



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Harry Freitas

**SUBJECT: MULTIPLE HOUSING
RESIDENTIAL OCCUPANCY
PERMIT PROGRAM**

DATE: May 16, 2014

Approved

Date

5/16/14

The 2014-2015 Proposed Budget recommends a new risk-based, proactive multiple housing inspection model with a self-certification component to begin January 2015. Funding for the proposed model has been built into the Multiple Housing Residential Occupancy Permit (ROP) fee structure proposed for 2014-2015 to create a three-tiered service model at 100% cost recovery. This memorandum provides detailed information about this program and responds to the Mayor's June Budget Message for Fiscal Year 2013-2014, as approved by the City Council.

BACKGROUND

San José Municipal Code (SJMC) 17.20.520 requires landlords to renew their Residential Occupancy Permit (ROP) annually in order to legally maintain or occupy a residential unit covered under the ordinance. Apartments, hotels, motels, fraternities, sororities, emergency shelters, residential care facilities, and residential service facilities are required to have an active Residential Occupancy Permit. There are 6,600 buildings with 83,641 units within San José, and the number of units is anticipated to rise to 88,755 in 2014-2015.

The Multiple Housing Program is currently on a six-year inspection cycle staffed by 12.0 inspectors and 1.0 Code Enforcement Supervisor. All rate payers receive an inspection of the exterior premises, common areas, and a percentage of the units every six years. The minimum inspection standard is 50% of units in buildings with 3-10 units, 25% of units in buildings with 11-50 units, and 10% of units in buildings with 50 or more units. These routine inspections are intended to ensure that minimum housing and sanitary standards are maintained. In addition to six-year cycle inspections, inspectors also respond to complaints.

The Office of the City Auditor issued a report on November 21, 2013 entitled Code Enforcement Improvements Are Possible, But Resources Are Significantly Constrained. The audit did not find a correlation between the age of the property and the number of violations found that required more frequent site visits. The audit recommended using a risk-based approach to provide inspection services. Code Enforcement subsequently conducted an analysis of cases in

the Code Enforcement System (CES) from January 2000 through December 2013. The review focused upon frequency of complaint and proactive inspection services and the number and severity of violations in order to create the tiered model.

ANALYSIS

Staff is proposing a three-tiered approach as shown in the table below to provide the appropriate level of service based upon the risk assessment profile for each building. The risk level has been determined by staff with assistance from the City Auditor’s Office. No correlation was found between the age of the building and the level of service provided by Code Enforcement staff, according to the audit report, and therefore this was not a factor in the risk profile. Information Technology staff ran a report showing the frequency of services and number of violations at each building between January 1, 2000 and December 31, 2013. Code Enforcement staff analyzed the results taking into consideration variation in the severity of violations, the total number of violations and number of complaints.

Tier	Initial Qualifications	Service Level	Tier Assessment Criteria
I. Self-Certification 6-Year Cycle	Low score on risk assessment profile	Complaint response and audit 10% of self-certified units on a 6-year cycle	In order to maintain this status, repairs identified by the owner/manager must be completed in a timely manner prior to the audit. Uncorrected violations or substantiated complaints involving health and safety could result in reassignment to Tier II.
II. 5-Year Cycle	Medium score on risk assessment profile	Complaint response and proactive inspection of 25% of units.	Less than 1 minor violation per unit and repairs completed by due date to move into Tier I. Less than 2 minor violations per unit and repairs completed by due date to maintain this status. Uncorrected violations or substantiated complaints may result in reassignment to Tier III.
III. 3-Year Cycle	Highest score on risk assessment profile	Complaint response and proactive inspection of 50% of units.	Less than 2 minor violations per unit, repairs completed by due date and no substantiated complaints to move to Tier II. Movement from Tier III to Tier I would be by approval of the Program Manager in extraordinary circumstances on a case by case basis.

In 2014-2015, staff estimates approximately 50% of the buildings on the multiple housing roster (a total of 88,755 units) will be in Tier I, 27% of the buildings in Tier II (proactive inspection of 25% of units), and 23% of the buildings in Tier III (proactive inspection of 50% of units).

Owners in the low risk category will be invited to participate in Tier I, the self-certification tier. Staff plans to use an online form for self-certification submittals. Additionally, owners must provide a copy of the certification form to each tenant upon completion. Owners, or their designated property managers, who do not complete the online self-certification by the due date may be placed in Tier II.

Currently, all property owners pay a flat rate of \$43.81 per unit. This fee includes \$8.78 per unit to fund the annual Fire inspection program. Under the proposed fee structure included in the 2014-2015 Proposed Fees and Charges, the fee would range from \$28.47 up to \$102.67 per unit as shown below.

Current Fee Program

	2014-2015	2014-2015	2014-2015	
\$ Per Unit	Total # Units	Estimated Revenue	Estimated Costs	Variance
\$ 43.81	88,755	\$ 3,888,357	\$ 4,210,683	(\$ 322,326)

Proposed Fee Program

	2014-2015	2014-2015	2014-2015	
\$ Per Unit	Total # Units	Estimated Revenue	Estimated Costs	Variance
Tier 1 \$ 28.47	44,645	\$ 1,271,043	\$ 1,271,078	(\$ 35)
Tier 2 \$ 59.20	23,607	\$ 1,397,534	\$ 1,397,676	(\$ 142)
Tier 3 \$ 102.67	20,503	\$ 2,105,043	\$ 2,105,065	(\$ 22)
	88,755	\$ 4,773,620	\$ 4,773,819	(\$ 199)

With the proposed tiered program, staff resources will be focused on demonstrated need for inspection services. Also, in order to implement the proposed model with the specified cycle times and percentages of units inspected, the addition of four Code Enforcement Inspectors and one Code Enforcement Supervisor is included in the 2014-2015 Proposed Operating Budget.

Staff conducted outreach to the California Apartment Association, Tri-County Division, in support of the redesigned model. Upon adoption of the 2014-2015 Operating Budget and 2014-2015 Fees and Charges by City Council, staff will conduct further outreach to owners and managers to provide information about the new program, mail permit invoices in November 2014, and implement the new program in January 2015.

COORDINATION

This memorandum has been coordinated with the City Attorney’s Office and the City Manager’s Budget Office.

/s/
HARRY FREITAS, DIRECTOR
Planning, Building and Code Enforcement

For additional information, please contact Diane Buchanan at (408) 535-7780.