
To:	Dan Buchholtz, City Administrator City of Spring Lake Park	From:	Phil Carlson, Lauren Walburg Stantec
File:	Rental Housing Study	Date:	January 29, 2021

Re: Rental Housing Study Update

INTRODUCTION

The Spring Lake Park City Council is exploring the issue of rental housing in single family zoning districts and has asked for Stantec's assistance in a study which focuses on improving Spring Lake Park's current programs and policies for rental properties. The study includes researching and summarizing Spring Lake Park's current policies and regulations, as well as information provided by the City on documented issues with rental properties. This memo summarizes the research conducted to date and provides initial recommendations for next steps.

We have had conversations with City Staff and listened to input from the City Council in initiating this moratorium and study. The summary and recommendations included in this memo focus on the issues from these discussions. City staff also expressed a desire to look at the rental licensing program in the City of Columbia Heights as a model for Spring Lake Park. We suggest using Columbia Heights as a model for rental licensing in Spring Lake Park. This memo responds to the following issues:

- Maintenance issues at rental properties including yard maintenance, trash and parking issues
- Conduct issues at rental properties by residents or their guests including noise complaints and other police calls
- Issues with administering the ordinance, including: follow-through and enforcement of rental inspections, contacting rental managers (especially larger companies) and license renewal process, among others

REVIEW OF NUISANCE/POLICE CALLS

Nuisance Complaints

One of the issues analyzed in this study is maintenance and upkeep of rental vs owner-occupied single-family homes. One indicator of maintenance issues is the record of nuisance complaints and calls per property. The Building Inspector provided Stantec with a summary of nuisance/code enforcement records from 2018-2020 for both owner-occupied and renter-occupied residential properties throughout the City. Stantec reviewed both the number of nuisance calls for each type of property, as well as the type of nuisance complaints received. A few conclusions can be drawn from the information:

- Of all the code enforcement/nuisance complaints throughout the City from 2018-2020, roughly 83% were for owner-occupied properties, while roughly 17% were for renter occupied properties. This correlates with the higher percentage of owner-occupied residential properties in the City.
- Nuisance calls for rental properties included the following categories: Parking (including inoperable and commercial vehicles), rubbish/junk, weeds/grass, driveway repair, garbage cans at street, outdoor storage.
- Of these nuisance calls, few required a second notice. However, this list generally does not capture violations cited during routine rental inspection, which require a follow-up inspection.

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While these types of nuisance complaints are not unique to rental properties, enforcement can be made more difficult by the absence of an on-site property owner/responsible party. These nuisance issues are exacerbated when a rental manager or property owner is difficult to reach, providing few solutions to the City to address the issue. This memo will suggest several ways in which enforcement/administration may be improved to better respond to nuisance complaints.

Police Calls

City Staff also provided Stantec with a random sampling of police calls in three sections of the City. These police calls were provided for both owner occupied and rental properties. Stantec reviewed this information to assess the extent to which conduct/behavioral issues occur at renter occupied vs. owner-occupied properties. Stantec ensured an equal number of owner-occupied and rental properties to provide an “apples-to-apples” comparison for police calls. The following conclusions can be drawn from the information provided:

- In an equal random sample of owner-occupied and renter-occupied properties, there were 151 police calls from owner-occupied properties and 348 police calls from renter-occupied properties.
- There were several properties (both renter and owner-occupied) that had more than 20 police calls per property. Properties with this many calls are relative outliers compared with the rest of the call data. When these outliers were removed, the number of police calls for owner-occupied and renter-occupied properties were essentially equal (104 calls for owner occupied vs. 105 calls for renter-occupied).
- Police calls for renter-occupied properties included the following general categories: medical, welfare check, noise, domestic/civil dispute, narcotics, 911 hang-up, suspicious activity, animal complaint, child custody. Police calls for owner-occupied properties included the same general categories.

The police call data indicates that for the most part, owner-occupied and renter-occupied properties place a similar number of 911 calls and for similar issues. However, as indicated above, there are a few rental properties that have consistent conduct/behavioral issues. This memo proposes stronger mechanisms for the City to address these properties with consistent and repeated conduct issues.

CURRENT POLICIES AND REGULATIONS

The City currently regulates rental housing through Section 12.16 Housing Maintenance and Occupancy in its municipal code. The City provides all property owners seeking a rental license with an application and a guidance document describing the application, fees and inspection process. Additionally, the City has adopted the International Property Maintenance Code (2006 IPMC) by reference, which applies to all residential properties within the City, and is used as a tool for conducting regular rental inspections. During inspection, the City issues a Rental/C.O. (certificate of occupancy) Inspection Report and Compliance Order, which provides rental property owners with a list of inspection criteria, and a timeframe to correct any issues. All of these documents were reviewed by Stantec as part of this study and are analyzed further in the following sections.

Ordinance

Section 12.16 Housing Maintenance and Occupancy includes several sections pertaining to the following broader topic areas: administration of rental license and application procedure, fees, rental unit inspection, compliance/violation of procedures and conduct on rental property. The following summarizes key points in the rental ordinance, Stantec comments are included in *italics*:

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License/Application

- Per City code section 12.16.030, a rental license must be obtained, which is valid for a period of **1 year**. Licenses expire on December 31, and license renewals must be filed by November 1. The code sets a delinquency penalty of 5% of the license fee for each day of operation without a valid license.
Rental licenses are renewed every year, while inspections occur every 2 years. At a minimum, these processes should occur at the same time of the year. It could also help with administration if they were done at the same frequency.
- Application must be completed by the owner of the property or their legally constituted agent (see description below).
- Resident agent – must be designated in writing by the owner of the property. This person must reside in the Twin City area, is the person responsible for maintenance and upkeep and can legally receive notice of violation of city ordinance. City must be notified in writing of any change of agent.
This language ensures that the City has a local contact, which was a stated issue. Ensuring that the contact information for the resident agent (address, not a P.O. box, up-to-date phone number and email, etc) is collected in the application and updated at each renewal period could help with administration.
- Application requirements are listed in section 12.16.050 (B).
The City of Columbia Heights has a much longer list of application requirements, including requiring detailed contact information from property owner, rental manager, agent and emergency contact in the case of a maintenance emergency. Collecting more information in the application and requiring information to be verified at each renewal period could ease administration and contact issues with the rental license and inspection processes. The City of Columbia Heights also collects other pertinent information such as number of parking spaces,
- License is non-transferable

Inspection

- A certificate of inspection must be obtained prior to operating a rental dwelling. The certificate is valid for a period of **2 years**. Certificate expires on the anniversary of its issuance and is non-transferable.
The building inspector has stated that the inspection procedures and enforcement could be stronger.
- Property owner must agree to allow inspection

Fees

- A conversion fee is required for converting a single-family home to a rental property and is in addition to the first year registration fee. This is a one-time fee.

Conformance to laws

- City Code Section 12.16.070 says that an operating license may not be issued or renewed if the rental dwelling and its premises fail to follow City and State law.
In addition to complying with all City and State laws, rental property owners could also be required to include crime/drug-free language in their leases and to perform criminal background checks prior rental.

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Compliance Order

- A compliance order is issued whenever a violation of the ordinance is discovered (typically during inspection). The ordinance states that the compliance order must be in writing, describe the location and nature of violation, provide reasonable time for correction of violation and be served to the property owner or designated agent.
This language could provide more specific guidance to City staff regarding compliance procedures. Specifically, in the event that a property owner does not correct a violation, specific recourse could be included to provide for additional enforcement of the ordinance. This could also be addressed in a separate inspection policy, such as the Columbia Heights example provided in the recommendations.

License Suspension or Revocation

- The City Council has the right to suspend or revoke a rental license should the owner or resident agent fail to comply with city ordinances or state law. Should a license be revoked/suspended, the owner or agent is barred from receiving a rental license for any new occupancies until the license is restored by the City Council.
The revocation language could be clearer about the situations (nuisance/conduct issues) under which a license would be revoked/suspended. The process could also be clearer. Suspension/revocation example language from the City of Columbia Heights is included in the recommendations below.

Responsibility For a Licensee Relating to the Conduct of Occupants or Guests

- The ordinance specifies a list of Minnesota State Statutes and Spring Lake Park city ordinances describing a variety of conduct issues. The ordinance states that it shall “be the responsibility of the licensee to take appropriate action following conduct by occupant(s) or guest(s) of the occupants in violation of the statutes and ordinances. A specific enforcement and administration procedure is described, to be carried out by the Chief of Police, which provides for written notice of violation and revocation or suspension by the City Council after three violations within 12 months, following appropriate notice and opportunity for hearing.
This language provides a mechanism for suspension/revocation of license for conduct issues, the recommendations below give the City Council further options and tools to manage behavioral/conduct issues at rental properties.

Application

Stantec reviewed the application and supplemental information provided to property owners/agents upon request for rental license. The application and supplemental information provides clear guidance on the expectations for rental licensing and inspection within the City, including information on fees. As indicated in the ordinance section above, the information collected in the application could be enhanced to ease administration and enforcement. If not already done, the applicant could also be provided with the inspection checklist so that expectations for maintenance and upkeep are clear from the start and provided in writing. Overall, the application appears to serve the City well, and any updates would likely be minor.

Inspection Checklist

City staff provided Stantec with the inspection checklist used during routine rental inspections. The inspection checklist provides clear guidance to property owners/rental agents on the expectations for maintenance and upkeep. As mentioned above, this checklist could be provided early in the process, prior to the first inspection to ensure that expectations are clear. Stantec does not propose any updates to the inspection checklist itself, as this document appears to be serving the City well.

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RECOMMENDATIONS

The goal of this study was to provide the City with targeted recommendations for updates to their ordinance/policies/practices for single-family rental properties. The following information provides recommendations for best practices related to rental properties, generally using the City of Columbia Heights as a model. Stantec would propose as a next step to prepare a strikethrough version of the ordinance, providing for specific modifications based on feedback from City staff and the City Council on the proposed recommendations below.

Nuisance

- To address maintenance and nuisance complaints, as well as inspection administration, the City could adopt a similar policy to the Columbia Heights Property Maintenance Inspection Policy (attached). While this policy would not be part of the official ordinance, Stantec would work with the City to update the ordinance with necessary language to correspond with this policy. The Columbia Heights Policy is included as an attachment to this memo and was vetted and recommended by the building official.
- The City of Columbia Heights requires that property owners take responsibility for the inspection process, rather than tenants. This ensures clear communication with property owners and ensures that the responsible party handles all corrections to violations. We recommend that the City adopt language that explicitly requires property owners (or their formally designated agent) to conduct the inspection and reinspection process with the building official. This language could also be listed in bold on the license application to ensure that it is clear to the owner/designated agent that they must be present for inspection and reinspection.
- Columbia Heights also uses abatement as an option for handling nuisance issues at rental properties. The City of Spring Lake Park has an existing abatement policy for specific public nuisances in section 9.20.020 of the municipal code. The City could choose to apply this policy to rental properties for specific nuisance concerns, or after several correction orders are served in writing.

Conduct/Behavioral Issues

- To address behavioral/conduct issues, the City could consider requiring that all single-family rental properties include a crime-free/drug-free addendum in their tenant leases. This is common practice in many cities across the Twin Cities Metro Area, including Columbia Heights. However, several cities have begun to move away from this requirement based on equity issues and a lack of due process for tenants. City staff is doing additional research on cities that have recently removed this language from their ordinances and will share that information with the Council. Sample language from the City of Columbia Heights is included as an example below:
 - (1) Crime Free/Drug Free.
 - a. Resident, any members of the resident's household or a guest or other person affiliated with resident shall not engage in criminal activity, including drug-related criminal activity, on or near the premises.
 - b. Resident, any member of the resident's household or a guest or other person affiliated with resident shall not engage in any act intended to facilitate criminal activity, including drug-related criminal activity, on or near the premises.
 - c. Resident or members of the household will not permit the dwelling unit to be used for, or to facilitate criminal activity, including drug-related criminal activity, regardless of whether the individual engaging in such activity is a member of the household, or a guest.

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- d. Resident, any member of the resident's household or a guest, or other person affiliated with the resident shall not engage in the unlawful manufacturing, selling, using, storing, keeping, or giving of a controlled substance at any locations, whether on or near the premises or otherwise.
 - e. VIOLATION OF THE ABOVE PROVISIONS SHALL BE A MATERIAL AND IRREPARABLE VIOLATION OF THE LEASE AND GOOD CAUSE FOR IMMEDIATE TERMINATION OF TENANCY.
- (2) Disorderly Use.
- a. Resident, members of the resident's household, guests, or other persons under the resident's control shall not engage in the following Disorderly Use activities: violations of state law relating to alcoholic beverages, trespassing or disorderly conduct; and violation of the Columbia Heights City Code relating to prohibited noise.
 - b. THREE DISORDERLY USE VIOLATIONS INVOLVING THE SAME TENANCY WITHIN A CONTINUOUS TWELVE MONTH PERIOD SHALL BE A SUBSTANTIAL AND MATERIAL VIOLATION OF THE LEASE AND GOOD CAUSE FOR TERMINATION OF THE TENANCY.
- (3) Definitions.
- a. The term "criminal activity" means prostitution, gambling, maintaining or conducting a disorderly house, unlawful possession, transportation, sale or use of a weapon, domestic assault, delinquency of a minor, criminal street gang activity, threatening, intimidating or assaultive behavior, the unlawful discharge of firearms, or any other criminal activity on or near the premises that jeopardizes the health, safety and welfare of the landlord, his agent, other resident, neighbor or other third party, or involving imminent or actual serious property damage.
 - b. The term "drug related criminal activity" means the illegal manufacture, sale, distribution, use, or possession with intent to manufacture, sell, distribute, or use of a controlled substance or any substance represented to be drugs (as defined in Section 102 of the Controlled Substance Act [21 U.S.C. 802]).
- (4) Non-Exclusive Remedies. The Crime Free/Drug Free and Disorderly Use provisions are in addition to all other terms of the lease and do not limit or replace any other provisions. The City could also consider requiring rental property owners to conduct criminal background checks on all tenants. This information could be made available to the City upon request. This is also a fairly typical requirement across metro-area cities.
- The City could also consider requiring rental property owners to conduct criminal background checks on all tenants. This information could be made available to the City upon request. This is also a fairly typical requirement across metro-area cities, including the City of Columbia Heights. Similar to the Crime-free/drug-free language, several cities have begun to move away from this requirement based on equity issues. City staff is doing additional research on cities that have recently removed this language from their ordinances and will share that information with the Council. Example language from the City of Columbia Heights is included below:
 - (1) A statewide (Minnesota) criminal history check of all prospective tenants covering at least the last seven years. The checks must be done by utilizing the most recent update of the Minnesota Bureau of Criminal Apprehension's criminal history files;
 - (2) A statewide criminal history check from the prospective tenant's previous state of residence shall be conducted if the tenant is moving directly from the previous state;
 - (3) A criminal history check of any prospective tenant in their previous states of residence shall be conducted covering the last seven years if they have not resided in Minnesota for three years or longer;
 - (4) A statewide (Minnesota) court history check of all prospective tenants covering at least the last seven years. This check, which includes Unlawful Detainer actions, can be done utilizing the most recent update of the Minnesota Judicial Branch Trial Court Public Access database.

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- (5) Any company that the licensee contract with to conduct criminal history checks must meet the same standards as established above.
 - (6) Documentation of the criminal background checks must be kept on file by the property owner for the length of the tenant's lease. The lessor must display documentation of the background check upon request by the Police Department.
 - (7) If the licensee fails to comply with the requirements of this section, the rental dwelling license for the premises may be denied, revoked, suspended, or not renewed. An action to deny, revoke, suspend, or not renew a license under this section shall be initiated by the City Council at the request of the Police Department in the manner described in § [5A.408](#).
- Finally, some cities require landlords (especially those with multiple rental properties within the City) to take a Phase 1 of the Crime Free Multi Housing (CFMH) training. This is an 8-hour class which covers crime prevention/working with police, crime prevention through environmental design principals, lease agreements and evictions, applicant screening and fair housing, terrorism awareness and prevention. Most cities that require this class will offer it at least once per year through their local police department. The City of Columbia Heights does not require this class as part of their rental licensing policy. For more information about the Crime Free Multi Housing training, visit: <https://www.mncpa.net/what-we-do/crime-free-multi-housing>

Administration

- The City could consider targeted improvements to the application requirements to help to alleviate some of the issues with contacting property owners/management companies.
 - The City has a section in their municipal code that addresses revocation of rental licenses. This section should be reviewed, and further guidance provided on the situations in which revocation would be appropriate and to clarify the process. Example suspension/revocation language from the City of Columbia Heights is included below:
- (A) A license issued or renewed under this section may be revoked or suspended upon a finding of noncompliance with the provisions of this chapter. Reinstatement of a suspended or revoked license shall be accompanied by a fee in an amount set by Council Resolution. Issuance of a new license after suspension or revocation shall be made in the manner provided for obtaining an initial license.
 - (B) The Council may, for cause, revoke or suspend a license, or take other action restricting the privileges of a license subject to the following requirements:
 - a. The city, through its Property Maintenance Enforcement Officer, provides the licensee with a written statement or reasons or causes for the proposed Council action together with a notice for public hearing.
 - b. The Council shall conduct a public hearing on the proposed action and provide findings of fact and citations to any ordinances or regulations that have been violated, together with a statement of action taken and the conditions of any resulting revocation, suspension, or other action restricting the privileges of the licensee.
 - c. The Property Maintenance Enforcement Officer shall forward the findings and statement of action taken to the person in whose name said license was issued by mailing the same to the mailing address indicated on the license application.
 - (C) A violation of any provision of this chapter or of state law, prescribing standards of conduct or regulations governing a licensee; the particular type of business or commercial activity or trade or occupation that is licensed; or the premises where the licensed activity is conducted; shall be a prima facie showing of cause for revocation, suspension, or other action restricting the privileges of a licensee as the Council may determine.

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- (D) Nondisclosure, misrepresentation or misstatement of a material fact in any application for a license under this chapter shall be a prima facie showing of cause for revocation, suspension, or other such action restricting the privileges of a licensee as the Council may determine.
- (E) Any person or owner who has had an interest in two or more licenses revoked pursuant to this code shall be ineligible to hold or have an interest in an occupancy license for a period of five years.
- If these recommendations are adopted, it will likely increase the staff time required to administer the ordinance and enforce the inspection policy. The Council could consider increasing fees for the rental license program to pay for the additional staff time needed to enforce the ordinance. This could be handled during the regular budget and fee discussions, which would give the City time to assess the increase in staff time needed to enforce the ordinance. For reference, the current fee structure is as follows:
 - Single Family: \$150/year
 - Duplex: \$200/year
 - Apartment: \$250 per building plus \$25 per Unit (per year)
 - Rental Conversion Fee: \$750 (one-time fee)