Austin's Repeat Offender Program, as currently administered, does not ensure renters are living in properties that meet minimum health and safety standards. The program, though well-intended, is not meeting this goal in part because rental property owners have not been regulated or incentivized to correct Code violations. Beyond that, the process used to identify properties for program registration is inefficient and does not always result in all eligible properties becoming part of the Repeat Offender Program when they should. Furthermore, large properties do not pay their proportionate share of the costs to administer the program, which may lead to small properties and the public paying a disproportionate share of the costs to manage the Repeat Offender Program.

Ultimately, many of the challenges Austin faces in administering its Repeat Offender Program result from a competitive rental market with limited housing options. These pressures exacerbate the risk of housing displacement particularly for low-income and vulnerable populations that frequently live in repeat offender properties.
Austin’s Repeat Offender Program, a rental registration program for properties with multiple code violations, aims to ensure Austin renters are living in properties that are healthy and safe. It was created in 2013, partially in response to structural failures that endangered public health and safety in multifamily residences.

To ensure the City can take enforcement action against properties that do not maintain safe and healthy rental properties, it is essential to identify properties that have received violations that meet the criteria for program registration. If a person complains about conditions at a rental property, Austin Code investigates that complaint and if it is verified, the Department sends a Notice of Violation to the property owner. Generally, properties are required to register with the Repeat Offender Program when one of the following criteria is met during a 24-month period.

- Two or more separate notices of violation not corrected.
- Five or more separate notices of violation issued on separate days regardless of whether they were corrected.
- Two or more Municipal Court citations.

To register in this program, property owners must pay an annual fee ($372 in 2020), post notification of program registration in a public area, and agree to periodic inspections of the property. If Code notes one or more violations during an inspection, the Department sends the property owner a notice of violation. If the property owner fails to fix the violations in the time allotted, Code may file a case at Municipal Court or issue an administrative citation. Code can escalate enforcement by using one or more enforcement tools. These tools include:

- initiating suspension of vacant rental units,
- holding an administrative hearing,
- taking a case to District Court, and
- submitting a case to the Building and Standards Commission.
The property must remain in the program until it has not had violations that trigger program registration for two years. If a property completes the program, but is later issued violations that trigger program registration again, that property must re-register and remain in the program for a five-year period. In addition to the program registration fees, the City charges $8.95 per month to all residents with a utility account for a “clean community service” to help pay for the Repeat Offender Program, as well as several other City programs designed to keep Austin clean and liveable. Austin Code’s portion of this fee is a key component to the Department’s operations because it is the funding source for operations that do not include administering registration requirements for license and registration programs. Because the Repeat Offender Program is a proactive inspection system within Austin Code’s complaint-based inspection system, the Clean Community Fee pays for the Repeat Offender Program.

Based on information in the City’s open data portal, the majority (93%) of violations noted at Repeat Offender Program properties are structural condition violations. Common structural condition violations include: infestation and contamination, doors and windows that do not secure the property, electrical system hazards, deficient exterior walls, and deficient stairs and handrails. Since the program began, 117 properties have registered in the Repeat Offender Program, 73 of which are currently registered and 44 have completed the program.

Many cities have programs to regulate rental property owners, sometimes referred to as “good landlord” programs. Unlike Austin, many cities have good landlord programs that require all rental properties to register with the city, not only those meeting select criteria. Typically, these programs also include periodic property inspections and annual registration fees.
What We Found

Summary

Austin’s Repeat Offender Program, as currently administered, does not ensure renters are living in properties that meet minimum health and safety standards. The program, though well-intended, is not meeting this goal in part because rental property owners have not been regulated or incentivized to correct Code violations. Beyond that, the process used to identify properties for program registration is inefficient and does not always result in all eligible properties becoming part of the Repeat Offender Program when they should. Furthermore, large properties do not pay their proportionate share of the costs to administer the program, which may lead to small properties and the public paying a disproportionate share of the costs to manage the Repeat Offender Program.

Ultimately, many of the challenges Austin faces in administering its Repeat Offender Program result from a competitive rental market with limited housing options. These pressures exacerbate the risk of housing displacement particularly for low-income and vulnerable populations that frequently live in repeat offender properties.

Finding 1

The Repeat Offender Program has not consistently achieved the desired goal of ensuring Austin renters are living in properties that meet minimum health and safety standards.

Austin Code staff responsible for administering the City’s Repeat Offender Program are dedicated to ensuring safe and healthy living conditions are provided to Austin’s renters. This group effectively understands violations of City Code and is committed to serving the tenants who live in Austin’s registered repeat offender properties. However, this team does not have the systems, tools, and processes needed to effectively administer the City’s Repeat Offender Program.

As a result, the City’s Repeat Offender Program does not effectively ensure Austin renters are living in properties that meet minimum health and safety standards. While some properties have successfully exited the program and Austin Code staff assert they have seen incremental improvement in properties over time, many properties remain unsafe.

Austin Code is not escalating enforcement to ensure Repeat Offender Program properties correct Code violations. Ten properties represent 5% of the total program registrations but have received over 30% of the noted violations. These offenders disproportionately consume City resources. Continued inspections have not resulted in achieving desired outcomes. Despite this, Code has not escalated enforcement action, through an administrative hearing or property suspension for example, to attain compliance from most of the frequent offenders we analyzed. Furthermore, Code has not used all available enforcement tools to pressure owners to improve property living conditions and safety. As shown in Exhibit 1, three of the ten most frequent offenders have not received any escalated enforcement action even though those properties entered the Repeat Offender Program several years ago. Of the seven that received escalated enforcement, four were sent to an administrative
While the analysis above focuses on the ten most frequent offenders, it appears Code has not escalated enforcement at other repeat offender properties either. No property in the program has received a municipal court citation since 2015 and Code issued only 7 municipal court citations to repeat offender properties before November 2015. Furthermore, Code did not hold an administrative hearing for any repeat offender property between 2015 and 2017. Until July 2020, Code had not suspended any property since the program began six years ago.

Since the program started in 2014, the City has opted not to pursue property suspensions and has taken a less strict enforcement approach. Code staff assert that some property owners now rely on City staff to identify maintenance concerns and safety issues as opposed to proactively maintaining their rental properties in accordance with City Code. While periodic inspections have the benefit of identifying property concerns, the Repeat Offender Program was not intended to substitute property owners’ maintenance responsibilities. Austin Code appears to be moving to more strict enforcement at repeat offender properties as the department recently placed one property in suspension. Five additional properties were issued notices of intent to suspend, but Code staff assert those properties came into compliance before the suspension took place.

Incentivizing property owner action may also lead to improved and safer rental housing in Austin. While increased and stricter enforcement is an effective method of provoking landlords to correct Code violations, it is not the only way to achieve the goals of the Repeat Offender Program. The Center for Community Progress supports providing incentives to property owners to reinforce responsible property management as a complement to regulatory pressure generally designed to discourage bad actors. However, the City currently does not have a process in place to offer landlord incentives. Below is a list of incentives the City may be able to provide to encourage property owners to correct Code violations, though implementing some of these may require coordination across multiple departments and additional funding.
The City already offers incentives to achieve income-restricted units through the SMART housing program. This program reduces and waives fees for developers that agree to build low-income housing. The City also incentivizes developers to build low-income housing through its density bonus program which allows developed units to exceed a site’s base zoning if the developer agrees to set aside some units for income-restricted affordable housing, or pay a fee-in-lieu of developing affordable housing.

<table>
<thead>
<tr>
<th>Category</th>
<th>Examples</th>
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</thead>
<tbody>
<tr>
<td>Training and technical assistance</td>
<td>Free training courses sponsored by the city</td>
</tr>
<tr>
<td></td>
<td>One-on-one technical assistance on specific problems</td>
</tr>
<tr>
<td></td>
<td>Free preventive maintenance and security inspections</td>
</tr>
<tr>
<td>Improved access</td>
<td>Single point of contact in city hall</td>
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<td></td>
<td>Designated police department liaison</td>
</tr>
<tr>
<td></td>
<td>Routine landlord forums with key government officials</td>
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<tr>
<td>Improved process</td>
<td>Fast-track approval for construction permits</td>
</tr>
<tr>
<td></td>
<td>Flexibility to make necessary repairs and improvements in stages</td>
</tr>
<tr>
<td>Help obtaining tenants</td>
<td>City guarantees security deposit for tenants meeting set standards but lacking funds</td>
</tr>
<tr>
<td></td>
<td>Recommended landlord status for housing choice voucher</td>
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<tr>
<td>Indirect financial assistance</td>
<td>Free or subsidized safety inspections</td>
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<tr>
<td></td>
<td>Free or subsidized equipment, such as smoke detectors, carbon monoxide detectors, security locks, and closed-circuit cameras</td>
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<tr>
<td></td>
<td>Reduced fees for municipal permits or licenses</td>
</tr>
<tr>
<td>Direct financial assistance</td>
<td>Rebate of licensing or other fees</td>
</tr>
<tr>
<td></td>
<td>Loans or grants for property improvements</td>
</tr>
</tbody>
</table>

SOURCE: Center for Community Progress, April 2020.

In addition to encouraging property owners to improve housing conditions for Austin residents, an incentive program could be a way to get landlords to voluntarily offer tenant protections to renters, making tenants third-party beneficiaries of a good landlord agreement between the City and property owners. Such protections may include lease term agreements and requiring property owners to provide minimum notice to tenants when they end leases.

**Enforcing the City’s Repeat Offender Program ordinance is challenging given Austin’s competitive housing market.** Cities face many difficulties when enforcing code violations, chief among them the struggle to balance the need for safe, healthy properties at a price residents can afford. Properties that deteriorate and develop Code violations are often less expensive to rent. Because of this, many tenants of repeat offender properties are low-income and especially vulnerable to displacement.

When cities enforce code violations more frequently or more punitively, there is risk that the costs property owners incur to address noted violations are passed onto tenants in the form of rent increases. This exacerbates the risk of displacement for those tenants, particularly in cities where housing supply is low, and rents are consequently high.

It is fair to note that property owners may be addressing code violations gradually over time and therefore, Code staff may not always deem it necessary to escalate enforcement at Repeat Offender Program properties. Additionally, the recent pandemic created new constraints related to enforcing select aspects of City Code and Austin Municipal Court has been closed to the public since the pandemic began. However, the court is still processing cases that are filed, communicating with the public by phone, mail, and email, and holding virtual dockets as needed.
Nonetheless, the Repeat Offender Program, as currently administered, has not prompted property owners to maintain rental properties in a proactive way. As a result, the program has not consistently achieved the desired goal of ensuring Austin renters are living in properties that meet minimum health and safety standards.

During one site visit, we observed numerous units with infestations, unsecured doors and windows, missing smoke detectors, and lack of hot water, among other violations. Property conditions such as these are unsafe and may make a property uninhabitable. Many properties have remained in the program for several years beyond the two-year registration period. These properties negatively impact a greater number of tenants and disproportionately consume City resources.

Because Austin Code does not sufficiently enforce or escalate noncompliant Repeat Offender Program properties, renters continue to live in unsafe, unsanitary, and unacceptable properties, and the goal of safer housing has not been fully achieved. This particularly impacts low income and other vulnerable populations. Additionally, the City will continue to spend resources on a program that is not achieving its desired objectives.

Finding 2
The process used to identify properties for program registration is inefficient and does not always result in all eligible properties becoming part of the Repeat Offender Program when they should.

As noted in the background section of this report, properties are required to register with the Repeat Offender Program when select criteria relating to City Code violations are met.

Austin Code has a process to identify program-eligible properties. This process is labor-intensive and depends on information obtained from several sources and systems. These systems are cumbersome, sometimes unreliable, and do not always contain all the information needed to make informed decisions about program registration.

Code begins this process by pulling a report that lists properties that have received violations and appear to meet program requirements. Code then confirms the property is not owner-occupied. This is typically done by reviewing homestead exemption data from the Travis County Appraisal District as well as utility account information from Austin Energy. Then, Code staff confirms the property fits into the program rules according to the Repeat Offender Ordinance, meaning it is not covered by another ordinance like a short-term rental or hotel. Separate from that, Code determines the status of the property to confirm it is still occupied by tenants and that the structure has not been demolished or scheduled for demolition. This information comes from several sources including: zoning applications, demolition permits, and redevelopment site plans. Staff may also visit the property to determine if units are occupied. Even if a property appears to be eligible for the program based on all these checks, Code must then review property violation data thoroughly. This is to ensure issued violations occurred on different days, the violations stem from separate cases, and none of the citations were subsequently cancelled.

Code does not have an automated method to verify all these details for each rental property throughout the City. Instead, Code relies on a series of manual checks and the Department considers each potential program registrant individually about three times per year. All the property
Large properties take significantly more time and resources to inspect, issue violations, and escalate through the various enforcement mechanisms compared to smaller properties. For example, a 500+ unit apartment complex is typically inspected once a year as part of a property-wide periodic review. In a periodic review of a large complex, Code staff aim to inspect 10% of the units on the interior, all building exteriors, all the vacant units, and all common areas like green spaces, pools, and laundry facilities. These inspections typically take one to two weeks to check, log issues, and send notices of violations. Though Code staff inspect similar elements at smaller properties, these inspections do not take as much time due to the reduced size of one or two-unit properties. For example, a periodic review of a duplex takes only about a day or two to complete according to Code staff. Despite this, all properties pay the same $372 annual fee for Repeat Offender Program registration.

Because Austin Code has not implemented an automated method to identify properties eligible for the Repeat Offender Program, some properties that should have registered in the program were overlooked. Additionally, this process is inefficient and takes time and resources away from Code’s other priorities, which primarily includes identifying City Code violations at repeat offender properties to achieve safer rental housing in Austin.

In addition to the issues noted above, even the name itself may be contributing to properties not entering the Repeat Offender Program when they should. Austin’s Repeat Offender Program appears to be uniquely named in comparison to other cities. For example, Fort Worth and Dallas call their landlord regulation programs “rental registration” and many others refer to these as “good landlord” programs. External stakeholders stated that the term “repeat offender”, often used to describe people in the criminal justice system, may make renters and tenant advocates less likely to report complaints about rental properties, which is the starting point for regulating many of the rental property owners in Austin. Consequently, this terminology may be a deterrent or impediment to the program achieving its objectives.

Large properties do not pay their proportionate share of the Repeat Offender Program costs.

Finding 3

As of September 2020, the Repeat Offender Program ordinance, along with the City’s fee schedule, established a $372 fee per year to register in the program.
Austin Code Department Repeat Offender Program

In June 2015, Austin Code updated City Council with a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis of the Repeat Offender Program. In this update, the Department noted an opportunity to improve this program by amending the establishing ordinance to include: a registration fee based on number of units, as well as a fee to conduct the required periodic inspection.

Also, the City incurs costs when the Building and Standards Commission reviews a case. A recent internal program evaluation of the Repeat Offender Program determined the property offenders should pay these costs rather than the City or the public. Further, this report recommended that Code hold repeat offender properties accountable for costs that result from their inaction as an additional way to “encourage timely compliance, and drive more positive outcomes for decent, safe, and sanitary tenant communities.” The Code Department consultants who conducted this evaluation estimate that each Building and Standards Commission case costs the City about $4,500 to adjudicate. If that estimate were applied to the 36 cases the Building and Standards Commission reviewed for the Rutland Drive property (listed in Exhibit 1 with 641 violations), the City may have incurred a cost of as much as $162,000, paid for by the Clean Community Fee, to review just that one property, on the three days the property owner appeared before the Commission. Notably, the Commission voted in favor of the City in all 36 cases against this property.

The City of Fort Worth, Texas administers a rental registration program to regulate rental property conditions. The registration fee for this program is $25 per year for the first unit and $10 per year for each additional unit. If Austin were to charge $10 per unit for each additional unit like Fort Worth, the City would generate more than $115,000 per year beyond what is already collected based on current Repeat Offender Program registrations.

Austin’s Repeat Offender Program is structured differently than other cities’ programs to regulate landlords. We attempted to identify peer programs that regulate rental property owners based on complaints, like Austin’s program. However, we determined Austin’s model is an outlier and does not lend itself to a reliable peer city analysis.

Many cities regulate landlords by identifying code violations at rental properties through good landlord programs. One notable exception is that most landlord regulatory programs that we identified require all rental property owners to register with the City and pay a nominal registration fee ($43 per year in Dallas, Texas) upon enrollment. Through programs like these, cities may have a more complete record of rental units because the City is not tasked with identifying rental properties and managing the program registration process. Thus, these types of programs may reduce some of the risks and challenges Austin faces in administering its Repeat Offender Program.

Alternatively, Austin’s complaint-driven program only targets known “bad actor” properties instead of regulating all rental property owners. Austin City Council previously considered requiring all rental property owners to register with the City, like other cities. However, the ordinance that establishes Austin’s Repeat Offender Program defines its current complaint-driven system in contrast to other cities’ proactive approaches to regulating rental properties.

Additional Observations
It appears known issues have not been proactively addressed by Code management. While completing this audit, we received a draft copy of an evaluation of Austin Code, including the Repeat Offender Program, conducted by Austin Code internal staff. This evaluation identified many of the same issues detailed in this report, in addition to several others. This report was communicated to Code management in August 2019, and it was finalized in April 2020. In July 2020, Austin Code placed one property in suspension. Five additional properties were issued notices of intent to suspend, but Code staff assert those properties came into compliance before the suspension took place.
Recommendations and Management Response

In order to prompt Repeat Offender Program property owners to improve properties and address violations, the Director of the Austin Code Department should:

a. Develop a voluntary landlord incentive program; and

b. Increase enforcement and escalate cases, particularly by using the suspension process outlined in City ordinance.

Management Response: Agree

Proposed Implementation Plan: The Austin Code Department (ACD) will survey and research steps other Texas cities have taken towards creating incentive-based programs within their respective Code Enforcement agencies.

Once best practices and feasibility are determined, ACD will design and implement identified strategies with a focus on proactive rental property owner engagement, education, and voluntary property inspection.

ACD has fully implemented the suspension process outlined in the current ordinance. An update on the implementation was presented to the Building and Standards Commission in August 2020. The department will continue to monitor activity at program properties and initiate suspensions when circumstances indicate a lack of responsiveness to code violations.

ACD will re-examine existing standard operating procedures (SOPs) and implement changes designed to increase enforcement efforts when established repair timelines are exceeded. In addition, focused efforts and attention will be provided to violations that adversely affect the health and safety of tenants.

Proposed Implementation Date: a) October 2021
b) April 2021

In order to ensure that properties are properly registered for the Repeat Offender Program, the Director of the Austin Code Department should work with the Communications and Technology Management (CTM) Department to streamline the processes used to identify properties that may be program-eligible.

Management Response: Agree

Proposed Implementation Plan: ACD has conducted an internal evaluation of the Repeat Offender Program and identified bottlenecks in the process required to register rental properties that meet the thresholds provided in the existing ordinance. As a result of this evaluation, the department determined to dedicate funding towards implementing new technology and programming improvements that will expedite the internal processes utilized to identify and register the rental properties as required by the current ordinance. These solutions will be evaluated and updated as needed should ordinance modifications impact the process improvements.

Proposed Implementation Date: December 2020
In order to improve Repeat Offender Program outcomes, the Director of the Austin Code Department should work with the City Law Department and City Council to revise the Repeat Offender Program ordinance. Revisions to the ordinance should include consideration of:

a. Redesigning Austin’s Repeat Offender Program to require full rental registration across the City;

b. Renaming Austin’s Repeat Offender Program;

c. Proposing an alternate fee schedule that accurately reflects the difference in workload and greater costs incurred to enforce the Repeat Offender Program ordinance at larger properties.

Management Response: Agree

Proposed Implementation Plan: ACD concurs with the recommendation to explore changes to the current ordinance, with an aim to improve outcomes at program properties. ACD will engage with program stakeholders to initiate discussions about the current ordinance and receive input on potential modifications to the program. Any recommendations proposed by program stakeholders will be reviewed with the Law Department to ensure the recommendations meet constitutional and due process requirements.

The current program name, “Repeat Offender Program,” will also be evaluated as part of the stakeholder engagement process. Stakeholder input will be gathered and considered prior to any rebranding of the program. An ordinance change is not necessary to implement a new program name.

In addition, ACD will review rental registration programs in peer Texas cities to evaluate potential options for ordinance and program modifications. This evaluation will include both voluntary and mandatory registrations, inspection requirements, program funding sources, and fee structures, if any.

Proposed Implementation Date: October 2022
Thank you for the opportunity to respond to the September 2020 Austin Code Department Repeat Offender Program Audit Report. The Austin Code Department (ACD) consistently strives to improve our service delivery to the community. I have reviewed the audit report and agree with all recommendations related to the Repeat Offender Program (ROP).

In response, I will instruct ACD staff to begin researching peer Texas cities to identify best practices utilized in both mandatory and voluntary rental registration programs. In addition, staff will begin evaluating internal processes and procedures to ensure code violation cases are consistently being escalated through the appropriate legal channels, whenever violations threaten the health and safety of tenants.

I am pleased to report that Austin Code has fully implemented the Rental Registration Suspension process as outlined in the current ordinance. In August 2020, staff provided an update to the Building and Standards Commission on the program implementation. Staff will continue monitoring conditions at ROP properties and pursue rental registration suspensions when violations are not corrected in a timely manner.

Additionally, the department will partner with the Communications and Technology Management Department (CTM) to implement system improvements, which will provide efficiencies in identifying and registering properties required to register with the ROP. Identifying rental properties that meet the criteria to require registration in the program has been an ongoing challenge and is a labor-intensive process. Improving our data analysis programming will increase our ability to identify potential registrants, although staff review will remain a necessary component.

Finally, Austin Code will engage with stakeholders and the Law Department to discuss potential modifications to the Repeat Offender Program ordinance, program functions, branding, and fee structure changes.
Management Response

The Austin Code Department’s mission is to build a safer and greater Austin together through code education, collaboration, and enforcement. As always, our relationships and engagement with the community will be critical to making modifications towards ensuring the health and safety of tenants at rental properties in Austin.

Please contact me at (512) 974-1605 or jose.roig@austintexas.gov if you have any questions. You may also contact Daniel Word at (512) 974-6559 or daniel.word@austintexas.gov.

cc: Rey Arellano, Assistant City Manager
    Anne Morgan, City Attorney
    Chris Stewart, Interim Chief Information Officer
    Daniel Word, Interim Assistant Director, Austin Code Department
    Elaine Garrett, Interim Assistant Director, Austin Code Department
Scope

The audit scope included program inception in 2014 to the present.

Methodology

To complete this audit, we performed the following steps:

- interviewed staff in Austin Code and the Law Department, as well as external stakeholders;
- analyzed Repeat Offender Program data;
- reviewed City ordinances and fee schedules related to the Repeat Offender Program;
- selected a judgmental sample of properties registered in the Repeat Offender Program and evaluated enforcement actions taken;
- reviewed internal and external program evaluation reports;
- researched good landlord programs in peer cities;
- evaluated fraud, waste, and abuse risks related to the Repeat Offender Program; and
- evaluated internal controls, including information technology controls, related to the Repeat Offender Program.

Audit Standards

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
The Office of the City Auditor was created by the Austin City Charter as an independent office reporting to City Council to help establish accountability and improve City services. We conduct performance audits to review aspects of a City service or program and provide recommendations for improvement.

Audit Team
Andrew Keegan, Audit Manager
Katie Houston, Auditor-in-Charge
Anna Morris, Audit Team Member

City Auditor
Corrie Stokes

Deputy City Auditor
Jason Hadavi

Office of the City Auditor
phone: (512) 974-2805
e-mail: AustinAuditor@austintexas.gov
website: http://www.austintexas.gov/auditor

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