

Memorandum



CITY OF DALLAS

DATE September 4, 2015

Honorable Members of the Housing Committee: Scott Griggs (Chair)

TO Carolyn King Arnold (Vice Chair), Mayor Pro Tem Monica R. Alonzo, Mark Clayton, Casey Thomas, II, and Tiffinni A. Young

SUBJECT "Fighting Blight: Improving Neighborhoods", Proposed Changes to Chapter 27

On Tuesday, September 8, 2015, you will be briefed on "Fighting Blight: Improving Neighborhoods", Proposed Changes to Chapter 27. The briefing is attached for your review.

Please contact me if you have any questions.

A handwritten signature in blue ink that reads "Joey Zapata".

Joey Zapata
Assistant City Manager

Attachment

c: Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Fighting Blight: Improving Neighborhoods

Proposed Changes to Chapter 27

Briefing to the Housing Committee

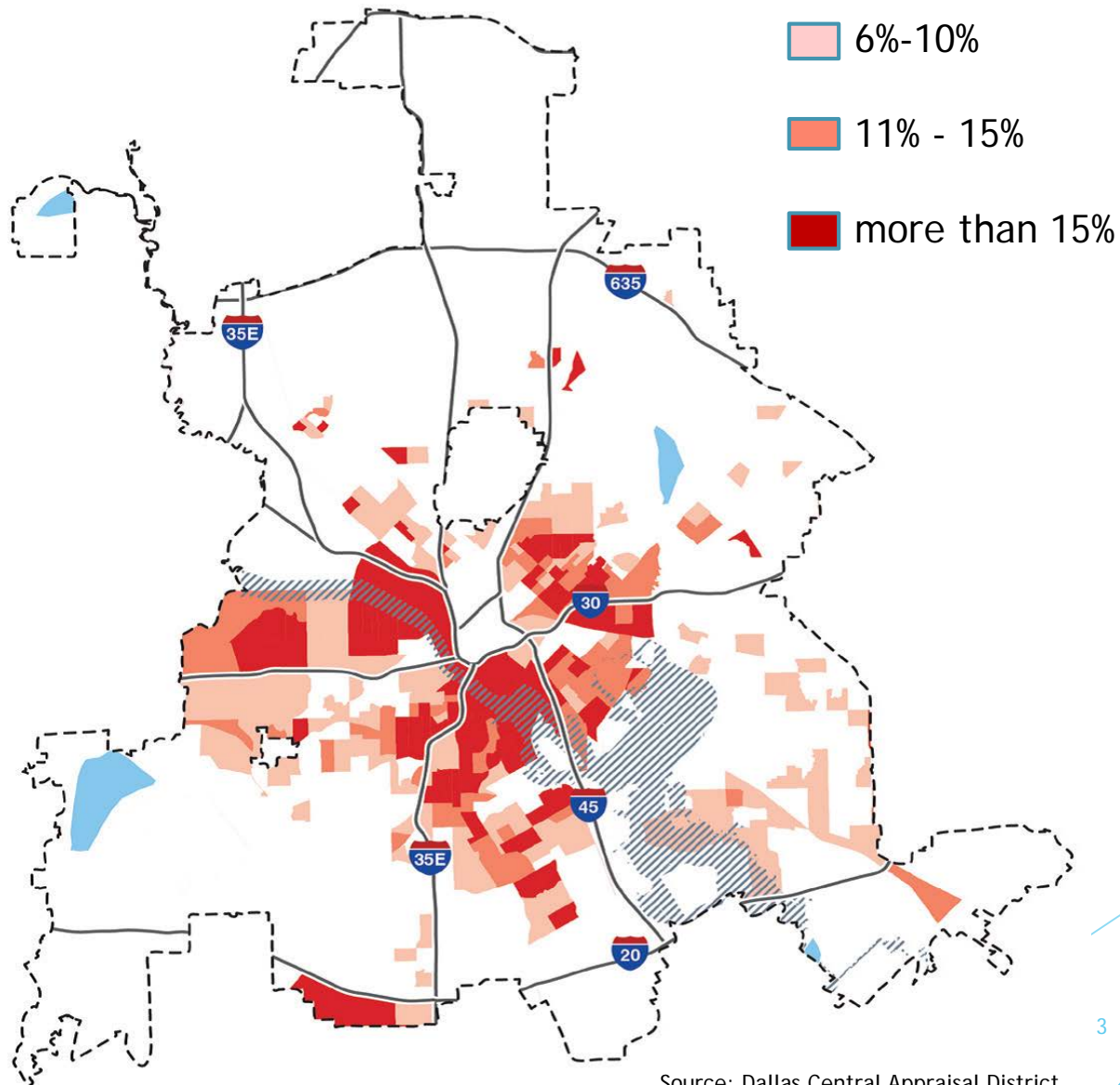
September 8, 2015





Vacant Buildings and Housing in Poor Condition Affect Quality of Life

Percent of Housing in Poor Condition



Chapter 27 - Minimum Urban Rehabilitation Standards

- The purpose of this chapter is to protect the health, safety, morals, and welfare of the citizens of the city of Dallas by establishing minimum standards applicable to residential and nonresidential structures
- Standards are established with respect to utilities, facilities, and other physical components essential to make structures safe, sanitary, and fit for human use and habitation

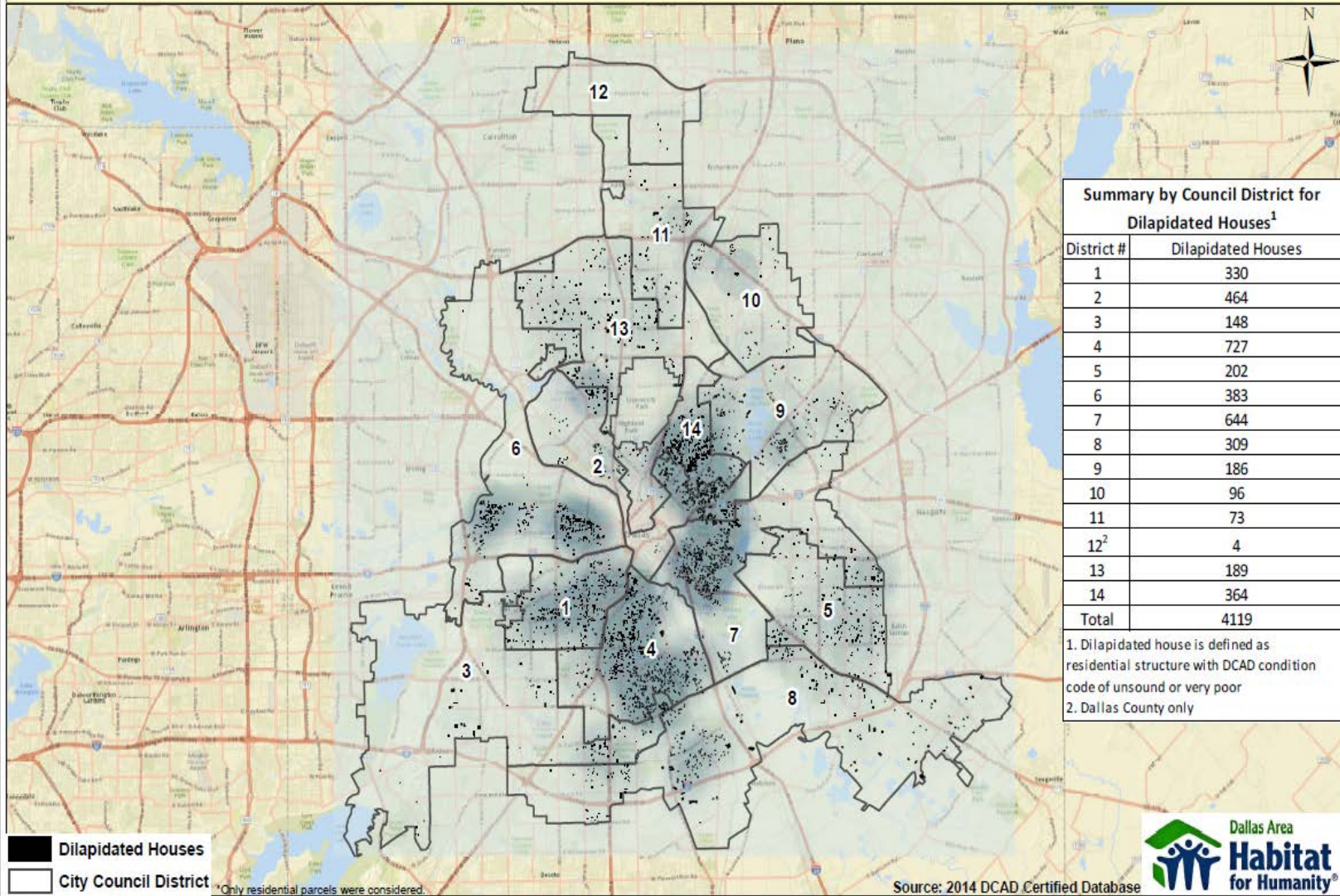
Scope of Chapter 27

- Minimum Urban Housing Standards
- Regulation of Urban Nuisances
- Administrative Adjudication Procedures
- Multi-Family Registration and Inspections
- Non-Owner Occupied Rental Program (NOORP)
- Mandatory Crime Reduction Program (MCRP)

Current Problems Which Suggest Changes Are Needed

- Property conditions
- There are significant areas of blight and pre-blight
 - Over 4000 dilapidated structures as identified in Dallas County Appraisal District files
 - Disproportionate impact on low and moderate income families
 - Structures surround the city core
 - East Dallas
 - Fair Park
 - South Central
 - West and Southwest
 - There are a large number of vacant lots which degrade neighborhoods and require City maintenance

Dilapidated Houses in City of Dallas by City Council District



Summary by Council District for Dilapidated Houses¹

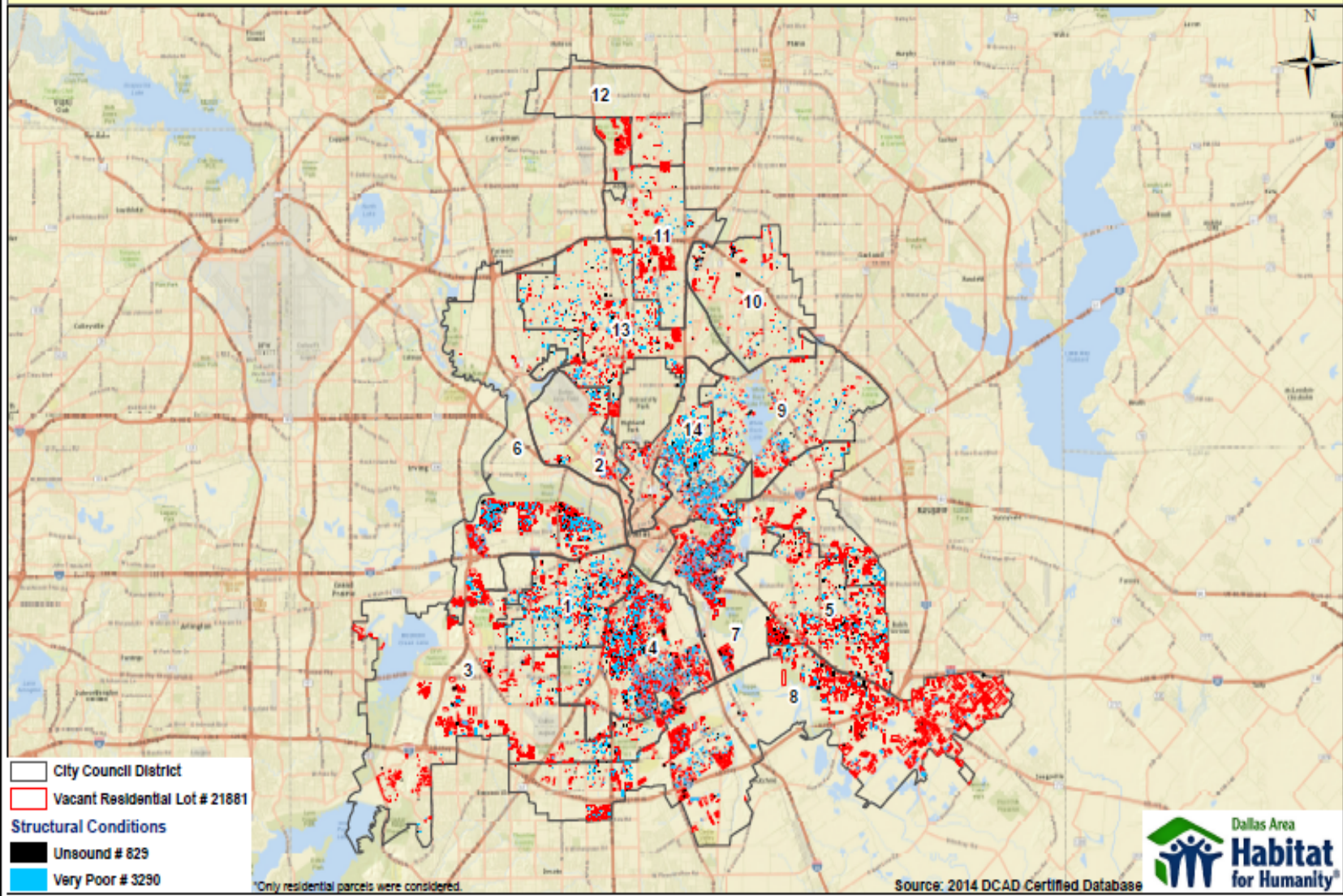
| District # | Dilapidated Houses |
|-----------------|--------------------|
| 1 | 330 |
| 2 | 464 |
| 3 | 148 |
| 4 | 727 |
| 5 | 202 |
| 6 | 383 |
| 7 | 644 |
| 8 | 309 |
| 9 | 186 |
| 10 | 96 |
| 11 | 73 |
| 12 ² | 4 |
| 13 | 189 |
| 14 | 364 |
| Total | 4119 |

1. Dilapidated house is defined as residential structure with DCAD condition code of unsound or very poor
 2. Dallas County only



Source: 2014 DCAD Certified Database

Vacant Lots & Unsound/Very Poor Residential Properties in City of Dallas by City Council District



NOTE: Collin and Denton County Appraisal Districts

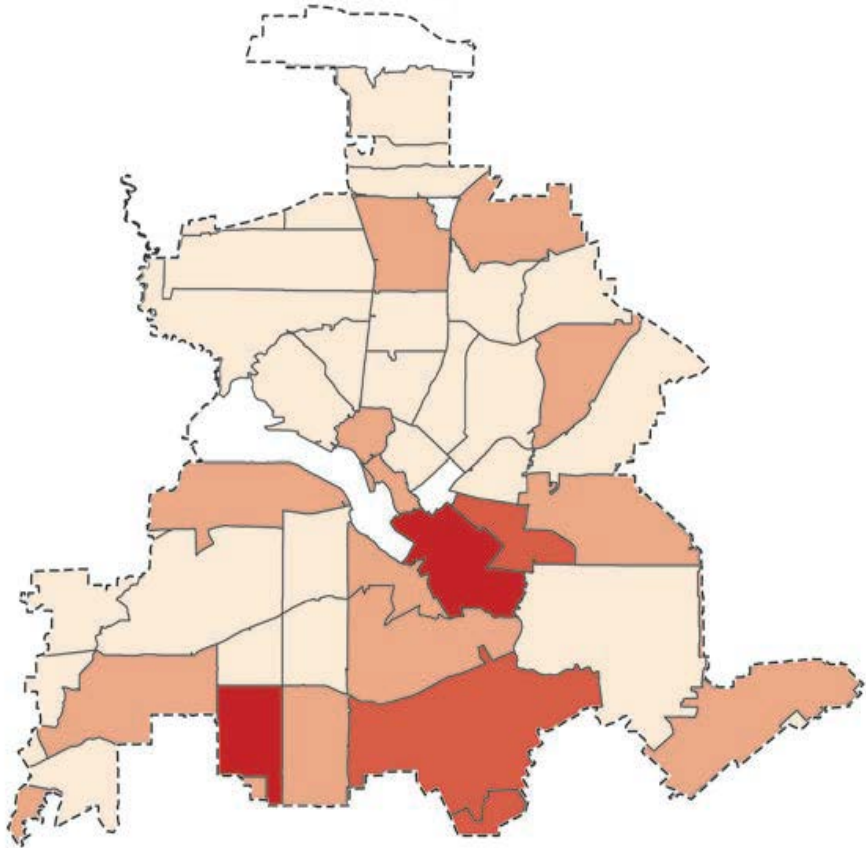
Why Do Properties Degrade?

- Physical factors
 - Abandonment, vacancy, deterioration and foreclosure
- Socio-economic factors
 - Poverty, unemployment
- Code Enforcement limited to physical factors
 - Efficient enforcement requires
 - Clear and fair rules to enforce
 - Metrics that relate to strategic goals
 - Commitment to strategy not short term appeasement

As Properties Degrade There Can Be an Impact on Occupant Health

- Poor housing conditions can be triggers of asthma
 - Insect infestation
 - Mold
 - Indoor air quality
- Asthma is a major source of hospitalization for children according to the Health & Wellness Alliance for Children

2012 Asthma Hospitalization Rate



Hospitalization Rates per 1000

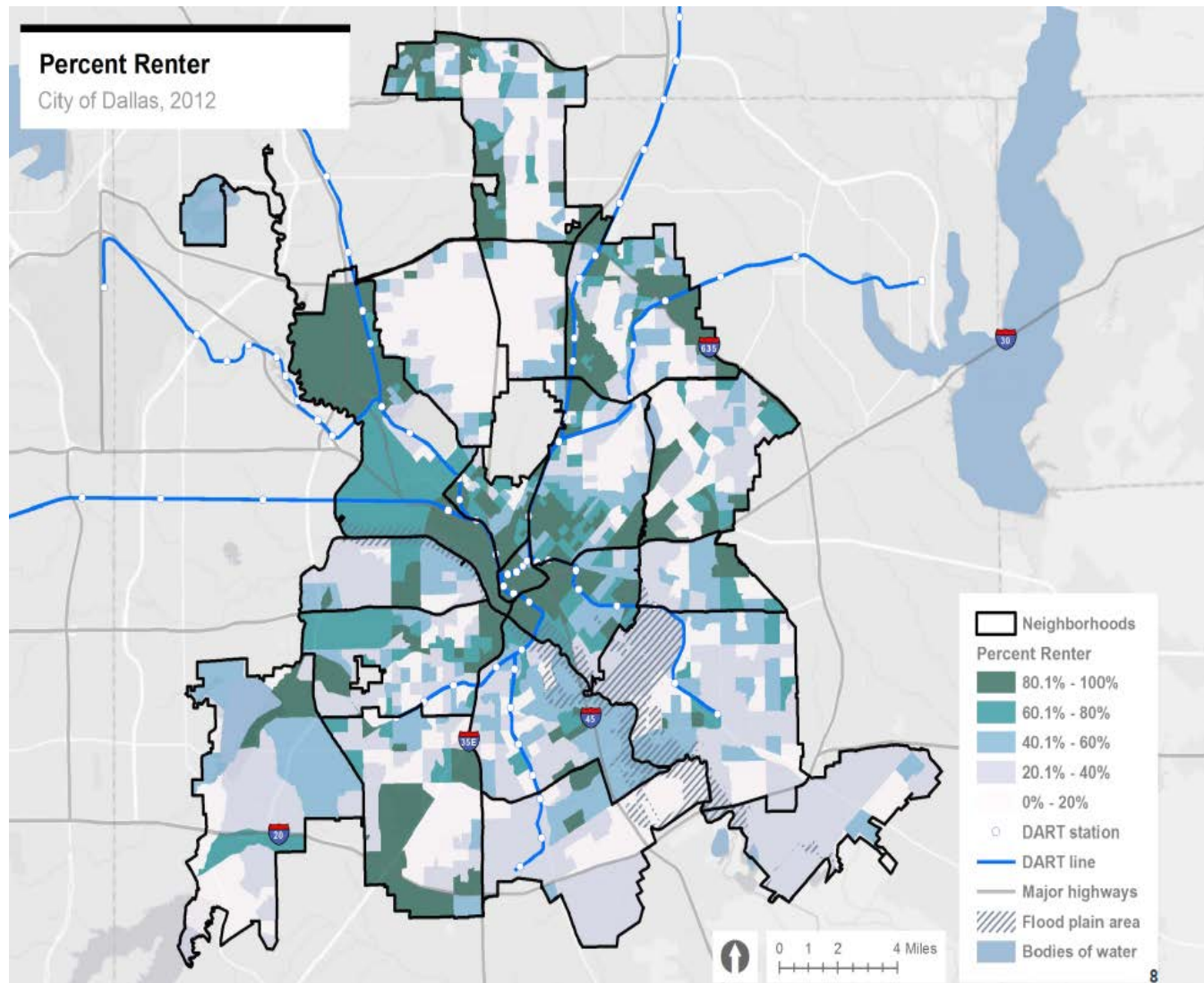
- 0.15 - 2.00
- 2.01 - 4.00
- 4.01 - 5.00
- 5.01 - 6.83

Provided by Health & Wellness Alliance for Children.
Source: DFWHC 2012 (www.dfwhc.org), U.S. Census, ACS, 2012

Rental Housing is a Major Influence in Some Neighborhoods

- 40% of residents live in apartments which are subject to periodic inspection by Code Compliance and Dallas Fire-Rescue
- 20% of residents live in rented single-family or condominium properties (approximately 50,000 households) with no periodic inspection required

Concentration of Rental Properties



Proposed Changes: Process

- Review began in 2013 by Code Compliance
- Related effort by the City Attorney's Office began in 2014
- In 2015, Code and CAO combined efforts and sought stakeholder input
 - Neighborhood groups
 - Industry organizations
 - Non-profit housing advocates and providers
 - Property owners and managers
 - Municipal court
 - Community prosecutors
 - Dallas Police and Fire Departments
- Community Prosecution and Code Compliance met with over 30 groups and individuals
 - Geographically dispersed across the City
- Briefing to the Housing Committee on April 6, 2015

Purpose of Proposed Changes

- Increase compliance with housing standards by creating standards that are clear and concise
- Identify and document rental, vacant, and blighted properties to enable the City to strategically address these issues
- Ensure that Dallas' most vulnerable citizens are protected
- Ensure that housing in Dallas is clean and safe
- Ensure that Chapter 27 complies with State codes
- Improve the registration procedures for multi-family properties, non-owner occupied rental properties (NOORP), and vacant buildings

What Changes Can We Make

- Update and clarify housing standards in Chapter 27-11
 - No major changes in many years
 - Clear rules make it easier for citizens to comply
 - Nearby cities have made changes in the past 10 years
 - Fort Worth, Arlington, Irving, Mesquite
 - Include standards advocated by National Center for Healthy Housing
- Evolve toward a more strategic approach to code enforcement
 - Consistent with Neighborhood Plus strategy
 - Allows better use of code resources to address the property conditions that lead to blight

Examples of Proposed Clarifications

- Reorganize and clarify standards; easier to follow format
 - Example regarding insects/pests:
 - **Current Chapter 27-11 (d)(4):** “keep the interior of a structure free from insects, rodents, and vermin”
 - **Proposed:** “Infestations. Where evidence of infestation exists, the owner or landlord of a building, structure, or property, including but not limited to a vacant or occupied one-or two-family dwelling, or multi-family dwelling, shall eliminate infestations of vectors, rodents, or pests through the use of a licensed pest control company”
 - Example regarding roofs:
 - **Current Chapter 27-11:** Nothing included
 - **Proposed:** (among several) “Roofs shall be repaired when leaks, sags, or holes occur, or when there are missing, charred, or deteriorated shingles, or rotten wood.”

Stakeholders Consulted

Neighborhoods

- Revitalize South Dallas
- Services of Hope
- Lake Highlands
- Casa View
- Mill City
- Homestead
- Ferguson Road
- Old East Dallas
- Downtown Resident
- Claremont
- West Dallas
- Vickery Meadow
- Casa View Oaks

Industry

- Apartment Association of Greater Dallas
- MetroTex Realtors
- Real Estate Council
- Apartment Property Owners
- Dallas Builders Association

Super Neighborhoods

South Central
Southeast
Northwest
Northeast
North Oak Cliff

Agencies

- Dallas Police Department
- Texas Tenants Union
- Vickery Meadows PID
- Housing Crisis Center
- Neighborhood Plus
- Habitat for Humanity
- Children's Health and Wellness Alliance
- WINS

Stakeholder Comments

- Many of the comments from stakeholders were directed to administration of the two rental programs
- The major complaint about the multi-tenant rental program is that the program is onerous for well-managed properties
 - Suggestions for a “risk based” inspection program that rewards well-managed properties with less frequent inspections
 - Other incentives are possible
- The single-family rental program does not include inspections and is considered ineffective in addressing adverse effects in neighborhoods

Housing Standards- Stakeholder Input

- Most stakeholders agree that clarifying the standards would aid inspector training; increase understanding and compliance from residents and businesses
- Most concerns were about uneven or inconsistent enforcement

Highlights of Proposed Changes

- Change the name of Chapter 27 to “Property Standards”
- Update housing standards
 - Clarify to increase enforcement efficiency and eliminate confusion of property owners
- Enhance enforcement of nuisance properties
 - Property owners could become personally liable
- Revise rental regulation and inspection process
 - Add risk-based inspection
 - Strengthen single-family rental regulation
- Tighten administrative court procedures
 - Require minimum penalties, allow City to appeal, simplify process for appearing for hearing

Proposed Changes: Property Standards

- Air conditioning
 - Establish year-round requirement rather than limited to April to November
 - Lower maximum indoor temperature to 80 degrees (from 85 or 20 degrees cooler than maximum outdoor temperature)
 - If landlord provides air conditioning, landlord must maintain it
- All appliances supplied by landlord must be maintained by the landlord
- Infestations in any building, structure or property must be addressed by a licensed pest control business or individual
- Require security lighting for all multi-family dwellings, not only those with 20 or more units

Proposed Changes: Property Standards(cont.)

- Adds new tenant responsibilities to include
 - Landlord has no continuing duty to provide batteries for smoke detectors after tenant has taken possession if there was documented testing of the smoke detector upon move-in
- Increase responsibilities of tenants to include
 - Not disabling smoke detectors
 - Not using extension cords exceeding 6 feet in length
- Adds a provision to maintain private swimming pools to not harbor mosquitos or produce foul odors

Proposed Changes: Legal Enforcement Tools & Remedies

- Nuisance Dockets: Allow City Attorney to sue a property owner individually in Municipal Court in addition to a suit against the property by itself
- Hearing Officer Court: The goal is to strengthen the court procedures to support enforcement
 - Set minimum threshold for penalties
 - Require Texas Rules of Evidence to apply
 - Limit hearing officer's findings
 - Allow City to appeal a ruling of the hearing officer

Proposed Changes: Rental Registration and Inspection

- Standardize application process and procedures for rental registration programs
 - Single-family, multi-family and condominiums
- Extend the downtown vacant building registration ordinance to all vacant structures
- Create risk-based inspection protocols that reward landlords for properties that consistently meet property standards
 - Encourage maintenance personnel to be qualified by national certification or Texas state license to conduct repairs
- Add a requirement that condominium associations register as a multi-tenant property

Proposed Changes: Multi-tenant Registration and Inspection

- Establish one registration date for all properties
- Remove the supplemental license inspection and associated fees
 - A property that fails a graded license inspection is allowed 45 days to make repairs and then a re-inspection is conducted. If failed, a fee of \$30 times the number of units in the property is assessed.
 - Proposal allows citations to be issued for violations not corrected following a failed graded license inspection and no additional fee
- Change the inspection for violations from 45 to 30 days
- Invoice for administrative inspection failures at the time of inspection
- Add fees for additional re-inspections
 - Currently \$50 for each violation not corrected

Proposed Changes: Single-Family Rental Registration

- Refocus single-family registration on improved quality of life
 - Add required inspections for single-family rental properties when registered and once every three years thereafter
 - If tenants change, the landlord must provide a property condition affidavit to the new tenant
- Change the fee structure and require an annual fee
- Require that rental properties have valid registration on file in order for tenant to obtain a water connection
- Require that all landlords of rental properties use a crime addendum
 - Currently required for multi-tenant properties

Proposed Changes: Single-Family Rental Registration

➤ Volume of Registrations

- Census data suggests that there are over 50,000 single-family rental properties
- Over 10,000 properties were registered in FY2010, the first year the ordinance was enacted
- Current registration is just over 2,000

➤ Financial Impact

- One inspector can inspect 1500 properties per year
- First year inspectors would be required to inspect 10,000 properties
 - Cost approximately \$300,000
- Revenue based on \$50 fee, \$500,000
- Fees will be adjusted to break even

Challenges of Tackling the Housing Problems

- No specific knowledge about the scope of the problem
 - We rely on general data from third party sources and not a property survey
- Registration is a beginning step in identifying the problems with rental and vacant properties
 - Single family rentals is a large and unregulated business
 - With registration, there will be inspection for worst offenders
- Real estate interests are well developed and very influential
 - Property owners and managers resist change, especially if it costs them money or they perceive it as a government intrusion
 - Dallas has a need for affordable housing for low income residents and some single family rental companies help provide that service

Budget Implications

- The principal costs for updating property standards are internal
 - Update web sites and community outreach
 - There will be some costs for mailings to affected property owners
 - Phasing in the programs can minimize a major impact
- Additional resource costs required for revised single family rentals and vacant property programs will be offset by fees
 - Fees are set to so that revenue does not exceed costs

Summary & Next Steps

- Summary:
 - Chapter 27 has not been extensively reviewed since it was originally created
 - Significant Stakeholder input has been received and confirmed that changes are warranted
- Next Steps:
 - Convene community meetings to seek feedback on proposed changes
 - Meeting with key stakeholders to evaluate changes
 - Develop a detailed implementation process
 - Continue planning with other city departments
 - Seek Council approval by end of calendar year 2015