



CITY OF POMONA COUNCIL REPORT

May 16, 2016

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager *Loumy*

Submitted by: Mark Lazzaretto, Development and Neighborhood Services Director *ne*

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

OVERVIEW:

Recommendation - That the City Council discuss implementation of a rental housing inspection and residential resale inspection ordinance 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 analyzed and identified when the matter is brought back for consideration. *[Signature]*

Public Noticing Requirements – None Required

Prior Council Action – This item was scheduled to be considered on April 18, 2016. Due to a lengthy Council Meeting, the item was not heard that night and was requested to be brought back on May 16, 2016.

EXECUTIVE SUMMARY

On various occasions, the City Council has asked staff for solutions to ensure that the City's aging housing stock does not negatively affect Pomona's neighborhoods and residents. Council and concerned citizens have requested that staff research systematic rental inspection and resale inspection programs and bring a proposal to the City Council for consideration. Staff has conducted research and found that more than 20 cities in the State of California have a rental inspection program. What follows is a discussion and request for input from the City Council on parameters to make an ordinance successful in the City of Pomona.

DISCUSSION

Rental Unit Inspections

Pomona is nearly balanced in the percentage of owners versus renters, with 52% of households owning and 48% renting their units. With just over 40,000 units in the City, that amounts to

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18,000 rental units. While some of these units are well-maintained by conscientious property owners, unfortunately, many are owned by absentee landlords that do not maintain the exterior or interior of their units. This results in blight on the surrounding neighborhoods and, even more concerning, tenants living in unsafe and unhealthy conditions.

Tenants living in substandard units have come forward to complain to the City Council that their landlords have not maintained their units and the conditions are substandard. These tenants have indicated they're reluctant to make formal complaints with compliance agencies out of fear of retaliation in the form of rental increases or cancelled leases.

The City's current code compliance program is almost entirely complaint-based due to the shortage of staffing. While some cases are staff-initiated, the vast majority originate from complaints received from residents or business owners. 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.

Cities like Pasadena, Azusa, Covina, Ontario, San Luis Obispo, and Santa Cruz have implemented systematic rental inspection programs as a means of addressing substandard living conditions. Though the adopted programs vary according to the needs of each community, the programs all contain a basic structure that includes:

Registration. The locality requires property owners to register their rental properties or to obtain a certificate or license in order to rent housing units

Periodic Inspections. The locality requires periodic inspections of all covered rental properties. Inspections occur on a periodic basis, usually every few years, to ensure that the housing is adequately maintained

Compliance. If a property fails inspection, the locality initiates compliance measures.

Registration

All of the cities studied include a requirement that every owner of rental property register their units with the City. There is usually a registration fee that covers the cost of administering the registration portion of the program on a property-by-property basis. 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. Some cities have enacted requirements 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

The registration list is used to schedule periodic inspections of the units. The cities polled have a range of inspection frequencies, including annually, every three years, every four years, or every five years. Annually and every three years appears to be the most popular inspection cycles.

The periodic inspections can be exterior and common areas only, or can include the interior of the units. Some cities inspect the interior of every unit, while others inspect a percentage of the units. Options also include inspecting a percentage of the units at a particular location; if violations are identified in the small percentage of “sample” units, then every unit is inspected.

The periodic inspections are designed to 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.

Compliance

The ultimate goal of systematic rental inspection programs is gaining compliance. Should violations be identified during the inspection process, landlords are given a period of time to correct the violation. For serious violations, a short period, usually 5 days, is given to correct the issue and call for a reinspection of the unit. For less serious violations, 30 days is the norm for correction.

While most landlords comply within the required timeframe, for those that do not, the City would have all of its standard enforcement abilities to cause the property owner to correct the violation. Measures include the administrative citation process, fines and even criminal penalties in extreme situations. The City would also have use of abatement warrants in the most egregious cases.

Key Components

While every program has similar elements, the City Council could choose how to tailor a program to meet Pomona’s specific needs. What follows is a list of the key components that need to be discussed and direction given to staff so that an ordinance can be formalized and brought back to the City Council for consideration.

Scope of Inspection:

This is related to the extent of the inspections and whether they include interiors and exteriors of properties. Most cities include both the interior and exterior of buildings. Some, however, streamline their programs and reduce costs to landlords by only requiring that the exteriors and common areas be inspected. The notion is that the exteriors cause the most blight on neighborhoods and that if a landlord is maintaining the exterior, they are likely maintaining the interior.

Also under the scope of inspection is the number or percentage of units in a building that are inspected during the inspection cycle. Most cities inspect every unit in a building. Some cities require an inspection of a small percentage of the units, usually 10%; should violations be identified in the inspection of those units, an inspection of all of the units is triggered. Fees can be tailored to require payment for the number of units inspected as an incentive to make sure that there are no violations found in the units.

Due to the number of complaints from tenants regarding the interior of their units, staff would

recommend that Pomona's ordinance include the interior and that every unit in a building is inspected during an inspection cycle.

Frequency of Inspection:

The inspection cycle determines how often units are selected for inspection. The most aggressive cities inspect rental units on an annual basis. Three, four and five years are also options that successful programs include. Feedback from the cities that attempt to inspect units on an annual basis indicates that they find it very difficult, based on staffing levels and workload to actually inspect each unit on an annual basis. The frequency of inspections is the main driver for the cost of the program as the number of staff required to administer a successful program is directly dependent upon the number of inspections to be conducted.

As a balance between ensuring that the City's rental units are maintained, and keeping costs to landlords reasonable, staff would recommend that inspections be conducted on a 3 year cycle.

Program Fees:

Fees vary widely between cities, depending upon the frequency of inspections, whether the city implements a fee based on full cost recovery or if the city subsidizes the program, 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 for each property, with an additional per-unit fee. 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

When the ordinance is brought back to the City Council for consideration, staff will include an analysis of the fee required based on the ordinance options that the City Council chooses.

Incentives and Disincentives:

Cities have included various incentives in their programs as a way to entice property owners to maintain their properties without city 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. Cities have reduced or eliminated fees for property owners who have taken classes similar to Pomona's Crime-Free Multi Family Housing program and implemented some of the initiatives of the program.

As a disincentive to poorly maintained units, cities have required high fines or reinspection fees for properties that do not come into compliance quickly. Other cities, particularly cities with their own utilities, have withheld turning on water, gas and electric utilities. Finally, most cities include abatement proceedings and legal remedies in their program.

Staff would recommend that the City Council include an incentive of a self-certification process for landlords that maintain their units and disincentives of high fines and reinspection fees, and the existing abatement process and legal remedies that the City currently uses.

Exemptions:

Many cities provide exemptions from their inspection programs. As an example, some cities exclude projects that have been constructed within the last five years (i.e. Monterey Station). Some cities exclude projects where the State or Federal Government has subsidized units and periodically inspects the units (i.e. the Related Company projects on Holt Ave.). Some cities exclude units that are governed by an HOA. Finally, some cities exclude legal second dwelling units, if the main unit is owner occupied.

Staff would recommend that the projects constructed within the past 5 years and projects that are subsidized by another governmental entity be excluded from the inspection process.

Implementation Strategies:

Implementing a systematic rental inspection program does not happen quickly. Upon adoption of the ordinance, staff must be hired and trained. Resources like automobiles and office equipment must be acquired. Finally, program materials, like forms, flyers and checklists need to be created. All of this results in a lag between when the ordinance is adopted and when the final unit of the inspection cycle is completed. Staff would anticipate that it could take six months to hire staff and purchase the necessary equipment. It would then take approximately three years to inspect every unit in the city.

Cities have identified various strategies for selecting the first units for implementing the program. Strategies include random selection, prioritizing certain problem neighborhoods, focusing on properties with existing code violations, identifying properties with high calls for service to the Police Department, or simple windshield surveys of neighborhoods and prioritizing them according to an objective scorecard.

For Pomona's program, staff would recommend that the program be focused on the Angela/Chancellor and Abbey/Karesh neighborhoods, as well as any units with existing code complaints. From there, the units 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.

Other Considerations:

Cities have added other provisions to their systematic inspection programs. Some cities have required that a responsible party who resides within 50 miles of the rental unit be identified so that the city and the tenant have someone local to contact in an emergency or for problems with the unit. That party can be a management company or an individual.

Cities have also included amnesty programs at the beginning of the process to encourage property owners to get permits for work that was done illegally. The amnesty program waives penalties associated with the illegal work but requires that building permit fees be paid by the owner.

Staff would recommend implementing both of these options as part of the program.

Staffing Levels:

As indicated above, the number of staff members required to implement a resale inspection program would need to be adjusted based upon how the City Council opts to implement a program in Pomona. Taking a sample of a three year inspection cycle and the staff recommended options, it is anticipated that the following staff would be required:

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

With the above costs, plus approximately \$150,000 to \$200,000 for computers, automobiles, and other office equipment, it is anticipated that the total cost to implement the program would be approximately \$750,000 for the first year and \$600,000 for subsequent years. The City would need to set a fee of \$30 to \$50 per unit to fund the program without subsidy by the General Fund. A more detailed analysis will be brought back with a proposed ordinance for Council consideration.

Due Process:

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

Along with substandard rental units, the City of Pomona's older housing stock has been found to have many single-family homes that have illegal additions, garages converted into habitable spaces, unpermitted construction, and other unsafe conditions. In conjunction with the rental inspection program, the City Council could consider incorporating a resale inspection program

into the ordinance.

A successful resale inspection program requires that before the title on any property can be transferred from one owner to another, there must be a review by the City. Some cities require that a report be prepared by the City that lists all of the existing known code violations on the property, the permitted work done on the property, and any other disclosures. Some cities require on that the report be prepared but stop short of requiring that an inspection of the unit be conducted. Other cities have required that private companies be paid to inspect the property and report on any violations.

Most cities have a full inspection process that requires a City inspector to visit the property and list all violations that must be corrected prior to transfer of title. Similar to the rental inspection program, the owner would have a timeframe to correct any violations. Any safety issues would need to be corrected within a short time. Other violations would need to be corrected before the City signs off on the report and allows title to be transferred on the property.

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. Should the City Council be interested in adopting a resale inspection program, staff would suggest working with the City's existing Building & Safety contractor to arrive at an appropriate staffing level and fee to perform the service. The contract could be modified to add the program onto the existing service level without adding additional City staff.

Program Outreach and Potential Issues

For both the rental inspection and resale inspection program, there will be a need for outreach to the community. Staff anticipates holding information sessions for landlords, realtors and tenants. Flyers and program materials would be created in multiple languages and distributed on the City's website, through social media, in water bills, and handed out when utility accounts are transferred. Outreach would be designed to answer questions and alleviate fears and concerns about both programs.

Even with the outreach, staff anticipates that landlords, realtors and their respective associations will raise concerns about the programs. In the early 2000's, the City Council attempted to implement a resale inspection program and was met with great opposition. Concerns ranging from a reduction in property values to delays buying or selling properties were voiced. Others have raised potential issues with rents being increased to cover the cost of inspections and rental increases due to the improved property after a landlord has brought it up to a minimum standard. Issues aside, cities throughout the state have successfully implemented both programs without any of the feared side effects.

Options for City Council

As discussed above, staff is looking for direction on whether to bring back a draft ordinance for consideration on a rental inspection program and a resale inspection program. Staff is also looking for input on several options for the rental inspection program. Specifically, staff needs direction on the following options (staff's recommendations are indicated by *).

Option	Yes	No
Pursue a Rental Housing Inspection Program		
<i>Scope of Inspection</i>		
Exterior only		
Exterior and Interior*		
Small percentage of units, with additional inspections if violations are found		
All units*		
<i>Frequency of Inspection</i>		
1 year		
2 years		
3 years*		
4 years		
5 years		
<i>Incentives</i>		
Less frequent inspections when compliance is found – every other cycle		
Self-certification program*		
Reduced fee for crime-free multi-family housing participants*		
<i>Disincentives</i>		
High fines or re-inspection fees*		
Withhold turning on water		
Existing abatement proceedings and legal remedies*		
<i>Exemptions</i>		
Projects constructed within past 5 years*		
Projects with government subsidies that have periodic inspections*		
Legal second dwelling units*		
Projects governed by HOA's		
<i>Implementation Strategies</i>		
Random selection (lottery) of the order of units inspected		
Start with Angela/Chancellor and Abbey/Karesh Neighborhoods*		
Start with units with existing code violations*		
Start with units in buildings with high Police calls for service		
<i>Other considerations</i>		
Require a responsible party registered within 50 miles*		
Amnesty program to waive penalties for permits pulled for illegal work*		
Residential Resale Inspection Program		
Pursue a Residential Resale Inspection Program		

Once staff receives direction from the City Council on the above options, a draft ordinance will be created and brought back to the City Council for consideration at an upcoming Council meeting. Staff anticipates that an ordinance could be ready in for consideration in June. Alternatively, the City Council could direct staff to have community meetings with tenants and landlords in order to gain input and comment on the program. Subsequent to adoption of an ordinance, fees for implementing the program would need to be adopted at a publicly noticed public hearing. For further information, a sample checklist from Santa Cruz, California has been included to highlight the scope of a typical rental unit inspection.

Attachment – Sample inspection checklist from Santa Cruz, California



Planning and Community Development Department

809 Center Street ~ Room 107 ~ Santa Cruz, CA 95060

831.420.5140 ~ rental@cityofsantacruz.com ~ www.cityofsantacruz.com/rentalinspections

Residential Rental Inspection Program Self Inspection Checklist

Owner Information (Please print legibly)					
First Name:		Last Name:		OWN ID: (found on letter)	
Property Address (Please use one form per address / unit)					
Street Address:					Unit #:
Item #	Part I: Exterior Inspection	Pass	Fail	N/A	Comments
1.1	Legible and Visible Address Number and Unit Identification (Address numbers clearly visible from street/number or letters for units- minimum 4 in high, if new)				
1.2	Roof (Must be free from any visible holes or penetrations that allows outside elements - rain & cold - in and heated air out.)				
1.3	Storage of Junk and Rubbish and/or Overgrown Vegetation (Household trash, tires, scrap wood, scrap metal, etc. shall be stored and protected in an orderly fashion as to not be an attractive nuisance – Property must be clear from any overgrown/dry vegetation and/or weeds capable of being ignited and endangering the property)				
1.4	Dumpsters/Trash Cans (Must be in enclosure if provided/stored out of public right-of-way/ free from trash overflow)				
1.5	Inoperable/Unregistered Vehicles (Inoperable vehicles must be stored out of the front yard or exterior side yard and on a paved surface)				
1.6	Foundation Vent Screens/Crawl Space Covers (Spaces must be properly covered. Screens must be in good working condition)				
1.7	Stairways – Landings/Treads/Risers/Balusters (Should be in good condition/free from visible structural defects (loose threads, missing balusters or handrails, rotting or deteriorating materials) and anything that could cause a trip or fall hazard.)				
1.8	Exterior Walkways/Exit Passageways/Common Areas (Must remain clear at all times and in a safe and sanitary condition)				
1.9	Exterior Lighting (Approved lighting fixtures at entrance/exiting doors, all exterior hallways, as applicable)				
1.10	Electrical Panel (Must have a panel cover and breakers labeled with appropriate identification, as applicable)				
1.11	Water Heaters (Must have proper strapping, proper drain lines, and venting)				
1.12	Required Covered Parking (Garage doors operable, parking available if needed, not in front yard or exterior side yard)				
1.13	Infestation (Property must be clear of all infestations - insect, rodent, etc.)				
For Multi Family (3+ units) Only					
1.14	Fire Extinguishers (Must be properly serviced, labeled, and stored – minimum size 2A10-BC)				
1.15	Fire Sprinkler System (If provided – Certification of 5 year inspection required)				
1.16	Electrical/Gas Meters (Must have proper labeling, be properly protected, and must not be tampered with. Utilities in an exterior closet or room may require signage)				
1.17	Existing Fire Lanes Clearly Marked (Signage or paint or both needed)				

I certify and declare under penalty of perjury that I have inspected the aforementioned unit and the information above is true and correct to the best of my knowledge.

Name (Please print): _____ Relationship to Property: _____

Phone Number: _____ Date: _____

Signature: _____



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831.420.5140 ~ rental@cityofsantacruz.com ~ www.cityofsantacruz.com/rentalinspections

Residential Rental Inspection Program Self Inspection Checklist

Owner Information (Please print legibly)

First Name:	Last Name:	OWN ID: (found on letter)
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Property Address (Please use one form per address / unit)

Street Address:	Unit #:
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Item #	Part II: Interior Inspection	Pass	Fail	N/A	Comments
2.1	Hot/Cold Running Water (Unit must have hot and cold running water)				
2.2	Electrical Power (Unit must have electrical power)				
2.3	Heat (Unit must have a functioning adequate heating source – This excludes portable heating units)				
2.4	Sewage System (Unit must have a functioning sewage system and must be clear of any surfacing sewage indoors or outdoors)				
2.5	Entry Doors (Must be in good condition – Locks on doors must not exceed 48" in height, unless otherwise allowed. No double key lock on entry door)				
2.6	Exits (One main door per unit & escape/rescue window per bedroom. There must not be any double key locks on any exit doors throughout the unit)				
2.7	Infestation (Unit must be clear of any infestations – insect, rodent, etc.)				
2.8	Smoke Alarms (Must be working, in good condition and properly installed in each room used for sleeping, hallways leading to rooms used for sleeping, and in all levels including basements.)				
2.9	Carbon Monoxide Alarms (Must be working, in good condition and properly installed at every level including basements)				
2.10	Mechanical (All mechanical equipment in the unit must properly function including; appliances, venting systems, thermostats, air conditioning unit – if provided, etc.)				
2.11	Electrical (All wiring and electrical components must be in good working condition – no spliced wiring, no exposed wiring, and all outlets and switch plates must have appropriate coverings/GFCI in bath and kitchen operational, if applicable)				
2.12	Electrical Sub Panel (All breakers must be properly labeled and identified, no open slots or exposed wires)				
2.13	Plumbing (Unit must have proper plumbing throughout unit – sink, toilet, bathtub or shower, no leaks, must have P-traps, toilets must be secured to ground and sinks must be secured to walls, etc.)				
2.14	Counter and Sink Surfaces (Are required in kitchens)				
2.15	Windows (All windows must have adequate weather protection – no broken glass/plastic coverings, etc. - be in good condition and have locking mechanisms that function without use of key or special knowledge. If window bars or screens are present they too must function without use of key or special knowledge.)				
2.16	Flooring (Floors must not be in a defective or deteriorating condition that could cause a trip or fall hazard or impact sub-flooring)				
2.17	Sub-flooring (Must be in good condition without buckling or sagging which suggests structural defects)				
2.18	Walls (Must be good habitable condition clear of large holes, missing sections, etc.)				
2.19	Ceiling (Must be in good repair, must not be collapsing, buckling or sagging suggesting structural defects or roof leakage)				