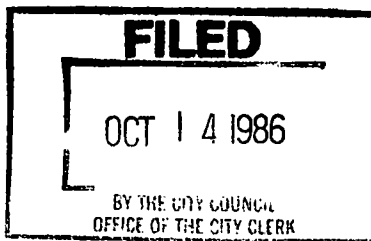




# CITY OF SACRAMENTO

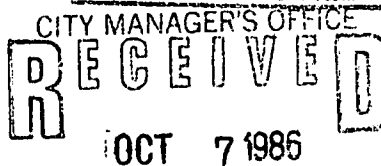
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DEPARTMENT OF PLANNING AND DEVELOPMENT  
1231 "I" Street Sacramento, Ca. 95814



Administration  
Room 300 449-5571  
Building Inspections  
Room 200 449-5716  
Planning  
Room 200 449-5604

October 3, 1986



City Council  
Sacramento, CA

Honorable Members in Session:

**SUBJECT: USE OF STATE OF CALIFORNIA REVENUE AND TAXATION CODE PROVISIONS REGARDING MAINTENANCE OF SUB-STANDARD RENTAL HOUSING**

**SUMMARY:**

The City Housing Abatement Program currently concentrates on severely sub-standard or vacant, open buildings. Used in conjunction with existing programs, the State Revenue and Taxation Code Provisions would effect a more aggressive sub-standard rental housing program. Required research and review as noted in this report will be conducted and a final report will be returned to City Council in six weeks.

**BACKGROUND:**

AB 2148 (Chapter 1279, Statutes of 1985, State of California, Revenue Taxation Code) became effective January 1, 1986. It provides that deductions may not be allowed for interest, taxes, depreciation, or amortization paid or incurred in relation to the maintenance of sub-standard rental housing as defined by the local jurisdiction.

The Program works as follows:

1. The property is identified and the owner is noticed. The Notice contains a list of violations and time period to correct. The Notice also contains a warning that failure to comply may result in referral to the State Revenue and Taxation Board via a Notice of Non-Compliance. This is appealable.
2. If not appealed or corrected, the State Franchise Tax Board is notified and the owner of said property is given six months to comply. If voluntary compliance is achieved, the State Franchise Tax Board is notified via a Notice of Compliance. If compliance is not achieved, any deductions disallowed may be delivered to the local jurisdiction to be used for any or all of the following:

BACKGROUND (Continued):

- a. To defray administrative costs.
- b. To fund Housing Rehabilitation Programs for low and moderate-income families.
- c. To prevent or minimize displacement of tenants.

The State of California Legislative Analyst, in a report prepared in December, 1980, concludes that, in the case of most violations, the actual cost of compliance exceeds the probable tax penalty. Therefore, the threat of notification is often the most effective tool for the local jurisdiction.

The City of Sacramento currently has a Sub-standard Housing Program that is primarily targeted to three designated areas: (1) Del Paso Heights; (2) Oak Park; (3) The Inner City. With a staff of three (3) Field Inspectors, the Program is concentrated primarily toward open, vacant structures. The Program works as follows:

1. The property is identified and the owner noticed. The Notice contains a list of violations existing on the property. If there is no compliance, the owner is notified that the case will be heard at the next available Housing Code Advisory and Appeals Board. Barring unusual circumstances, the Board typically passes a Resolution that orders the owner to repair or demolish the structure, usually within 30 - 90 days. (The City Code does provide for the immediate demolition of extremely hazardous structures.)

If the owner elects to repair, a permit is issued and the case inspector follows through until completion. Since home owners are doing the work, this can result in many inspections and re-inspections until compliance is achieved.

If demolition is chosen, the owner may secure permits and demolish himself, or the City will proceed with demolition and file a lien on the property.

FINANCIAL IMPACT:

Since the City currently concentrates primarily on open, vacant buildings in only three target areas and, currently has a backlog of approximately 250 existing cases, implementation of an aggressive Sub-standard Rental Housing Program would require certain changes within the existing Housing and Dangerous Building Section.

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FINANCIAL IMPACT (Continued):

One possibility would be additional staffing of inspectors and clerical personnel to handle the additional case loads that an aggressive Sub-standard Rental Housing Program would create.

Another possibility would be for existing housing inspection staff to merely identify and instigate cases, and repair and inspections to be handled by the new construction inspection staff. Either of these options would need further study for financial impact.

The financial impact could be lessened by revenue generated through disallowment of tax deductions and this money reimbursed to the City. Currently, only the City of San Francisco, with a large Sub-standard Rental Program generates much revenue in this way.

ACTION:

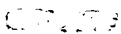
Prior to issuance of a recommendation from Staff regarding the implementation of AB 2148 within the City, the following research must be conducted:


1. A complete review by the City Attorney's Office and the Building Inspections Division of all City and State Housing codes.
2. A proposal must be developed for the relocation of displaced tenants and funding for such a program.
3. A complete review of new federal tax laws regarding rental housing.

The above will be conducted and a follow up report will be prepared for Council review within six weeks.

Respectfully submitted,

  
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D. T. SULLIVAN SUPERINTENDENT  
BUILDING INSPECTIONS DIVISION

For City Council Information: 

  
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Walter J. Slive, City Manager

October 14, 1986  
All Districts