



CITY OF POMONA COUNCIL REPORT

August 7, 2017

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted by: Mark Lazzaretto, Development Services Director

Subject: **Discussion on Implementing a Rental Housing Inspection and Residential Resale Inspection Ordinance**

OVERVIEW:

Recommendation - That the City Council discuss implementation of rental housing inspection and residential resale inspection programs and provide staff direction on bringing back an ordinance for consideration.

Fiscal Impact- There is no fiscal impact associated with discussing this item. The short term and long fiscal impacts associated with the adoption of the inspection ordinance will be identified when the matter is brought back for consideration.

Public Noticing Requirements – None Required

Prior Council Action – The City Council previously had a discussion regarding implementing a rental housing and resale inspection ordinance on May 16, 2016. Direction was given to staff to bring the item back for further discussion in the future.

EXECUTIVE SUMMARY

In May 2016, the City Council conducted a discussion on the merits of and options for adopting a rental housing inspection program (May 16, 2016 staff report attached). After receiving a staff presentation and discussing the item, the City Council directed staff to bring back the framework of a program for further consideration and potential adoption. Based on input received during the Council discussion, the following is an outline of what successful rental inspection and residential resale inspection programs could look like in Pomona.

DISCUSSION

The City of Pomona has approximately 18,000 rental units. These are a mixture of units in multi-family developments (apartments) as well as single-family homes that are rental units. While many of the units are maintained in a decent, safe and sanitary manner by their owners, many others are in a condition that are not reflective of the living conditions that the City strives

to create for its residents. Cities that have faced similar situations have adopted a program that requires rental housing units to be inspected by the City on a regular basis to ensure that they are maintained at minimum standards. The program includes fees that recover the cost of providing inspection and administration of the program in a manner that supports regular inspections of the rental units located in the City.

Azusa, Covina, Ontario, Pasadena, San Luis Obispo, Santa Cruz, and many other cities in California have a program in place. A successful program can be created based on the experiences of each of these cities. In addition, ChangeLab Solutions, a non-profit agency that promotes “healthier communities for all through better laws and policies” has created a model program for rental inspection programs. A guide from ChangeLab Solutions has been attached.

Need for the program

In the past, tenants have been reluctant to complain to the City about substandard conditions in their units for fear of retaliation or that their rents will be increased. On a few occasions, residents of a housing complex that had numerous violations have banded together and made complaints as a group. Community members and stakeholders have indicated that residents should live in better conditions and not have to take such extreme measures to ensure their units are brought up to code.

On the other hand, the City’s current budget situation does not allow for a Code Compliance staff that is large enough to inspect units on a regular basis without enacting a compulsory, fully-funded inspection program. The current staff level dictates that Code Compliance is almost entirely complaint-based, with very few cases being originated by staff based on infractions that they observe on their own. Because of the lack of proactive enforcement, coupled with the fact that many tenants are hesitant to complain about their landlords, the number of rental units inspected in the City of Pomona is relatively low. The majority of rental inspections occur as a requirement of the Section 8 voucher program, with nearly 900 units inspected on a yearly basis.

Program Components

Registration

The first component of the program would be a registration component that would require the owners of rental units to register with the City and provide information on their units. The purpose of the registration process is to document the number of units in the City, identify the types of units, record a responsible person should an issue arise with the rental property, and name a local contact person who is responsible in the event of an emergency. The proposed program would require that there be a responsible manager who is located within 50 miles of the units so that the City and the tenants have a local contact person when their landlord lives out of the area.

Periodic Inspections

All of the programs that staff researched included a periodic inspection of every unit as a component of the program. The inspection frequency ranged from annually to every two, three,

four, or five years. With 18,000 rental units in the City, inspecting every property yearly would not be possible without a very large staff. It would also likely not be necessary as units that are inspected and brought up to a minimum standard would not need inspecting again for at least another year or two. Staff would recommend that the program require inspections every three years.

The periodic inspections would look at the interior and exterior of the units and identify major Health and Safety Code violations, building code violations, and property maintenance violations. Typical violations include plumbing leaks, deteriorated flooring and countertops, faulty electrical wiring, non-functioning toilets, pest infestations, non-working windows, and other deferred maintenance issues.

When violations are identified during an inspection, the landlord is given a notice to correct the violation and a time period to comply. The time period would depend on the severity of the violation. Serious violations would be given a few days to a week and less serious violations or issues that would require a major effort and permits on the part of the owner would be given more time.

When the violation has been corrected, the owner would call for a reinspection. When the case is cleared, the unit would be put back into the cycle for another inspection in three years. Should the violation not be cleared, the City would be able to charge a reinspection fee. If the violations are still not corrected or if the owner is refusing to comply, the City would be able to utilize the normal measures to gain compliance, including administrative citations, and even criminal penalties in extreme situations.

Program Fees

Fees for rental inspection programs vary widely between cities, depending upon the number of rental units in the city, frequency of inspections, what incentives the city provides for units that are maintained to minimum standards, and whether reinspections are included in the fee. Many cities have a base registration fee, with an additional per-unit fee, while others charge a standard fee per unit no matter the number of units. The following is a list of fees for nearby cities.

Jurisdiction	Current Fee	Example fee for 3 units	Example fee for 25 units
Azusa	Base fee - \$114; additional units are \$7 per unit	\$128.00	\$282.00
Covina	Base fee - \$126, includes one to three units; additional units are \$18 per unit	\$126.00	\$504.00
Ontario	\$36 per unit, increased by CPI every year	\$108.00	\$900.00
Pasadena	\$56.70 per unit	\$170.10	\$1,417.50

A fee resolution will be brought to the City Council for consideration when the ordinance is presented for first reading, but the preliminary estimate for what Pomona would need to charge would be approximately \$30 to \$50 per rental unit. This estimate is based on the number of staff that would need to be hired as well as the administration and supplies necessary to run a successful program. With 18,000 rental units in the City to be inspected every three years, staff anticipates the following:

Inspectors – 4 at \$90,000 per inspector
Administrative clerks – 2 at \$62,000 per clerk
Supervisor – 1 at \$105,000

With the above costs, plus approximately \$150,000 to \$200,000 for computers, automobiles, and other office equipment, the total cost to implement the program would be approximately \$750,000 for the first year and \$600,000 for subsequent years.

Incentives

Some programs include incentives that are designed to reward property owners for maintaining their units at high levels without the City's intervention. For incentives, cities have allowed for less frequent inspections when a property is found to be in compliance or is brought into compliance within a short amount of time. Cities have also implemented self-certification programs whereby owners that have proven to maintain their properties are allowed to conduct inspections of their own property and units in place of city inspections.

Staff would recommend that at the same time that the program is implemented, the former Crime-Free Multi Family Housing Program be reinstituted and that there be a fee reduction for landlords who complete the program. The program was a joint effort of the Police Department and Code Compliance and included classes that landlords could take to instruct them how to screen tenants, how to manage rental units effectively, and how to add security cameras and other physical improvements or changes to reduce crime at the building.

Implementation

Staff estimates that initially it would take a year to begin the program and then three years to inspect every unit in the City. The first year would include hiring and training staff, acquiring equipment and creating all of the forms and materials to run the program. During that period, staff would create the list of all rental units in the City and begin requiring registration by property owners.

Once the inspections are ready to begin, staff would recommend that the program be focused on the Angela/Chancellor and Abbey/Kareish neighborhoods, as well as any units with existing code complaints first. From there, the remaining units in the City would be selected randomly. Finally, once every unit in the City has been inspected, the cycle will start again in the same order so that every unit is inspected on the same rotation every three years.

Compulsory inspection programs have proven to be very effective at raising the quality of the housing stock in communities who have implemented programs. As part of the inspection process, the owner of the units is given notice that their units will be inspected. Notice is usually 15 or more days so that the owner has time to notify residents. It is usually the responsibility of the owner to notify the tenants of the pending inspection, to post the appropriate legal notices on the units themselves, and to obtain a form indicating consent to inspect the unit from the tenant.

Though a majority of tenants understand the benefits of the inspection program and voluntarily

agree to allow the inspection, some do not. Programs do not hold the owner responsible for cases where the owner can demonstrate that the tenant has refused to allow the inspector into their unit. As with the City's existing code enforcement efforts, should a tenant or owner refuse to allow access to a property, the City must demonstrate that there is reasonable knowledge of a hazardous and unsafe situation and obtain an inspection warrant from the court in order to enter units without the tenant's consent.

Upon implementation of a program, staff would work to create notices in English, Spanish and other languages describing the program and its benefits to renters. In order to gain as many voluntary inspections as possible, the flyers would be designed to let tenants know that inspections are for minimum housing standards only and not targeted at any other goal.

Resale Inspection Program

In addition to substandard rental units, the City of Pomona's older housing stock has been found to have illegal additions, garages converted into habitable spaces, unpermitted construction, and other unsafe conditions. Many times, the new buyer is not aware of the issues and inherits the problem from the seller. When the problem is discovered by the new owner or when a complaint is received and a Code Compliance case is opened, the new owner must fix the violation even if it had existed for many years. This often results in a very frustrated resident that is angry about having to spend money and time to fix an issue that they were not aware of. To help avoid these situations, in conjunction with the rental inspection program, staff is recommending that the City incorporate a resale inspection program into the ordinance at the same time.

A successful resale inspection program requires that before a property is sold, there must be a review of permits and an inspection by the City. The seller or seller's real estate agent would contact the City, pay a fee, and have an inspection done on the home. The inspector would produce a list of all violations that must be corrected prior to transfer of title.

Like the rental inspection program, fees associated with resale inspections are designed to recapture the cost of researching property records and performing an inspection (and subsequent reinspections) of a home. In order to staff the resale inspection program, staff suggests working with the City's existing Building & Safety contractor to arrive at an appropriate fee to perform the service. The contract could be modified to add the program onto the existing service level without adding additional City staff.

Many cities have an inspection requirement prior to the sale of a home and it has not resulted in lost or unduly delayed home sales in the community.

CITY COUNCIL OPTIONS

Should the City Council desire to move forward with the rental inspection and resale inspection programs, the City Council could direct staff to bring back an ordinance for first reading at a future meeting. The ordinance would require a first and second reading and would then become effective 30 days after the second reading. A budget amendment would also be required in order to add the appropriate staffing levels and fund the program.

Alternatively, there is no requirement to adopt either of these programs. The City's response to substandard housing issues will continue to be enforcement based upon complaints received from tenants and adjacent property owners and will be addressed as quickly as possible given the staffing and budgetary constraints that the City is currently experiencing.

Attachments – Staff Report – May 16, 2016
ChangeLab Solutions – A Guide to Proactive Rental Inspection Programs