



## Request for City Council Committee Action from the Department of Regulatory Services

- Date:** April 4, 2013
- To:** Council Member Elizabeth Glidden, Chair – Regulatory, Energy & Environment Committee
- Subject:** Amending Title 12, Chapter 244 of the Minneapolis Code of Ordinances relating to Housing, Maintenance Code: Rental Dwelling Licenses: 244.1910 (a) Licensing Standards adding language for the imposition of reasonable conditions or restrictions upon a rental license pursuant to section 259.165.
- Recommendation:** Approval of the ordinance amendment and standard operating procedures
- Previous Directives:** December 10, 2012 -- staff direction to work on the attached amendment & design a implementation strategy for mutually agreed upon conditions and imposed conditions

### Department Information

Prepared by: JoAnn Velde Manager, Housing Inspections Services – (612) 673-5850

Approved by:

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Jay Stroebel, Interim Director of Regulatory Services

Presenters in Committee: JoAnn Velde

### Financial Impact

- No financial impact

### Community Impact

- City Goals

## **Supporting Information:**

### Industry Engagement:

- Regulatory Services staff has met with representatives from the Minnesota Multi-Housing Association and the changes and standard operation procedures have been shared with the industry membership in Minneapolis.
- Recommended changes were sent to Luther Krueger of the Minneapolis Police Department who manages an email notification system with approximately 10,000 rental property owners. He did send the recommended changes to the email list.
- The proposed changes were shared with Legal Aid, Section 8, U of M legal services representatives & Public Affairs Director Minneapolis Area Association of Realtors.

On February 11<sup>th</sup>, 2013 this committee approved an ordinance amendment -- Title 13 259.165 Conditions and Restrictions on licenses and permits. This change included Title 12 which is the governing ordinance to allow the amendment to Title 12 today.

In Minneapolis, owners of rental properties are required to have rental licenses for each of their properties. This allows the City to conduct inspections and take action to hold property owners accountable for providing safe, quality housing to their tenants.

When a rental property owner is in an adverse license action with the City for violation of a rental licensing standard/s, requirements called Rental License Operating Conditions may be placed on the rental license. Property owners must adhere to these conditions in order for their rental license to remain in good standing. When owners do not adhere to the conditions, the City can take enforcement action, which may include revoking the rental license.

### **BENEFITS OF RENTAL LICENSE OPERATING CONDITIONS**

Having the ability to impose operating conditions that are tailored to particular standard violations on a property provides the City with an additional tool to address a problem rental when an owner is unwilling to take reasonable steps to maintain and manage their rentals in a way that provides safe and livable housing for their tenants. When conditions are imposed there will be quicker action when the owner violates the imposed conditions.

In addition to having the ability to impose conditions in some cases, the City also has the ability to negotiate conditions with a willing rental property owner. This provides an opportunity for the owner to engage with City officials to resolve the rental license standard violation without moving toward a full license revocation. This allows owners to continue operating their rentals with operating conditions. Tenants will not need to be displaced because of an action their landlord has created. If the conditions are met, the property continues to be occupied, which is better for the community and neighboring properties.

### **IMPOSING CONDITIONS ON RENTAL LICENSES**

When the City imposes conditions on a rental license, the type and length of those conditions will be dependent upon a number of things, including the severity of the rental standards violations, the impact of those violations to the community, the number of properties impacted, and whether there is a history of chronic offenses by the holder of the rental license.

When imposing conditions on a license, or on multiple licenses held by the same owner, for a just cause license standard violation Housing Inspections Services and the City Attorney will consider these factors:

1. The history of violations at their rental properties, including:
  - The duration of the violations;
  - The frequency or recurrence of the violations;
  - The seriousness of the violations;
  - The impact of the violations on tenants and neighboring properties;
2. Whether the license holder operates substandard rental properties (whether there are notices of intent to condemn on multiple properties)
3. Whether there is a high level of police calls to the rental properties, not including domestic violence calls. In order to be used to impose conditions, the calls must be associated with the property's tenants or guests of the tenants.

### **AGREEING UPON CONDITIONS WITH LICENSE HOLDERS:**

In some cases where a property is found to be out of compliance with a rental licensing standard, the City may negotiate a set of agreed-upon license conditions with the property owner. Whether this option is used will depend on the seriousness of the licensing standard violations, and whether the license holder is making a good-faith effort to bring their rental properties into compliance. The process for putting these conditions in place is:

1. Housing Inspection Services sends a Directors Determination of Non-Compliance letter to the license holder, giving them ten days to bring their property into compliance with rental licensing standards.
2. If an owner does not comply within ten days, the City will begin action to revoke the rental license, and the license holder has 15 days to appeal the action.
3. If the owner calls back during the ten day period, or if they appeal the revocation action, Housing Inspection Services and the City Attorney will determine whether it is appropriate to work with the license holder to develop an agreed-upon settlement that places conditions on the rental license, or on all rental licenses held by the same property owner.

### **EXAMPLES OF CONDITIONS THAT CAN BE PLACED ON RENTAL LICENSES**

Whether conditions are imposed by the City without the license holder's consent, or whether the conditions are part of an agreed-upon settlement, examples of those conditions may include:

#### **Improving management:**

- A licensee must submit a management plan with a maintenance plan for their rental properties.
- The licensee will hire a professional management company approved by the City with a capital budget to do on-going repairs and building upgrades.
- Mandatory training for the licensee and agent, selected by the City.
- Specific lease addendums may be required based on the type of license standard violation.
- Management must have 24 hour 7 days a week accessibility to tenants, through a phone number and official email address.

#### **Improving security and safety:**

- "NO TRESPASSING" signs will be posted. The rental property owner and appointed agent shall ask people that are not tenants or guest of tenants to leave. If they refuse, the rental property owner or agent shall call 911 for assistance.
- The rental will keep all lights in the common areas of the property properly functioning and will add lights if recommended by the MPD.
- A Crime Free Addendum will be included in the leases for the tenants living in their rentals and for prospective tenants.
- The licensee must join virtual block club for rental property owners managed by Minneapolis police.

**Taking administrative actions:**

- The licensee will provide the City with a list of all rental properties in which the licensee has an interest. The licensee will provide a list of principals and partners for all LLC's associated with their rental properties in Minneapolis.
- An escrow account must be established with the City to pay for escalating fines for non-compliance of hazardous violations.
- Compliance timelines must be set up for violations on their rental properties.
- The license holder's properties must be divested (sold off) over a period of time.
- Unpaid fines will be paid over a period of time approved by the department.
- No new licenses can be added to the licensee's or LLC partners' portfolio for a period of three years.

**Committing to avoid future violations:**

- The property can have no same or similar housing code violations or high police calls on their rental/s in the future.
- There will be no nuisance type violations on the premises such as tall grass, rubbish, etc.
- Illegal occupancy at their rental may result in a condition that requires there be no other illegal occupancy violations on any of their rentals.  
Unpermitted work violations on one of the rentals will result in a condition that requires there be no other unpermitted work violation on any of their rentals.

**VIOLATION OF LICENSE CONDITIONS**

If rental license conditions are in place for a property, and if the condition/s is violated, the City may start an enforcement action to revoke a license. The licensee is given an opportunity to appeal and present evidence with an administrative hearing officer.