



CITY OF GRAND RAPIDS

Meeting Agenda Full Detail City Council Work Session

Tuesday, August 7, 2018

5:00 PM

Conference Room 2A

CALL TO ORDER: Pursuant to due notice and call thereof a Special Meeting/Worksession of the Grand Rapids City Council will be held on Tuesday, August 7, 2018 at 5:00 p.m. in City Hall Conference Room 2A, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

CALL OF ROLL: On a call of roll, the following members were present:

Discussion Items

18-0483

Presentation and discussion of the Residential Rental Licensing and Inspection Ordinance Feasibility Study, prepared by the Council appointed taskforce.

Attachments: Rental Licensing and Inspection Ordinance Feasibility Study (Final)

ADJOURN

Attest: Kimberly Gibeau, City Clerk



CITY OF GRAND RAPIDS

Legislation Details (With Text)

File #: 18-0483 **Version:** 1 **Name:**
Type: Agenda Item **Status:** CC Worksession
File created: 8/1/2018 **In control:** City Council Work Session
On agenda: 8/7/2018 **Final action:**
Title: Presentation and discussion of the Residential Rental Licensing and Inspection Ordinance Feasibility Study, prepared by the Council appointed taskforce.

Sponsors:

Indexes:

Code sections:

Attachments: [Rental Licensing and Inspection Ordinance Feasibility Study \(Final\)](#)

Date	Ver.	Action By	Action	Result
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Presentation and discussion of the Residential Rental Licensing and Inspection Ordinance Feasibility Study, prepared by the Council appointed taskforce.

Background Information:

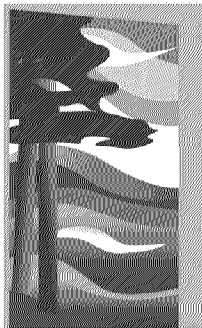
(See attached Feasibility Study)

Staff Recommendation:

Review and discuss the Residential Rental Licensing and Inspection Ordinance Feasibility Study

Residential Rental Housing Licensing and Inspection Ordinance

Feasibility Study



CITY OF
GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE

May 30, 2018

Prepared by:

Residential Rental Licensing and Inspection Taskforce
Barb Sanderson, Chair

Rob Mattei, Director of Community Development
Travis Cole, Building Official



Table of Contents

Purpose of Study	3
Study Participants and Process	3
Rental Licensing & Inspection Ordinances - Purpose and Characteristics	4-6
Rental Housing in Grand Rapids	6-7
Budget Estimates and Considerations	8-11
Information Gathered Through Outreach	11-13
Cost/Benefit Considerations and Recommendation	14-15
Exhibits	16-25

Purpose of Study

The purpose of this study is to examine the feasibility of enacting an ordinance requiring the licensing and regular inspection of residential rental housing units in the City of Grand Rapids. Such an ordinance would require that rental-housing units meet a minimum maintenance standard, which promotes a safe and sanitary living environment for the occupants and enhances the value and livability of neighborhoods.

In response to input received from the Itasca Housing Coalition, a group of agencies collaborating on housing issues in Itasca County at the time, the City of Grand Rapids in February of 2005 amended the Municipal Code to include adoption of the *International Property Maintenance Code (IPMC)*. The IPMC establishes maintenance standards for residential and commercial property, both owner occupied and rental. Without the addition of inspection staff, the IPMC was to be and is enforced on a complaint-driven basis by existing Community Development Department staff. The establishment of a rental licensing and inspection program, which was understood would require additional staffing to carry out regular inspections, was seen as a step to be considered by a future City Council if deemed necessary.

Since its adoption in 2005, the Community Development Department has logged an average of approximately four, complaint-driven, property maintenance violation cases on an annual basis, exclusive of condemnations. The low level of complaint-driven cases reported by tenants is inconsistent with the growth of rental units in Grand Rapids and conditions reported by local agencies that administer rental assistance programs. Agencies such as the Itasca County HRA, which conduct a basic Housing Quality Standard inspection prior to awarding such assistance, report a significant failure rate. These agencies have also expressed an opinion that the families and clients they work with would be very hesitant to report issues because they believe those individuals fear possible retribution and loss of their housing.

The City Council, in developing their 2017 Strategic Outcomes, prioritized the completion of this study. This strategic outcome aligns with the *City of Grand Rapids Comprehensive Plan*, specifically its Future Land Use and Community Service Goals to:

- *Protect and enhance the diversity and livability of residential areas*
- *Provide services to protect the public health, safety and general welfare*

Study Participants/Process

In July of 2017, the City Council received applications and appointed a Residential Rental Licensing and Inspection Taskforce (Taskforce) to provide oversight, input, and direction in development of this study. The appointed Taskforce was designed to represent a diverse cross-section of housing interests in the community. The appointed membership is as follows:

Member	Position	Affiliation/Representation
Barb Sanderson	Chair	Private Citizen
Rick Blake	Member	City Council
Pat Schwartz	Member	Grand Rapids HRA*
Diane Larson	Member	Itasca County HRA
Rozanne Casey	Member	KOOTASCA Community Action
Steve Loney	Member	Rental Property Owner (Small, 1-9 Unit)*
Duane Schraw	Member	Rental Property Owner (Medium, 10-20 Unit)
Lori Duchesneau	Member	Rental Property Owner (Large, 20+ Unit)

*Members that resigned during the process due to scheduling conflicts

Rob Mattei, Director of Community Development and Travis Cole, Building Official, assigned staff support to the Taskforce.

The Taskforce began holding publicly noticed meetings, approximately every month, in August of 2017. The work plan adopted at the first meeting focused on:

- **Information Gathering** – including: reviewing example ordinances, reviewing example fee structures, staffing levels and housing unit counts in comparable communities, developing and reviewing housing unit counts for Grand Rapids, discussing pertinent issues with the Grand Rapids Police Department, conducting a site visit to another community, and conducting a public input session.
- **Examining Implementation Scenarios** – including: discussing preferred ordinance examples, considering appropriate staffing levels, developing an estimated annual expense budget, and developing revenue estimates based on estimated Grand Rapids housing unit numbers and example fees from other communities.
- **Summarizing Findings and Recommendation** – including: summarize the perceived benefits, costs and potential challenges of implementation, approve and present a recommendation to the City Council.

Altogether, the Taskforce held nine regular meetings, not including a sub-committee site visit with City of Bemidji staff on November 21, 2017. In addition to visiting with the City of Bemidji, the Taskforce took part in a phone conference with the President of the Headwaters Landlords Association, to gain perspective from the building owners in Bemidji. One of the Taskforce meetings was a public input meeting, held in the Council Chambers on March 21, 2018.

During their meetings, the Taskforce had discussions with the Police Department and reviewed ordinances from the cities of Brainerd, Alexandria, Bemidji, and Park Rapids. They also reviewed fee structures in place for the cities of Bemidji, Brainerd and Duluth as well as housing counts, staffing and inspection frequency from a list of over 20 Minnesota cities with populations ranging between 4,500 and 14,000.

Rental Licensing & Inspection Ordinances - Purpose and Characteristics

Purpose – For the majority of communities, the adoption and implementation of a residential rental licensing and inspection ordinance is a means of establishing a program of systematic rental housing inspection to promote and if necessary compel proper maintenance of rental housing units to ensure that they meet minimum safety standards. Those safety standards typically apply to the structure, equipment and overall maintenance together with provisions designed to ensure adequate light and air, protection against fire hazards, proper heating, sanitary conditions and protection against overcrowding, all of which would constitute a danger to the public's health, safety and welfare if unaddressed.

Implementing standards for upkeep of rental properties is also undertaken by communities to ensure adequate reinvestment in the existing housing stock, which further preserves that community asset, and also curbs the extension of blight and improves the value of properties in the neighborhoods of those communities.

Rental licensing and inspection ordinances that also address conduct on premises (disorderly uses) and include crime-free housing programs for owners and managers have been found to reduce criminal activity, which in turn lessens: damage to property, neighborhood fear and frustration with dangerous or threatening tenants, and declining property value caused when criminal activity affects the reputation of a neighborhood.

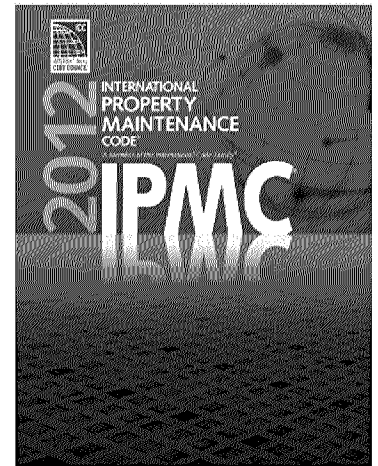
Characteristics - So that an accurate record of where and what rental housing exists, which allows for scheduling and accomplishing periodic inspections, these ordinances typically require the owners of all rental housing obtain and annually renew a City license or registration for their units. Cities typically charge a fee for the license or registration to offset a portion of the expense of the program.

As mentioned, the Taskforce and staff reviewed several example ordinances. Common features of these ordinances included:

- **Exceptions:** It is common for ordinances to exclude or exempt jails, hospitals, parish houses, rectories, dwelling units in cooperatives or condominium buildings, hotels, motels, and state licensed facilities.
- **Registration and Fees:** It is common for ordinances to require the owners to register their rental units annually with the City. A registration fee is required at that time, not at the time of inspection.



- **Inspection Frequency:** It is typical that ordinances require all rental units be inspected every 2 or 3 years, but if violations are common for a property, can be adjusted to annually.
- **Maintenance Standards:** Ordinances either list all of the maintenance standards or refer to a published standard. Many Ordinances refer to the *International Property Maintenance Code*, published by the International Code Council.
- **Enforcement Steps:** Most ordinances clearly establish the enforcement steps when non-compliance is determined, beginning with written notification through to revocation of registration and issuance of an administrative or a criminal citation.
- **Right of Appeal:** It is common for ordinances to establish an appeals process for those who believe they are aggrieved by a decision of the code official through a compliance order or a decision to deny, suspend or revoke a registration. Appeals are heard and decided upon by an appeals board appointed by the City Council.



As previously mentioned, there are numerous examples of ordinances that not only regulate the maintenance and condition of rental units but also link the continued good standing and renewal of a rental unit license to the conduct on the premises. A typical example of this is the City of Bemidji ordinance. Elements of that section of the Bemidji ordinance included:

- **Crime Free/Drug Free Lease Addendum:** All leases are required to include a crime-free housing addendum, whereby the tenant agrees that if they or guest engage in illegal activity, including drug related illegal activity, it is a violation of the rental agreement and cause for termination of tenancy by the owner. The Taskforce found that building owners often already use these addendums without it being required through an ordinance, because they strengthen their legal position in the process of removing problem tenants.
- **Disorderly Use:** In the Bemidji ordinance, a rental unit is disorderly if an activity results in the issuance of a criminal or administrative citation or the filing of charges under a list of local ordinances and state statutes pertaining to:
 - Public nuisances
 - Loud parties and unnecessary loud noises
 - Possession of controlled substances
 - Disorderly conduct or breach of peace
 - Minor possession or consumption of alcohol
 - Conduct relating to prostitution or indecent exposure
 - Unlawful use or possession of firearms
 - Assaults, including domestic assaults
 - Criminal damage to property
 - Terroristic threats
- **Stepped Enforcement:** In the Bemidji ordinance, the first violation of disorderly use provisions results in a written notification to the building owner directing steps be taken by them to prevent further violations.

The second violation by the same registered rental unit within 12 months, upon notification, requires the owner to submit a written report of actions and planned actions to address and prevent further disorderly use. Also subsequent to the second violation of the same unit within 12 months, the owner or their designated agent must attend a Crime Free Education Course, instructed by the Police Department, prior to the end of the annual registration.

Upon a third violation of the same rental unit within 12 months the license for that rental unit may be denied, revoked or suspended or not renewed if actions proposed to be taken are not being diligently pursued by the building owner.



- **Crime Free Education Courses:** Annually, the City of Bemidji Police Department, with assistance from an attorney, conducts daylong Crime Free Multi-Housing training session(s), designed by the Minnesota Crime Prevention Association. These training sessions address:
 - Crime Prevention/Working with Police
 - Crime Prevention through Environment Design
 - Lease Agreements and Evictions
 - Applicant Screening and Fair Housing Laws
 - Terrorism Awareness and Prevention



**MINNESOTA CRIME
PREVENTION ASSOCIATION**

In Bemidji, many building owners take this training and find it valuable, even though they have not been compelled to take it due to a violation.

Rental Housing in Grand Rapids

General Statistics – The source of the following statistics is the 2016 American Community Survey, an ongoing survey of the U.S. Census Bureau:

- In 2016, 34% (3,537) of the Grand Rapids population lived in rental housing. This is an increase of approximately 10% since 2010. (This does not include population living in group quarters, defined as housing within facilities such as nursing homes, dormitories, group homes and shelters.)
- In 2016, approximately 31% (1,095) of the occupants of rental housing were 65 years of age or older.
- In 2016, approximately 39% (1,859) of the occupied housing units in Grand Rapids were rental. This is an increase of approximately 6% since 2010.
- Approximately 58% of the occupied rental housing units were built prior to 1980, the year that the City of Grand Rapids adopted the Minnesota State Building Code.
- The median year that rental units were built in Grand Rapids is 1976. The same median in the City of Bemidji is 1982.



**AMERICAN
COMMUNITY
SURVEY**
U.S. CENSUS BUREAU

Estimated Rental Housing Units and Structures – Because there is a margin of error in the occupied rental housing units estimated by the American Community Survey, Community Development Department staff used data accessed through the City’s GIS to refine the estimate and break it down into categories based on the number of rental units in each building. Staff also utilized information obtained from the Itasca County Assessor’s mapping tool and through field verification.

While it is common, as noted previously, for ordinances to exempt state licensed facilities, the Taskforce determined that the State Fire Marshall does not inspect assisted living facilities. If the City Council moves forward with an Ordinance, some consideration should be given to including assisted living facilities in the program. For that reason, Table 1 and Table 2 below, and the maps provided in Exhibits A-F, show unit and building estimates with and without assisted living facilities included in the count:

Table 1

Rental Unit Estimates (Including Assisted Living Facilities)		
Category	Estimated # of Buildings	Estimated # of Units
1 unit single family	378	378
1 unit single family - manufactured	88	88
2 unit/duplex	45	90
3-9 unit multi-family	65	371
10-19 unit multi-family	20	259
20+ unit multi-family	28	1032
	624	2218



Table 2

Rental Unit Estimates (Excluding Assisted Living Facilities)

Category	Estimated # of Buildings	Estimated # of Units
1 unit single family	378	378
1 unit single family - manufactured	88	88
2 unit/duplex	45	90
3-9 unit multi-family	64	363
10-19 unit multi-family	16	219
20+ unit multi-family	20	650
	611	1788

Survey of Similarly Populated Rural Communities – The table below presents a list of similarly populated rural communities; their estimated number of rental units, whether an ordinance has been adopted and, if so, how frequently they inspect and their approximate full time equivalent positions working on the program:

Table 3

City	Population (2016)	Ordinance	Number of Rental Units	Inspection Frequency (years)	Approximate Staffing (FTE)
Alexandria	13,537	Yes	2,640	3	1.5
Baxter	8,318	Yes	1,150	2	2
Bemidji	15,119	Yes	3,110	2	1.5
Brainerd	13,679	Yes	2,600	3	1.25
Crookston	7,945	Yes	1,220	3	Shared by FT Fire Staff
Fergus Falls	13,652	Yes	2,160	3	2.5
Hutchinson	14,146	Yes	1,930	3	1 (behind w/inspections)
Little Falls	8,890	Yes	1,400	3	contracted
New Ulm	13,539	Yes	1,580	2	Shared by FT Fire Staff
Virginia	8,515	Yes	1,850		
Worthington	13,288	Yes	1,338	2	2
Cloquet	12,301	No	1,270		
Detroit Lakes	9,380	No	1,560		
Grand Rapids	11,435	No	1,859		
Hermantown	9,507	No	975		
Hibbing	16,265	No	2,140		
Marshall	13,799	No	2,430		
Thief River Falls	8,845	No	1,400		

Staffing – Of those communities in Table 3, which indicated they were on schedule with their inspections, the average level of staffing was one FTE per 612 unit- inspections/year. Based upon the housing unit estimates in Table 1 and Table 2, and assuming a 3 year inspection cycle, the estimated inspection staffing required for Grand Rapids is in a range of 1.0 – 1.2 FTE. A number of communities interviewed indicated an additional 0.5 FTE required for associated administrative duties, such as; record entry, scheduling, notification and license issuance and renewal.

Two of the communities had full time Fire Department staff sharing the workload among several people. One community, Little Falls, contracted with a private inspection service for their program.



Budget Estimates and Considerations

Annual Expense Estimate - The following chart details an estimated annual expense budget for administering a rental licensing and inspection program. This budget estimate does not include initial startup expenses, which are listed separately in this report:

Table 4

ESTIMATED ANNUAL EXPENSE BUDGET	
PERSONNEL	
Salary-Fulltime	\$74,818
Salary-Fulltime/Overtime	\$0
Salary-Part-time	\$0
Contracted Services/personnel	\$0
PERA	\$5,611
FICA	\$4,639
Medicare	\$1,085
Health Insurance	\$25,045
Life Insurance	\$37
Dental Insurance	\$0
Unemployment	\$0
Workers Compensation	\$678
TOTAL PERSONNEL	\$111,912
SUPPLIES & MATERIALS	
Office Supplies	\$500
Copy Supplies	\$400
Printing & Binding	\$200
Computer Supplies	\$700
Assets between \$700-\$4,999	\$1,000
Inventorial Supplies	\$300
Motor Fuels	\$1,000
Other Supplies/Materials	\$400
TOTAL SUPPLIES/MATERIALS	\$4,500
OTHER CHARGES & SERVICES	
Legal	\$5,000
Other Contracted Services	\$0
Telephone	\$1,300
Postage/Freight	\$700
Seminar/Meetings/Schools	\$2,500
Auto Mileage	\$0
Auto Licenses	\$300
Publishing & Advertising	\$1,000
General Insurance	\$0
Maintenance Contracts	\$0
Computer Maint/Repairs	\$0
Vehicle Maint/Repairs	\$1,500
Vehicle Reserve Fund	\$4,000
Miscellaneous	\$500
Dues & Subscriptions	\$500
TOTAL OTHER CHARGES/SERV	\$17,300
TOTAL EXPENDITURES	\$133,712



Expense Budget Assumptions:

- Personnel – 1 FTE Rental Inspector at a base wage of \$54,080/yr. and 0.5 FTE portion of a full time administrative staff position, at a base wage of \$41,475/yr., to be shared with another department.
- Vehicle Reserve Fund – accounts for the purchase of an inspection pickup truck on a 7-10 year cycle.
- The estimated expense budget does not account for the use of existing staff resources. The Director of Community Development and the Building Official will be required to dedicate some of their time to the program. If disorderly use (crime-free housing) provisions were included in an ordinance, similar to the City of Bemidji, it would require Police Department staff resources to communicate violations to the Community Development Department and to train for and conduct annual crime free education courses. The Police Department has estimated the value of those staff resources in the range of \$15,000 - \$20,000 annually.

Annual Fee Revenue Estimate (City of Bemidji Fee Structure) - The following table estimates a budget for revenue generated by fees. The City of Bemidji fee structure is an example of one that establishes rate categories based on the number of housing units in a building. This type of fee structure attempts to correlate the fee amount to the level of effort and therefore the actual cost of delivering the service. This approach recognizes that administrative costs are higher per housing unit to license, track and inspect a single-family home when compared to a single unit within a multi-unit structure.

Table 5

ESTIMATED ANNUAL REVENUE BUDGET			
	<u>BEMIDJI RATES</u>	<u>ESTIMATED GRAND RAPIDS UNIT AMOUNTS</u>	<u>ESTIMATED REVENUE</u>
FEES AND PENALTIES			
License Fee - 1 unit Residential (annual)	\$100	466	\$46,600
License Fee - 2 unit Residential (annual)	\$125	45	\$5,625
License Fee - 3-9 unit Residential (annual)	\$150	64	\$9,600
License Fee - 10-19 unit Residential (annual)	\$200	16	\$3,200
License Fee - 20 and up unit Residential (annual)	\$300	20	\$6,000
Conversion Fee - 1 unit Residential	\$500	5	\$2,500
Conversion Fee - Multi unit Residential	\$1,000	2	\$2,000
Re-inspection Fee (third and each additional inspection)	\$100	10	\$1,000
Complaint Based Inspection Fee (validated violation)	\$100	5	\$500
Reinstatement Fee (suspended license)	\$500	2	\$1,000
Failure to Transfer Ownership Penalty	\$100	3	\$300
Operating without a License Penalty	\$500	5	\$2,500
Rental Appeal	\$200	1	\$200
TOTAL FEES AND PENALTIES			\$81,025
TOTAL REVENUES			\$81,025
TOTAL EXPENDITURES			\$133,712
REVENUE VS EXPENDITURES			(\$52,687)

Fee revenue would increase by approximately \$3,350 if senior assisted living facilities were included in the program.

Annual Fee Revenue Estimate (City of Brainerd Fee Structure) - The following table provides an additional revenue budget estimate. In this example, the City of Brainerd's rates and fee structure have been applied to the estimated number of units in Grand Rapids. The Brainerd fee structure is as an example of one that establishes a per unit rate that is applied equally, without regard to the number of units in a building. This type of fee structure focuses on uniformity and disregards the economies that exist in providing the service to multi-unit buildings. For that reason, this type of structure lowers the cost for smaller (one and two family) properties and shifts the cost to higher unit buildings.

Table 6

ESTIMATED ANNUAL REVENUE BUDGET			
	<u>BRAINERD RATES</u>	<u>ESTIMATED GRAND RAPIDS UNIT AMOUNTS</u>	<u>ESTIMATED REVENUE</u>
FEES AND PENALTIES			
License Fee - per Residential Dwelling Unit (annual)	\$32	1788	\$57,216
Re-inspection Fee (third and each additional inspection)	\$125	10	\$1,250
Complaint Based Inspection Fee (validated violation)	\$100	5	\$500
Reinstatement Fee (suspended license)	\$15	2	\$30
Failure to Transfer Ownership Penalty	\$100	3	\$300
Operating without a License Penalty <30 Days	\$25	3	\$75
Operating without a License Penalty 31 - 60 days	\$75	1	\$75
Operating without a License Penalty 61 - 120 days	\$150	1	\$150
Operating without a License Penalty >120 days	\$450	0	\$0
Rental Appeal	\$200	1	\$200
TOTAL FEES AND PENALTIES			\$59,796
TOTAL REVENUES			\$59,796
TOTAL EXPENDITURES			\$133,712
REVENUE VS EXPENDITURES			(\$73,916)

Fee revenue would increase by approximately \$13,760 if senior assisted living facilities were included in the program.

Revenues vs Expenditures – As seen in Tables 5 and 6, the fee and penalty rates used by the cities of Bemidji and Brainerd would not generate sufficient revenue to fund the entire cost of a Grand Rapids program. Staff interviewed a number of communities regarding their program budgets. The communities were certain that their programs were not fully funded by fee and penalty revenue; however, because their program budgets were not isolated they could not quantify the amount of levy used to supplement the program funding.

The estimated funding shortfall based upon use of Brainerd rates is \$73,916 and with the Bemidji rates is \$52,687. These deficits would not require an equal amount of increase to the current levy because included within those figures is the expense of the 0.5 FTE administrative position. This position and its expense is already included within the budget for the Administration Department, due to a recent, unfilled, retirement. Within the expense estimate for personnel, shown in Table 4 is \$32,113 of salary and fringe benefits for the 0.5 FTE administrative position.

The calculated estimated net levy increase required to fund the program is as follows:

Table 7

Estimated Expenses	Fee Revenue Estimate (Bemidji Rates)	Fee Revenue Estimate (Brainerd Rates)	Reduction for Half-Time Administrative Staff	Net Estimated Levy Increase Required
\$133,712	\$81,025		\$32,113	\$20,574
\$133,712		\$59,796	\$32,113	\$41,803



Tiered Fee Structures – The typical fee structure is similar to the Bemidji and Brainerd examples. This structure requires the same licensing fee, regardless of a unit’s condition. This type of structure also levies additional charges for repeated re-inspections of properties that have a history of property maintenance code violations. Under this structure, the additional charges for re-inspection puts more cost burden on the properties that are demanding more program resources.

The Taskforce did also review two examples of a tiered fee structure, a more uncommon approach, specifically one used by the City of Minneapolis and one from Fergus Falls. A tiered fee structure essentially lowers the license fee for properties that have fewer nuisance and property maintenance code violations during the annual licensing period. The intent of this type of structure is to shift more of the program cost to the properties that are not managed or maintained as well and, conversely, reward the properties which are with a lower fee.

While the intent of a tiered fee structure is reasonable, the Taskforce felt that this approach did present some additional challenges:

- There would be additional administrative work involved in routinely evaluating the data (number of police calls and property maintenance code violations) for each licensed property against the standards for the tier categories in order to determine if an adjustment to a different tier is warranted, and then notifying the property owner of the adjustment.
- Budgeting for the program would be a greater challenge, because with each evaluation and adjustment of some properties into new tiers, the amount of fee revenue could vary a considerable amount. With varying fee revenue, the amount of levy to fund the rest of the program cost would vary, as well.

Program Unit Cost Estimates – The Taskforce examined the estimated total costs of a program (license fees and increased property taxes) on a per housing-unit basis, as it is reasonable to assume these costs may be passed on to the tenants through their rental rates. The spreadsheets labeled Exhibit G and Exhibit H, calculate a comparison of the total estimated program cost/unit/month for a sampling of rental properties in Grand Rapids using the Bemidji and Brainerd fee structures, respectively.

As seen in Exhibit G, the costs, using the Bemidji fee structure, range from \$8.86/month to \$0.97/month. This fee structure, again, attempts to correlate the fee amount to the cost or level of effort required in delivering the service, which is why a single family home is at the high end of the cost estimate range and a unit within a 29 unit building is at the low end.

Exhibit H, which examines cost for the same properties using the Brainerd fee structure, produces a narrow range between \$3.74/month and \$2.88/month. As mentioned, this type of fee structure focuses on uniformity and disregards the economies that exist in providing the service to multi-unit buildings, over a structure with one or a low number of units.

Startup Expenses – Beyond the annual operating expenses for the program, estimated in Table 4, are additional startup expenses estimated as follows:

Table 8

Department	Description	Expense
Community Development	Licensing and inspection software customization/implementation*	*\$60,000
Community Development	Vehicle (pickup truck)	\$28,500
IT	Computer and Ipad	\$1,600
Total:		\$90,100

*Lower cost alternatives, such as use of an Access database, created by the City of Bemidji, rather than a Cityworks PLL customization, would be considered.



Information Gathered Through Outreach

In addition to the perspectives shared by the Taskforce members from their role in the housing realm, the Taskforce conducted outreach to gather additional information and input relative to the study.

Discussion with the City of Bemidji – A sub-committee of the Taskforce traveled to the City of Bemidji in November 2017 to ask questions and discuss their program. The key takeaways from the meeting included:

- Administering their ordinance requires a high level of coordination and cooperation between Police (notification of disorderly use violations), City Clerk (licensing/registration), Building (scheduling and conducting inspections and enforcement actions), and staff of the City Attorney (reviewing police reports to determine appropriate notifications for disorderly use violations)
- The Police Department representative felt there were advantages to requiring the owners have Crime Free/Drug Free lease addendums with their tenants. From their point of view, with the addendum in place, the owners have the means to evict tenants that continually violate disorderly use laws identified in the ordinance. Because the owners risk losing their license, they are further motivated to address the problems in their building(s).
- The staff felt that the overall quality of the housing stock in Bemidji had improved significantly because of their ordinance, which was adopted in 1996.
- New rental registrations are required to provide the mandatory amount of off street parking stalls under their Zoning Ordinance. Existing rental properties, at the time of ordinance adoption, are grandfathered-in, regardless of their lack of parking. Some new registrants object to the cost of parking areas.
- Senior assisted living units, which are excluded from their ordinance as a state licensed facility, are inspected by the Bemidji Fire Department, however that inspection is limited to common areas and not individual units.
- Appeals of decisions or enforcement actions are rare. While they have an appeals board, staff did not recall them having to rule on any appeal.
- Some of the challenges at the time of adoption are still challenges today; such as, some objections to registration fees and unregistered/unlicensed rentals, some of which are found later through building permits and police calls suspecting an unlicensed rental.
- When asked how the majority of the public views their program, they felt, outside of the owners and possibly some tenants, the public was mostly unaware of the program.

Discussion with the Headwaters Landlord Association (HLA) – The Taskforce participated in a teleconference with the President of the Headwaters Landlord Association to gain perspective from the rental property owners in Bemidji on their ordinance. The key takeaways from the discussion included:

- The HLA formed at the time of the adoption of the Bemidji ordinance. Their mission is to be a proactive and collective voice, and to educate their members about changes to the ordinance, under consideration by the City at any given time. The HLA estimated their membership to include approximately 10% of the building owners. The majority of the members own small residential buildings.
- The HLA has frequent communications with the inspectors from the Building Department. The inspectors present information/updates to the HLA two or three times annually. The HLA would like to have more interaction with the Police Department.
- The HLA saw benefits from the ordinance in that the rental housing in the City is in better condition and relationships with City staff are positive.



- A couple of items that the HLA is currently providing input to the City are:
 - The HLA’s concern that tenants are being cited for parking in front yard areas, particularly those properties that are grandfathered-in with less than the required developed parking spaces.
 - The HLA’s concerns pertaining to the City’s possible consideration of a change to their enforcement of disorderly use violations. Currently the steps in enforcement are administered on a per unit/apartment basis over a 12-month period. The City is considering a change that would enforce it on a per building basis over a 12-month period.
- When asked if there was a loss of rental housing in their market after enactment of the ordinance, the answer was that they did not think there was. They said there were a few owners that decided to sell their buildings, but those continued to be operated as rental properties by new owners.
- The HLA felt the current Bemidji registration fees are slightly weighted in favor of the multi-family buildings. (This likely reflects the fact that a majority of their membership are owners of one and two unit properties.)
- The general advice from the HLA was that if Grand Rapids adopts such an ordinance, we should “keep focused on the desired result and try not to get hung up on the details or make it overly burdensome”.

Public Information/Input Meeting – The Taskforce held a public meeting on March 21, 2018 to provide information and hear comments, questions and concerns. The meeting topic and schedule was noticed through a press release/article published in the Herald Review and was further marketed on the City’s Facebook page. Thirteen people, who were primarily if not exclusively owners of rental property, attended the meeting. The minutes of that meeting are attached as Exhibit I. The comments and questions received are summarized as follows:

- Questions about what prompted the City to look into a rental licensing and inspection ordinance.
- Concerns about the disorderly use (crime-free housing) provisions placing too much responsibility on the property owners for monitoring conduct of tenants.
- Concerns that the fees for the program would force owners out of the rental business.
- Concerns that the cost of the program, when passed on to the tenants, would make rental properties less affordable.
- Questions about whether owner occupied homes are subject to the same standards.
- Questions about program funding. If not fully funded by fees, where will the rest of the funding come from?

Guidance from City Attorney on Crime-free Housing Ordinance Provisions – The Taskforce discussed a guidance letter issued by the HUD Office of General Counsel that explained how the Fair Housing Act applies to local nuisance and crime-free housing ordinances to ensure that those ordinances do not result in unintended housing discrimination, particularly focused on victims of domestic violence.

An example of this type of scenario, a guest or resident of a rental unit is the victim of domestic violence and the frequency of those incidents results in a revocation of the license for that unit, causing the victim to be dislocated.

The City Attorney reviewed both the HUD guidance letter and the City of Bemidji’s ordinance, as an example of one that contains disorderly use (crime-free housing) requirements. City Attorney Sterle also spoke with the League of Minnesota Cities and the Bemidji City Attorney on this issue. In his email response to staff, he suggested the following:

- If an ordinance is developed with disorderly use (crime-free housing) provisions, he recommends that the crime-free lease addendum be made voluntary and not compulsory. Because the addendum is a lease term that is between the tenant and landlord, we could not enforce the addendum.
- The Bemidji ordinance example can be revised to include language that would make it clear the City would not take action to suspend, revoke or deny a license when there is reasonable basis to assume that an alleged victim of assault is a tenant or cohabitating with a tenant.



Cost/Benefit Considerations and Recommendation

As information was compiled, received and reviewed throughout the study process, the Taskforce deliberated the anticipated benefits and costs of adopting a rental licensing and inspection ordinance, with some of those more measurable and predictable and some less tangible and difficult to quantify. The Taskforce also considered possible unintended consequences of an ordinance.

The Taskforce broke down their assessment into two core considerations. The first was to contemplate the benefits and costs in aggregate and provide their recommendation, either for or against, implementation of a rental licensing and inspection ordinance. The second consideration, built upon the first, is to formulate a recommendation regarding the inclusion of disorderly use (crime-free housing) provisions within a rental licensing and inspection ordinance.

Individually, the Taskforce members submitted their views on these considerations, as well as additional points for the City Council to consider. The Taskforce then, as a whole, discussed and summarized this individual input, summarized as follows:

Adoption of a Rental Licensing and Inspection Ordinance

Benefits:

- The adoption of an ordinance is supported by the goals of the Comprehensive Plan.
- It would ensure housing that is decent, safe and sanitary for an estimated 34% of the Grand Rapids population that lives in rental housing, including a higher percentage of seniors and children.
- Safe, well-maintained rental properties will improve the overall quality of the housing stock, furthering its preservation, and curbing blight.
- Real estate values of both rental housing and neighboring properties will benefit when properties are improved and not allowed to deteriorate.
- Some units, affordable to persons at lower incomes, are not safe. An ordinance and corresponding inspections will either bring these units into compliance or cause them not to be in the rental housing stock.
- The regular inspection of rental units will improve the safety of those units, which can serve to reduce the amount and severity of emergency response situations.
- It would encourage the positive work of landlords who have high quality properties and have better control over landlords who have substandard properties.
- In terms of land use planning and other policy considerations, the City will benefit by having a reliable means to know which properties are being used as rental housing.

Costs:

- There is a monetary cost to administer the program that will be borne by the rental property owners and general tax base. These costs may result in slightly higher rents as owners assess their rental fee structures.
- A rental ordinance, while promoting safe, well-maintained properties, may displace some renters who live in substandard properties because the owner of the properties are unwilling or unable to make the required repairs.
- The cost and general burden of licensing and being subjected to inspections will be a change that is mostly unpopular with rental property owners, particularly with those that adequately maintain their buildings.
- A small number of landlords may discontinue renting properties, which could have a similar impact on the need for affordable properties, if they are not sold to other parties who operate them as rental property.
- Some overlap of inspection would occur for those affordable housing properties that are presently inspected by a state or federal agency, due to their funding requirements.
- Negative publicity may result from the City calling attention to the poor condition of housing.



Inclusion of Disorderly Use Provisions

Benefits:

- The enhanced communication (sharing of information about criminal activity at properties and crime prevention best practices) between the Police Department and rental property owners/managers will allow the owners/managers to be proactive in addressing and avoiding problems with criminal activity.
- Tenants will benefit as well, when police officers meet with them about crime prevention, opening up communication with the Police Department about their concerns.
- Based upon the experience of other communities, crime would be reduced in rental housing. A reduction of crime would benefit the safety, quality of life and property values in neighborhoods that have experienced higher rates of criminal activity.

Costs:

- Disorderly use provisions may disproportionately uproot tenants in low-income neighborhoods, some of which may be victims of crime themselves.
- Disorderly use provisions may put too much pressure on landlords to deal with problem properties, which could lead to more evictions and tend to discourage tenants from calling the Police for assistance.
- The enforcement of disorderly use provisions will require the upfront buy-in from several departments in the City in order for it to be effective. This may need to be vetted further.
- In the enforcement of disorderly use provisions, the City would need to be mindful not to create situations that could cause unintended discriminatory effects.

Additional Points for Consideration

- If an ordinance is adopted and some dislocation of tenants results from owners not willing or able to make necessary repairs, the City should be prepared to work with local housing agencies to provide relocation assistance.
- If an ordinance is adopted, a straightforward fee structure similar to the City of Bemidji's, would allow for a less complicated rollout with predictable budgets. As a history of inspections, violations and disorderly use actions is compiled over time, the City could consider a transition to a tiered fee structure that provides additional incentive for compliance and shifts more cost to those properties that require more resources from the City.
- If an ordinance is adopted, the City could also give consideration to a reduced fee for affordable housing units that are subject to other inspections by a state or federal agency.

Recommendation

After thoughtful consideration of all the information provided in this study, the Taskforce believes the benefits of implementing a rental licensing and inspection program exceed the costs to the community. While we are mindful of those costs, and believe the City can and should attempt to mitigate their effects, it is the Taskforce's view that the cause of ensuring safe, decent and sanitary housing for a large segment of our population supports that cost. Therefore, it is the recommendation of the Taskforce that the City Council move forward with drafting and adoption of a rental license and inspection ordinance.

With regard to including disorderly use (crime-free housing) provisions within a rental licensing and inspection ordinance, the opinion of the Taskforce was divided, with a majority favoring it being included, if it is crafted as advised by the City Attorney.

We have appreciated the opportunity to serve the City Council in their consideration of this very important issue, and look forward to our discussion with you at an upcoming work session.

Respectfully submitted,

Barb Sanderson, Chair



Exhibit A – Rental Unit Location Estimates (NW Grand Rapids)

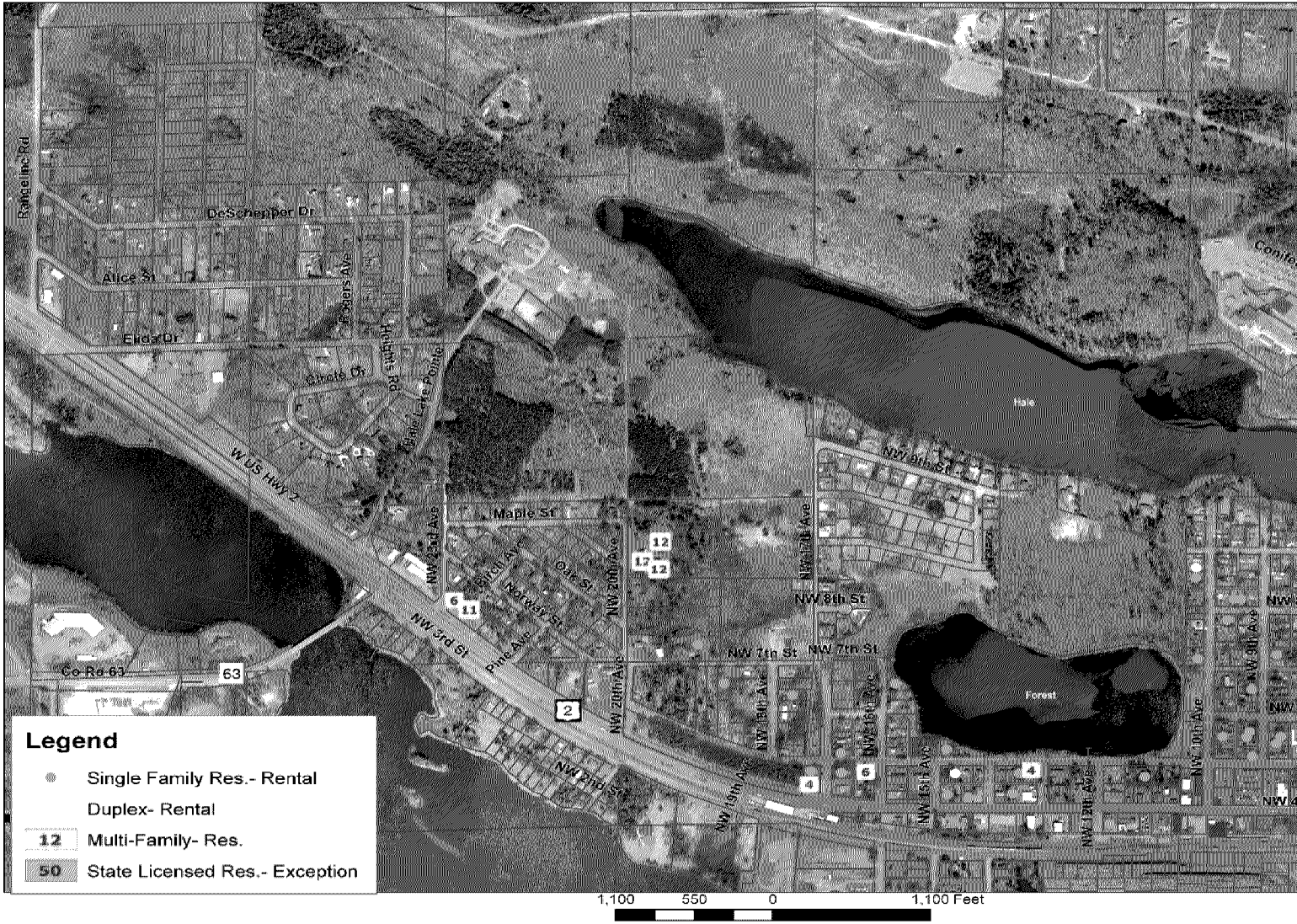


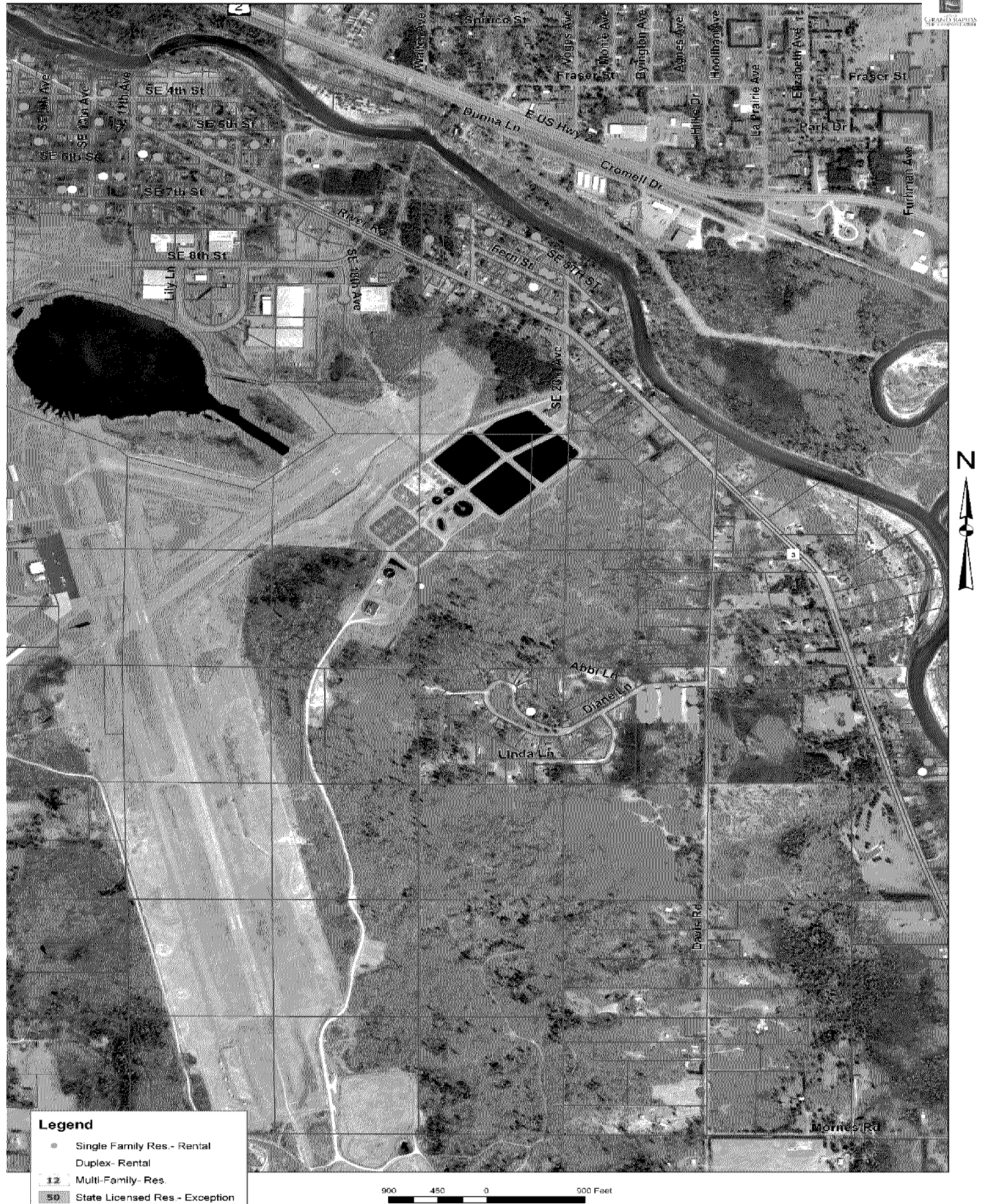
Exhibit B – Rental Unit Location Estimates (N Central Grand Rapids)



Exhibit C - Rental Unit Location Estimates (NE Grand Rapids)



Exhibit D - Rental Unit Location Estimates (SE Grand Rapids)

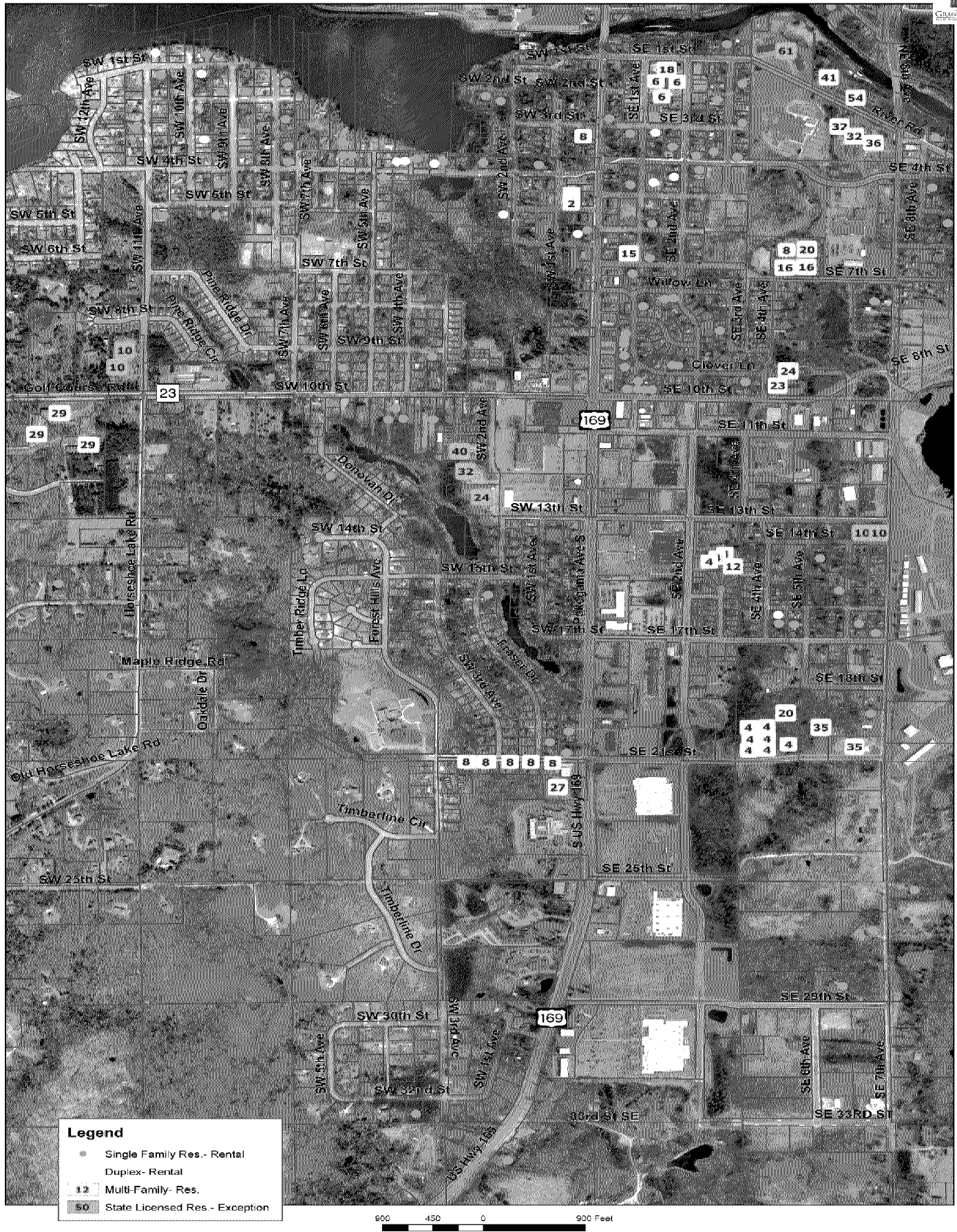


Legend

- Single Family Res. - Rental
- Duplex- Rental
- 12 Multi-Family- Res.
- 50 State Licensed Res. - Exception



Exhibit E - Rental Unit Location Estimates (S Central Grand Rapids)



Legend

- Single Family Res. - Rental
- Duplex - Rental
- 12 Multi-Family - Res.
- 50 State Licensed Res. - Exception

900 450 0 900 Feet



Exhibit F - Rental Unit Location Estimates (SW Grand Rapids)



Exhibit G

Rental Licensing and Inspection Program Unit Cost Estimate for Example Properties

Based on City of Bemidji Fee Structure and Grand Rapids Estimated Program Budget

Existing Levy Fun

Example Property:	Owner	Address	Assessed EMV	# of Rental Units per Structure	Total # of Rental Units	Licensing Fee	2018 Actual City Tax	2018 Increased Tax	Estima
91-425-1230	Clifton Properties	420 NE 7th Avenue	\$181,800	4	4	\$150.00	\$1,874.89	\$1,880.63	
91-652-0110	Oakwood Terrace	904-916 NE 11th Ave.	\$1,361,600	6	24	\$600.00	\$14,042.07	\$14,085.08	
91-652-0120	Oakwood Terrace	924 NE 13th Ave.	\$1,430,300	6	24	\$600.00	\$14,750.57	\$14,795.75	
91-015-3311	Oakwood Terrace	824-836 NE 11th Ave.	\$1,521,800	6	24	\$600.00	\$15,694.20	\$15,742.27	
91-525-0140	Clifton Builders Inc.		\$248,100	2	2	\$125.00	\$2,558.64	\$2,566.47	
91-585-1515	Family Properties LLC	1019 NW 2nd Ave.	\$130,100	2	2	\$125.00	\$1,341.71	\$1,345.82	
91-593-0110	Lakewood Heights Partners		\$1,225,100	29	29	\$300.00	\$12,634.36	\$12,673.06	
91-593-0120	Lakewood Heights Partners		\$1,227,200	29	29	\$300.00	\$12,656.02	\$12,694.78	
91-592-0316	Lakewood Heights Partners		\$1,305,000	29	29	\$300.00	\$13,458.36	\$13,499.58	
91-705-1510	Greg Denver	417 NW 16th Ave.	\$291,900	6	6	\$150.00	\$3,010.34	\$3,019.56	
91-705-1210	M&A Apartments	1310 NW 5th St.	\$150,200	4	4	\$150.00	\$1,549.00	\$1,553.75	
91-415-0910	1st Avenue Condominiums	613 NW 1st Ave.	\$2,399,600	18	36	\$400.00	\$24,746.88	\$24,822.69	
91-415-1715	Gigliotti, Thomas Etal	513 NE 2nd Ave.	\$322,900	8	8	\$150.00	\$3,330.04	\$3,340.24	
91-585-3825	Schuster Properties LLC	117 NE 7th St.	\$71,800	1	1	\$100.00	\$740.47	\$742.74	
91-585-1025	Schuster Properties LLC	925 NE 3rd Ave.	\$74,300	1	1	\$100.00	\$766.25	\$768.60	
91-585-1230	Lynch, Susan	1005 NE 1st Ave.	\$106,600	1	1	\$100.00	\$1,099.36	\$1,102.72	
91-016-4309	Sainio, David	316 NE 9th St.	\$184,800	1	1	\$100.00	\$1,905.83	\$1,911.67	
91-410-7040	LeSarge, Chad	317 SE 3rd Ave.	\$48,800	1	1	\$100.00	\$503.27	\$504.81	
91-605-0465	ETC Associates Inc.	2004 Fraser Dr.	\$200,900	1	1	\$100.00	\$2,071.87	\$2,078.21	

	2018 Tax Year	2018 Tax Year + Levy with Bemidji Fees	2019 Tax Year + Levy with Brainerd Fees
Property Tax Levy	6,716,767	\$6,737,341	\$6,758,570
Tax Capacity	8,141,204	8,141,204	8,141,204
Tax Rate	82.50%	82.76%	83.02%



Exhibit H

Rental Licensing and Inspection Program Unit Cost Estimate for Example Properties

Based on City of Brainerd Fee Structure and Grand Rapids Estimated Program Budget

Existing Levy Fund

Example Property:	Owner	Address	Assessed EMV	# of Rental Units per Structure	Total # of Rental Units	Licensing Fee	2018 Actual City Tax	2018 Increased Tax	Estimate
91-425-1230	Clifton Properties	420 NE 7th Avenue	\$181,800	4	4	\$128.00	\$1,874.89	\$1,886.56	
91-652-0110	Oakwood Terrace	904-916 NE 11th Ave.	\$1,361,600	6	24	\$768.00	\$14,042.07	\$14,129.47	
91-652-0120	Oakwood Terrace	924 NE 13th Ave.	\$1,430,300	6	24	\$768.00	\$14,750.57	\$14,842.37	
91-015-3311	Oakwood Terrace	824-836 NE 11th Ave.	\$1,521,800	6	24	\$768.00	\$15,694.20	\$15,791.88	
91-525-0140	Clifton Builders Inc.		\$248,100	2	2	\$64.00	\$2,558.64	\$2,574.56	
91-585-1515	Family Properties LLC	1019 NW 2nd Ave.	\$130,100	2	2	\$64.00	\$1,341.71	\$1,350.06	
91-593-0110	Lakewood Heights Partners		\$1,225,100	29	29	\$928.00	\$12,634.36	\$12,712.99	
91-593-0120	Lakewood Heights Partners		\$1,227,200	29	29	\$928.00	\$12,656.02	\$12,734.78	
91-592-0316	Lakewood Heights Partners		\$1,305,000	29	29	\$928.00	\$13,458.36	\$13,542.12	
91-705-1510	Greg Denver	417 NW 16th Ave.	\$291,900	6	6	\$192.00	\$3,010.34	\$3,029.08	
91-705-1210	M&A Apartments	1310 NW 5th St.	\$150,200	4	4	\$128.00	\$1,549.00	\$1,558.64	
91-415-0910	1st Avenue Condominiums	613 NW 1st Ave.	\$2,399,600	18	36	\$1,152.00	\$24,746.88	\$24,900.90	
91-415-1715	Gigliotti, Thomas Etal	513 NE 2nd Ave.	\$322,900	8	8	\$256.00	\$3,330.04	\$3,350.77	
91-585-3825	Schuster Properties LLC	117 NE 7th St.	\$71,800	1	1	\$32.00	\$740.47	\$745.08	
91-585-1025	Schuster Properties LLC	925 NE 3rd Ave.	\$74,300	1	1	\$32.00	\$766.25	\$771.02	
91-585-1230	Lynch, Susan	1005 NE 1st Ave.	\$106,600	1	1	\$32.00	\$1,099.36	\$1,106.20	
91-016-4309	Sainio, David	316 NE 9th St.	\$184,800	1	1	\$32.00	\$1,905.83	\$1,917.69	
91-410-7040	LeSarge, Chad	317 SE 3rd Ave.	\$48,800	1	1	\$32.00	\$503.27	\$506.40	
91-605-0465	ETC Associates Inc.	2004 Fraser Dr.	\$200,900	1	1	\$32.00	\$2,071.87	\$2,084.76	

	2018 Tax Year	2018 Tax Year + Levy with Bemidji Fees	2019 Tax Year + Levy with Brainerd Fees
Property Tax Levy	6,716,767	\$6,737,341	\$6,758,570
Tax Capacity	8,141,204	8,141,204	8,141,204
Tax Rate	82.50%	82.76%	83.02%



**RESIDENTIAL RENTAL LICENSING AND INSPECTION TASK FORCE
CITY COUNCIL CHAMBERS – GRAND RAPIDS CITY HALL
WEDNESDAY, MARCH 21, 2018 – 6:00 PM**

CALL TO ORDER: Pursuant to due notice and call thereof the organizational meeting of the Residential Rental Licensing and Inspection Taskforce was held in the City Council Chambers of the Grand Rapids City Hall, 420 N Pokegama Avenue, Grand Rapids, Minnesota, on Wednesday, March 21, 2018, at 6:00 pm

CALL OF ROLL: On a Call of Roll, the following members were present: Barb Sanderson, Diane Larson, Duane Schraw, Rozanne Casey. Absent: Lori Duchesneau, Steve Loney, Rick Blake.

Staff Present: Rob Mattei, Travis Cole.

SETTING OF THE REGULAR AGENDA: Approved with addition

- **Set the next meeting date**

Rick Blake joined the meeting at 6:04 p.m.

DISCUSS MEETING FORMAT

Community Development Director Mattei discussed the process of how the Public Meeting will proceed. It is going to be more like a public hearing format where members of the audience will have the opportunity to speak.

SET THE NEXT MEETING DATE:

The members set the next meeting for Wednesday, April 11th, 2018 at 5:00 p.m.

MOTION BY MEMBER SCHRAW, SECOND BY MEMBER LARSON TO RECESS THE MEETING UNTIL 6:30. The following voted in favor thereof: Blake, Casey, Schraw, Larson, Sanderson. Opposed: None, motion passed.

6:30 P.M. CONDUCT A PUBLIC INFORMATION MEETING:

Chair Sanderson addressed the audience and provided background information on what the role of the taskforce has been. Community Development Director Mattei provided a power point presentation with information that has been gathered by the task force regarding rental licensing and inspection ordinances and rental statics for the City of Grand Rapids.

Ken Patzoldt, 3203 Horseshoe Lake Road, Grand Rapids is wondering what prompted the City to look into adopting a rental code ordinance are there a lot of complaints of substandard rentals in Grand Rapids.

Ken Clifton, 409 SW 12th Avenue, Grand Rapids is concerned the landlords will be the one that will have to police their rental homes.

Bob Clifton, 103 NE 20th Street, Grand Rapids has the crime language already in his leases. He feels that the fees would force him out of the rental business.



Brian Burley, 2205 SW 11th Street, Grand Rapids felt it is very difficult to find a place to rent right now and if you start adding additional costs it will make it even harder and less affordable.

Dennis Herdegen, 29069 Stormy Bay Rd, Bovey will not be able to prevent crime from happening in his rentals and it is very difficult to evict a tenant even if they have committed a crime.

Joe Clifton, 33893 Indian Drive, Grand Rapids was wondering what the protocol is for owner occupied homes and if they are subject to the same standards.

Tim Hogan, 35248 N Moose Point Road would like to know how the program will fund itself and if it doesn't where will the money needed to fund it come from.

Chad LaSarge, 865 Nick Lane, Bovey would like it to be a complaint driven program rather than an ordinance enforced by the City.

The meeting adjourned at 8:10 pm

Respectfully submitted by Aurimy Groom, Administrative Assistant

Aurimy Groom

