

**Rental Licensing Program
Chapel Hill, North Carolina**

How a local government municipality attempts to address concerns affecting its citizenry through the implementation and enforcement of a rental-licensing program for its residential properties.

MPA Team Project
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I. INTRODUCTION

Executive Summary

The Town of Chapel Hill, North Carolina found itself in an unenviable position similar to college towns throughout the United States: how to balance the interest of providing safe and accessible rental properties with that of addressing some of the problems associated with larger rental properties.

After responding to several complaints of loud music, poorly maintained properties, and illegal parking situations, the Town of Chapel Hill adopted the Rental Licensing Program (RLP) in April 2002 for implementation at the beginning of 2003. The objectives of the program are to help protect the character and stability of the Town's residential neighborhoods, while assuring renters that licensed rental units meet minimum housing standards. The program requires property owners to inspect their rental units and certify that they comply with the Town's ordinances, such as those that regulate garbage and parking, and establish noise limits.

In December of 2003, the Inspections Department of Chapel Hill submitted a request to the UNC – Chapel Hill Masters of Public Administration program seeking research assistance in evaluating the effectiveness and value of the Rental Licensing Program.

This report outlines the various methodologies employed by the UNC Research Team to evaluate the program. The research team administered a survey to tenants, owners, and neighbors of rental property in Chapel Hill. The team also reviewed other departmental records that track calls for service at rental property in an attempt to gauge if the RLP program was having an impact upon those rate or type of calls for service. Finally, the report offers comparative data on other rental licensing programs around the United States, with specific recommendations for possible improvements to the Chapel Hill program.

Background

In 2000, the Town of Chapel Hill adopted a comprehensive plan that included a broad neighborhood protection strategy to “address the effects on neighborhoods of the conversion of owner-occupied residences to rental properties.”¹ Concerns of Chapel Hill residents included “housing affordability, noise, front-yard parking and effects on the physical character of the neighborhoods.”² In order to address these concerns, the comprehensive plan recommended a multi-faceted strategy of enforcement of existing regulations (parking, noise, building code, etc), informing property owners and renters of regulations, implementation of a rental licensing and inspections program to ensure code compliance, initiation of communications with student residents, development of design guidelines and establishment of a “First Option Fund.” (Note: a Revolving Acquisition Fund was established in January 2002).³

The Rental Licensing Program recommended by the comprehensive plan was developed by a Rental Licensing Task Force that included representatives of the Town Council, the Historic Districts and the Northside neighborhood, student and administration representatives from the University, property owners and property managers.⁴ The Task Force recommended establishing a rental licensing program which was complaint driven and applied to all rental properties in the town. Complaint-driven meant that building inspectors and other enforcement officers would respond to complaints about rental property code and regulation violations, but properties would not be required to be inspected on an annual basis.

The Task Force gave five recommendations: require units to be licensed, establish a Rental Licensing Ordinance which would increase the duties of an inspector to include maintenance of a rental property database, require owners to complete an application and annually certify their property, create a database with rental property owner and management information, and develop a fee schedule for licenses.⁵

In April of 2002, the Chapel Hill Town Council adopted a resolution establishing guidelines for the Rental Licensing Program and an ordinance to establish the program for licensing rental properties. The program was up and running by June of 2002. The current program encompasses all the above recommendations of the Task Force. Owners must obtain a license for each rental unit and affirm in their application that the property complies with the Minimum Housing Code and that unrelated people living in dwelling unit does not exceed the amount allowed by the Development Ordinance. Owners

¹ Memo from W. Calvin Horton, Town Manager to Mayor and Town Council dated April 8, 2002. Subject: Recommendations for a Rental Licensing Program. Agenda Item #12. pg. 2.

² Same as above.

³ Same as above.

⁴ Memo from W. Calvin Horton, Town Manager to Mayor and Town Council dated April 8, 2002. Subject: Recommendations for a Rental Licensing Program. Agenda Item #12 Attachment 2 – History and Discussions of a Rental Licensing Program pg. 3

⁵ Memo from W. Calvin Horton, Town Manager to Mayor and Town Council dated April 8, 2002. Subject: Recommendations for a Rental Licensing Program. Agenda Item #12 Attachment 2 – History and Discussions of a Rental Licensing Program pg.3-4

currently pay a yearly \$10 fee per rental unit. The application requires owners to submit contact information for themselves as well as any agent empowered to act on their behalf. The Town of Chapel Hill distributes a Rental Duties Information Sheet to owners of rental property. Owners certify in the application that they give tenants a copy of this information sheet. The document describes relevant regulations and housing code and is also accessible through the town's website.

The Rental Licensing Program includes a licensing exemption for owners renting primary residences with the intent of returning within 12 months. Since implementation, the program has been amended to exempt non-profit organizations that offer low income subsidized rental housing from the rental licensing fee, but not the other requirements of the program. Currently the program has 812 listed owners and 7,840 dwelling units registered.

The Rental Licensing Program Task Force recommended that the Chapel Hill Town Council reconvene the Task Force in January of 2005 "to evaluate the effectiveness of the complaint-driven program and determine whether to consider implementing a mandatory system of inspections for all rental units"⁶ The Inspections Department submitted a request to the Master of Public Administration (MPA) Program at UNC-Chapel Hill for a group of graduate students to evaluate the effectiveness of the RLP. The students conducting the study met with the Inspections department and submitted a scope of work agreement (see Appendix A) that outlines the steps proposed to conduct such a study. What follows are the study elements and the findings.

Scope of Work and Study Elements:

The Inspections Department has implemented and continues to operate the program elements outlined in the recommendations of the Rental Licensing Task Force. In order to evaluate the effectiveness of the program, two questions need to be answered: Does the Rental Licensing Program improve tenant living conditions? Does the Rental Licensing Program improve tenant behavior? Based on this, the current task is to prepare a summative evaluation of the effectiveness of the program. The team from the UNC-Chapel Hill MPA program met with representatives of the Inspections department in February and outlined a plan to answer these questions.

The MPA Team would: 1) analyze existing data on noise complaints, parking complaints and citations, and sanitation complaints made against rental properties in the years prior to and following the implementation of the Rental Licensing Program, comparing the years prior to and following the implementation of the program to look for changes, 2) compare the Chapel Hill licensing program with programs from other cities, 3) survey rental tenants, rental property owners, and neighbors regarding their opinions on living conditions, regulation compliance and the rental licensing program. (See Appendices B-F for survey documents) Initially, the scope of work recommended

⁶ Memo from W. Calvin Horton, Town Manager to Mayor and Town Council dated January 12 2004. Subject: Update on the Rental Licensing Program. Agenda Item #5b pg.4

conducting focus groups with tenants, owners and neighbors to most accurately gauge opinion about the program. Given the limited time and information available to the MPA team, it was determined that a survey would be conducted to assess the opinions of these groups.

As a result of the study, the Town would be provided with the results of the comparative, secondary and survey data, an analysis of this data, recommendations for improvements in the program (if needed), and a list of tenants interested in participating in a more in depth follow-up study on living conditions.

II. CODE ENFORCEMENT

When informal discussions relating to the creation of the RLP began in the spring of 1998, a principal impetus for these discussions was the effect of rental properties on neighboring owner-occupied residential property. In the Town's Comprehensive Plan adopted on May 8, 2000, residential owner concern over rental properties was used to justify a recommendation to establish a RLP. In a memorandum to the Mayor and Town Council on April 8, 2002, Town Manager Cal Horton reiterated the Comprehensive Plan's mission when he wrote: "The Plan recommended a licensing program as a tool that 'could help to protect the character and stability of the Town's residential neighborhoods, while assuring renters that licensed rental units meet minimum housing standards.'"

As part of our evaluation of the Rental Licensing Program (RLP), we have been asked to produce a quantitative analysis of the effects of the Program on "rental tenant behavior." In performing this analysis, we have focused on three primary areas of concern, as identified by Town Manager Horton both before and after the April 8, 2002 adoption of the RLP. These areas of concern include the following:

- Noise ordinance violations
- Front-yard parking
- Trash and debris build-up

In order to quantitatively evaluate how these concerns have been addressed, we cross-referenced the RLP database, which lists all rental units registered with the Program, with data from the Chapel Hill Police Department (noise), Chapel Hill Inspections Department (inspections), and the Chapel Hill Public Works Department (sanitation). With each data set, we have attempted to quantitatively answer the question of how, if at all, the RLP is affecting "rental tenant behavior."

A. Noise Complaints

1. Methodology

A comprehensive list of all noise complaints from January 1, 1999 to December 31, 2003 was obtained from the Police Department; this list totaled 5,152 noise complaints. From this total, a sample of 968 noise complaints was taken and broken into ten six-month intervals to best observe trends and evaluate the relationship between the RLP and noise complaints. Since the RLP was not adopted until April 2002, the division into six-month intervals provided three post-adoption time periods to examine the effects of the RLP on tenant behavior, as measured with the variable of noise complaints.

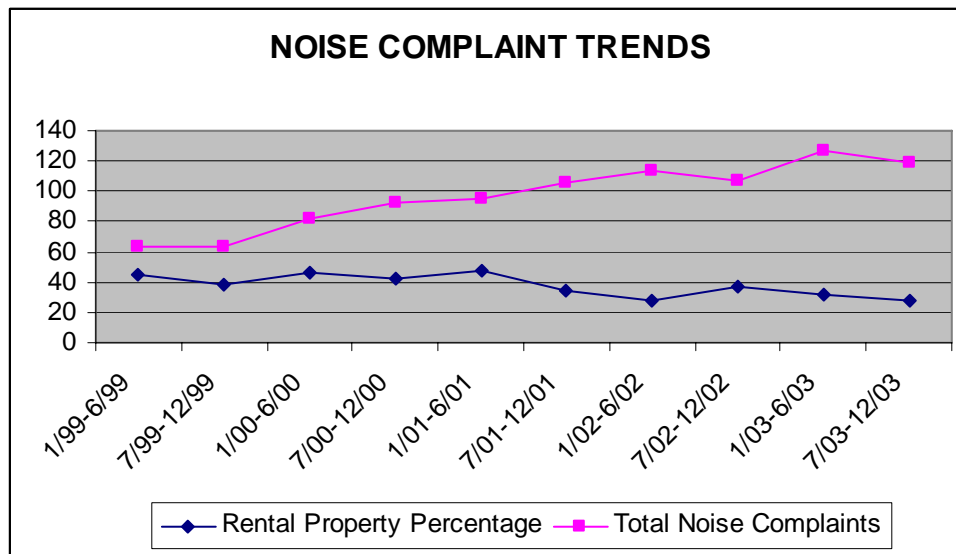
In order to convert the data into a quantifiably measurable form, the addresses of the noise complaints were cross-referenced with the RLP database and then classified into

one of two categories: 1) rental property or 2) non-rental property. By dividing the number of noise complaints in reference to rental properties over the total number of noise complaints, a rental property percentage was calculated.

2. Data

The data is shown below numerically in a table and visually in a line graph. All of the data is taken from the sample of 968 noise complaints. The data includes both the rental property percentage of noise complaints and the total number of noise complaints and is broken down into six-month intervals.

NOISE COMPLAINT DATA, 1/1/1999-12/31/2003		
Time Period	Rental Property Percentage	Total Number
1/1999-6/1999	44.4	63
7/1999-12/1999	38.1	63
1/2000-6/2000	46.3	82
7/2000-12/2000	41.9	93
1/2001-6/2001	47.4	95
7/2001-12/2001	34.0	106
1/2002-6/2002	28.3	113
7/2002-12/2002	36.4	107
1/2003-6/2003	32.3	127
7/2003-12/2003	27.7	119



3. Conclusions

The noise complaint data reveals a favorable correlation between the RLP and a decline in the percentage of noise complaints related to rental properties. Even though the RLP was not formally adopted until April 2002, talk of the Program dated back to 2000. This Program history coincides with a gradual decline in the rental property percentage of

noise complaints. For an example of this decline, the rental property percentage dropped from 44.4% in the first six-month interval to 27.7% in the last interval, a decline of nearly 17 percentage points in only five years.

The decline in the rental property percentage is even more impressive when compared with the trend of total noise complaints, which were rising over this same time period. The total number of noise complaints increased for each interval except two, and using the same frame of comparison from above, the total number of complaints almost doubled from 63 in the first six-month interval to 119 in the last interval.

The noise complaint data clearly shows that the RLP correlates with a decline in the rental property percentage of noise complaints. Despite this evident correlation, it cannot be definitively concluded that the RLP caused this decline. In fact, to emphasize the difficulty in proving causation, the rental property percentage actually increased for the first interval following RLP adoption (7/02-12/02). In addition to this specific point, a multitude of confounding variables, such as heightened police enforcement, magnified neighbor frustration, or closer owner supervision, may better explain the noise complaint findings. The inability to establish a causal relationship, however, should not detract from the correlation found between the RLP and the trend of rental property percentage decline. The validity of this correlation is further reinforced by the fact that total noise complaints were increasing over the same time period.

To better investigate the relationship between the RLP and the noise complaint trends, it would be helpful for the Inspections Department to partner with the Police Department to examine the trends and potentially identify more specific reasons for these trends and possible confounding variables. As indicated by the rising number of noise complaints over the five-year period, the issue of noise disturbance appears to be a growing problem for all of Chapel Hill, though the proportion of complaints regarding rental properties is on the decline.

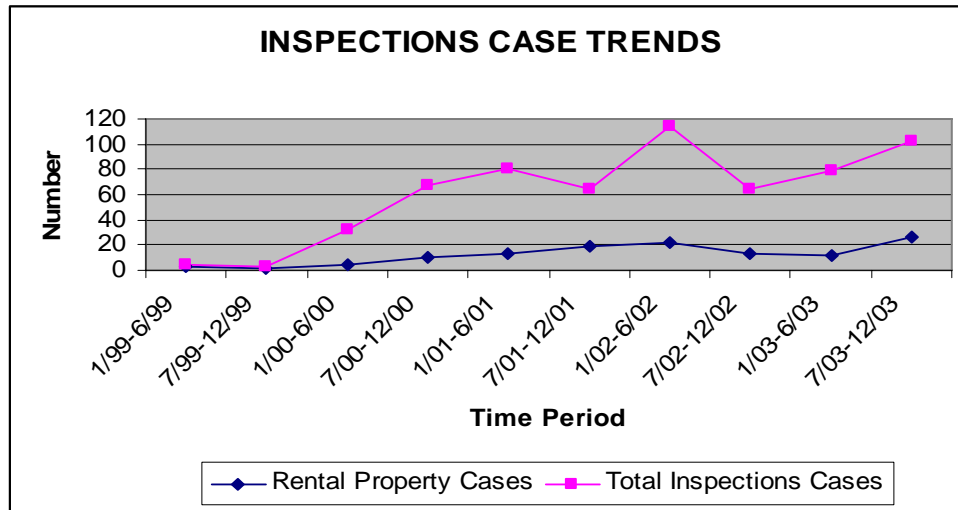
B. Inspections Complaints

1. Methodology

A comprehensive listing of all inspections department cases from January 1, 1999 to December 31, 2003 was obtained from the Inspections Department. The caseload was broken into ten six-month periods in order to evaluate trends associated with the April 2002 adoption of the rental licensing program. Since the total number of inspections cases in all but two of the ten periods selected was under 100, it was not possible to draw a sample from each of the periods that would represent the actual number of inspections with a great degree of confidence. Therefore, each of the 610 inspections cases from 1999-2003 was entered into a separate database, and the addresses were cross-referenced with the RLP database and identified as either “rental” or “non-rental.”

2. Data

The line-graph below shows the total number of inspections observed in each of the six-month periods alongside the total number of inspections involving rental property. Additionally, the table that follows the graph provides the graphical information in numerical form as well as the number of cases involving rental property in each of the periods.



INSPECTIONS CASE DATA, 1/1/99-12/31/03		
Time Period	Rental Cases	Total Cases
1/1999-6/1999	3	5
7/1999-12/1999	1	3
1/2000-6/2000	5	32
7/2000-12/2000	10	67
1/2001-6/2001	13	80
7/2001-12/2001	19	64
1/2002-6/2002	22	114
7/2002-12/2002	13	64
1/2003-6/2003	11	79
7/2003-12/2003	26	103

3. Conclusion

When evaluating the total number of cases and the total number of cases involving rental properties, it becomes important to revisit policy changes that occurred throughout the five year period observed. The most significant policy changes occurred in January of 2000 and April of 2002.

Prior to January of 2000, the Planning Department fielded complaints related to the Minimum Housing Code. Starting in 2002, the Inspections Department became the Town's designated agent for code enforcement. This policy change correlates perfectly

with a 10-fold increase in the total number of inspections cases from the last six months of 1999 to the first six months of 2000.

The Rental Licensing Program was adopted in April of 2002; however, the Town Council began receiving public comment on the establishment of the RLP in January of 2002. The RLP was implemented in June of 2002. Therefore, the first six months of 2002 serve as the adoption and implementation period of the RLP. From January to June of 2002, the total number of inspections cases increased 78.1% from the previous period. As the graphical illustration of the ten periods indicates, this period is an outlier among the rest of the periods observed from 2000-2003. Though no causal relationship between the policy change and the sudden increase in the overall number of inspections can be determined, the two occurrences are highly correlated with each other.

Only the last three periods observed are representative of the full implementation of the RLP. The total number of cases rises in each of these three periods and the percentage of rental property cases fluctuates between 13.9% and 25.2%. During this period, an additional inspector was hired by the Department for the purpose of meeting the needs of the RLP. This acquisition increased the overall inspections capacity of the Department in terms of manpower by 25%.

Overall, the data indicates that the inspections caseload was virtually non-existent prior to January of 2000. With the exception of the first six months of 2002, the total number of cases has remained fairly predictable, and the total number of cases involving rental properties has trended in a manner similar to the total number of cases. As the Rental Licensing Program matures, it will be important to not only continue to measure trends associated with rental properties within the overall inspections caseload but also determine performance goals that should be associated with the program. For instance, the overall number of inspections cases increased 23.4% while the number of cases involving rental properties fell by 6.4% during the first six months of 2003. The department must determine, based on the goals of the program, whether or not this is a positive change and set goals for the future performance of the program accordingly.

C. Sanitation Violations

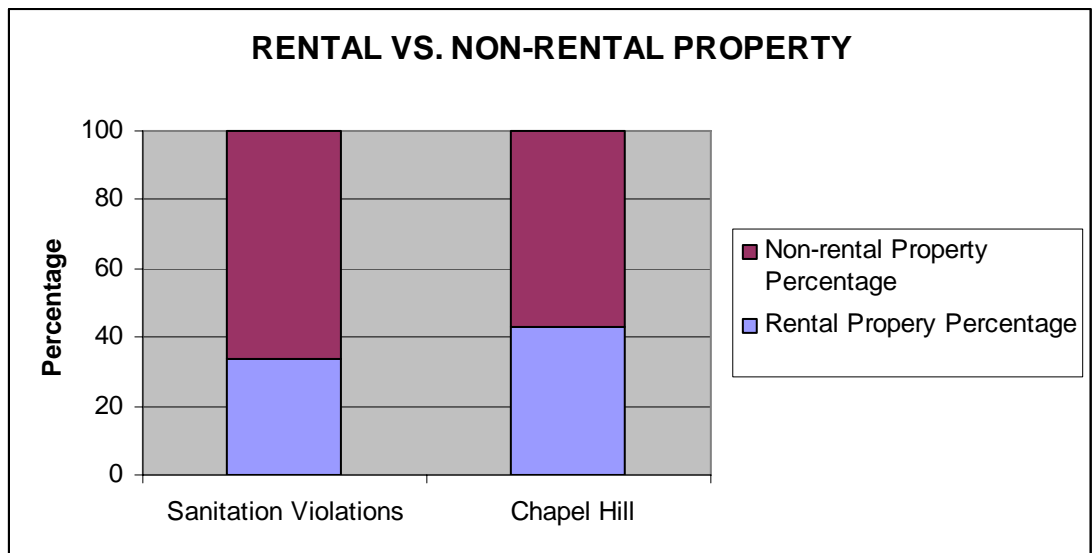
1. Methodology

The Solid Waste Division of the Department of Public Works began issuing \$25 civil fines during April of 2002. Since this policy change occurred late in the 2002-2003 fiscal cycle, it is not possible to divide sample data taken into multiple fiscal cycles, as was the methodology in each of the two previous sections. However, by cross-referencing a sample of violations since the inception of the Solid Waste Citation program with the RLP database in the same manner, it is possible to observe the percentage of Solid Waste citations that occur on rental properties.

2. Data

From April of 2002 to February 18, 2004, 33.7% of all Solid Waste Citations were associated with rental property. The chart below compares the sample percentage of Solid Waste Citations with the overall percentage of rental properties among all residential property according to 2003 Census returns

SANITATION	Total Violations	Number of Rental Unit Violations	Rental Property Percentage
4/26/2002 - 2/18/2004	383	129	33.7
CHAPEL HILL	Total Residential Properties	Rental Property Units	Rental Property Percentage
	17393	7508	43.2



3. Conclusion

On the surface, it does not appear that rental properties are accounting for a disproportionate volume of Solid Waste Citations among residential properties. In fact, the data indicates that while about 1/3 of all citations involved rental properties, this figure is almost 10 percentage points lower than the percentage of rental properties among all residential properties. However, there is a serious limitation to this conclusion. Unlike the noise complaint database and the Inspection Department caseload, the Solid Waste Citation database is comprised in large part by non-residential property. Unfortunately, it is not possible to accurately separate residential and non-residential property. Given this occurrence, the percentage of rental properties would be expected to grow sizably when compared only with other residential properties, though it is impossible to estimate if that growth would result in a disproportionate amount of rental properties involved in sanitation violations. Nevertheless, since the Solid Waste Citation program fulfills one of the original missions of the RLP, it would be helpful to track the percentage of rental property violators among total residential property violators in the future. If future residential and future non-residential violators are divided within the citation database as they are entered, then this figure will become quite easy to track.

III. Survey

1. Methodology

The principal objective of our project was to determine the effectiveness of the Rental Licensing Program. As stated above, the RLP was designed based on complaints about rental property sub-quality conditions and behaviors. In order to measure RLP effectiveness we determined some of the major areas of complaint that the RLP sought to improve. To examine the effectiveness of the RLP in (1) improving tenant living conditions and (2) improving tenant behaviors, we developed a qualitative data collection approach (i.e. survey) that we hoped would uncover some of the program's 'quality of life' objectives. Data analysis of noise and parking complaints coupled with reported inspection violations alone falls short of understanding the overall impact, or lack thereof, from the RLP.

Three groups were targeted in order to assess the overall conditions of rental units and reactions to the RLP: rental unit tenants, owners, and neighbors. We wanted to assess each group's unique perspectives and feelings regarding rental living conditions and behaviors. Originally we sought to conduct a true random sample of all three populations but later adjusted our pool of survey recipients due to cost, time, and feasibility limitations. The Town of Chapel Hill provided the RLP database that included a listing of all registered rental units (7,831) and their owners (814). The database required manipulation in order to extract printable label friendly addresses. The database did not contain any neighbor information. Some of the rental units within the database were missing identifying apartment labels such as number or letter. In order to generate a true random sample from the entire registered rental unit population listing we first had to obtain the missing data.

From a rental property population of 7,831, we determined that 558 respondents were necessary in order to generate a statistically significant sample size of rental unit tenants at the 95 % confidence level with a 4% confidence interval. Hoping for a little better than a 25% response rate, we randomly selected and mailed surveys to just over 2,000 different rental unit tenants. (A 25% response rate would generate at least 500 surveys). Because of the relatively small number of rental owners and the availability of accurate contact information we decided to mail a survey to all of the owners found in the RLP database. This decision greatly enhanced the response rate and accuracy of the data. Mailings to neighbors proved to be the most difficult of the three groups due to the absence of contact information. Manual research was required to determine neighbor addresses. Using the randomly selected rental unit addresses, we manually looked-up and inputted 612 neighbor addresses. These addresses did not provide a true statistically significant sample of all neighbors, but we hoped it would provide a small snapshot of neighbor feelings about rental properties in general. We believed that neighbors were a significant factor in the program's original impetus. Therefore, an absence of neighbor's feelings and reactions to the RLP from our final analysis and recommendations would be conspicuous.

To promote higher response we mailed a postcard (See Appendix C) a week in advance of the survey alerting the survey recipients of its pending arrival, including a brief explanation of the survey's intended use. While each survey differed slightly depending upon the perspective of the recipient, each was intentionally kept to a one-page maximum. Wording was selected carefully to best reflect spoken language. No open-ended questions were included due to the volume of surveys mailed and the limited time available for coding and analysis.

In the end, we mailed surveys to 2,398 rental unit tenants (See Appendix D), 814 rental unit owners (See Appendix E), and 613 rental unit neighbors (See Appendix F). Based on our tenant survey response rate (19%) we are able to claim a confidence interval of +/-4.5 at a confidence level of 95%. Based on our owner response rate (46%) we are able to claim a confidence interval of +/-5 at a confidence level of 99%. Our neighbor survey was not a random sample but we garnered a response rate of 10%.

2. Analysis

The coding for all questions was intentionally kept simple. In most cases, respondents were asked to simply circle 'yes', 'no' or 'don't know.' The final few questions on each survey consisted of a series of Likert Scale questions (scaled 1-5) that targeted feelings about rental properties, tenants, owners, the RLP, or the Town's oversight of rental properties.

The questions of this survey sought very specific information that would help begin to measure the conditions of rental properties and reveal any trends and/or inconsistencies between the three targeted groups. Many of the questions found in all three surveys are similar because we sought to compare and contrast perceptions as a means of determining the overall feelings about rental properties in the absence of more precise data to compare before and after effects of the RLP. Only a limited amount of data could be collected, analyzed, and compared for before and after RLP implementation. There are no data available which can adequately evaluate the effects of the RLP on living conditions in and around the rental properties. While a qualitative approach gave us the flexibility to ascertain the present condition more accurately, it is not able to produce before RLP data, which would provide more substantial evidence for evaluative purposes.

a. Tenant Questions

We intentionally built into this survey a means for obtaining pre-RLP data from the rental tenants, however. We asked respondents to first identify their length of stay at their current residence. Then we asked them to identify whether they had rented property in Chapel Hill since before 2002, or before the RLP. Those that claimed the affirmative were then invited to elect to participate in a follow-up study by writing their address in a space provided. This information is now accessible for the Town's use in conducting a more concentrated study of the RLP effects from the perspective of tenants that have rented both before and after its implementation (See Appendix G).

Questions then followed that attempted to ascertain familiarity with the RLP and with the Rental Duties Information Sheet. Also, we asked a series of questions about the tenants' feelings with respect to code compliance, complaints, and disturbances. We asked about trash and parking, two of the more common complaints leveled against renters. Finally, using a Likert Scale, the renters were asked to rate safety, living conditions, owner responsiveness, and the RLP.

b. Owner Questions

Most of the owners registered in the RLP database actually maintain multiple rental properties within Chapel Hill. Having the owners answer questions without knowing how many rental units would have been less effective. Therefore, we attempted to limit the owners to respond according to only one of their Chapel Hill rental properties, which we provided for them as an address insert. We still included questions on how long the owners had owned property in Chapel Hill and approximately how many properties they owned. We asked them their familiarity with the RLP. We asked them about known code violations and the years in which they had occurred. Again, we are working without the benefit of knowing before and after effects and some of the questions are geared at trying to distinguish change. We asked specific questions about the property with respect to police response, number of vehicles, compliance with trash ordinances, and whether or not they had ever been reported by their tenants to the Town on any occasion. The Likert Scale asked them to rate safety, living conditions, tenant behavior, and the RLP.

c. Neighbor Questions

The neighbors were surveyed because of their influence in the creation of and support for the RLP. Difficulties with this sample, previously mentioned, included not having a database of neighbor information. To overcome this dilemma we asked them to base their responses on a neighboring rental property of their choice. We took a risk by not identifying a particular property but as mentioned previously, our resources were limited. Besides, if a large number responded negatively it would still be valuable information about the ineffectiveness of the program. We hoped to be able to determine whether or not they had seen a change in rental property since the RLP came about. Since no data exists that can demonstrate this we hoped the results would provide insight if enough responses were received. The sample population we ultimately obtained is not necessarily representative because of the way in which we generated the addresses and the smallness of the sample size.

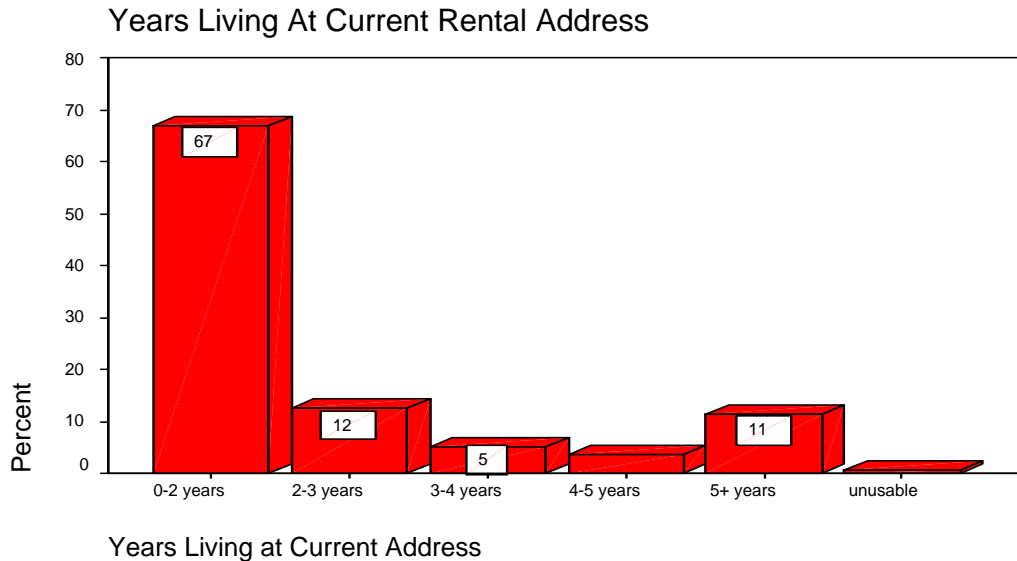
In the survey we asked them how long they had lived at their current residence. We asked them about their familiarity with the RLP and the duties of tenants and owners, respectively. We asked them to opine on the condition of their rental neighbor's properties with respect to code compliance. We asked them if they had ever complained to the Town, their rental neighbor, or the owner of the rental property. We provided them with a Likert Scale of options to rank their neighbor rental property safety level, living conditions, tenant behavior, and the Town's responsiveness to their neighboring rental property.

3. Data Review

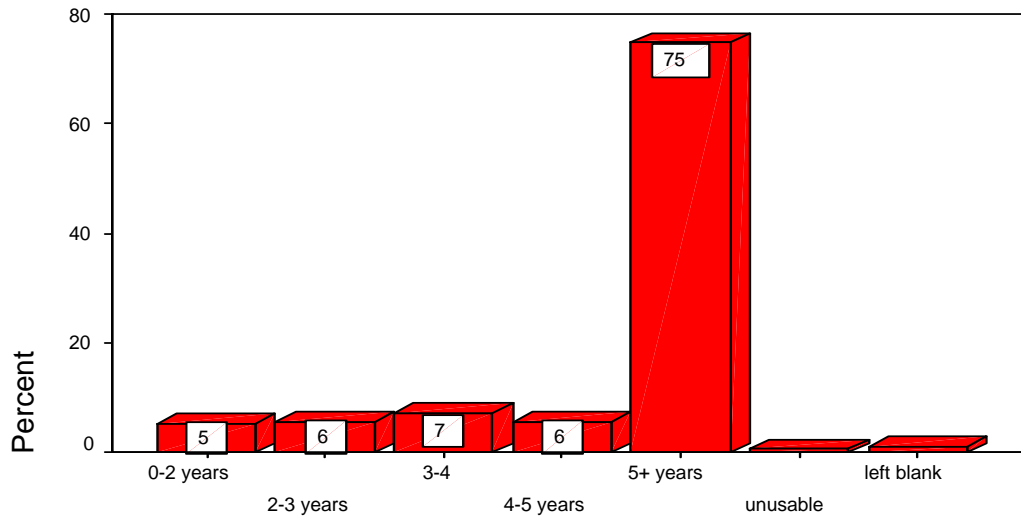
This section will examine the three main components of the survey questions. These components sought to address the two principal questions of whether or not the RLP improved tenant living conditions and behaviors. These three components are (1) familiarity with the RLP, (2) property conditions, and (3) owner and tenant behaviors.

Ultimately, the best evidence for evaluating RLP effectiveness will come from targeting renters that have rented in Chapel Hill since before the program's implementation. We designed a survey that, among other things, asked respondents to identify whether or not they had rented in Chapel Hill since before 2002 and if they would be willing to participate in a follow-up study. Out of 465 responses 123, or 26%, indicated that they would participate in a follow-up study.

The following graphs reveal the breakdown of years living at rental addresses, years of ownership of rental units, and the number of years neighbors have lived at their residencies.

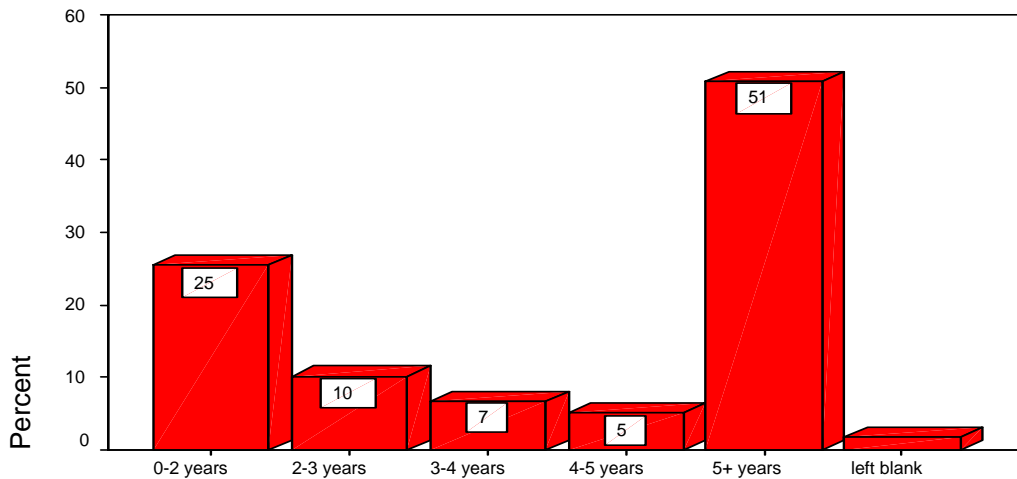


Years Owning Specified Rental Address



Years of Ownership

Years at Residence (Rental Neighbor)

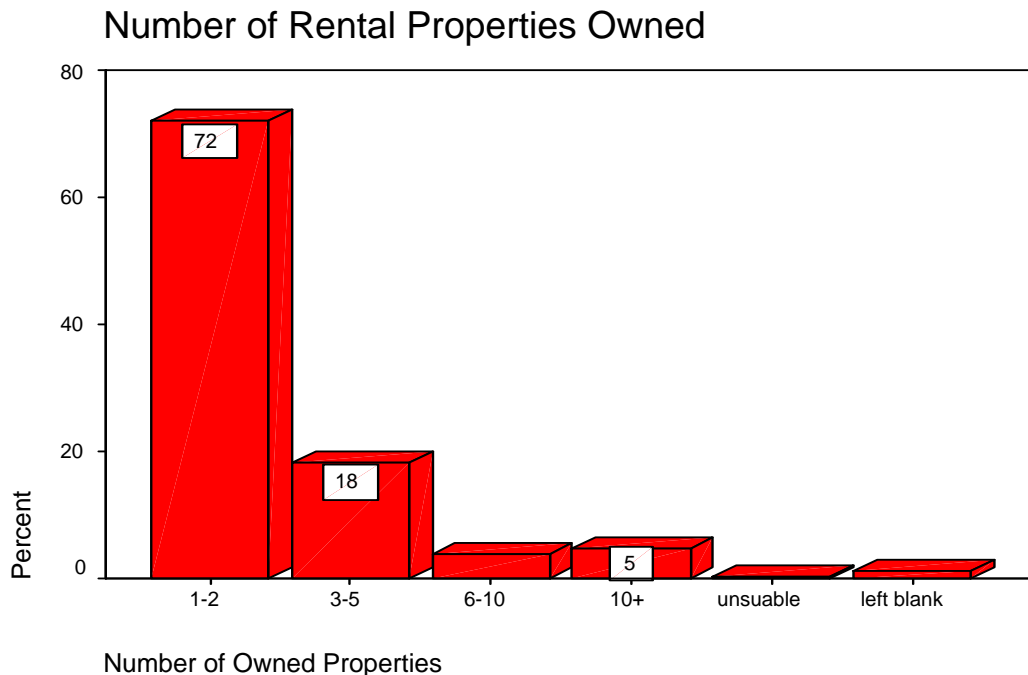


years at residence

It is important to note that the renter community is highly mobile; and it was expected that a majority of the respondents would reply that they had lived at their present location for less than 2 years. We could not simply exclude the renters that had lived at their current address from '0-2 years' from our analysis of the RLP because some of them have moved in the past 0-2 years and, hence, rented in Chapel Hill since before the program's implementation. In fact, 45% of all tenant respondents claimed that they had rented in Chapel Hill since before 2002. Therefore, at least 15% of the '0-2 years' category account

for the 45% of tenant respondents that had rented in Chapel Hill since before 2002. Also, a comparison of all respondents allowed us to analyze differences across different groups.

75% of owner respondents said that they have owned the specified rental property for more than five (5) years. 72% of rental unit owner respondents own 1-2 rental properties in Chapel Hill. With respect to neighbors, the majority (51%) responded that they had owned their property for over 5 years. The lowest end of the spectrum, or '0-2' years, had the second highest rate of responses at 25%. We are more skeptical of the neighbor statistics overall, so we are not certain that this sample presents a proportional representation of rental neighbor property owners in Chapel Hill.



The statistics above formed one of the foundations for comparison in analysis. We used differences in years and numbers of owned properties to identify trends in the responses. We used trends to evaluate the status of the rental community in the present.

Familiarity with the RLP

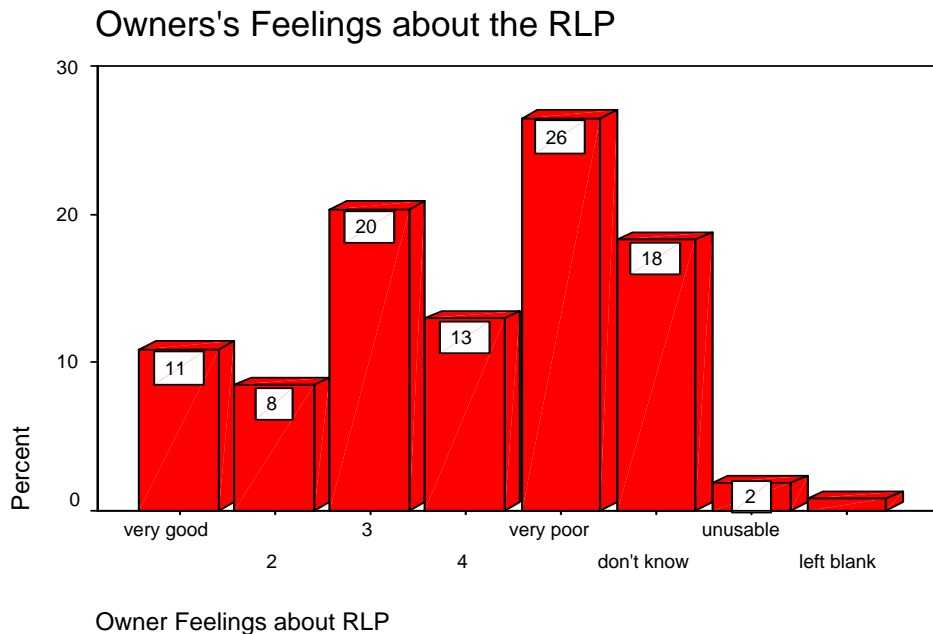
94% of tenant respondents claimed that they were not familiar with the RLP. This is not surprising, however, because the program does not advertise itself as such to the renter community. In theory, the tenants are presented with a Rental Duties Information Sheet that specifies their responsibilities in order to comply with RLP standards. Unfortunately, only 27% said they were familiar with the Rental Duties Information Sheet and of them, only 94% had actually read the Rental Duties Sheet. We analyzed the make-up (years at rental unit) of rental unit dwellers that read the information sheet. We found that as the number of years at the same rental unit increased the inverse occurred with respect to taking responsibility to read the Rental Duties Information Sheet. The

following chart reveals the percent of tenants that having received the information sheet actually read it. Each year the owners are required to provide a copy of the Rental Duties Information Sheet to the tenants. Evidence shows that longer termed renters will not read the information. Perhaps a change with respect to this policy would help owners in their concerns over the necessity and time consumption of the program. For example, the RLP might require owners to provide the Rental Duties Information Sheet only in the first two years. This could help relieve some of the pressures felt by owners, whom are the enforcers of the RLP in this area.

78%	0-2 years
81%	2-3 years
67%	3-4 years
75%	4-5 years
60%	5+ years

94% of owners, on the other hand, said that they were familiar with the RLP. Since owners were selected for participation in the survey based on their having registered with the RLP through the Town, it seemed strange that 5% or 18 owners said that they were not familiar with the RLP. 17 of the 18 owned 1-2 rental properties but this is not significant because 72% of all owner respondents owned 1-2 rental properties. No statistical correlation could be determined to explain these responses.

Owner's feelings about the RLP ranged more widely than neighbors (small sample size) and tenants (83% didn't have an opinion). The Likert Scale rankings revealed an overall negative perception of the RLP. If the score of 3 (20%) is held neutral, 39% ranked the RLP with a 4 or 5 score towards the 'very poor' end in contrast to 19% that ranked their feelings with scores of 1 or 2 towards the 'very good' end of the scale.



Some 14% of neighbor respondents were familiar with the program. If that data is indicative of rental neighbor tenant perceptions it was noteworthy that those that were familiar with the RLP had also resided in their homes for more than five (5) years.

Rental Property Conditions

Only 2% of tenant respondents (8 out of 465) claimed that they had ever complained to Chapel Hill about the conditions of their rental property. This number may be on the decline due to the RLP but in the absence of before implementation data it remains unknown. This question was followed by an inquiry as to perceived building code violations. 6% said that since moving in they had noticed a violation. The disparity between the two responses might indicate that violations were reported and corrected prior to the Town being notified. Only 4% responded that they knew that the Town of Chapel Hill had been to their property to inspect since moving in. The inspector may arrive when tenants are not at home.

9% of owners said they had been notified of building code violations on the specified properties. 4% said that the specified properties had been inspected since receiving certified occupancy. Whether or not these numbers are high or low will depend upon the Town's goals and trends for inspections. Also, we do not know if these numbers have changed since the RLP implementation.

Neighbor perceptions played a critical role in the development and implementation of the RLP. 9% of neighbors said that they believed their neighboring rental units had had a building code violation at some point. We do not know how far back they are basing their response on, however. It seems that the neighbor, of all three groups, would be the least fearful of reporting or acknowledging code violations to the Town. However, only 3% said that they had ever reported a violation to Chapel Hill. They were more likely instead to complain to the owner (10%) and/or the tenant (14%) directly. In all three cases, over 80% had never complained about any violations.

All three groups were asked to rank their feelings regarding the rental unit's safety and quality of living conditions. Responses were more heavily skewed to the left or towards the positive in all three cases. Using a Likert Scale, tenants ranked rental unit safety as follows:

Very Good.....					Very Poor	Don't Know
1	2	3	4	5		
28%	37%	22%	8%	3%	2%	

Tenants ranked quality of living of their rental property as follows:

Very Good.....					Very Poor	Don't Know
1	2	3	4	5		
24%	41%	23%	9%	3%	1%	

Owners ranked rental unit safety (again for the specified address insert only) as the following:

Very Good.....					Very Poor	Don't Know
1	2	3	4	5		
71%	18%	5%	0%	1%	2%	

The high percentage of 'very good' should be expected from a group that has so much at stake in the property. Comparing their overall answers, however, they are not too much different from the tenants with respect to positive evaluation of the safety. The following is the owner's perception of quality of life conditions:

Very Good.....					Very Poor	Don't Know
1	2	3	4	5		
76%	17%	4%	1%	1%	1%	

Again, the owners were very complimentary of their own property but since the tenants were not overly critical there is little reason to conclude that there are significant problems with the living conditions. Unless, that is, the neighbors perceived something different. The following are the neighbor's assessment of safety at their neighboring rental units:

Very Good.....					Very Poor	Don't Know
1	2	3	4	5		
37%	24%	7%	5%	2%	20%	

Neighbors were not overly critical of the safety conditions of the rental properties either. With respect to quality of living conditions they responded:

Very Good.....					Very Poor	Don't Know
1	2	3	4	5		
36%	24%	7%	5%	5%	19%	

Here this is a slight increase in the very poor selections. Even if it is assumed that neighbors of rental units do not like having rental units as neighbors the data did not support a widespread feeling of displeasure with the appearance of rental properties. These numbers are small enough on the negative side that they do not warrant a conclusion of overly negative conditions.

These data lead us to believe that rental conditions are not perceived to be problematic from the three interested parties surveyed. If the results revealed much worse conditions it could reasonably be concluded that the program was having little or no effect at improving quality of life conditions. The absence of before implementation data hampers any conclusive evidence that the RLP is effective in this area. It remains the Town's prerogative to reconsider the impact of these data. But, while they may understand and

interpret these percentages based on experience they do not have comparative data that would provide more conclusive evidence.

Tenant/Owner Behaviors

A second area of the survey is concerned with behavior. Improving tenant behavior is, in fact, a primary goal of the RLP but also implicit is the concept of owner responsibility and accountability. Therefore, owner behavior is just as vital to success. One of the concepts behind the database was to be able to track problems with specific rental units in an effort to see, over time, if certain properties were more problematic than others. This would, in effect, be attributed to absentee owners and/or poor oversight. While the viability of measuring and evaluating properties in such a manner is still noticeably absent from the database, the next round of survey question analysis drives at behavioral points of interest that relate to this goal.

Two areas that begin to uncover tenant and, ultimately, owner behaviors have to do with Town code compliance. Noise and trash violations are two of the most often cited (anecdotal) problems with rental units. We asked tenants, owners, and neighbors about these areas of concern.

19% of tenants said that the police had responded to a disturbance/complaint at their rental unit. Still unknown from this data compilation is the exact nature of the disturbance/complaint. In comparison, only 9% of owners claimed that the police had ever responded to problems at their rental units. 14% of neighbors said that the police had responded to neighbor rental units over disturbances/complaints. While the neighbor data is least trustworthy with respect to statistical significance, it better resembles the tenant responses. This data might begin to reveal a trend in lacking owner awareness of violations. One significant but not surprising statistical compilation revealed that while owners with 10+ units only make up 5% of the overall owner population sample, they account for 22% of the overall number of owners that responded affirmatively of police response to disturbances/complaints at their rental units. This could be evidence that in these cases owner responses were based on less specific reference to the address insert. Perhaps owners did not recall the specific address but only that the police had responded to one of their units in the specified area. Perhaps it reveals that larger rental complexes are more problematic with respect to renter incompliance with noise violations.

The second traceable data variable is compliance with trash ordinances. 80% of tenants said that they were regularly in compliance. Unfortunately 16% said that they were not sure. Only 3% said they were not. Why are 16% uncertain? This was a targeted aim of the RLP and is included in the Rental Duties Information Sheet. 73% of owners said that they believed their rental tenants were in regular compliance with the Town's solid waste ordinance. Only 2% said that they were not while 24% said that they were not sure. This last number is a clearer indicator that some owners are unaware of rental tenant's behaviors. Trash compliance perception from the neighbor's point-of-view diverged from the two former groups. 34% said that neighbor renters were in regular compliance. 17% said that they were not. 39% were not certain. Perhaps larger portions of residents of

Chapel Hill do not understand Town ordinance regarding trash collection. Still, the 17% 'no' mark figures to be a large portion of neighbors that seem to be unhappy about their neighbor's behavior.

Owners and neighbors were asked to rate the behavior of rental tenants using a Likert Scale. Owners said the following:

Very Good.....Very Poor				Don't Know
1	2	3	4	5	
69%	13%	4%	2%	1%	8%

Neighbors of rental units said the following about the tenants:

Very Good.....Very Poor				Don't Know
1	2	3	4	5	
44%	20%	14%	5%	2%	19%

Owners felt very good towards their rental tenants for the most part. Neighbors did as well, but many more did not seem to notice them, which may be interpreted as very good as well.

Tenants were asked to rate the responsiveness of the owners/landlords. This question attempts to uncover whether or not owners are responsive and aware of the needs of tenants. They said the following:

Very Good.....Very Poor				Don't Know
1	2	3	4	5	
40%	27%	17%	8%	8%	1%

These numbers reveal that all is not perfect with renter/owner relations. However, the dispersion of satisfaction level (or lack thereof) follows the normal distribution of number of years at the rental property. So, limited time at a rental unit does not translate into a higher proportion of dissatisfaction with ownership/management. And on the other end of the spectrum, longer tenure at the rental unit (i.e. 5+ years) did not translate into greater satisfaction from ownership/management responsiveness.

Survey Conclusion

These data reveal the status of the rental community in the present. There are no significant problems, which may be attributable to the RLP. However, definitive conclusions with this data collection are not possible. The means to obtain a more significant analysis of the RLP is provided by means of a follow-up study that should be conducted with the 134 respondents that agreed to participate. The RLP, in conjunction with the Rental Duties Information Sheet, are not being received and understood by tenants.

Owners are less informed about their rental properties than the Town of Chapel Hill would hope. Many are not enthusiastic about the RLP. Although this survey did not include a section for comments many chose to voice their opinions about their displeasure. The Town should continue to weigh the interests of the owners against the other parties included. The neighbors are still an elusive interested party with respect to completely understanding their perspectives. We were unable to devise a way to obtain a statistically significant sample to draw responses from. The data we did obtain is introductory at best.

IV. Comparative data

In our evaluative efforts to assess the effectiveness of the RLP, we reviewed the practices and procedures of other local governments that have struggled to maintain a balance between providing safe and accessible rental properties for its citizenry with how to address some of the associated problems that appear to be attracted to large rental communities: increase in illegal parking; loud parties; unsightly front yards, and unscrupulous rental property owners.

The goals, strategies, and best practices presented are based on a literature review and interviews with numerous housing and inspection officials. Examples of the best practices are evident in many communities, large and small, across the United States. This section presents examples from just a small number of communities. However, it is important to note that the Town of Chapel Hill should be commended for taking the initiative in trying to address the concerns presented by its rental properties. Chapel Hill is just one of two programs in North Carolina that have fully implemented programs to monitor and improve the conditions of its rental properties, Asheville is the other community.

Goals

Although communities have had to consider their own situations on an individual basis, we have identified four main goals common to all of the represented programs:

1. To improve the maintenance of residential rental property throughout the community.
2. To encourage rental property owners to identify and correct conditions that contributes to blight, repetitive crime, and related problems.
3. To involve the tenant in the maintenance and preservation of the community where the rental property is located.
4. To generate sufficient revenue for the administration of the regulatory inspection process necessary to protect, preserve, and promote the health and safety of the residents of the community.

<u>COMMUNITY</u>	<u>UNIQUE CHARACTERISTICS OF PROGRAM</u>	<u>FEES</u>	<u>ENFORCEMENT ACTIVITIES</u>	<u>EVALUATION EFFORTS</u>
Boulder, Colorado (University of Colorado)	Application & fee submitted every 4 years; Inspections done by private building inspectors; two inspections required: baseline & safety inspections.	\$45/property regardless of number of units	The maximum fine for failure to license rental property is \$2,000 per violation and up to 90 days in jail.	Rental property licenses reviewed annually and compared to other city records to ensure compliance.
Evanston, Illinois (Northwestern University)	Under review, not yet implemented	City hired a new property maintenance inspector to monitor area around campus	Proposed ordinance would allow no more than 3 unrelated people to live in the same dwelling unit	Heavy opposition; no certainty of passage
Glendale, Arizona (Arizona Health Sciences Center)	GRIP (Glendale Rental Inspection program) task force to identify substandard rental properties	Chaired by the County Attorney's Office with one attorney dedicated to the task force.	To date, 7 properties have met the criteria of the task force getting one tenant evicted and six landlords fined	Citizen task force members attend community watch and neighborhood association meetings soliciting information from tenants & owners.
Laurel, Maryland (Bowie State University)	This program is derived from the International Property Maintenance Code. It was recently modified to include rental properties.	Fee calculation is based upon the number of buildings being licensed. Single-Family/ Townhouse /Condo /Duplex \$ 25.00 Apt. Bldgs. (2 - 6 Units) \$ 50.00 Apt. Bldgs. (7 - 15 Units) \$125.00 Apt. Bldgs. (16-30 Units) \$175.00 Apt. Bldgs. (31 - 50 Units) \$250.00 Apt. Bldgs. (51 or > units) 325.00	In the event of violations, license may be revoked and fines assessed.	All rental units shall be subject to re-inspection every five (5) years. For building complexes containing forty (40) units or more, 20% of all units will be inspected. In building complexes containing less than forth (40) units, every unit will be inspected.
Lawrence, Kansas (University of	Rental Licensing and Inspection program managed by the	\$25.00/dwelling registration fee /year	If a property owner does not get a license, there is a	Inspection required every three years. Private inspector

Kansas)	Neighborhood Resource Department.		minimum fine of \$225.00 to a maximum \$1,000.	that meets certification requirements may inspect property.
State College Borough, Pennsylvania (Pennsylvania State University)	Five residents of the Borough make up the Rental Housing Revocation Appeal Board. The Board was created in 1996 to hear and adjudicate appeals from decisions made by the Manager with respect to the revocation of rental housing permits.	\$31.50 for the first dwelling unit/\$16.50 for each additional dwelling unit under common ownership in the same building.	Failure on the part of a property owner or tenant to correct violations can result in legal proceedings being initiated through the District Justice.	Centre Region Code Administration conducts follow-up inspections to ensure all violations are corrected.
Toledo, Ohio (University of Toledo)	“Good Neighbor Hotline” an anonymous way for residents to complain about their student neighbors. Implemented by Student Government at University of Toledo	No fee to neighbors. After 3 rd complaint, student renters may be assessed fines.	Letters sent from Student government to addresses around the student’s address to advise them that a student lives there and that they can expect them to be “Good Neighbors” and what to do if they are not.	Hot line checked twice a week. Letters sent to the address that is the subject of the complaint.

Recommendations

One aspect that is most apparent from a review of this comparative literature is that this is a process that must be reviewed and evaluated on an on-going basis to assure credibility amongst residents as well as provide information to the leadership about the effectiveness and value of the program.

Several recommendations for methods to strengthen the Chapel Hill Rental Licensing Program have been identified in other sections of this paper. However, establishing quarterly goals and objectives has been overwhelmingly identified as the first best practice associated with establishing an effective rental-licensing program. These goals and objectives can range from 75% accountability of all rental properties to 100% sidewalk inspection of the properties. Without an identifiable goal or objective it will continue to be difficult to assure owners of rental properties as well as tenants that the fees collected are working to improve the overall condition of rental properties in Chapel Hill.

V. Macro-Level Evaluation:

Strengths, Weaknesses, Opportunities, and Threats (SWOT)

We selected three methods to fulfill the Scope of Work Agreement that was submitted at the outset of this project. In order to quantitatively measure the effect of the Rental Licensing Program on rental tenant behavior, we cross-referenced the RLP database with records from the Police Department, the Inspections Department, and the Department of public works. Secondly, a survey was mailed to 2,398 rental tenants, 814 rental property owners, and 613 rental property neighbors in order to provide quantitative feedback on the strengths and weaknesses of the program and to determine the effect of the RLP on the quality of rental properties. Finally, the structure of the Chapel Hill RLP was compared with the structure of similar rental licensing programs throughout the United States.

After performing these micro-level analyses, it is necessary to provide a macro-level evaluation of the RLP. Below is a summary of the strengths, weaknesses, opportunities, and threats that characterize the program as it stands.

<p style="text-align: center;">STRENGTHS</p>	<ul style="list-style-type: none"> • RLP Database <ul style="list-style-type: none"> ○ Satisfies the need for mechanism to track property owners and rental property ○ Citizens have a way to get information on contacting owners through the town's database ○ Allows opportunity to expand program into an integrated software system when same is obtain by the Town of Chapel Hill • Committed staff dedicated to making the Program successful <ul style="list-style-type: none"> ○ Staff have been helpful and supportive of evaluation ○ Database continues to be updated ○ Inspector hired for program is inspecting rental property from the street level ○ Rental Duties Information Sheet is posted on Town's website • Employees hired for position allows Inspections Department to be more responsive to rental property complaints <ul style="list-style-type: none"> ○ Program employs fulltime Zoning Enforcement Officer and half-time Administrative Clerk • Fees generated have to support program <ul style="list-style-type: none"> ○ Town does not need to support program with other funds • Program is correlated with decline in the percentage of noise complaints coming from rental properties <ul style="list-style-type: none"> ○ While the rental property percentage of noise complaints declined, the total number of noise complaints increased • It is possible, with an integrated software system, to identify properties with repeated violations by cross-referencing database with information from other departments.
<p style="text-align: center;">WEAKNESSES</p>	<ul style="list-style-type: none"> • Tenants unaware of Program's existence <ul style="list-style-type: none"> ○ 94% unaware of RLP. Of those surveyed, only 27% say they received Rental Duties Information and only 21% indicated that they actually read the information.

	<ul style="list-style-type: none">○ Program and Rental Duties not advertised to tenants, except via website and through rental property owners.● Negative perceptions of program by Owners<ul style="list-style-type: none">○ Information about goals or successes of the program not being shared with owners○ 39% of owners have a Poor (13%) or Very Poor (26%) rating of the RLP● Lack of shared technology prevents more collaboration with pertinent agencies and departments.● Database not user friendly<ul style="list-style-type: none">○ Information is there, but can be difficult to work with● Difficult to evaluate<ul style="list-style-type: none">○ Limited time frame for MPA students○ Program did not establish benchmarks prior to implementation○ Evaluation of living conditions difficult without interior inspection of property○ Program lacks performance measurement. Needs to clarify targeted outcomes from broad program objectives: i.e., what signifies a good outcome? More inspections? Or less?
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<p style="text-align: center;">OPPORTUNITIES</p>	<ul style="list-style-type: none"> • Technological partnership with other agencies through shared databases and a shared tracking system • Involve rental owners with Program to ensure continued success • Tenants interested in follow-up survey <ul style="list-style-type: none"> ○ Survey could be more in-depth: get clear understanding of living conditions prior to and following implementation of program and what would help get tenants a better understanding of their duties and rights • Continued evaluation • Learn from best practices of other jurisdictions
<p style="text-align: center;">THREATS</p>	<ul style="list-style-type: none"> • Owner dislike of program <ul style="list-style-type: none"> ○ Graduated fee system not yet developed • Tenant follow-up survey or focus groups needs to be done soon <ul style="list-style-type: none"> ○ Sooner the better, tenants move frequently in college town ○ Prior to Jan. 2005 in order to be available for the reconvened Task Force meeting • Difficult to prove causal effect of Program <ul style="list-style-type: none"> ○ Looking at information generated may lead to false conclusions • RLP may be accused of not substantially improving rental unit quality or rental tenant behavior <ul style="list-style-type: none"> ○ A few bad apple properties and tenants spoiling the bunch

VII. APPENDICES

Appendix A	Scope of Work Agreement
Appendix B	Postcard
Appendix C	Cover Letter (Tenants)
Appendix D	Survey (Tenants)
Appendix E	Survey (Owners)
Appendix F	Survey (Neighbors)
Appendix G	List of Tenants for Follow-up Survey