

Grand Rapids Community Development Department

"Building Great Neighborhoods!"

April 2015

Rental Property Certification Program Review

Single-Family and Two-Family Properties

PREPARED BY:
Philip Schaafsma
Connie Bohatch
Josh Ferguson
Addison Smith



Table of Contents

Executive Summary.....	4
Background.....	6
Graph 1: Annual Count of Homes with 100% Principal Residence Exemption	
Graph 2: Local and Non-Local Single- and Two-Family Rental Property Ownership	
Chart 1: Rental Property Certification Process	
Graph 3: Status of Rental Properties	
Program Activities.....	10
Graph 4: Certificates of Compliance Issued	
Table 1: Single- and Two-Family Certification Goals and Progress	
Map 1: North Team Inspection Area	
Map 2: South Team Inspection Area	
Map 3: Southeast Team Inspection Area	
Map 4: West Side Team Inspection Area	
Program Impact.....	16
Graph 5: Verbal Orders by Repair Category	
Graph 6: Properties with Cited Repairs by Category	
Table 2: Estimated Total Investment in Single- and Two-Family Rentals	
Table 3: Permits Issued by Type as a Result of Certification Program	
Citations.....	24
About the Data.....	25
Appendix A.....	26

Executive Summary

In October 2011, the Grand Rapids City Commission approved an expansion of the rental property certification program to include single-family properties. This policy change was implemented after considering recommendations provided by a coalition representing 25 community organizations, public input, and work of an ad hoc advisory board. The policy was in response to neighborhood conditions resulting from the foreclosure crisis and corresponding housing market collapse in 2007-2008. According to City Assessor Principal Residence Exemption (PRE) data, from 2007 to 2012 Grand Rapids experienced an 8 percent decrease in owner occupied homes. There was also a 70 percent increase in the number of families living in single-family rental homes throughout the city from 2006 to 2009.¹ Census data estimated the 2013 homeownership rate at 56 percent for Grand Rapids.

The purpose of this program is to protect the public health, safety, and general welfare of City residents. The general purpose includes, among others, the following specific objectives :

1. To protect the character and stability of residential areas within the city.
2. To provide minimum standards for the maintenance of existing residential buildings and thus to prevent the spread of slums and blight.
3. To preserve the taxable value of lands and buildings throughout the city.

This report reviews the programmatic impact of this policy change, focusing on the period since single-family rental property certification inspections began in July 2012. During this time the City increased resources to perform both single-family and two-family inspections. There were no single-family rental properties with a Certificate of Compliance and less than 11 percent of two-family properties were certified.

The purpose of this program is to protect the public health, safety and general welfare of City residents.

This report covers both single-family and two-family rental properties. It provides an overview of rental properties in Grand Rapids, reviews specific program activities over the past 2 ½ years, and estimates the impact thus far. The focus is on programmatic metrics rather than conditions such as property values and quality of life, which are influenced by a wide range of factors beyond rental housing inspections.

Major Findings

There are three major findings. First, expanding rental property certification inspections has directly increased the safety of homes for tenants. From July 2012 through March

1. Grand Rapids Rental Housing Work Group. (2010, December). *Supporting the Long-Term Sustainability of Housing and Neighborhoods in Grand Rapids*. Grand Rapids, MI from *American Community Survey* (2010). State & County Quickfacts: Grand Rapids city, MI.

Executive Summary

2015, property owners corrected immediate health and safety issues at 5,614 properties in response to verbal or written Code Compliance orders. In addition, there are many other properties where owners made health and safety improvements in preparation for the initial City inspection. Immediate health and safety issues range from lack of smoke detectors to unmaintained mechanical equipment. As a result of these improvements, tenants and neighbors are much less likely to submit a housing complaint regarding a certified rental property in comparison to an uncertified rental property. In fact, the City is over six times more likely to receive a housing complaint on an uncertified rental property.

Second, the expansion of the rental property certification program has resulted in new investment in rental properties through repairs and improvements. An estimated \$38.4 million has been invested by property owners to bring these rental properties up to minimum standards set forth in the City's Property Maintenance Code, which consists primarily of the International Property Maintenance Code (IPMC). According to a recent survey of rental property owners and managers, the average investment during the certification process is \$5,095. In addition, an estimated 2,124 building and trade permit applications have been submitted as a result of this program. These figures include improvements many owners have made beyond minimum code requirements. This investment

not only benefits tenants, but protects properties against deterioration due to lack of maintenance and improves the overall quality of housing stock in a neighborhood.

Third, an increase in rental costs for tenants has been reported by property owners. It is unclear how much of the repair costs are passed on to tenants through increased rental rates.

According to a recent survey of rental property owners and managers, the average investment during the certification process is \$5,095.

Survey results indicate that rental rates have recently increased by approximately \$21 per month per dwelling. While some of this increase maybe attributable to repair costs related to the rental property certification program, Grand Rapids' rental housing market is also impacting costs. Rental property vacancy rates have dropped by 50 percent in Grand Rapids over the past three years.² According to a March 2015 real estate report by Zillow, the Grand Rapids-Wyoming Metropolitan Statistical Area (MSA) has a 1.6 percent apartment vacancy rate, the lowest in the country. Comparatively, the national vacancy rate was 7 percent at the end of 2014.³

2. *Market at a Glance* (2014, December), U.S. Department of Housing and Urban Development.

3. *Rental Vacancy: No Rooms for Rent*, Zillow Real Estate Research, March 11, 2015, <http://www.zillow.com/research/falling-rental-vacancy-9086/>.

Background

Conditions in the housing landscape changed after the foreclosure crisis and corresponding housing market collapse. Between 2006 and 2009 there was a 70 percent increase in the number of families living in single-family rental homes. In 2009, 31 percent of rental properties were single-family homes, housing 43 percent of the city’s tenant population.⁴ As single-family rentals are generally older properties and more likely to house children than other types of rental properties, these changes left a significantly higher and more vulnerable population of citizens in greater risk of living in substandard housing conditions.⁵

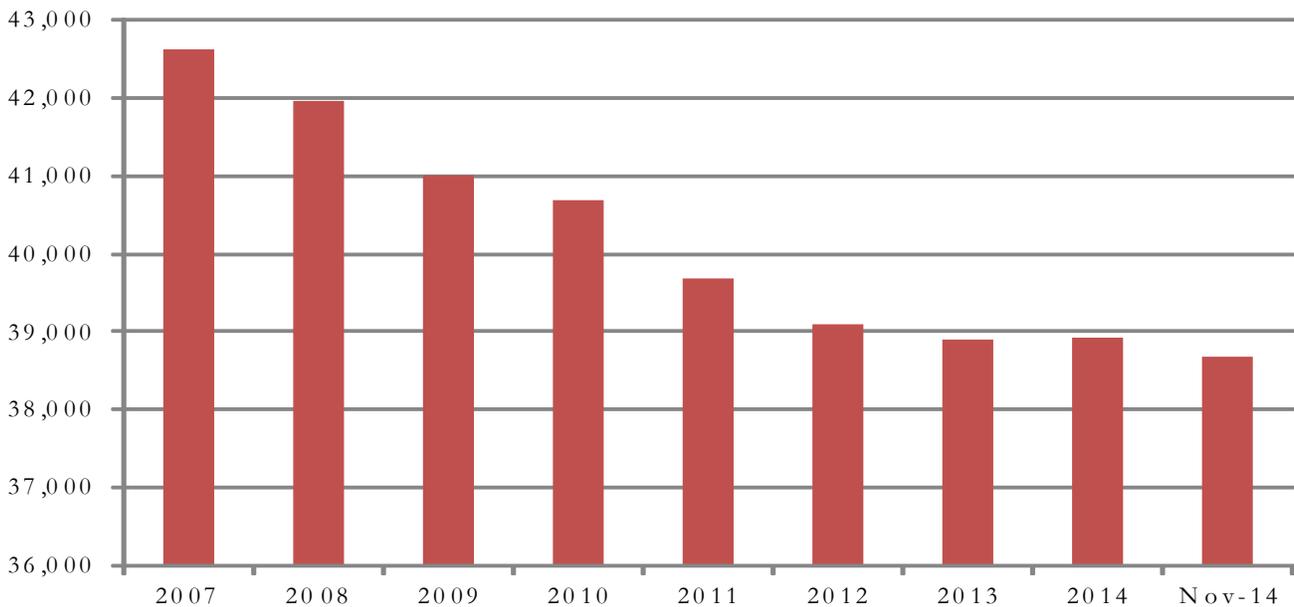
Since 2007 Grand Rapids experienced a steady decline in the number of owner-

occupied homes throughout the city. This reality is represented in Graph 1 by the number of homes with a 100 percent Principal Residence Exemption (PRE), which indicates whether a home is recognized for tax purposes as owner-occupied. Each year since 2007 the number of home owners in the city has declined steadily. From 2007 to 2012 there was an eight percent drop in homeownership, trending toward greater rates of rental and vacant properties throughout Grand Rapids.

As the number of owner occupied homes in Grand Rapids decreased many of these homes shifted to rental properties, with increasing numbers of the property owners residing out of the state. Rental properties

Graph 1

Annual Count of Homes with 100% Principal Residence Exemption



4. Grand Rapids Rental Housing Work Group. (2010, December). *Supporting the Long-Term Sustainability of Housing and Neighborhoods in Grand Rapids*. Grand Rapids, MI from *American Community Survey* (2010). State & County Quickfacts: Grand Rapids city, MI.
5. Sustainable Neighborhoods: Housing Policy (2010, May). In *United Growth for Kent County*.

Background

owned by non-local property owners (zip codes outside of metro area) were also increasing, as shown in Graph 2. Non-local ownership rose 15 percent from 2010 to 2013, peaking at 6,647 properties. Recently, this trend appears to be reversing.

Many residents and policy makers were concerned that too little was being done to ensure tenant health and safety and preserve quality housing stock as neighborhoods transitioned from owner occupied homes to rental homes.

In response to *Recommendations Regarding Proposed Changes to the City of Grand Rapids Housing Code* prepared by the Healthy Homes Coalition of West Michigan in December 2009, the City Manager formed a task force to review

City policies pertaining to rental and vacant properties. This task force began meeting every two weeks from July to October 2010 with

As the number of owner occupied homes in Grand Rapids decreased many of these homes shifted to rental properties.

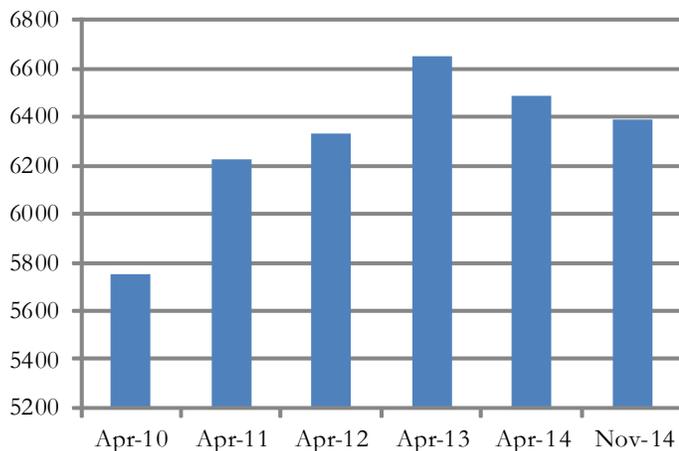
representatives from City staff, the City Commission, housing advocates, neighborhood organizers, developers, and service providers.

The group's findings were presented to the City Commission in a report called *Supporting the Long-Term Sustainability of Housing and Neighborhoods in Grand Rapids* (December 2010). This report was endorsed by a coalition

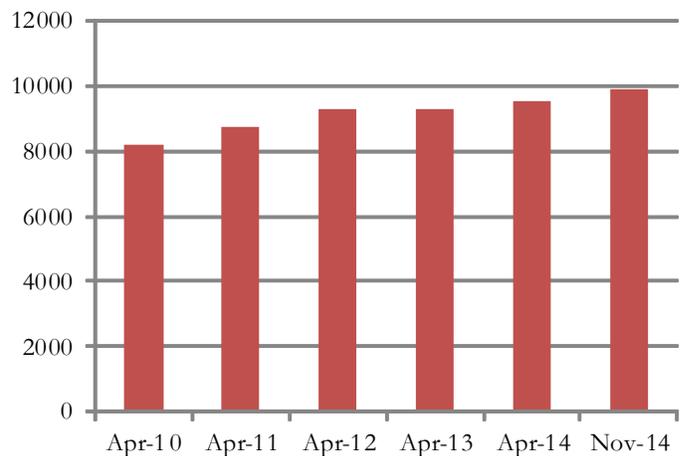
Graph 2

Single- and Two-Family Rental Property Ownership

Non-Local Zip Code



Local Zip Code



	Apr-10	Apr-11	Apr-12	Apr-13	Apr-14	Nov-14
Non-Local	5,755	6,228	6,329	6,647	6,488	6,386
Local	8,199	8,777	9,304	9,305	9,557	9,885

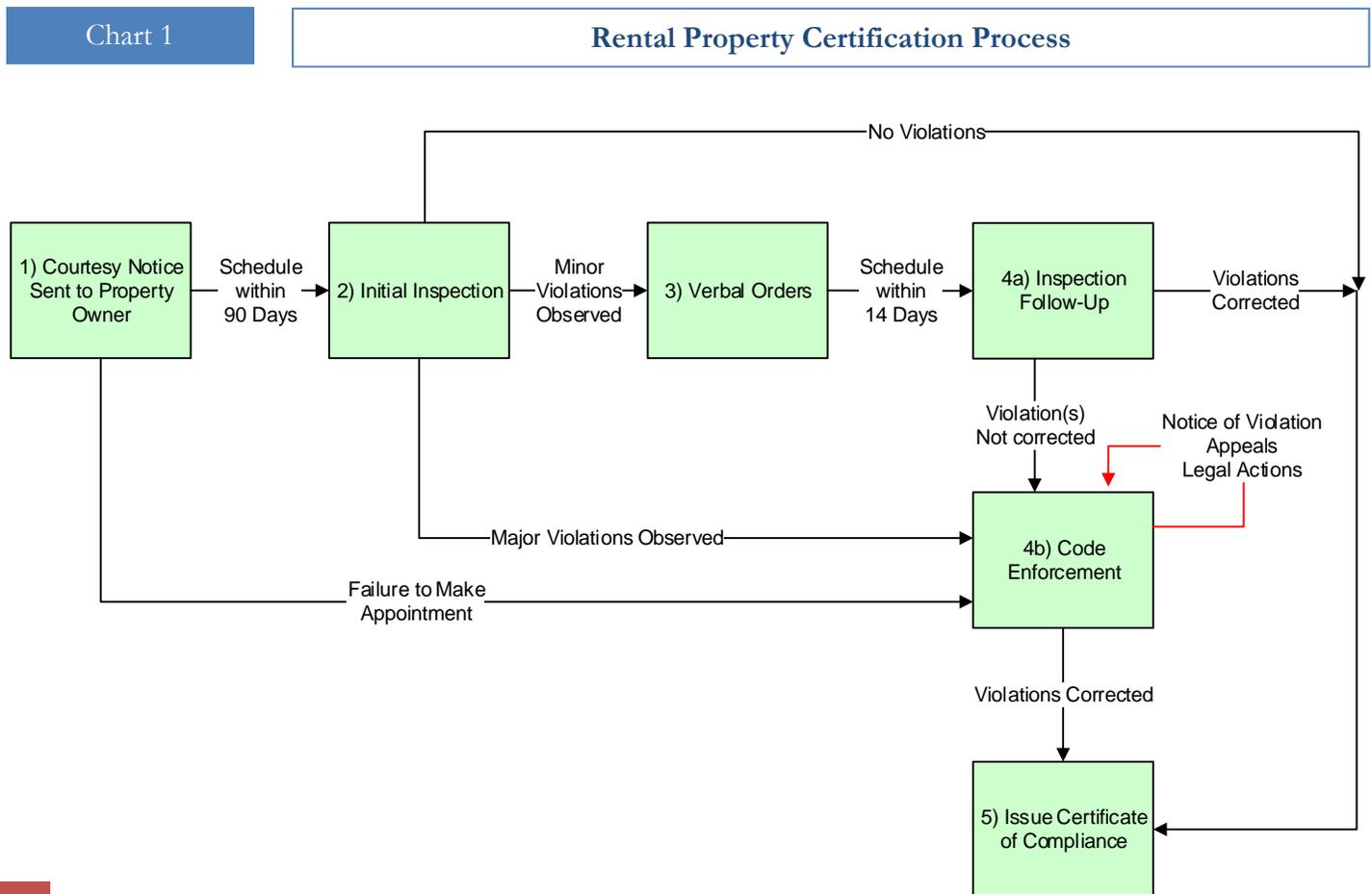
Background

representing 25 community organizations concerned about the health, safety, and quality of rental housing in Grand Rapids.

In October 2011, the Grand Rapids City Commission approved expansion of the rental property certification program to include single-family properties. At the time, less than 11 percent of two-family rental properties were certified and single-family rental properties had never been certified. This meant there were over 13,000 properties requiring certification. To accomplish this feat, the City Commission approved additional staff resources with the goal of inspecting and certifying all single- and two-family properties over a four year period.

Prior to 2012, these properties were only inspected as a result of citizen complaints. The expansion of the program led to the establishment of a proactive system of inspections to assure rental properties are maintained according to standards set forth by the City's Property Maintenance Code. This workflow process is illustrated in Chart 1.

By January of 2012, seven Code Compliance Officer positions were authorized in the Community Development Department's Code Compliance budget to handle the significant increase in rental inspections. However, only six positions were filled and authorized from that point forward. The new program became fully operational in July 2012.



Background

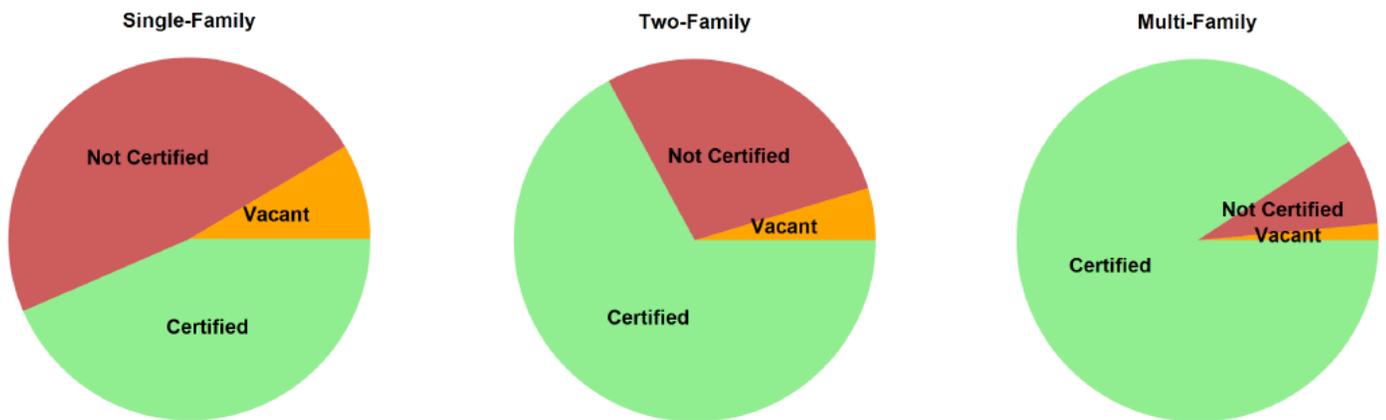
Prior to launching the program, an ad hoc advisory committee was formed. Comprised of property owners, neighborhood representatives, and housing and tenant advocates, the Rental Housing Code Advisory Committee met from January 2012 through February 2013. The committee developed a four-year, neighborhood-by-neighborhood implementation plan set for completion in summer 2016.

The certification process requires Code Compliance Officers to inspect occupied single- and two-family rental properties to assure compliance with the Grand Rapids Property Maintenance Code. Rental property owners are provided with a courtesy notice that their property is due for inspection within 90 days. Upon completion of the inspection process, rental proper-

ties receive a Certificate of Compliance. Single-family certifications must be renewed every four or six years, while two-family certifications must be renewed every two, four, or six years depending on specific criteria in the code. If violations exist, the property owner receives verbal orders or a Notice of Violation, depending on severity of the violation. If no violations are present, a Certificate of Compliance is immediately issued.

Single-family rentals comprise 58 percent of all rental buildings in Grand Rapids. Together single- and two-family properties make up 89 percent of the rental buildings. As of March 2015, Graph 3 shows that 43.5 percent of single-family rental properties and 67.1 percent of two-family rental properties have been certified.

Graph 3 Status of Rental Properties*



Buildings	Certified	%	Not Certified	%	Vacant**	%	Total	Open Cert Cases
Single-Family	4,376	43.5%	4,825	48.0%	858	8.5%	10,059	1,071
Two-Family	3,432	67.1%	1,444	28.2%	238	4.7%	5,114	665
Multi-Family	1,784	90.8%	152	7.7%	29	1.5%	1,965	237
	9,592		6,421		1,125		17,138	1,973

**Registered as vacant in last 12 months or identified as vacant by staff in last 12 months.

*as of 03/30/2015

Program Activities

This section covers inspection activities since expanding the rental property certification program in 2012. The City of Grand Rapids Community Development Department added six Code Compliance Officers, which was a 60 percent increase in inspection staff. This allowed staff to be organized into four teams based on geographic areas. Graph 4 shows that with the additional inspection staff and new efficiencies in process, there was a dramatic increase in the number of properties inspected and certified. In 2011, 455 certificates were issued with an average of 46 per inspector. In 2013, this number increased more than five times to 2,937 with an average of 184 per inspector. Graph 4 also shows the cyclical nature of certifications, as there is a recurring drop in first quarter certifications attributable to deferred exterior repairs

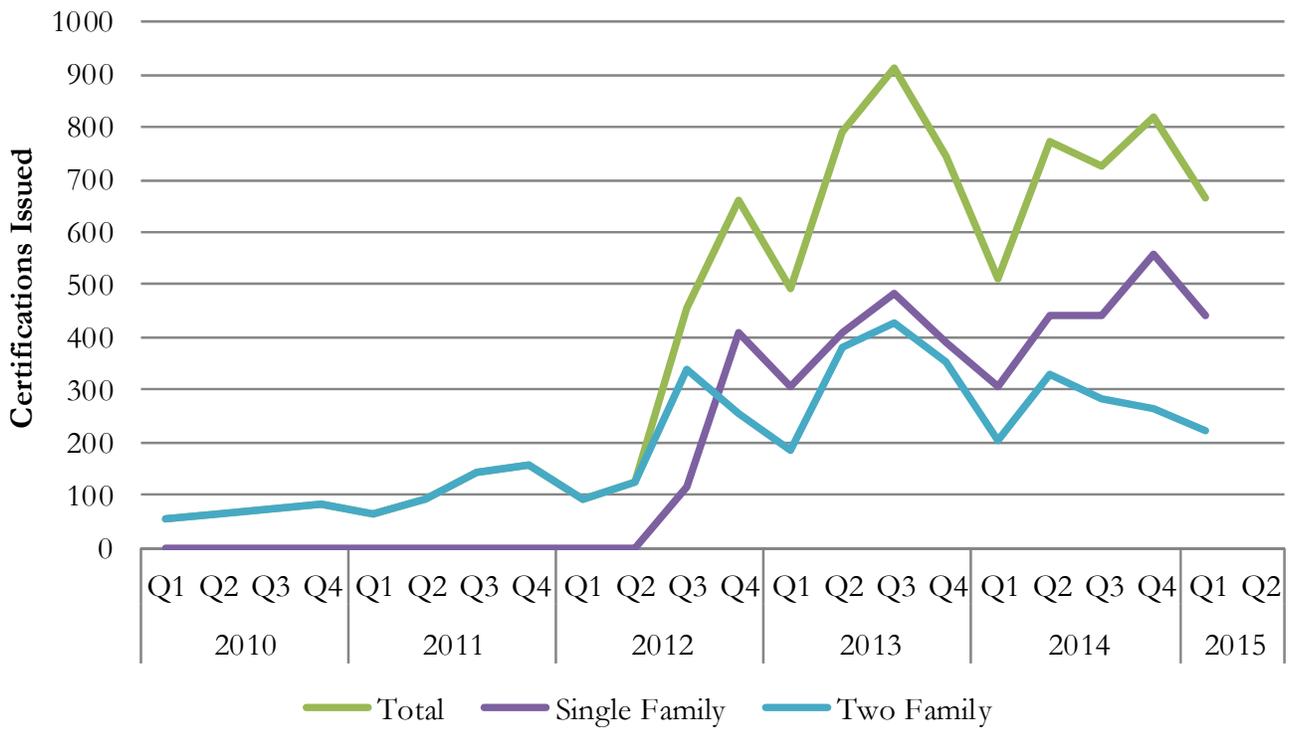
during cold weather.

Each inspection team is comprised of four Code Compliance Officers, including a senior team leader. Proactive inspections focus each

In 2011, 455 certificates were issued with an average of 46 per inspector. In 2013, this number increased more than five times to 2,937 with an average of 184 per inspector.

team on one neighborhood at a time. This inspection schedule was planned in the spring of 2012 with guidance from the Rental Housing Code Advisory Committee. Neighborhoods in each team area were prioritized according to the density of single- and two-family rental

Graph 4 Certificates of Compliance Issued



Program Activities

properties. Neighborhoods with higher concentrations were scheduled ahead of lower density neighborhoods. By first focusing on neighborhoods with high concentrations of rental properties, the intent was to generate a concentrated impact for noticeable neighborhood improvement.

Code Compliance has started proactive certification cases in sixteen different Grand Rapids neighborhoods since July 2012, with twenty-one additional neighborhoods planned over the next fifteen months. Thus far, the expanded program is on schedule. As shown in Table 1, inspection activities have exceeded original goals for starting new certification cases. It is important to note that inspectors do not control how quickly

cited repairs are corrected. When necessary, Code Compliance pursues legal actions to obtain completion of cited repairs. Timely repairs result in lower fees. A *Basic Requirements* checklist is provided to owners in advance of the inspection (see Appendix A). Property owners who prepare by pre-inspecting their properties are able to keep fees down when compared to owners who do not prepare the property prior to City inspections.

The following pages provide maps for each of the four teams and a summary of the rental property certification status in each neighborhood.

Table 1

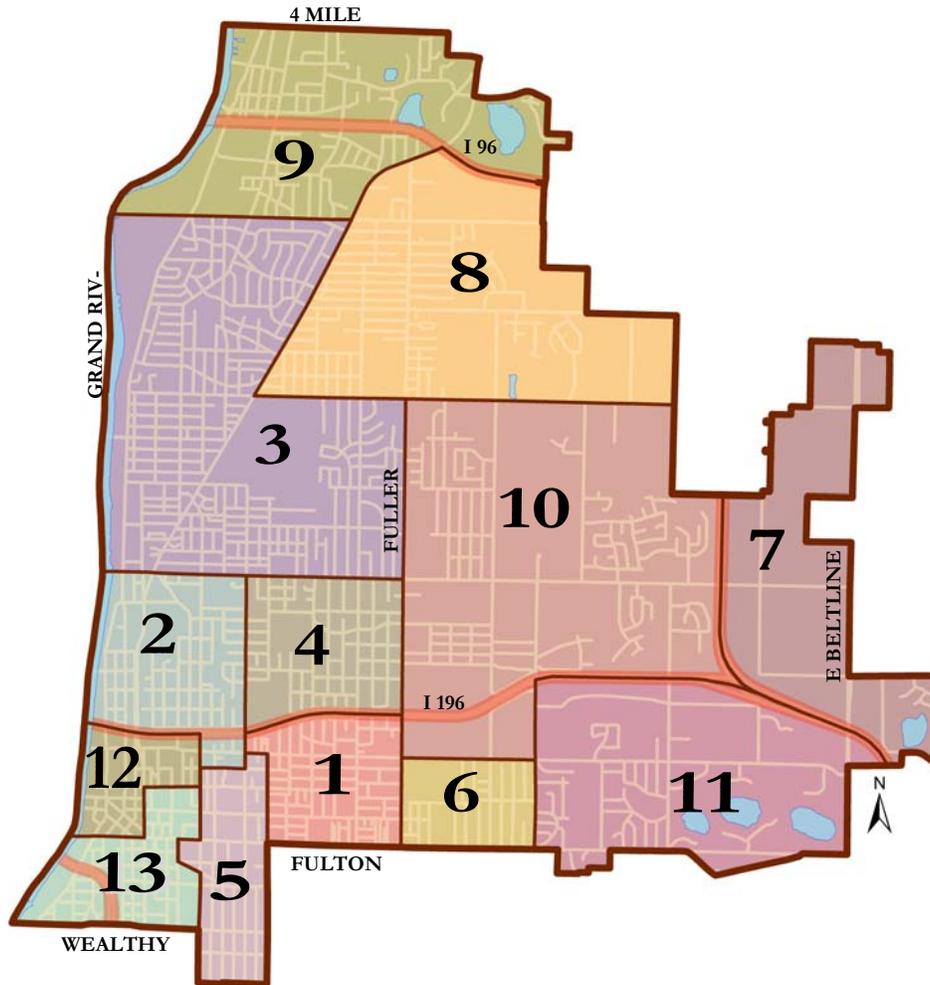
Single- and Two-Family Certification Goals and Progress

	Certification Cases Started		Certifications Issued
	GOAL	ACTUAL	
First Ward			
Year 1 (July 2012-June 2013)	1,434	1,891	967
Year 2 (July 2013-June 2014)	1,434	1,802	1,273
Year 3 (July 2014-March 2015)	1,080	1,298	929
Total	3,948	4,991	3,169
Second Ward			
Year 1 (July 2012-June 2013)	1,166	1,772	848
Year 2 (July 2013-June 2014)	1,166	907	939
Year 3 (July 2014-March 2015)	878	1,356	711
Total	3,210	4,035	2,498
Third Ward			
Year 1 (July 2012-June 2013)	1,195	1,375	587
Year 2 (July 2013-June 2014)	1,195	828	723
Year 3 (July 2014-March 2015)	900	877	570
Total	3,290	3,080	1,880

Program Activities

Map 1

North Team Inspection Area



Order	Neighborhood	Proactive Start Date	Open Cert Cases	Single-Family Rentals**	Single-Family % Certified	Two-Family Rentals**	Two-Family % Certified
1	Midtown	Jul, 2012	14	353	68%	253	89%
2	Belknap Lookout	Nov, 2012	69	421	77%	223	84%
3	Creston	Apr, 2013	198	933	63%	363	72%
4	Highland Park	Nov, 2014	82	190	44%	62	55%
5	Heritage Hill	Feb, 2015	194	123	11%	191	32%
6	Fulton Heights	Jul, 2015*	2	106	6%	14	36%
7	Leffingwell-Twin Lakes	Sep, 2015*	0	29	0%	0	0%
8	North End	Oct, 2015*	0	294	1%	21	14%
9	North Park	Jan, 2016*	0	164	4%	18	22%
10	Northeast	Mar, 2016*	0	251	4%	35	31%
11	Michigan Oaks	Jun, 2016*	0	54	0%	3	0%
12	Downtown	Jun, 2016*	1	19	5%	9	22%
13	Oldtown-Heartside	Jun, 2016*	0	10	10%	5	20%

Data as of 04/16/2015

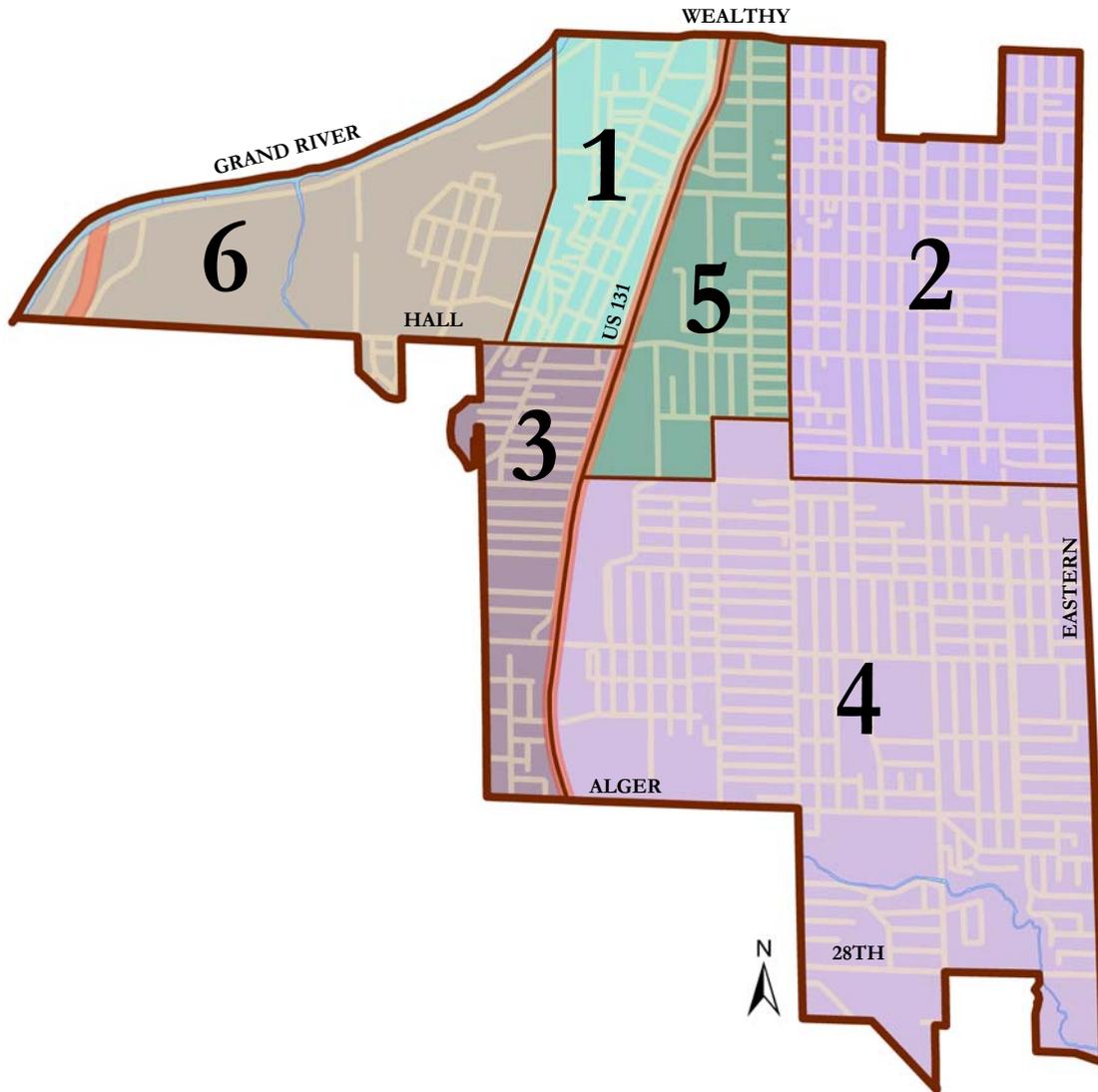
*Projected Start Date

**Data includes vacant property

Program Activities

Map 2

South Team Inspection Area



Order	Neighborhood	Proactive Start Date	Open Cert Cases	Single-Family Rentals**	Single-Family % Certified	Two-Family Rentals**	Two-Family % Certified
1	Grandville	Jul, 2012	7	122	68%	152	86%
2	Southeast Community	Aug, 2012	47	645	64%	418	75%
3	Roosevelt Park	Jul, 2013	19	201	64%	117	78%
4	Garfield Park	Dec, 2013	297	1089	27%	415	49%
5	Southwest	Apr, 2016*	21	57	11%	50	34%
6	Black Hills	Jun, 2016*	0	88	5%	12	25%

Data as of 04/16/2015

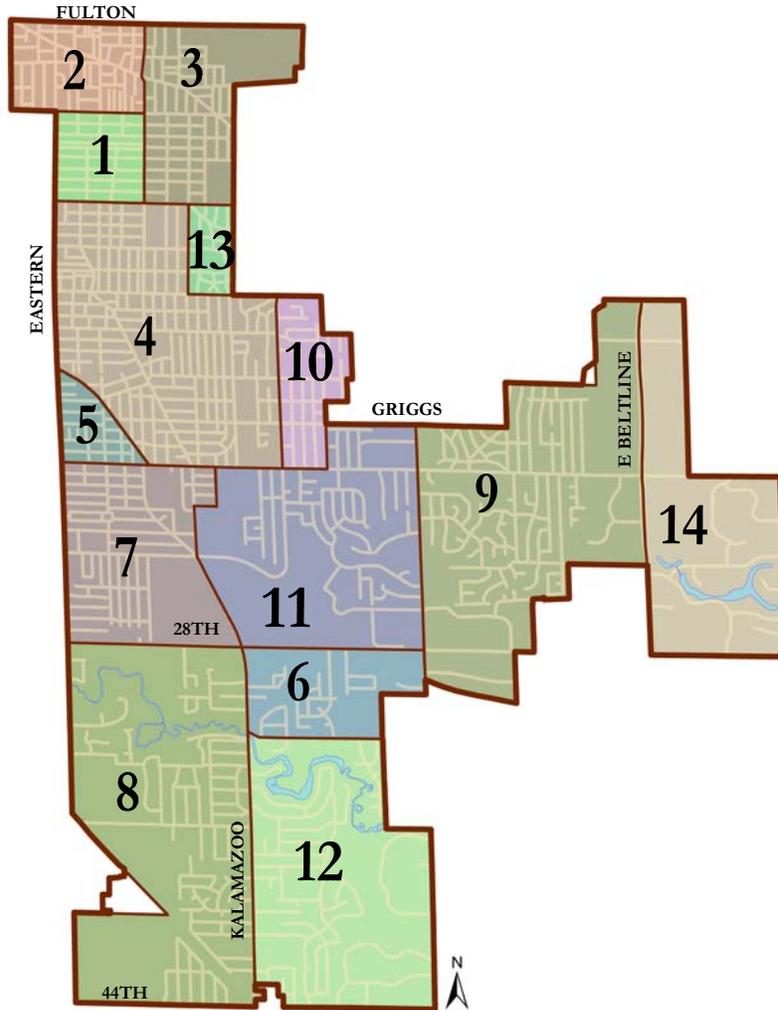
*Projected Start Date

**Data includes vacant property

Program Activities

Map 3

Southeast Team Inspection Area



Order	Neighborhood	Proactive Start Date	Open Cert Cases	Single-Family Rentals**	Single-Family % Certified	Two-Family Rentals**	Two-Family % Certified
1	Baxter	Jul, 2012	18	316	64%	111	72%
2	East Hills	Oct, 2012	28	245	72%	338	82%
3	Easttown	Jul, 2013	25	250	78%	186	83%
4	Southeast End	Nov, 2013	290	1002	48%	194	65%
5	Eastern-Burton	Apr, 2015*	2	135	7%	18	33%
6	Shangrai-La	Jun, 2015*	0	28	0%	35	14%
7	Alger Heights	Jul, 2015*	3	296	5%	12	50%
8	ken-O-Sha Park	Oct, 2015*	2	136	2%	103	18%
9	Ridgemoor Park	Jan, 2016*	4	119	2%	109	21%
10	Eastgate	Mar, 2016*	0	75	3%	6	17%
11	Shawnee Park	Apr, 2016*	1	85	2%	14	29%
12	Millbank	May, 2016*	0	112	0%	38	18%
13	Ottawa Hills	Jun, 2016*	0	13	0%	0	0%
14	Lake Eastbrook	Jun, 2016*	1	4	0%	19	37%

Data as of 04/16/2015

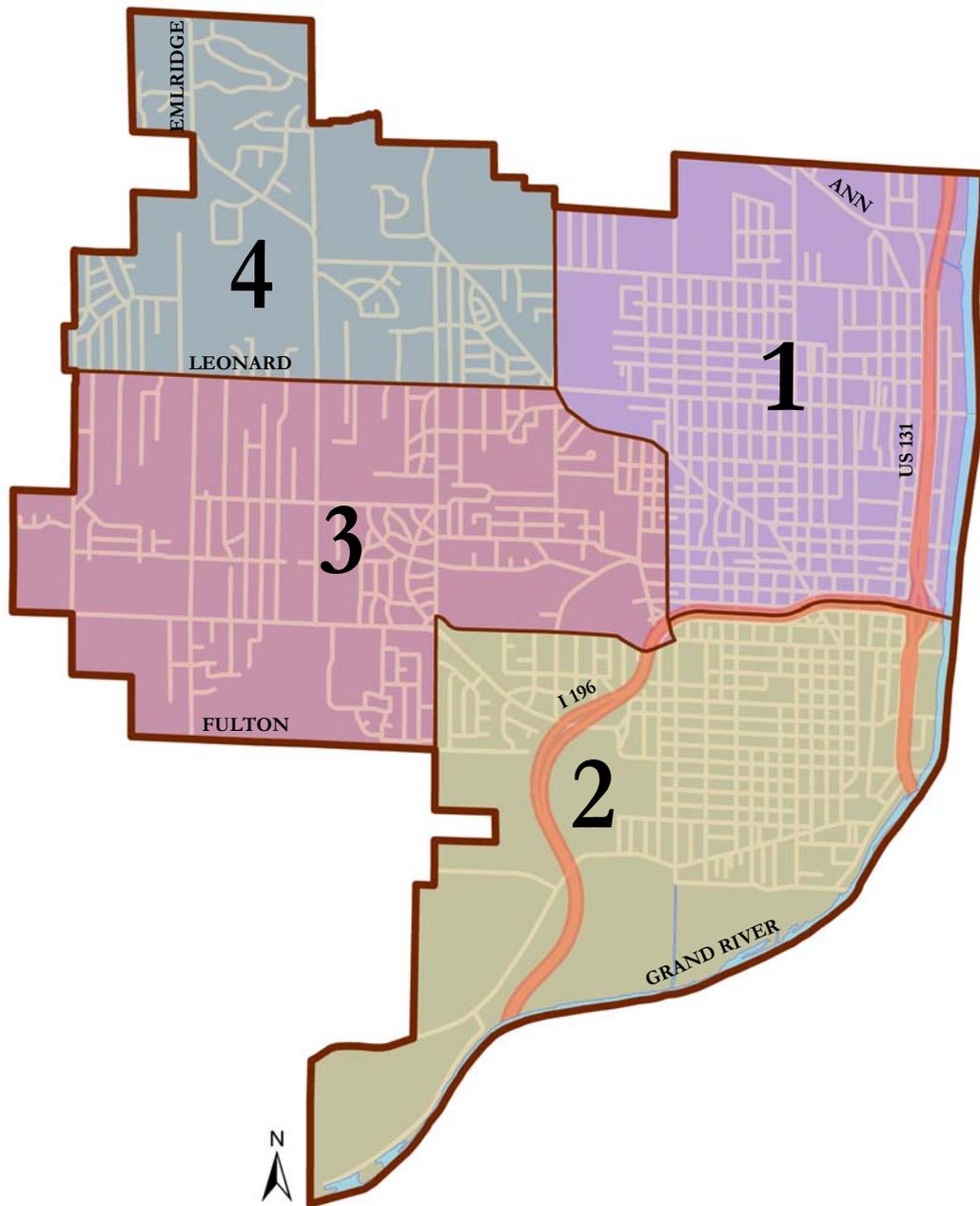
*Projected Start Date

**Data includes vacant property

Program Activities

Map 4

West Side Team Inspection Area



Order	Neighborhood	Proactive Start Date	Open Cert Cases	Single-Family Rentals**	Single-Family % Certified	Two-Family Rentals**	Two-Family % Certified
1	West Grand	Jul, 2012	112	903	69%	815	83%
2	John Ball Park	Oct, 2013	190	723	63%	527	72%
3	Shawmut Hills	Feb, 2015	23	238	6%	45	29%
4	Richmond-Oakleigh	Jun, 2016*	0	101	1%	11	18%

Data as of 04/16/2015

*Projected Start Date

**Data includes vacant property

Program Impact

As shown in the previous section, the expansion of the rental property certification program has significantly increased the number of rental property inspections and Certificates of Compliance, but these activities are not the purpose of the program. The purpose of this program is to protect the public health, safety and general welfare of City residents. The general purpose includes, among others, the following specific objectives :

1. To protect the character and stability of residential areas within the city.
2. To provide minimum standards for the maintenance of existing residential buildings and thus to prevent the spread of slums and blight.
3. To preserve the taxable value of lands and buildings throughout the city.

This section looks beyond program activities in an effort to measure how program activities directly impact Grand Rapids' residents and neighborhoods. Data sources include City Code Compliance records, City Building Inspection records, and data collected from a recent survey of property owners and managers. The focus is on metrics specific to this program rather than larger neighborhood conditions such as property values and crime rates, which are influenced by a wide range of factors beyond rental housing inspections.

Improvements Resulting from Courtesy Notice

Data findings show that the proactive rental property certification process directly impacts the safety and quality of living conditions for tenants. In fact, significant property improvements are made in advance of the initial City inspection, many of which deal with immediate health and safety issues. After a courtesy notice is sent, owners have up to 90 days to

Nearly 90 percent of properties receiving verbal orders were cited for an immediate health and safety issue.

prepare a property for inspection and make improvements prior to the first City inspection. Survey results show that during that time 68 percent of properties undergo repairs.

More experienced property owners and managers were more likely to pre-inspect a property in advance of the City inspection, while property owners going through the process for the first time were less likely to prepare in advance. By preparing a property in advance of the first City inspection, owners and managers are able to avoid enforcement fees. Most common pre-inspection activities include mechanical equipment maintenance, installation of window security pins, and replacement or addition of code approved smoke alarms. Overall, 40 percent reported making the majority of the property improvements prior to the initial City inspection.

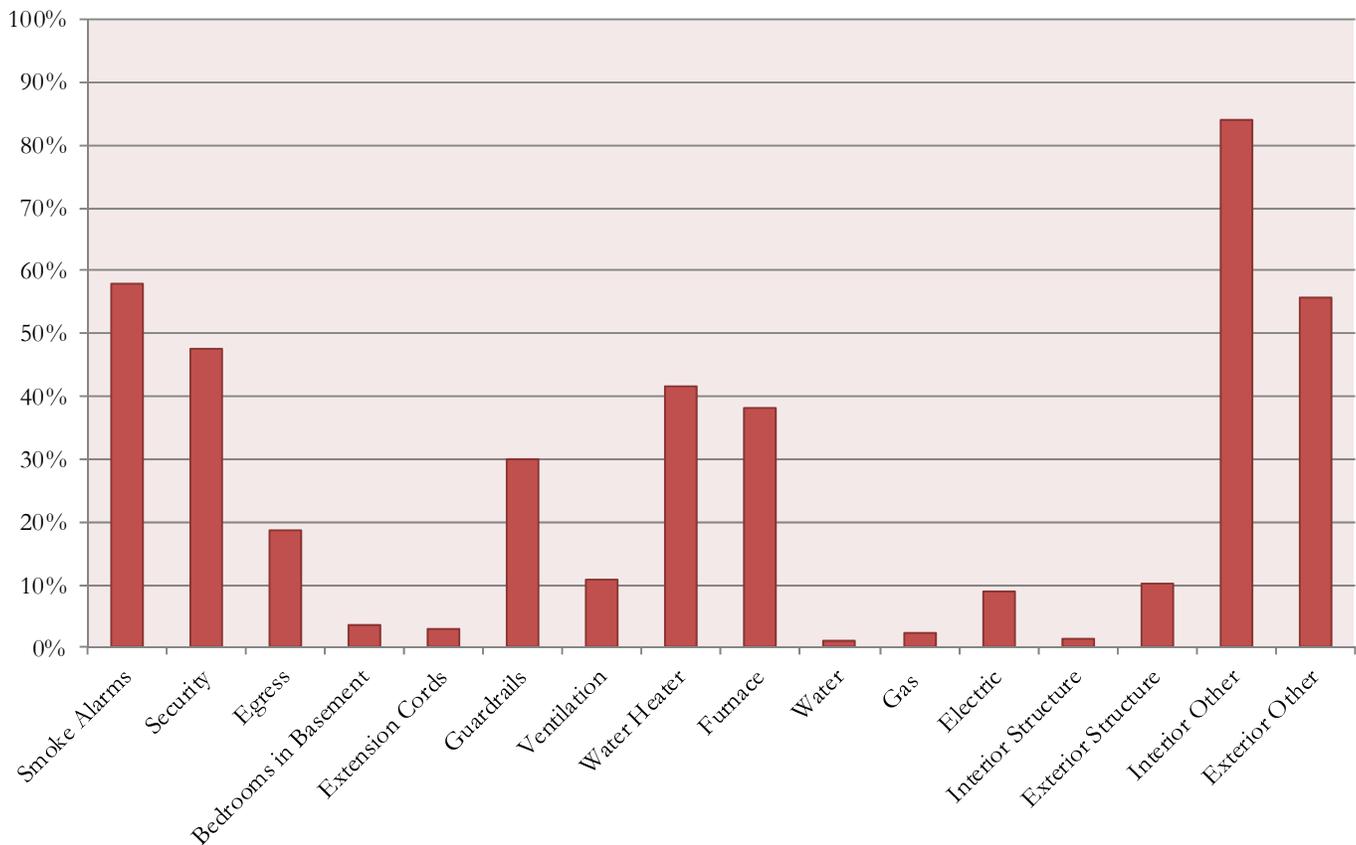
Program Impact

Improvements Resulting from Verbal Orders

Additional improvements occur after the initial City inspection. City staff will issue verbal orders when required repairs can reasonably be completed within two weeks of the first inspection. During the property certification process, 72 percent of properties are issued verbal orders. Graph 5 shows the types of repairs completed on rental properties where verbal orders are issued. Immediate health and safety violations are common. Nearly 90 percent of properties receiving verbal orders were cited for at least one immediate health and safety issue. Of these health and safety issues, common violations were related to smoke

alarms and home security. Problems with misplaced, absent, or non-compliant smoke alarms existed in 58 percent of the rental homes receiving verbal orders. Security issues were present in 47 percent of the verbal orders. The majority of the security problems cited were missing window pins, which are used to lock an open window in place and deter entry. The security category also included missing deadbolt locks from exterior doors, which make homes more vulnerable to burglary and theft. Another common health and safety issue was maintenance of mechanical equipment, which was present in more than 20 percent of the verbal orders inspected. Mechanical maintenance issues include inspection stickers on water heat-

Graph 5 Verbal Orders by Repair Category



Program Impact

ers and furnaces, as well improperly functioning or absent water heaters, ventilation, or furnaces. Fifty-two percent of the verbal orders featured some issue related to mechanical systems.

More than 88 percent of verbal orders had a non-immediate issue cited that ranged from foundation tuck-pointing to insufficient number of electrical outlets. Verbal order findings reveal a pattern of housing code violations in single-and two-family rental housing that create unsafe environments for renters. Typically, properties under verbal orders had violations in four different repair categories shown in Graph 5, pointing to a variety of repairs completed as a result of verbal orders.

Of the 7,546 properties that have been certified through the program between July 1 2012 and March 31 2015, 5,470 received verbal orders. Over 2,500 properties had security improvements that assure properties are less susceptible to burglary and theft. Over 3,100 properties have had corrections made to misplaced, absent, or non-compliant smoke alarms. Data demonstrates a large number of repairs resulting from verbal orders which have a direct impact on occupants' health and safety.

Improvements Resulting from Violation Notice

Additional property improvements come after a Notice of Violation (NOV) is issued. NOVs are issued when there is a large number of required repairs, the repairs are more time intensive, and/or hazardous conditions exist. A NOV is also issued when verbal orders are not completed in a timely manner. Similar to verbal

orders, a review of NOVs demonstrates that the rental property certification process affects the quality and safety of living conditions for tenants. Immediate health and safety repairs were addressed in 44 percent of the orders. In addition, NOVs were more likely to address exterior improvements, which also benefit neighbors. Repairs made to exterior and interior structures and surfaces were the two largest categories of repairs resulting from NOVs. Following closely behind are repairs to electrical systems, security improvements, and mechanical equipment maintenance and repairs. Graph 6 shows the frequency of repairs in response to a Notice of Violation.

Impact of Functioning Smoke Alarms

The rental property certification program stresses the importance of smoke alarms that are functioning and strategically placed in bedrooms and other living spaces. The Fire Department strongly supports the role Code Compliance Officers have in City fire prevention efforts.

“Every year, the majority of fires and related fire deaths in the United States occur in the place we all feel the safest—our homes. Through regular inspections and education, we can help ensure the safe maintenance of homes and the proper installation of smoke alarms, two factors that play an important role in preventing fires and lessening its impact on the safety and well-being of our citizens.”

—Dan VanderHyde, Acting Fire Marshal
Grand Rapids Fire Department

Program Impact

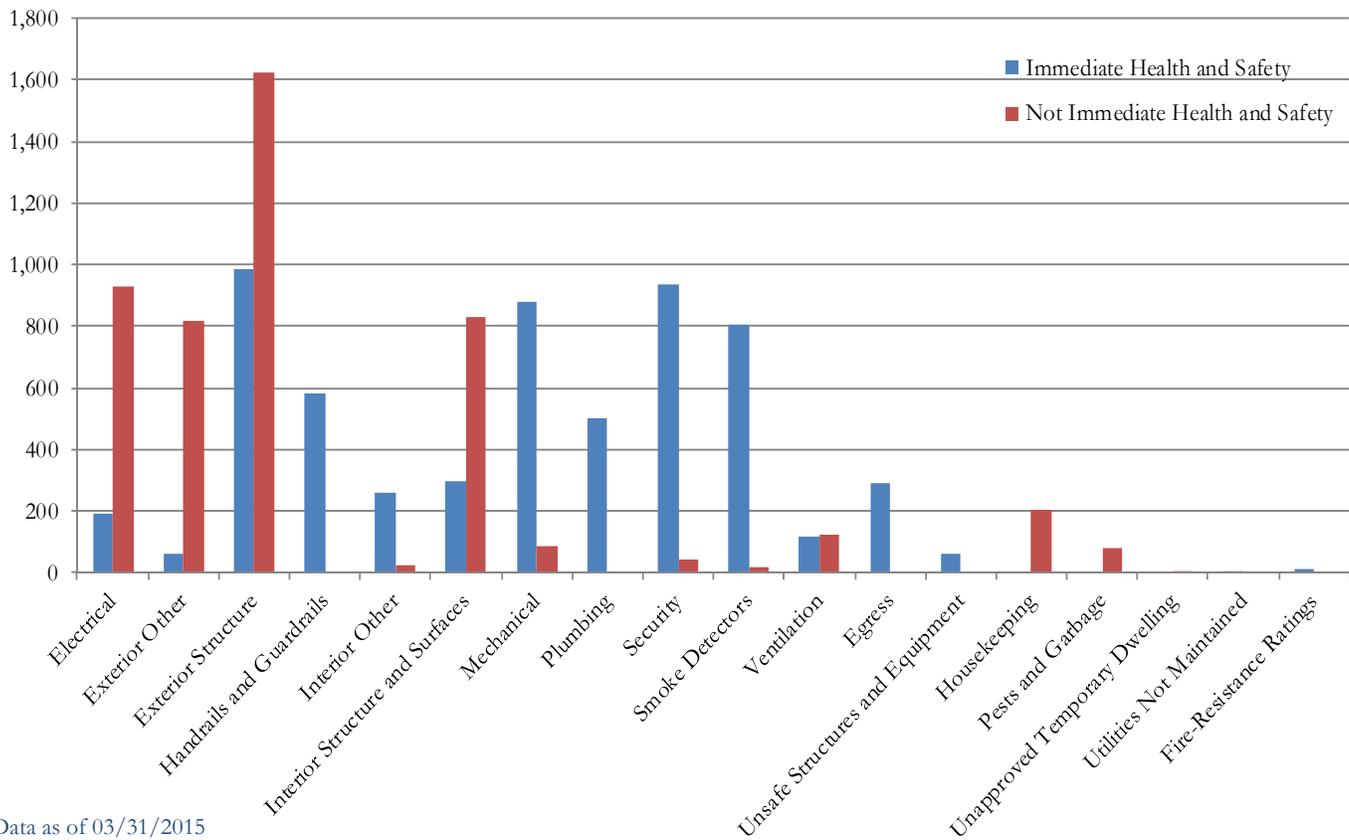
Functioning smoke alarms are shown to directly reduce the risk of death for occupants. According to the National Fire Protection Association, in 2007-2011, three of every five home fire deaths resulted from fires in homes with no smoke alarms or no working smoke alarms. The death rate per 100 reported home fires was more than twice as high in homes that did not have any working smoke alarms (1.18 deaths per 100 fires) compared to homes with working smoke alarms (0.53 deaths per 100 fires). Two-thirds (69%) of home fire deaths were caused

by fires in homes with smoke alarms powered by battery only. In reported home fires in which the smoke alarms were present but did not operate, almost half (47%) of the smoke alarms had missing or disconnected batteries. One-quarter (24%) of the smoke alarm failures were due to dead batteries.⁶

The Grand Rapids Fire Department maintains a list of approved smoke alarms that are verified and tested by Code Compliance Officers during the inspection.⁷ The City of Grand Rapids

Graph 6

Notice of Violation Repairs Completed by Category



Data as of 03/31/2015

6. National Fire Protection Association, NFPA.org Smoke Alarms Fact Sheet, <http://www.nfpa.org/~media/Files/Research/NFPA%20reports/Fire%20Protection%20Systems/ossmokealarms.ashx>
 7. City of Grand Rapids Fire Department, Smoke Detectors Information, <http://grcity.us/fire-department/Pages/Community/Smoke-Detectors.aspx>

Program Impact

Smoke Detector Ordinance, Chapter 169, Home Safety, requires hard wired (interconnected) smoke detectors with battery back up, or 10-Year Sealed Lithium Smoke Detectors to be installed in residential rental properties.

Furnace and Hot Water Heater Maintenance

Grand Rapids Property Maintenance Code requires rental dwellings' heating systems and heating appliances be inspected and serviced by a licensed heating contractor at least every four years. During the certification inspection, Code Compliance Officers verify that heating appliances, such as furnaces and hot water heaters have been stickered by a licensed contractor within the last four years. One important reason for this requirement is to reduce the risk of carbon monoxide poisoning. A cracked heat exchanger has the potential to increase carbon monoxide levels and pose a danger to occupants. Licensed contractors participating in the sticker program have reported that 15-20% of the single- and two-family rental properties require mechanical replacements

due to cracked heat exchangers. One contractor reported 70% of the inspections result in a permit being pulled. Often times this is due to improperly installed equipment. Issues range from a lack of chimney liner, bad venting, or no relief tube on the water heater.

Neighborhood Preservation

After an extensive two year community input process involving 2,500 participants, the Grand Rapids Master Plan was adopted in November 2002. The Master Plan places a high priority on preserving neighborhoods through continuous reinvestment in the housing stock, especially in neighborhoods experiencing the stresses of age and disinvestment. Quality housing stock is a vital component of a healthy neighborhood. The Master Plan states:

Preserving the stability of strong neighborhoods and revitalizing neighborhoods that are experiencing the stresses of age and disinvestment are high priorities in Grand Rapids. Great neighborhoods are the foundation of a great city; they are the physical and social expressions of community. (Page 27)

Table 2

Estimated Investment in Single- and Two-Family Rentals

	Certifications Issued	Investment
Year 1 (July 2012-June 2013)	2,402	\$12,238,190
Year 2 (July 2013-June 2014)	2,934	\$14,948,730
Year 3 (July 2014-March 2014)	2,210	\$11,259,950
Total	7,546	\$38,446,870

Program Impact

A local policy study completed in 2011 examined neighborhoods with high concentrations of single-family rental properties, showing that these neighborhoods also have a high prevalence of pre-1950 housing and have a higher concentration of low-income residents and where young children are most likely to reside. These are also neighborhoods with high Hispanic and African American populations. The Rental Housing Inspection Policy Report states:

While the current multi-family inspection program does target certain neighborhoods with older housing, it is largely missing the mark when it comes to serving low-income families, families with children, and neighborhoods with high African American and Hispanic populations. While there is clear benefit to the multi-family certification program, it is obvious that not all of Grand Rapids citizens are receiving benefits from the one progressive code enforcement strategy being employed by the City of Grand Rapids. Instead, most low-income families, families with children, and many minority households must rely upon complaints in reaction to blatant code violations to ensure housing quality. (Rental Housing Inspection Policy Report, July 26, 2011, page 14)

The 2012 expansion of the rental property certification program is bringing new investment in rental properties and improving the health and safety of tenants. As a result, an estimated \$38.4 million has been invested by property owners to bring rental properties up to minimum standards established in the Property Maintenance Code as well to make additional improvements not necessarily required by code. The average investment during the certification process is \$5,095. Over 2,000 building and trade permits were issued for properties with an open rental certification case. This investment not only benefits tenants, but also protects properties against deterioration and improves the overall quality of housing stock in a neighborhood. After the first round of single- and two-family rental property certifications are completed, over 15,000 properties will have gone through the certification process representing over \$76 million worth of investment in Grand Rapids neighborhoods. The beneficiaries of this investment will include traditionally considered underserved and at-risk populations.

Table 3

Permits Issued by Type as a Result of Certification Program

	2012	2013	2014	2015*	Total
Building	45	113	117	17	292
Electrical	54	134	158	52	398
Mechanical	172	355	423	157	1,107
Plumbing	27	72	85	32	216
Total	298	674	783	258	2,013

*Data as of 03/31/2015

Program Impact

Reduced Housing Complaints

Tenants and neighbors are much less likely to submit a housing complaint regarding a certified rental property than an uncertified rental property. From July 2012 through November 2014, the City received housing complaints on 7.9 percent of the uncertified single- and two-family rental properties. During that same period the City received complaints on only 1.2 percent of certified properties. This means the City is over six times more likely to receive a housing complaint at an uncertified rental property.

Increased Rental Rates

While the rental property certification program is spurring a reinvestment in single- and two-family rental housing, an increase in rental costs has been identified by property owners. Although it is not clear how much of the repair

costs are passed on to tenants through increased rental rates, 22 percent of survey respondents reported that they are raising rents or plan to raise rents as a result of property repairs and improvements. Of the 22 percent, rents were reported to increase an average of \$99 per month. When averaging among all respondents it drops to \$21 per month.

While some of this increase maybe attributable to repair costs related to the rental property certification program, Grand Rapids' rental housing market is also impacting costs. Rental property vacancy rates have dropped by 50 percent in Grand Rapids over the past three years.⁸ According to a March 2015 real estate report by Zillow, the Grand Rapids-Wyoming Metropolitan Statistical Area (MSA) has a 1.6 percent apartment vacancy rate, the lowest in the country. Comparatively, the national vacancy rate was 7 percent at the end of 2014.⁹

8. *Market at a Glance* (2014, December), U.S. Department of Housing and Urban Development.

9. *Rental Vacancy: No Rooms for Rent*, Zillow Real Estate Research, March 11, 2015, <http://www.zillow.com/research/falling-rental-vacancy-9086/>.

Program Impact

Program Impact Summary

During the first six months of expanding the rental property certification program, property owners and managers had to adjust their business model in reaction to increased inspection requirements. For many, this has been a difficult transition. Some owners continue to resist proactive inspections, but many recognize it as a business necessity. Rather than a complaint driven process that relies on citizens, this is a systematic method. One landlord provided the following response to program:

Thank you for your considerate response to my concerns about scheduling. I can already see the positive impact of the Single Family Rental Inspections Program on the housing in my area. Several properties that have been neglected are being repaired because of the program. In the past, I have always cleaned, lubricated bearings, changed filters and generally inspected furnaces in properties that we own and manage. Because of the requirement for "professional" inspections of furnaces, I had all the furnaces and water heaters inspected in our properties this fall. We didn't find any furnaces that were in critical shape but did find that nine

furnaces should be replaced within a couple years. Therefore, we decided to replace those furnaces now to avoid the possibility of breakdown this or next winter. Without your new program requirement of an outside professional inspection we wouldn't have recognized this developing need. (Correspondence received December 2012 from owner of 12 southeast side rental properties.)

In response to the proactive single- and two-family inspections that began July 1 2012, property owners have corrected immediate health and safety issues at more than 5,600 rental properties. Many of these repairs and improvements not only benefit tenants, but create stability for neighbors. As of March 2015, the expanded program has generated an estimated \$38.4 million worth of investment in single- and two-family rental properties throughout the city. This investment not only benefits tenants, but protects properties against deterioration due to lack of maintenance and improves the overall quality of housing stock in a neighborhood.

Citations

Page 4

Grand Rapids Rental Housing Work Group. (2010, December). *Supporting the Long-Term Sustainability of Housing and Neighborhoods in Grand Rapids*. Grand Rapids, MI from *American Community Survey* (2010). State & County Quickfacts: Grand Rapids city, MI. Retrieved November 1, 2010 from <http://factfinder.census.gov>

Page 5

United States Census Bureau State & County Quick Facts (2013). <http://quickfacts.census.gov/qfd/states/26/2634000.html>

Market at a Glance (2014, December). In *U.S. Department of Housing and Urban Development*. Retrieved December 3, 2014, from <http://www.huduser.org/portal/MCCharts/MsasCharts.html?msalD=262434,24340&msaName=Grand%20Rapids-Wyoming,%20MI%20CBSA&dt=December%203,%202014>

Page 6

Healthy Homes Coalition of West Michigan. (2011, July 26). *Rental Housing Inspection Policy: A Review of Current Practices in Grand Rapids, MI and a National Survey of Model Programs*. Grand Rapids, MI.

Sustainable Neighborhoods: Housing Policy (2010, May). In *United Growth for Kent County*. Retrieved from www.unitedgrowth.org/pdfs/revitalizing_minutes/Sustainable_Neighborhoods_Housing_Policy.pdf

Vande Bunte, M. (2012, January 11). Grand Rapids Forging Ahead with Single-Family Rental Home Inspections. *The Grand Rapids Press*.

Page 20

City of Grand Rapids Master Plan (November 2002). http://grcity.us/design-and-development-services/Documents/master_plan_03_great_neighborhoods.pdf

Page 21

Healthy Homes Coalition of West Michigan. (2011, July 26). *Rental Housing Inspection Policy: A Review of Current Practices in Grand Rapids, MI and a National Survey of Model Programs*. Grand Rapids, MI.

About the Data

The majority of data referenced in this report is from internal City records and a random survey of property owners and managers. Additional sources include U.S. Census Bureau, U.S. Department of Housing and Urban Development, and local reports as cited.

City Records

The City Assessor maintains property owner records and Principal Residence Exemption (PRE) information referenced in the Background section. The City Building Inspection division maintains permit information referenced in the Program Impact section. The Code Compliance division maintains information related to housing complaints and rental property certification inspections referenced throughout this report. Unless otherwise cited, the timeframe for this data is July 2012 through March 2015.

This report uses sample data related to verbal orders recorded by Code Compliance Officers. During the initial rental property certification inspection, verbal orders may be given when repairs require less than two weeks to complete. Verbal orders are recorded in a narrative form rather than tabular form. Specific repair requirements for verbal orders cannot be readily summarized electronically. Instead, a verbal order sampling was performed to extrapolate summary data. The sample size was 520 verbal orders randomly selected from 4,700 properties certified after receiving verbal orders from July 2012 through August 2014.

Property Owner/Manager Survey

The Property Owner/Manager Survey was limited to owners and property managers directly involved in the rental property certification inspection process. The participants were randomly selected from a list of 400 properties certified during a 60 day timeframe from July 31, 2014 to September 29, 2014. There were 206 participants contacted by phone with a response rate of 41 percent (84 property owners/managers responded). Each interview was carried out according to a standard script. Interviews were conducted by City interns. Owners and managers were surveyed about overall experience with the program, repairs completed prior to first inspection, overall cost of property repairs/improvements, and changes in rental rates. Information collected from this survey was used to extrapolate estimates related to program impact.

Graphs and Tables

Graphs and tables in this report are based on City Assessor records (Graphs 1 and 2), records from the Building Inspection division (Table 3), and records from the Code Compliance division (remaining graphs and tables).

Appendix A: Basic Requirements Checklist for Certificate of Compliance

The purpose of a Certificate of Compliance inspection is to ensure your property meets the minimum standards of the Grand Rapids Property Maintenance Code and the 2012 International Property Maintenance Code. The intent is to ensure public health, safety, and welfare of occupants.

SCHEDULING

- Once you have received a **Notice of Rental Certification** call Code Compliance at (616) 456-3053 to schedule the inspection. You typically have up to 3 months from the date of the notice until the inspection deadline, but it is important to call our office within the first 30 days to schedule the inspection. This will help you avoid enforcement fees. Phone hours are Monday through Friday 8–11:00 a.m. and 1-3:30 p.m.
- Notify **tenants** at least 48 hours in advance of the inspection date.
- Use the pre-inspection checklist below to **prepare the property** and take the necessary corrective action prior to the inspection. This will allow you to receive a longer Certificate of Compliance and avoid enforcement fees.

EXTERIOR

- Roof**, flashing, drains; gutters and downspouts shall be sound, tight and not have defects that admit rain. Shingles should not be missing, worn to the point they are curling or damaged by trees. Gutters and downspouts should be in good repair; all parts intact and properly attached. (304.7)
- Chimneys** shall be maintained structurally safe and sound, and in good repair. Check for cracks and missing mortar. (304.11, 603.2)
- Exterior wall surfaces** must be free from holes, breaks, and loose or rotting materials. All exterior surfaces shall be protected from the elements and decay by painting or other protective covering or treatment. Loose paint particles must be removed in compliance with Lead Safe Work Practices. Power spraying peeling paint is not allowed, keep painted surface wet when scraping, Utilize tarps or sheet plastic to contain chips and remove daily. (304.2, 304.2.1, 304.6)
- From May 1 to October 31, **bare soil** located within thirty (30) inches of the foundation wall is prohibited due to presumed presence of lead. Dense vegetation, permanent paving material or a minimum 6" deep layer of mulch are options to comply. (304.2.1)
- Ensure all **handrails** and **guardrails** are securely anchored and in good repair. Handrails are required for any interior or exterior stairway with 4 or more stair risers. Guardrail openings must be 4" or less and are required where stairs or a drop is greater than 30". (307.1)
- Windows** and frames shall be kept in sound condition, good repair and weather tight. Check for peeling paint, broken storm window frames, insect screen damage, broken or cracked window panes. Insect screens required from May through October. (304.2, 304.13, 304.14, 304.17)
- Doors** and hardware shall be maintained in good condition. Each entry or exit from or to the exterior shall be equipped with an exterior light fixture controlled by a switch inside. Check for weather tight fit, deadbolt locks, peephole viewers on doors without adjacent window access, light fixture globe and bulb intact. Screen doors shall have a self-closing device in good repair. (302.11, 304.13, 304.15, 304.18.1, 304.14)
- All **foundation** walls shall be maintained, free from open cracks and breaks and prevent entry of rodents and pests. Check for holes or cracks where a pencil can penetrate the surface and fill them in. (304.5)
- Sidewalks** and **driveways** must be in a proper state of repair and maintained free from hazards. Check for cracks, breaks and uneven surfaces that create trip hazards. Shovel, if necessary. (302.3)
- Yard** maintained free of trash and grass under 12" tall. Approved leak proof, covered, outside garbage container must be provided. (Nuisance code, 308.3, 308.3.1)
- Outdoor storage** of materials of value is not permitted on a porch, in a front yard or closer than 3' to a dwelling, accessory building or to side or rear lot line. (302.10)

Appendix A: Basic Requirements Checklist for Certificate of Compliance

- Accessory structures**, including detached garages, sheds, fences and walls, shall be maintained structurally sound and in good repair. (302.7)

INTERIOR

- Interior wall surface**, including windows and doors, shall be maintained in good, clean and sanitary condition. Check for peeling paint, holes and other defective surface conditions. (305.3)
- Stairs and **walking surfaces** shall be maintained in sound condition and good repair. Handrails and guardrails must be firmly fastened and maintained in good condition. Check for trip hazards. (305.4, 305.5)
- Windows** accessible to the public must have a functioning locking device. Single or double hung sash windows accessible to the public must have easily removable window pinning to secure the window in a partially open position of 4 to 6 inches for ventilation. Windows must be easily openable and capable of being held in position by window hardware. (304.13.2, 304.18.2)
- Doors** must open and close easily, provide security for occupants and provide safe egress. No hasp hardware, double keyed locks or padlocks on egress or habitable room doors. Deadbolts not allowed on interior bedroom doors, unless in a rooming house. (304.15, 304.18, 304.18.1, 305.6, 702.3)
- Building must be free of insect and rodent **infestation**. (302.5, 309.1)
- Approved **smoke detectors** (see GR Fire Department's List of Approved Smoke Detectors) shall be located in every bedroom, outside sleeping area(s) and on every level. Smoke detectors must be properly installed and functioning. Test every one. (9.832, 9.833)
- Electrical service** shall be at least 3 wire, 120/240 volt, single phase, 60 amperes. Electrical equipment and appliances properly installed and maintained in a safe and approved manner. Two separate and remote receptacles in every habitable space. Every bathroom shall contain at least one receptacle. At least one electric light is required in every public hall, interior stairway, toilet room, kitchen, bathroom, laundry room, boiler room and furnace room. Extension cords shall not be used for permanent wiring. Check to ensure appliances are functional, sufficient receptacles in place, lighting provided and extension cords are not running over or under furniture or doors, (305.1, 603.1, 604.2, 605.1, 605.2, 605.3, 605.4)
- All **plumbing** fixtures must be installed and maintained in working order, free from obstructions, leaks or defects and be capable of performing the function for which they are designed. Sufficient volume and water pressure shall be supplied to plumbing fixtures to enable proper function. 110° hot water shall be provided. (504.1, 505.1, 505.3, 505.4)
- Any **heating system** or heating appliance not owned by the occupant of a unit shall be inspected and serviced by a licensed heating contractor at least every 4 years. Heat must supply a minimum temperature of 68° F. Ensure gas heating appliances, such as furnaces and hot water heaters have inspection sticker less than 4 years old. (602.3, 603.1, 603.1.1)
- Ensure all mechanical **ventilation systems** are in good repair and functioning as intended. This includes kitchen and bath exhaust fans, clothes dryer exhaust and fuel burning equipment exhaust vents. (403.2, 403.5, 603.1, 603.2)
- Bedrooms** must contain a minimum of 70 square feet and every bedroom occupied by more than one person shall contain a minimum of 50 square feet of floor area for each occupant. No bedrooms in unfinished basements, (404.4.1, 404.4.4, 404.4.5)
- A safe, continuous and unobstructed path of **egress** shall be provided from any point in a building to the public way. Indoor storage should be safe and sanitary; does not block doors, windows or stairways. Flammable liquid containers should not be stored inside. (108.1.2, 702.1)



Community Development Department

"Building Great Neighborhoods!"

300 MONROE AVENUE NW

GRAND RAPIDS, MICHIGAN 49503

(616) 456-3677

www.grcd.info