

Source: Community Development - NS

Agenda Item No: REP 65-13

To: City Council
From: City Manager and Staff

Council Meeting Date: May 6, 2013

Re: Third party rental inspections

EXECUTIVE SUMMARY:

During the FY12 budget process there was discussion of using third party, private inspectors to conduct building and rental inspections through the Community Development Department. The idea was dormant until the Columbia Apartment Association inquired about the status of using third party inspectors last fall. This report outlines how the program might work and requests direction from Council on next steps.

DISCUSSION:

The City of Columbia Community Development Department enforces the Rental Unit Conservation Law that requires all residential rental units to register with the City every three years. Units are required to be inspected by City staff. Units may renew without inspection after three years if no violations have been found. Many units go six years between inspections.

Using private, third party inspectors to conduct rental inspections may lessen the workload on City staff, allow private sector an opportunity serve this need and give rental property owners greater flexibility in who they work with and to negotiate the cost of rental inspections. The challenges of using third party inspectors include developing a system to qualify private inspectors, providing oversight and quality control over the process and having a fair and transparent process to eliminate inspectors and property owners from the program if needed.

There are a few approaches to using third party inspectors. One that has been discussed by City staff would give rental property owners two options: 1.) The owner could hire a private inspector to complete the inspections before the rental Certificate of Compliance expires. Or, 2.) If the property owner would choose not to use a private inspector, and pays their fees as usual, their units would be inspected by City staff as has been the practice. 3.) A third approach would be similar to the City of Boulder, Colorado where there are no City staff to conduct inspections; all rental inspections are done by the private sector.

City staff has surveyed building inspectors and there appears to be interest in providing this service. The Columbia Apartment Association is supportive of this idea and has provided a letter of support (attached).

FISCAL IMPACT:

The fiscal impact of using third party inspectors is unclear at this point. While there would be less staff time and expense in conducting the inspections there would still be a need for staff to monitor the work of private inspectors and respond to tenant complaints.

VISION IMPACT:

<http://www.gocolumbiamo.com/Council/Meetings/visionimpact.php>

The City's Rental Unit Conservation Law supports Community Character Strategy 2.3.1: Hold absentee or irresponsible landlords accountable for substandard property and housing.

SUGGESTED COUNCIL ACTIONS:

Staff is seeking guidance from Council on proceeding with this idea. If Council would like this idea to proceed, the next step would be to seek input from stakeholders, continue to refine the policies and procedures to implement the program and draft an ordinance to amend Chapter 22 to allow third party inspectors for the Rental Unit Conservation Law.

FISCAL and VISION NOTES:					
City Fiscal Impact Enter all that apply		Program Impact		Mandates	
City's current net FY cost	\$0.00	New Program/ Agency?	Yes	Federal or State mandated?	No
Amount of funds already appropriated	\$0.00	Duplicates/Expands an existing program?	Yes	Vision Implementation impact	
Amount of budget amendment needed	\$0.00	Fiscal Impact on any local political subdivision?	Yes	Enter all that apply: Refer to Web site	
Estimated 2 year net costs:		Resources Required		Vision Impact?	Yes
One Time	\$0.00	Requires add'l FTE Personnel?	No	Primary Vision, Strategy and/or Goal Item #	2.3.1
Operating/ Ongoing	\$0.00	Requires add'l facilities?	No	Secondary Vision, Strategy and/or Goal Item #	
		Requires add'l capital equipment?	No	Fiscal year implementation Task #	

Third Party Inspections: Two Paths to Rental Property Compliance

Overview:

Inspections by third party, private inspections may be an alternative way for the City of Columbia to conduct inspections for property for compliance with the Rental Conservation Law. This document will outline how a program using private inspectors might work, what steps are needed to carry out a program, the requirements for inspectors and how the City would have audit the program.

How a private inspection program might work:

The City Manager has communicated a concept for a program where rental property owners could hire a private inspector to conduct inspections of their property. The inspector would be paid directly by the property owner at a rate set by the inspector. The inspector would complete a form provided by the City indicating that the property meets all applicable City ordinances. This form would be submitted by the property owner with their fee, application form, and HVAC form and the property would then be issued a Certificate of Compliance.

The inspection can occur no earlier than 90 days prior to the date of application or expiration of the current certificate if renewing. The property would need to be in full compliance with no outstanding violations. If the private inspector is unable to sign off that the property is in compliance prior to the application being due, the property would no longer qualify for a private inspector. The owner would submit an application with fees for an inspection by City of Columbia staff.

A benefit of this program would be less administration on the part of City staff in terms of collecting inspection fees, setting inspection appointments and documenting violations. Those tasks would be transferred to the private sector, freeing City staff to work on other inspections, particularly problem properties. Property owners could also hire the inspector of their choosing, pay a fee agreeable by both parties and schedule the inspections at a time that works best for them.

The City would continue to conduct rental inspections under our current process. Using a private inspector is at the decision of the property owner.

Another option for private inspectors would be for the City of Columbia to accept bids from vendors who would conduct the inspections under contract with the City. The private inspectors could be used when there is a high volume of rental inspections that City staff are unable to complete. In this situation, private inspectors would need to be managed and scheduled in much the same way as City employees therefore the benefit would be limited. The Office of Neighborhood Services has also reduced the backlog of rental inspections from more than 1,200 to 200 in the last year so the need for this approach is not great.

Steps to Success

There are several things the City of Columbia would need to do to start a third party rental inspection program. Those include:

- Amending City code to allow for private inspectors
- Determining the requirements for who can serve as a private rental inspector
- Planning and conducting training for private inspectors
- Developing inspection forms to ensure consistent inspections in all rental properties. These would also need to be used by City inspectors so that all rental properties are being reviewed fairly and consistently and documentation exists on all inspections.
- Outreach to rental property owners and private inspection firms about this new program and education on how it might work. Input from both groups will also be important in the success of this program.

Draft Requirements for Private Rental Inspectors:

- Must be a Certified Property Maintenance & Housing Inspector through the International Codes Council
- Must attend an annual training and pass a post test. Topics will include:
 - Zoning ordinances related to rental
 - Fire codes
 - All other local codes and amendments not addressed through the ICC codes
- Must hold a City of Columbia business license
- Private inspectors will need to renew annually to continue to be on the City's approved list of private inspectors.

Auditing the Program:

One of the fears of a private inspection program is that it may be abused and inspectors may pass properties that are not in compliance. The City must determine reasonable safeguards. We also realize that some situations are nebulous: a property may pass inspection today, but in six months may not due to the destructive action or living habits of the tenant.

Some ways the City of Columbia may audit the program include:

- Having a City inspector conduct audit inspections on units representing at least 10% of the units that had a private inspector and 10% of the property owners using a private inspector. The inspection would be conducted within 30 days of the application for a Certificate of Compliance. The property owner would have a deadline to make the corrections with the potential of violations being referred to municipal court for prosecution.

- If a violation is found as a result of a tenant complaint, citizen complaint, or exterior inspection by a staff person, a notice of violation (NOV) would be issued as staff does currently. If the correction is not made or the violation is severe, especially in threat to health and safety, the violation may be referred immediately for prosecution. This is not a change in policy as this is how most violations are handled currently.

If staff observe a trend of violations occurring in rental properties that have been inspected by a third party, we may not allow the inspector to continue on the approved inspector list or may not allow the property owner to continue to use a third party. Setting "hard and fast" rules on this may be difficult. Delegating the authority to the Director of Community Development or a citizens committee to review both inspectors and property owners in the program would be helpful so staff are not caught in the middle of disqualifying people from the program.

Anticipated questions:

Who pays for the third party inspection?

The inspection will be paid for by the property owner/manager. The cost is set by the inspector and the City will not specify what the cost of the inspection will be.

Are property owners required to have a third party inspection?

No, property owners or managers can still use a City inspection to be in compliance.

When do property owners get the third party inspection done?

The inspection must be done within 90 days prior to the current certificate expiring and the inspector must confirm that the unit meets all City ordinances related to the rental conservation law. The inspection is scheduled at a mutually agreeable time between the owner/manager and the inspector. If the inspection is not done by a third party at the time the certificate expires, then the unit will be inspected by city staff.

What are the fees to the City if I use a third party inspector?

All rental applications must still pay the \$35 per building application fee. There will not be a \$15/unit inspection fee charged by the City of Columbia if the inspection was approved by a private inspector.

What oversight will the City of Columbia have to ensure quality of rental inspections?

The City of Columbia will continue to do curbside inspections of properties to ensure the exterior meets code. The City will also continue to receive rental complaints and conduct complete inspections as a response to these complaints. Under these circumstances, notices of violation will be written and property owners may be prosecuted in municipal court if these are not addressed in a timely manner.

Who can conduct the third party inspections?

The City of Columbia will maintain a list of inspectors approved to conduct the inspections. They must be Certified Building Inspectors and have participated in an annual training conducted by the City and have passed a local exam.

Who conducts inspections as a result of tenant complaints?

City staff will continue to conduct these inspections.

What other Cities use Private Inspectors for their rental program?

City staff surveyed members of MACE (The Missouri Association of Code Enforcement) and did not find any that are using private inspectors for rental inspections. Staff also contacted several Midwest cities similar in size to Columbia including Champaign, IL, Lincoln, NE, Ames, IA, Iowa City, IA, West Lafayette, IN, and Boulder, CO and the only City identified was Boulder. Boulder has a program similar to what has been described where property owners can hire an inspector from an approved list to conduct the inspection.

Can a property, owner or manager be prohibited from using a third party inspector?

If there is a history of a property manager, landlord, or apartment complex that is abusing the private inspection program through multiple code violations they may be prohibited from using third party inspectors in the future.

Will the City conduct auditing of the inspections?

City of Columbia staff who currently conduct rental inspections will conduct audit inspections no less than 10% of the rental units and 10% of property owners of rental property inspected by private inspectors

Can properties new to rental compliance have a third party inspection?

Yes. Private inspectors can conduct the inspection but it must be completed within the 14 days given to register the rental property.

Will the City need to have possession of the documentation of the inspections? Will these documents need to be retained for five years, the same as for documents produced by City staff?

The Law Department and the IT Business Analyst charged with records retention have been asked and we are working to determine the answer.

What if the property owner and the private inspector have a conflict of interest? How is that conflict defined?

The City of Boulder, CO includes the following language on their "Inspection compliance verification form" that may be a good starting point for Columbia: *The inspector also certifies that he/she has no*

financial interest in the property and is not related in any way to the owner/agent or tenant. This would allow the inspector to self-verify that no conflict exists.

Questions from private inspectors:

Staff surveyed local home inspectors in February 2012 to determine their interest in a third party rental program. Eight responses were received and most were interested but had several questions. They were all willing to attend additional training to qualify to participate. Here is a summary of their questions and draft answers.

-How will you be sending the inspection requests? The property owner will make the request directly to the inspector.

-Will the requests and the results be reported electronically? This should be part of the process regardless of how we set up the program.

-What is the expected turn around time? The inspections must be done no sooner than 90 days before the certificate needs to be renewed or is needed for the property to be rented.

-Who will be issuing the COC? The City of Columbia Office of Neighborhood Services will continue to issue the Certificates of Compliance.

-Insurance requirements. This will be an issue the inspector and the property owner will need to address.

-Will the contracts be - term and supply? A contract between the City and the inspectors would be an inefficient way to implement this program as it would save little administratively for the City of Columbia.

-How many contractors would be sharing in the work load? It would depend on how many qualify as approved inspectors and also the number of property owners who choose to use third party inspectors.

-Billing and payment schedule – This would be between the inspector and the property owner.

- What is the frequency of inspections? daily, weekly. This would be up to the discretion of the inspector. They can schedule inspections as they like.

- What equipment am I supposed to have with me? This is up to the inspector; some of this may be addressed in the training. At the minimum, the City of Columbia would recommend a flashlight, tape measure and something to test smoke detectors with.

- Can I use sub-contractors as long as they are qualified to conduct city inspections? No, all inspectors must have attended the training and be on the approved list of inspectors.

- **Would need to know what is to be included in the inspection.** This would be included in an inspector training session.

- **What is the report format?** A form would be developed by ONS staff so that inspections are completed uniformly.

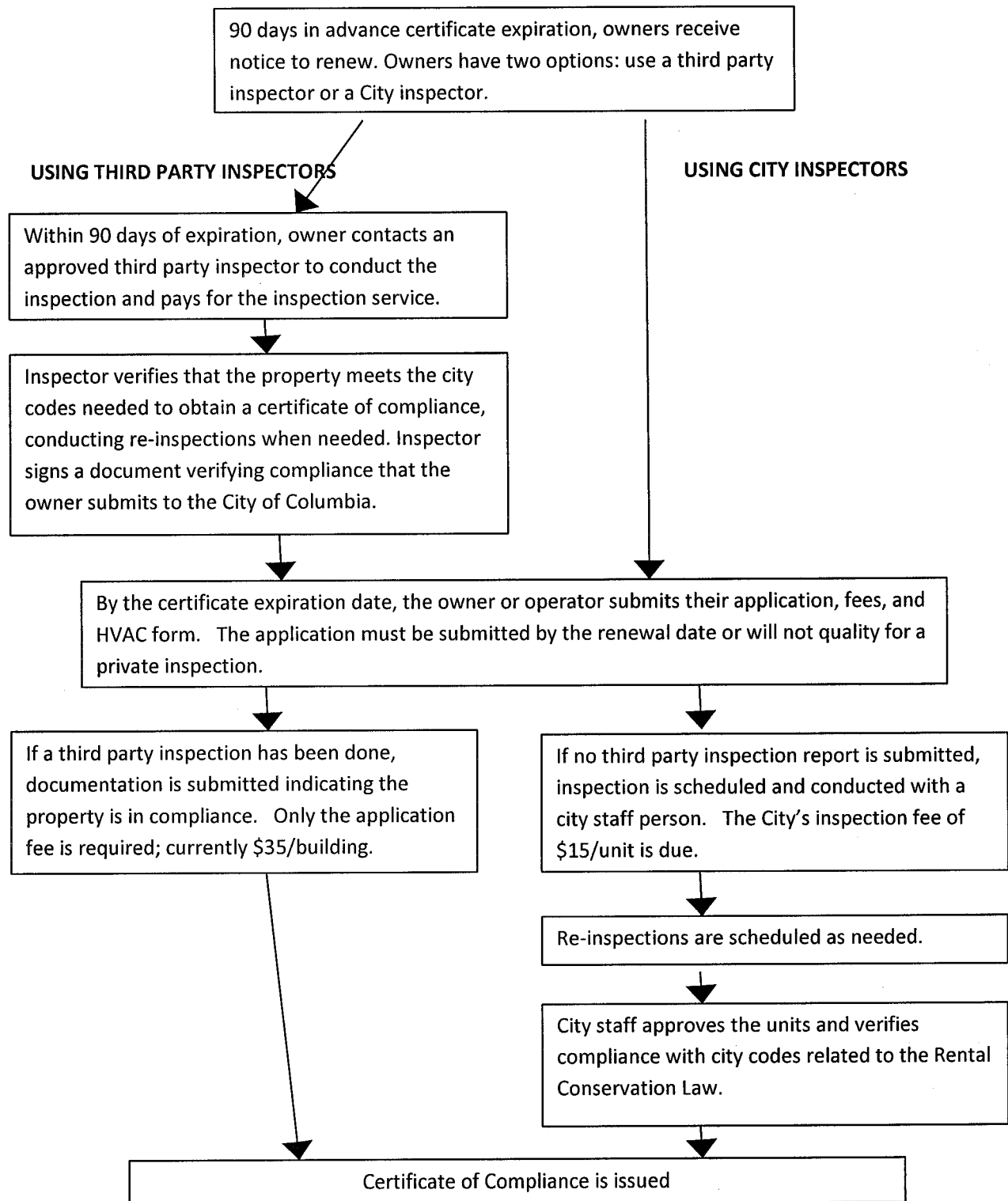
- **Who attends the inspections?** The landlord or their agent would need to give the inspector access to the interior of the rental unit.

- **Will we be required to include photo documentation?** Photos will not be required. The unit must meet all applicable codes before a third party inspectors report can be submitted with the application. The inspector must confirm the unit meets code.

- **Would there be updated training periodically for any code and other ordinance changes?** Yes, we anticipate holding a training session at least annually to update and clarify codes.

- **Would there be a certificate of Inspection to sign off on such as the mechanical inspectors do for the furnace and gas appliance inspections?** Yes, a form would need to be completed and signed for each building that is inspected.

Third party rental inspection process: two paths to compliance





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February 19, 2013

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Leigh,

The Columbia Apartment Association would like to thank the Office of Neighborhood Services for allowing us to initiate comment on the existing rental inspection process. We are very interested in developing an alternative process that allows for third party rental inspections. We have several members interested in researching and providing constructive feedback into the possibility. One of our members, Brenda Canaday, is a retired City of Columbia inspector, with 17 years of experience.

The Columbia Apartment Association is in favor of private enterprise whenever possible. There are already many inspectors providing quality inspections in the home buying process. It is not a large step to allow these same experienced inspectors to provide guidance into the rental housing market. We are hopeful the changes in the rental inspection process will allow the City the flexibility of redistributing funds to essential services.

As we understand it, there are a few other cities that have the option for third party inspections. We can use their plans and experiences to help develop an optimum solution for our City. Our goals are the same in that we would like to ensure the best possible product in providing safe and economical housing options for our mutual customers.

The Columbia Apartment Association fully supports an option for third party rental inspections. We look forward to working with the City in working out the process.

Thank you for your attention.

Sincerely,

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