



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Administrative Division

m e m o r a n d u m

TO: Bruce K. Walden, Chief Administrative Officer

FROM: Elizabeth H. Tyler, AICP, Director

DATE: September 28, 2006

SUBJECT: AN ORDINANCE TO ESTABLISH A REGISTRATION PROGRAM FOR RESIDENTIAL PROPERTIES BEING RENTED WITHIN THE CITY OF URBANA

Introduction & Background

Please refer to the August 10, 2006, August 24, 2006, and September 21, 2006 Memoranda for Introduction, Background, Program Description, Issues Discussion and Legal Analysis of the proposed Rental Registration Program.

Update

The Urbana City Council conducted a second public hearing on the proposed Rental Registration Program on September 25, 2006. At this meeting, several persons testified in support of, in opposition to, and with a neutral position with respect to the program. Several individuals also raised specific questions and concerns. Additional questions have been raised in various communications that have been submitted to the City. In this memorandum, we will attempt to respond to some of these questions and concerns.

Comments/Questions and Responses

Need for Program

C: The City does not need this program, because it already conducts inspections.

A: The City of Urbana currently conducts systematic inspections for multi-family apartments of three units and above. In addition, the City conducts inspections of any rental property upon tenant or other valid complaint and performs annual inspections of University certified properties, certain HUD funded properties, and mobile home parks. The City's Fire Department conducts bi-annual inspections of the commons area of all apartment units for fire safety concerns.

The proposed rental registration program will expand the current inspection program by including single and two-family rental properties, as well as other rental arrangements such as sabbatical rentals. It will provide funding for additional inspection staff so that the cycle to complete

inspection of all subject properties can be reduced from the current estimated term of 7 to 10 years to a goal cycle of 3 to 5 years. In addition, the proposed program will provide for improved contact information, improved ability to enforce property maintenance codes, improved awareness of occupancy limits, a grading system for rental properties, and improved safety and security provisions for rental housing.

C: Does the proposed program duplicate the City's existing Property Maintenance Code?

A: The City is currently under the 1990 BOCA Property Maintenance Code. Systematic inspections are conducted under an Administrative Order issued pursuant to this Code. Under the proposed program the City would continue to conduct its systematic inspections in the same manner, but with an increased scope and frequency. The City will soon be adopting the 2003 International Building Code Series, including a new Property Maintenance Code. The adopting ordinance for this new Property Maintenance Code will memorialize the timelines for corrections of violations that are already in place and are referenced in the rental registration ordinance. The proposed program does not duplicate the property maintenance code, but it does allow for improved enforcement of it.

C: The City does not need to register properties since it already has good information about landlords. This information could be easily collected with self-registration.

Collecting accurate information about property owners and designated local agents is only one benefit of the program. While it is true that the City does not ordinarily have any trouble contacting local landlords and members of the Central Illinois Apartment Association, this is not true for numerous properties that are held by out-of-area owners. In pursuing correction of tenant complaints, the City is often delayed by the need to track down contact information for the owner and then arranging timely response from the property owner, who may be located in Chicago or St. Louis and employed full-time in a business other than real estate rentals. Having up to date information about the owner and a designated local agent will significantly improve our ability to enforce property maintenance codes for these properties. It is hoped that the CIAA can assist in this effort by having their members serve as local agents for these absentee landlords.

Program Facts and Logistics

C: How many units are already inspected? How many will be added?

A: Based upon a previously conducted review of past data, it is estimated that the current systematic inspection program (3 units and above) included approximately 8,440 dwelling units contained within 700 properties. An estimated additional 1,616 one- and two-family dwelling units would be added to the program under this program. Based upon these figures, the total number of rental units in the City totals approximately 10,056 units. Improved data is being compiled in anticipation of program implementation. This information preliminary indicates that the total number of units may now be closer to 11,000, with over 2,500 properties affected.

C: How many property owners own how many units? Who are they?

A: A complete answer to this question would take extensive data analysis. However, preliminary assessment shows that the City’s top five rental companies own 128 buildings with 2,022 units; the top ten rental companies own 179 buildings with 2,882 units; the top 15 companies own 243 buildings with 3,570 units; the top 20 companies own 294 buildings with 4,086 units; the top 25 companies own 314 buildings with 4,415 units; and the top 30 companies own 332 buildings with 4,659 units. These 30 companies own anywhere from 45 units to 633 units. This comprises approximately 50% of the total number of apartment units in the City. The remaining approximately 300± landlords have less than 35 units each. With respect to duplexes , the top 10 landlords own between 5 and 12 units, with the remainder owning between 1 and 4 units. With respect to single family rentals, the Carle Foundation owns 46 units, a few other landlords own between 9 and 12 units, but the vast majority own between 1 and 4 units.

The top ten rental property owners or managers in Urbana and respective number of units are as follows:

1. Campus Property Management	633
2. Town and Country Apartments	618
3. Melrose(Campus Connection)	282
4. Wakeland	274
5. Barr (some could be managed)	215
6. BZ Management	206
7. Amber Point Creek	180
8. Sunnycrest	160
9. Campo (some could be managed)	159
10. Hunsinger	155

C: Will the expanded inspection program impact landlord’s time differently than the current program?

A: The Building Safety Division schedules time-certain inspections during the regular work week at the convenience of the landlord. It takes an average of 20 minutes on site for an apartment unit inspection and 2 hours on site for a single family or duplex unit inspection (this does not include the inspectors’ administration or travel time). For apartment owners, the time commitment will be similar to that which currently exists, but with a reduced cycle time. Landlords of one- and two-family units would have to commit approximately two hours every 3 to 5 years under this program. This does not appear to be an unreasonable time commitment. Some testimony referred to having to wait several hours on-site for an inspection and/or having to wait several days for an inspection to be scheduled. This is simply not the case in Urbana. Systematic inspections are scheduled without delay at the property owner’s convenience. Requested inspections are usually conducted the next day.

C: What is the expected financial impact upon the landlord of the additional one- and two-family rental inspections? Having to replace windows to meet fire egress requirements of current codes is a big concern.

A: As the City begins to inspect single- and two-family properties that have not previously been inspected, there are likely to be some pre-code constructed properties that will require upgrades to meet minimum life safety codes. Such improvements could include proper sizing of at least one window per bedroom for safe fire egress, adjustments to ceiling heights and egress provisions for basement units, and upgrades to certain electrical outlets. These improvements relate to life safety and are important to ensure safety of tenants. With respect to window enlargement, the City of Urbana does allow for administrative variances for minimal adjustments. In addition, the City's Property Maintenance Code of Appeals routinely hears cases regarding window sizing and ceiling heights and has a reputation for reasonable application of standards. Based upon our knowledge of the local housing stock, we believe that requirements for major improvements will be necessary only for a small portion of the one- and two-unit properties. Because multi-family units have been inspected systematically for many years, we anticipate very few code upgrade issues for these properties.

C: Property owners should receive annual inspections if they are going to pay registration on an annual basis.

A: With over 10,000 units it would be beyond the City's capacity to inspect all properties on an annual basis. In addition, from a practical perspective, inspections this frequent are not necessary. An exception is University Certified housing, which is already inspected each year under a services contract with the University. It is estimated that the proposed program would allow for inspections with a frequency of between three (with three inspectors) and five (with two inspectors) years. Fire Department inspections of commons areas will continue every two years. In addition, the City will conduct inspections immediately upon tenant or other valid complaint. Inspections will also continue to be performed at the specific request of the property owner.

Proposed Fees

C: What methodology was used in setting the proposed fees?

A: Proposed registration fees were set to match national averages based on a survey sent out to other college towns in the region. Those averages were \$49.82 for single family rentals, \$51.69 for duplexes, and \$41.87 for multi-family apartment buildings (with an additional fee of \$9.65 for each rental unit in the building).

Here is how average rent increases were calculated:

For apartment buildings, we assumed an average of 12 units per building (8440 divided by 700 = 12.05). This would result in an annual fee of \$160 per apartment building, or an average of \$13.33 per unit per year, or \$1.11 per unit per month.

For single family rentals and duplexes the process is more straight-forward. The average increase is \$50 divided by 12, or \$4.17 per month for single family units and \$2.08 for duplex units.

The City does not have figures for how many tenants reside in rental units, but on the average we assume there is more than one person in each apartment, two or more people in each duplex unit, and two to four people in each single family rental unit. Thus, average monthly rent increases would be less than one dollar for each tenant in most cases.

C: What kinds of fees do other businesses pay?

A: Unlike many communities, the City of Urbana does not have a general business license. However, certain fees and licenses are required for liquor sales, peddlers and solicitors, home-occupation businesses, taxis and limousines, food handling, on-street food service vendors, and numerous other activities (please see the Annual Schedule of Fees). Liquor licenses range from \$37 for a sidewalk café to \$4,106 for a Class A license. In addition, the C-U Public Health District collects fees for any food handling operations. Certain specific businesses are also licensed or regulated through other agencies, such as nursing homes, medical facilities, etc., and/or through organizations, such as homebuilders and realtors.

C: The inspection program should be funded by the City's General Fund and not fees.

A: The City funds its current housing inspection and nuisance abatement programs through the General Fund and has done so for as long as these programs have existed. The General Fund is anticipated to continue to fund a portion of the Housing Inspection program which includes one inspector and one part-time clerical staff. Fees generated by the Rental Registration Program will help to pay for additional inspection, clerical and legal staff so that the City can better keep up with and enforce its ordinances pertaining to rental housing. Rental registration programs are typically administered through the use of fee recovery. In this way, the cost of the program is borne by the participating properties and not by the population as a whole. The City's overall financial structure involves a combination of general fund, special fund, and fee funded operations. It is consistent with this over-all approach to have rental property inspections funded by a combination of these sources.

C: Do other business entities in Urbana have to pay for their inspections or are these considered City services?

A: The City inspects new construction and remodeling of buildings through the building permit process which involves fees tied to the type and amount of new construction. These fees help to cover for the inspections made by City staff. For new businesses in Urbana that open up without a building permit, the certificate occupancy permit is \$50. Again, this helps to cover for the cost of inspection.

Legal Concerns

C: The proposed program would invade the privacy of landlords and tenants

A: Please see the City Attorney's previous analysis and suggestions regarding the issue of warrants for inspections. The currently proposed version of the Ordinance takes into consideration relevant case law and provides for proper procedures to ensure protections under the 4th Amendment of the Constitution.

C: Would the security section require a cooperative to keep their doors locked?

A: That is not the intent of the access provisions. This language will be reviewed to clarify its purpose of controlling access to rental units by persons authorized by the landlord to perform necessary work or services.

Economic and Fairness Concerns

C: The program will have a negative economic impact on the community. It will be a disincentive for business.

A: The characteristics of the program and proposed fees are structured to minimize the impact upon the local economy and on participating property owners. In recent years, poorly managed and maintained apartments and rental houses have resulted in detrimental effects upon the property values of surrounding properties and neighborhoods. This is a larger negative economic impact that the program can help to reverse. Some properties have also demanded an extraordinary level of police protection, nuisance abatement, and other city services. Improved enforcement of the City's property maintenance codes via the rental registration program will assist in retaining value for all property owners (rental and owner-occupied) as they are negatively impacted by these problem properties.

With respect to the City's economic development efforts, while the significant population counts found in multi-family properties are important to new commercial business enterprises as future customers, the proximity of poorly maintained and problem rental properties has unfortunately been a decidedly negative factor in the City's and private sector's efforts to revitalize certain areas, such as southeast Urbana. To the extent that the rental registration program can help to improve these properties, the City's business climate should be expected to benefit.

C: The program should also include owner-occupied homes to improve property maintenance overall. It is unfair to only impose it on rental housing.

A: Rental properties comprise an income-generating commercial enterprise that is distinctly different from owner-occupied residences. Investment property owners, and by extension the City, bear a unique responsibility to help ensure the safety of tenants who are not in control of their surroundings in the same way that an owner-resident is. The City's property maintenance and nuisance codes pertain to all residential properties, including owner-occupied. These codes are enforced through complaints, drive-by inspections, and other agency referrals.

Draft Ordinance Revisions

The most recent proposed revisions to the Draft Ordinance are reflected in the mark-up draft dated September 20, 2006. As noted previously, the proposed Ordinance is in draft form and may continue to be revised and improved based upon continuing staff review and comments received from Council Members and others.

Recommendations

Staff recommends that the Urbana City Council continue to review the proposed ordinance and suggest any further revisions at upcoming meetings. It is now anticipated that the Ordinance may be adopted in November and December for a January 2007 effective date. Subsequent years could retain the annual renewal date of October 15th which has been determined to be an optimal time of year with respect to lease renewals and other factors.

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