



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2671
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STAFF REPORT
March 28, 2006

Honorable Mayor and
Members of the City Council

Subject: Proposed Residential Rental Housing Inspection Pilot Program

Location/Council District: City-wide

Recommendation:

This report provides information on a proposed pilot program for proactive inspections of residential rental housing in the city and requests that the City Council provide staff with further direction.

Contact: Max Fernandez, Director of Code Enforcement, (916) 808-7940; Randy Stratton, Chief of Housing and Dangerous Buildings, (916) 808-6497

Presenters: Max Fernandez, Director of Code Enforcement; Randy Stratton, Chief of Housing and Dangerous Buildings, (916) 808-6497

Department: Code Enforcement

Division: Housing and Dangerous Buildings

Organization No: 4653

Summary:

At the direction of the Law and Legislation Committee at the meeting on January 17, 2006, staff is presenting a proposed residential rental housing inspection pilot program for City Council consideration. The pilot program would initially focus inspection efforts in areas of the city which reflect a combination of factors including, but not limited to, areas that show higher concentrations of housing and dangerous buildings cases, neighborhood code enforcement cases, and police and fire calls for service. Implementation of the pilot program would not require a change in City ordinance and no fees would be charged for the initial inspection. However, a pilot program would require the addition of funding for start up costs and staffing.

Committee/Commission Action:

The Law and Legislation Committee was presented with the initial staff report on a Residential Rental Housing Inspection Program on July 21, 2005. The Committee

recommended that additional outreach be facilitated through the Sacramento Mediation Center in order to receive greater input from interested parties and to provide another vehicle for the City to deliver more information on the proposed program. Since that time, five meetings have been facilitated by the Mediation Center in addition to three City-facilitated meetings and mail/e-mail outreach efforts. Attendees included representatives from the Human Rights and Fair Housing Commission, Legal Services of Northern California, Oak Park United Against Slumlords (OPUS), Sacramento Housing Alliance & Mutual Housing Association, Rental Housing Association, Sacramento Association of Realtors, the City Attorney's Office, and the Code Enforcement Department.

On November 15, 2005, the Law and Legislation Committee was presented with a proposed Residential Rental Housing Permit Program Ordinance. This draft ordinance was based on input from stakeholders and included compromises from the parties involved. The Law and Legislation Committee then directed staff to return with an annotated ordinance with alternative language reflecting the program proposed by the Rental Housing Association (RHA).

On December 6, 2005, staff returned to the Law and Legislation Committee with the draft ordinance that was first presented at the November 15th meeting and an annotated ordinance that included language based on the RHA proposal. After discussion and testimony at the December 6th meeting, the Law and Legislation Committee directed staff to return with the original draft ordinance, an alternative ordinance prepared by RHA, and a concept for a pilot program to proactively inspect problem rental property on a priority basis.

On January 17, 2006, the Law and Legislation Committee reviewed the proposed options and directed staff to present the pilot program to the full City Council for consideration. Additional information regarding the pilot program is presented in this report.

Background Information:

On July 27, 2004, the Sacramento Housing and Redevelopment Commission's Task Force recommended to the Sacramento City Council that a housing inspection program be established in the City of Sacramento in order to improve the residential rental housing stock by bringing substandard rental properties into compliance with health and safety standards and codes. Code Enforcement may also act as an effective tool in decreasing the incidence of equity-stripping practices through a proactive inspection program that identifies code violations needing correction and taking the appropriate legal action, such as notice and orders, administrative penalties, recording liens, etc.

The City Council directed Code Enforcement staff to research and develop a residential housing permit program upon the recommendation made in 2004 by the Sacramento Housing and Redevelopment Commission. Such a program would promote greater compliance with health and safety standards and thereby reduce substandard conditions in the City's rental housing stock.

From May 2005 through September 2005, the Code Enforcement Department conducted several stakeholder meetings coordinated by the Sacramento Mediation Center. The stakeholder group included representatives from the Rental Housing Association, Human Rights and Fair Housing Commission, Sacramento Housing Alliance & Mutual Housing Association, and OPUS, as well as City staff. Together, the stakeholder group reviewed and discussed a draft rental inspection ordinance proposed by staff. The compromises and discussions generated a revised ordinance that was presented to the Law and Legislation Committee on November 15, 2005. On that date, the Rental Housing Association (RHA) expressed concerns with the draft ordinance, particularly in the areas of mandatory inspections for all properties and the increased costs to the property owners. In response, the Law and Legislation Committee asked staff to prepare a version of the ordinance that contained alternate language based on RHA's requests. This alternate proposal was presented as part of the report to Law and Legislation on December 6, 2005. On that date, RHA asked for an opportunity to make revisions to the alternative proposal. The Law and Legislation Committee allowed them the opportunity to do so and on December 21, 2005, RHA presented a new alternative ordinance. Based on comments and recommendations from the Law and Legislation Committee on December 6, 2005, staff also presented a concept for a proposed pilot program for proactive rental housing inspections.

At the January 17, 2006 Law and Legislation Committee meeting, staff provided a matrix comparing all three options being presented (Attachment A). The first option was a proposed ordinance prepared by staff that was based on input from the stakeholder group. The second option was an alternative ordinance proposal prepared by RHA. The third option outlines the proposed pilot program.

Residential Rental Housing Inspections – Pilot Program Overview

A pilot program for residential rental inspections would involve staff dedicated to proactive inspections of rental properties in focused problem areas. Two building inspectors and one clerical support staff are required for implementation of the pilot program. The requests for staffing and resources will be included as part of the FY2006/2007 budget process.

Key features of the proposed pilot program:

- No fee would be charged to property owners for the initial inspection.
- Program would generate revenue to cover the cost of the program.
- Program can be implemented relatively quickly.
- Program can be implemented under existing authority and does not require an ordinance.
- The pilot program would allow staff to evaluate the program, track the progress of a proactive residential rental inspection program, and report back with findings and further recommendations.

Inspection Areas -- Initial inspection areas would be identified by mapping a combination of housing and dangerous buildings cases, neighborhood code enforcement cases, rental properties, police calls for service, and fire calls for service.

Identified areas will then be focused into manageable inspection areas. Staff would establish a systematic approach to inspecting all rental properties in the focused area.

Inspection Activity -- The pilot program would build upon current code enforcement processes. Additional staff will be assigned to focus enforcement efforts in identified problem rental areas. The property owner will be notified of the date and time of the inspection and shall be responsible to make units available for inspection by the City. Reasonable attempts will be made to accommodate owner and tenant schedules. All properties subject to inspection under the pilot program will receive a preliminary inspection. Building Inspectors will look for a number of conditions that may constitute code violations (Attachment B). Based on the preliminary inspection and the determination by the building inspector, an interior inspection will be performed. Under the pilot program, no fees would be applied to property owners related to the initial inspections. However, if the initial inspection results in a code violation, the property will be entered into the system and processed as a housing and dangerous buildings case under existing procedures.

Outreach and Notification -- If a proactive rental inspection program is adopted, staff would conduct necessary outreach and inform the community about the program prior to implementation. The information and outreach efforts would include, but not be limited to, working with rental housing industry stakeholders, neighborhood and homeowner associations, and providing presentations, printed materials, and website information.

Evaluation -- Implementation of a proactive rental inspection program will impact the existing complaint-based process we currently have. It is anticipated that the workload for case management, case processing, accounting, and hearings will be impacted. Staff would evaluate the program and report back to the City Council one year after implementation of the pilot program. If there are significant impacts to workload, staff may return with a recommendation for additional staffing, resources, or adjustments.

Financial Considerations:

The cost to implement the pilot program is estimated at \$350,000 annually. This includes 3.0 FTE (two building inspectors and one clerical support staff) and services and supplies. Funding for the staff and operational costs will be requested as part of the FY2006/2007 budget process. The on-going cost of the program would be offset by revenue generated from the inspection activity. After implementation, the pilot program would be evaluated relative to workload impact, revenue generated, and other factors. Staff would return to the City Council with further recommendations for additional staffing or resources, if necessary.

Environmental Considerations:

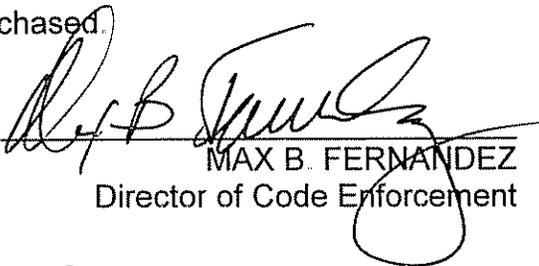
This report is not considered a project and therefore has no potential for an effect on the environment as stated by the provisions of the California Environmental Quality Act (Section 15061 (b) (3)).

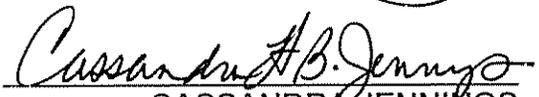
Policy Considerations:

Implementation of a proactive rental housing inspection program is a project under the City Council strategic planning focus area of safe and affordable housing. A proactive residential rental inspection program would have significant impact in the preservation of current and future residential rental housing properties in the City of Sacramento. Such a program, encouraging compliance with building and safety codes in Sacramento's residential rental housing stock, will help to realize the City's vision to be the most livable city in America.

Emerging Small Business Development (ESBD):

Not applicable. No goods or services are being purchased.

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

Approved by: 
CASSANDRA JENNINGS
Assistant City Manager

Recommendation Approved:

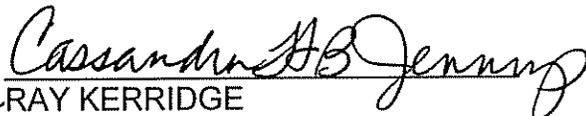

RAY KERRIDGE
City Manager

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ATTACHMENT A

<p>SCC</p>	<p>RENTAL HOUSING INSPECTION PROGRAM COMPARISON Revised 1/11/06 (N/A = not addressed)</p>	<p>RESIDENTIAL RENTAL HOUSING INSPECTION PROGRAM ORDINANCE * (*The official staff version being presented to the Law and Leg Committee for adoption)</p>	<p>12/21/05 ORDINANCE PREPARED BY RHA** (**Red italicized text denotes newly added provisions)</p>	<p>PILOT PROGRAM - Not an ordinance Enhancements such as registration and training would require adoption of an ordinance</p>
<p>TOPIC: COUNCIL PURPOSE AND FINDINGS FOR ORDINANCE</p>				
<p>8.116.010</p>	<p><i>Provides that with more than 75K residential rental units, City has an interest in ensuring standards are met</i></p>	<p>Yes</p>	<p><i>Yes, but says that accurate data regarding number of residential rental properties and types not available.</i></p>	<p>Yes</p>
<p>8.116.010</p>	<p><i>Purpose of ordinance is to be able to contact owners in case of fire or emergency.</i></p>	<p>No</p>	<p><i>City needs contact information in the event of an emergency such as fire or safety</i></p>	<p>N/A</p>
<p>8.116.010</p>	<p><i>Purpose of ordinance is to ensure owners and managers are trained in managing their rental property</i></p>	<p><i>No, purpose of ordinance is to ensure that all rental units meet minimum health and safety standards (a training component is included in the ordinance)</i></p>	<p><i>Yes, rental housing is complicated business requiring knowledge of laws and lack of training leads to problems at the property. Although overwhelming majority of owners are good, small percentage allow their properties to decline.</i></p>	<p>N/A</p>
<p>8.116.010</p>	<p><i>Finds that a stakeholder partnership is critical to success of the program</i></p>	<p>No</p>	<p><i>Yes, calls for the establishment of an advisory committee including reps from the rental housing industry, tenant advocates, city agencies and elected officials</i></p>	<p>No</p>
<p>TOPIC: GENERAL PERMIT PROGRAM REQUIREMENTS</p>				
<p>8.116.030</p>	<p><i>Does not apply to: (1) Mobile homes or mobile home parks; (2) vacant units; (3) on-campus housing owned by college; (4) residential property that is bought and becomes owner-occupied w/in 6 months.</i></p>	<p>N/A</p>	<p>Yes</p>	<p>N/A</p>

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8.116.040	<i>Redefines Residential Rental Property as referring only to the parcel of land upon which a unit sits and not the individual units.</i>	No.	Yes	No
8.116.040	<i>Defines "Inspection"</i>	No	<i>Yes, as act of examining areas w/in exterior & interior of unit to identify compliance w/codes</i>	No
8.116.060	Requires application and registration for all rental units, including renewal	Yes, every 4 years	<i>Does not require a permit application. Requires registration only of property parcel (not individual units) every year</i>	N/A
8.116.060	<i>Restrictions on use of Registration information</i>	N/A	<i>Yes, can only be used by code/law enforcement for legitimate reasons related to conditions of the property</i>	N/A
8.116.060	Requires a Residential Rental Housing Permit for every rental unit before it can be rented.	Yes	<i>No permit required.</i>	N/A
8.116.060	Requires payment of a Registration fee	No; classified as a permit fee	Yes	N/A
8.116.060	Requires payment of a permit fee	Yes	<i>No. No permit required.</i>	No
8.116.060 (C)(3)	Requires local contact information as a condition of operating	Yes	No.	No
8.116.050	Requires Mandatory Training for all rental property owners	Yes, or Local Contact representative	Yes	N/A
TOPIC:	INSPECTION OF UNITS			
8.116.060	Mandatory, regular (4 yr.) inspection for all rental units by City code officers	N/A	No.	No

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8.116.070 (A)	Regularly scheduled City inspections require providing advance notice to Owner and tenant	Yes	<i>For Compliance Audit inspections only - City provides 30 day advance notice. (8.116.100)</i>	No
8.116.070 (C)	Owner and tenants may attend regularly scheduled mandatory city inspections	Yes	No	Yes
Alt - 8.116.070	Owner required to annually conduct self-inspection of all rental units	No; City conducts every four years unless units authorized to self-certify. Those persons permitted to self-certify must use persons approved by Director	<i>In addition to owners, following persons deemed qualified to inspect: property managers; employees of owners; agents of owners; licensed general contractors; real estate brokers; real estate agents; persons who have received training; City enforcement officers; licensed property managers</i>	No
8.116.070	<i>Inspection of every residential rental unit to take place within 10 calendar days after inception of every tenancy and at least annually.</i>	No	Yes	No
8.116.080	<i>Tenant Information Required</i>	No	<i>Yes, owner, manager or agent provides information to tenant at inception of tenancy and annually thereafter regarding rights and responsibilities; importance of rental inspections; habitability standards; restrictions on retaliation; how to file a code complaint w/City</i>	No

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Alt - 8.116.070 (A)(3)	If owner cannot conduct interior inspection, exterior inspection will be conducted from common area or right of way	N/A because Inspection includes entire rental unit	<i>Yes, if unable to conduct interior inspection, person conducting inspection must indicate reason on inspection record and conduct inspection from common area and public right of way.</i>	Yes
Alt - 8.116.071	Annual random audits of no less than 5% of self-certified rental units conducted by City	N/A	<i>No. Creates "Compliance Audit" (see below)</i>	No
8.116.100	<i>Compliance Audit conducted by City of selected properties</i>	No	<i>Yes. Beginning 1 year after program adopted, City conducts compliance audit inspection of no more than 5% of rental properties; using objective criteria such as: ensure greater likelihood that those properties selected have been subject of previous Notice and Orders or have high calls for service where violation was confirmed. No property shall have more than 1 every 2 years unless Notice and Order was issued in previous year.</i>	N/A
8.116.100	<i>Compliance Audit procedures</i>	N/A	<i>City examines inspection document, interviews tenant, proof of completion of required training, proof of registration and payment, proof of distribution of tenant information, & inspection of exterior and interior of unit</i>	N/A

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8.116.100	<i>Compliance Inspection</i>	<i>N/A because City is responsible to inspect upon receipt of a complaint without limitation</i>	<i>Yes, authorized Compliance Inspections of rental property when necessary due to: Tenant provides written verification that the inspection was not performed; (2) Tenant provides written verification that they didn't receive tenant information; (3) Tenant verifies that the inspection was not accurate; (4) Tenant does not respond to City's notice; (5) Tenants report one or more serious violation to City; or (6) Owner does not provide information requested by the City as part of compliance audit.</i>	Yes, in pilot areas
8.116.110	<i>City can conduct exterior inspection only</i>	<i>No, because City has authority to pursue legal entry to interior when necessary</i>	<i>Yes, city's inspection can be from common area or right of way if city unable to conduct interior we: (1) refusal by tenant; (2) tenant not present; or (3) other good cause.</i>	No, because City has authority to pursue legal entry to interior when necessary
8.116.100	<i>Redefines Legal Entry by City</i>	<i>N/A because tenants can grant legal access</i>	<i>Yes, City required to inform property owner before making entry into a rental property</i>	No
8.116.070	For multi-unit properties, a small specified % over the base will be inspected by City as part of mandatory inspection	Yes	N/A	N/A

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8.116.090	If violations found during City inspection - Notice of Corrections issued giving P/O time to correct as part of permit application	Yes	<i>No, requires that City prepare an inspection document. Minor violations to be completed in a reasonable time; Major violations to be corrected in a reasonable time and failure to correct may subject the property to mandatory monitoring. City continues to inspect the property until the violations are cleared.</i>	Yes
Alt - 8.116.070 (A)	Every change of tenancy triggers an inspection by the Owner	N/A	Yes	N/A
TOPIC:	ENFORCEMENT			
8.116.140	Rental housing permit is revocable	Yes; can be appealed	No. No permit required	N/A
8.116.130	Rental housing permit can be denied	Yes; can be appealed	No. No permit required	N/A
8.116.150	Retaliatory action against tenants prohibited	Yes, refer to Civil Code prohibitions	N/A	Yes
8.116.150	Tenants can be relocated at owner's expense	Yes, per current code	N/A	Yes
Alt - 8.116.071	Units that fail audit inspection or are issued Notice and Orders are not able to self-certify and are placed on mandatory monitoring	No; all units inspected except for those that are authorized to self-certify	<i>No. Only those units whose violations were not caused by the tenant, as determined by the code enforcement officer are subject to mandatory monitoring; thereafter, inspections continue until violations cleared; City must provided a signed copy of the inspection document to the owner and tenant with 10 days of completion of inspection.</i>	N/A

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Alt-8.116.070 (B)	Requires payment of a Mandatory Monitoring Fee	N/A	<i>Yes; upon successfully passing compliance inspection, no fees required</i>	N/A
8.116.190	All current administrative remedies/enforcement option available against all violations	Yes	<i>No, creates remedies as follows: 1. 1st violation subject to administrative penalty set by Council. 1. 2nd violation subject to administrative penalty set by Council. 3. 3rd violation subject to administrative penalty set by Council AND any person that has 3 violations in any 2 year period shall also have their units subject to a compliance audit.</i>	Yes
8.116.110	<i>Additional education may be required of those property owners subject to a mandatory monitoring compliance inspection</i>	N/A	<i>Yes. City can require additional training, to be completed w/in 90 days of getting notice from the city. Instructor should be a rental housing trade rep, licensed property manager, reals estate broker, real estate agent, landlord/tenant attorney; or rental property owner. Training no more that 15 hours and includes rights and responsibilities of owners, managers and tenants, rental property maintenance, screening, tenant service, & lawful mans of ending tenancy. Issued a certificate upon completion.</i>	N/A
TOPIC:	SELF- CERTIFICATION			
8.116.120	Self-certification of the rental unit(s) is available	Yes, for units that meet specified standards	Yes, for all except rental property that is on mandatory monitoring	N/A

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Alt - 8.116.070 (A)(2)	Owners must provide records of their self-inspection checklist to tenant	N/A	Yes	N/A
Alt.- 8.116.060 (C)(4)	Self-certification requires annual inspection, with copy of inspection checklist certificate submitted to City city upon new or renewal of registration	N/A	<i>No requirement that inspection checklist be provided to City.</i>	N/A
TOPIC: MISCELLANEOUS				
Alt - See Section 2 of Ordinance amending SCC 3.104.050	Repeals business operating tax on any residential rental property	N/A	Yes	Not recommended
Alt - 8.116.200	Appointment of a Code Enforcement Advisory Committee to annually oversee program and Code enforcement activity and report to Council	No	Yes, with at least 1 rep from rental housing, 1 rep from tenants, 1 rep from the City and 1 rep from homeowners; <i>Committee analyzes programs; reviews actions and activities of code enforcement; reviews data regarding housing code violations; reviews costs associated with the program and makes recommendations to Council on ways to improve the program by submitted an annual report t report.</i>	N/A
8.116.070	Public housing inspections accepted in lieu of city inspection	Yes	Yes	Yes

Sample Preliminary Inspection Check List

Any combination of the following code violations could require continued inspection in all areas of the rental property.

1. Deteriorated or ineffective waterproofing of exterior walls, roof, foundation or floors including broken windows or doors.
2. Defective or lack of weather protection for exterior walls including lack of paint or weathering due to lack of paint or other approved protective covering.
3. Broken, rotted, split or buckled exterior wall coverings or roof coverings.
4. Members of ceilings, roofs, ceiling and roof supports or other horizontal members which sag split or buckle due to defective material or deterioration.
5. Whenever any door, aisle, passageway, stairway or other means of exit is not of sufficient width or size, or is not so arranged as to provide safe and adequate means of exit in case of fire or panic, such as:
 - a. Unapproved security bars at bedroom windows.
 - b. Loose or missing guardrails or handrails.
 - c. Non-operative exit doors and/or stairways, and passageways obstructed to provide emergency egress.
 - d. Proper illumination at all exterior hallways, stairways and required exit ways.
6. Whenever any building or structure is in such condition as to constitute a public nuisance known to the common law or in equity jurisprudence, such as:
 - a. Accumulation of weeds, vegetation, junk, dead organic matter, debris, garbage, offal, rat harborage, stagnant water, combustible materials and similar materials, causing a safety hazard.
 - b. Building or structures covered with graffiti.
 - c. Front yard fencing/gates that are not in good and working condition.

