# COMMITTEE OF THE WHOLE

**Room 104 – City Hall**
**NOVEMBER 10, 2003**
**4:15 P.M.**

| PAGE | | |
|---|---|---|
| 1-12 | 1. | Consideration of Proposed Rental Registration Fees and Housing Code Changes (attachment). |
| | 2. | Closed meeting to receive a communication from, and to have a discussion with, the City Attorney regarding the status of the pending litigation in the Eighth Circuit Court of Appeals case of City of Rochester v. Surface Transportation Board, Case No. 02-1481 (Dakota, Minnesota and Eastern Railroad Corporation construction into the Powder River Basin). |

City of Rochester
City Administrator's Office

# Memo

**To:** Mayor and City Council

**From:** Stevan E. Kvenvold

**Date:** September 9, 2003

**Subject:** Proposed Rental Registration Fees and Housing Code Changes

Attached for your review and information are memos from Ron Boose and Gary Dutton which propose an increase in the rental registration fees and several changes to the Housing Code.

The rental registration fees were last increased 12 years ago, in September, 1991. The current revenue from these fees cover approximately 46% of the costs involved in inspecting rental units. This function has been subsidized by building permit revenues for many years.

The department is proposing a new fee structure which would increase revenues to cover approximately 75% of the cost of the rental housing registration and inspection functions.

This proposal will be forwarded to landlords for their review and comment. The proposal will be scheduled for the City Council's consideration in the next several weeks.

Enclosure

c: G. Neumann
T. Spaeth
R. Boose
D. Martinson
T. Adkins

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City of Rochester
Building Safety Department

# Memo

To: Stevan Kvenvold

From: Ron Boose RB

Date: August 26, 2003

Subject: Housing Code and Rental Registration Fees

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The accompanying memos and supporting documents from Gary Dutton outline several changes being proposed to the Housing Code. I am in agreement with Gary's proposals and recommend adoption of his option 2 for a new fee schedule. As Gary points out in his memo, the figure used for Housing Inspections Division expenditures does not include numerous indirect expenses. The division is not charged back for any portion of my salary, office rent, janitorial services, copier charges, and several other general department expenses in addition to the ones mentioned by Gary. Therefore, the recommended fee schedule would recover something less than 75% of actual costs of providing these services.

The changes Gary is proposing to Chapter 34, minimum standards, are long overdue. I had begun drafting many of these changes over the past couple of years myself. Gary has done a good job of completing those drafts and adding some ideas of his own. These changes should make the Housing Code standards much easier for property owners and tenants to understand by removing several references to other codes and including the referenced standard itself.

Let me know if you have any questions after reviewing the information. We would like to get scheduled for an upcoming Committee of the Whole meeting so that we can distribute these proposals to rental property owners and provide them adequate time to prepare a response for council.

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**City of Rochester**
**Building Safety Department**

# Memo

**To:** Ron Boose, Director of Building Safety

**From:** Gary Dutton, Manager of Housing Inspection Services GD

**CC:**

**Date:** August 25, 2003

**Re:** Update Housing Code Chapters 34 & 38

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I am proposing an update to Chapters 34 and 38 of the Rochester Code Ordinances.

## Chapter 34: Minimum Standards

The major updates to this chapter are adding into the code regulations that inspectors have been enforcing by reference to the fire code. We are including emergency escape window language directly in section 34.17 of the code. The 2003 MN State Building Code provides provisions that allow the city to adopt emergency escape window requirements through the housing code. I have also incorporated into the ordinance other fire code items dealing with smoke detectors, automatic fire sprinklers, and building fire alarms systems.

Other updates to this chapter consist of editing language and reorganizing the order to create a more user-friendly document. Actual code changes to this chapter that landlords or homeowners will face are very minimal.

## Chapter 38: Registration Of Rental Units

The most significant changes to this chapter are the fee schedules, change to a two-year certificate, and transfer of certificates. The registration fees will be collected on a biennial basis. A two-year certificate will save clerical staff time in sending invoices and processing of the 2600+ registered rental properties in the city. There will be a reduction in postage with notices for rental registration fees being sent every other year combined with biennial inspection notices mailed to owners. The benefit to the landlords will be less confusion between inspection notices and rental registration notices that come in different years. All contact with the landlord will come in the same year and this should create less confusion for landlords.

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I am also proposing a code change in Section 38.12 that will make rental certificates transferable from owner to owner. A $20.00 transfer fee will be assessed at the time an application for certificate transfer is made. Currently we have the new owner apply for a new rental certificate and assess a full annual rental registration fee. Under the new proposal the new owner would pay a $20.00 transfer fee, and the certificate expiration date would not change. We believe this is more equitable to owners and would give new owners more incentive to transfer the certificate into their name when the property changes hands. This change would help our division manage the rental inspection workload, by keeping renewal dates more stable. Routine rental inspections would continue to be done on a two year cycle even when property changes hands. Currently when a property changes hands a rental inspection is done if the property has been not been inspected within the last year.

The other changes to this chapter are minor in nature. The changes consist of editing and reorganizing the document to make it more understandable.

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**City of Rochester**
**Building Safety Department**

# Memo

**To:** Ron Boose, Director of Building Safety

**From:** Gary Dutton, Manager of Housing Inspection Services GD

**CC:**

**Date:** August 25, 2003

**Re:** Rental Registration Fees

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Over the last couple of years through new accounting software we have been able to more accurately track actual Housing Division expenses. For the year 2002 the expenditures totaled $310,468 and revenues from the rental registration program equaled $160,793. The division recovered about 50% of the expenses. In the current year we are projecting expenses of $362,410 and estimating $170,000 of income from the rental registration fees. The division is expected to recover about 46% of the expenses incurred to administer the rental registration program and enforce the City Housing Code. These numbers do not reflect the indirect costs of services used by this division that include human resources, city attorney, finance and city departments.

Realizing the community as a whole benefits from the rental registration program and the City Housing Code enforcement program, we do not necessarily believe the division should recover all the expenses incurred to administer the program. This division responds to numerous complaints in the enforcement of the city housing code, a significant number of these come from owner occupied dwellings. The city is unable to generate direct income from these complaints. The benefit is community wide; therefore the community should offset a portion of the housing division expenses. It is my belief that fees should be at a level to recover a greater portion of the division expenses.

I have put together three options for rental registration fee increases. The options are based on projected revenues and expenses for the year 2004. The three options include fee increases that would make up an estimated 60%, 75%, and 100% recovery of housing division expenses. Charts showing current and proposed rental registration fees for a single family dwelling (SFD), a four-unit apartment, and 24-unit apartment have been included. The fee increases break down to an increase per month/unit of less than a dollar, except for a SFD which breaks down to an increase of a few dollars a month. The column of the chart that stands out the most is the

overall percentage of increase. These numbers show very large percentage increases. A closer look makes it clear that while the percentage of increase seems high, the actual cost per month/unit to the owner is relatively low. It would have a very minimal impact on monthly rents charged by landlords.

Other fees that will be included with each option will be a change in the calculation of over due registration fees. Currently the housing code has provisions that make all overdue fees the same; there is no differential for the amount of the registration fee overdue. My intention is to make the late fee more equitable. A lesser overdue fee will be accessed to structures that have smaller registration fees. The new calculation should give incentive to owners that have missed the due date to pay with in the first 30 days or be faced with a higher late fee after 30 days.

"Missed appointment" and "re-inspection fees" will be increased from $30.00 to $45.00 to reflect increased costs since the last fee adjustment.

I am proposing an "administration fee" to be accessed to all contract clean up and vehicle towing handled by housing division staff. This fee will more directly charge the users of the housing division staff time.

The timing for an increase in rental registration fees comes to landlords when the rental market is soft, relative to the past few years. It must be kept in mind that registration fees have not been adjusted for over a decade. It is becoming increasingly more challenging to justify the amount of building code fees that are expected to subsidize housing division expenses.

The following fees are in effect for rental properties in the City of Rochester:

**HOUSING REGISTRATION/RENEWAL FEE**
**Effective September 22, 1991**

| TYPE OF BUILDING | FEE AMOUNT |
|---|---|
| Less than 4 units per building | $15.00 for the building plus $10.00 for each unit |
| 4 to 8 units per building | $20.00 for the building plus $10.00 for each unit |
| 9 or more units per building | $25.00 for the building plus $10.00 for each unit |

Late Fee: An additional fee of $50.00 may be assessed for late registration
An additional fee of $2.50 per day, with a maximum of $50.00, may be assessed for late renewal.

No Show for Appointment Fee: An owner may be assessed an additional fee of $30.00 if without reasonable cause, the owner or his/her agent fails to keep a scheduled inspection appointment.

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# Rochester, MN Rental Registration Fees

## 2003 Estimated Revenues and Expenditures

**Estimate revenues** $170,000 **Estimated expenditures** $362,410
(estimated to recover **46%** of 2003 Housing Division expenditures)

## Option #1

| Number of Units | Fees |
|---|---|
| All Units | $35.00 /building<br>$12.00 /unit |

**Estimated revenues** $228,700 **Estimated expenditures** $375,292
(estimated to recover **60%** of 2004 Housing Division expenditures)

## Option #2

| Number of Unit | Fees |
|---|---|
| All Units | $45.00 /building<br>$15.00 /unit |

**Estimated revenues** $277,695 **Estimated expenditures** $375,292
(estimated to recover **75%** of 2004 Housing Division expenditures)

## Option #3

| Number of Units | Fees |
|---|---|
| All Units | $65.00 /building<br>$18.00 /unit |

**Estimated revenues** $375,550 **Estimated expenditures** $375,292
(estimated to recover **100%** of 2004 Housing Division expenditures)

# Rochester, MN Rental Registration Fees

The following fees are included in all options:

| | | |
|---|---|---|
| Overdue rental registration fees | 1-30 days overdue | 10% up to $30.00 |
| | Over 30 days | 25% up to $50.00 |
| "No show" for appointment fee (without a 24 hour notice) | | $45.00 |
| Re-inspection fee (first re-inspection is no charge) | | $45.00 |
| Administration Fee (accessed to all clean ups and towed vehicles Contracted by the Building Safety Dept.) | | $90.00 |

## Option #1*

Rental Registration Fees @ $35.00/Building; $12.00/Unit

| # of Units | *Current* Total Annual Fee | *Current* Cost per Unit/Month | Proposed Total Annual Fee | Proposed Cost per Unit/ Month | Increase in Total Annual Fee | Increased Cost per Unit/ Month | % Increase |
|---|---|---|---|---|---|---|---|
| SFD | $25.00 | $2.08 | $47.00 | $3.92 | $22.00 | $1.83 | 188% |
| 4-Unit | $60.00 | $1.25 | $83.00 | $1.73 | $23.00 | $0.48 | 138% |
| 24-Unit | $265.00 | $0.92 | $360.00 | $1.25 | $95.00 | $0.33 | 136% |

**This proposal is estimated to recover 60% of the 2004 Housing Division expenditures.*

| | | |
|---|---|---|
| Overdue rental registration fees | 1-30 days overdue | 10% up to $30.00 |
| | Over 30 days | 25% up to $50.00 |
| "No show" for appointment fee (without a 24 hour notice) | | $45.00 |
| Re-inspection fee (first re-inspection is no charge) | | $45.00 |
| Administration Fee (accessed to all clean ups and towed vehicles contracted by the Building Safety Dept.) | | $90.00 |

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## OPTION #2*

Rental Registration Fees @ $45.00/Building $15.00/Unit

| # of Units | *Current* Total Annual Fee | *Current* Cost per Unit/Month | Proposed Total Annual Fee | Proposed Cost per Unit/ Month | Increase in Total Annual Fee | Increased Cost per Unit/ Month | % Increase |
|---|---|---|---|---|---|---|---|
| SFD | $25.00 | $2.08 | $60.00 | $5.00 | $35.00 | $2.92 | 240% |
| 4-Unit | $60.00 | $1.25 | $105.00 | $2.19 | $45.00 | $0.94 | 175% |
| 24-Unit | $265.00 | $0.92 | $405.00 | $1.41 | $140.00 | $0.49 | 153% |

**This proposal is estimated to recover 75% of the 2004 Housing Division expenditures.*

| | | |
|---|---|---|
| Overdue rental registration fees | 1-30 days overdue | 10% up to $30.00 |
| | Over 30 days | 25% up to $50.00 |
| "No show" for appointment fee (without a 24 hour notice) | | $45.00 |
| Re-inspection fee (first re-inspection is no charge) | | $45.00 |
| Administration Fee (accessed to all clean ups and towed vehicles contracted by the Building Safety Dept.) | | $90.00 |

## Option #3*

Rental Registration Fees $65.00/Building; $18.00/Unit

| # of Units | *Current* Total Annual Fee | *Current* Cost per Unit/Month | Proposed Total Annual Fee | Proposed Cost per Unit/ Month | Increase in Total Annual Fee | Increased Cost per Unit/ Month | % Increase |
|---|---|---|---|---|---|---|---|
| SFD | $25.00 | $2.08 | $83.00 | $6.92 | $58.00 | $4.83 | 332% |
| 4-Unit | $60.00 | $1.25 | $137.00 | $2.85 | $77.00 | $1.60 | 228% |
| 24-Unit | $265.00 | $0.92 | $497.00 | $1.73 | $232.00 | $0.81 | 188% |

**This proposal is estimated to recover 100% of the 2004 Housing Division expenditures.*

| | | |
|---|---|---|
| Overdue rental registration fees | 1-30 days overdue | 10% up to $30.00 |
| | Over 30 days | 25% up to $50.00 |
| "No show" for appointment fee (without a 24 hour notice) | | $45.00 |
| Re-inspection fee (first re-inspection is no charge) | | $45.00 |
| Administration Fee (accessed to all clean ups and towed vehicles contracted by the Building Safety Dept.) | | $90.00 |

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