



City of Oskaloosa

Rental Housing Inspection Program

2018 Audit Report

Introduction and Background

The Oskaloosa City Council passed Resolution Number 17-02-23 on the 21st day of February 2017 thereby establishing a Rental Housing Inspection Program to be in effect on the 1st day of July, 2017. The purpose of this program is to provide safe and sanitary housing conditions for the residents of Oskaloosa by establishing minimum standards and regular inspections for all rental housing units in Oskaloosa.

The authorization to carry out this program is set out in the Oskaloosa Municipal Code (OMC), Title 15, Chapter 60, which authorizes inspections of rental properties in order to enforce regulations set forth in OMC Chapters 8, 15, and 17. The Administrative Policy for this program states, “An audit of the program will be conducted by an independent committee within the first 180 days of the program to evaluate program goals and inspection findings.”

In February 2018, Oskaloosa mayor David Krutzfeldt appointed city council members Steve Burnett and Tom Walling to an ad hoc committee to conduct the program audit. The ad hoc committee directed staff to compile an audit report covering the following information:

1. Program activities
2. Program Impact on the Market
3. Staffing/Workload
4. Inspection Checklist
5. Major Violations
6. Rental Compliance Certificates
7. “Rental” Definition
8. Coordination with the city’s Nuisance Enforcement Program
9. Minor administrative adjustments
10. Conclusions

Information and findings on each topic are provided, along with recommended program changes to address audit findings. This report is intended to be presented to the full city council as the basis for potential changes to the Rental Housing Inspection Program.

1. Program Activities

The Rental Housing Inspection Program took effect on July 1, 2017. Prior to the program taking effect, city staff and Iowa Inspections, LLC provided three public informational meetings. In total, approximately 100 people attended the meetings. Topics covered in the meetings included administrative requirements, inspection process, and inspection checklist information. Anecdotally, it is evident to city staff that landlords that attended one of the meetings have been better prepared for the program, which includes having their properties in acceptable condition and having their materials ready for registration.

Registration opened up on July 1, 2017. Between the opening of registration and the original deadline for registrations, 706 properties (which included 1,435 units) had been registered. Council extended the deadline to register properties until the end of October, at which time 805 properties (1,641 units) had

been registered in the program. As of the writing of this report 836 properties (1,694 units) had been registered, but 30 properties (41 units) have ceased being rentals and withdrawn from the program.

The first inspections were conducted in September, 2017. The volume of inspections conducted slowly increased each of the first three months of the program to a point where in December, 2017, 45 properties were inspected or re-inspected. As shown in the table below, a total of 185 properties, which includes 337 individual rental units, have been inspected from the beginning of the program through the end of February, 2018. Approximately one-third of properties passed their first inspection.

**Rental Inspection Summary
September 2017 through February 2018**

	Properties	Units
Passed 1st Inspection	62	86
Failed 1st Inspection	123	251
Passed Re-inspection	53	110
Failed Re-inspection	1	1
Condemned	3	8
Total Inspected	185	337

According to direction provided by city council, properties with the worst condition rating according to the Mahaska County Assessor’s website were identified first for inspection. Consequently, the majority of properties failed their first inspections. Initial inspections on properties considered “below normal” and worse are nearly complete. So, staff expects the proportion of properties that pass their first inspection to substantially increase in the coming months.

During the inspections, the most common violations have been inadequate number or improper placement of smoke and CO detectors; blocked egress routes; excessive peeling exterior paint; outlets within six feet of a water source not having GFCI protection; and no pressure relief valve (PRV) on the water heater.

2. Program Impact on the Housing Market

It is difficult to quantitatively measure the market effects of the program. Anecdotal evidence suggests several effects:

1. Properties are being sold from one landlord to another.
2. Properties are being sold on contract from landlords to tenants.
3. Neighbors and tenants are calling wanting properties inspected.
4. Rental properties are getting fixed up.
5. Rental properties are being vacated and no longer used as rentals.

The Mahaska County Assessor’s office has kept track of sales that appeared to be driven by the Rental Housing Inspection Program. The Assessor tracked sales from landlords to tenants and between landlords. According to the Assessor’s records, 30 residential properties were sold between July 2017 and February

**Mahaska County Assessor Rental Property
Sales July 2017 to February 2018**

	Deed	Contract	Total
Landlord to Tenant	1	12	13
Landlord to Landlord	5	12	17
Total	6	24	30

2018 due to the Rental Housing Inspection Program. Most of these sales were on contract, rather than by deed. There were slightly more properties sold to other landlords than properties sold to tenants, as shown in the table to the left. When this program was initiated, it was recognized that there would be significant effects

on the market. One of the predicted effects was that there would likely be a high number of contract sales. The committee recommends continuing to track contract sales, but does not recommend any

changes to incorporate contact sales into the inspection program at this time. The committee recommends to re-evaluate upon the completion of the first cycle of initial inspections.

3. Staffing/Workload

Several different city staff members have spent time working on the Rental Housing Inspection Program. During the initial start-up, work was done primarily by the Development Services Director, City Manager, Building Inspector, Fire Chief, and City Attorney. Once the program was in effect, the primary staff members involved have been the Building Inspector, Development Services Administrative Assistant, City Attorney, and the Development Services Director. Between July 2017 and February 2018, over 790 staff hours were spent on this program. In actuality, the number of total staff hours spent on the program is higher, as other city staff have also spent time on the program. This equates to an average of approximately 23 hours per week, more than 13 hours per week above initial program workload estimates. This program is presently being subsidized by property taxes rather than user fees.

Staff expects the weekly hours spent on the program to decrease significantly over the next few months with goals of spending 10-12 hours per week on the program. In January and February, staff spent an average of 13 hours per week on the program. It is important to reduce the total amount of time spent on this program so that other Development Services programs and activities can be given the attention needed. The committee recommends that the goal of 10-12 hours per week of staff time continue to be pursued, and that the annual program fees be re-evaluated after the first three-year inspection is completed to ensure rental registration revenues cover program costs.

One of the reasons for the high number of hours spent on the program during the initial months was due to the initial registration period. From the middle of August to the middle of October, the amount of time spent on registrations was very high.

In order to better manage workflow for this program and to reduce the number of times landlords have to submit registrations, it is recommended that the registration requirements of the program be changed. Instead of requiring all properties to be registered every year during a one-month registration period, it is recommended that landlord be required to register their property once every three years at the time of their inspection. This would eliminate the one-month overload of registrations and smooth them out over the entire year. Correspondingly, the committee recommends that the fee schedule be adjusted so that landlords can pay fees for all three years at the same time as filing their rental registration.

Iowa Inspections LLC is under contract with the City of Oskaloosa to perform the rental inspections. City staff has reviewed the contract, and with the information presently available finds that Iowa Inspections LLC is upholding its responsibilities under the contract. Iowa Inspections LLC has performed all of the rental inspections to date and expects Iowa Inspections LLC to continue to provide quality inspections and service to landlords and to the City of Oskaloosa. A few minor complaints have been received by the Development Services Director in regard to Iowa Inspections LLC. After having follow up discussions, the Development Services Director found the complaints to be from non-compliant landlords taking issue with the merits of the program itself, rather than the conduct of Iowa Inspections LLC.

4. Inspection Checklist

Overall, the Rental Inspection Program Checklist seems to have set expectations and provided guidance to landlords about what will be inspected. There have been a few minor adjustments that are recommended to provide clarity and to address commonly found problems. These recommendations include:

1. Require landlord contact information to be visibly posted on site.

2. Update fire extinguisher requirements to specify the difference between multi-family units and single-family units.
3. Update language on the location of smoke and CO detectors.
4. State that PRV are required on all water heaters and that the discharge pipe be no more than six inches above the floor.
5. Address fall hazards on open sided stairs.
6. State the need for egress routes to be clear and passable.
7. State that laundry dryer vent pipes need to be metal, not plastic.

5. Major Violations

Through February 2017, three rental properties have been closed due to major violations. Major Violation are defined in the Administrative Policy as, “A violation of the rental housing code that if left as is would constitute an immediate threat to the life and/or safety of those living in the home (Examples could include: lack of or damaged water heater, boiler, or furnace flue; smoke detectors which are missing, inoperable, or are improperly placed; storage of flammable liquids in a dwelling; electrical cords, wiring, or equipment that has begun to fail due to being overloaded or damaged).”

Of the three properties found with Major Violations, none sought to remedy the violations within the required 48 hours, but rather chose to close down the rental property. Each of these properties were in a dilapidated, dangerous state, and were determined to be a threat to the tenants’ safety.

The committee recommends that the Administrative Policy be revised to refer properties with Major Violations to the city’s Building Official. The Building Official will then evaluate the property to determine if the building is unsafe for human occupancy under Oskaloosa Municipal Code 15.30, and will follow the appropriate procedures already laid out in code.

6. Rental Compliance Certificates

Under present operations of the rental inspection program, city staff issues a “Rental Compliance Certificate” after a property passes the inspection. This certificate is good for one, three, or four years depending on the number of inspections it took to pass. As of the end of February, no properties have been placed on the one-year inspection cycle, because no properties have failed “three or more” inspections as identified in the Administrative Policy.

The committee recommends that the Administrative Policy be revised to include a provision that requires all rental properties within the city to have a valid Rental Compliance Certificate. All registered properties will be issued a “Temporary Provisional Rental Compliance Certificate.” With the requirement of a compliance certificate, it will be clearer that a revocation of the certificate means that the property cannot be rented. The committee recommends that compliance certificates be revoked if the property fails three inspections, if Major Violations have not been remedied within 48 hours, if the landlord fails to schedule a required inspection, or if the landlord fails to comply with registration requirements.

7. “Rental” Definition

When the Rental Housing Inspection Program was first being put together, it was recognized that there would be landlords that would try to find a way around registering their properties and complying with the program. A few of the situations that the program has run into, include:

1. A church insisting that the parsonage for their pastor is not a rental. Several churches have registered their parsonage. One church has not and has sent their attorney’s opinion that the parsonage does not need to be registered.

2. Property owners registering their properties as rentals, and then once they receive an inspection notice, selling the property to the tenant on contract prior to an inspection taking place.
3. Property owner registering his property as a rental, and then once he received an inspection notice, claimed that he was no longer accepting any form of rent from the people living in the property. Tenants stated to the city's Building Inspector that they were not paying rent.

The Administrative Policy defines "Rent" as, "Any form of payment, including but not limited to cash, services, or other valuable considerations, provided as a condition of occupying a dwelling not owned by the occupant."

The Administrative Policy defines "Rental Property" as, "Any structure that includes a dwelling unit that is being held out or offered for rent or is currently being let for rent and occupied by any person who is not the owner of the premises, except that the following properties shall not be regarded as rental properties under this program:

- a. Dwellings owned by the local, state, or federal governments.
- b. Hotels, as defined by Chapter 137 of the Iowa Code.
- c. Dormitory rooms of higher education institutions.
- d. Nursing homes, long-term care, and medical care facilities."

The committee recommends that church parsonages be added to the list of exempted properties, and also recommends a notarized affidavit be filled with the city for properties that are occupied by someone other than the owner for more than 30 days per year and that are suspected of being a rental property.

8. Coordination with the city's Nuisance Enforcement Program

The Rental Housing Inspection Program has been successfully used in many situations to compel property owners to clean up nuisances. The city's Nuisance Enforcement Program, administered by the Fire Department, responds to complaints and proactively addresses nuisances throughout the community. However, it is impossible for the Nuisance Program to address every violation across town. To ensure that nuisances are effectively and efficiently addressed, coordination between these programs is important.

Rental properties that receive a nuisance complaint are first addressed by the Fire Department by standard nuisance protocols. If the nuisance violation is not addressed, the property/violation is typically referred to the city attorney for legal action. The committee is recommending that for rental properties, provisions be made in the Administrative Policy that nuisance violations on rental properties that are not remedied within the time allotted by the Fire Department be referred to the Rental Inspection Program and addressed as a rental complaint. This would then trigger a rental inspection, with the possibility of revoking the Rental Compliance Certificate if the property fails three inspections. This is another way to compel property owners to address nuisances, while avoiding the costly and time consuming route of court action.

Once a nuisance rental property is referred to the Rental Inspection Program, the landlord would be notified through the next mailing of inspection notices, which would be as soon as two days and up to 30 days following the referral.

9. Minor Administrative Adjustments

Overall from a staff perspective, the Administrative Policy and forms created in the appendices have worked relatively well for the first six months of the program; however, there have been a few instances where it would be helpful to make minor administrative adjustments to the forms contained in the appendices. Typically, after evaluating a perceived problem with a city form, the department head will authorize an administrative change to the form; simple changes to these forms typically do not require

council action. For the Rental Housing Inspection Program, these forms were contained within the appendices to the policy; therefore, staff's perspective is that city council would have to approve all changes to the forms (registration, checklist, complaint, appeal, etc.) no matter how minor.

Some of these minor administrative changes that staff sees the need for include: adding the Public Works address to the registration form, clarifying the smoke detector placement requirements, making minor consistency adjustments between the Checklist for landlords and the Inspection Form, etc.

The committee recommends either removing the appendices from the Administrative Policy and direct staff to develop and maintain forms to administer the program. Or, include a statement in the Administrative Policy that staff is authorized to make minor administrative changes to the appendices.

10. Conclusions

Overall, this audit has concluded that that the program is generally functioning as intended. Rental properties are being registered and inspected in accordance with the OMC and the Administrative Policy.

The proportion of rental properties that have passed their first inspection is low, but largely due to the fact that properties with worse condition ratings have been inspected first.

As inspections of properties with a poor condition rating are finished, the proportion of rental properties passing on their first inspection is expected to increase.

The program has had effects on the housing and rental markets in Oskaloosa. Many properties have been bought and sold due to this program. Additionally, many properties have seen significant needed improvements due to this program. It is expected that this program will continue to affect the Oskaloosa housing and rental markets.

Some improvements could be made to the program to more clearly communicate expectations to landlords and to create more efficient and enforceable processes. Additionally, adjustments to the fee schedule are recommended so that program revenue covers program costs. These improvements will be presented to city council as proposed changes to the Rental Housing Inspection Administrative Policy.