



# Naperville

## CITY COUNCIL AGENDA ITEM

**SUBJECT:** Potential Rental Regulation Programs

**TYPE OF VOTE:** Simple Majority

**ACTION REQUESTED:**  
Receive the report and provide direction regarding rental regulation options.

**BOARD/COMMISSION REVIEW:**  
Not required.

**COUNCIL ACTION PREVIOUSLY TAKEN:**

Date	Item No.	Action
2/18/14	O4	Council directed staff to further investigate Landlord Training/Licensing.

**DEPARTMENT:** Transportation, Engineering and Development Business Group

**SUBMITTED BY:** Allison Laff, AICP, Planning Operations Manager

**FISCAL IMPACT:**  
The program options provided have varying staffing and budgeting impacts, as further described in the report.

**BACKGROUND:**  
Under new business at the February 18, 2014 City Council meeting, Councilwoman Brodhead raised the topic of Landlord Training/Licensing and received Council consensus for staff to further investigate this item. Following that initial discussion, City staff met with Council members to discuss their concerns regarding Naperville’s existing rental market, as well as potential ideas to address these concerns. Staff from Legal, Police, Code Enforcement, Building, and Planning have also met to discuss this topic.

In January 2015, Councilman Wentz submitted CWR 14-119 requesting a comparative analysis of landlord licensing programs from surrounding communities. In addition to the information provided (see Attachment 1), staff indicated through CWR 14-119 that a City Council agenda item would be forthcoming that outlined the potential program options and resulting staffing implications related to implementing rental regulations beyond the City’s existing Crime Free Multi-Housing Program (further described below).

## **DISCUSSION:**

### ***Naperville's Rental Market***

Staff completed an analysis of the City's rental market using data from the 2008-2012 American Community Survey<sup>1</sup>, which yielded the following information (note: all numbers have been rounded):

- Approximately 21.5% (or 11,200) of Naperville's 52,000 housing units are renter-occupied.
- The 11,200 rental units include:
  - 1,700 single-family residences
  - 1,400 duplex units
  - 8,100 multi-family<sup>2</sup> units
- Of the 8,100 multi-family units, approximately 4,900 are located within apartment complexes which include 10 or more units which are likely to be overseen by a management company.
  - In Naperville, there are approximately 30 rental communities that include 10 or more units.
  - There are an additional 6 senior communities that include 10 or more units.

Based upon the data available, staff estimates that there may be over 1,800 landlords renting property in Naperville today. This estimate is based upon the rental unit data noted above, as well as an assumption that 50% of landlords own and rent more than 1 property. Using this assumption, staff estimates 1,550 single-family/duplex landlords; 200 landlords for the 3,200 multi-family units located in complexes which include less than 10 units; and approximately 36 management companies overseeing the 4,900 multi-family units located in complexes of 10+ units.

### ***Naperville's Existing Crime Free Multi-Housing Program***

In 2003, Naperville implemented a voluntary Crime Free Multi-Housing Program designed to help residents, owners, and managers of rental properties keep drugs and other illegal activity off of their property through the utilization of a unique, three-phase approach as follows:

**Phase I** consists of a two hour block of training where participants learn about crime prevention techniques and resources for proper resident screening (5 training sessions are scheduled for 2015). The Crime Free Multi-Housing program utilizes the Crime Free Lease Addendum that makes criminal activity not only a police matter, but a lease violation and cause for eviction; the training session also provides information regarding the eviction process. The Phase I training is available for all landlords (i.e., single-family, townhomes, apartments, etc).

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<sup>1</sup>*The American Community Survey mandatory, ongoing statistical survey conducted by the U.S. Census Bureau that samples a small percentage of the population every year -- giving communities the information they need to plan investments and services.*

<sup>2</sup> *Buildings with 3 or more units are classified as multi-family.*

- To date, 6 apartment complexes/townhome developments (Olive Tree Apartments; Brookdale Manor; Enclave at Country Lakes; Bridgewater; Estes Park; and Woodlake) and 1 single-family subdivision (Spring Hill) have completed and implemented the Phase I program only.

**Phase II** consists of a security and safety assessment of the property referred to as Crime Prevention through Environmental Design (CPTED). Certain security, safety and aesthetic requirements have to be met for a property to pass this phase.

**Phase III** is an annual resident safety social attended by members of the Police Department.

- Note: Phases II and III are only available to properties with five or more units. To date, 10 multi-family communities (Addison of Naperville; Glenmuir; Brittany Springs; River Run; The Fairways; Railway Plaza; AMLI of Naperville; Country Woods; Waterford Greens; and Chantaclear Lakes) have completed Phase I, II, and III.

While the program is currently voluntarily, many have participated based upon the program benefits which include increased communication with the Naperville Police Department, reduced crime, a more stable and satisfied resident base, lower maintenance and repair costs, improved safety, management training, and applicant screening procedures.

### ***Existing Property Maintenance Codes***

The City's Code Enforcement Team enforces the 2012 International Property Maintenance Code (IPMC) on a complaint basis. While cases are not specifically tracked based on ownership type, the Code Team has indicated that property maintenance issues are equally dispersed between rental and owner-occupied single-family residential units (note: there are a limited number of cases pertaining to multi-family complexes processed annually). The IPMC provides the necessary tools to enforce most exterior property maintenance concerns (see Attachment 2); however, as noted above, these requirements are currently enforced on a complaint-basis (note: neighboring properties are also reviewed for similar violations while investigating the complaint). Given the stringent nature of the IPMC requirements, Code Officers work with property owners to gain *reasonable* compliance.

It should be noted that there are limitations to the City's ability to enforce the IPMC, including (1) absentee landlords (which occurs both at rental properties, as well as foreclosures); and (2) the property owner's financial wherewithal to complete the required improvements.

### ***Potential Rental Options***

A variety of rental program options are available depending on the desired goal that of the program. Program goals can be crime prevention or blight prevention specific, as further described below:

Crime Prevention: ensure that the appropriate tools are in place to attract high-quality tenants; conduct background checks; educate landlords; and facilitate eviction, when necessary, with the primary purpose of reducing criminal activity.

Blight Prevention: ensure that properties are maintained, at minimum, to the same level of surrounding properties with the primary purpose of maintaining neighborhood aesthetics and property values.

As highlighted in the table below, specific components of the proposed rental program options meet the crime and/or blight prevention goals, as follows:

- Phase I of the Crime Free program achieves crime prevention goals by providing the tools noted above (under crime prevention) to landlords and tenants.
- Rental registration achieves blight prevention goals by securing landlord contact information for each property within the City. This contact information improves communication between the City and the landlord and expedites the resolution of property maintenance cases.
- Exterior inspections achieve blight prevention goals by allowing property maintenance violations to be pro-actively identified (rather than on a complaint-basis) and addressed within a more responsive timeframe (prior to tenancy) in order to maintain the property's aesthetics.
- Interior inspections achieve blight prevention goals by allowing for life-safety issues to be identified and addressed prior to tenancy. Absent a building permit, interior inspections are not otherwise conducted on single-family residential properties today (note: the Fire Department conducts inspections of multi-family properties).

When reviewing rental program options, it is important to keep in mind that while multi-family rentals constitute the largest number of existing rentals in the City, they typically generate less property maintenance concerns given that a management company typically oversees these responsibilities and provides a single point of contact for staff to work with to resolve concerns. There are, however, instances of greater criminal activity in some multi-family complexes, particularly those not currently participating in the City's existing Crime Free program. Participation in the Crime Free program can be mandated to ensure full compliance for all multi-family complexes with little staffing or budgetary impacts.

In contrast, the increased rental of single-family, condominium, and townhome units that has occurred due to the recent housing recession has resulted in property owners being placed in the role of first time or "accidental" landlords without much information or tools as to how to effectively do so. There are also many incidences of landlords residing out-of-state; such "absentee" landlord situations also result in many complaints. New rental programs which address such rental situations represent a significant change in current policies and will require substantial staffing and budgetary support.

Potential rental programs which address crime and blight prevention are provided below. These programs range from least impacting (status quo) to significant staffing and budgetary impact (Option D).

	CRIME PREVENTION		CRIME & BLIGHT PREVENTION		
	<i>Status Quo</i>	<i>Option A</i>	<i>Option B</i>	<i>Option C</i>	<i>Option D</i>
<b>Participation in Phase I Crime Free Program Phase I</b>	Voluntary - Outreach to “accidental” landlords	Mandatory for Multi-Family Complexes with 5+ units	Mandatory – ALL rentals	Mandatory – ALL rentals	Mandatory – ALL rentals
<b>Rental Registration</b>	No	No <sup>a</sup>	Yes – 1,800 licenses annually (estimated)	Yes – 1,800 licenses annually (estimated)	Yes – 1,800 licenses annually (estimated)
<b>Exterior Property Inspection<sup>b</sup></b>	No	No	No	Yes – 3,100 inspections annually (estimated)	Yes – 3,100 inspections annually (estimated)
<b>Interior Property Inspection</b>	No	No	No	No	Yes – 11,000+ units <sup>c</sup>
<b>FTE Increase</b>	None	0.5 Police	1.0 Police 1.0 Clerk	1.0 Police 1.0 Clerk 1.5 TED	1.0 Police 1.0 Clerk 2.5 TED <sup>d</sup> Use of Contract Services for Interior Inspection
<b>FTE Budget Impact<sup>e</sup></b>	None	\$45,000	\$180,000	\$335,000	\$445,000

<sup>a</sup> Not needed for this option as most multi-family complexes are operated by a management company.

<sup>b</sup> Inspection not needed for exterior of multi-family units.

<sup>c</sup> Per the State of Illinois, these inspections, which are similar to inspections completed prior to the sale of a home, must be conducted by a Certified Home Inspector. The City’s existing inspection staff does not include any Certified Home Inspectors since such inspections (which relate to pre-existing or previously installed equipment, appliances, and systems) are not required in conjunction with any existing City permit types. Landlords would hire a Home Inspection Service to complete their required interior unit inspection and provide certification of such to the City prior to issuance of the annual license.

<sup>d</sup> Additional TED FTE needed to review the contract inspection results and determine improvements/upgraded required for compliance with life safety codes.

<sup>e</sup> FTE Budget Impact assumes an average \$90,000 salary/benefits for new FTEs plus \$20,000 for new equipment (computers, vehicles), where applicable.

### **Next Steps**

Staff is requesting City Council’s feedback on the program options provided above. Once an option is selected, additional staff work will be required to refine program requirements, including effective dates, application fees, inspection requirements, etc. In addition, please note that if Option B, C, or D is selected:

- Staff recommends that a public hearing be held before the Housing Advisory Commission (HAC) to collect input regarding the potential program. Following this public hearing, the feedback collected will be provided to City Council for consideration prior to any program implementation beginning.
- Following completion of the public hearing and final City Council concurrence on a selected program, staff will request that 1.0 FTE be hired to develop all aspects of the new program (code amendments, applications, inspection checklists/frequency, process, fees, outreach, etc.). Following program establishment, this FTE will help to administer the program and is accounted for within the “FTE Increase” line included within the table above. The remaining FTEs noted in the table above will need to be hired prior to the roll-out of the program.
- Staff recommends that required licensing fees be established such that this program is cost-neutral to the City. Licensing fees would be charged to program participants (i.e., landlords) and would be based on costs incurred to administer the program as noted in the table above.
- It is important to note that the City does not have a database of existing landlords. Accordingly, compliance with any rental registration requirements will be dependent upon (1) significant outreach efforts and (2) each landlord’s willingness to come forward and participate in the program. Remaining compliance will then be gained through code enforcement efforts as staff becomes aware of rental properties in which the landlord is not registered. These efforts will also require a significant amount of staff time. For this reason, this program may not be cost-neutral for several years until a high-level of landlord compliance is reached.

**RECOMMENDATION:**

Receive the report and provide direction regarding rental regulation options.

**ATTACHMENTS:**

1. Rental Regulations – Attachment 1 – Spreadsheets from CWR 14-119
2. Rental Regulations – Attachment 2 – IPMC Requirements