

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: 2

Item: Nuisance Rental Properties/“Mini-Dorms”

OVERVIEW

On Tuesday, September 19, 2006, Councilmember Jim Madaffer held a community forum in the College area pertaining to mini dorms. At the forum, a number of recommendations and questions were asked by the residents and were presented in Councilmember Madaffer’s memorandum dated October 11, 2006 titled “Impact of Mini Dorms in the City of San Diego”. The following reports were issued which responded to questions raised by Councilmember Madaffer: The City Attorney – November 20, 2006; The College Area Community Council (CACC) Ad Hoc Committee- November 8, 2006; and the Development Services Department – November 22, 2006.

After reviewing several options, the Development Services Department recommends that the City utilize existing tools to address the nuisance rental property “Mini-Dorms” issue by continuing to enforce existing noise, party, and parking regulations and pursuing nuisance violations as appropriate. The Department also recommends the addition of a Land Development Investigator and a Combination Dwelling Inspector to fully enforce existing codes with a proactive enforcement program, for an estimated cost of \$200,000 to the General Fund.

FISCAL/POLICY DISCUSSION

The Department suggests that due to limited staff resources, the code enforcement program is unable to proactively enforce the existing codes. The Neighborhood Code Compliance Division Budget is as follows:

	FTE	PE	NPE	Total	Revenue	Vacancy Factor	Current Vacancies
FY 2007	73.00	\$5,678,979	\$1,029,058	\$6,708,037	\$1,621,088	5.9%	9.00

Options for funding are needed to provide for adequate staffing to fully enforce existing and any modified codes. The Department’s report did not provide any funding options

for the two additional positions. Some options may include increasing fines for non-compliance of permitted construction, and a permit fee associated with bedroom additions. Although increasing fines for noncompliance and/or increasing permit fees may generate some revenue, there is no guarantee for full compliance. There is also no guarantee for compliance if additional regulations are in place to deter the Nuisance Rental Properties/ "Mini-Dorms". While there are no compliance guarantees, the need to regulate nuisance rental properties in single dwelling unit zones is still a concern to the City of San Diego.

On November 14, 2006, the Mayor released his Five-Year Financial Outlook Report for Fiscal Years 2008 – 2012. There is no question that the City faces many fiscal challenges for the upcoming years. In fact, the Mayor is projecting a \$25 million deficit for Fiscal Year 2008, in the General Fund based on certain assumptions. It is clear the General Fund has no flexibility to expand programs at this time without alternative sources.

Although the City Council has not discussed the Financial Outlook, it is essential to note that one of the Mayor's solutions for the estimated Fiscal Year 2008 budget shortfall is to eliminate 446 vacant positions. Out of the 446 positions, 146 are General Fund positions with some staff reductions proposed in the Neighborhood Code Compliance Division. In the Five-Year Financial Outlook, the Mayor states that *services should not be affected since most of the positions have been vacant for more than a year*. It is possible that some of the vacancies in the Neighborhood Code Compliance Division may have affected the Division's ability to provide proactive enforcement.

The Neighborhood Code Compliance Division's vacancy rate is 5.9%. In the past, the City Manager would impose a hiring freeze to City departments to generate personnel savings throughout the fiscal year. This practice discouraged departments from hiring staff. As stated in IBA Report 06-18, "Mayors Proposed Fiscal Year 2007 Budget", If departments are unable to fully staff their departments with the vacancy factor, then it becomes an imposed hiring freeze, and may lead to departments' inability to operate at full capacity that may affect service level impact.

In the past, it was common practice for departments to "absorb" all budget reductions including imposed hiring freezes while still required to continue maintaining service levels. It is possible that past budget reductions may be affecting service levels.

The citizens depend and expect certain City services. This is apparent by the enormous citizen turnout at the community forum held by Councilmember Madaffer regarding this issue. If there are any changes to these services, then citizens should be notified and expectations should be adjusted accordingly.

QUESTIONS/COMMENTS

Can the increased fines for non-compliance of permitted construction, and permit fees associated with bedroom additions generate sufficient revenue to offset the cost of the Land Development Investigator and Combination Dwelling Inspector?

If the Land Development Investigator and Combination Dwelling Inspector position is added to the budget will that provide for sufficient staffing to provide proactive enforcement for this critical issue throughout the City?

Have the vacancies in the Neighborhood Code Compliance Division impacted the Division's ability to provide proactive enforcement?

CONCLUSION

As stated above, if this is a priority for the City, other funding options should be explored to fund the additional expense of providing proactive enforcement. All code regulations that can be modified to increase compliance or deter the nuisance rental properties should be modified for implementation.

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