

MEMORANDUM

TO: Zoning and Development Committee, Milwaukee Common Council
FROM: Art Dahlberg, Commissioner, Department of Neighborhood Services
DATE: September 24, 2014
SUBJECT: Residential Rental Inspection Program

The Residential Rental Inspection program was created in December 2009 through the passage of Milwaukee Code of Ordinances (MCO) 200-53. Pursuant to the ordinance, the commissioner of Department of Neighborhood Services (DNS) shall evaluate the results and effectiveness of the pilot program and report to the common council these results, as well as improvements to be made. The report is to be made within 4-1/2 years of January 1, 2010. The authorization of the pilot program shall expire 5 years from January 1, 2010 unless reauthorized by the common council.

The following report is in response to the requirements of MCO 200-53 and details the results and effectiveness of the Residential Rental Inspection program. The report includes suggestions for improvement, as well as a plan for expanding the program in other neighborhoods in the City of Milwaukee.

Purpose

The purpose of the Residential Rental Inspection program (“RRI program”) is to ensure that rental properties comply with existing building maintenance, fire, and zoning codes. The RRI pilot program began in two areas – the neighborhood surrounding UWM and the Lindsay Heights neighborhood. The residential rental dwelling units in these two areas are particularly susceptible to deterioration, especially given the density of rental units, age of buildings, percentage of complaints occurring at rental units, and the condition of the units in the area.

Rental housing is more likely to be substandard than owner-occupied housing, and therefore tenants are at a higher-than-average risk for the health problems associated with poor living conditions¹. The RRI program was implemented in two areas with a high percentage of

¹ *A Guide to Proactive Rental Inspection Programs*, Change Lab Solutions, 2014, page 4.

rental housing. The above-average concentration of rental housing in these areas means that the neighborhoods are particularly susceptible to the negative effects of pervasive code violations. The RRI program strives to put an end to these pervasive violations before they have a chance to negatively affect the fabric of the entire neighborhood.

The main goals of the RRI program include: relieving tenants of the burden of asking landlords to make necessary repairs; encouraging preventative maintenance; and exposing code violations in areas where neither the landlord nor tenants have motivation to report such violations. In doing so, the RRI program also strives to ensure safe housing, protect vulnerable tenants, prevent blight, and maintain property values.

Program Overview

The ordinance requires owners of rental properties in the two designated residential rental areas to apply for a residential rental certificate from DNS. (See Appendix A for neighborhood boundaries). A certificate is required for each rental unit in order for it to be rented.

The program did not create additional substantive code requirements in the designated areas. Rather, it allowed inspectors access to properties to ensure that all *existing* code requirements were met.

Inspections

Inspections began on March 1, 2010. Appointment letters were sent to property owners to schedule the initial inspections. Since the program began, DNS has performed 5,760 inspections².

Certificates

Two kinds of certificates may be issued: 4-year certificates and 1-year certificates.

At the initial inspection, if the observable conditions of the unit conform to existing building maintenance and zoning codes, there are no outstanding orders issued against the unit, or if the violations are of a minor nature such that it is apparent the unit is well maintained, the department will issue the 4-year certificate. If disqualifying violations are found at the initial inspection, the department will issue the 1-year certificate. The cost of an inspection is \$85.

² See Department Funding By Service Worksheet, Years 2011-2013

RRI Successes

RRI Exposes Violations that have Previously Gone Unreported

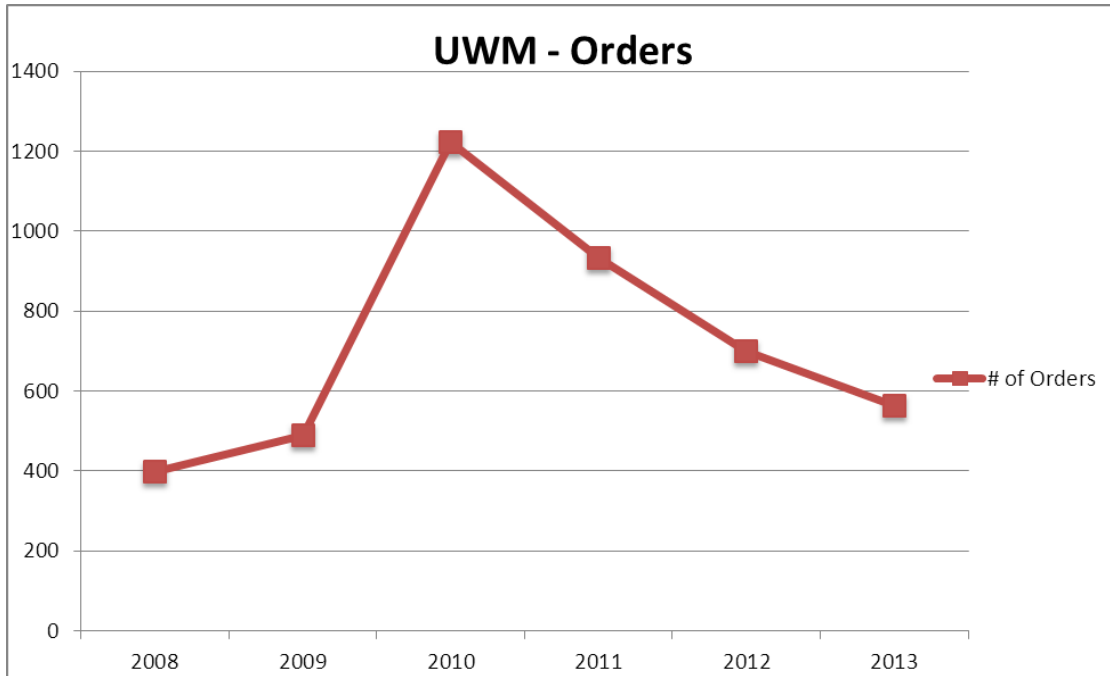
The RRI program has been successful in exposing and ultimately abating violations that otherwise would have gone unreported. One of the main goals of the RRI program was to create a mandatory inspection in neighborhoods in which neither the property owner nor tenants had motivation to report violations. Systematic, mandatory inspections ensure rental housing stock is maintained without having to rely on tenant reporting, as is the case for complaint-based inspection programs.

In the years before the RRI program was implemented, the number of orders written for rental properties in each district was relatively low. When the RRI inspections began in 2010, inspectors exposed and wrote orders on a substantial number of violations that would have otherwise gone unreported.

The graphs below track the number of orders written for properties in the RRI program.

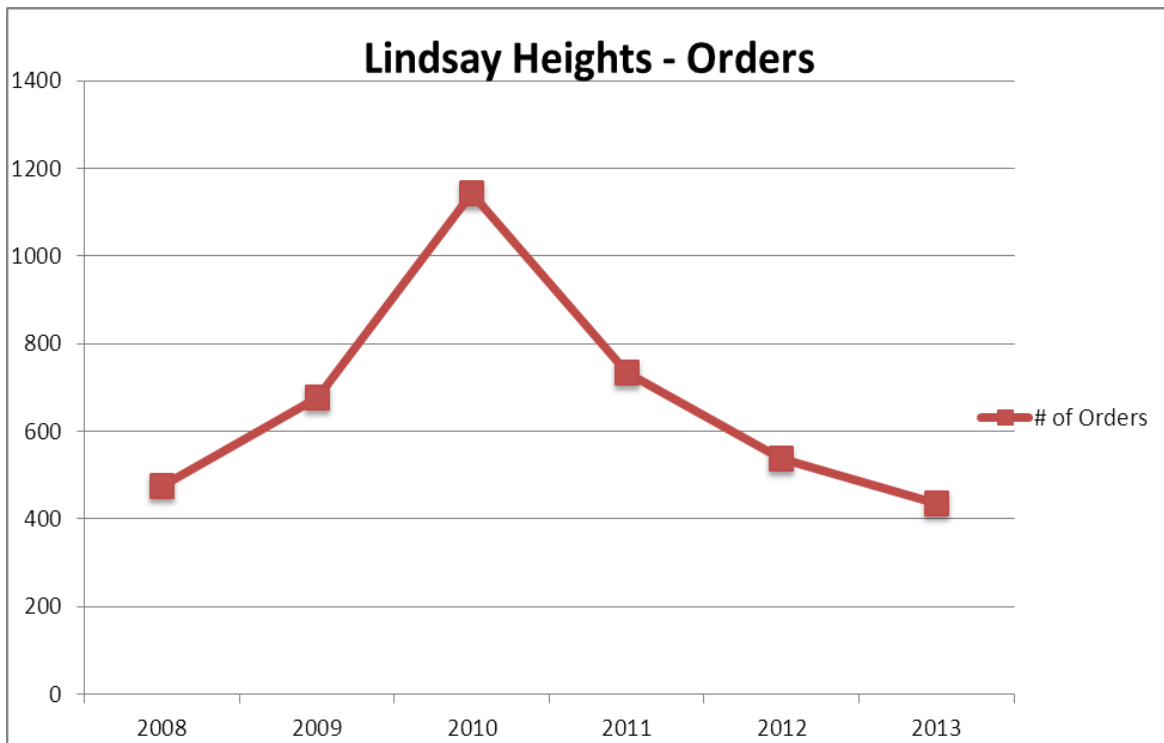
Properties in the UWM RRI District

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Orders	399	489	1223	934	701	564



Properties in the Lindsay Heights RRI District

	2008	2009	2010	2011	2012	2013
Orders	475	677	1143	733	537	435



Decreased Number of Aldermanic Service Requests

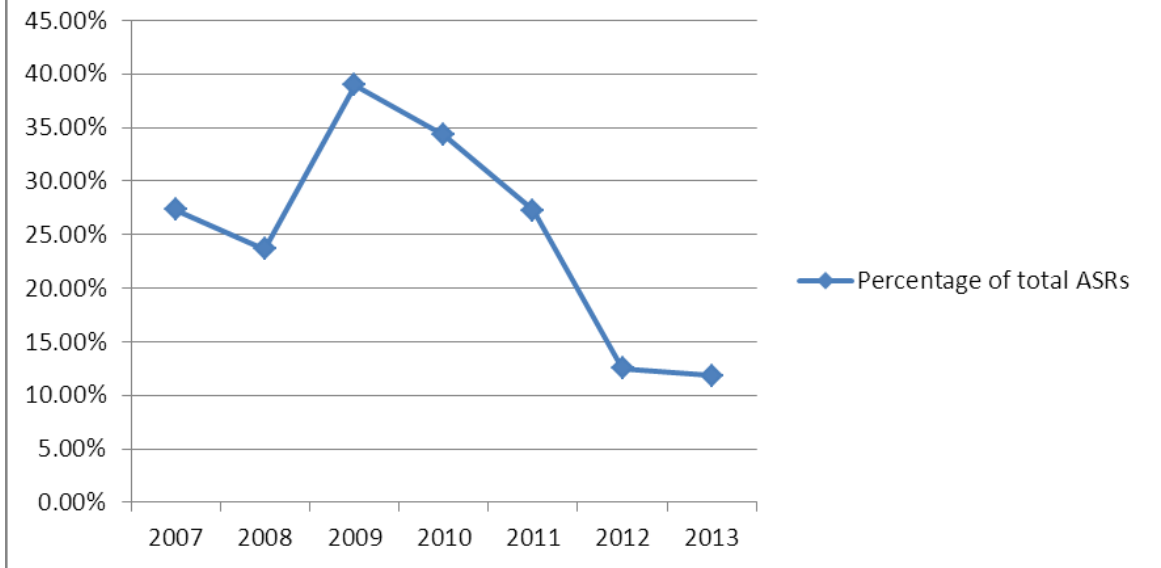
The RRI program has successfully lowered the number of Aldermanic Services Requests submitted for properties enrolled in the program. Service requests submitted by Aldermen and women are frequently more pressing and more severe than the average request received by DNS. For that reason, DNS treats them with the utmost importance and does everything within the Department's power to resolve them immediately.

In the years since the program began, the percentage of the ASRs associated with RRI properties has decreased. Before the program, rental properties were responsible for a high percentage of ASRs. In the years following, this percentage has steadily decreased. The properties that would eventually be included in the RRI program used to be a frequent source of Aldermanic Service Requests. The percentage of ASRs devoted to this group of rental properties has decreased. (Please note that 2009 was the year before the program began).

Aldermanic Service Requests Received – District 3

	Total # of ASRs Received (District-wide)	ASR Complaints on RRI Properties/Eventual RRI Properties	% of ASRs devoted to RRI Properties
2007	161	44	27.33 %
2008	131	31	23.66 %
2009	154	60	38.96 %
2010	102	35	34.31 %
2011	88	24	27.27 %
2012	56	7	12.50 %
2013	59	7	11.86 %

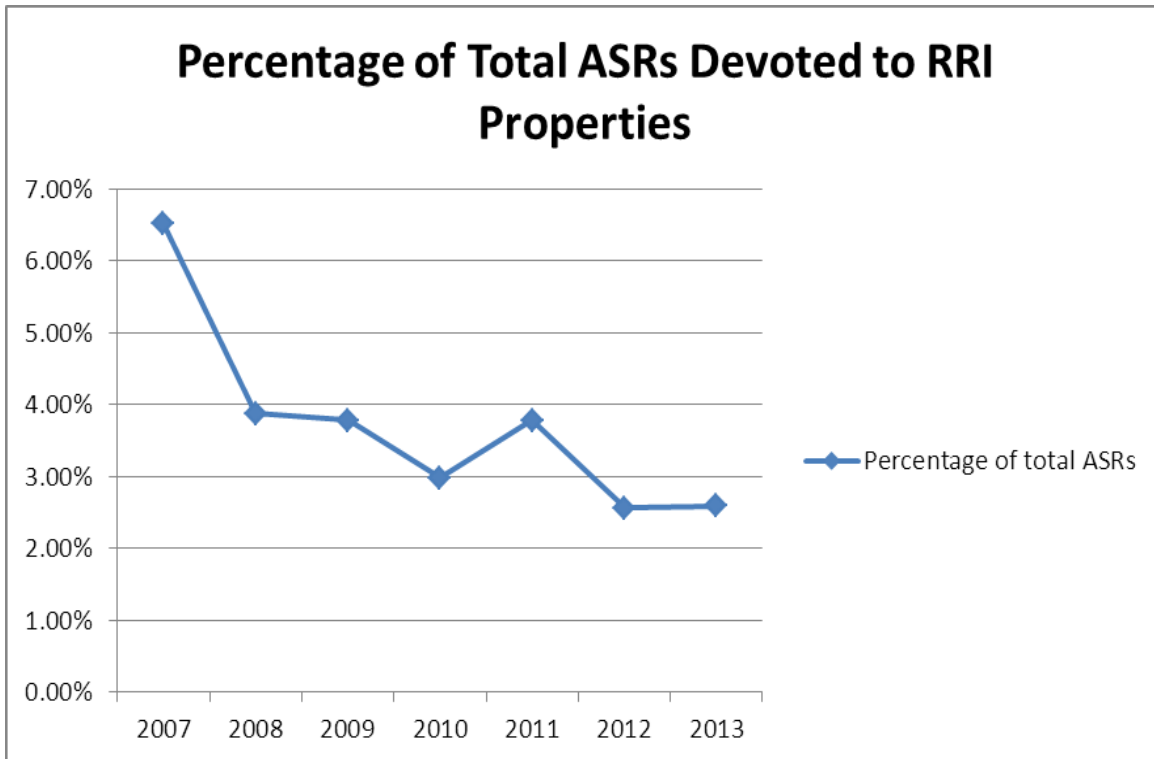
Percentage of ASRs Devoted to RRI Properties



Aldermanic Service Requests Received – District 15

	Total # of ASRs Received (District-wide)	ASR Complaints on RRI Properties/Eventual RRI Properties	% of ASRs devoted to RRI Properties
2007	368	24	6.52 %
2008	490	19	3.88 %
2009	317	12	3.79 %
2010	369	11	2.98 %
2011	291	11	3.78 %
2012	312	8	2.56 %

2013	77	2	2.60 %
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Increased Communication between Residents and Inspectors

The RRI program assigns specific DNS inspectors to serve as a contact person for property owners. Four residential code enforcement inspectors have been assigned to the two areas. These assigned staff members are available to discuss property maintenance, fire safety, and nuisance issues.

Assigning specific inspectors increases the level of communication between residents and the Department. Residents know exactly who to contact for building and zoning code issues. This increases the responsiveness of the Department and decreases the time for resolution of the

complaint. One-on-one relationships between the property owner and the inspector means the inspector can advise the property owner on how to prioritize maintenance dollars to ensure code compliance and tenant safety. Landlords are assisted in the creation of multiyear spending plans focused on preventative maintenance, which is a more cost-effective solution and helps the landlords avoid future compliance orders.

The increased community presence of the inspectors also leads to more proactive solutions to neighborhood issues. Inspectors frequently address concerns in the neighborhood before they become critical issues. This allows for a more comprehensive and proactive approach to code enforcement.

Increased Fire Safety

Fire safety inspections are now occurring in single family homes and duplexes in RRI districts. This ensures that fire safety features (such as smoke alarms and carbon monoxide detectors) are installed in these buildings. It also ensures that obvious fire safety issues are addressed to avoid potential future fires. Finally, the inspections create an opportunity for RRI inspectors to provide fire safety education to owners and tenants.

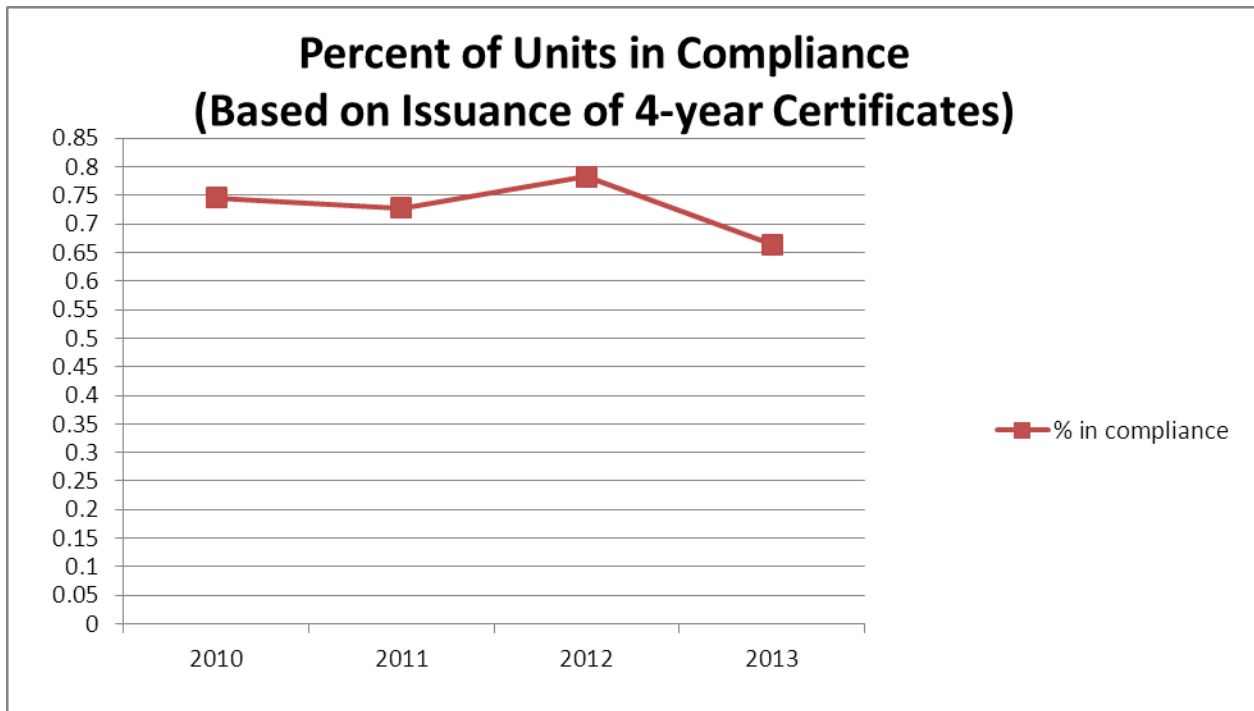
Voluntary Compliance

The response from owners in the RRI program has been a high level of voluntary compliance. When the program was implemented, the Department anticipated that RRI inspectors would be denied access to 40% of units. In practice, RRI inspectors are denied access to about 4% of units. This shows a high percentage of property owners are willing to let RRI inspectors enter the units and perform the necessary inspection.

Additionally, when the program was implemented, some property owners were concerned about the ability of DNS to seek inspection warrants to enter properties in the RRI areas. In reality, not once has the Department had to seek an inspection warrant since the program was implemented. This shows that the concerns surrounding the program at its inception were largely unfounded. The fact that DNS has never had to obtain an inspection warrant to gain entry shows that property owners have voluntarily complied with the entry requirements of the program.

Finally, a higher percentage of units were issued 4-year certificates than was originally anticipated. The Department estimated that 65% of units would be found to have disqualifying

violations. In the first year of the program, only 25% of the buildings had disqualifying violations that lead to the issuance of a 1-year certificate. Thus, 75% of the buildings qualified for the 4-year certificate. This shows that in anticipation of the program, many property owners proactively fixed outstanding code violations. The RRI program had the additional benefit of causing property owners to correct code violations before they were ordered to do so by an inspector.



As illustrated by the above graph, there has consistently been higher-than-expected compliance with the building code. In 2010, the first year of the program, three-quarters of inspected properties qualified for the 4-year certificate.

In the second year of the program, results again showed compliance rates upwards of 70%. This number takes into account properties being inspected for the second time. Properties inspected in 2010 that received a 1-year certificate were inspected again in 2011. Again a high percentage of property owners made the repairs necessary to qualify for a 4-year certificate.

In 2013, DNS inspected the lowest amount of buildings since the program began. Of the 514 buildings receiving certificate in this year, 402 received 4-year certificates. This reflects a slight, but insignificant, drop in compliance rates.

2014 marks the fifth year of the program. Buildings that received a 4-year certificate in 2010 will be due for renewal. Statistics from 2014 will be a good indication of whether landlords continue to voluntarily comply with the building code in anticipation of an RRI inspection.

Suggestions for Improvement

Reduced Fees for Duplicate Inspections

The Department recommends reducing fees for code compliance certificates and fire inspections when the property lies within an RRI area. It would be possible for an inspector to inspect for code compliance and fire safety issues at the time of the RRI inspection. DNS recommends reducing the charges for property owners who are active in multiple programs with inspection requirements.

Recommendations

Make RRI Program Permanent in Pilot Areas

DNS recommends making the ordinance permanent in the two pilot areas. The RRI program has been effective in allowing DNS inspectors access to rental units in areas that are particularly vulnerable to pervasive code violations. Furthermore, the RRI program has had the additional benefit of prompting voluntary compliance by causing property owners to bring their properties up to code in anticipation of the RRI inspection. The program has surpassed all expectations in this area. The two pilot areas will continue to benefit from the RRI program for years to come.

Expansion to New Neighborhoods

The Department believes that the results of the RRI pilot program support expanding the program into additional neighborhoods within the City. The program has shown that tenants can benefit from the added protections of mandatory inspections. Further, entire neighborhoods can benefit from the increased quality in the rental housing stock that results from the RRI program. Therefore, DNS recommends a plan that expands the program to other vulnerable neighborhoods within the City that would also benefit from mandatory inspection of rental properties.

The expanded areas will be chosen based on need. Factors to take into account include: the age of the housing stock, the concentration of rental housing in residential areas, and the high levels of code compliance complaints.

Expansion should also take into account the necessity of preserving investment dollars. The City has recently focused its attention on several neighborhoods through increased assistance, demolition money, and preservation efforts. The RRI program should be implemented in conjunction with these other programs to leverage investment dollars.

DNS believes that expansion of the program should be done in two phases. The inclusion of additional neighborhoods increases staff time exponentially during the first several years. A two-phase approach would streamline the number of staff necessary to implement the expanded program. Separating the phases by two years would minimize the overall cost to the City.

DNS has identified a neighborhood that would benefit from the first phase of expansion: the area surrounding the Basilica of St. Josaphat. (*See Appendix B for neighborhood boundary*). These areas possess similar qualities to the original pilot areas, UWM and Lindsay Heights. Therefore, DNS expects that this neighborhood will realize the same benefits seen in the two original pilot areas.

DNS has identified several neighborhoods for the further rounds of expansion. These neighborhoods share common characteristics such as a high percentage of rental housing and high amount of investment dollars. The second round of expansion should include: Washington Park, Metcalf Park, Amani, Triangle, and Clarke Square.

(See Appendix C for proposed findings for further expansion)

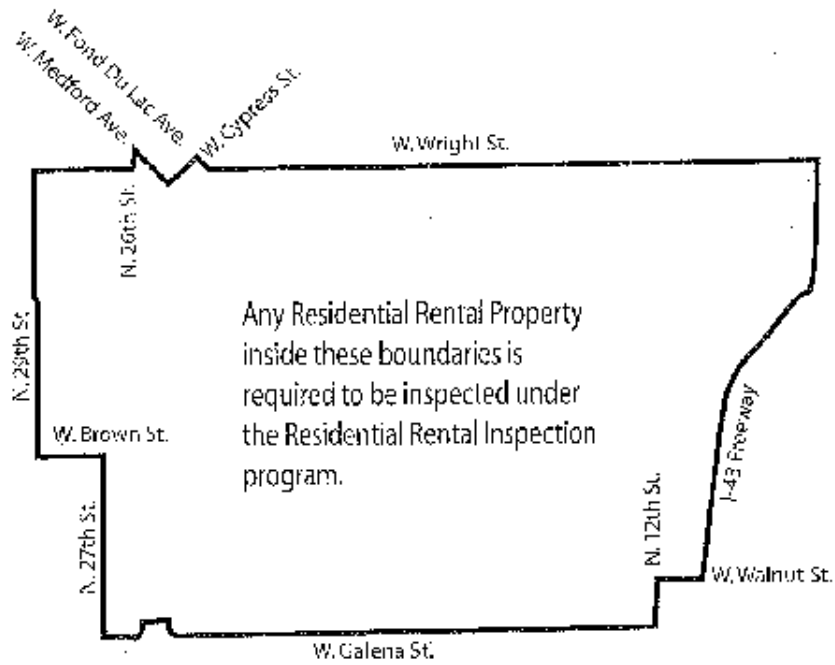
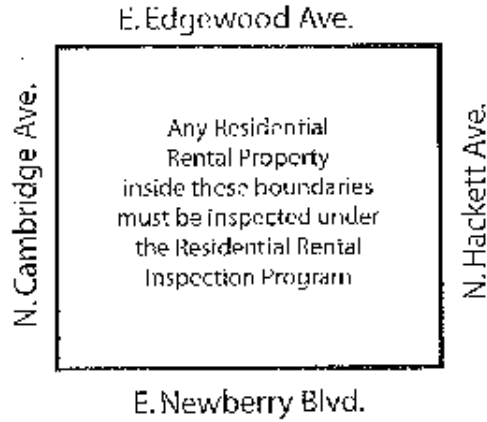
Expanded Scope of Inspections

The Department also recommends expanding the enforcement scope of the program. The RRI program should be used to target landlords that are responsible for causing blight to the community. A small number of landlords are responsible for an inordinate amount of blight and neighborhood instability. DNS suggests allowing the commissioner to order inspection of all a landlord's holdings when a determination is made that patterns of behavior and conditions of properties lead to blighting conditions to the community.

DNS suggests that language be added to MCO 200-53 to allow the commissioner of neighborhood services to make a determination that a landlord's holdings include a significant percentage of properties that are blighting influences on the surrounding neighborhood, and therefore require the landlord's holdings to be subject to the requirements of the RRI program, regardless of the location of the properties.

Appendix A

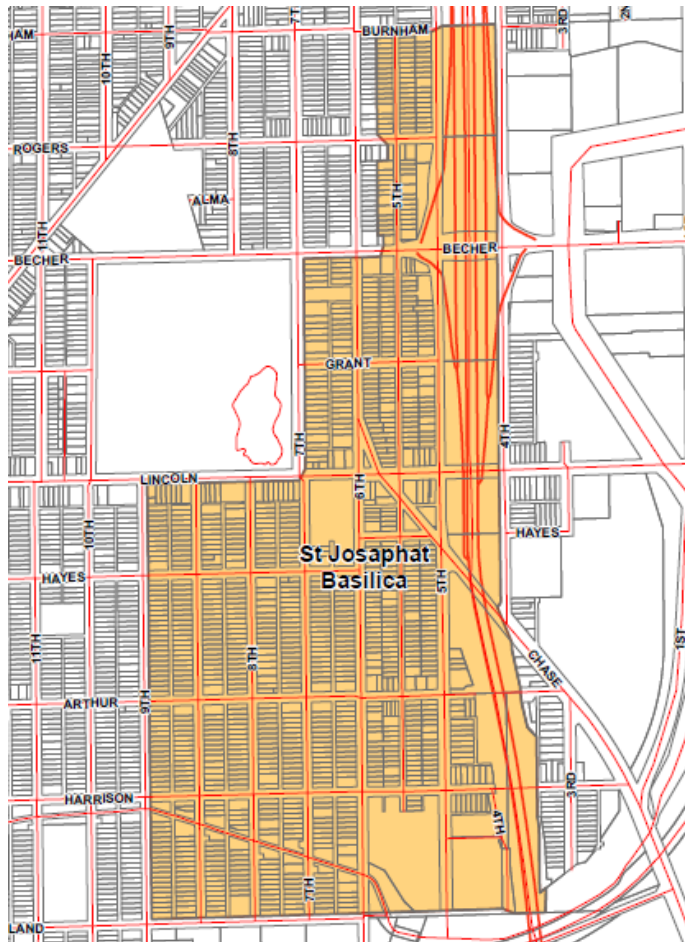
Residential Rental Inspection Maps



Appendix B

Proposed First Phase of RRI Expansion

Basilica of St. Josaphat Area



Appendix C

Additional Findings

Washington Park

The residential rental units in the area of Washington Park are on average 98 years old while the city average is 84 years old. The residential buildings in this area are 72%³ rental compared to 58%⁴ citywide. The area comprises 1085 rental units of a total 3942 residential units and 84% of code and nuisance complaints in this area occur at rental properties while the city average is 63%.

St. Josaphat

The residential rental units in the area surrounding the Basilica of St. Josaphat are on average 112 years old while the city average is 84 years old. The residential buildings in this area are 68% rental as compared to 58% citywide. The area comprises 1244 rental units of a total 1830 residential units and 80% of code and nuisance complaints in this area occur at rental properties while the city average is 63%.

Metcalf Park

The residential rental units in the area of Metcalf Park are on average 93 years old while the city average is 84 years old. The residential buildings in this area are 75% rental compared to 58% citywide. The area comprises 1943 rental units of a total 2602 residential units; and 83% of code and nuisance complaints in this area occur at rental properties while the city average is 63%.

Amani

The residential rental units in the Amani neighborhood are on average 102 years old while the city average is 84 years old. The residential buildings in this area are 69% rental compared to 58% citywide. The area comprises 660 rental units of a total 950 residential units and 85% of code and nuisance complaints in this area occur at rental properties while the city average is 63%.

Triangle

The residential rental units in the Triangle neighborhood are on average 34 years old while the city average is 84 years old. The residential buildings in this area are 88% rental compared to 58% citywide. The area comprises 529 rental units of a total 603 residential units and

³ Rental percentages are calculated based on the ratio of rental units to total number of units.

⁴ City-wide percent rental based on the ration of the total number of rental units in the city.

86% of code and nuisance complaints in this area occur at rental properties while the city average is 63%.

Clarke Square

The residential rental units in Clarke Square are on average 118 years old while the city average is 84 years old. The residential buildings in this area are 69% rental compared to 58% citywide. The area comprises 728 rental units of a total 1054 residential units and 80% of code and nuisance complaints in this area occur at rental properties while the city average is 63%.