REPORT TO COUNCIL
City of Sacramento

915 I Street, Sacramento, CA 95814-2671
www. CityofSacramento.org

STAFF REPORT
August 14, 2007

Honorable Mayor and
Members of the City Council

Title: Rental Housing Inspection Pilot Program Update

Location/Council District: Citywide

Recommendation: 1) Receive and file the status report; and 2) provide direction to staff to continue the program.

Contact: Max Fernandez, Director of Code Enforcement, (916) 808-7940; Randy Stratton, Code Enforcement Manager, Residential Rental Housing Inspection Program, (916) 808-6497

Presenters: Max Fernandez, Director of Code Enforcement; Randy Stratton, Code Enforcement Manager, Residential Rental Housing Inspection Program

Department: Code Enforcement

Division: Housing & Dangerous Buildings

Organization No: 4653

Description/Analysis

Issue: Prior to implementation of the Rental Housing Inspection Pilot Program, building inspections were based on complaints or through a reactive process. This pilot program has made a positive impact on rental properties by being proactive to the way rental properties are inspected.

Policy Considerations: The proactive Residential Rental Inspection Pilot program has a significant impact in the preservation of current and future residential rental housing properties in the city of Sacramento. This program has encouraged compliance with building and safety codes in Sacramento's residential rental housing stock and is helping to realize the City's vision to be the most livable city in America. Code compliance is the operating policy for the city.

Environmental Considerations: The proposed projects are exempt from CEQA pursuant to a categorical exemption for activities limited entirely to inspections to check the quality, health or safety of a project (CEQA Guidelines §§15061(b)(2), 15309) and because they have no potential for causing a significant effect on the environment. (CEQA Guidelines §15061(b)(3)

Committee Recommendations: Not applicable.

Rationale for Recommendations: This report is informational only. If directed to continue the Rental Housing Inspection Program by preparing or amending an ordinance, the matter will be referred directly to the Law and Legislation Committee, unless it is voted by the majority of the City Council to bypass Committee review. (Council Rules of Proc., Chap. 13(B).)

Financial Considerations: The City Council approved 3.0 FTE to implement the pilot program in 2006. It was anticipated that the cost of the program of $265,000 would be offset by the revenue generated from fees due to fines and penalties. Since the program's inception, property owners have been extremely responsive in bringing properties into compliance through a grassroots community outreach effort. While compliance marks success for the Code Enforcement Department, it has resulted in fewer citations, penalties and notice and orders issued. As a result, significantly less revenue was generated than expected under this program.

In FY2006/07, approximately $40,000 of the expected $265,000 in revenue was generated, resulting in a General Fund subsidy of $225,000. However, the first six months of FY2006/07 consisted of program development, outreach, hiring personnel and setting up systems. Taking the first six months into consideration and based on revenue generated this year, the anticipated revenue FY2007/08 would be approximately $80,000, resulting in a revenue shortfall of $185,000.

Emerging Small Business Development (ESBD):

Not applicable. No goods or services are being purchased.

Respectfully Submitted by: _____
MAX B. FERNANDEZ
Code Enforcement Director

Recommendation Approved:

_____
for RAY KERRIDGE
City Manager

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Attachment 1

BACKGROUND

Overview

In 2004, the Sacramento Housing and Redevelopment Commission Task Force recommended that a housing inspection program be established. Following input from stakeholders, the Law & Legislative Committee directed staff to return with a draft ordinance and an alternative ordinance prepared by the Rental Housing Association (RHA). In January 2006, the Law & Legislation Committee, directed staff to present the pilot program to City Council in lieu of an ordinance.

On March 28, 2006, the City Council directed staff to return with a pilot program. The pilot program is aimed at promoting greater compliance with health and safety standards to reduce substandard conditions in rental housing. This program involves staff dedicated to proactive inspections of rental properties in focused areas.

Criteria

On June 8, 2006, the City Council approved criteria for the focus areas and outcome measures. The initial inspection areas were identified by mapping and focusing on areas that have a high concentration of the combined categories:

- Housing and dangerous building cases;
- Neighborhood code enforcement cases;
- Rental properties;
- Police calls for service;
- Fire calls for service.

Focused Areas

The areas of Oak Park in the southeast portion of the city and the Dixieanne area in north Sacramento showed the highest concentration of the above criteria and were focused into manageable inspection areas based on GIS mapping. A systematic approach was established to inspect all rental properties in the focused areas.

Program Goals

The goal of the Rental Housing Inspection Program is to provide safe and healthy rental properties by early prevention of deteriorating neighborhoods. The pilot program has been instituted by the City of Sacramento to determine the need, resources, and effects of a citywide rental inspection ordinance and is dedicated to the proactive inspections of rental properties in focused areas. The program achieves compliance of health, safety and welfare code violations in/on residential rental property that result in:

- Threats to the occupant's safety;
- Threats to the structural integrity of the building;
- Negative impact on the surrounding neighborhoods.

The anticipated outcome of these goals is improved livability and increased property values in the focused areas.

Key Features of the Pilot Program

The key features of the pilot program are:

- No fee charged to property owners for the initial inspection;
- Revenue generated will offset the cost of the program;
- Quick implementation;
- An ordinance is not required;
- Allows evaluation, tracking and report back for further recommendations.

Community Outreach:

Code Enforcement and Neighborhood Services collaborated in providing outreach about the Residential Rental Housing Inspection Pilot program. Notices in English, Spanish, Hmong and Russian were sent to all rental property owners in the Oak Park and Dixieanne areas. Community meetings in September 2006 at the Oak Park and Robertson Community Centers were publicized in the Sacramento Bee and Sacramento Observer. Approximately 50 landlords and property owners attended each meeting. A video was presented at the community meetings providing an overview and visual examples of violations. Spanish, Hmong and Russian interpreters were available at the meetings.

The Residential Rental Housing Inspection Pilot Program webpage was added to the Code Enforcement Department website. Links to a general overview of housing violations and the Residential Rental Housing Inspection process are included on the webpage. A new phone number and a new e-mail address were established to handle questions and customer service for the rental inspection program. A brochure (Attachment 5) outlining the Residential Rental Housing Inspection Pilot program was distributed to property owners, landlords and tenants.

Since the implementation of the program, a grassroots effort towards the problem of substandard and dangerous rental units has occurred. Community outreach, the presence of building inspectors in the focused areas is key in the program's success.

Pilot Program Process:

This program builds on the code enforcement process used prior to implementation of the pilot. Building inspectors are assigned to inspect rental properties in the focused areas. Property owners are notified and are responsible to make units available for inspection. Reasonable attempts are made to accommodate the owner and tenant

schedules. Properties subject to inspection under the pilot program receive a preliminary inspection and building inspectors look for conditions constituting code violations. A complete inspection may be performed which includes the interior and exterior (refer to Attachment 2 RHIP Process Flow Chart).

Rental housing within the focused areas is reviewed during an initial (exterior) inspection. If violations are found, an inspection request letter is sent to the property owner listing the exterior violations and a checklist (General Overview of Housing Code Violations). If violations are found during a continued inspection of the interior, an administrative Notice and Order is issued to the property owner specifying the violation(s) observed. The owner is given up to 30 days to correct the violations. An enforcement fee is issued for continuing (over 30 days) violations.

When a property owner fails to complete corrections within the allotted time, the case is referred to the Code Enforcement Housing and Dangerous Buildings Section for continued monitoring of compliance.

Each building inspector completes between 800 and 900 inspections per year. The pilot program has been streamlined so that two building inspectors and one administrative support staff who schedules appointments, receives calls and tracks cases are dedicated full time to the program.

Pilot Program Status

The Residential Rental Housing Inspection Program, implemented on October 1, 2006, has proven to be more effective than the traditional compliant driven approach. Exceeding expectations, the proactive and systematic approach is effective in finding and reducing violations in rental properties.

The increased visibility of building inspectors in the focused neighborhoods has resulted in a positive reaction from the community. Inspectors have noted properties being cleaned up, vehicles towed, structures painted prior to block by block inspections. This systematic presence of inspectors has created a grassroots approach which has been instrumental in the program's success.

The implementation of a proactive rental inspection program has made an impact on the building inspection process. From October 2006 through June 2007, nearly half (970) of the total rental units (2,029) in the focused areas were inspected. Violations were found in more than one in three (37%) of those inspected properties. The effectiveness of the program has resulted from the fact that of the 356 non-compliant properties, 318 complied within 30 days.

	Units
Exterior Inspections Performed	970
Non-compliant Properties	356
Notice & Order Fees	38

(The two focused areas are composed of 928 parcels containing 2,029 rental units)

Summary of Findings:

- The proactive, systematic approach has resulted in a positive impact on neighborhoods in the focused areas;
- Upon initial inspection, approximately one-third of all rental units in the focused areas were identified as sub-standard. This demonstrates a need for either a city-wide program or a continuation of the current pilot program;
- Of the units identified as sub-standard, 89.3% complied voluntarily. This type of compliance anecdotally suggests that this compliance rate would not have occurred without a residential rental inspection program;
- Based on projections prior to implementation of the program, 30% of the projected revenue will be collected ($80,000).

Sustainable revenue generated and a high rate of compliance cannot exist at the same time. Due to the pilot program's success, fewer fees have been collected so revenue has fallen below projections. The revenue generated of $40,000 (as of June 30, 2007) from the pilot program represents only six months due to the program's start-up period consisting of program development, outreach, hiring personnel and setting up systems.

Future Needs

Based on findings from the existing pilot program, the following are recommendations for the continuation of the program:

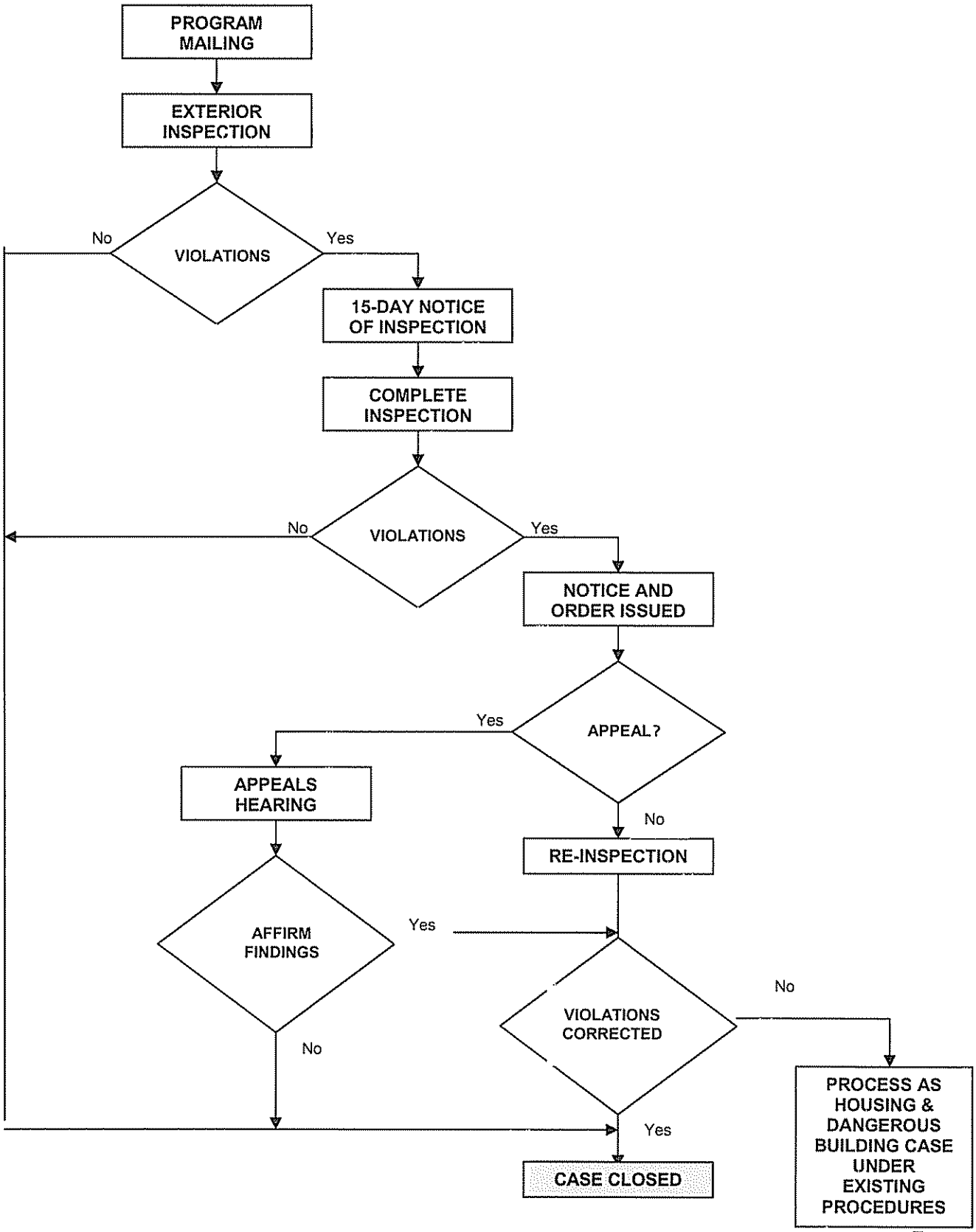
- Re-inspection and missed appointment fees would help offset costs of multiple inspections to the same property in addition to the proposed fees for the options;
- A database to track cases could be integrated into existing city systems, GIS and county parcel mapping. A reliable data source will provide timely and accurate information for building inspectors;
- Continued community outreach into possible future focused and existing areas.
- Continued communication with stakeholders.

Rental Housing Inspection Program Options

Options for the future of the Rental Housing Inspection Program are discussed in this report (Attachment 3). If directed to continue the Rental Housing Inspection Program by preparing or amending an ordinance, the matter will be referred directly to the Law and Legislation Committee, unless it is voted by the majority of the City Council to bypass Committee review. (Council Rules of Proc., Chap. 13(B).)

Attachment 2

RESIDENTIAL RENTAL HOUSING INSPECTION PROCESS



Attachment 3

Rental Housing Inspection Program Options

The following are options with cost estimates for the future of the Rental Housing Inspection Program:

Option	FTEs		Start-Up Costs		Annual Program Cost Estimate		Anticipated Cost/Unit		Self Certified
	4 Year Cycle	5 Year Cycle	4 Year Cycle	5 Year Cycle	4 Year Cycle	5 Year Cycle	4 Year Cycle	5 Year Cycle	
Mandatory – All Units	37	31	$699,000	$586,800	$3,804,860	$3,142,210	$51	$42	No
Mandatory – All Parcels	21	17	$392,700	$336,600	$2,006,365	$1,653,830	$28	$23	Yes
Continuation of Pilot Program	2.0 Building Inspectors; 1.0 Customer Service Representative		n/a		$265,000 (FTE projection of current pilot program)		$80,000 (offset general fund costs)		No

Mandatory – All Units

All of the approximately 75,000 units within the city would be inspected over a four or five year period excluding city-owned and properties under five years old. This would be the most expensive option requiring more than 30 building inspectors with a cost to property owners of between $42 and $51 per unit. All inspections would be conducted by city building inspectors.

Advantages:
This is the most thorough option since all rental units would be inspected within a four or five year period. This option would also eliminate any possible perceptions of selecting only certain units for inspection. Unlike the pilot program, this option would automatically generate funds based on the per unit charge.

Disadvantages:
This option would require the largest staff and costs may be cost prohibitive for property owners and for the city. Prior to the implementation of the pilot program, a similar option was opposed by local landlords and voted down by Council. In addition, inspection of every rental unit may not be necessary.

Mandatory – All Parcels

This option involves mandatory self-certification of units by the property owner. City building inspectors will inspect at least 10 percent of all units every four or five years. Every parcel with a rental unit will have at least one unit inspected. Rental units may be subject to more than the minimum number of inspections based on standards and criteria set by the Code Enforcement Department. A cost of between $23 and $28 per unit would be required to property owners for 17 and 21 FTEs. To qualify for self-certification, the inspected units must have passed initial inspection. Of the self-certified

units, a random audit of at least five percent of all self-certified units would be conducted. An incentive program could be implemented as part of the self certification component.

Advantages:
Every parcel would be inspected within a four or five year period. With the self certification component, fewer resources would be required. This option would be more cost effective than full program for property owners and the city. Unlike the pilot program, this option would automatically generate funds based on the per unit charge. This option would be the most cost effective.

Disadvantages:
Despite specific guidelines issued to property owners, self-certification may be not be seen by the public as effective as inspections by city staff. In addition, random audits and inspection of 10% of all rental units could be perceived as subjective.

Continuation and/or Expansion of Pilot Program

The third option consists of a continuation of the same focused areas as the pilot program, expansion into other focused areas or a combination. The pilot program does not involve per unit costs. Fees collected from the pilot program are from Notice and Orders and administrative penalties.

Advantages:
The current program has a successful track record in bringing rental properties to code compliance. The pilot program does not require significant resources to implement or an ordinance. The pilot program could be expanded into other focused areas.

Disadvantages:
A proactive approach to inspection of rental units would continue only in the current or expanded focused areas. Rental units outside the focused areas would not be proactively inspected. With two building inspectors and one administrative position, this option is the least cost effective with the greatest impact on the general fund. Since there is no per unit fee and based on experience, not enough revenue would be generated to support the program.

City of Sacramento
Code Enforcement Department
Rental Study Area - Census Tract 27 Residential Rental Property Parcels - Oak Park

CODE ENFORCEMENT DEPARTMENT

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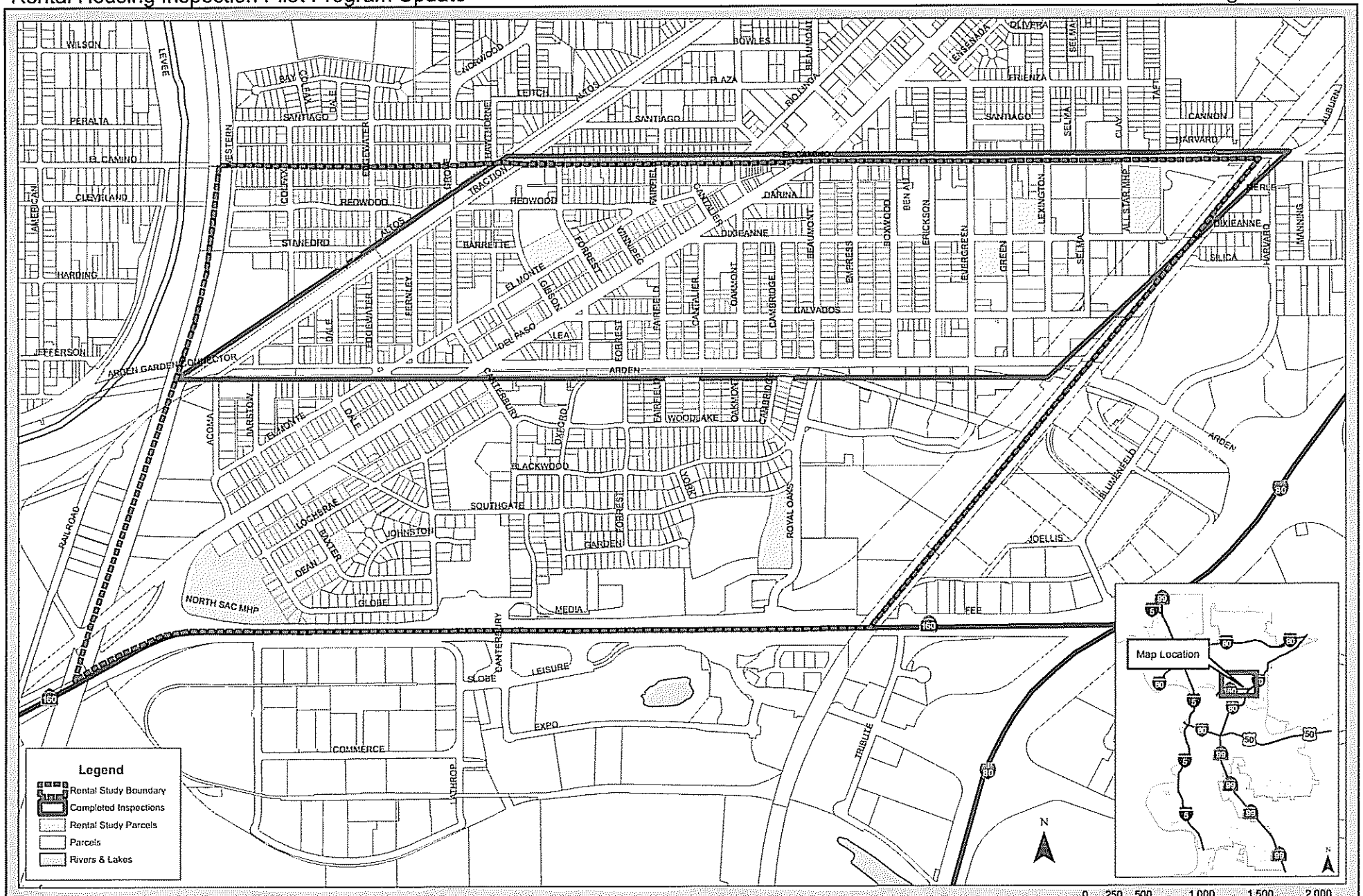

CODE ENFORCEMENT DEPARTMENT

City of Sacramento
Code Enforcement Department
Rental Study Area - Census Tract 69 Residential Rental Property Parcels - Dixieanne

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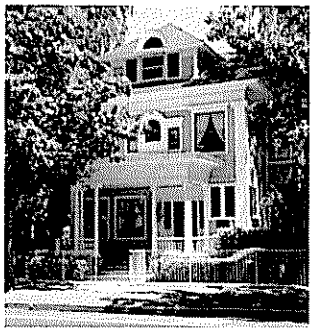
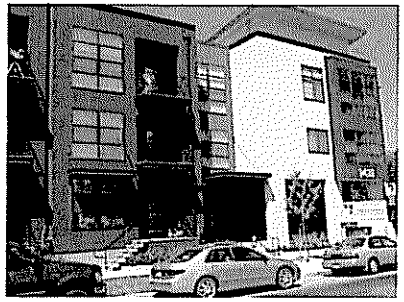
Promoting Livability



The City of Sacramento's reputation of being a great place to live is due in large part to the quality of our neighborhoods and the range of available housing. As part of continuing high standards of livability in Sacramento, rental units must meet minimum building standards. The Residential Rental Housing Pilot program is aimed at promoting greater compliance with health and safety standards to reduce substandard conditions in rental housing.



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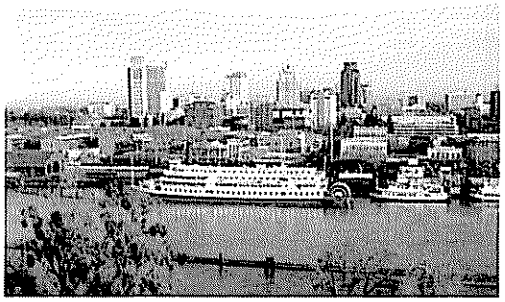
Max Fernandez, Director of Code Enforcement

CALL

我們講中文
Hablamos español
Мы говорим по-русски
พวกเราเว้าพาสาลาว
Peb hais lus Hmoob
Chúng tôi nói tiếng Việt

For more information,
please contact us at:
(916) 808-RENT
Email RHIP@cityofsacramento.org
Or visit our web site:
www.cityofsacramento.org/code

9/2006



Residential Rental Housing Inspection Pilot Program

CITY OF SACRAMENTO

CODE ENFORCEMENT
DEPARTMENT

(916) 808-RENT

Residential Rental Housing Inspection Pilot Program

Prevention

Early prevention of deteriorating neighborhoods is the goal of the Rental Housing Inspection Program. This pilot program has been instituted by the City of Sacramento to determine the need, resources, and effects of a citywide rental inspection ordinance and is dedicated to the proactive inspections of rental properties in focused areas.

The program achieves compliance of health, safety and welfare code violations in/on residential rental property that result in a:

- Threat to the occupant's safety
- Threat to the structural integrity of the building
- Negative impact on the surrounding neighborhoods

Inspection

City building inspectors will conduct door-to-door inspections of property maintenance violations in designated areas. They will survey rental properties for interior and exterior code violations and issue corrective notices. The most common examples are:

- Deteriorated or ineffective waterproofing of exterior walls, roof, foundation or floors, broken windows or doors
- Ceilings, roofs, ceiling and roof supports or horizontal members that sag, split or buckle
- Any door aisle, passageway, stairway which is not of sufficient width or size
- Any building in disrepair that constitutes a public nuisance
- Poor landscape maintenance
- Structure in need of painting
- Unsightly, deteriorated fencing
- Broken windows
- Overgrown yards
- Storage in the front yards
- Inoperable vehicles

Program Process

All rental housing within focused areas in Sacramento is reviewed during an initial (exterior) inspection. If violations are found, an inspection request letter is sent to the property owner listing the exterior violations found and a checklist (General Overview of Housing Code Violations). If violations are found during a continued inspection, an administrative Notice and Order is issued to the property owner specifying the violation(s) observed. The owner is given up to 30 days to correct the violations. An enforcement fee is issued for continuing (over 30-days) violations.

For more information, please contact us at:
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Email RHIP@cityofsacramento.org
Or visit our web site:
www.cityofsacramento.org/code