



**Request for City Council Committee Action
From the Department of Regulatory Services – Problem Properties Unit**

Date: January 30, 2008

To: Council Member Don Samuels, Chair
Public Safety & Regulatory Services Committee
Ways & Means Committee

Subject: Proposed Amendment to Minneapolis Code of Ordinances 249.80 and 91.70 increasing the amount of the Vacant Building Registration from \$2,000 to \$6,000 and placing the fee in the Director's Fee Schedule

Recommendation: That the City Council adopt the proposed ordinance.

Previous Directives: NA

Prepared by/Presenters in Committee: Tom Deegan(Problem Properties Unit)

Approved by: Henry Reimer, Director Inspections Services

Permanent Review Committee (PRC) Approval _____ Not Applicable

Policy Review Group (PRG) Approval ___ Date of Approval ___ Not Applicable

Financial Impact (Check those that apply)

No financial impact (If checked, go directly to Background/Supporting Information).

Action requires an appropriation increase to the _____ Capital Budget or _____ Operating Budget.

Action provides increased revenue for appropriation increase (in 2007 Budget request).

Action requires use of contingency or reserves.

Business Plan: _____ Action is within the plan. _____ Action requires a change to plan.

Other financial impact (Explain):

Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification

City Goals

Comprehensive Plan

Zoning Code

Other

See following:

Vacant Building Registration Analysis of Program Requirements and Costs



In December of 2007, Council directed staff to conduct an analysis of the cost of Boarded and Vacant properties in the City. The purpose was to determine whether or not the current Vacant Building Registration Fee (VBR) of \$2,000 is adequate to cover the cost.

Staff completed the analysis and has determined that the fee is insufficient and, in fact, does not cover the actual cost of boarded and vacant properties in the City.

The analysis included an evaluation of the following:

- Staffing cost of the Problem Properties Unit (salary, benefits and overhead)
- Average service consumption per property by other departments (police, fire, Attorney)
- Un-recovered Cost of demolitions, board ups and VBR fees

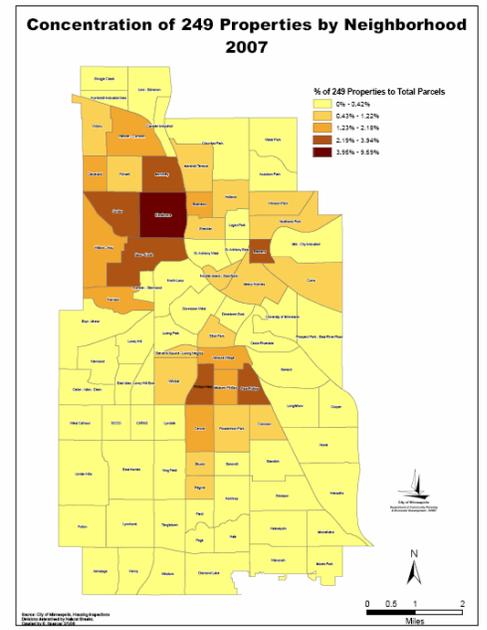
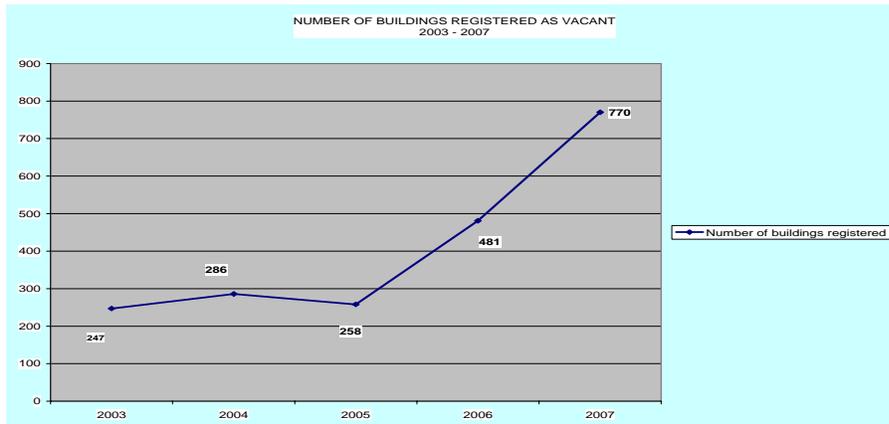
When factoring in these three elements, staff has determined that the true cost is over \$6,000.

In addition to our internal analysis, staff reviewed several other comparable studies, including a 2005 analysis based in Chicago, which demonstrated the cost of foreclosed and vacant properties can be as high as \$34,000. Further research reveals that boarded and vacant structures have a significant impact on cities and neighborhoods in other important ways. Impacts range from a depression in adjacent property values to an increase in crime. The National Vacant Properties Campaign found that in some cities, narcotic related police calls were 3 times higher on blocks with boarded buildings and violent crime was twice as high. The same report found that houses within 150 feet of a vacant or abandoned structure experienced a net loss of nearly \$8,000 in value.

Background

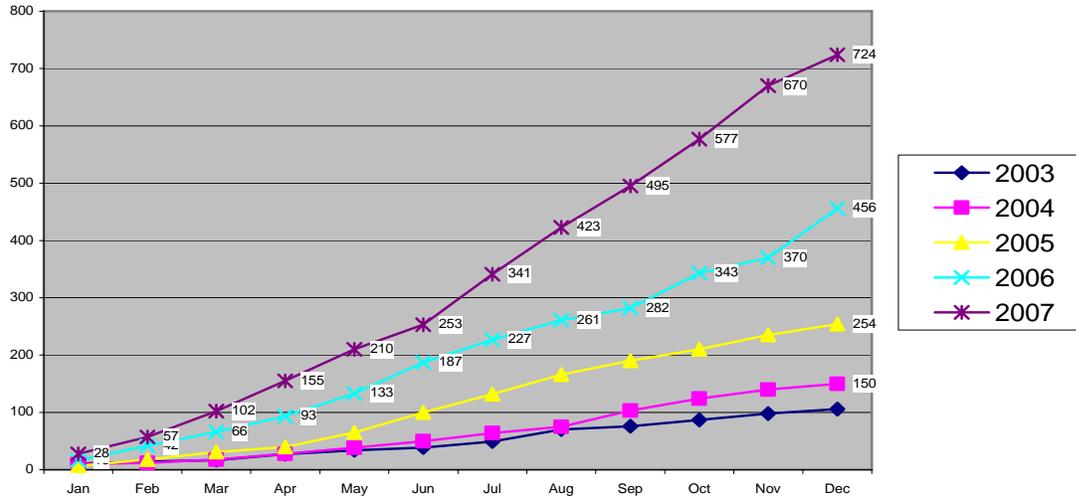
The City of Minneapolis along with most other cities in the country has experienced a dramatic increase in boarded and vacant properties due to the foreclosure crisis and the down turn in the housing market.

The City has experienced a large increase in properties registered on the Vacant Building Registration list since the end of December 2005. The number has grown from approximately 250 buildings on the VBR list in 2005 to over 800 today.



The impact of boarded and vacant property is concentrated geographically in about 8 neighborhoods with the Hawthorne and Jordan neighborhoods being the hardest hit. 27 % of the boarded and vacant buildings are located in these two neighborhoods.

Housing Authorized Board Ups 2003-2007



Most properties remain on the VBR list between 18 and 24 months, with the average length of time being 21 months. However, we anticipate that this will lengthen due to the faltering housing market. Properties move off the list faster when there is a healthy purchasing market.

ANALYSIS

Staff conducted a three-part analysis to determine the real cost and resource impacts of boarded and vacant property.

Operating Cost/Average Number of VBR

First staff calculated the average number of boarded vacant properties over a four year period. This was the base number used to determine cost of the program.

2007 VBR list members	770
2006 VBR list members	481
2005 VBR list members	258
2004 VBR list members	286
Average number of VBR list members (2004-2007)	448

Second, we determined the total number of full time regulatory services staff dedicated to monitoring, tracking and abating vacant and boarded structures. This included all staff on the Problem Properties Unit, police personnel dedicated to the unit and a portion of attorney staff time dedicated to the unit. Total staff costs including salary, benefits and overhead is \$1,472,166.

City Service Consumption

Staff also measured average level of city service consumption to determine the additional costs of boarded and vacant properties in the city.

Staff selected a random list of 25 properties that had been vacant for at least 12 months and collected the following information for each property:

- number of police calls for service
- number of fires
- number of "Open to Trespass" complaints
- number of environmental/nuisance orders
- amount of special assessments levied
- amount due in utility bills

The analysis found that averaged across the group, 92% of the properties required 1 or more additional city service such as Police response, grass cutting, rubbish removal, re-boarding, or fire service.

The following table summarizes the findings.

Service	% Total Properties	Average Occurrence	Approximate Cost Per	Total for Group
Police Calls	60%	2.16	\$302	\$7560
Fires	4%	.04 (1 fire)	\$1120	\$1120
Trash/Rubbish Orders	88%	3.32	\$150	\$12,450
Trash/Rubbish removal	84%	2.44	\$30	\$1830
Open to Trespass	40%	0.72	\$180	\$3240
Special Assessments	88%	\$1385 (average pending)		\$34,649
Utility Arrears	80%	\$255 (average arrears)		\$6366.65

Including pending assessments and outstanding utility bills, these 25 properties averaged an additional cost to the City of \$2,523. Excluding the assessments and utility bills which will eventually be recovered, the extra cost is \$918.40 per property.

Historically, the City does only recovers about 78% of assessed costs and this cost recovery may also be spread out over a number of years and does not factor in loss of monies from inflation.

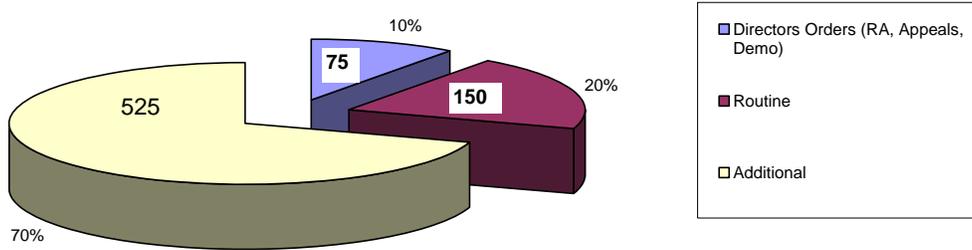
Time/Cost Analysis

Staff conducted an extensive analysis of the typical business process for a vacant property from the time it is first identified by the inspector as Open to Trespass, through the condemnation process, a "Director's Order" and finally demolition.

For each of the steps in the process, we determined the staff involved, ascertained the time and cost and then calculated the actual cost based on the salary, benefits and overhead for each step. Based on this, staff calculated the average number of hours spent managing a property.

The average number of staff hours required for each property is 50-55 hours per year, with the most intensive properties (those properties that go through the legal abatement process) consuming more than 125-200 hours of staff time annually.

**VBR Properties by Level of Service
750 Properties**



75 (10%) properties require roughly 120 hours per property per year
525 (70%) properties require roughly 50 hours per annually per year
150 (20%) properties require roughly 25 hours per annually per year

Results

The total cost of the boarded and vacant building program to the City is \$2.18 million with an average per structure cost of \$6,224. The following table illustrates the cost breakdown:

Item	Total
Problem Properties Staffing	\$ 623,799
Cost allocation at 136%	\$ 848,367
A. Total PPU Staffing (with cost allocations)	\$ 1,472,166
Costs of other divisions/departments (MPD/Fire/Housing) per VBR	\$ 918
B. Total Other Divisions/Departments (per VBR amount multiplied by average number of VBR list members)	\$ 412,362
Chapter 249 Demolition assessments 2008	\$ 576,758
Insp Board-up assessments 2008	\$ 217,717
Emergency Board-up assessments 2008	\$ 547,553
Total PPU assessments	\$ 1,342,028
78% projected collection	\$ 1,046,782
C. Assessment Losses (difference between Total PPU assessments and 78% projected collection)	\$ 295,246
Total Cost to be Allocated (A. Total PPU Staffing plus B. Total Other Divisions/Departments plus C. Assessment Losses)	\$ 2,179,773
Cost per VBR List Member (Total Cost to be Allocated divided by Average number of VBR list members using 78% Collection Assumption)	\$ 6,224

Recommendation

Considering the results of the these studies and the low return on recovery of VBR fees and other assessments, staff believes the true cost of managing a boarded / vacant structure is over \$6,000. Therefore a fee increase is necessary to manage the program effectively.

Staff Report – Background