



Rental Housing Program: Second Reading

Housing Strategic Plan Implementation

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- **Strategy 20** - Explore the option of a mandated rental license/registry program and pair with best practice rental regulations.



Big Move 7: Healthy, Affordable Housing

- **HAH6:** Explore mandated rental license/rental registry

Why are we looking at a rental registration and inspection program?

- *Greatest Challenge #7:* Housing policies have not consistently addressed housing stability and healthy housing, especially for people who rent
- *Community engagement:* a desire to proactively ensure **healthy, safe units** and maintain neighborhood **quality of life**



Registration

Annual Rental Property Registration

Items included:

- Identify property ownership
- Local contact info
- Types and locations of units
- Age of units
- Information about third-party inspections if applicable
- Self-attestation



Inspections

- Begin after first year of registration
- Internal rental inspection team
- Inspections every 5 years

Building Type	% Inspected
Single unit, Multi-unit 0-10 units	100%
Multi-unit, 11-100 units	10%
Multi-unit, 100+ units	5%

- Anticipated number of inspections annually: 3,829
 - Over five years covers 11,818 properties and 21,526 units and reinspections
 - Each inspector 5 daily x 47 weeks = 1,175 inspections annually
 - Based on current inspection timeframes, allowing for time off

Program Funding:

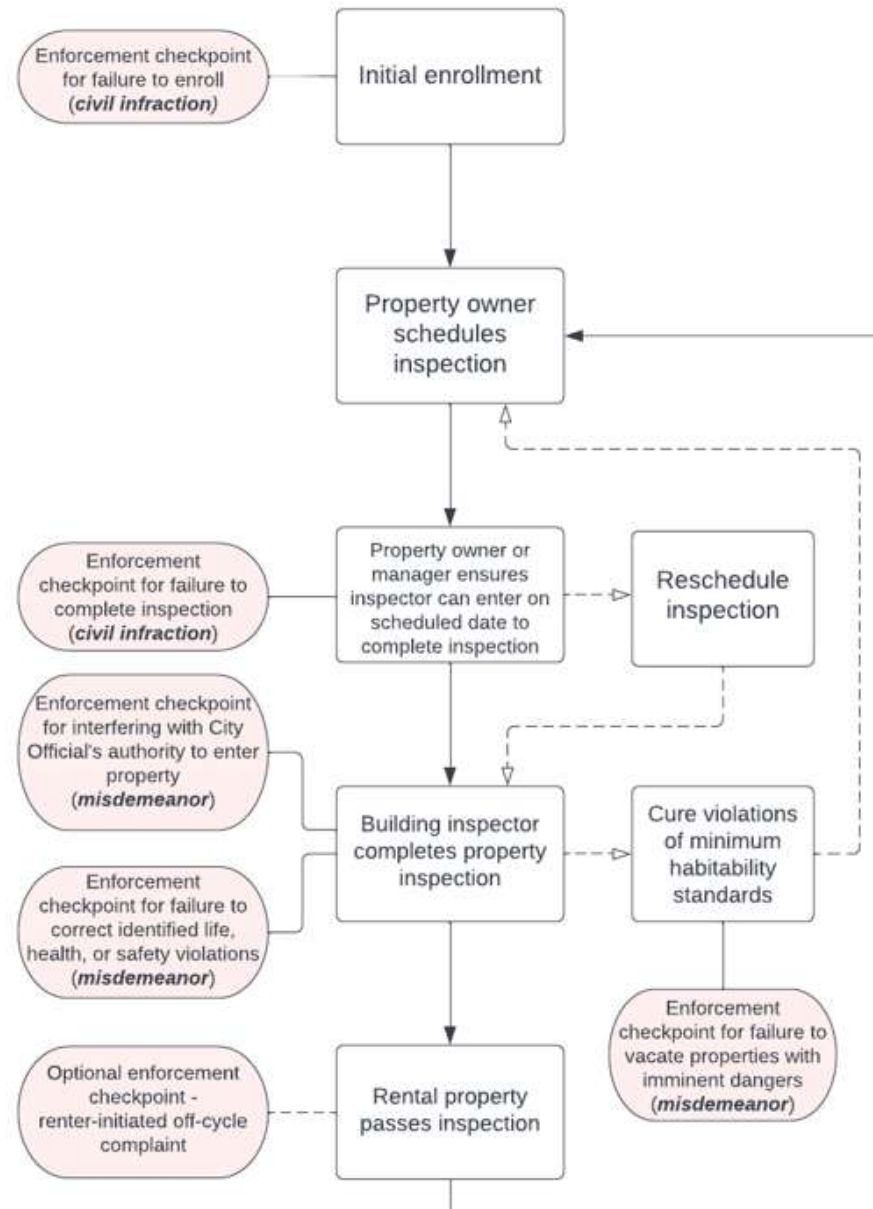
- Current model is a full fee recovery
- Upon Council direction the model could change to no fee or partial fee recovery.

City's Right to Entry to Inspect:

- Code does permit entry into a long-term rental for inspection purposes.
- If failure to comply, the city has the ability to obtain a warrant of inspection from the Municipal Court.
- Enforcement workflow is on the next slide.

Complaint-based Rental Inspections

- Staff are completing the groundwork to make this transition.
- Information on compliant-based inspections will be included in outreach and education efforts and materials.



Group	Engagement Activities Conducted
Renters, neighborhood groups, HOAs	Housing Strategic Plan engagement, 2020-2021 Community Questionnaire, Aug. 2022 Pop-up Engagement, Aug. 2022 Rental Housing Taskforce
Landlords, realtors, property managers	Presentation to Northern CO Rental Housing Association, Feb. 2022 Presentation to Board of Realtors, Feb. 2022 and Jan. 2023 Rental Industry Questionnaire, Feb./March 2022 Rental Housing Taskforce
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 Rental Strategies Work Session, Aug. 2022 Council Finance Committee, Dec. 2022

Community Questionnaire

<i>Rental Strategies</i>	All Respondents		Renters		Homeowners		Landlords	
Agree or disagree with the following statements:	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%

Rental Industry Questionnaire

- ☐ 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.
- ☐ 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



Fees

- Utilizing a hybrid approach (75% property; 25%unit)
- Separating registration fee and inspection fee
 - Both will be paid annually for all units
 - Fees will be recalibrated after first year of registration to include inspections for properties that are not exempt

Hybrid (75% property/25% unit)	Per Property	Per Unit
Registration fee (paid by all properties)	\$37	\$10
Inspection fee (paid only by non-exempt properties)	To be determined	To be determined

Enforcement checkpoints

Voluntary compliance is the goal

Checkpoints:

- Failure to enroll/renew
- Failure to complete inspection
- Interfering with City Official's authority to enter
- Failure to correct identified life, health, and safety violations
- Failure to vacate properties with imminent dangers



Prior Council Work Sessions (October 2021, August 2022) covered:

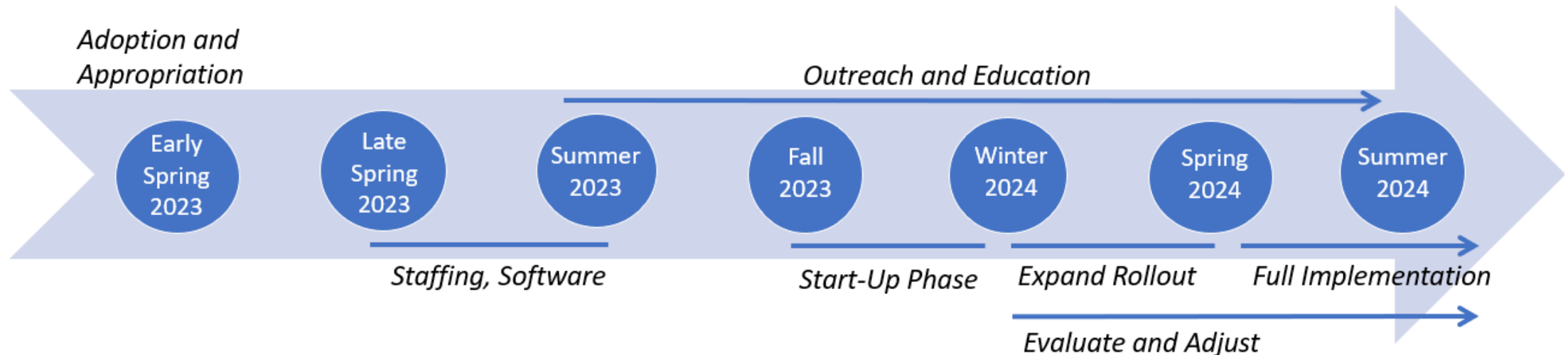
- Problem to be addressed
- Current Market Conditions
- Peer City data
- Best Practice Research
- Public Engagement from multiple stakeholders

August 2022 – staff directed to bring forward a rental housing program design that included proactive inspections.

January 2023 – staff directed to outline a registration option that would **not** include proactive inspections.

February 2023 – staff directed to bring forward a rental housing program design that included delayed proactive inspections.

What is the timeline for implementing a rental housing program?



- **What:** \$1,100,000 appropriation from the general fund
 - 2023 = \$421,583
 - 2024 = \$669,500
- **Why:** Initial outlay for a rental registration program with delayed proactive inspections to hire staff, purchase software, and fund program activities and engagement
- Program is designed to recover the full cost over the first five years of implementation – depending on the implementation timeline and revenue generation, partial costs of start-up will be recovered

- Over 40% of all housing in Fort Collins is renter-occupied

	Estimated # of homes*	Estimated % of all housing
Total (citywide)	87,863	100%
Owned Units	49,775	57%
Rental Units	38,088	43%
<i>Single-household, duplex, and townhome 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.*

- Total Revenue per year: \$737,152
- Based on the assumptions of 12,496 properties @\$37 each and 27,480 units @\$10 each
- This exceeds the actual annual cost to be able to recoup some if not all of the start-up costs within the first five years of the program.
- Revenue generated by a percentage of enrollment before 1/1/2025:
 - 100% = \$737,152
 - 75% = \$552,864
 - 50% = \$368,576
 - 25% = \$184,288
- Staffing and program development should support beginning citywide registration by April 2024
- Accela development may impact timeline

Rental Housing fees fully cover costs upon full implementation. The fees cover appropriate program costs at the same time they leverage staffing for CDNS to be closer to overarching capacity needs.

First round of hiring (May with June start dates):

- 1 Program manager to ensure the program is fully developed and implemented.
- 1 Engagement Specialist to connect with key stakeholders, focusing on education and outreach
- 1 Admin/Tech that can focus on Accela software coordination and customer experience
- 1 Rental inspector to be available for program design and implementation while also taking over all complaint-based rental inspections. (allows current building inspector to stop doing rental inspections)

Additional staffing anticipated (likely 1st and 2nd qtr 2024):

- 1 Mediation/Public Engagement Specialist as requests for education on conflict management and/or mediation build (Current staffing will not be able to support a large increase in requests)
- 1 Rental inspector when requests exceed the workload capacity of the first inspector
- 1 Admin/Tech upon full implementation of registration program to support customer needs

	FTE	Per FTE Cost	2023 Estimate	2024 Estimate
Compensation				
Program Manager	1	\$90,000	\$54,000	\$90,000
Engagement Specialist	1	\$65,000	\$39,000	\$65,000
Admin/Tech	1	\$50,000	\$30,000	\$50,000
Med Specialist	1	\$65,000	\$16,250	\$65,000
Lead Bldg Inspector	1	\$80,000	\$48,000	\$80,000
Bldg Inspector	1	\$70,000	\$0	\$70,000
Bulding and Dev. Review Tech	1	\$60,000	\$0	\$60,000
Total Salaries	7		\$187,250	\$480,000
Benefits	0.25		\$46,813	\$120,000

One-Time Costs				
Software	1	\$75,000	\$75,000	\$0
Vehicle	2	\$30,000	\$60,000	\$0
Clothing	2	\$500	\$1,000	\$0
Boots	2	\$160	\$320	\$0
Tools	2	\$100	\$200	\$0
iPad	2	\$1,300	\$1,300	\$1,300
Laptop	5	\$1,500	\$4,500	\$3,000
Desktop Computer	2	\$500	\$500	\$500
Total One-Time Costs			\$142,820	\$4,800
Ongoing Annual				
Marketing		\$20,000	\$20,000	\$20,000
Translation	1	\$10,000	\$10,000	\$10,000
Postage	1	\$10,000	\$10,000	\$10,000
Phone	7	\$600	\$4,200	\$4,200
Clothing	2	\$250	\$500	\$500
Vehicle Maintenance and Fuel	2	\$10,000	\$20,000	\$20,000
Total Ongoing Annual Costs			\$44,700	\$64,700
Total Compensation/One-Time/Ongoing Costs			\$421,583	\$669,500
Total 2023-2024				\$1,091,083

Option 1: Registration + Improved Complaint-Based Inspections

- Registration of all rental properties
 - Self-attestation
 - Submit 3rd party inspections
- No proactive inspections
 - Improved education/outreach
 - Enhanced mediation services
- \$37/property and \$10/unit annually
- Inspections based on habitability and safety standards
- City staff conduct inspections only upon complaint
- Start-up costs \$1.1 million
- Staffing 7 FTE (decreased inspectors and added a mediation specialist)



Option 2: Registration with Delayed Proactive Inspections

- Registration of all rental properties
- Inspections every 5 years *unless*
 - Less than 10 years old
 - HUD inspected
 - Third-party inspection completed
- Fees and number of inspections recalibrated based on the first year
- Inspections based on habitability and safety standards
- City staff conduct inspections
- Complaint-based system still available
- Start-up costs \$1.1 million
- Staffing 7 FTE to start, then TBD (supported by program fees)



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Option 3: Registration with Proactive Inspections

- Registration of all rental properties
- Inspections every 5 years *unless*
 - Less than 10 years old
 - HUD inspected
- \$53/property and \$19/unit annually
- Inspections based on habitability and safety standards
- City staff conduct inspections
- Complaint-based system still available
- Start-up costs \$1.6 million
- Staffing 8.5 FTE



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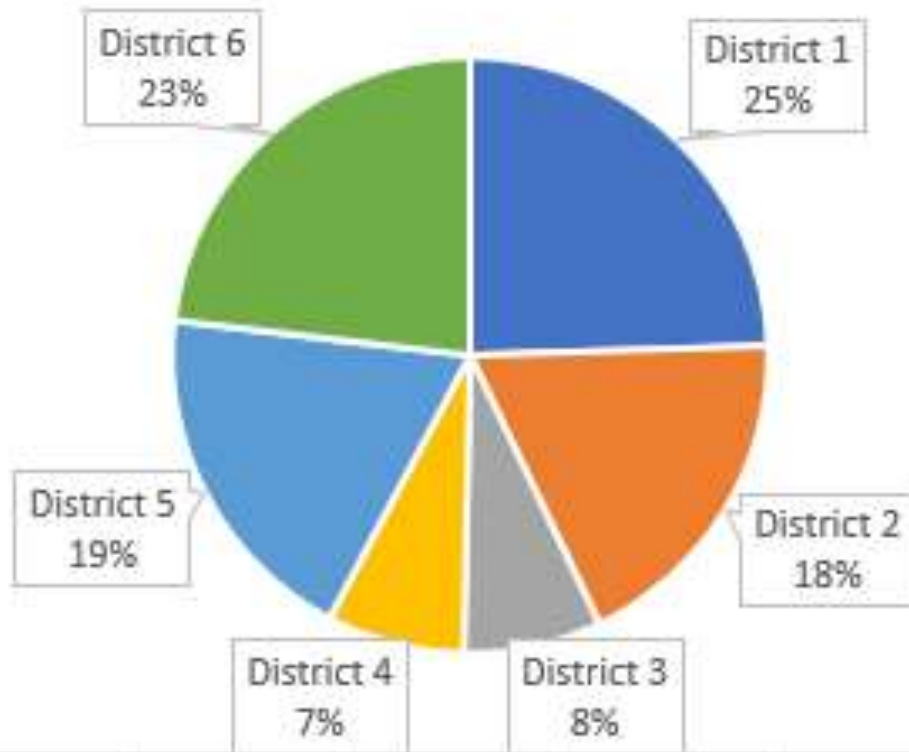
Start-up Budget Comparisons	Option 1 & 2	Option 3
Salaries and benefits 1. Manager, 2 Engagement, 2 Admin/Tech, 2 inspectors 3. Manager, 1 Engagement, 2 Admin/Tech, 4.5 inspectors	\$862,500	\$1,176,173
One-time costs • Vehicles, software, computers, initial clothing & equipment, etc.	\$147,120	\$223,380
Annual costs • Marketing, postage, phones, vehicle maintenance and fuel, clothing, etc.	\$97,500	\$147,550
TOTALS	\$1,107,120	\$1,547,103

	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"> - Complete database of rental housing - Incremental improvement of rental housing stock via improved complaint-based system - Improved tenant/landlord relationships via additional mediation - Reasonable per property and per unit fees - Costs of the program fully recovered by fees 	<ul style="list-style-type: none"> - Complete database of rental housing - Comprehensive improvement of all rental housing via proactive inspections - Equitable access to safe and healthy rental units - Reduced burden on renters to report issues - Provides marketable certification from the City that helps landlords/property owners attract tenants - Consistent approach via utilizing in-house inspectors - Reasonable per property and per unit fees - Costs of the program fully recovered by fees
At its least effective:	<ul style="list-style-type: none"> - Incomplete database of rental housing - Complaint-based inspections may not provide protections for all renters - Self-attestation may result in noncompliance, enforcement challenges and lower housing quality - Access to safe and healthy rental housing contingent on tenant power, resources, and knowledge to recognize and report concerns - Annual fee analysis could result in a need to increase program fees to cover costs - Noncompliance could limit program effectiveness 	<ul style="list-style-type: none"> - Incomplete database of rental housing - May displace renters in cases of serious concerns - May result in cost burdens for tenants (via increased rents) and/or for landlords if expensive repairs required - High costs could result in landlords exiting the market - Annual fee analysis could result in a need to increase program fees to cover costs - Noncompliance could limit program effectiveness

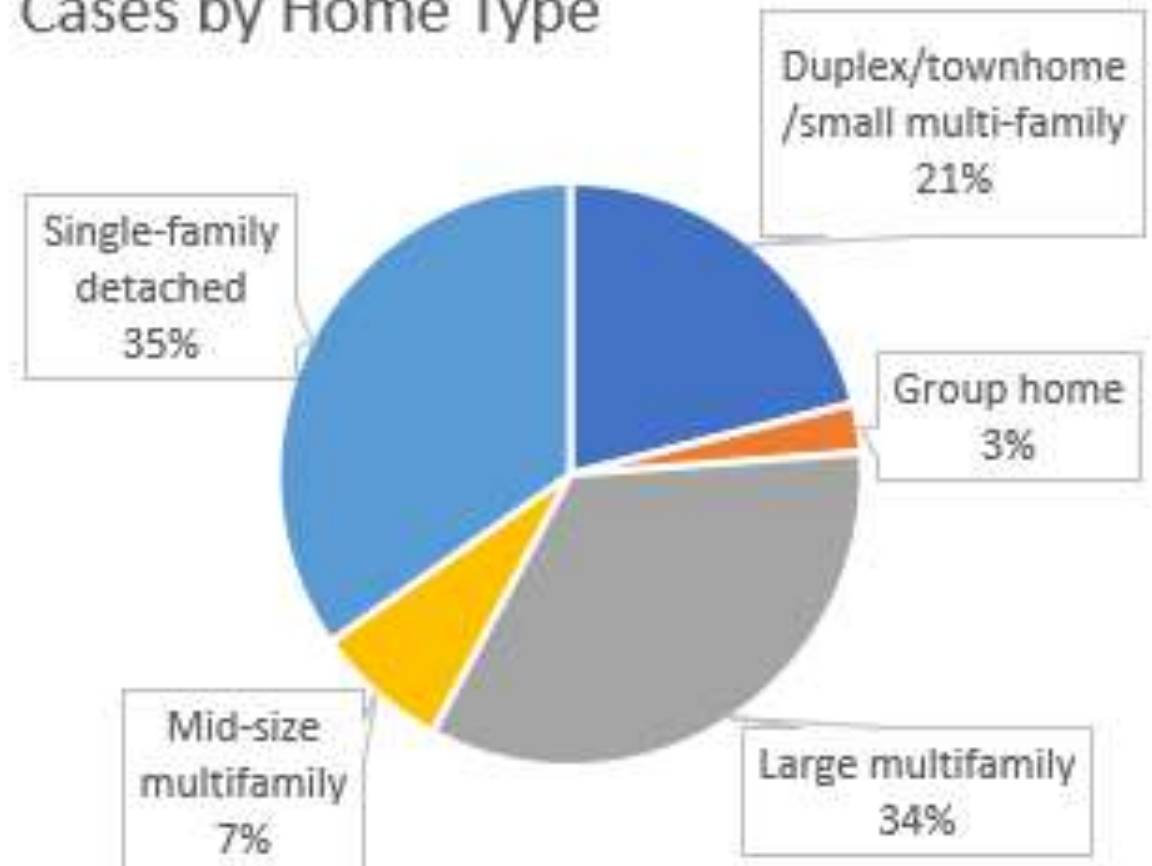
	<u>Option 1: Registration + Complaint-Based Inspections</u>	<u>Option 2: Registration + Delayed Proactive Inspections</u>	<u>Option 3: Registration + Proactive Inspections</u>
Registration	All rental properties Local contact/owner info Self-attestation Submit 3 rd party inspections	Same as Option 1	Same as Option 1
Inspections	Complaint-based only	Complaint-based only in Year 1, then every 5 years	Every 5 years
Exceptions	N/A (no proactive inspections required)	<ul style="list-style-type: none"> • Less than 10 years old • HUD inspected • Third-party inspected 	<ul style="list-style-type: none"> • Less than 10 years old • HUD inspected
Fees	\$37 per Property \$10 per Unit	Same as Option 1, TBD when inspections added	\$53 per Property \$19 per Unit
Staffing	7	7, TBD when inspections added	8.5
Start-up Cost	\$1.1 million	\$1.1 million	\$1.6 million

Current complaint-based rental inspections – ALL DATA

Cases by Council District



Cases by Home Type



Community task force was formed to support deeper exploration of strategies related to rental housing and occupancy and bring recommendations forward for staff and Council consideration.

- 76 applicants for 20 spots
- Selection process sought to include perspectives of landlords, property managers, renters, and others
- Third-party neutral facilitator
- 10 meetings, March-August 2022



Affiliations Shared

Renter

- Currently renting
- Single parent
- Experienced homelessness
- Affordable housing tenant
- Seeking homeownership
- Parent of renters
- Former CSU student

Industry representative

- Realtor
- Large landlord
- Small landlord
- Real estate appraiser
- Contractor
- Property manager
- Former housing authority employee

Other

- Non-profit executive
- Immigrant to US
- HOA Board representative
- Fifth generation Fort Collins resident
- CSU off-campus life

Note: Task Force members shared multiple perspectives and affiliations.

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Rental Housing Taskforce Recommendations:

- ❑ Implement a mandatory rental registration program
 - Continue complaint-based rental inspections, focus on habitability
 - No proactive inspection of units
 - Nominal fee

Best Practices from peer cities research (40+ cities, 22 in Colorado):

- ❑ Implement a mandatory rental licensing program that includes:
 - Proactive inspection of units
 - A fee structure designed to cover program costs
 - Training for staff, landlords, and tenants
 - Involve landlords and tenants in program design and implementation