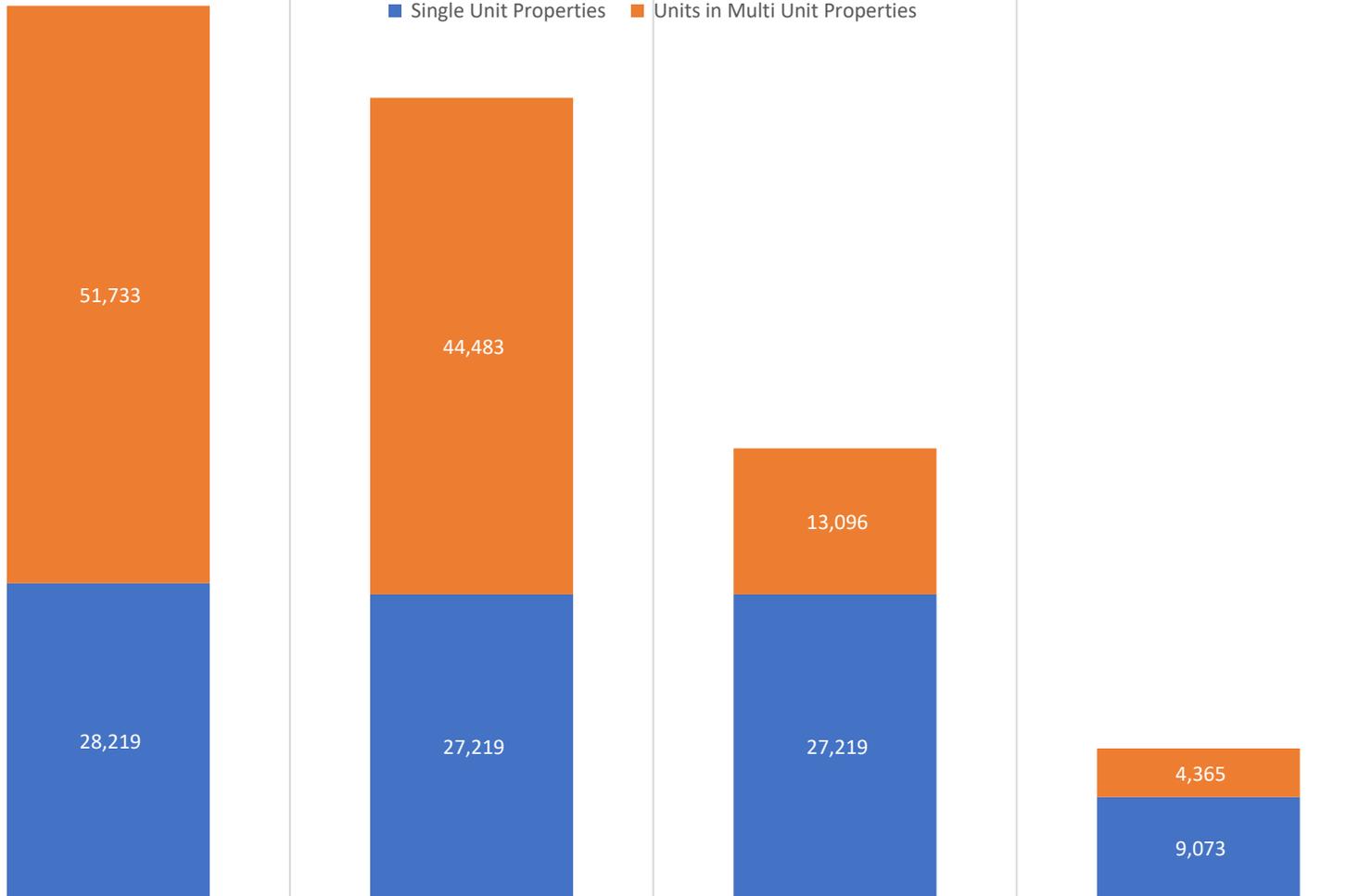


HOW MANY ANNUAL PROACTIVE INSPECTIONS WILL OMAHA NEED?

■ Single Unit Properties ■ Units in Multi Unit Properties



79,952
RENTAL UNITS

71,702
NET RENTAL UNITS

40,315
INSPECTIONS IN 3-YEAR CYCLE

13,438
ANNUAL INSPECTIONS

Estimated Costs of Proactive Inspectors in Three-Year Cycle of Proactive Rental Inspections

	Units	Exemptions	Proactive Inspections per 3 Years	Proactive Inspections per Year	Annual Inspections per Inspector	Proactive Inspectors Needed	Expense
Single Unit Properties	28,219	(1,000)	27,219	9,073			
Units in Multi Unit Properties	51,733	(7,250)	13,096	4,365			
Total	79,952	(8,250)	40,315	13,438	1,500	9	\$990,000

Units estimated based on 2017 American Community Survey

Estimated Units Exempted:

- 2400 Omaha Housing Authority
- 3400 Section 8
- 900 Low Income Housing Tax Credit
- 1500 Constructed in last 5 years

Multi-unit properties would be sampled based on size; 15% minimum.

1500 inspections assumes Omaha can perform at 80% of Council Bluffs' rate of over 1850 proactive inspections per year
See Jon Leu, "Bluffs Officials Crack Down on Unregistered Rental Properties," *Daily Nonpareil*, March 13, 2016.

Based on \$110,000 city costs per employee (based on current \$90,000 costs)

Estimated Revenue from Rental Registration

	Units	Annual Fee	Revenue	Revenue 90% Collection
Single Unit Properties	28,219	\$50	\$1,410,950	\$1,269,855
Units in Multi Unit Properties	51,733	\$20	\$1,034,660	\$931,194
Total	79,952		\$2,445,610	<u>\$2,201,049</u>
Annual Per Unit Average		\$30.59		
Monthly Per Unit Average		<u>\$2.55</u>		



HOW MANY PROACTIVE INSPECTIONS PER YEAR WILL OMAHA NEED?

The 2017 American Community Survey of the US Census Bureau shows Omaha has approximately 80,000 rental units. But Omaha would not need 80,000 inspections to complete a cycle of inspections.

- **Exempt the 8,000+ units already inspected by other government agencies.**
 - Omaha Housing Authority properties are already inspected annually (2,400 units)
 - Section 8 properties are already inspected annually (3,400 units)
 - Low Income Housing Tax Credit (LIHTC) properties are already inspected in three-year cycles with 25% sampling (800+ units).
 - Properties built within last five years were inspected upon completion.

➤ Thus less than 72,000 units would be subject to an inspection cycle.

- **Inspect all properties but not all units.** All properties would be inspected, but not all units in a multiplex would be inspected. So on a hundred-plex, inspectors could choose a random sample of 15. If those units were well-maintained, that would be enough. Sampling is successfully used for LIHTC properties, as well as in large cities such as Sacramento and Seattle.

➤ Thus about 40,000 proactive inspections would be needed per cycle. Many different scenarios were used as to what would be an appropriate sample of different sized multi-unit properties. All the results gravitated around a 40,000 result.

- **Aim for a three-year cycle.** Inspections could operate on a three-year cycle as is done in Council Bluffs. A one-year cycle would be reserved for properties that respond slowly to major violations, and for properties that failed to register.

➤ **THUS ABOUT 13,500 INSPECTIONS WOULD BE NEEDED PER YEAR.**

HOW MANY PROACTIVE INSPECTORS WILL OMAHA NEED?

Publicly-available data show that each of Council Bluffs' three inspectors can average more than 1800 inspections per year (Jon Leu, "Bluffs Officials Crack Down on Unregistered Rental Properties," *Daily Nonpareil*, March 13, 2016). Council Bluffs data covers both inspections and reinspections; that is, 1800 units are covered, for both inspections and reinspections. Council Bluffs is important because its overall mix of single-unit rental properties (38%) is closer to Omaha (35%) than La Vista (15%) or Minneapolis (16%).

Obviously Omaha is more spread out. But even if Omaha inspectors can only attain 1500 per year, 9 inspectors could cover the 13,500 proactive inspections per year. If inspectors can only attain 1050 inspections per year, 13 inspectors would be needed.

Some problem properties would end up being moved to a one-year cycle of inspections. In Minneapolis less than 2% of properties have been moved to a one-year cycle. Perhaps 2



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additional inspectors would be needed. Several existing inspectors will be able to move over to the proactive side, as cities that implement proactive inspections see substantial declines in complaint-based inspections.

It is reasonable to think that 11 to 15 additional inspectors could implement three-year cycles of proactive inspections. At current city costs of \$90,000 per inspector, \$1,000,000 to \$1,500,000 would be needed. Add \$500,000 for support and supervision, and \$2 million would be needed.

LANDLORD REGISTRATION FEES WOULD PAY FOR THE INSPECTIONS

- **Stiff fines on landlords who fail to register.** Council Bluffs charges a \$1000 fine on any unregistered rental unit it identifies. All good landlords can easily fill out the registration form, which would be one page, front and back. This will get all properties into the system.
- **Reasonable registration fees.** Annual registration fees could be \$50 for single-unit properties and \$20 per unit on multi-unit properties. Since most units in Omaha are in multi-unit properties, fees would average \$2.55 per unit per month. With median monthly rent at \$892 according to 2017 census data, costs would be negligible.
- **Fees would fund the system of proactive inspections.** The above registration fees would generate \$2.2 million per year, assuming 90% compliance. The additional \$2.2 million in fees would more than double Omaha's code enforcement, support and supervisory staff.
- **Indirect economic effects would be positive.** Improvement in health and safety levels of housing will improve the health of its residents, both children and adults. Neighborhood property values will improve by halting the cycle of abandoned properties before it begins.

OTHER CONSIDERATIONS

What happens if we have underestimated the expenses? What happens if the inspection process is more time-consuming? Then the three-year cycle turns into a three-and-a-half-year cycle, or a four year cycle. Omaha does not need a Lexus model of inspection systems. But we do need a reliable Ford or Chevy model. If Council Bluffs can do it, Omaha can too.

It is likely the system will become more efficient over time. Once inspections commence, word will get around regarding what the minimum standards are. Council Bluffs found that in the second year of its three year cycle, the failure rate for inspections plummeted, as landlords learned to become proactive in making sure their properties were up to code.

OTOC believes it would be appropriate to do a pilot project of proactive inspections. Not only would the data collected provide evidence of the state of rental housing in the city, it would provide data about what it would take to operate a system of inspections citywide.