



WORK SESSION AGENDA ITEM SUMMARY

City Council

STAFF

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SUBJECT FOR DISCUSSION

Review Scaled Options for Rental Housing and Inspection Program.

EXECUTIVE SUMMARY

The purpose of this work session is to review scaled options for a rental housing program. Three options are 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 include the expansion of landlord/tenant mediation support, enhanced education and outreach, and additional staff capacity to perform rental inspections..

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Would Council like to take further action on any of the options presented?

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 Council on August 23, 2022. At the August 2022 work session, Council directed 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 would have required 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.

At the first reading on January 17, 2023, Council voted to table the rental housing code as presented and asked staff to bring scaled options to a future work session.

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

Community comments from renters 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, concerns that the problem had not been sufficiently defined, 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 Scaled Options

Three options are presented below for consideration. All options require mandatory registration of rental properties. Option 1 does not require any proactive inspections, emphasizing improvement of the complaint-based inspection system instead. Option 2 requires proactive inspections after the first year for any property that has not completed a third-party inspection (exception for properties less than 10 years old). Option 3 requires proactive inspections for all rental properties (exceptions for properties less than 10 years old and those required to be inspected by HUD). Detailed information about staffing and budget is available in the "Proposed Staffing and Start-Up Costs" section.

Option 1 – Rental Registration with Improved Complaint-Based Inspections: 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 enrollment information collected would include:

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.

- 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
- Has a third-party inspection been completed in the last year? If yes, please upload a copy of the results.
- A self-attestation that the property is compliant with the IPMC (International Property Maintenance Code).

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 update their enrollment information annually to ensure that local contact information is up to date, which ultimately helps facilitate a streamlined rental property inspection process.

It is expected that the additional education and outreach planned for this program will result in additional requests for mediation and complaint-based rental inspection. Therefore, staffing (1 mediation specialist and 2 rental inspectors) was added to meet these needs. Start-up cost for this option would be approximately \$1.1 million over two years (2023-2024).

Option 2 – Rental Registration with Delayed Proactive Inspections: This option follows the outline above and adds proactive inspections after the first full year of implementation for any properties that do not have a third-party inspection that meets the City’s minimum habitability standards. Having a year of registrations would allow us to understand and evaluate the third-party inspections that are already occurring. Fees could then be established for the remaining properties and units that would need to be inspected by the City. The program design would follow what is outlined below from the option presented to Council on January 17th. The number of inspections will decrease from the model below as other third-party inspections are accepted beyond HUD inspections. Buildings less than 10 years old would still be exempt from inspection. Start-up cost for this option would mirror Option 1 at approximately \$1.1 million over two years (2023-2024) with a recalibration of fees when inspections begin.

Option 3 – Rental Registration with Proactive Inspections: The rental registration outlined above is the same and a proactive inspection program for all renter-occupied properties in the City of Fort Collins is included in this program design. Inspectors would evaluate the health and safety of units based on a comprehensive list of minimum habitability standards (see Attachment 2 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. Start-up cost for this option would be approximately \$1.6 million over two years (2023-2024).

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. 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.

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). Dependent on which model is chosen staff also proposes to separate the cost of

property enrollment 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. (See attachment A and B for Root Policy Fee memos)

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

Annual Fees per Model Type	Per Property	Per Unit
Registration Only	\$37	\$10
Registration/Delayed Inspection	To be determined	To be determined
Registration/Proactive Inspection	\$53	\$19

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 a rental housing 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 a complaint-based rental 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 the renter’s life, health, and safety. Properties with violations upon complaint-based rental inspection will require subsequent reinspection to ensure compliance. If unpermitted work is identified during the complaint-based 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.

Proposed Staffing and Startup Costs

Option 1 – Rental Property Registration with Improved Complaint-Based Inspections: This model includes the addition of a mediation specialist to work with landlords and tenants and keeps two rental inspectors to manage complaint-based inspections.

	FTE	Per FTE Cost	2023 estimate	2024 estimate
Compensation				
Program Manager	1	\$90,000	\$45,000	\$90,000
Engagement Specialist	1	\$65,000	\$38,000	\$65,000
Mediation Specialist	1	\$65,000	\$19,000	\$65,000
Admin/Tech	2	\$50,000	\$43,000	\$100,000
Lead Inspector	1	\$80,000	\$40,000	\$80,000
Inspector	1	\$70,000	\$35,000	\$70,000
Total Salaries	7	\$420,000	\$220,000	\$470,000
Benefits	0.25		\$55,000	\$117,500

One time costs				
Software	1	\$75,000	\$75,000	0
Vehicle	2	\$30,000	\$60,000	0
Clothing	2	\$500	\$500	0
Boots	2	\$160	\$320	0
Tools	2	\$100	\$200	0
IPAD	2	\$1,300	\$2,600	0
Laptops	5	\$1,500	\$7,500	0
Desktops	2	\$500	\$1,000	0
Total One-Time costs			\$147,120	0
Ongoing Annual				
Marketing	1	\$20,000	\$20,000	\$20,000
Translation	1	\$10,000	\$10,000	10,000
Phone	7	\$500	\$3,500	\$3,500
Vehicle maintenance and fuel	2	\$10,000	\$10,000	\$20,000
Clothing	2	\$250	\$0	\$500
Total Ongoing Annual Costs			\$43,500	\$54,000
TOTAL			\$465,620	\$641,500
Total Start-up Costs				\$1,107,120

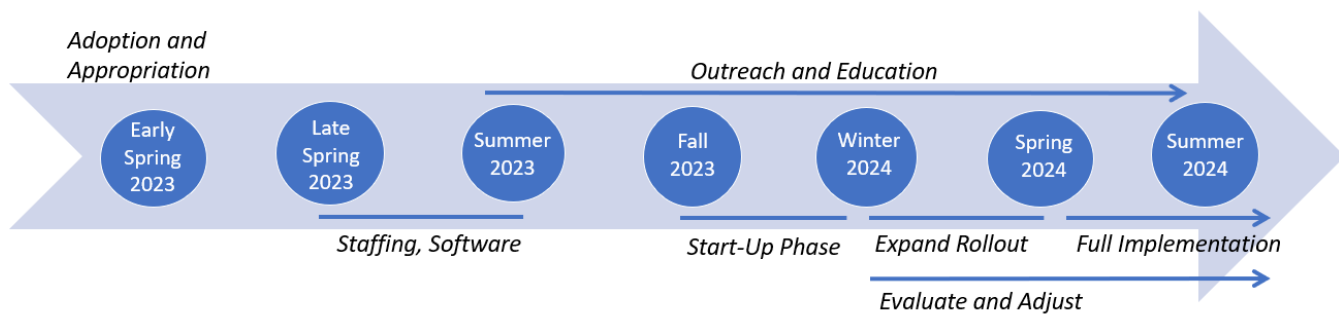
Option 3 – Rental Registration with Proactive Inspections:

	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

Option 2 (Rental Registration with Delayed Proactive Inspections) would have the same start-up costs as Option 1 (Rental Registration with Complaint-Based Inspections). After the first year, program costs and fees would need to be recalculated based on the number of properties that have a third-party inspection.

Potential Implementation

If Council chooses to implement a rental housing program, it will take approximately 18 months to reach full implementation for all options presented. The first quarter would be spent on adoption and appropriation. The second quarter would be spent on hiring initial staff and building out the software platform. Education and outreach would begin as quickly as possible and be ongoing. The third quarter begins the start-up phase. Expanding the roll-out would follow until Full implementation was reached at the end of the 18 months. Evaluations and adjustments would happen at each stage of the process.



Comparison of Potential Outcomes

Staff has evaluated the potential outcomes of the three proposed options within the context of the Housing Strategic Plan (HSP) vision that “everyone has healthy, stable housing they can afford.” In addition to the HSP vision, staff also considered the triple-bottom line (social/environmental/economic) and equity implications of each option.

Option 1 (rental registration with improved complaint-based inspections) proposes no proactive inspections but does include improvements to the city’s existing complaint-based inspection program. The advantages of this approach are that the mandatory registration provides baseline data regarding the location and types of rental housing in the community and would require property owners to self-certify that their properties meet the IPMC. Moreover, the approach will likely not displace renters or result in drastic cost increases for tenants or landlords. Finally, increased resourcing for mediation and education/outreach will likely result in a greater number of complaints and higher utilization of these services, which will increase the overall quality of the rental housing stock for those who participate in the complaint-based inspection program.

The most significant tradeoff in Option 1 is that a complaint-based system does not ensure equitable access to healthy and safe rental housing. A complaint-based system places the burden to report primarily on tenants and does not address power dynamics between tenants and landlords. Accordingly, tenants are likely to report concerns only when they feel empowered to do so, resulting in disparities in access to healthy and safe housing as well as potential data gaps related to the true state of rental property maintenance throughout the City. A complaint-based inspection system also does not address the possibility that renters may lack the power, resources, or knowledge to recognize and report violations of habitability standards.

Option 3 (rental registration with proactive inspections) proposed proactive inspection of rental units for minimum life, health, and safety standards. Pairing mandatory registration with proactive inspections of all rental properties ensures that the rental housing stock in the community maintains a minimum level of health and safety, ultimately promoting housing health and stability for all community members. Advantages to this approach include equitable access to healthy and safe housing for all residents due to all rental properties being subject to mandatory inspections, a complete and data-driven understanding of property maintenance issues and home health inequities in the rental housing stock over time, and a lower reliance on renters to report substandard conditions.

Specific tradeoffs that accompany Option 3 include renter displacement in cases of extreme safety standards at specific rental properties, the potential for increased rents due to program costs that will likely be passed on to renters, and the potential for high repair costs to come into compliance with minimum habitability standards at rental properties that do not pass inspection. The cost of compliance is a particular concern for properties with significant deferred maintenance, properties that do not meet minimum habitability standards, and for smaller landlords that may not have the ability to absorb repair costs as readily as larger landlords.

The advantages and tradeoffs of Option 2 (rental registration with a delayed inspection component) will be similar to Option 3 (rental registration with proactive inspections), but over a longer period of time.

The following table summarizes the advantages and tradeoffs associated with different approaches to rental housing programming by evaluating options at their most and least effective, recognizing that actual outcomes will likely fall somewhere in between.

	Rental Registration with Improved Complaint-Based Inspections (Option 1)	Rental Registration with Proactive Inspections (Options 2 and 3)
At its most effective:	<ul style="list-style-type: none"> - Creates a complete database of rental housing locations, property types, local contacts, and other essential information. - Improved complaint-based system and additional outreach/education empowers renters to report substandard living conditions where they exist, incrementally improving the quality of rental housing stock. - Additional resources for mediation result in improved tenant/landlord relationships. - Maintains reasonable per property and per unit registration fees, with the costs of the program fully recovered by fees. 	<ul style="list-style-type: none"> - Creates a complete database of rental housing locations, property types, local contacts, and other essential information. - Ensures equitable access to safe and healthy rental units for all renters. - Alleviates the burden on renters to report substandard living conditions and ensures proactivity on behalf of the City. - Proactively improves and maintains the quality of all rental housing stock. - Provides property owners and landlords a marketable certification from the City that helps them attract tenants. - Maintains reasonable per property and per unit fees utilizing in-house inspectors. The costs of the program are fully recovered by fees.
At its least effective:	<ul style="list-style-type: none"> - Fails to provide a complete database of rental housing if landlords do not register properties. - Fails to adequately and equitably provide protections for all renters in the City due to reliance on complaint-based inspections. - Self-attestation in lieu of proactive inspections results in noncompliance or and failure to achieve improvement in overall rental housing quality. - Access to safe and healthy rental housing contingent on tenant possessing power, resources, and knowledge to recognize and report concerns. - Noncompliance and enforcement challenges result in a lack of effective programming. 	<ul style="list-style-type: none"> - Fails to provide a complete database of rental housing if landlords do not register properties. - Displaces renters in cases of serious life/health/safety concerns if landlord cannot afford to repair. - Creates excessive cost burdens for tenants via increased rents and/or for landlords if expensive property repairs are required. - Annual fee analysis results in a need to increase program fees. - High cost burden results in landlords exiting the market with a resulting decrease in rental housing stock. - Noncompliance and enforcement challenges result in a lack of effective programming.

NEXT STEPS

If Council chooses to move forward with one of the proposed options, a first and second reading could be scheduled in March or April

ATTACHMENTS

1. Root Policy Research Supplemental Fee Analysis Memo
2. Root Policy Research Fee Analysis Memo
3. Proposed Minimum Habitability Standards
4. Presentation