

MEMORANDUM

To: Marcy Yoder
From: Mollie Fitzpatrick, Julia Jones, and Lucy McGehee
Re: Rental Registry Fee Structure: revised for no inspection
Date: February 6, 2023

This memo serves as an addendum to Rental Registry Fee Structure memo provided to the City of Fort Collins on November 15, 2022 and revised on November 29, 2022. The previous memo explored fee options of a licensing/registry program that included health and safety inspections for some units. This current memo provides an alternative fee analysis for a program that does not include inspections.

Similar to the previous analysis, this memo assumes a full cost recovery program; however, the program costs under this modified program proposal have been adjusted to account for removal of required inspections.

Program costs. Figure 1 shows the modified program expenses at full program operation. The five-year total accounts for reduced compensation and annual costs in the first year, assuming the program begins part-way through 2023).

Overall, the estimated program cost over the first five years is \$3,037,120 in administrative costs to the City (compared to a 5-year total of \$4,239,443 under the previous program structure that included inspections). The program fee options, discussed in the subsequent section, are all designed to cover all administrative costs for the first five years of implementation.

**Figure 1.
Program Expenses**

Note:

Five-year total assumes a reduced cost estimate for compensation and annual costs in 2023.

Source:

City of Fort Collins and Root Policy Research.

Category	Expenses		
	FTE	Per FTE Cost	Estimate
Compensation			
Program Manager	1.00	\$90,000	\$90,000
Engagement Specialist	1.00	\$65,000	\$65,000
Mediation Specialist	1.00	\$65,000	\$65,000
Admin/Tech	2.00	\$50,000	\$100,000
Lead Inspector	1.00	\$80,000	\$80,000
Inspector	1.00	\$70,000	\$70,000
Total Salaries	7.00		\$470,000
Benefits	0.25	\$470,000	\$117,500
One Time Costs			
Software	1.00	\$75,000	\$75,000
Vehicle	2.00	\$30,000	\$60,000
Clothing	2.00	\$500	\$1,000
Boots	2.00	\$160	\$320
Tools	2.00	\$100	\$200
IPAD	2.00	\$1,300	\$2,600
Laptops	5.00	\$1,500	\$7,500
Desktops	2.00	\$500	\$1,000
Total One Time Costs			\$147,620
Ongoing Annual Costs			
Marketing	1.00	\$20,000	\$20,000
Translation	1.00	\$10,000	\$10,000
Postage	1.00	\$10,000	\$10,000
Phone	7.00	\$500	\$3,500
Vehicle maintenance and fuel	2.00	\$10,000	\$20,000
Clothing	2.00	\$250	\$500
Total Ongoing Annual Costs			\$64,000
Total			
Upfront Costs Total			\$147,620
Annual Costs Total			\$651,500
First Five Years Cost			\$3,077,120

Full cost recovery fee options for Fort Collins. Figure 4 shows fee structure options for complete cost recovery in the first five years of program implementation. Fee calculation is based on the same estimated unit-count as the original fee calculation memo: 12,496 rental properties (with 27,480 total units).

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

- Option one requires a per unit fee for all licensed/registered units of \$22 per unit.
- Option two requires a per property fee for all licensed/registered properties (regardless of unit count) of \$49 per property.
- Option three requires a combination of a fee per property (75% of cost recovery) and per unit (25%). This hybrid fee results in a \$37 fee per property (includes the first unit) and \$10 per additional unit.

Figure 2.
Fee Structure Options for Complete 5-Year Cost Recovery

	Annual Fees	
	Per Property	Per Unit
Fee Structure Options (no inspections)		
Option 1. Per Unit Fee Structure	\$0	\$22
Option 2. Per Property Fee Structure	\$49	\$0
Option 3. Hybrid Fee Structure (75% property; 25% unit)	\$37	\$10

Notes: In the hybrid fee structure, the first unit is included with property fee; per unit fee is assessed on each additional unit.

Source: Root Policy Research.

Figure 3 illustrates how the fee options described above would impact property owners of a variety of property types and sizes. A per unit structure is more expensive for larger multifamily properties whereas the per property fee is more expensive for single unit owners. The hybrid fee provides the most equitable distribution of fee costs among different property types and unit counts compared to the other two fee structures. Root recommends the City of Fort Collins adopt hybrid fee structure.

Figure 3.
Sample Fees by Property Type Using Fee Structure Options

	Total Fee by Property Type		
	Single Family or Mobile Home	50 Unit Building	250 Unit Building
Fee Structure Options (no inspections)			
Option 1. Per Unit Fee Structure	\$22	\$1,120	\$5,599
Option 2. Per Property Fee Structure	\$49	\$49	\$49
Option 3. Hybrid Fee Structure (75% property; 25% unit)	\$37	\$540	\$2,594

Source: Root Policy Research.