

MORATORIUM ON GRANTING NEW RENTAL REGISTRATION FOR SINGLE-FAMILY HOMES IN THE R1 DISTRICT

ISSUE BRIEF EXPLAINING THE NEED FOR A MORATORIUM TO STUDY RENTAL CONVERSION'S EFFECT ON SINGLE-FAMILY HOMES AND THEIR NEIGHBORHOODS

ISSUE STATEMENT

The City is seeking to address homeowners' concerns regarding the conversion of neighboring homes from owner-occupied to rental property and the effect it has on their property. Many homeowners have claimed that rental residences and their tenants are the cause of decreasing home values, neighborhood decline, and a decrease in quality of life. The City receives frequent complaints on this issue; complaints that can be time-consuming when addressed on an individual basis and limit the City's ability to deal with other pressing issues, including a holistic response to this problem.

BACKGROUND

Many homeowners have expressed concern over how the condition of neighboring rental homes affect surrounding property and neighborhoods traditionally comprised of single-family owner-occupied homes. Anecdotal evidence suggests that real estate agents selling single-family homes are only getting offers from people who want to use the house to lease to tenants. The deterioration of housing in the Goosetown and Campus Neighborhood and high rental demand is a driving factor behind these sales. Further anecdotal evidence suggests that more homeowners are selling to get away from these rental homes and homebuyers are no longer choosing to live there, creating a cycle.

This issue has been around for at least 25 years and has grown as the demand for inexpensive rental units near the city's universities has grown. The situations that have recently caused this issue to surface are decreasing home values due to the recession, La Crosse's high mill rate in comparison to neighbor-

ing communities, and the community's increased value placed on neighborhoods. This value has been demonstrated in the creation of the Neighborhood Revitalization Commission (NRC) and every mayoral candidate's platform to benefit neighborhoods in the April 2013 election.

The loss of investment and connections due to fewer owner-occupied homes is an important and complex issue for the community. Renters are perceived as transient, with little incentive to improve or maintain their residence or neighborhood. As these properties become dilapidated and decrease in value, the tax burden increases overall. High property tax rates discourage homeowners from staying and discourage new residents from investing. Homeowners that would have remained for a few decades are replaced by tenants that may only stick around for a few years.

Decreasing home value and decreasing neighborhood quality impact homeowners and renters, as well as the City. Property taxes are high due to a large number of low-value homes which are often attributed to rentals. Homeowners may decide to leave the city due the changing makeup of their neighborhood. Since 2007, rental homes have been attributed with three times as many code violations as owner-occupied homes, putting a large burden on the City. High demand for rental homes reduces the incentive for landlords to improve their property.

While this issue is focused in the city of La Crosse, it has a strong effect on the region as its economic and population center. The burden of serving this major population may shift and overwhelm neighboring towns and communities as residents chose to relocate outside the city. Likewise, effects of sprawl may

further stretch resources and municipal services already spread thin.

The main argument in support of a moratorium is that it will allow the City to develop a holistic approach to declining home values and neighborhoods without constantly addressing individual complaints. The City may also be able to address lingering maintenance issues in this time. Lastly, single-family homes sold during the moratorium will be owner-occupied.

An argument in opposition to a moratorium is that it may cause a rush to sell and convert single-family homes to rentals before the moratorium goes into effect. Additionally, the City may now have to address more complaints from real estate agents that are not able to sell single-family homes slated for conversion to rental units. A moratorium may raise the price of leases for existing rental units as well.

The City, County, and neighborhoods have worked diligently toward developing solutions to address decreasing home values and neighborhood decline, but these neighborhoods continue to struggle:

- The 1987 report from the City Housing & Zoning Committee recommended the City require a Conditional Use Permit to lease any dwelling unit in the R1 District to be used as a residence for more than two unrelated people. The Common Council did not take action on the recommendation.
- A 1989 City ordinance changed the definition of ‘family’ in the Zoning Code to allow no more than three unrelated persons to live together in the R1 District. Rentals established before could have up to five, but the Judiciary and Administration Committee recommended a ten-year sunset clause. The sunset clause has not been enforced.
- A 2010 UW-Extension report describes how low-value residences drag property taxes down. The demand for cheap rental units creates a barrier for redevelopment: a price floor that is too high to spur private investment. The report called for regional solutions, leading to the formation of a joint housing task force.

- The 2012 report by the City/County Housing Task Force recommended creating a student housing district and reducing the number of unrelated persons living together, as well as better enforcement of rental registration and inspection, and converting rental units into owner-occupied dwellings. The City has not yet acted on these recommendations, but plans on doing so during the moratorium.
- A 2013 letter from the Grandview-Emerson Neighborhood Association requests the City to create a moratorium while working toward a solution to neighborhood deterioration, put a cap on rental units per block, and require a CUP for rental conversions.
- The 2013 Neighborhood Revitalization Commission (NRC) action plan recommended improving code enforcement, tracking building and infrastructure deterioration, and improving rental registration and licensing.

The demand for rental units, the low housing market, and the resources available to the City may limit the alternatives available to address declining property value and neighborhoods. The main limitation is how to meet or curb the demand for rental units. With growing colleges and universities, demand for housing near campus will always be high. Issues that need to be addressed are the distance from campus students are willing to live and what areas could be rezoned to increase density. Another constraint is the housing market. Home sellers want to maximize their profit, but may not be able to get the price they want from homebuyers looking to live there. Also, young people are more likely to hold off on buying a new home. Finally, the City has a limited staff to create and enforce laws that will affect the mix of rental and owner-occupied homes in the city. Potential restrictions are also limited by state and federal laws.

The City faces the risk of a reduced tax base from low-value homes and an increased demand for services. If the increasing number of rental properties is leading to a decrease in home value, that means less tax revenue for the City. This will reduce the resources available to the City and its citizens.

Additionally, poor housing and infrastructure conditions put a greater demand on City services and enforcement.

The City will use existing data on home values, rental registration, homeownership, college admission rates, and housing market trends as a reference to inform this issue. In addition, the City will refer to policies created by cities addressing similar issues regarding rental units. Cities like Platteville, Oshkosh, Green Bay, Eau Claire, and Winona have ordinances in place to restrict rental units. St. Paul, MN enacted a moratorium to study the effect of rental conversion around the University of St. Thomas.

RECOMMENDATIONS

The City Planning and Development Department is proposing a six-month moratorium to allow the City an appropriate amount of time to develop options and recommendations addressing declining home values and neighborhoods. Past recommendations have included requiring a Conditional Use Permit to allow a single-family home in the R1 District to be used as a rental unit and improving rental registration and licensing. Other recommendations included reducing the number of unrelated persons allowed to live in a single dwelling unit.

Planning staff recommends that the NRC be tasked with this issue its top priority and convene as often as necessary during the six-month period to explore options and develop recommendations for Council action. It is very important that the process and recommendations are informed by participation from elected officials, homeowners, renters, neighborhoods, landlords, and interested individuals and organizations.

While the City would benefit from having many stakeholders involved, an NRC leadership team is recommended to spearhead the process. Additional leadership should consist of the mayor, council members, neighborhood organizations, and City Department heads. This is a significant issue that deserves to be elevated on the City's agenda and may

even include County officials and staff. Additionally, the process may include prioritizing, financing, and getting support for existing recommendations; a process that includes an extensive promotional campaign, grant writing, and program evaluation.

IMPLEMENTATION

The moratorium will be introduced as an ordinance to be approved or denied by City Committees and the Common Council. Upon passage and publication, it may be put in place immediately. The Building and Inspection Department will implement the moratorium by rejecting new rental registration for single-family homes and citing illegal rental homes in the R1 District.

If enacted, the moratorium will ensure no new single-family homes are converted to rentals and the number of illegal rental homes is reduced. The intended outcome is that homeowners will be more likely to stay and invest in their homes and new families will eventually be moving into the R1 District.

Ultimately, the success of the moratorium will be measured by the quality of the recommendations produced. These recommendations will take the form of a report that will guide the creation of ordinances and resolutions intended to increase home values and improve neighborhoods. Any findings from the research will also influence the upcoming City Comprehensive Plan update.

COMMUNICATION

The moratorium and recommendations produced need approval of the Common Council. However, it is important that the public – renters and non-renters alike – are kept informed on the progress and process of the City's policy research and development. The City could get stronger support by developing a communication plan to keep stakeholders informed regarding recommendations. With a good communication plan, these recommendations may be able to avoid the fate of past failed recommendations.