

Exhibit C



Council Committee Memorandum

TO: Joint Council Committee
THROUGH: Brian Anderson, City Administrator
FROM: Peter Waldock, Community Development Director
MEETING DATE: March 18, 2014
SUBJECT: Rental Licensing Ordinance & Crime-Free Housing Program

Background:

At the City Council Joint Committee meeting last October, the City Council heard concerns expressed regarding housing conditions in some rental units downtown and concerns with problem tenants in the community. The City Council directed staff to review the issues and recommend ways in which the City could address the issues.

As a follow up to this discussion, staff presented a number of ideas for the City Council to consider addressing the concerns. Among these was participation in a Crime-Free Multi-Housing Program and upgrading the rental registration ordinance to convert to a rental licensing program.

Discussion:

Crime Free Housing Program:

A number of Minnesota Cities are participating in crime free housing programs throughout the state. A Crime Free Housing Program (CFH) works to keep criminal activity out of rental property. The program was designed to make multi-family dwellings safe and desirable places to live. CFH is pro-property manager, pro-resident, and anti-crime.

The program uses a three-phase approach that ensures resident friendly techniques will be applied to maintain crime prevention goals. The three components that make up the program consist of property management training, security assessments, and resident training on watching for criminal activity.

Management Benefits:

- A stable, more satisfied resident base
- Increased demand for rental units with a reputation for active management
- Lower maintenance and repair costs

- Increased property values
- Improved personal safety for tenants, managers, and owners
- More time for routine management and less time on crisis control
- More appreciative neighbors

Law Enforcement Benefits:

- Tried and true crime prevention methods
- Proven drop in calls for service by up to 67%
- Improved quality of life for the community at large
- Teaches property managers and residents how to work with police and neighbors to keep drugs and other illegal activity out of rental property
- A community oriented policing approach to crime prevention.

The Police Department's 2014 budget includes \$20,000 for participation in the program. The funds will be used to cover increased staff costs for the CSO assigned to the program, start up costs, training, and implementation.

Proposed Rental Housing Licensing Program:

Staff is proposing a comprehensive revision of ordinances regulating rental housing in the City. This would be accomplished by replacing the current rental registration ordinance with a comprehensive new ordinance that establishes rental housing licenses in order to provide a means by which the City can revoke a property owner's privileges to rent residential units. Rental license revocation may be necessary in cases where the City has had to respond to an excessive number of nuisance complaints, property maintenance violations, police calls due to criminal activity, or where unsanitary conditions have been found on a recurring basis.

The proposed ordinance is based on ordinances currently in use by other Minnesota Cities. It is designed to assure that rental housing is operated and maintained so that it is decent, safe, and sanitary for its occupants and for neighboring property owners. It requires a license for rental dwellings and provides exemptions for certain types of occupants, such as relatives. The Ordinance creates a license application process, requires an occupancy register, and establishes occupancy standards.

The ordinance as proposed requires certain property owners to provide a local agent. It requires scheduled inspections, defines and prohibits disorderly conduct, and requires licensees and their tenants to participate in a crime free housing program, which includes among other things a crime free/drug free lease addendum requirement. When the rental dwelling is not operated in compliance with the requirements of the ordinance, the ordinance provides for the removal of tenants and a process for license suspension, revocation, denial and non-renewal.

The proposed ordinance requires rental property managers, designated agents or owners, to complete Crime Free Housing Program training. Based on the determined type of rental unit, an owner or manager may have up to four years to complete the training. The training requirement will apply to several hundred rental

property owners or their agents, or hired property managers in the City. There are currently over 600 rental properties and over 2500 rental housing units in Faribault.

The ordinance has a system of tiered license categories based on the number of property violations, police calls, and nuisance violations at the site. Properties that have few violations and remain at a high compliance level (type III), will only need to be inspected every three years. Properties that have many violations and a low compliance level (type I) will be inspected once a year until compliance levels improve for a two year period.

Key Features of the Proposed Rental Licensing Ordinance:

- Homestead Exemption: Single Family Dwellings that are homesteaded by the owner's relatives and are the only rental property the owner has is exempt.
- Snowbird exemptions are provided for property rented less than 120 days per year and occupied by its owner the balance of each year.
- Tiered Licensing Categories: Three license types with increasing frequency of inspections based on compliance levels (number of crime free program violations or property violations).
- Local Agent Required: Absentee Owners from out of state or not located in designated counties nearby, must have a local agent or manager from a county designated in the ordinance.
- Occupancy Limits: The ordinance includes occupancy limits and standards based on the City's Unified Development Ordinance and a minimum floor space per person.
- Rental License Suspension or Revocation: Rental licenses can be revoked, suspended or non-renewed for crime free program violations, uncorrected or repeated nuisance violations, failure to correct property violations, and failure to evict problem tenants. Reinstatement fees and administrative fees can be applied as well as a waiting period for reinstatement. Revoked landlords are not eligible for new licenses for another dwelling for 1 year.
- Disorderly conduct prohibited: Disorderly conduct by tenants and their guests on licensed properties is prohibited and may be grounds for suspension, nonrenewal or revocation after repeated instances.
- Appeal Hearing: Rulings and findings by the compliance official can be appealed to the City Council. An appeal hearing would then be held by the City Council to make a final determination in the matter.
- Crime Free Housing Program Training: An 8-hour training course provided by police, fire and public housing officials and others is required. Crime Free Housing Program courses completed by owners or agents at approved courses in other Minnesota Cities may be accepted for compliance.
- Crime Free/Drug Free Housing Leas Addendum: Licensed properties must have written leases with the crime free/drug free housing addendum.

Violation of this lease addendum by the tenant would be grounds for termination of tenancy.

- Criminal Background Checks are required for tenants of licensed properties.
- Regular inspections required to determine compliance with this ordinance, nuisance ordinances, property maintenance codes, and other city ordinances such as zoning codes.
- Effective Date January 1, 2015: We are just completing the second year of the current two year rental registration cycle, staff recommends that the new regulations start next year at the beginning of a new program cycle, rather than changing the rules during the current cycle. This will allow time for training and preparations for program implementation.

Licensing and other program fees will be set by City Council Resolution. Reinspection fees and delinquent payment charges are proposed. The proposed fees will be similar to those charged by other Minnesota Cities with rental licensing programs.

Proactive property maintenance code programs start with residential rental properties through this licensing ordinance and can eventually extend to commercial properties downtown then, commercial and industrial properties citywide.

Other code and ordinance reviews underway:

- Loitering and smoking regulations
- Building permit sunset (expiration) provisions, changing to six months from the current one year time period.

The City Council is asked to discuss this ordinance proposal and provide feedback and direction to Staff.

Attachments:

- Draft Ordinance
- Rental License Category Policy
- Crime Free /Drug Free Housing Lease Addendum