



Legislation Details (With Text)

File #: 16-0336 **Version:** 1 **Name:** DS - Proactive Rental Housing Inspection Program

Type: Agenda Item **Status:** Approved

File created: 3/31/2016 **In control:** City Council

On agenda: 5/3/2016 **Final action:** 5/3/2016

Title: Recommendation to receive and file an update on the Proactive Rental Housing Inspection Program. (Citywide)

Sponsors: Development Services

Indexes: Update

Code sections:

Attachments: 1. 041916-R-20sr&att.pdf, 2. 041916-R-20 Corresp. Cunningham.pdf, 3. 050316-UB-15sr&att.pdf, 4. 050316-UB-15 TFF Memos.pdf

Date	Ver.	Action By	Action	Result
5/3/2016	1	City Council	approve recommendation	Pass
4/19/2016	1	City Council	laid over	Pass

Recommendation to receive and file an update on the Proactive Rental Housing Inspection Program. (Citywide)

On June 23, 2015, the City Council adopted an Ordinance amending the Long Beach Municipal Code (LBMC) by adding Chapter 18.30 relating to a Proactive Rental Housing Inspection Program (PRHIP). In addition to codifying the existing PRHIP, the City Council requested staff to report back to the City Council with findings related to: a comprehensive outreach program to educate both tenants and landlords; a list of unresponsive non-compliant landlords; a statistical report to show the number of triplexes and duplexes; a method for collecting good data on units inspected; and a report on incentives to reduce the number of inspections for compliant landlords. On October 21, 2015, the Department of Development Services transmitted a memorandum to the City Council addressing the requested information. This report provides an overview of the information already submitted, plus the most current information available on PRHIP.

The Department of Development Services prepared a number of outreach materials for distribution by landlords (educational materials explaining tenant rights and responsibilities) and explanatory door hangers to be left at inspection sites by inspectors. These documents are widely available and downloadable from the Department’s website and are distributed at various community meetings. Staff recently solicited proposals to provide an outreach program to strengthen the awareness of PHRIP. This outreach program is intended to encourage participation in PRHIP and will be specifically targeted at non-English speakers and other residents who may have difficulty or reluctance in utilizing code enforcement services. The Fair Housing Foundation of Orange County was selected for this work, and will begin the outreach program in April. The selected consultant will work with the Apartment

Association, Southern California Cities (AASCC) and tenants' rights groups, including Housing Long Beach, and utilize outreach materials developed by staff, including tenant and landlord information brochures.

Staff has also compiled a list of unresponsive or noncompliant landlords with multiple properties. This list will be updated annually to account for changes made as a result of upgrades or repairs. Each of the properties identified on the list of noncompliant landlords has been scheduled for an inspection. Of the 87 properties that were originally identified, staff is pursuing property maintenance violations at 21 of these properties and will continue enforcement efforts until compliance is obtained.

The current multi-family housing inspection fee is based on a flat fee for tiers of properties containing 4-10 units, 11-20 units, and 21+ units, as shown below. This fee structure provides revenue for approximately 11.5 FTEs (2 supervisors, 7 field staff, 2.5 clerical), which results in an annual inspection rate of approximately one-third of all 7,500 residential rental properties with four units or more Citywide.

Category	Fee Per Parcel	Number of Parcels (approx.)
4-10 units	\$230	6,120
11-20 units	\$260	1,060
21+ units	\$290	320

An expanded PRHIP that conducts annual inspections of all 7,500 residential rental properties with four units or more would require additional inspection staff. In order to redistribute the burden imposed on small, medium and large multi-family residential rental properties, staff will propose a per-unit fee instead of a tiered fee structure. Staff has determined that raising the fee in the middle of an annual billing cycle would reduce collections and provide undue complications and confusion to property owners and managers. As such, staff will pursue changes in the City's Master Fee and Charges Schedule to implement the new fee structure as part of the Fiscal Year 2017 (FY 17) budget process, after staff has reached out to community stakeholders and apartment owners to discuss these proposed changes.

In addition to considering higher fees to increase the number of annual inspections completed, City Council directed staff to consider expanding the program to cover duplexes and triplexes. According to the Los Angeles County Assessor, the City of Long Beach has approximately 2,060 lots containing three units, for a total of approximately 6,180 dwelling units, as well as approximately 7,350 lots with two-dwelling units, comprising a total of approximately 14,700 total dwelling units. However, the count of two-unit lots may not entirely consist of duplex properties. A duplex is defined as "a building containing two dwelling units." Two units on a parcel may consist of a typical duplex property, in which both units are attached, approximately equal in size, and are separately occupied. On the other hand, the two units may also consist of a single-family home plus an accessory unit as permitted by the LBMC. In comparison to residential properties with four units or more, it is less likely that a

duplex or triplex property is operated as a residential rental property.

Occupant status is another challenge associated with two- and three-unit properties. In many cases, one or more of the dwelling units at these properties are owner-occupied. Because of this, the City does not include duplex and triplex properties as “residential rental properties” for income purposes and does not require owners of these properties to obtain a business license. The current PRHIP Ordinance only applies to residential rental properties, defined as “a property or building or portion of a building on a parcel of land where the parcel of land includes at least four units that is rented or leased to tenants for residential purposes.”

Additionally, since duplexes and triplexes are currently not required to obtain licenses, and due to the difficulty in determining the true number of rental duplex and triplex properties, the Department of Financial Management predicts a high rate of delinquent payments. Given the challenges in determining the true number of rental duplex or triplex properties, whether the properties should be considered commercial investment properties even if one of the units is owner-occupied, and considering the increased volume of inspections, significant staff increases would be required. For all of these reasons, staff does not recommend expanding the PRHIP to duplexes or triplexes at this time.

Prior to codification of this program, staff only collected inspection data on the number of properties that were inspected, not the number of units located at each property. In June 2015, Code Enforcement staff began collecting additional data during routine inspections of multi-family rental properties. This data included the number of units at each property inspected, number of doors knocked on at each property, and the number of units that allowed entry for an inspection. With the adoption of the PRHIP Ordinance, staff recently began creating separate cases for each unit within a property. Staff anticipates that this will provide greater data resolution, as well as improve tracking ability over the existing case record-keeping system, and enhanced tracking of code violations.

City Council asked for a tool to identify and prioritize inspections to areas of the City that contain factors that contribute to unsafe and unhealthy rental housing. The following factors were mapped to create a composite priority score for each Census Tract in the City:

- The number of prior PRHIP cases from 2010-2014 (by location and by census tract).
- The number of rental properties.
- The median age of rental properties.
- The percentage of population below poverty level.
- The rate of severe overcrowding, defined as having 1.51 or more persons per room.

A map of identified priority areas based on an overlay analysis of these factors, as well as maps containing the individual data layers, can be found in Exhibits A through G. Staff is using this data, along with the list of noncompliant landlords, to prioritize existing staff resources and inspections.

Lastly, the City Council requested a report on incentives to reduce the number of inspections

for compliant landlords. Staff researched other California cities that operate a proactive rental inspection program and reviewed the incentive programs that they offer to landlords. Ordinances adopted by the cities of Anaheim, Santa Ana, Sacramento, Santa Cruz, and San Jose include incentive programs aimed at both encouraging consistent maintenance of rental units by landlords, as well as relieving some of the workload by city staff, which may work to reduce overall costs of the program. Proactive rental inspection programs often require a large number of personnel and high annual costs.

Incentive programs in other cities vary in structure and have unique features depending on that city's housing issues, as well as the structure of their proactive rental inspection program. These incentives generally offer landlords relief from the program in the form of reduced or waived fees, as well as reduced frequency of, or full exemptions from routine inspections. Most programs are funded solely, or in part, by fees charged to property owners; though many cities, including Anaheim, Sacramento, and Santa Ana, do not achieve full cost recovery through annual program fees and may partially or fully support the proactive rental inspection program through the city's general fund.

When compared side-by-side with proactive rental housing inspection programs in peer cities, PRHIP stands out as having both a high volume of units subject to inspection, as well as a high frequency of routine inspections. However, until staff can fully inspect units in priority areas and analyze new data being collected, it is premature to propose an incentive program. Further analysis would be necessary to develop a program for Long Beach that works within the City's Ordinance and is tailored to the City's issues. Staff would be pleased to work on an incentive program to reward well maintained properties with reduced inspection requirements at the appropriate time, once the PHRIP program has been fully operational for a longer time.

This matter was reviewed by Assistant City Attorney Michael J. Mais on March 17, 2016 and by Budget Management Officer Victoria Bell on March 22, 2016.

City Council action on this matter is not time critical.

There is no fiscal impact associated with this recommendation. Should the City Council wish to increase the number of annual inspections completed, additional staff and revenue to pay for that staff would be required. As stated earlier, staff is looking at implementing a per-unit fee structure as part of the FY 17 budget process. A complete fiscal analysis will indicate whether the per-unit fee structure provides additional revenue to support additional staff.

Approve recommendation.

AMY J. BODEK, AICP
DIRECTOR OF DEVELOPMENT SERVICES

APPROVED:

PATRICK H. WEST
CITY MANAGER