



**CITY OF MILAN
CITY COUNCIL WORK SESSION AGENDA
COUNCIL CHAMBERS**

**FEBRUARY 28, 2022
6:00 P.M.**

**WORK SESSION
MUNICIPAL BUILDING**

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL OF COUNCIL MEMBERS: Mayor Ed Kolar__, Councilpersons Dave Baldwin__, Mary Kerkes__, Josh Kofflin__, Jesse Nie__, Christian Thompson__, Shannon Dare Wayne__.

OTHER OFFICERS PRESENT: Interim/City Administrator/Police Chief Donald Tillery__ , City Clerk Lavonna Wenzel __ , City Attorney Steven Mann__, Police Chief Donald Tillery__, City Treasurer Sarah Finch__, Building/Zoning Inspector Gary Bernard__, MIS & Communications Director John Koehler__, Parks & Recreation Director Ellen Bell__, Main Street Director Jill Tewsley__, Fire Chief Robert Stevens__.

AGENDA:

- A. A Discussion on a Rental Housing Certification Program with Carlisle Wortman Building/Zoning Official, Craig Strong.**
- B. Any matters that may legally come before council.**

CITIZENS MATTERS FROM THE FLOOR: (3-minute time limit per person)

- A. Residents:**
- B. Non-Residents:**

ADJOURNMENT: Motion to adjourn work session at _____ P.M. by Councilperson _____ seconded by Councilperson _____.

All matters to be presented to Milan City Council for their review, consideration and/or action, must be submitted in writing no later than 4:00 p.m., the Wednesday preceding the date of the meeting (normally the second and fourth Mondays of each month).

Special Notes:

The City of Milan will provide reasonable auxiliary aids and services, such as signers for the hearing impaired, and audiotapes of printed materials being considered at the meeting to individuals with disabilities upon one week's notice to the City of Milan. Individuals with disabilities requiring auxiliary aids or services should contact the City of Milan by writing or calling the following:

Lavonna Wenzel, City Clerk
147 Wabash, Milan, Michigan 48160
Equal Opportunity Employer



Carlisle | Wortman
ASSOCIATES, INC.

117 NORTH FIRST STREET SUITE 70 ANN ARBOR, MI 48104 734.662.2200 734.662.1935 FAX

February 9, 2022

Honorable Ed Kolar
City of Milan
147 Wabash
Milan MI 48160

Re: Rental Housing Certification Program

Dear Mayor Kolar,

In reply to your recent request, we are pleased to provide the City with a proposal for a Rental Housing Certification Program. This proposal was developed and will be implemented by our Code Enforcement Services division. We would like an opportunity to present and discuss this proposal with City Council at your discretion; I believe Craig Strong is scheduled to do so in work session on February 14, 2022.

According to its 2019 American Community Survey, the U.S. Census Bureau reports 22% of the city's housing units are renter occupied. A preliminary review of city assessor data indicates there are 404 multifamily apartment units and 297 single family homes that are not claiming 100% principal residence tax exemption status. The primary benefit of a rental housing certification program is to ensure that housing units of all types offered for lease to the general public meet or exceed minimum property maintenance standards established by the city for public health and safety. In addition, such a program helps to optimize residential property values through regular verification of code compliance and helps to prevent hazardous living conditions that can develop over time due to unresponsive landlords.

The following outlines the scope of services and other details of a two-phase proposal to develop and implement a rental housing certification program.

SCOPE OF SERVICES - PHASE I

Task 1.0

Identify Rental Dwelling Units

We will conduct a study to determine the number and location of rental dwelling units currently in existence within City jurisdiction. In order to accomplish this task, we will:

- Obtain and review property data to:
 - Identify commercial multifamily properties
 - Identify single family residential properties designated as claiming less than 100% Principal Residence Exemption

- Review online rental listings
- Locate and visit multifamily apartment buildings for preliminary exterior maintenance evaluation

Task 2.0 **Create Rental Dwelling Registration List**

We will create a listing of identified rental dwelling units catalogued by zoning/use classification as single family, duplex, or multifamily structures. For this purpose, mobile home units occupied by renters will be classified as single family units. Working with the city attorney, this list will be used to help make a recommendation to City Council on the details of a proposed Rental Housing Certification ordinance. The list will also eventually be used to initiate communication with owners of property that will be required to be registered and inspected under provisions of an adopted ordinance.

Task 3.0 **Ordinance, Fee Schedule & Implementation Plan**

We will present a draft version of a Rental Housing Certification ordinance to City Council in conjunction with data showing the number, type, and location of known or potential rental dwelling units identified in the city. We will develop and present an implementation plan and a fee schedule study to aid city council with adoption of a program fee schedule. After receipt of input from city council, we will present a final ordinance, fee schedule, and implementation plan for consideration.

Task 4.0 **Property Maintenance Code**

Rental dwellings will be inspected to verify compliance with the City's property maintenance code. Milan currently uses the 2015 International Property Maintenance Code with revisions customized to meet the City's individual needs. We will review the city's code and make recommendations for revisions that would be beneficial to administer a comprehensive rental housing certification program.

SCOPE OF SERVICES - PHASE II

Task 5.0 **Program Implementation - Registration**

Following ordinance and fee schedule adoption, we will initiate the implementation plan to register eligible rental dwelling units for inspection and certification. We recommend that this task include direct outreach and an educational session with landlords if so desired by City Council.

Task 6.0

Inspection & Certification

Once registration is complete, we will begin scheduling inspections to certify rental dwelling units for occupancy. Certificates of Compliance will be issued for each dwelling unit and each multifamily building that successfully completes inspection. The frequency of the certification cycle will be determined by City Council and specified in the adopted ordinance. We will then notify property owners and schedule inspections to renew certifications in accordance with the timeline specified in the ordinance.

Task 7.0 – Optional

Point-of-Sale Home Inspections

We strongly recommend that Milan consider implementing a companion program to inspect houses at their Point-of-Sale (POS). POS inspections are visual inspections of the interior and exterior of a home. If the inspection shows the home is not up to code, the seller can make necessary repairs prior to closing, or sell the property “as is” and the buyer assumes responsibility to make the repairs. Point-of-Sale inspections are a good way to help maintain housing quality standards for owner-occupied homes while offering reasonable options for buyers, sellers, and real estate agents to consider.

PERSONNEL

Staff from our Code Enforcement Services division will be assigned to this project under the supervision of Director Craig Strong and Administrative Manager Michael Radzik.

FEES

Fees will be structured so that the Rental Housing Certification program is supported solely by user fees and does not negatively impact the city’s budget. Unlike building permit revenue, rental housing certification and point-of-sale inspection revenue are not regulated and may be used to help support Building Department or other city operations.

At the direction of City Council, we will work with city administration to negotiate fees for a mutually agreeable professional services contract that incorporates the Tasks described here. Fees can be structured based on hourly rates and/or a percentage of fee revenue in amounts to be determined.

Thank you very much for this opportunity. We look forward to expanding our scope of services provided to the city for the benefit of its residents.

Sincerely,



CARLISLE/WORTMAN ASSOC., INC.

Richard K. Carlisle, FAICP

President

RENTAL HOUSING CERTIFICATION

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Rental Housing Certification is a key component in helping a community maintain a minimum quality standard for its housing stock. The greatest impact the city could have on housing quality would be to make sure existing housing units were regularly maintained. It is vital to have a Rental Housing Certification program that promotes quality housing without being overly burdensome for tenants or landlords. Carlisle|Wortman Associates (CWA) has well-trained and experienced Rental Housing Certification staff to administer a program customized to meet Milan's specific needs and requirements.

Rental housing is exposed to extra wear and tear over time due to tenant turnover. The frequency and quality of maintenance varies widely among landlords and can impact neighborhood property values. Since landlords are not required to be licensed by the state, it's crucial that cities enforce a minimum threshold of quality that must be met in order to rent for human occupancy.

Through our Code Enforcement Services (CES) division, CWA stands ready to help craft, implement, and administer a Rental Housing Certification program that meets Milan's unique needs. We will facilitate everything from drafting an ordinance and fee schedule to implementing registration and inspection requirements. CWA/CES will administer your Rental Housing Certification program with accountability to all stakeholders.

MILAN BY THE NUMBERS

556 *Self-reported renter-occupied households*

404 *Multifamily apartment units*

297 *Single-family homes claiming < 100% PRE*

22% *Of households are self-reported as renter-occupied*

\$921 *Median gross rent (2019)*

Sources: US Census Bureau, 2019 American Community Survey, SEMCOG, City Assessor

HOW WILL RENTAL HOUSING CERTIFICATION BENEFIT STAKEHOLDERS?

Tenant/Resident Benefits

- Ensures rental housing meets minimum habitability standards for property maintenance
- Enhances & protects occupant health and safety
- Reduces the anxiety of living with (or next to) deferred maintenance beyond your control
- Minimizes the need for seeking help with repairs
- Helps find certified and safe rental housing

Property Owner Benefits

- Controls maintenance costs through early identification of defects needing repair
- Improves property value and tenant retention
- Usable life of dwelling units extended
- Certification helps justify market rental rates
- City rental registry serves as a leasing marketing tool
- Reliable documentation of property conditions

Municipal Benefits

- Ensures rental housing is regularly maintained
- Improves and maintains the quality of life in neighborhoods
- Helps identify and correct potentially hazardous conditions previously done without permits and never inspected for code compliance and safety
- Helps identify and abate unsightly and potentially dangerous structures previously altered without zoning or building code approval
- Reduction, over time, in the demand for complaint-driven code enforcement that adds stress on city resources
- Mandatory registration helps identify previously unknown rental properties
- Helps the Assessing Department verify the accuracy of the Principal Residence Exemption (PRE) status of single-family homes that are leased
- Registry of Certified Rental Housing published on the city website provides a handy listing of safe and certified rental units for residents seeking to relocate to or within the city

RENTAL HOUSING CERTIFICATION

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HOW WILL RENTAL HOUSING CERTIFICATION WORK IN MILAN?

Ordinance and Fee Schedule Adoption

The first step is ordinance adoption which typically requires two public readings and affords residents and non-resident landlords opportunities to hear details and offer input. If an ordinance already exists, we will work with city staff to update and revise it. In coordination with ordinance adoption, a schedule of fees is established for the various services required to administer the Rental Housing Certification ordinance. CWA/CES staff will help develop a fee schedule that covers the cost to provide services.

Rental Registration

Once an ordinance and fee schedule are in effect, landlords will be required to register their dwelling units available for rent in Milan. We will send notification letters to single-family property owners claiming less than 100% PRE as a starting point, in addition to contacting multifamily apartment building owners. The city will publish a Rental Housing Registry using the information provided by landlords during registration. Such a registry is very useful to police and fire departments for response to emergencies, and it serves as an online guide for tenants to find safe, certified housing.

Registration allows Milan to have an accurate count of the number of rental units within their jurisdiction. It also allows the city to determine what structures – and characteristics of structures – are able to be rented for human occupancy. For instance, this could help eliminate situations in which individuals are living in unheated or windowless garages, below grade unfinished basements lacking fire safety egress, structures without a physical address such as accessory buildings, and buildings that have been condemned. Rental registration delineates what is a habitable, leasable structure as defined by a fair, equitable, and transparent standard.

Rental Inspection

Once a rental registry has been created, we will organize a systematic inspection schedule. Not every registered dwelling can be inspected all at once; we will schedule inspections to ensure that certificate renewals and staff workloads are strategically distributed over time. Each landlord will receive adequate notice to prepare for their inspection and notify their tenants. We'll even help tutor landlords on property maintenance standards and provide checklists in advance for success inspection outcomes.

What Does an Inspector Look For?

The housing inspector will observe the exterior grounds, exterior building, and interior spaces to verify compliance with the city's Property Maintenance Code. It's that simple. Rental Housing Certification *does not* mean electrical, plumbing, and mechanical upgrades to older structures. It simply means maintaining a structure in safe and proper condition as required under the code when it was built. When violations are discovered, reasonable time is given to correct them, and they're re-inspected to verify compliance.

Certificate of Compliance

Upon successful completion of inspection, each dwelling unit and building will be granted a Certificate of Compliance. Certificates are renewed typically biennially, to ensure that each rental property is regularly maintained to the minimum standards established by the city. When a tenant complaint is received at any time, an inspection will be conducted as required by state housing law. Verified code violations will be documented and corrected in accordance with ordinance requirements. In the rare event that an occupied dwelling has not earned a Certificate of Compliance in a reasonable period of time, legal action may be recommended for the health and safety of the occupants.

RENTAL HOUSING CERTIFICATION

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SOME THINGS TO EXPECT

Based on our experience, three important things can be anticipated to occur:

- 1. Conversation About Rent Increases** - It is natural to expect landlords to raise concerns about increasing rent to recover the cost of program compliance. When the actual cost is broken down and analyzed, it usually equals less than ten dollars (\$10) per month per dwelling unit. CWA/CES will provide an actual landlord compliance cost estimate for City Council to review with fee schedule recommendations. In our experience, the cost to comply with ordinance requirements has never made housing certification unaffordable and is far outweighed by the health and safety benefits.
- 2. Discovery of Unlawful or Dangerous Rental Dwellings** - When implementing rental housing certification, it is common to encounter instances of unlawful or dangerous dwellings that may have existed for long periods of time. The two most common scenarios are: 1) single-family houses converted to multi-family or rooming houses without zoning or planning commission approval; and 2) single-family houses subdivided without building code compliance including fire wall separation. These common scenarios may possibly be remedied through rezoning or special land use processes, or through physical alterations approved under permit. CWA/CES staff will work together with other city departments and property owners to resolve issues and provide safe, compliant housing.
- 3. Noticeable Improvement in the Condition of the Housing Stock** - Whether it's a single apartment building, an entire apartment complex, or a few rented homes on a neighborhood street, Rental Housing Certification will result in noticeable improvements in the overall condition of the rental housing stock over time. The first inspection cycle typically discovers and corrects the greatest number of code violations, followed by a positive ripple effect as other homeowners see and appreciate improvements.

SOMETHING ELSE TO CONSIDER

CWA/CES strongly recommends that Milan consider implementing a companion program to inspect residential dwellings at their Point-of-Sale (POS). POS inspections are visual inspections of the interior and exterior of a home conducted by a properly trained inspector. If the inspection shows the home is not up to code, the seller has two options: 1) make all necessary repairs to obtain a Certificate of Compliance prior to closing; or 2) sell the property "as is" and the buyer assumes responsibility to make the repairs. The latter option requires the buyer to sign an affidavit and place money in an escrow account that is returned when repairs are completed and the property passes inspection. Point-of-Sale inspections are a great way to help maintain minimum housing quality standards for owner-occupied homes while offering reasonable options for buyers, sellers, and real estate agents to consider. As with Rental Housing Certification, CWA/CES has trained and experienced staff that can administer your POS inspection program with quality services and accountability.