

Sustainable Neighborhoods: Housing Policy

Introduction

Quality housing stock and sustainable neighborhoods are an integral part of a vibrant community. It is an essential function of city government to ensure quality housing by utilizing a comprehensive code; effective and consistent enforcement; and the resources to make the work happen. A voluntary task force of individuals and organizations involved in the housing sector was formed in January 2010 to address the housing needs of Grand Rapids. As outlined in this document, this task force conferred on policy changes to ensure that all Grand Rapidsians have access to safe, quality, affordable housing and neighborhood stability is preserved following the downturn of the housing market. This task force, in concurrence with many community partners (list attached), support the following changes to the City of Grand Rapids housing quality and neighborhood stabilization policy and procedures.

Single Family Rental Inspection and Certification Program

The City of Grand Rapids Community Development Consolidated Plan states that approximately 40% of the City's population lives in rental units. Under the current City code, single-family rental units are not protected by routine inspections and code enforcement by the Neighborhood Improvement Division, denying the families who live there the benefits of mandatory inspection.

The current policy puts families and young children at risk. According to the 2000 Census, single-family rental units comprise 23% of all rentals in the City. The Census also reveals that the households residing in single-family rental units are larger and more likely to include young children¹. While single-family housing makes up less than a quarter of all rental housing, a full third (33%) of the total tenant population lives in single-family housing. As more than 7,000 homes in Grand Rapids have gone into foreclosure in recent years, and many of these have been purchased as investment properties, the number of families residing in single-family rental units has undoubtedly increased since 2000. Instituting an effective Single-Family Rental Unit Inspection and Certification Program is an essential core function of the City of Grand Rapids in order to ensure that all rental housing units meet a minimum standard of quality.

Single-family rental units are an integral part of Grand Rapids' housing stock. An inspection and certification system would be a proactive approach to ensure that all housing in Grand Rapids meets basic standards of quality. The current complaint-based system is reactionary and inconsistent because not all neighborhoods, blocks, and properties are given the same amount of attention. Neighborhoods with many single-family rental units often show the negative effects of no minimum standard of quality.

Blocks with high rental rates are often located in the General Target Area (GTA) and house low to moderate income and immigrant families. With 72.3% of the housing in the GTA more than fifty years old, the housing stock is fragile, can easily become distressed, and is in need of more routine inspection. Because current City policy relies upon reacting to complaints, problems are festering on blocks that are being overlooked entirely. A proactive inspection program would turn the tide on unchecked sub standard conditions.

¹ Average family size for single-family rental housing in Grand Rapids is 3.4 persons. For multi-family housing, the average family size is 1.8 persons. Source: 2000 Census.

Finally, due to the larger family size of those living in single-family rental units versus multifamily units, more people will be served under a Single-Family Rental Inspection and Certification Program. This will be accomplished while inspecting proportionately fewer units.

Effective, proactive code enforcement of single-family rental units will ensure:

- All residents are being consistently served and in a timely manner.
- Families have access to quality, affordable, single-family rental housing.
- Homeowners and neighborhoods do not suffer from the lowered property values associated by single-family rental units chronically violating existing housing code.
- Ensure fairness and consistency among all investment property owners.

Overcoming Budget Constraints

It is undeniable that the City is currently experiencing financial hardship and adding additional requirements with the current staffing level is unrealistic. Additional staffing will be required to inspect and certify all rental units, monitor blighted cases, and address resident complaints. Paying for the increased staff load can be achieved through the following.

1. Increasing and enforcing the blighted property fee schedule as further below.
2. Changing housing code violations from criminal to civil infractions (as further described) would free up revenue from reduced staff and court fees.
3. Charging an appropriate fee for the inspection and certification of properties.
4. Making all assessed fees lienable to the property in order to ensure collection.

An additional eight Code Compliance Officers (CCO) would be sufficient to enforce the Single-Family Rental Inspection and Certification Program. This level of staffing will ensure that Grand Rapids' housing stock, an essential asset, is being well maintained. While the task force refrains from delving into the financial particularities at this time, it should be noted that other communities such as Kalamazoo, Michigan and Dallas, Texas have implemented these changes in a financially sustainable manner.

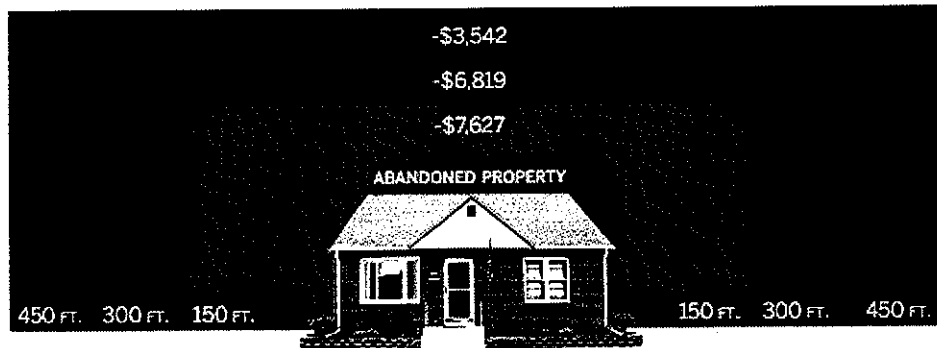
Currently, the average rental inspection and certification allows for the collection of \$120 if all inspections are done on time with no penalties. If the current fee schedule stays intact and an inspector can inspect roughly 500 units per year, each CCO should generate \$60,000 in program revenue, nearly covering the cost of their position. The fees have not been raised since 2007 and if they were increased to \$175 for single-family properties, staffing costs and overhead would more than adequately be covered. It is recommended that the Blue Ribbon Mayoral Committee (as further described) work with City staff to develop the finer details of program implementation and fee schedules needed to sustain single-family inspections. Finally, as code enforcement becomes more consistent and preventative, other divisional costs will decrease as the quality of the housing stock rises.

Increase and Enforce the Blighted Property Fee Schedule

Blighted and vacant properties are a proven detriment to neighborhoods. They invite crime, reduce property values, and create instability on those blocks. Each vacant or abandoned property within 1/8 of a mile of an occupied home reduces that home's value by nearly 1 percent². Furthermore, houses within 150 feet of a vacant or abandoned property experienced a net loss of \$7,627 in value. Properties within 150 to 300 feet experienced a loss of \$6,819 and those within 300 to 450 feet experienced a loss

² Dan Immergluck and Geoff Smith, "The External Costs of Foreclosure: The Impact of Single-Family Mortgage Foreclosures on Property Values," Housing Policy Debate Volume 17 issue I (2006): 57.

of \$3,542³. Under the current blighted and vacant property management ordinance, houses are supposed to be monitored by City staff and the parcel owners fined⁴. Due to current staff limitations, not all blighted properties are inspected to the level necessary and no new cases are being opened⁵.



NET LOSS IN PROPERTY VALUE BASED ON PROXIMITY TO ABANDONED PROPERTY

Temple University Center for Public Policy & Eastern Pennsylvania Organizing Project. "Blight Free Philadelphia: A Public Private Strategy to Create and Enhance Neighborhood Value." Philadelphia, 2001.

Grand Rapids' vacant property fines are low compared to other cities such as Cleveland, Ohio and Detroit, Michigan. The current insufficient staff levels do not allow for comprehensive fine collection. This facet of the Neighborhood Improvement Division has the potential to generate *significant* revenue to pay for additional needs. In addition to other policy and procedural changes, an increase in the fee schedule of homes blighted for more than one year should be implemented immediately to de-incentivize owners from leaving properties vacant, to generate revenue for a proactive blighted and vacant property management program, and to begin generating revenue to launch the proposed single-family certification program.

The following changes are recommended for the blight/vacant property program.

- \$25 fee to register vacant property.
- Late fee of \$100 per day for failure to comply with any housing violation notice. If unpaid fees or late fees are unpaid after 60 days, lien will be placed on property.
- Annual interior and exterior inspection required. A fee in the amount of \$175 per year to be charged to owner for the cost of the routine inspection. The annual inspection could be waived if a City approved, equally stringent inspection has occurred.
- Mandatory compliance with all code violations within 3 months or the owner will be required to post a bond. The bond would be forfeited if the City has to take action to bring property into compliance or demolish it, with any unpaid fee becoming a municipal lien against the property.
- Exemptions should be allowed for property owners that meet specific, pre-determined criteria to avoid creating undue hardship. For example, owners that have the property listed on the market for sale, and are in compliance of all ordinances, should be allowed to ask for a waiver of vacancy fees. Reasonable relief provisions should also be developed for developers who are actively reinvesting in property and landlords who are carrying legitimate vacancies due to the current high vacancy rates. The intent of this provision is to not penalize those owners who are making a legitimate attempt to sell the property but are unable to do so in a timely fashion.

³ National Vacant Properties Campaign. The True Costs to Communities, pg. 1

⁴ Grand Rapids Housing Code Section 8.716

⁵ As outlined in the Neighborhood Improvement Division report submitted to the City Commission on the Commission retreat held 2/2/2010.

However, these owners will still be required to complete a written request of exemption, comply with all other regular inspections, and have a Kent County based company registered.

- Require the property management company to maintain a business in Kent County with local contact information. This information must be registered with the City and posted on the building. Failure to comply with this provision will result in a fine. The property management company, jointly with the owner, is responsible for care and maintenance to keep property in compliance including:
 - Snow and ice removal from sidewalks,
 - Removing inoperable vehicles and refuse,
 - Maintaining building security (doors and windows),
 - Maintaining exterior of building and property including mowing,
 - Sign a “no trespass” order with the police department, and
 - Winterize and post each year that winterization has taken place.
- Failure to pay costs for inspection, fees, insurance or bond requirement will result in a lien placed on property.
- Proposed fee schedule, including significant increases after the first year:

Proposed Vacant/Blighted Property Fee Schedule	
0 – 120 Days	No Fee
120 Days	\$80
180 Days	\$160
240 Days	\$240
300 Days	\$240
365 Days	\$240
2 years	\$2,000 per year
3 years	\$3,000 per year
4 years	\$4,000 per year
5 years	\$5,000 per year
More than 5 years	\$6,000 per year

With currently 1,500 homes vacant in the City of Grand Rapids⁶, the addition of three Code Compliance officers would be necessary to enforce the existing blighted and vacant property management ordinance. Revenue to support these positions and other costs would come from the above fee schedule.

Moving Housing Violations from Criminal to Civil Court & Creating A Separate Housing Court

There are housing code violators who are noncompliant and unwilling to meet housing code standards. Currently, the only option for prosecution is the criminal court system. This system is inappropriate for all but the most egregious violators, very costly and unnecessarily difficult to prosecute. Violators who refuse address issues that are less severe should not be subjected to the potential of jail time. Also, it is very expensive for City staff to compile and prosecute a case that must be held to the burden of “beyond a reasonable doubt”. Therefore, it is important that the City of Grand Rapids move towards prosecuting housing code violations in the civil court system. This will allow the burden of proof to lower, making prosecuting less costly, and will foster a more cooperative response for violators.

⁶ United States Postal Service Vacancy List as of September 2009 located at <http://www.huduser.org/DATASETS/usps.html>

However, the ordinance must allow for prosecution in the criminal court system for repeat offenders and/or those who commit gross negligence.

The establishment of a Housing Court is recommended to address cases surrounding the issues of housing and neighborhood stabilization. The court will be tasked with achieving compliance with the housing code, resulting in the beautification and increased quality of Grand Rapids' neighborhoods, the protection of Grand Rapids tenant families from the neglecting of landlords, and landlords from unscrupulous tenants. By having a court system strictly devoted to housing issues, landlords, tenants, and homeowners will be met with a system that fully understands the need for a quality housing stock in Grand Rapids. Other models of specific subject-matter courts have shown to be successful, as they enhance the continuity of knowledge on related issues and often follow a single case through its entirety.

As used in other cities like New York City, Boston, Massachusetts, and Cleveland, Ohio, the Housing Court will hear all civil and criminal cases related to residential landlord/tenant disputes; housing, nuisance, fire, and zoning code violations; and issuance of eviction notices. The court will be familiar with the various City ordinances pertaining to housing, recognize the importance of sustainable neighborhoods, and understand the intricacies of landlord/tenants disputes. Furthermore, the court will be integral in connecting actors in the housing sector to the resources needed to better Grand Rapids' housing stock and will easily detect repeat offenders. By having all these resources readily available, the Housing Court will then be able to make sound, informed judgments on cases that greatly affect our community.

Information System on Housing Parcels in Grand Rapids and Kent County

It is vital that all residents have access to real estate property information for the City of Grand Rapids and Kent County. The current process of gathering parcel information is convoluted and scattered. Currently, finding property-related details can require examining six different sources of information. There is currently no public route to information on vacant/blighted properties, open housing code violations, and if properties are currently for sale/rent. Also, current databases are not integrated to provide accurate and current information.

The Neighborhood Improvements Division's current efforts to make parcel-level information more readily available are a great first step in solving this very important problem. As these technologies become more available, the implementation of a single, comprehensive, accessible, and accurate database will make their procedures even more efficient. This database should include property type, property use, owner information, assessed value, back taxes and liens, vacant/foreclosure status, open and previous housing violations, sale prices, assessed values, residential exemption, if the property is for sale, and by whom. This database should be used by the staff of Neighborhood Improvement Division, making their operations more efficient and timely. Interested residents could utilize the database to better understand the housing issues affecting neighborhood. Nonprofit organizations, including neighborhood association and community development corporations, that are engaged in building sustainable neighborhoods could target their work more efficiently. It is imperative that the City of Grand Rapids maintain accurate and accessible records on its housing stock to provide information for further policy developments and assist allies who are concerned about and work in housing related issues.

Mayoral Blue Ribbon Council on Housing & Neighborhood Sustainability

It is recommended that the Mayor of Grand Rapids to institute an oversight committee tasked to add much needed transparency, engage community and neighborhood support, and address critical housing related issues that are affecting the quality of life in Grand Rapids neighborhoods. The Blue Ribbon Council will address the following items:

- Responding to priorities identified by the Mayor and City Commission, the Council will evaluate current policies and procedures of the Neighborhood Improvement Division to find new efficiencies, deal with concerns, and assist in setting a vision for sustainable neighborhoods.
- Aid in developing a plan to implement the Single Family Rental Inspection and Certification program and partake in periodic evaluations of the program once it has begun.
- Develop recommendations to strengthen the current blighted property program and participate in evaluating the effectiveness of program enhancements, including development of policies and procedures that promote, rather than discourage, reinvestment in vacant and abandoned housing.
- Recommend new housing related policies, procedures, and code enhancements as necessary to better serve the residents of Grand Rapids.
- Produce an annual report to the City Commission highlighting its work and accomplishments.

Conclusion

The aforementioned policy recommendations are respectfully submitted with the goal of creating and enforcing a minimum standard of housing quality and increase the neighborhood sustainability of Grand Rapids.