



# Commerce City

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## Council Communication

File Number: Ord 2541

**Agenda Date:** 10/9/2023

**Version:** 1

**Status:** Agenda Ready

**In Control:** City Council

**File Type:** Ordinance

### SECOND AND FINAL READING OF AN ORDINANCE ESTABLISHING A LONG-TERM RENTAL REGISTRATION AND INSPECTION LICENSURE PROGRAM IN THE CITY OF COMMERCE CITY

#### **Summary and Background Information:**

The purpose of this ordinance is to create a rental licensing and inspection program for rental units within Commerce City. Safe and stable housing provides a foundation that allows individuals, families, and communities to thrive. The renter community in Commerce City makes up a sizable portion of the population, but the City does not currently conduct proactive rental property inspections for health, safety, and habitability standards.

The program will protect the health and safety of tenants, improve the quality of rental housing within Commerce City, and ensure that landlords are meeting their responsibilities as property owners. The proposed program features two primary components - property registration and proactive rental inspections. The proposed program would require all property owners to enroll their properties into the program and submit their rental unit(s) to inspections once every three (3) years to ensure compliance with minimum life, health, and safety standards.

Staff recommends a per-unit fee structure for this program. City staff's proposed fees would be as follows: each rental unit would require a \$150 licensing fee and a \$87.11 inspection fee. This \$237.11 over a three-year period equates to \$79.04 per year for a rental unit that passes its inspection the first time, or \$6.59 per month. Property owners will have the ability to pay this fee over the course of three years. This proposed fee structure is based on 100% cost recovery and an anticipated re-inspection rate of 60%. Staff intends to partner with property owners to achieve voluntary compliance with the program requirements whenever possible.

Based on the direction given by Council during the First Reading of this ordinance, staff has prepared two updated versions of the ordinance for Council to consider for adoption. Both versions have been included in the packet. In both versions, Exhibit A is the clean version of the code and Exhibit B contains the red strikethrough and blue italic changes from the original.

**Both Ordinances Versions A and B** have been updated with the following changes since First Reading:

- (1) Effective date of March 1, 2024
- (2) Expanded applicability of program from a property with three or more rental units to include rental properties of all sizes.
- (3) Added the inspection exemption that “A landlord may submit an inspection report certifying compliance with federal housing standards conducted by a local, state, or federal or state government agency conducted within three (3) years of the application date to satisfy the inspection requirements under this Article as long as the submitted inspection report covers the same number of units inspected as required by this Article. Inspection reports that do not satisfy this Article’s number of units to be inspected requirements may still be submitted to the city and the units covered by such an inspection report shall count toward this Article’s number of units to be inspected requirements.”

**Ordinance Version A** raises the percentage of units required to be inspected at time of license renewal from 10% to 25% for rental properties with multiple units, and from 10% to 100% for rental units that are associated with the Commerce City Housing Authority, have been exempted from deferral income tax as a non-profit organization, or are part of an affordable housing project that receives support from federal, state, or local resources.:

- (1) Applications for the renewal of an existing license shall not be approved unless one of the inspection requirements below is satisfied:
  - (A) Rental properties with multiple rental units on the premises shall have a minimum of twenty-five percent (25%) of the rental units inspected at random.
    - (i) All rental units subsidized by, or otherwise receiving funds from, or through, a federal, state, or local housing choice voucher program on a property shall be inspected.
    - (ii) Rental units subsidized by a housing choice voucher program shall not count as part of the required inspection of twenty-five (25%) of the rental units on a property if the property contains both subsidized and unsubsidized units.
  - (B) Rental properties with four (4) rental units or fewer shall have at least one (1) unit inspected at random.
  - (C) One hundred percent (100%) of rental units shall be inspected on properties that are:
    - (i) Owned in whole by, owned in part by, or leased and operated by the Commerce City Housing Authority;
    - (ii) Owned by or leased and operated by any organization that has been exempted from federal income tax as a non-profit organization in good standing under section 501(c)(3) of the United State Internal Revenue Code of 1986, as amended, and has been designated as income-restricted housing; or
    - (iii) An affordable housing project constructed with the support of any combination of federal, state, or local financial

resources, including private activity bonds, tax credits, grants, loans, or other subsidies to incentivize the development of affordable housing.

**Ordinance Version B** raises the percentage of units required to be inspected at time of license renewal from 10% to 25% for all rental units:

(1) Applications for the renewal of an existing license shall not be approved unless one of the inspection requirements below is satisfied:

- (D) Rental properties with multiple rental units on the premises shall have a minimum of twenty-five percent (25%) of the rental units inspected at random.
- (E) Rental properties with four (4) rental units or fewer shall have at least one (1) unit inspected at random.
- (F) Rental units to be inspected shall be chosen by the rental property inspector.

**Staff Responsible (Department Head):** Jim Tolbert; Assistant City Manager

**Staff Member Presenting:** N/A

**Financial Impact:** \$434,076 annually.

**Funding Source:** If Council approves the program, a reappropriation will be necessary.

**Staff Recommendation:** N/A

**Suggested Motion:** Option 1: Motion to approve Ordinance 2541 Version A raising the percentage of rental units inspected at each property at time of license renewal to 25% and to 100% for certain types of rental properties. Option B: Motion to approve Ordinance 2541 Version B raising the percentage of rental units inspected at each property at time of license renewal to 25%.