

Planning Commission Subcommittee Report on Rental Housing

Focus of the Report

The focus of this Planning Committee (henceforth Committee) report to the City Council (henceforth Council) is rental housing. Specifically, the Commission was asked to address:

- *Ban new rentals in R-1, or at least in certain R-1 areas*
- *Revisit zoning ordinances' limitations to look for common-sense changes that may help*
- *Look at parking. One of the main obstacles to new builds and redevelopment is the need for parking space.*
- *Continue to ramp up code enforcement on all properties (non-rentals included).*

The above issues are interrelated through City codes and ordinances:

- *International Property Maintenance Code (adopted by the City in 2014)*
- *Zoning Ordinance as it relates occupancy levels*
- *Parking Ordinance.*
- *Noise Ordinance*
- *Rental License Ordinance (adopted by the City in 2003).*

Some Facts

Diversity

Houghton is diverse and dynamic primarily because of its highly regarded and desirable university. Individuals come and stay. Individuals come and go. To remain a vibrant city, Houghton needs to serve the ever-changing demands of a diverse population. One of those demands is housing. The housing stock should serve a diverse population; the young and not-so young, those wishing to own a house or apartment and those wishing to rent a house or apartment. On June 13, 2018 NBC reported on the trend of younger people wanting to rent rather than own housing. "The short-term interest rate was increased by a quarter of a point on Wednesday, leading more people to choose renting over buying. Mortgage applications have dropped 15% from a year ago." The recommendation was, if you think you might move within 5 years, rent.

[<https://www.nbcnews.com/nightly-news/video/is-it-better-to-rent-or-buy-a-home-1255222851806>].

What we recently learned:

In the 2017 Quality of Life Survey of Houghton City Residents, over 60 percent of respondents are satisfied with the appearance and residential character of the homes in their neighborhoods. Code enforcement is very important to the residents of the city, and 48% percent are satisfied with it.

Property Values

Rental properties are commonly blamed for decreasing property values in the City. This is not supported by the taxable valuation of Houghton property, local real estate agents or appraisers. An independent Target Housing Market Analysis was done in 2016 with data showing the average home price in Houghton City about \$40,000 more than Houghton County overall and about \$23,000 higher than the closest neighboring community (see attached.) These facts are consistent with the finding of a 2013 study of River Falls, WI, home to University of Wisconsin River Falls. “Overall, it can be concluded that the impact of rentals in historically single family neighborhoods is not [negatively] affecting property values.”

[<https://www.rfcity.org/DocumentCenter/View/685/Impacts-of-Rentals-on-historically-single-family-neighborhoods---final>]

It’s not just Rentals

In Houghton, poor maintenance, parking violations and noisy occupants occur in some rental occupied housing and some owner occupied housing. Rental “issues” are not confined to student rentals. Thus, it probably makes sense when referencing housing to avoid using the descriptor “student,” resulting in “student-rental.”

Avoid using descriptors other than renter and owner. Refer to a housing unit as being either rental or owner occupied.

Rental Licenses

When the rental license ordinance was adopted, it was not viewed by the council as an instrument for controlling/limiting the number of rental housing units. Its adoption was intended to ensure the basic safety of rental properties in reaction to a casualty in a fraternity house fire. Since 2014, the total number of rental licenses issued equals 27, of which 16 (59%) are located in R1, but those only account for 18% of the total number of new “beds”; the others being purpose-built multiunit buildings. However, it should also be noted that available R-3 and B- properties near the university seem to be in short supply. For this group of 27 R-1 rentals, violations have been rare, consisting of one for deteriorating exterior house paint and two for lacking lawn cutting.

One other observation has been that with the growth of MTU enrollment there is a net response in the community with an increase in the net number of “new beds”; most of those being rentals. The market for purpose-built multiunit housing does appear to follow enrollment and new housing does fill the need. Since 2015 there was a net increase in R-1 rentals as the enrollment growth outpaced the number of new multiunit beds. With another new building coming online in 2018 and relatively flat enrollment there may be a correction in the need for “beds” coming; and presumably fewer R-1’s because of the supply elsewhere.

Issues and Recommendations

1. **Issue:** Rental License Ordinance is unclear and poorly organized.

Recommendations:

- Revise the ordinance to improve clarity and organization.
- The intent of the ordinance should be spelled out in the ordinance.
- Move the requirement for paved parking spaces for rental units from the rental ordinance to the zoning ordinance.
- Requirements for approving a license should be spelled out in the ordinance. Allow the zoning administrator to grant a license if the property meets all of the requirements. The zoning administrator will have the authority to grant a contingent license for unmet parking requirements to give the property owner the ability to comply when weather permits.
- Dissolve the Rental Housing Board. Remove the required public hearing as part of the rental application procedure. Houghton’s current legal counsel informed the City they did not understand the purpose of such a hearing and were unaware of any other city that requires a public hearing in their rental license ordinance. Legal Counsel recommends the City eliminate this requirement from its ordinance. The reason for dissolving the rental housing board is because a license must be granted if the conditions in the ordinance are met. Building permits, sign permits, and site plan reviews are granted as long as the ordinance is followed and do not require public hearings.
- The ordinance should spell out the conditions for revoking a license and spell out the steps required to revoke a license. [What role will the City Council, the City Manager, and City

Code Enforcement Officer have in the license revoking process?]

2. **Issue:** Parking of motorized and non-motorized vehicles.

Recommendations:

- Discontinue all parking precedents that are contrary to what appears in the parking ordinance. [A parking precedent is NOT a grandfathered right].
- Beef up enforcement of the present parking ordinance.
- Review the parking ordinance.
- Move parking requirements from Chapter 14 to the parking section of the zoning ordinance.
- The council ordinance subcommittee should review the parking ordinance and if they desire recommend possible changes to the planning commission to consider.

Issue: Occupancy.

Recommendations:

- Occupancy is a grandfathered right and stays in place until the use changes. A rental license is not a grandfathered right.
- Educate the public about grandfathered rentals and provide information about occupancy limits for rental properties.
- Require all rental properties to display the date of the last inspection and the required maximum number of unrelated occupants on a placard provided by the city. Standard requirement in other cities.
- Beef up enforcement of occupancy rules and rental licensing requirements.

3. **Issue:** Property maintenance.

Recommendation: Continue to enforce the International Property Maintenance Code [It took decades for problems to transpire; establishing an improved maintenance trend takes time.].

4. **Issue:** Resident engagement within neighborhoods

Recommendation: City Council should encourage residents to establish neighborhood associations for enhancing resident involvement with civic issues and improving communication between the City Hall and residents.

5. **Issue:** New [Additional] R1 rentals:

Recommendation: Thoroughly enforcing housing codes and ordinances (noise, rental license, parking and zoning) throughout the city will keep property values up benefiting homeowners, landlords and occupants. If codes and ordinances are more thoroughly enforced, it will not matter if property is renter or owner occupied. The “**R**” in R1, R3 and R4 stands for

residential. Once the rules are established for each **R** district, let the market determine the renter-owner mix within a district. Residing in a neighborhood means having neighbors. Housing related “issues” arise mostly because neighbors affect neighbors. A ban on certain types of neighbors will likely result in issues that arguably are more serious for the City than neighbors affecting neighbors: increase black-market rentals and legal challenges since many owners view renting ones’ property as a fundamental property right. The Subcommittee does not subscribe to the “Not in My Neighborhood” type characterization that rentals are detrimental and thus additional rentals should be prevented within a particular neighborhood. Rather the Subcommittee subscribes to: “... strong housing codes, noise limits, and public nuisance ordinances have all helped keep home values up and landlords in line—but they require the willingness [and resources] to enforce them.” [<http://www.thefiscaltimes.com/Articles/2012/01/24/Can-Too-Many-Renters-Bring-Down-the-Neighborhood.>]

6. **Issue:** A lot to accomplish:

Recommendation: Pursue these recommendations. Reevaluate in a year how the changes are working. While rental licenses will be renewed annually, consider option for less frequent inspections based on repeated good performance by allowing landlords to opt-out of the internal inspection one year if they have had two or three years of good inspections. This will allow the code enforcement officer more time to enforce the IPMC.

Closing Remarks

The future is bright. Positive outcomes have occurred from adopting the International Property Maintenance Code (2014) and the hiring of a full-time code/ordinance enforcement officer (2016). A more subtle, but perhaps every bit as effective, occurrence is the changing market for rental housing. Market forces have caused some landlords to make property improvements resulting in a higher demand for their properties, increasing rents and enhancing the level of tenant appreciation and care toward property.

Houghton should welcome change and manage it through enforcement of codes and ordinances. Permitting additional short-or-long term rentals throughout the city is analogous to posting a “you are welcome here” sign. Houghton’s housing stock should be inclusive throughout the city and be compliant with the rules. However, keep in mind, each issue described herein is complex; there is no simple solution for improvement—no waving of a wand. The best analogy might be a happy

marriage: it's never perfect, so you aim to make it better, while being cognizant of unintended consequences.

Respectfully Submitted by Subcommittee Members:

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