



## NR05. Rental Registry and Inspection Fee

The City should follow the lead of other cities and adopt rental registry and inspection fees to completely cover the cost of the new rental housing inspection program and related activities.

The City's code enforcement division is currently structured under the Department of Community Development, with six code enforcement officers (one currently frozen) and three administrative staff. The code enforcement division budgeted \$1.2 million in FY19, most of which is to support the personnel cost. According to the baseline forecast, the division's spending will grow to \$1.6 million by FY28, driven by cash compensation and pension cost growth. The rental registry fee is designed to fund the entire cost of code enforcement related to the direct enforcement effort. The fee can only be charged for direct regulatory efforts, plus the cost of overhead, vehicles, and allocated indirect costs. Not all of code enforcement costs will be covered by these fees; however, this program assumes a good deal of effort will be placed on the rental registry and inspection program.

According to the 2016 American Community Survey, the City has 23,000 rental units. If the City charges an annual rental registration fee of \$75 and an inspection fee of \$50<sup>130</sup>, the City would generate \$1.5 million annually, assuming a 75 percent collection. Accounting for a phase-in implementation approach and delinquent payments, we estimate that the City will generate \$216,000 in the first year of implementation that grows to \$2.3 million by FY23. The revenue included in the tables below are intended to fund both existing costs, reflected in the tables above, and anticipated expanded service costs.

### Rental Registration and Inspection Fees

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Rental Registration Fee (Annual)	\$75	\$75	\$80	\$80	\$85	\$85	\$90	\$90	\$95	\$95
Inspection Fee (Every 4 yrs)	\$50	\$50	\$55	\$55	\$60	\$60	\$65	\$65	\$70	\$70
Registration Phase-in	0%	25%	50%	75%	100%	100%	100%	100%	100%	100%

### Rental Registration and Inspection Revenues (in \$ million)

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Registration	\$0.0	\$0.3	\$0.7	\$1.2	\$1.8	\$1.8	\$1.9	\$1.9	\$2.0	\$2.0
Inspection	\$0.2	\$0.2	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.4	\$0.4
<b>Total Revenues</b>	<b>\$0.2</b>	<b>\$0.5</b>	<b>\$1.0</b>	<b>\$1.4</b>	<b>\$2.1</b>	<b>\$2.1</b>	<b>\$2.2</b>	<b>\$2.2</b>	<b>\$2.3</b>	<b>\$2.3</b>

The revenue forecast above assumes that fees would be updated periodically to reflect the operating cost growth. The City would dedicate revenues generated from rental registration and inspection fees into a code enforcement fund to ensure that any unspent revenues would go toward code enforcement activities only.

Based on the estimated amount of revenues generated by these fees, the City would be able to gradually increase the number of code enforcement officers from six to nine over five years. Alternatively, the City

<sup>130</sup> The rental registration fee amount is an estimate based on the fee needed to offset costs of the program, including administrative costs. When implemented, the fee cannot exceed the reasonable cost of the program, and will require a separate analysis to set fees.



can hire part-time temporary code officers in the near-term to alleviate the workload, which can sometimes be more cost-effective since the benefits and pension costs are lower for temporary workers.

It is also important to note that increasing headcount alone is not enough for the City to improve its code compliance and ensure a better living environment for its residents. A strategic approach to enforce its code ordinances should include targeting specific neighborhoods with the most violations, rigorous follow-up on violations, and tracking performance data regularly. Efficiency and effectiveness indicators such as the percentage of units inspected, percentage of housing with violations, and the average number of days to close a violation allow the City to evaluate the Department's performance and determine if the dollars invested into code enforcement are tied to its success.

The following fiscal impact illustrates the expected costs for current code officers and departmental overhead and supervision that are projected to be offset by the fee revenues. Additionally, an expanded program could fold in more public safety involvement which could also be off-set by the registration fees. The amount of fee revenue that can be offset by registration and inspection fees will be based on how the final program is structured to utilize existing program costs. Any costs related to the hiring of additional code officers are assumed to be offset by the fee revenues with no net fiscal impact.

**Net Fiscal Impact (on General Fund Only)**

FY19	FY20	FY21	FY22	FY23
\$0	\$431,250	\$791,200	\$1,308,332	\$1,501,753

FY24	FY25	FY26	FY27	FY28
\$1,571,718	\$1,637,717	\$1,707,365	\$1,782,563	\$1,859,534