

Mayor R. E. Bruchey, II called this Work Session of the Mayor and City Council to order at 4:07 p.m., Tuesday, August 15, 2017 in the Council Chamber at City Hall. Present with the Mayor were Councilmembers K. B. Aleshire, P. D. Corderman, E. Keller, and L. C. Metzner, City Administrator Valerie Means, and City Clerk D. K. Spickler. Councilmember D. F. Munson was not present.

Proclamation: Forget Me Not Month

Mayor Bruchey presented a proclamation to James Arnold, Disabled American Veterans Chapter 14, recognizing September, 2017 as Forget-Me-Not Month. The Forget-Me-Not Drive supports local disabled veterans and their families.

Fund Balance/Retained Earnings Policy – Revised

Michelle Hepburn, Director of Finance, was present to discuss the City's Fund Balance/Retained Earnings Policy. The City's current policy was last revised in August, 1993. Over the last year, Valerie Means, City Administrator, and Ms. Hepburn have worked to make revisions to this policy. The Fund Balance/Retained Earnings Policy is a guide utilized by staff in the Finance Department, by other city Departments, by the City Administrator, and by the Mayor and Council. It is intended to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for future sustainability. Fund balance is a vital measure of the fiscal health of an organization and reflects the accumulation of an organization's financial performance since it was created.

A summary of recommended changes are as follows:

1. Change in title to reflect a consideration of the entire City and not just the City's General Fund
2. Increase in the minimum percentage for General Fund unassigned fund balance from 10% to 17% of the General Fund's operating budget
3. Addition of minimum level of months balance to maintain
4. Expansion of when General Fund balance may be utilized including a definition for an "unplanned emergency situation"
5. Addition of Enterprise Fund section
6. Addition of Health Insurance Fund section

Ms. Hepburn noted that the percentage has stayed around 23% during the last five to seven years. GFOA best practices state 17% is an acceptable amount. This would provide approximately 2.5 months of operating funds in the event of an emergency. Staff recognize there may be a need to use some of the fund balance in future years. A restoration plan is also being included in the proposed amendment.

Ms. Hepburn stated the Fund Balance amount for FY17 will be determined when the audit is complete.

Councilmember Corderman asked if the Fund Balance has increased during the last nine years. Ms. Hepburn stated there have been years that showed a loss during this time.

Ms. Means indicated bond raters look at Fund Balance as well. The established amount should be higher than 10%. During the recent MML Conference, work sessions regarding financial practices and issues stressed the importance of establishing a Fund Balance of at least 17%.

Councilmember Aleshire stated the municipality he works for maintains a 30% fund balance. This is being recommended more and more by financial experts. He thinks the proposed amount is too low.

Councilmember Corderman is concerned the policy may restrict access to needed funds to invest back into the community.

It was the general consensus to review the policy in October, after the final FY17 numbers are submitted.

#### Department of Community and Economic Development Loan Portfolio Update

Jonathan Kerns, Community Development Manager, and Ashley Newcomer, Business/Community Development Specialist, were present to provide a status update on the City's loan portfolio.

There is \$ 3,899,871 in loans issued through the Community Development Block Grant (CDBG) Loan program and the Business Revolving Loan program. CDBG Loans include public facility improvements, commercial, homeownership, single family, and deferred single family/public facility. The approximate balance of recent delinquent loans is \$ 280,000. There are 42 active loans and 41 deferred loans.

The Business Revolving Loan Fund is available to small businesses or developers whose sales are less than \$ 5,000,000 annually for each of the last two years. Loan funds may be used for activities, including but not limited to growth and expansion, rehabilitation, code compliance, employee recruitment and retention, and façade enhancement. The maximum loan amount is \$ 200,000 or 80% of the total project cost, whichever is less. There is a \$ 10,000 minimum. The interest rate is a fixed-rate stabled at LIBOR plus 1%, but not less than 3%. The term may not exceed 7 years.

CDBG funded programs include:

1. Rental Residential Rehabilitation Loans – These are low interest loans provided to investment property owners for general rehabilitation to rental units. Eligible rehabilitation work through this program will typically involve major property maintenance needs; repairs which can bring the property up to City code standards or resolve health or safety concerns.
2. Single Family Rehabilitation Loans – The purpose of these loans is to eliminate health, safety and property maintenance deficiencies and to ensure compliance with applicable codes and standards. Eligible activities include

repair or replacement of defective mechanical, electrical, and plumbing systems, and repair or replacement of defective building components and surfaces. Low interest loans are provided to low/moderate income homeowners for non-emergency home repairs or rehabilitation.

In 2017, there were 4 new business revolving loans issued, totaling \$ 128,902. One new Rental Residential Rehab Loan of \$ 95,000 was issued for the renovation of 44-46 E. Franklin Street. There were no additional delinquencies noted and one delinquent account was paid in full.

There were no questions about the information presented. Staff will discuss edits and revisions to the Loan Review Board, housekeeping updates, and a delinquency collection process with the Mayor and City Council at a future Work Session.

### Rental Licensing

Kathleen Maher, Director of Planning, and Paul Fulk, Inspections Manager, were present to provide an update on the Rental Licensing Program.

Chapter 197 of the City Code outlines the licensing and inspection requirements for the City's Rental Facilities Program. This Code was adopted by the Mayor and City Council in 2003 for the purpose of protecting and promoting the public health, safety and welfare of the citizens of Hagerstown, establishing rights and obligations of the landlords and tenants in the rental of dwelling units, and encouraging the landlords and tenants to maintain and improve the quality of rental housing within the community. Periodic adjustments have been made to the program over the years, most recently in late 2016.

Chapter 197 requires any structure containing one or more dwelling units to be licensed with the City and subject to periodic inspections for compliance with the City's Property Maintenance Code. Rooming houses are considered rental facilities under this code. Exceptions are provided to owner-occupied structures containing no more than one rental unit (owner plus one) and to rental facilities owned and operated by the Hagerstown Housing Authority (HHA). The exception for HHA is because it was determined their inspection standards were comparable to the City's standards.

Chapter 197 excludes traditional hotels, motels, bed-and-breakfasts, nursing homes and hospitals from the definition of "rental facility." The first three are "rented" on a very transient basis by travelers passing through the community, and any hotel or motel operating under the flag of a national chain would be subject to the operational and maintenance standards to remain under that flag. The last two are subject to oversight by the State of Maryland.

Planning and Code Administration staff have excluded homeless shelters due to their hotel-like transiency and assumption of oversight by the State of Maryland or other authority, residential treatment facilities due to on-site care and oversight by others, ARC of Washington County houses due to in-home nursing care and other oversight, and assisted living facilities due to nursing care and other oversight. In November 2016,

PCAD staff provided an update on which housing provider properties were licensed in the program and which were exempt and an assessment of the inspection checklists shared by those providers exempt from the City licensing program.

In light of this research and the prior concerns raised by the City Council regarding the safety of the housing provided to the most vulnerable citizens, staff recommend the following revisions to Chapter 197, Rental Facilities, for the Mayor and City Council's consideration. Further research on these recommendations was tabled with the change in administration and advent of the PICCR process.

1. Modify definitions of Rental Facility and Rental Unit and add definition for supportive housing provider
2. Modify the license fee by adding specific facilities
3. Modify Inspections to include dormitory, homeless shelter, and residential treatment facility on a 24 months schedule

Due to recurring situations of non-payment of Rental Licensing fees by some landlords, staff suggests allowing liening of unpaid Rental Licensing fees as is allowed in the Vacant Structures Program.

Due to the large number of units never inspected and fairly common occurrence of non-reporting of tenant turnovers by some landlords, staff suggests modifying the interior inspection schedule from an event schedule to a timing schedule.

Councilmember Aleshire asked how many notices were written in the years prior to 2013. Mr. Fulk noted there would have been fewer notices because there were fewer staff members.

There are 9,345 rental units in the City. The following is the breakdown of ownership:

1. 29% are owned by City residents
2. 23% are owned by Washington County residents not living in the City of Hagerstown
3. 25% are owned by Maryland residents that do not live in the City or Washington County
4. 7% are owned by Pennsylvania residents
5. 7% are owned by West Virginia residents
6. 2% are owned by West Virginia residents
7. 7% of the remaining housing units are owned by residents that live in other states and Canada

Mayor Bruchey asked if six inspectors could actually inspect all the rental units every three years. Mr. Fulk indicated each inspector would have to inspect 400 units per year and this could be done with the existing staffing levels.

Staff reviewed a listing of non-profit supported or provided housing not in the City's Rental Licensing Program. These housing providers are excluded from licensing either by Code or by interpretation.

Ms. Maher indicated staff is aware of some hotels offering extended stay units. These units are inspected on a complaint basis because hotels/motels are not covered by the rental licensing regulations.

Councilmember Aleshire stated he feels any facility operated as a rented residence should have to comply with the Rental Licensing regulations. Ms. Maher cautioned that shutting down hotels that are being used as a place for homeless people to stay would cause these people to have nowhere to seek help.

Mr. Fulk stated the Dagmar is in the rental program. Staff is working with the owners to gain compliance; however progress is slow.

Councilmember Metzner wondered how many substandard rental units exist outside the city limits of Hagerstown. He is concerned it appears Hagerstown is encouraging this type of housing in the City. There should be assurances that hotel rooms meet set standard.

Councilmember Corderman asked if improvement of housing stock has occurred since implementing the rental licensing program. Mr. Fulk stated there is a minimum standard that must be met. In order to see improvements in the housing stock, the standard would have to be raised.

Councilmember Corderman stated it seems the individual property owner who is following the regulations is being penalized. There is a quality of housing that is attracting a different type of resident. He thinks the Hagerstown Housing Authority should not be exempt from the rental licensing program.

Councilmember Metzner is concerned that ¼ of rental units have not been inspected in the 14 years since it has been in place. He supported the recommendations from staff to require inspections on a timing schedule.

Mayor Bruchey asked if rental units would still be inspected at turnover if a timing schedule is implemented. Mr. Fulk indicated it would not be.

Including inspections of hotel rooms would require additional fees in the ordinance. The Mayor and City Council would need to decide if these inspections could occur with existing staff. Councilmember Aleshire stated these inspections must be self-supporting. These units should be inspected by someone specializing in rooming/boarding houses, etc.

Councilmember Corderman asked if any rental licenses have been revoked. Mr. Fulk indicated there have been but the property was still operated as a rental facility. The only repercussion is fines, and many of those aren't paid.

Councilmember Aleshire wondered if the utilities could be terminated. Mr. Fulk stated it was said at the beginning of this program 14 years ago that no one would be evicted because of the rental licensing regulations. An option is to abate the situation and charge the property owner.

Councilmember Aleshire stated if the tenant isn't displaced because of violations there is no alternative. The building should be shut down. Some of the property conditions are a drain on the assessable base.

Councilmember Metzner stated the balance of reaching the City's goal and not being too obtrusive needs to be determined.

Councilmember Aleshire stated the City of Hagerstown was ahead of the curve when rental licensing was implemented.

Councilmember Corderman stated the Permits, Inspection, and Code Compliance Committee has been discussing rental licensing and intends to provide some recommendations for amendments. Mayor Bruchey stated some of the landlords on this committee want to review the crime reduction regulation portion of the rental licensing program.

Mr. Fulk stated a number of jurisdictions license non-residential/commercial spaces also. Ms. Maher indicated changes in use in the CCMU zoning district requires an inspection before a zoning certificate is issued.

Councilmember Aleshire thinks the Section 8 housing vouchers should be turned over to the Hagerstown Housing Authority because they have experience with the vouchers and have the authority to manage units. They are able to address issues more expeditiously than landlords. They also have the ability to hold tenants accountable for the living conditions. The HHA can ban tenants from renting through them again.

Councilmember Keller stated tenant accountability is a great theory but wondered how can it be enforced.

Councilmember Aleshire stated he is not looking for enforcement. Communication between the HHA, the City, and residential living facilities will help create and reach a higher standard of living.

#### **CITY ADMINISTRATOR'S COMMENTS**

*Valerie Means, City Administrator*, had no additional comments.

#### **MAYOR AND COUNCIL COMMENTS**

*Councilmember L. C. Metzner* expressed his concern about the violent protests in Charlottesville, Virginia. He denounced the violence that was displayed by white supremacy groups in Charlottesville. Weapons at any protest are not acceptable.

WORK SESSION  
2017  
MAYOR AND CITY COUNCIL

AUGUST 15,  
HAGERSTOWN, MARYLAND

*Councilmember P. D. Corderman* agreed with Councilmember Metzner.

*Councilmember K. B. Aleshire* had no additional comments.

*Councilmember E. Keller* agreed with Councilmember Metzner.

*Mayor R. E. Bruchey, II* had no additional comments.

There being no further business to come before the Mayor and City Council, on a motion duly made, seconded, and passed, the meeting was adjourned at 5:56 p.m.

Respectfully submitted,

*Original signed by D. K. Spickler*

Donna K. Spickler  
City Clerk

Approved: September 26, 2017