Making a Difference

A Performance-Based Rental Program

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City of Brooklyn Center MN
A Great Place to Start, A Great Place to Stay
www.cityofbrooklyncenter.org

Metropolitan Mayors Caucus    |    Chicago IL    |    October 13, 2015
Agenda

• City Profile
• Background Information
• Program Overview
• Program Redesign Process
• Program Essence
• Successes and Challenges
• Future Rental Housing Initiatives
• Q & A
City Profile

- First Ring Suburb of Minneapolis MN
- 8.52 square miles
- Data from 2010 Census & 2013 American Community Survey
  - Population: 30,104
  - 51% non-white, 49% white—first majority minority city in MN
  - Median Household Income: $46,149
  - Families below poverty level: 15.9%; People below poverty level: 19%
  - 11,600+ Households, Avg. Person Per Household 2.78
  - 36% household units rental
- 2014 Median Home Sale Price: $144,000
  (source Minneapolis Area Association of Realtors)
Organizational Profile

- Home Rule Charter City
- City Manager Format
- City Council: 1 Mayor, 4 Councilmembers
- Number of Employees: 156 FT, 200+ PT
- 2015 Budget
  - General Fund Budget: $19.4 Million
  - Total Budget: $60.6 Million (includes utility and enterprise funds)
- City Goals & Priorities Over 7 Years
  - Crime reduction, redevelopment, neighborhood enhancement, community engagement, inclusion and diversity, youth success, City image
Previous Rental License Program

• Implemented in 1970s
• 2-year License Term
• Same Fee Within Category (multifamily, single family)
• Standard License Process
  • License inspection conducted
  • Rental property owner makes repairs
  • License issued
• Additional Regulations For Multifamily Properties Versus Single Family Regulations
  • I.e. Addressing crime and nuisances
Need for Change - Year 2007

- Higher Crime Rates
- Higher Number Of Property Code Violations
  - Health/life safety, nuisance, quality of life issues
- Negative Impacts To Neighborhoods
  - High number of complaints, low confidence levels
- Increased City Resources Associated With Rental Problems
  - Police, inspection, licensing, attorney, finance
  - Increased litigation and enforcement associated with rentals
- Negative Impact To City Image
- Significant Financial Implications And Consequences
- Limited Enforcement/Motivational Tools Available
Competing Demands for Service

- Rental Housing Improvements Became Council Goal
- Completed Multi-Departmental Rental Housing Improvement Strategy in 2007
- Delayed Actions Due To Competing Demands
  - Experienced high mortgage foreclosures in 2007
  - Developed and implemented new vacant building program and home purchase program in 2008
2007 General Housing Statistics

- 2007 Multi-Department Rental Housing Improvement Strategy
- 33% Rental: 276 single family, 459 total licenses
- Performed General Statistical Analysis

- 3.6 times higher at 1-4 family units
- 1.9 times higher at multifamily

Higher Percentage Property Code Violations at Rental Properties
- Exterior: Rental 19% Nonrental 12% Vacant 74%
- Grass/Weeds: Rental 16% Nonrental 3.5% Vacant 54%
Performance-Based Rental License Program Overview

- Implemented in 2010
- 4-Tier License Categories
  - Based on property code violations found during initial inspection
  - Affected by certain validated nuisance/disorderly police incidents past year
- License Process Generally Same
- License Fee same for each License Type
  - 6-month license pays same as 3 year license
  - Better reflects City’s cost of service
- License Requirements Vary Based on Category
  - Type I- 3 years, Type II- 2 years, Type III- 1 year, Type IV- 6 months
  - Best practices incorporated into categories
License Categories & Conditions

- License Categories Incorporate Best Practices

<table>
<thead>
<tr>
<th>Licensing Category</th>
<th>Licensing Period</th>
<th>Min. Inspection Frequency</th>
<th>Crime Free Housing</th>
<th>Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type I</td>
<td>3 Year</td>
<td>Min. 1 time in 3 years, upon request or as needed as determined by city</td>
<td>Phase I Recommended</td>
<td>N/A</td>
</tr>
<tr>
<td>Type II</td>
<td>2 Year</td>
<td>Min. 1 time in 2 years, upon request or as needed as determined by city</td>
<td>Phase I Required</td>
<td>N/A</td>
</tr>
<tr>
<td>Type III</td>
<td>1 Year</td>
<td>Min. 1 time per year, upon request or as needed as determined by city</td>
<td>Phase I, II Required</td>
<td>Action Plan Required</td>
</tr>
<tr>
<td>Type IV Provisional</td>
<td>6 Months</td>
<td>Min. every 6 months, upon request or as needed as determined by city, or as otherwise specified by Mitigation Plan</td>
<td>Phase 1, II and III Required</td>
<td>Mitigation Plan Required</td>
</tr>
</tbody>
</table>
### License Category Criteria

**Basis:** Property Code Violations Found During Initial Inspection

#### Property Code Violations Criteria

<table>
<thead>
<tr>
<th>License Category</th>
<th>Number of Units</th>
<th>Property Code Violations per Inspected Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>1-2 units</td>
<td>0-1</td>
</tr>
<tr>
<td></td>
<td>3+ units</td>
<td>0-0.75</td>
</tr>
<tr>
<td>II</td>
<td>1-2 units</td>
<td>Greater than 1, but not more than 4</td>
</tr>
<tr>
<td></td>
<td>3+ units</td>
<td>Greater than 0.75, but not more than 1.5</td>
</tr>
<tr>
<td>III</td>
<td>1-2 units</td>
<td>Greater than 4, but not more than 8</td>
</tr>
<tr>
<td></td>
<td>3+ units</td>
<td>Greater than 1.5, but not more than 3</td>
</tr>
<tr>
<td>IV</td>
<td>1-2 units</td>
<td>Greater than 8</td>
</tr>
<tr>
<td></td>
<td>3+ units</td>
<td>Greater than 3</td>
</tr>
</tbody>
</table>
License Category Criteria cont...  
Affected by Certain Validated Police Nuisance/Disorderly Incidences

- Category Decrease for Certain Validated Police Nuisance/Disorderly Calls
  - Includes Drugs, Noise, Disorderly, Illegal Weapons, similar; Part I Crime
  - Does not include domestics, health & welfare, and similar
  - Does not include unconfirmed incidents/calls

<table>
<thead>
<tr>
<th>License Category</th>
<th>Number of Units</th>
<th>Validated Calls Per Unit Per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No Category Impact</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-2</td>
<td>0-1</td>
<td></td>
</tr>
<tr>
<td>3-4 units</td>
<td>0-0.25</td>
<td></td>
</tr>
<tr>
<td>5 or more units</td>
<td>0-0.35</td>
<td></td>
</tr>
<tr>
<td><strong>Decrease 1 Category</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-2</td>
<td>Greater than 1, but not more than 3</td>
<td></td>
</tr>
<tr>
<td>3-4 units</td>
<td>Greater than 0.25, but not more than 1</td>
<td></td>
</tr>
<tr>
<td>5 or more units</td>
<td>Greater than 0.35, but not more than 0.50</td>
<td></td>
</tr>
<tr>
<td><strong>Decrease 2 Categories</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-2</td>
<td>Greater than 3</td>
<td></td>
</tr>
<tr>
<td>3-4 units</td>
<td>Greater than 1</td>
<td></td>
</tr>
<tr>
<td>5 or more units</td>
<td>Greater than 0.50</td>
<td></td>
</tr>
</tbody>
</table>
To foster a cohesive and respectful community for all by insuring that single family and multi-family rental communities are clean, safe, and attractive; valued and appreciated by owners, rental property residents and neighbors. (2007 Rental Housing Improvement Strategies)

<table>
<thead>
<tr>
<th>1. Establish minimum licensing standards to ensure rental properties are maintained in conditions to protect the health, safety and welfare of the public to benefit tenants, neighbors and the community-at-large.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Provide additional standards and tools to help substandard properties become well-managed properties, while supporting existing efforts of well-managed properties.</td>
</tr>
<tr>
<td>3. Reduce the City’s cost to the general taxpayer associated with regulation of substandard properties.</td>
</tr>
</tbody>
</table>
Program Redesign Process (2009)

- Determined scope of problem (May 2009)
  - In-depth statistical analysis, multi-year range
- Determined goals/desired outcomes
- Reviewed options and opportunities
  - Researched local and national programs
  - Internal brainstorming—multi-department staff
  - Feedback from other stakeholders
    - Rental property owners and representatives
    - MN Multi-Housing Association (landlord association)
    - Home Line (tenant advocacy agency)
    - Residents, Housing Commission
    - Legal counsel
    - Council
    - Others
Program Redesign Process cont...

- Determined Feasibility of IT/IS Options
  - Complex tracking system beyond database (LOGIS) capacity
  - *Started basic with Excel document, ongoing improvements
- Presented Information and Options to City Council For Feedback
- Ordinance Amended By Council (Jan 2010) with 3-Month Future Implementation Date
  - Develop license category criteria
  - Prepare forms and materials
  - Develop IT/IS systems
  - Final notification of all rental property owners
Determining License Category & Rating Criteria

- Conducted Pilot Study
- Determined Legal Parameters and Potential Pitfalls
- Estimated Required Resources - Staffing, Materials, Etc.
- Presented Information and Options to City Council
- Council Approved Resolution Establishing Performance-Based System with Categories And Criteria (Mar 2010)
- Implemented New Performance-Based Rental License Program (Apr 2010)
Statistical Analysis of Property Code Violations

Single/Two Family Rental Properties
Number Properties Per Violation Rate (Feb-Dec 2009)

Multi-Family (3+ units)
Violations Per Unit Per Property (Feb-Dec 2009)

Note: Eighteen of 48 properties included in analysis due to available info.
## Determining Final Property Code Criteria

<table>
<thead>
<tr>
<th>License Category (Based on Property Code Only)</th>
<th>Number of Units</th>
<th>Phase I</th>
<th>Phase II</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Property Code Violations Per Unit</td>
<td>Number of Properties in Category Type*</td>
<td>Property Code Violations Per Unit</td>
</tr>
<tr>
<td>Type I</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-2 units</td>
<td>0-1</td>
<td>22 (16.1%)</td>
<td>0-1</td>
</tr>
<tr>
<td>3+ units</td>
<td>0-0.75</td>
<td>5 (27.8%)</td>
<td>0-0.6</td>
</tr>
<tr>
<td>Type II</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-2 units</td>
<td>2-4</td>
<td>48 (34.8%)</td>
<td>2-3</td>
</tr>
<tr>
<td>3+ units</td>
<td>0.751-1.5</td>
<td>6 (33.3%)</td>
<td>0.61-1</td>
</tr>
<tr>
<td>Type III</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-2 units</td>
<td>5-9 (5-8 final)</td>
<td>44 (31.9%)</td>
<td>4-6</td>
</tr>
<tr>
<td>3+ units</td>
<td>1.5-3</td>
<td>3 (16.7%)</td>
<td>1.1-1.5</td>
</tr>
<tr>
<td>Type IV</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-2 units</td>
<td>10 or More (9 final)</td>
<td>24 (17.4%)</td>
<td>7 or More</td>
</tr>
<tr>
<td>3+ units</td>
<td>More than 3</td>
<td>4 (22.2%)</td>
<td>More than 1.5</td>
</tr>
</tbody>
</table>

*Note: Property Code Violation calculations are based on the following data.*

<table>
<thead>
<tr>
<th>Number of Units</th>
<th># of Properties Reviewed in Unit Size</th>
<th>Total # of Rental Properties in Unit Size (Pending Licenses Not Included)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2 units</td>
<td>138</td>
<td>535</td>
</tr>
<tr>
<td>3+ units</td>
<td>18</td>
<td>48</td>
</tr>
</tbody>
</table>
Statistical Analysis of Police Calls for Service

- Police Calls per Unit (Nuisance/Disorderly Premise)
  - 1-4 unit properties (2006-2007)
  - **84% of properties with 0 calls**

<table>
<thead>
<tr>
<th>Calls for Service per Ch 12-913</th>
<th>Number of Properties/Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>337</td>
</tr>
<tr>
<td>0.25</td>
<td>3</td>
</tr>
<tr>
<td>0.5</td>
<td>6</td>
</tr>
<tr>
<td>0.75</td>
<td>3</td>
</tr>
<tr>
<td>1</td>
<td>34</td>
</tr>
<tr>
<td>1.5</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
</tr>
</tbody>
</table>

- Frequency of 12-913 Calls For Service Per Unit

\[ R^2 = 0.5419 \]
Program Essence

- Data and Performance Driven
  - Measure what is important, monitor, adjust
- Proactive vs Reactive
  - Property management versus making repairs
- Best Practices Incorporated Into Program
- Accountability
  - Everyone- Owners, management, tenants, City
- Teamwork, Cooperation, Collaboration
  - Multi-departments
  - Property owners, tenants, associations, City, etc.
Program Essence cont...

• Landlord/Tenant Incentives for Ongoing Compliance
  • Reduced license costs
  • Fewer license conditions - reduced time, costs of conditions
  • No “stigma” of Type IV
  • Long-term benefits

• Message & Expectations
  • All people deserve clean, safe housing
  • All housing can be clean, safe, and attractive
  • Micromessages...
Key Learnings

• High Correlation - Public Safety/Crime & Property Maintenance
  • Validated police nuisance/disorderly calls rarely affects license type
  • Equality and hope a powerful message

• Shift in Staff Resources
  • Less time on inspections, reports, complaints, problems
  • More time at beginning of license process
  • More time coordinating Type III and IV properties
  • Overall more effective use of time

• Landlords/Agents Influence Crime and Living Conditions

• Change In Culture
  • Cross-functional, performance, innovation, problem solving
# Successes - Statistical Property Conditions

- Improved Property Conditions - Decrease in Property Code Violations

<table>
<thead>
<tr>
<th>License Category</th>
<th>Number of Rental Licenses by Category</th>
<th>Original Projection Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Issued 2010</td>
<td>Issued 2011</td>
</tr>
<tr>
<td>Type I 3 Year</td>
<td>72</td>
<td>194</td>
</tr>
<tr>
<td>Type II 2 Year</td>
<td>77</td>
<td>208</td>
</tr>
<tr>
<td>Type III 1 Year</td>
<td>27</td>
<td>48</td>
</tr>
<tr>
<td>Type IV 6 Month</td>
<td>13</td>
<td>20</td>
</tr>
</tbody>
</table>

*Active means the number of rental licenses active and valid during the year. For example a Type I - 3 year rental license - may be issued in 2012; however it will remain active through 2013 and 2014.
Successes- Statistical Police Service Calls

- Decrease in Total Calls for Single Family (1-4 units) Rental Properties
  - 2014- 796 rentals- 2,216 police calls- 2.78 cfs
  - 2007- 524 rentals- 1,996 police calls- 3.23 cfs

- Decrease in Nuisance/Disorderly Calls for Multi-Family Rental Properties
  - 2014- 3,296 units- Nuisance Calls- 0.090 cfs/unit, Total calls- 1.59 cfs
  - 2007- 3,260 units- Nuisance Calls- 0.218 cfs/unit, Total calls- 1.46 cfs

- Benefits City-Wide Public Safety Statistics

  42% decline in Part One violent crime since 2007
  24% decline in 2014 compared to 2013

  Average 31% decrease in all Part One serious crime categories in 2014 compared to 2013

  All these crime categories at lowest levels since 1999
Successes
General Results

• Better Living Conditions For Tenants
• Reduced Complaints About Rental Properties- ratio
  • Resident Community Survey 2012
    • Significantly more positive feedback across all topics
• Earlier Intervention for Potential Problem Properties
  • Prevent more substandard properties
  • No Significant Litigation- hazards, costs, image, etc.
  • Additional enforcement tools available
• Attracts Responsible Property Owners/ Representatives
  • Long-term investment, care
Succeses
General Results cont...

- Community and Organization Pride
  - 2012 League of Minnesota Cities City of Excellence Award
  - Pride in properties and city-wide successes
    - Worlds Fastest Apartment Renovation- Soderberg Apartment Specialist
      [https://www.youtube.com/watch?v=n4qojmUriS0&noredirect=1](https://www.youtube.com/watch?v=n4qojmUriS0&noredirect=1)
- Promotes Reinvestment
  - Multi-million dollar renovations- multi-family, single family
  - Improved property values
  - Expanded cooperation with other City initiatives- trails, tobacco
- Positive Feedback
  - Responsible owner/reps, housing associations, tenant advocacy agencies
  - Improved image of rental properties, as well as city
  - Attract more responsible tenants
  - Achieve higher rents
  - Part of a team- City and businesses
Examples
Apartment Success Stories

• Gateway Commons- 242 units. New owner invested $3.5 million renovation to a high quality living apartment. Previously crime ridden and poorly maintained.

• Lake Pointe Apartments- 310 units. New owner invested over $5.5 million renovation to high quality living apartment. Previously crime ridden and poorly maintained.

• Crest Apartments- 13 stories, 122 units. New owner invested $1.4 million on significant maintenance systems and exterior improvements. Previous tax forfeiture, some police and code issues.

• Granite City, Granite Peaks, Beard Apartments, etc.
Factors of Success

• Ongoing Input From Stakeholders
• Adequate Systems, Processes, Follow Through
  • IT/IS, employee, workflow, customer, etc.
• Consistent Management and Leadership Support
  • City Manager, Council, and other leadership
  • License actions- approvals, appeals, suspensions and revocations
• Interdepartmental Cooperation
  • High Performing Staff—Administration, Building & Community Standards, Police
• City Facilitates Success
  • Education, courtesy calls/visits, reminders, etc.
  • Consistency, Yet Flexibility, As Program Evolves
• Other tools available
  • Administrative penalties, criminal prosecution, etc.
Challenges

Startup
- Competing demands
- Legal considerations
- Gathering & Analyzing data
- Establishing reasonable, effective criteria
- Organization culture

Implementation
- IT/IS systems
- Education & communication
- Standardizing of staff and systems
- Alignment at all levels
- 6 months license turnaround

Ongoing
- Increase in rental properties
- System checks and balances
- Complacency after improvements
- Change in stakeholders
Budget Considerations

• Staff Levels - ~880 rental licenses
  • 0.20 FTE: Licensing (split City Clerk, Deputy City Clerk)
  • 1.75 FTE: Building/Housing Inspectors, Property Code Specialists
  • 0.50 FTE: Housing & Community Standards Supervisor, Admin Staff
  • 0.25 FTE: Crime Prevention Specialist
  • 0.10 FTE: Assistant City Manager, Police Chief, Commander

• Revenues (Cost Offsets)
  • License fees - $230,000
  • Rental conversion fees - $36,000
  • Reinspection fees - $18,000
  • Administrative citations - varies

• Value to Community ➡ Priceless

(Estimates Based on 2014 data)
Future Rental Housing Initiatives

• Developing Rental Recognition Program
• Greater Outreach and Inclusion of Rental Community
  • Tenants, rental property owners and representatives
  • City’s Inclusion & Diversity and Active Living Initiatives
• Review Grants/Options
  • Curb appeal or value added renovations
• Request for Tenant Education Program
  • Under consideration
• Considering Limit on Number of Rental Properties
• Regional/State Affordable Housing Actions
• Potential to Adapt Concept to Other Areas I.e. Hotels
• Other?
Keeping Perspective

- It’s Never Just One Thing
- Some Things Are Not What You Think They Are
- It’s Okay to Start Small and Evolve
- It’s An Ongoing Learning and Improvement Process
- You Need to Be Committed
- The Results Can Make a Difference
- Show Appreciation for Successes
- Progress is Rewarding and Contagious
Special Acknowledgements
City Representatives

• City Council
• City Manager Curt Boganey
• City Clerk Sharon Knutson
• Housing Community Standards Supervisor Xiong Thao
• Administrative Assistant Kelsey Montgomery
• Permit Technician Sue Remjeske
• Crime Prevention Specialist Becky Boie
• Building/Housing Inspectors Chris Cady, Dan Grinsteinner
• Property Code Specialists Eric Sonnenberg, Dan Jerzak
• Police Chief Tim Gannon
• Deputy Director/Building & Community Standards Jesse Anderson
• Other team members
Thank You

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