City of Hesperia
STAFF REPORT

DATE: January 5, 2021

TO: Mayor and Council Members

FROM: Nils Bentsen, City Manager **SECOND READING AND ADOPTION**

BY: Mike Blay, Assistant City Manager
Tina Bulgarelli, Administrative Analyst

SUBJECT: Consideration of the Maintenance and Licensing of Rental Properties and Amendment of the City-wide Fee Schedule and Bail Schedule Related to Rental Housing Business License Registration

RECOMMENDED ACTION

It is recommended that the City Council introduce and place on first reading Ordinance No. 2020-14 amending Title 5 of the Hesperia Municipal Code related to the maintenance and licensing of rental properties within the City of Hesperia; and

Adopt Joint Resolution No. 2021-01, Resolution No. HWD 2021-01, Resolution No. HHA 2021-01, and Resolution No. HCDC 2021-01 amending the City-wide fee schedule related to the fees for the Rental Housing Business License program.; and

Adopt Resolution No. 2021-02 amending the City-wide bail schedule related the Rental Housing Business License program.

BACKGROUND

Currently, the health and safety standards of the City's known 4,366 residential rental properties which constitute a commercial enterprise are enforced utilizing complaint-based code enforcement. Complaint-based enforcement paired with an aging housing stock contribute to instances of substandard and unsanitary residential rental properties, the physical conditions and characteristics of which may violate applicable state housing, county and local codes rendering them unsafe for human occupancy and habitation.

These conditions offer little protection to Hesperia renters who may be unaware of basic habitability requirements such as locking doors, hot water, functioning heaters and properly working plumbing, as well as tenants who may hesitate to complain about sub-standard conditions for fear of reprisal from property owners. Additionally, while most property owners are responsible and wish to maintain their properties, there are many cases of negligent absentee property owners where without mechanisms to ensure accountability, allow properties to become unsafe and blighted, detracting from their neighborhoods as a whole in addition to allowing their tenants to live in potentially dangerous conditions.

ISSUES/ANALYSIS

The proposed rental property inspection program, a transition to proactive code enforcement, will ensure that Hesperia renters have access to clean and safe rental properties; safeguard and

improve the quality of life in rental property communities; and facilitate the commercial business licensing of rental properties, enabling the City to monitor and enforce compliance measures.

From 2007 to 2012, the City ran a rental housing registration program, which required registration of rental properties and payment of an annual inspection fee. Properties were inspected for code standards and cure periods were assigned to allow the owner's time to clean up or fix problems to avoid a re-inspection. The program involved nearly 1,200 properties and was utilized as a tool to enforce health and safety standards and ensure that rental properties were clear of trash, debris, and inoperative vehicles. The program was also instrumental in ensuring that absentee owners were aware of the state of their properties and held responsible for code violations. Many properties were cleaned, repaired and generally improved as a result.

Since the dissolution of the rental housing program in 2012, the City has grown in population and several thousand rental properties. Careful review of the challenges and successes of the City's since discontinued rental registration program has provided staff helpful insight and the opportunity to restructure and streamline the program, minimizing the staffing needed to run the program effectively to the benefit of renters, property owners and the community as a whole.

One such efficiency proposed is the use of a self-certification program component which will permit property owners to demonstrate program compliance without the need for an annual physical inspection by City staff, a sharp contrast from the previous program that utilized four community development technicians as inspectors, a full-time senior office assistant for clerical items and at least two code enforcement officers for properties requiring further enforcement due to code violations. As proposed, staffing needed to implement the streamlined program includes one community development technician and two code enforcement officers with the possibility of adding staff as this program progresses and is adjusted.

Proposed program registration and license fees would fund code enforcement and business licensing staff to monitor the inspection and self-certification process, ongoing periodic proactive inspections and respond to questions and concerns from rental owners and tenants. Proposed fees ("attachment 4") are tiered based on new and existing leases in order to avoid overly burdening property owners while incrementally collecting revenue to fund the required staff and administration for the program.

The basic components of the program will require property owners to complete a registration application including information on number of rental units, whether there is an on-site property manager and other pertinent information. During the inception of the program and for all new applicants, a baseline inspection would be performed to record the current state of the property. Code violations would be noted and the owner would be instructed to cure them. Following an initial inspection and as stated above, property owners may be permitted to annually self-certify using a checklist and photographs of the property to demonstrate compliance. If a property was found to be deficient in maintenance, the owner would be granted time to correct the violations. If the violations were not corrected, or the owner failed to self-certify annually, an inspection would be performed.

The recommended fines included in the bail schedule are proposed to ensure compliance. Through the noticing process which does not impose fines until at least two notices to cure a violation have been issued, not including those that threaten life and safety, many violations can be cured without utilizing the bail schedule and so only egregious or continuing violations will be subject to the recommended fines.

FISCAL IMPACT

The fully burdened cost of one Code Enforcement Officer is $124,344 plus the cost of a vehicle and supplies and one Community Development Technician position is $101,836. Using the current known housing number of 4,366 properties, which includes 426 multi-family or duplexes comprising a total of 4,373 units, and 3,940 single-family residential, and based on the conservative estimate that 50% of the fees will be based on new leases and the other 50% on existing leases along with a business license for each residence or apartment complex, the program will generate revenue in the amount of $1,778,858. This amount will fully fund two code enforcement officers and one community development technician positions, allow for expansion of proactive code enforcement, and allow for expansion of staff as required as the program grows and evolves.

Revenue is projected to fluctuate annually for the first four years as existing leases pay a tiered rate, however, even with this structure, the funding for the positions will be available based on revenue generated from the program.

ALTERNATIVE(S)

1. Provide alternate direction to staff.

ATTACHMENT(S)

1. Ordinance No. 2020-14
2. Exhibit "A" Title 5 Chapter 5.72 Rental Housing Business License
3. Exhibit "B" Title 1 Chapter 1.04 Rental Housing Definitions
4. Joint Resolution No. 2021-01
5. Fee Schedule and Exhibit "A" attached
6. Resolution No. 2021-02
7. Bail Schedule with Exhibit "A" attached