



REPORT TO LAW & LEGISLATION COMMITTEE City of Sacramento

5

915 I Street, Sacramento, CA 95814-2671

STAFF REPORT
November 20, 2007

Honorable Members of the
Law and Legislation Committee

Title: Residential Rental Housing Inspection Program

Location/Council District: City-wide

Recommendation:

1) Review and approve Rental Housing Inspection Program; 2) forward to City Council the Rental Housing Inspection ordinance for adoption adding Sacramento Municipal Code Section 8.120 to implement the Residential Rental Housing Inspection Program.

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

Presenters: Max Fernandez, Director Code Enforcement, 916-808-7940; Randy Stratton, Chief of Housing & Dangerous Buildings, 916-808-6497

Department: Code Enforcement

Division: Housing & Dangerous Buildings

Organization No: 4653

Description/Analysis

Issue: Rental housing provides needed, affordable housing and is a valuable asset that must be preserved and maintained. Approximately 75,000 rental housing units represent roughly half of all housing units so the City has a significant interest in ensuring that rental housing remains a desirable housing option for its citizens. Prior to the Rental Housing Inspection Pilot Program, rental property inspections were based solely on complaints through a reactive process.

Over time, rental housing can deteriorate due to intentional and unintentional neglect by property owners, managers and tenants. This deterioration can result in substandard conditions than often goes unreported and adversely affects the economic values of neighboring structures and are hazardous to the public health and safety.

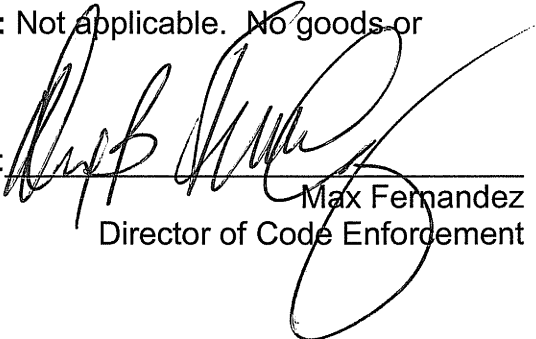
Policy Considerations: From implementation of the pilot Rental Inspection Program, staff has learned that a proactive approach is successful in gaining compliance from property owners to meet minimum maintenance standards. With this in mind, staff recommends a program to implement a routine inspection process for all rental properties in the city. Further, a fee-based program would allow the program to be self-supporting. A proactive Rental Inspection Program is aligned with the City’s strategic plan areas of increasing opportunities for safe and affordable housing and achieving sustainability and livability.

Environmental Considerations: This staff recommendation does not constitute a “project” and therefore is exempt from the California Environmental Quality Act (CEQA) according to Section 15061 (b)(1) and 15378(b)(3) of the CEQA guidelines.

Rationale for Recommendation: The City Council directed staff to return to the Law & Legislation Committee with the proactive rental housing inspection program proposal of mandatory inspections of all parcels and a minimum of 10 percent of all units.

Financial Considerations: Fees generated from this program are calculated to cover costs for staffing, supplies and services. Program fees are based on all costs required to administer and conduct the estimated number of inspections. For non-compliant properties, fees will be charged to recover the incurred costs. Initial inspection fees and re-inspection fees shall be set by resolution. The financial intent of the program is to provide no impact to the general fund.

Emerging Small Business Development (ESBD): Not applicable. No goods or services are being purchased.

Respectfully Submitted by: 
Max Fernandez
Director of Code Enforcement

Recommendation Approved:

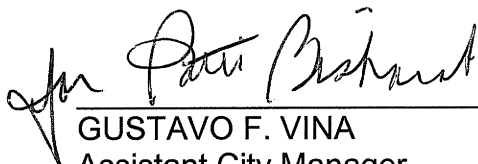

GUSTAVO F. VINA
Assistant City Manager

Table of Contents:

Report	Pg	1
Attachments		
1 Background	Pg	3
2 Ordinance	Pg	6

Attachment 1**BACKGROUND**

After consideration of a City-wide Rental Housing Inspection Program, the City Council approved criteria and outcome measures for a pilot program in 2006. The goal of the pilot program is to provide safe and healthy rental properties by early prevention of deteriorating neighborhoods. The initial inspection areas were identified by mapping and focusing on areas that have a high concentration of the combined categories:

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

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

Approximately one-third of the inspected units in the pilot program had initial violations. Ninety percent of the non-compliant properties complied within 30 days which demonstrates the effectiveness of the program. If a city-wide program is adopted, a start-up period including hiring and setting up systems would be required.

On August 14, 2007, staff presented City Council with the following options for a city-wide Rental Housing Inspection Program:

- 1) Inspection of all units;
- 2) Inspection of all parcels (minimum of 1 unit per parcel or 10% of all units);
- 3) Inspection of all parcels using pilot program process (systematic approach);
- 4) Expansion or continuation of existing pilot program.

City Council selected option #2 and directed staff to develop a program consisting of the inspection of all rental parcels over a four or five year cycle. Council also directed staff to return to the Law & Legislation Committee with a Rental Housing Inspection Program proposal based on the selected option.

The goal of the city-wide program is the same as the pilot program of providing safe and healthy rental properties through early prevention of deteriorating neighborhoods. The program achieves compliance of health, safety and welfare code violations in/on residential rental property that result in:

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

Proposed Rental Program Components:

The following are the key components of the Rental Housing Inspection Program with the inspection of all parcels including a minimum of 10% of all units with a self-certification component. Approximately 30,000 rental parcels in the City of Sacramento will be inspected each cycle.

- Mandatory inspection of all residential rental parcels;
- Required registration of all residential rental units;
- 30-days to complete repairs (re-inspection fee as established by resolution);
- Self certification if compliant within 30-days of first inspection (reduction on inspection fee if allowed to self certify in second cycle);
- Rental owners/managers keep certification documents;
- Random audits –minimum of 5% of properties allowed to self certify;
- Required management contact within 35 miles of City Hall (915 I Street);
- Owner, manager or agent provides inspection results and self certification forms to occupants and tenants;
- Penalty for non-compliance with annual inspection rules;
- Inspection fees billed every four or five years.

Properties to be Inspected:

A minimum of one inspection will be conducted in all rental parcels in the city each cycle. Since a minimum of 10 percent of all units will be inspected, any parcel that contains more than 10 units would have at least two units inspected, parcels with more than 20 units would have three units inspected, and so forth.

A systematic approach will be used in collaboration of building inspectors and a GIS Specialist who will be tracking inspections. The focused areas, as determined by the criteria in the pilot program, will be identified by GIS as the first housing stock to be inspected. A rental housing unit is exempt from this program if it is inspected on an annual basis by another agency or the unit has been issued a certificate of occupancy within the past five years (Section 8.120.040).

Self Certifications:

Property owners who pass the initial inspection will be eligible to participate in the Self-Certification Program (Section 8.120.150). Those property owners are eligible for a discount on their Rental Housing Inspection Program fee (Section 8.120.050). Random audits may be conducted on properties not more than once a year (Section 8.120.180). Five percent of all self-certifications will be audited. If a property does not pass the initial inspection after 30 days, that property will be subject to annual inspection and will not be eligible for self certification.

Program Costs:

Program cost estimates are based on required labor, services and supplies for mandatory rental inspections with all parcels inspected. The estimates assume 30,350 parcels with the additional inspection 10 percent of all multi-family units which is 34,800 units.

Based on the program components proposed, the annual cost per unit will range from \$27 to \$34 per unit. The unit fee would depend on the specific program requirements adopted.

Staffing:

A proactive rental inspection program would require between 19 and 23 FTE positions depending on the program cycle. Staff functions will include program oversight, inspections, scheduling, outreach and communications, fiscal and accounting support, administration and GIS mapping and tracking.

Following City Council adoption of this ordinance, a start-up period of six months will occur prior to implementation. Code Enforcement will work with the Revenue Division to track revenue and expenditures.

Other Jurisdictions:

Most surveyed jurisdictions do not fully recovery costs from rental housing inspection fees. However, a proactive approach to rental housing inspections significantly reduces the number of tenant complaints with all surveyed jurisdictions. All of the surveyed cities include a self certification component.

The City of Sacramento will join other California cities in providing proactive city-wide rental housing inspections. The following is a sampling of other cities with similar programs:

Jurisdiction Population	Cycle	Annual Fee/Unit	Cost Per Inspection	Cost Recovery
Concord 123,000	3 years	\$40	\$120	50%
Hayward 147,000	3 years	\$20	\$60	75%
San Jose 973,000	6 years	\$26	\$156	100%
Santa Ana 353,000	4 years	\$17.50	\$70	66%

ORDINANCE NO.

Adopted by the Sacramento City Council

Date Adopted

**AN ORDINANCE ADDING CHAPTER 8.120 OF
THE SACRAMENTO CITY CODE RELATING
TO RENTAL HOUSING INSPECTIONS**

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

Chapter 8.120 is added to the Sacramento City Code to read as follows:

Chapter 8.120 Rental Housing Inspections Code

Article I. General

- 8.120.010 Title**
- 8.120.020 Purpose and Findings**
- 8.120.030 Definitions**
- 8.120.040 Exemptions**
- 8.120.050 Fees Established**

Article II. Registration

- 8.120.060 Registration required**
- 8.120.070 Local Contact Representative**

Article III. Inspections

- 8.120.080 Scope of inspections**
- 8.120.090 Notice**
- 8.120.100 Re-scheduling an inspection**
- 8.120.110 Entry**
- 8.120.120 Non-compliance**
- 8.120.130 Inspection results**
- 8.120.140 Non-exclusivity**

Article IV. Self-Certification Program

- 8.120.150 Qualifications**
- 8.120.160 Self-certification**
- 8.120.170 Retention of completed self-certification forms**
- 8.120.180 Random inspection**
- 8.120.190 Fee reduction**

Article V. Enforcement

8.120.200 Penalties

8.120.210 Phased Enforcement Program

Article I. General

8.120.010 Title

This chapter shall be known as the "Rental Housing Inspections Code," may be cited as such, and will be referred to herein as "this chapter."

8.120.020 Purpose and Findings

The City Council of the City of Sacramento recognizes that the preservation of existing rental housing stock is of tremendous importance. There are more than 75,000 rental housing units within the City of Sacramento, which is approximately half of all housing units in the City. Rental housing provides needed, affordable housing for many and is a valuable asset that must be preserved and maintained. The City has a significant interest in ensuring that rental housing remains a desirable housing option for its citizens.

Over time rental housing often deteriorates because of intentional and unintentional neglect by property owners, managers and tenants. This deterioration often results in substandard conditions that adversely affect the economic values of neighboring structures, and that are hazardous to the public health and safety. In many cases, property owners choose not to make the necessary repairs because of cost, and tenants do not report the deficiencies out of lack of knowledge or because they fear being evicted for doing so.

The public interest demands that all rental housing properties comply with the minimum standards regarding the health and safety of the public. The most effective way to seek universal compliance with the minimum standards is through routine periodic inspections of all rental housing properties. Accordingly, it is the intent of the Sacramento City Council to enact the provisions of this chapter as the basis for establishing a Rental Housing Inspection Program aimed at securing city-wide compliance of rental housing properties with minimum standards. City-wide compliance will prevent blight and ensure that all persons who live in rental housing units are provided decent, safe and sanitary housing.

Immediate enforcement of the requirements of this chapter on a City-wide basis would be impracticable because of the existence of approximately 40,000 rental housing properties in the City. To balance the administrative and inspection workload and maximize the efficiency of the Rental Housing Inspection Program, the enforcement of the program will be phased in over time.

8.120.030 Definitions

For the purpose of this chapter, the following terms, phrases and words shall have the meanings given.

“Director” means the employee of the City authorized by the City Manager to supervise the Rental Housing Inspection Division.

“Engage in the business of rental housing” means renting or offering to rent a rental housing unit.

“Grace period” means a period of time specified by an inspector, during which a violation may be abated without penalty.

“Inspector” means any employee of the City authorized by the City Manager to conduct inspections in accordance with the provisions of this chapter.

“Owner” means the owner of record.

“Rental Housing Inspection Division” means the department or division of the City designated by the City Manager to administer the provisions of this chapter.

“Rental housing property” means a parcel of real property, as shown on the latest equalized tax assessment role as maintained by the Assessor of the County of Sacramento.

“Rental housing unit” means a single unit of residence for a single housekeeping unit of one or more persons, that is being rented, or is intended to be rented. Examples of housing units covered by this chapter include apartment units, condominiums, single-family houses. “Rental housing unit” also includes other types of residential units that provide for sleeping accommodations but toileting or cooking facilities are shared by occupants of more than one unit, such as residential or single room occupancy hotels. This does not include units used for transient lodging such as dormitories, group homes, rooming or boarding houses, hotels, motels, and bed and breakfast inns.

“Rent” means to grant the possession or enjoyment of, in exchange for money or any other consideration.

8.120.040 Exemptions

A. Unless otherwise specified in this section, the following rental housing properties shall be exempt from the requirements of this chapter:

1. Properties on which all rental housing units are inspected on an annual basis by another government agency, and the scope of the inspection is to the satisfaction of the Director; or

2. Properties on which all rental housing units have, within the past five years, either been issued a certificate of occupancy or have passed final inspection by the City of Sacramento.

B. A rental housing property described in subsection A shall become subject to the requirements of this chapter if a notice and order relating to the rental housing property is issued pursuant to the provisions of this code.

C. Any rental housing property subject to the requirements of this chapter pursuant to subsection B, above, shall become exempt from the requirements of this chapter if all of the following circumstances exist:

1. After the last inspection conducted pursuant to this chapter, the inspector determines that either no violations exist on the property or the violations identified were abated within the grace period; and

2. The property owner is not delinquent on any payment to the City of fees, penalties, taxes or any other monies related to the property.

8.120.050 Fees Established

A. The following fees are established and imposed pursuant to the provisions of this chapter to finance the cost of the rental housing inspection program:

1. Rental Housing Inspection Program fee,
2. Registration change fee,
3. Re-scheduling fee, and
4. Re-inspection fee.

B. The City Council shall establish the amounts of the foregoing fees by resolution.

Article II. Registration

8.120.060 Registration required

A. It shall be unlawful for any person to engage in the business of rental housing, unless each rental housing property is registered with the City.

B. A rental housing property is registered with the City when the owner of the property submits the following to the Rental Housing Inspections Division:

1. A completed registration form, provided by the City, that contains the following information:

- a. Description of the rental housing property, including, but not limited to, the street address and Assessor's Parcel Number;
 - b. Number and description of all rental housing units on the rental housing property;
 - c. Name and current contact information for the owner of the rental housing property;
 - d. Name and current contact information for the local contact representative as described in Section 8.120.070 of this code; and
 - e. Any other information as reasonably required by the Director.
2. Rental Housing Inspection Program fee.
 3. Any outstanding fees that were previously imposed pursuant to this chapter.
- C. Registration shall be valid for a period of four years.
 - D. Owners shall notify the Rental Housing Inspections Division of any change in the information submitted pursuant to subsection B of this section, within 30 days of such change. A registration change fee may apply.

8.120.070 Local Contact Representative

A. All owners of rental housing properties shall designate a local contact representative with full authority to act on behalf of the owner for all purposes under this chapter, including the acceptance of service of all notices from the City. The owner of the rental housing property may act as the local contact representative.

B. A local contact representative must establish and maintain a local telephone number and a residence or business address within 35 miles of Sacramento City Hall.

Article III. Inspections

8.120.080 Inspections required

A. All rental housing properties and rental housing units are subject to inspection by the City as provided by this chapter to determine whether they comply with applicable provisions of this code.

B. If there are multiple rental housing units on a single rental housing property, the inspection shall be made of all common areas, and a random sampling of no less than 10 percent of rental housing units. At least one rental housing unit on each rental housing property shall be inspected. If the inspector determines that one or more

violations exist on the property, the inspector may conduct an inspection of additional units up to 100 percent of the units.

C. The owner or local contact representative, or their designee, shall be present at the rental housing property at the time of the inspection. The time of the inspection shall be the time indicated in the notice issued pursuant to Section 8.120.090 of this code, or the time that the inspection was properly re-scheduled in accordance with Section 8.120.100 of this code. Violation of this subsection may result in the imposition of a re-scheduling fee.

8.120.090 Notice

A. The City shall serve written notice of the date and time of any inspection to be conducted pursuant to this chapter, by mailing such notice at least 14 calendar days prior to the date of the inspection. Notice shall be mailed to the owner and the local contact representative at their last known address. In the case of multiple owners of the same property, notice to any one of the property owners is sufficient notice.

B. The City shall also mail a copy of the inspection notice to the rental housing units on the property.

8.120.100 Re-scheduling an inspection

An inspection may be rescheduled once by the owner or local contact representative by giving notice to the Rental Housing Inspection Division at least five calendar days prior to the scheduled inspection date. An inspection may only be rescheduled to a date within 14 calendar days of the previously scheduled inspection date. Violation of this section may result in the imposition of a re-scheduling fee.

8.120.110 Entry

A. It shall be the responsibility of the owner and the local contact representative to obtain the consent of the occupants to inspect the subject rental housing units or otherwise obtain legal access to the units pursuant to the terms of the applicable lease.

B. If consent to enter on to any rental housing property or any rental housing unit is refused or otherwise cannot be obtained, the Director is authorized to seek an inspection warrant from a court of competent jurisdiction.

8.120.120 Non-compliance

A. If, during an inspection conducted pursuant to this chapter, an inspector discovers that the property is in violation of this code or any other applicable law the City may commence enforcement action in accordance with any provisions of this code, including but not limited to chapters 8.96 and 8.100.

B. Notwithstanding the provisions of subsection A, above, an inspector may allow the owner a grace period of up to 30 days.

C. In addition to any of the penalties available to the City under other provisions of this code, the City may require an additional inspection of the property in accordance with this chapter to ensure compliance. A re-inspection fee shall be imposed for any additional inspection required pursuant to this subsection.

8.120.130 Inspection Results

A. Upon completion of an inspection conducted pursuant to this chapter by the City, the inspector shall provide the owner or local contact person with a copy of the written results of the inspection.

B. The owner or local contact person shall provide a copy of the results to the occupants of the rental housing unit inspected.

8.120.140 Non-exclusivity

None of the inspection provisions contained in this chapter shall prohibit, condition or otherwise limit any inspection conducted pursuant to any other provision of this code or other applicable law.

Article IV. Self-Certification Program

8.120.150 Qualifications

A. A rental housing property shall be placed in the Self-certification Program if all of the following circumstances exist:

1. After the last inspection conducted pursuant to this chapter, the inspector determines that either no violations exist on the property or the violations identified were abated within the grace period;

2. The owner and local contact representative are in compliance with all applicable provisions of this chapter; and

3. The property owner is not delinquent on any payment to the City of fees, penalties, taxes or any other monies related to the property.

B. A rental housing property may be removed from the Self-certification Program if any of the following circumstances occurs:

1. A notice and order relating to the rental housing property is issued pursuant to the provisions of this code;

2. The rental housing property is repeatedly in violation of this code or any other applicable law, even though the violations are abated within the grace periods allowed.

3. The owner or local contact representative fails to comply with any of the applicable provisions of this chapter; or

4. The owner is delinquent on any payment to the City of fees, penalties, taxes or any other monies related to the property.

8.120.160 Self-certification

A. Owners of rental housing properties that are in the Self-certification Program, or their designees, shall certify each and every rental housing unit on the property at least once every calendar year and upon each change in tenancy. Self-certification shall be accomplished in the manner set forth below:

1. Inspect each rental housing unit for compliance with the requirements of the self-certification form provided by the City;

2. Immediately make any repairs to the rental housing unit that are necessary to achieve compliance with the requirements set forth in the self-certification form;

3. Complete the self-certification form; and

4. Provide a copy of the completed self-certification form to the occupants of the corresponding rental housing unit.

B. If any rental housing unit cannot be self-certified because necessary repairs cannot or will not be made, the owner shall immediately notify the City.

C. It shall be unlawful to falsify any material information required on the self-certification form.

8.120.170 Retention of completed self-certification forms

A. The property's local contact representative shall retain all completed self-certification forms for at least ten years from the date the inspection was made.

B. The local contact representative shall produce all completed self-certification forms to any inspector upon request.

8.120.180 Random inspection

Rental housing properties on the Self-certification Program, and the rental housing units thereon, may be inspected by the City on a random basis, but not more often than once a year.

8.120.190 Fee reduction

All rental housing properties that are in the Self-certification program shall receive a discount on their Rental Housing Inspection Program fee, as established by resolution of the City Council.

Article V. Enforcement

8.120.200 Penalties

Any person who violates the provisions of this chapter shall be guilty of a misdemeanor. In addition, the city may also impose administrative penalties pursuant to Chapter 1.28 of this code and seek injunctive relief and civil penalties in the superior court for violations of this chapter. The remedies provided for in this chapter shall be cumulative and not exclusive of any other remedies available under any other federal, state or local laws.

8.120.210 Phased Enforcement Program

The Director shall implement the Rental Housing Inspection Program described in this chapter in phases as necessary to bring all rental housing properties in the City into the program not later than January 1, 2013. Consistent with the Director's phased implementation of the Program, the Director shall commence enforcement of the provisions of this chapter with respect to specific rental housing properties as such properties are brought into the inspection program, provided that the Director shall enforce the provisions of this chapter on a city-wide basis no later than January 1, 2013.

Adopted by the City of Sacramento City Council on _____ by the following vote:

Ayes:

Noes:

Abstain:

Absent:

MAYOR

Attest:

City Clerk

Passed for Publication:

Published:

Effective: