health or safety concern about the home. If the landlord does not respond with a plan to repair (or for some issues begin repairs) within the appropriate timeframe under the law, the tenant has a series of options to enforce the Warranty of Habitability through the court. Some judicial decisions throughout the life of the case may result in penalties for the tenant from the court even if a violation of the Warranty of Habitability is later determined to be valid. Local nonprofit legal service providers do not take on Warranty of Habitability cases due to the cost and staff time, length of the cases, and the likelihood of success for the tenant compared to the rest of their caseload.

Current State - Mediation

Mediation is an alternative dispute resolution technique that brings parties in conflict together with a neutral mediator to collaboratively resolve the conflict and reach a mutual agreement on how to proceed with their interactions. The City of Fort Collins offers free, community mediation services through the Mediation and Restorative Justice Program. This program has provided landlord/tenant and other types of mediation for more than 20 years. Around 40 percent of the calls they receive are housing disputes among landlords, tenants, and roommates where people may be at risk of eviction.

Over 90 percent of landlord/tenant mediation requests received by the City are tenant-initiated. Although tenants contact Mediation and Restorative Justice with an interest in mediation, an average of only 5.5 percent get to a mediation process and of those, 30-40 percent fail to reach an agreement. In 2022, the City’s Mediation Team received more than 100 mediation requests for landlord/tenant issues and 8 landlord/tenant mediations were held. The low rate of mediation held compared to the number of contacts can be attributed to challenges with getting all parties to the table such as face to face nature of mediation, lack of enforceable protection against retaliation for engaging in the process, and willingness of landlords or property managers to participate.

⁴ 2020 Colorado Revised Statutes Title 38 - Property - Real And Personal Article 12. Tenants and Landlords Section 38-12-503. Warranty of habitability.

⁵ Colo. Rev. Stat. § 38-12-505

Current State - Education and Outreach

Outreach for the complaint-based rental inspections is largely reactive in response to tenant inquiries to the City about resolving livability issues in their rental unit. The Building Services webpage contains information on the inspections and the Neighborhood Services webpage offers a variety of other resources for self-advocacy like mediation services, Landlord-Tenant Handbook, and educational videos from Landlord-Tenant and Fair Housing Workshops.

Mediation and Restorative Justice has up-to-date brochures available in English and Spanish. The complaint-based inspections and other landlord-tenant resources do not currently have written promotional materials. The rental complaint form and the landlord-tenant handbook are only available in English and the handbook can only be accessed online.

PROPOSED PROGRAM DESIGN

Throughout the two years of discussion on rental housing policy, the primary goal agreed upon by all sectors of the public and City Council is that the outcome for this program should be improving living conditions for renters without displacement. The following program components for Council's consideration were developed through a community-centered approach that includes input from previous engagement efforts; public comment at the hearings; and guidance from City Council, and updated inputs from nonprofit community partner organizations, renters, and landlords. If the program moves forward, additional collaborative work on program implementation will continue with a wide range of stakeholders.

1. Rental Property Registration

Items funded under the proposal
Registration/Complaint-Based Inspection Software Upgrade
Rental Housing Program Manager 1.0 FTE
Administration/Technician 1.5 FTE
Data Collection

The proposed program would require landlords/property owners to enroll their properties into the program and update contact information annually. To maintain complete and timely information, 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 rental registration information collected would include, but is not limited to:

- Name and contact information of the property owner(s), whether LLC or natural person
- Contact information for the property manager, if one is used; language(s) spoken by property manager
- A local contact located no more than 70 miles from the property, if applicable
- A complete list of additional rental properties owned by the property owner, if applicable
- Types of units at the property
- Commercial name of the property (example: "Horsetooth Ridge Townhouses") if any
- Age of units
- Monthly rent*
- Utilities or services included in the rent*
- Average length of tenancy per unit/Unit turnover*

- Is this a restricted-occupant unit (example: in a 55+ community, income-qualified, business-provided workforce housing)
- Has a third-party inspection been completed in the last year?

*Nonprofit partners and tenant advocacy groups support requiring disclosure of monthly rent per unit and information on the types of leases currently utilized in Fort Collins as part of this program, but some landlords opposed this as a registration requirement. Program implementation could include these as optional disclosures and set a timeline to review their inclusion and optional nature.

Additional reporting could be required in the future if the startup phase reveals the need for specific information that could enable more data-informed decision-making.

2. Improvements to Complaint-Based Inspections

Items funded under the proposal
See #1, Registration/Complaint-Based Inspection Software Upgrade
Rental Inspectors 2.0 FTE
Vehicles x 2

- **Upgrades to software** – this would automate the process for notifications of violations, track reinspection, and resolutions of violations, and provide baseline data. This will improve consistency, efficiency, and data collection/analysis for complaint-based inspections.
- **Improve access and processes** – for complaint-based rental inspections. Intake processes and forms will be reworked to ensure they are accessible, and that process is understood by all parties.
- **Extend timeline for reporting** – Many complaint-based rental inspections are made when the tenant plans to move out. This reduces the potential for retaliation by the landlord and may be made after the tenant has found other suitable accommodations. The current “right of entry” for complaint-based inspections in the Municipal Code allows only the current resident to grant permission. This program proposes an internal policy change to allow Rental Inspectors to contact property owners regarding permission for a complaint-based “move-out inspection” initiated by a former tenant up to two weeks following the end of the tenancy.

3. Enhanced Mediation

Items funded under the proposal
See #4, Education and Outreach Engagement Specialists (2.5 FTE)

- **Proactive Mediation Agreements** – Nonprofit service providers have negotiated agreements with many landlords who provide affordable housing to proactively agree to participate in mediation before attempting to evict the tenant. Program funds and staffing could be leveraged for the expansion of this initiative.
- **Additional Engagement Staff** – Engagement staff would assist with some education and outreach related to mediation in addition to other duties under this program. Their primary functions would be to build relationships with stakeholders including nonprofit partners, renters, and low-income/fixed-income landlords; establish best practices to decrease displacement and provide culturally competent engagement opportunities.
- **Collaborative Working Group** – This program could assist with establishing a collaborative working group among mediation service providers to consider options for working with the court to provide mediation services for landlords and tenants in the time between an eviction filing and a judicial hearing.

The City’s Mediation and Restorative Justice Program and several housing-related nonprofits provide mediation services under the Eviction Legal Fund. The City’s program and the nonprofits’ programs function differently. The nonprofits are exploring a promotor’s model where community members are trained in mediation and wrap-around housing resources/navigation and deliver those services in the neighborhoods where they live. The City’s program is carried out by volunteers from neighborhoods across the city, focuses on the mediation program, and cannot refer participants to other service providers or community resources. However, the City’s program has funding and potential for capacity-building for housing-related mediation services that the nonprofits do not.

Larimer County Court currently provides hearings in Forcible Entry and Detainer or “eviction” proceedings before multiple judges that can be scheduled any day of the week when that courtroom has an opening in the docket. Other Colorado county courts require mediation prior to a judge hearing an eviction case. There are indications that Larimer County Court may be interested in further discussions around their process and a potential local pilot program, however there is currently not enough capacity between the Mediation and Restorative Justice Program and the nonprofit Eviction Legal Fund service providers combined to facilitate such a pilot.

Enhancements to housing-related mediation services are intended to build trust and remove barriers to participation with the acknowledgment that it may be difficult for enhanced mediation services to demonstrate outcomes quickly.

4. Education and Outreach

Items funded under the proposal
Engagement Specialists 2.5 FTE (2 full-time and 1 part-time)
Development of educational materials, warranty of habitability and rental minimum standard guidelines disclosures, and resource booklet
Voluntary, educational community assessments for minimum health and safety standards
Mitigation Grant Fund Pilot (funding would require a separate Council action and appropriation)
Exploration of low/no-interest loan options for landlords (funding would require a separate Council action and appropriation)

The following strategies are included in the proposed funding:

- **Additional Engagement Staff** – Two full-time and one part-time engagement staff would build relationships with stakeholders including nonprofit partners, renters, low-income/fixed-income landlords, and property managers/property owners; establish best practices to decrease displacement; and provide culturally competent engagement opportunities.
- **Additional minimum health and safety materials** – The Chief Building Official for the City of Fort Collins developed draft rental inspection guidelines (*see Attachment*) that address minimum health and safety standards for potential use in rental inspections moving forward which outlines expectations of the unit, achieving the result of improved living conditions and decreasing the fear of the potential financial impact of necessary repairs for property owners through transparency and education. Additional descriptive guidance documents, photographs, and videos would be available on the rental housing webpage.
- **Development of Warranty of Habitability/Rental Housing Inspection disclosure and resource booklet for landlords and tenants** – Colorado Legal Services has an excellent one-page, educational brochure on the Warranty of Habitability and minimum living conditions for rental properties that could be used for this purpose immediately. All educational materials, resource links, and details on the standards would be available to the public on a City-maintained website.
- **Voluntary, educational community assessments for minimum health and safety standards** – In a model like the successful Healthy Homes program, these assessments would be voluntary,

educational in-home assessments, conducted by trained community members as a companion to the complaint-based inspection system to assist landlords with voluntary compliance and calculation of potential financial impacts. Tenant-requested educational community assessments would also help delineate life, health, and safety issues of the built environment in need of immediate repair from issues that fall outside the scope of enforcement for the City of Fort Collins. Components could include a mini Do-It-Yourself toolkit for landlords uncomfortable with in-home assessments. Training community members in minimum health and safety standards also improves general community awareness and builds skills for a possible career pipeline into City positions.

- **Pilot grant fund for low-income landlords to improve substandard living conditions (2024)** – Building on the success of the Mobile Home Park Mini-Grant outcomes from 2020, piloting a grant fund for mitigation of habitability issues would provide data on uptake rates, depth of issues within a single rental unit, breadth of issues across the city, and affordability metrics.

A proposed pilot \$100,000 mitigation grant fund in 2024 would be available for income-qualified landlords who voluntarily participate in educational community assessments detailed below. A pilot grant fund would assist with determining the scope of health and safety issues citywide and per rental unit and uptake rates from landlords and create a new pathway to voluntary compliance. Grant recipients could be required to cap rent increases to no more than 3 percent per lease period per improved unit for a specified period of time commensurate with grant amounts, as outlined in the Rental Housing Program Equity Assessment.

- **Exploration of a low-interest/no-interest loan product for landlords** – Modeled after Fort Collins Utilities' Epic Loan Program, feasibility and options will need additional time to be investigated. If desired, Staff could present Council with options and research findings in the future.

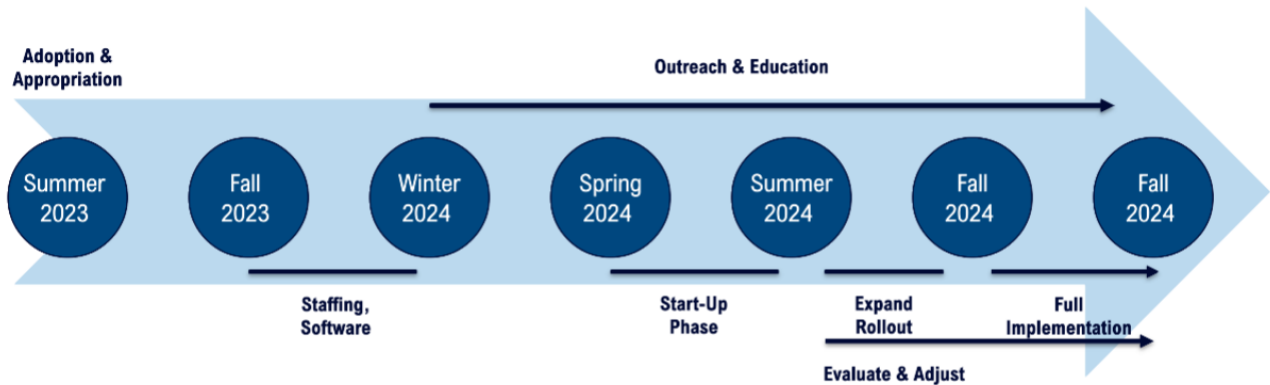
The following additional strategies are supported by stakeholder engagement feedback, success of existing analogous City programs, and City Councilmembers' input and could be part of the rental housing program implementation although they are not current commitments under the proposed funding.

- **Neighborhood-level clean-up and repair volunteer days** – This component would require the development of partnerships with skilled volunteers from nonprofit organizations like Habitat for Humanity and businesses with home repair expertise. These repair days are envisioned for lower-income neighborhoods and areas with high concentrations of rental properties.
- **Building Permit "Coupon Weeks" for limited, specific permit applications related to health and safety** – In the past and in the interest of equity, Building Services has temporarily decreased the cost of certain permits for specific neighborhoods to increase safety and voluntary compliance. This program proposes similar reduced rate permits for a limited time and manner for improvements in substandard living conditions by property owners. This may require funding from a BFO offer or grant funding.
- **Ask Inspector events and anonymous online forum**
- **Expansion of landlord and tenant training sessions, online materials, and stakeholder-specific cohorts**
- **Addressing outreach challenges** – Increasing access to and awareness of the existing complaint-based rental inspection program may result in the loss of some rental units, particularly for owner-occupied properties with some associated rental units (such as a home where the owner has roommates). The threat of costs associated with compliance may encourage these landlords to stop renting out their units but remain in the home as a non-rental property, eliminating the cost of compliance and fear of inspection by decreasing available rental housing stock and displacing current tenants.

Ninety point three percent (90.3%) of rental home investors in Fort Collins only own one (1) rental property, making them less likely to use rental income as their primary source of income than investors who own multiple properties and are less likely to participate in industry associations. This combination creates a need for engagement and education delivery models that focus on the individual property owner rather than on affiliate organizations, which takes longer and must include design elements that are customized.

Additional research into the feasibility of components with financial impacts or those requiring more complex coordination will be conducted and reported to Council following the onboarding of program staff.

TIMELINE



<p><u>Q3 2023</u></p> <ul style="list-style-type: none">• Hiring and Onboarding Staff• Improve Complaint-Based Access• Determine Program Metrics	<p><u>Q4 2023</u></p> <ul style="list-style-type: none">• Software Upgrades and IT Improvements• Enhanced Mediation• Education on Complaint-Based Inspections• Recruitment for Community Assessment Team• Begin Exploring Loan Product	<p><u>Q1 2024</u></p> <ul style="list-style-type: none">• Rental Registration Outreach• Training for Community Assessment Team• Hire Remaining Staff	<p><u>Q2 2024</u></p> <ul style="list-style-type: none">• Begin Rental Registration• Mitigation Grant Program Pilot for Income-Qualified Landlords• Begin Voluntary Community Assessments
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PROPOSED FEE STRUCTURE

The proposed Rental Housing Program fee structure has been designed to cover all administrative costs as projected for the first six years of implementation. Regular analysis of fees to evaluate cost recovery will be included in the administrative tasks of the Rental Housing Program staff, similar to many other fee-based City programs.

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's intent in proposing a hybrid fee structure is to provide a more equitable distribution of costs among different property types.

Proposed Fee Table (75% based on property and 25% based on units)

Annual Fees	Per Property	Per Unit
Registration	\$37	\$10

PROPOSED STAFFING AND STARTUP COSTS

The proposed staffing and startup costs of the Rental Housing Program are based on a phased approach to hiring during the startup phase. Hiring would start with four staff to begin education, outreach, and implementation. Then additional staff will be added as needed to support implementation. In total, the staff is requesting an appropriation of \$1.1 million over a 2-year period (\$461,375 in 2023 and \$614,700 to be appropriated in late 2023 for 20up phase of the proposed program. Note that all appropriations for 2024 will be made by separate ordinance in late 2023, including the \$100,000 potential funding for a mitigation grant fund pilot.

	FTE	Per FTE Cost	2023 Costs (from June-Dec. 2023)	2024 Costs
Compensation				
Program Manager	1	\$ 90,000	\$ 45,000	\$ 90,000
Lead Rental Inspector	1	\$ 80,000	\$ 40,000	\$ 80,000
Rental Inspector	.5	\$ 35,000	\$ 17,500	\$ 35,000
Engagement Specialist – Landlords	1	\$ 65,000	\$ 32,500	\$ 65,000
Engagement Specialist – Tenants	1	\$ 65,000	\$ 32,500	\$ 65,000
Part-Time Engagement Specialist (Connector or Housing Navigator)	.5	\$ 30,000	\$ 15,000	\$ 30,000
Admin/Tech	1.5	\$ 75,000	\$ 25,000	\$ 75,000
Total FTE	6.5		\$207,500	\$440,000
Benefits	0.25		\$ 51,875	\$110,000
Total Compensation			\$259,375	\$550,000

One-Time Costs				
	Quantity	Cost/Item	Total Cost 2023	Total Cost 2024
Software (Complaint-Based System)	1	\$75,000	\$ 75,000	\$0
Vehicle	2	\$30,000	\$ 60,000	\$0
Computer Hardware – Non-Inspectors	6	\$ 1,500	\$ 9,000	\$0
Computer Hardware – Inspectors	2	\$ 2,800	\$ 5,600	\$0
Outreach and Program Supplies	N/A	N/A	\$ 5,000	\$ 10,000

One-Time Costs				
	Quantity	Cost/Item	Total Cost 2023	Total Cost 2024
Tools	2	\$ 100	\$ 200	\$0
Mitigation Grant Fund Pilot	N/A	\$100,000*	\$0	\$0
Total One-Time Costs			\$154,800	\$ 10,000

* Will pursue a 2024 Appropriation.

Ongoing Annual Costs				
	Quantity	Cost/Item	Total Cost 2023	Total Cost 2024
Vehicle Maintenance/Fuel	2	\$10,000	\$20,000	\$20,000
Translation	N/A	N/A	\$10,000	\$10,000
Postage	N/A	N/A	\$10,000	\$10,000
Phone	7	\$ 600	\$ 4,200	\$ 4,200
Marketing	N/A	N/A	\$ 2,500	\$10,000
Uniforms (Inspectors)	2	\$ 250	\$ 500	\$ 500
Total Ongoing Annual Costs			\$47,200	\$54,700

Total Costs 2023 and 2024		
	Total Cost 2023	Total Cost 2024
Total Compensation	\$259,375	\$550,000
One-Time Costs	\$154,800	\$ 10,000
Ongoing Costs	\$ 47,200	\$ 54,700
Total Costs	\$461,375	\$614,700

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 the October 26, 2021 work session, 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 the potential design of a rental registration/licensing program.
- Staff conducted community engagement 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 Council on August 23, 2022. At this work session, Council directed staff to design a Rental Housing Program that included proactive inspections.

- In response to Council feedback, a cross-departmental staff team designed a Rental Housing Program comprised of two essential components: (1) property registration; and (2) proactive inspections. The proposed program would have required an initial appropriation of \$1.6 million for its startup 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.
- At the First Reading on January 17, 2023, Council voted to table the Rental Housing Program as presented and asked staff to bring scaled options to a future work session.
- At the February 28, 2023 work session, Council reviewed scaled options for a Rental Housing Program. Three options were presented: rental registration with improved complaint-based inspections (Option 1), rental registration with delayed proactive inspections (Option 2), and rental registration with proactive inspections (Option 3). Proposed improvements to the complaint-based inspection program in Option 1 included the expansion of landlord/tenant mediation support, enhanced education and outreach, and additional staff capacity to perform rental inspections. Most Councilmembers supported Option 2 and staff scheduled First Reading of an ordinance encompassing Option 2 for April 4, 2023.
- At the April 4, 2023 meeting, Council approved on First Reading a rental housing registration and proactive inspection program by a 4-3 vote.
- In response to community concerns about unintended consequences, at the Second Reading of an ordinance to create a rental housing registration and proactive inspection program on April 28, 2023, City Council voted to indefinitely postpone further discussion or decisions on that ordinance. Council then directed staff to bring forward a rental registration program that included improvements to the existing complaint-based inspection system, including software upgrades; enhanced mediation; and increased inclusive education and outreach tools and resources.

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 was 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 startup phase.

The currently proposed option described herein has lower startup costs than the program presented in December. In total, the staff is requesting an appropriation of approximately \$1.1 million from General Fund reserves (\$461,375 in 2023 and \$614,700 to be appropriated in late 2023 for 2024). A 2024 Revision offer will be completed during the revision process in July of 2023 to gain Council approval to appropriate the 2024 amount from General Fund reserves needed for this program. Note that the \$100,000 potential funding for a mitigation grant fund pilot would require a separate appropriation request for 2024 from the program appropriation request for 2024.

The fees are set at the full cost recovery amounts, the revenue projection exceeds the appropriation request and would recover the startup costs within five years.

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.

PUBLIC OUTREACH

Public engagement processes that assisted with shaping the proposed Rental Housing Registration Program components included:

Housing Strategic Plan engagement	2020-2021
Rental industry presentations	Feb. 2022
Rental Industry Questionnaire	Feb.-March 2022
Rental Housing Task Force	March-Aug. 2022
Community Questionnaire	August 2022
Housing Nonprofit, Renter, Small Landlord Stakeholder Meetings	April-May 2023

Outreach for the development of the rental housing program focused on landlords, property managers, and property owners. An initial rental industry questionnaire and educational presentations were provided to industry stakeholders in early 2022 but a parallel engagement track for renters had fewer formal opportunities to provide input and nonprofit entities that work in the housing sector had no dedicated engagement for the program development. There was previous engagement with renters during the Housing Strategic Plan process expressing support for changes. The Rental Housing Taskforce did include participants from the renter or former renter category and from landlords, property managers, or real estate professionals. Stakeholders from rental housing program engagement activities stated an interest in follow-up regarding the proposed program design on proactive rental inspections, occupancy policy, and rental registration before the proposal went to Council for consideration but some felt they had limited opportunities to review or provide additional feedback.

Nonprofit community partners expressed concern related to the lack of opportunities for nonprofits and renters to provide feedback or guidance in the process, citing unintended consequences for renters and low-income landlords they believe were not considered or acknowledged as risk factors in the program development. Since the Second Reading of the previous ordinance, Neighborhood Services staff has been collaborating closely with nonprofit community partners, renters, and fixed-income/low-income landlords to co-create educational program components and proposed incentives for voluntary compliance with the minimum habitability standards and participation in mediation. The proposed program design reflects the outcomes of this community-centered work.

ATTACHMENTS

First Reading attachments not included.

1. Ordinance A for Consideration
2. Ordinance B for Consideration