



Rental Housing Registration & Inspection Program



Today's presentation

- Legal authority to require inspections
- Programs in other cities
- Overview of proposed structure
- Costs and resources needed
- Additional policy and program considerations
- Options and direction on next steps

State Grants Authority to Require Inspection

RCW 59.18.125 grants authority for cities to require a certificate of inspection in order to receive a business license for rental properties

- Sets some parameters for program, such as:
 - Can only require a certificate of inspection on a rental property once every three years
 - Inspections may not be required for properties within 4 years of receiving their certificate of occupancy (provided there are no code violations during that time)
 - Outlines the number of units to be inspected at a given property (no more than 4 units if the property has 20 or fewer units; 20% of units up to a maximum of 50 units at larger multifamily properties)

Program models in other Jurisdictions

Kent

- All rental properties must be registered (exempt: owner-occupied single-family residences and mobile homes)
- Rental properties with 2 or more units must be licensed and inspected
- All inspections completed by a private inspector

Renton

- All rental properties must be registered (exempt: room rentals in owner-occupied units, government owned or operated units)
- No inspections required, properties follow a checklist to self-certify that property meets basic health/safety conditions. If landlord fails to adhere to landlord-tenant act provisions, must submit checklist by third party inspector to City.

Lakewood

- All rental properties must be registered and licensed (exempted: owner occupied units, units occupied by parent or child of owner, ADUs, government owned or operated units)
- Inspection lottery (percentage of single family and multifamily units selected) on a 5 year cycle. Property owners may use city inspector or private inspector. City does most of the inspections.

Process & Program Details

- Inspections occur on a cycle; property owners are notified of cycle and when inspections will be due for their properties
- Rental property owners register and apply for business license annually; hire private inspector from City's list of certified inspectors the year their inspection is due
- Private inspectors go through training to be certified by City on process and requirements
- Private inspectors use City-provided checklist (pass/fail) and submit information to City staff (checklist will include health, safety, and energy efficiency elements)
- City issues Certificate of Compliance (with expiration date) or notifies property owner of deficiencies if the property fails inspection
 - Reinspection completed to ensure issues are remedied

How it could work in Olympia

All rental units required to register

- Exempt owner-occupied mobile homes, dorms, religious housing, houseboats, shelters, transitional housing, group homes, hotels, short-term/vacation rentals
- Consider exempting room rentals where owner resides in property
- Exempt government and nonprofit-owned affordable housing units from fees

Most rental units required to be inspected

- Could consider exemption of owner-occupied properties (ADU onsite, duplex) and/or property owners who only rent out 1 unit
- Government or nonprofit owned/operated affordable units could submit alternate inspection report
- Exempt renter-occupied manufactured homes (inspected by L&I when built)
- Per state law, properties receiving a certificate of occupancy do not need to be inspected for first 4 years if no code violations during that time period. Recommend extending timeframe to 5 or 10 years.

How it could work in Olympia (cont'd)

- Per state law, units can't be inspected more than once every 3 years. Recommend extending to every 5 years.
- Could consider requiring self-certification of inspection checklist (if exempt owner-occupied units from inspection requirements) and require inspections if code violations found.
- Could create longer inspection timeframes for single family homes (once every 10 years if no violations found) and/or inspect 20% of portfolio in an inspection cycle (if own multiple single-family homes).
- Could delay implementation for certain unit types to scale up program (913 rental property owners only rent out 1 unit; 20-25% of rentals are single-family units)
- Could offer City inspection or pay for private inspection for affordable housing properties that are not already inspected as part of their program requirements (such as 12-year MFTE projects). Or train onsite staff to complete inspections.
- Could have City code enforcement complete reinspections to ensure deficiencies are addressed (or determine if property is uninhabitable).

Scope

| Housing Type | Total Number of Rentals | Units Inspected Annually | Potential Exemptions (from inspection requirements) |
|---|-------------------------|--------------------------|--|
| SFR/ADU, CONDO, MANUFACTURED HOME, OR TOWNHOUSE | 3481 | 696 | 199 Units (Owner-occupied) 206 Units (Renter-occupied Manufactured Home in MHP) |
| 2-4 Units | 1548 | 150 | 588 Units (Affordable units Owned/Operated by Gov/Non-Profit) – can submit alternate inspection report |
| 5-10 Units | 445 | 92 | |
| 11-20 Units | 540 | 117 | |
| 21-50 Units | 1849 | 378 | |
| 51+ Units | 7,650 | 1,546 | |
| TOTAL | 15,513 | 2,979 | 2,364 units inspected annually after Exemptions |

Costs to landlords

Annual fee: \$20-30/unit

Business license

- Olympia business license endorsement is \$30 (initial DoR application fee is \$50 and \$5 annually to renew) but nonprofit organizations are exempted from Olympia's endorsement fee

Inspection costs

- Can submit alternative inspection report (for example, landlords who rent to Housing Choice Voucher participants must have their unit inspected)
- Cost range from \$25/unit-\$35/unit plus travel costs for larger complexes
- Cost range from \$140-\$280 plus travel for single family homes, single units, duplexes

Reinspection

- Costs depend on property size, one inspector gave \$75/hour rate

Staffing and resources needed

Program fees help fund staffing required

Rental Housing Inspection Program coordinator (1 FTE)

Code enforcement officer (1 FTE)

- More code enforcement staff time may be needed if City code enforcement performs reinspections to make sure units that failed initial inspection are compliant (can charge a fee for reinspections).

Permit Tech/Administrative support (0.5 FTE)

Will require increased time from other departments

- Additional enforcement burden on code enforcement and possibly legal
- Additional administrative burden on business licensing staff
- Climate: energy efficiency collaboration
- Housing: resources and information for landlords and tenants

Projected Costs and Revenue at \$20/unit

| Projected Revenue | Total rental units | Government or nonprofit owned/operated affordable housing units | Total revenue after exemptions | Staff costs | Deficit |
|---------------------------------------|--------------------|---|--------------------------------|---------------------|------------|
| Year 1 @ 25% compliance | \$78,000 | \$3,000 | \$75,000 | \$200,000 (1.5 FTE) | -\$125,000 |
| Year 2 (and beyond) @ 50% Compliance | \$155,000 | \$6,000 | \$149,000 | \$332,000 (2.5 FTE) | -\$183,000 |
| Year 2 (and beyond) @ 75% Compliance | \$233,000 | \$9,000 | \$224,000 | \$332,000 (2.5 FTE) | -\$108,000 |
| Year 2 (and beyond) @ 100% Compliance | \$310,000 | \$12,000 | \$298,000 | \$332,000 (2.5 FTE) | -\$34,000 |

| Unit Type | Per unit total fees (annual) | Estimated Inspection Cost Range (once every 5 years) | Business license fees (annual) | Annualized Total |
|-------------------|------------------------------|--|--------------------------------|------------------|
| Duplex | \$40 | \$140-\$280 | \$35 | \$103-\$131 |
| 20-unit property | \$400 | \$100-\$140 | \$35 | \$455-463 |
| 300-unit property | \$6,000 | \$1,250-\$1,750 | \$35 | \$6,285-\$6,385 |

Projected Costs and Revenue at \$25/unit

| Projected Revenue | Total rental units | Government or nonprofit owned/operated affordable housing units | Total revenue after exemptions | Staff costs | Deficit/Surplus |
|---------------------------------------|--------------------|---|--------------------------------|---------------------|-----------------|
| Year 1 @ 25% compliance | \$97,000 | \$4,000 | \$93,000 | \$200,000 (1.5 FTE) | -\$107,000 |
| Year 2 (and beyond) @ 50% Compliance | \$194,000 | \$7,000 | \$187,000 | \$332,000 (2.5 FTE) | -\$145,000 |
| Year 2 (and beyond) @ 75% Compliance | \$291,000 | \$11,000 | \$280,000 | \$332,000 (2.5 FTE) | -\$52,000 |
| Year 2 (and beyond) @ 100% Compliance | \$388,000 | \$15,000 | \$373,000 | \$332,000 (2.5 FTE) | +\$41,000 |

| Unit Type | Per unit total fees (annual) | Estimated Inspection Cost Range (once every 5 years) | Business license fees (annual) | Annualized Total |
|-------------------|------------------------------|--|--------------------------------|------------------|
| Duplex | \$50 | \$140-\$280 | \$35 | \$113-\$141 |
| 20-unit property | \$500 | \$100-\$140 | \$35 | \$555-563 |
| 300-unit property | \$7,500 | \$1,250-\$1,750 | \$35 | \$7,785-\$7,885 |

Projected Costs and Revenue at \$30/unit

| Projected Revenue | Total rental units | Government or nonprofit owned/operated affordable housing units | Total revenue after exemptions | Staff costs | Deficit/ Surplus |
|---------------------------------------|--------------------|---|--------------------------------|---------------------|------------------|
| Year 1 @ 25% compliance | \$117,000 | \$5,000 | \$112,000 | \$200,000 (1.5 FTE) | -\$88,000 |
| Year 2 (and beyond) @ 50% Compliance | \$233,000 | \$9,000 | \$224,000 | \$332,000 (2.5 FTE) | -\$108,000 |
| Year 2 (and beyond) @ 75% Compliance | \$350,000 | \$14,000 | \$336,000 | \$332,000 (2.5 FTE) | +\$4,000 |
| Year 2 (and beyond) @ 100% Compliance | \$465,000 | \$18,000 | \$447,000 | \$332,000 (2.5 FTE) | +\$115,000 |

| Unit Type | Per unit total fees (annual) | Estimated Inspection Cost Range (once every 5 years) | Business license fees (annual) | Annualized Total |
|-------------------|------------------------------|--|--------------------------------|------------------|
| Duplex | \$60 | \$140-\$280 | \$35 | \$123-\$151 |
| 20-unit property | \$600 | \$100-\$140 | \$35 | \$655-663 |
| 300-unit property | \$9,000 | \$1,250-\$1,750 | \$35 | \$9,285-\$9,385 |

Additional Elements (could be included now or added later)

- Relocation Assistance for properties that are condemned/deemed uninhabitable
- Repeated violations of OMC 5.82 (all tenant protection provisions) could result in fines or denial or revocation of license
- Failure to comply with program is a defense to eviction (no license or noncompliance with inspection program)
- Mold code update:
 - According to Thurston County Healthy Homes staff, the major barrier to addressing mold issues is lack of effective codes. Staff suggested that if we update codes, can provide several years of advanced notice to get into compliance.
 - Can add considerations to checklist now that identify conditions that cause mold growth (moisture intrusion, etc)
- Other cities prohibit rent increases if unit is deficient/does not meet health and safety standards
- Create incentive program for landlords who rent at affordable rates and/or partner with a community organization to take tenant direct referrals (risk mitigation funds, fee waivers, etc)

Additional Financial Considerations

- Could contract with third parties to provide annual training on basic landlord-tenant and fair housing laws, property maintenance or other topics
- Funds may be needed for relocation assistance
- Funds may be needed if City provides waiver of fees or pays inspection costs for owners who provide affordable housing
- Funds may be needed if the City pursues incentive options for landlords who rent at affordable rates

Direction to staff

- Exemptions
 - From all program requirements: room rentals where owner resides in property.
 - From inspection: owner-occupied properties (ADU onsite, duplex). Renter-occupied manufactured homes.
 - Affordable housing that undergoes inspection can submit alternate inspection report and exempt from fees.
- Could require ADUs/owner occupied duplexes to submit self-certification
- City provides affordable housing inspections, pays costs for private inspection, or allows onsite staff to be trained and certified to conduct inspection
- Could allow longer time period for inspections of single-family homes (ie, once every 10 years if pass initial inspection)
- Fee schedule, staffing and budget request
- Additional programs/policies
 - Relocation assistance, enforcement of other tenant protections, mold code update, failure to comply with program is defense to eviction, no rent increases if unit fails inspection, incentives or waivers on fees if provide affordable units

Questions?

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