

CITY OF MINNEAPOLIS

Tiered Rental License Billing Model

Department of Regulatory Services

April 7, 2015



Guiding Philosophy

- Target City resources to the rental properties needing the most attention while ensuring all rental properties are inspected on a reasonable cycle
- Recover inspection costs for each tier within each property size
- Create a financial incentive for property owners to address problems
 - Properties in the higher tiers will be inspected more frequently and charged higher fees
 - Properties in the lowest tier will be inspected less frequently and have lower fees
 - We will review all properties annually to move them up or down a different tier

Current and Proposed Fee Schedule (for implementation July 2015)

Current billing model

- \$69 is the fee for the first rental license unit and \$19 is the fee for each additional unit, regardless of the number of units in the building
- Condominiums can be bundled into one license if same owner owns multiple units in one building
- Late penalty start at 50%, and if not paid, late fees are removed and substituted with a \$250 + \$20/per unit administrative fee.

New billing model

- Time study was done to determine inspection time by building and dwelling unit(s) – buildings were clustered by building size
- Pricing analysis was done to determine inspection cost by hour
- Inspection cycle was analyzed for each tier and building size. Fees are proposed for the inspections needed on the next page

Current and Proposed Fee Schedule (for implementation July 2015)

- Tier 1 = fewer inspections – well managed building
- Tier 2 = more often inspections – challenged building
- Tier 3 = frequent inspections – multiple issues with building
- Rental licenses are tiered into Tier 1 to Tier 3 based on objective criteria
- Billing is based on where the rental license falls within the tiers and how many units are in the building
- \$5.00 fee for each additional unit, regardless of the number of units in the building
- Late penalty set at 25% and if 45 days late another 25% percent penalty will be added.- if no payment, \$500 administrative citation can be issued for operating with an expired license.

How does this compare to existing fee structure?

Single Family Unit	Condo	4-Plex	16 unit Building
Currently: \$69	Currently: \$69	Currently: \$126	Currently: \$354
Proposed Tier 1: \$70	Proposed Tier 1: \$70	Proposed Tier 1: \$97	Proposed Tier 1: \$250
Proposed Tier 2: \$112	Proposed Tier 2: \$112	Proposed Tier 2: \$178	Proposed Tier 2: \$425
Proposed Tier 3: \$373	Proposed Tier 3: \$373	Proposed Tier 3: \$342	Proposed Tier 3: \$775

What is the impact on existing license holders?

- Expected outcome is that we incentivize property owners into Tier 1 compliance.
- The city recovers expenses from those requiring more city services to maintain their properties within acceptable standards.
- Tier 1 owners in 1-3 units and 1-3 unit condos would essentially see no major change. Those in 4+ units or 4+ condo units owned by the same licensee would see their fees decrease.
- Tier 2 and Tier 3 owners would see varying degrees of increases based on amount of time and resources needed to achieve compliance.

What is the impact on existing license holders?

- Staff is currently working to add elements similar to the good cause criteria and incorporating elements relating to fire code and fire safety to include multi-family units in these tiers and subsequently re-score all properties in preparation for implementation of this new model.
- Although the majority of our compliance efforts are targeted to 1-6 unit buildings, larger multi-family units currently pay higher costs. The new model will more accurately reflect the cost of service needed for each building size and tier.

What are the tiers generally based on?

- Tier Inspection Schedules started in 2011 and is generally based on the criteria established in MCO 244.1890 regarding an objective and systematic approach to inspection of rental dwellings.
- 244.1890 current proposed amendments include general guidelines the department has used for a good cause license action they include the following:
 - The number of administrative citations and/or special assessments associated with code enforcement at a property
 - The number of Director Notices for non-compliance of a license standard violation
 - The number of inspections and violation issued at a property.
 - The number of notices related to operating a substandard rental properties
 - Rental dwellings with police incidents for drug offenses, prostitution, crimes of force or violence and loud parties