



Budget Office

CITY OF PHILADELPHIA

April 25, 2023

The Honorable Darrell Clarke
City Council President
City Hall, Room 490
Philadelphia, PA 19107

Dear Council President Clarke,

This letter is in response to questions raised by Councilmembers regarding the Proposed FY24 Operating and Capital Budget.

Councilmember Gauthier: Can you detail what it would cost for L&I to inspect all rental units for habitability? Can provide tiers of inspection level.

According to Department records, there are approximately 75,000 rental properties accounting for approximately 250,000 units. This count excludes PHA properties which are exempted from licensing per Council ordinance. The current, per unit charge for a Rental License is \$63 and the annual revenue for the rental license program is approximately \$15.1M. While there are no definitive sources on the total number of rental units in Philadelphia, the Pew Charitable Trusts estimate there may be as many as 300,000 or more.

There are a variety of rental property inspection programs nationwide. For the purpose of this response, we are focusing on two options. The first option would require property owners to contract with a licensed inspection agency (home inspector, design professional, or other) on an annual basis to complete a property inspection. The second option would be annual inspections of all rental units conducted by L&I personnel.

The first option is similar to programs currently underway in Baltimore, and elsewhere in Maryland. While there would be some initial cost for additional personnel to manage, audit, and litigate the program, this program would be largely cost-neutral with most of the expenses passed along to the property owner/landlord. According to 2021 estimates, inspections can range from \$50 to \$250 per unit.

The second option – performing annual rental unit inspections by L&I personnel – was analyzed by reviewing present workload estimates and salary costs. The Department's Code Enforcement Unit would need to expand by an additional 522 inspectors and 75 supervisors. As you well know, due to difficulty with hiring and retention, it could prove to be difficult to hire up that many inspectors. The projected Class 100 costs would be \$34,519,860 and \$6,217,500 respectively for a total of \$40,737,360. This estimate does not account for other necessary resources such as additional office space or support staff for both L&I and Law. The Class 100 costs of approximately \$40 million in recurring cost would be offset by a conservative estimate of approximately \$1 million to \$2 million in additional Housing (Rental) License revenue.



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Councilmember Thomas: How much money are we losing annually due to not properly inspecting buildings and spaces, resulting in people not paying the proper taxes on these projects?

L&I lacks the expertise to accurately estimate the tax revenues lost from work without permits. In response to safety concerns associated with work without permits, in August of 2022 L&I established the Construction Complaint Unit. This unit is tasked with reviewing complaints daily and responding within 10 days of receipt.

In 2023, the unit received about 2,000 complaints and responded within the Service Level Agreement (SLA) 97% of the time. The majority of these complaints, just over 1,000, were unfounded. Either no work was observed, the work underway did not require a permit, or the work was covered as part of an existing permit.

Based on our complaint records, we believe the majority of unpermitted work that is not reported is performed within the interior of one- or two-family dwellings, often by the owners themselves. Since these permit fees are low and the work is typically not performed by contractors, the revenue loss is minimal.

There is an additional concern around focusing the Department's efforts on this type of unpermitted work since there is minimal impact on overall life safety and a disproportionate effect on lower income communities already facing challenges to upkeep and repair their properties.

Follow-up questions submitted off the record by Councilmember Gilmore-Richardson:

Topic: Nuisance Businesses

Questions:

1. L&I's five-year plan metrics state that you intend to inspect 80% nuisance properties within two weeks. After two years of working with the department on drug paraphernalia stores, this has not been my experience, and even once properties are inspected, the reinspection often takes a long time, and these businesses just reopen and continue to cause havoc.
 - a. Last week you noted that you are changing how you staff the code enforcement unit. Can you please provide more specific information about this change, how it will improve efficiency, and the ways you think it will improve outcomes?

The Department has made several changes over the past year including adding additional fire inspectors to our Code Enforcement group; these inspectors also conduct "nuisance" inspections as part of our Nuisance Property program (NPU). Adding additional inspectors will shorten the delay from complaint to initial inspection. NPU addresses nuisance properties as soon as we become aware of the complaint. At times, there may be an inspection delay due to the need to fully research ownership records or coordinate with PPD. Recognizing there are delays either in the initial or re-inspection, our Code Enforcement Manager is working with our IT/GIS unit to generate a daily report to include all newly submitted nuisance complaints



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and overdue nuisance re-inspections. This will help us balance the workload among available inspection staff and provide insight into staffing size and allocation.

- b. How are you and the administration working together to provide safe working conditions for inspectors who go out to cite businesses?
 - i. Are you having discussion with the Police Department to have an officer with our inspectors? I was accompanied by an officer during my drug paraphernalia tours. I would like to highlight Captain Myesha Massey who joined me for my tour of North 5th Street Corridor.

With higher risk nuisance inspections, such as illegal speakeasys, unlawful drug sales, and drug paraphernalia shops, coordination with PPD is critical, not only to the safety of our inspection staff but also in the event evidence of criminal activity is found to ensure proper chain of custody and effective criminal prosecution. This is most often done by working directly with either City-Wide Vice or the Narcotics Task Force.

2. Last week you mentioned that you are working with the law department to get a better understanding on the action your enforcement officers can take. Can you provide more detail on your work with the law department and what your goal is?

L&I has worked and continues to work closely with Law to create enforcement programs, that are legally sustainable, that address enforcement against businesses that are not operated responsibly. Examples of those enforcement actions include but not limited to issuing notices of violations, imposing cease operations orders, and/or revoking licenses and permits. On occasion, for more intractable nuisances, L&I will ask Law to apply to the courts to seek significant fines and/or injunctive relief. In addition, L&I works closely with Law on finding solutions for more complicated matters such as when the business operator has demonstrated an unwillingness to abide by the cease operations. Because we do not want to waive privilege, we are happy to discuss these matters with the Councilmember directly with Law's involvement.

In addition, we work closely with Law and other operating departments, such as PPD, on proposed amendments to the Code to allow the City to move more nimbly to address businesses that are negatively impacting quality of life concerns.

Our goal in all the above scenarios is to provide relief to communities where these businesses are located and to help stem some of the violence that occurs in and around these businesses.

3. Can you please provide more information about how you will build code enforcement into the CCP curriculum?

We are actively working with CCP to create two specific programs, both of which would be open to new and current inspection staff members. The first is intended for Construction Inspectors (CI) and builds



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largely off the CCP's Construction Management degree program; and the second is aimed at Code Enforcement (CE) inspection staff using the Fire Science/Haz Mat Awareness programs as its base set of requirements. It is worth mentioning that in addition to degree programs we are also looking to develop several professional development training programs for existing staff.

Regarding the CI program, our Technical Training and Development Unit expects to have the initial course, the International Building Code, ready for CCP review by the end of April.

Development of the CE program has not been completed yet; however, the proposed coursework has been identified. We have several challenges to work through with the degree program and expect the professional development approach to be implemented first.

Topic: Unlicensed contractors

Questions:

1. L&I stated in their strategic goals that they intend to increase enforcement against unlicensed subcontractors and workers who lack proper training.
 - a. How does the department intend to do this? What additional resources are being provided?

The primary mechanism for regulating contractors and subcontractors is Section 9 of the Philadelphia Code through our Audits and Investigations Unit (AIU). The unit currently consists of four inspectors, a supervisor, and research analysts. Over the next several months, it is our intention to add four (4) inspectors to this unit. This additional staff will allow us to expand our ability to audit worksites, to ensure compliance with the contracting and subcontracting rules and improve complaint response where a contractor is suspected of violating licensing rules. In terms of training, L&I routinely offers sessions to industry segments designed to help them comply with the code requirements and better understand their responsibilities as license holders.

2. This department has struggled immensely with retention and recruitment of workers, creating safety issues especially when it comes to code inspection. What is the Administration doing to assist the department to ensure we are providing safe working conditions and addressing workers needs to retain our talent?

Recruitment and retaining qualified staff continue to be a challenge in both construction and code enforcement inspector positions. We recently had a successful job fair and met with a record number of potential applicants for these positions. The turnout exceeded our expectations.

L&I is faced with many challenges when it comes to employment retention. Our management staff have had honest discussions with our inspectors and examiners. They mention various issues for moving on, such as crime, residency and the public school system. Our request to provide vehicles to our inspectors was focused on employment retention. Previously, inspectors used their personal vehicles for day-to-day



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inspections. During the pandemic, gas prices soared, vehicle repairs, purchases and replacement became untenable for our inspectors. Eliminating these costs to our inspectors acted as an incentive to boost morale. We also had concerns for our inspectors' safety as they worked in many high crime areas. The new electric vehicles eliminated most of these concerns.

Next, we are looking at overall workloads, removing unnecessary inspections, and hiring additional inspectors. These changes will hopefully reduce some stress on our inspectors and increase productivity. We feel we're moving in the right direction.

Topic: workforce/dei

Questions:

1. Of your 342 full time staff, 223 are identified as minority; however, the average and median salaries for minority full time staff are lower than the average and median salaries for full time white staff by \$16,000 and \$25,000 respectively.
 - a. Please explain how your racial equity plan will address pay equity and career development opportunities.
 - b. How are you working to address pay equity while you wait to complete your racial equity plan?
 - c. This gap also exists at the exempt and executive level. Please detail how you plan to address pay equity at the highest levels of your department?

The Department's racial equity plan will address pay equity through an evaluation of processes such as compensation, hiring, promotion and performance reviews to ensure there is no disparity based on race. The Department has formed an equal pay sub-committee within the racial equity team to develop solutions to historic inspector pay disparities. The goal of the sub-committee is to create pathways for career advancement with comparable compensation among the inspector classes. The Department will continue its efforts to address pay equity at the exempt and executive level through expansive recruitment for open positions, diverse interview panels, and coordination with the offices of HR & Talent (HR&T) and Diversity, Equity, and Inclusion (ODEI).



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Staff Demographics Summary (as of December 2022)			
	Total	Minority	White
Number of Full-Time Staff	342	223	119
Number of Exempt Staff	34	22	12
Number of Executive Staff (deputy level and above)	12	6	6
Average Salary, Full-Time Staff	\$66,577	\$61,001	\$77,027
Average Salary, Exempt Staff	\$87,024	\$83,637	\$93,232
Average Salary, Executive Staff	\$121,317	\$113,498	\$129,134
Median Salary, Full-Time Staff	\$62,514	\$56,222	\$81,504
Median Salary, Exempt Staff	\$88,000	\$84,500	\$91,000
Median Salary, Executive Staff	\$121,333	\$117,937	\$126,489

Topic: contracting/dei

Questions:

1. Your department has significantly exceeded your MWDBE contracting goals, hitting 61% and 57% the last two fiscal years and it appears as if you are on track to meet or exceed these percentages this year.
 - a. How many of these contracts are given to Black owned businesses?

This participation mainly consists of asbestos monitoring contracts. One of our five asbestos contractors is a Black-owned business (Bell Environmental). Bell accounted for 15% of the professional services contract total participation in FY21, 22% in FY22 and 19% in FY23.

Topic: Climate

Questions:

1. Your responses to the climate change questions are minimal despite the fact that your department hosts the city's flood plain manager, oversees our buildings inspections, and works collaboratively with other departments on health and safety enforcement and permitting.
 - a. Who is currently serving in the flood plain manager role and where is that role situated in your department?

The Department of Licenses and Inspections administers and enforces the City's floodplain ordinance and assumes other responsibilities pursuant to the participation requirements of the National Flood Insurance Program as set forth in the Code of Federal Regulations at 44 C.F.R. § 59.22. While the City's floodplain ordinance is collectively enforced by plans examination and inspection staff, Jeffrey Tan PE, LEED AP, CFM, serves as the senior floodplain administrator for the Department. Jeffrey provides technical training and direction to both staff and developers, provides sign-off on FEMA and DEP applications to confirm



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compliance with local floodplain regulation, and serves as the Department's representative on the City's Flood Risk Management Task Force and the DVRPC Urban Waterfront Action Group.

The City hired a dedicated Flood Plain Manager that was responsible for both floodplain ordinance administration and resiliency in 2018. This position was housed within L&I until October 2021 but has since been restructured and transferred to the Office of Sustainability. The OOS Program Manager for Infrastructure and Floodplain Resiliency is responsible for programmatic support of targeted initiatives to manage flood risk in flood-prone areas, including updating flood maps, plans, and policies. The Program Manager also chairs the City's Flood Risk Management Task Force. The Task Force is comprised of more than 15 City departments/ agencies, including OOS, OEM, PWD, L&I, and DPD, with the goals of providing public information, mapping & regulations, flood damage reduction, and flood preparedness. Elaine Montes, MS, CFM, serves as the OOS Program Manager for Infrastructure and Floodplain Resiliency.

- b. What members of your senior staff have a background or expertise in energy efficiency, net zero building/construction, building automation systems management, flood plain management, climate resiliency, climate adaption, climate mitigation, or environmental justice?

Department staff have overall expertise in building design, construction, and code enforcement. This includes training and certification in energy efficiency and flood management; however, our staff does not have dedicated experience in climate change. Senior Codes Administrator Jeffrey Tan is LEED certified and a Certified Floodplain Manager. L&I Permit Services has two Certified Floodplain Managers on staff, who provide direct oversight of development permits in the Special Flood Hazard Area. OOS and the Department are also seeking consultant services to review Hydrologic & Hydraulic studies associated with proposed FEMA map changes to assess potential flood risk to surrounding areas.

2. How does your department define an environmental justice community?
 - a. What tools, maps, or other data do you use to make this determination?
 - b. How do you prioritize environmental justice communities in your initiatives?
 - c. How do you determine your impact on environmental justice communities, especially given the significant impact of demolitions, code enforcement, and building inspections?
 - d. If you are not currently thinking strategically about environmental justice, what additional resources or education or experience is needed in your department to ensure we are working proactively to identify and protect EJ communities?
 - e. How is environmental justice included in your racial equity plan?

The Department will participate in the interagency Environmental Justice & Climate Resilience Working Group convened by the Office of Sustainability. This group will serve as a forum for dialog, learning, idea-sharing and collective decision-making and create a space to collaboratively develop policy, plans and programs that advance both environmental justice and climate resilience. Through the Working Group participation, the Department will support the development of an environmental justice screening tool. This tool will assess environmental, health, and socio-demographic data to identify Philadelphia neighborhoods



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disproportionately impacted by environmental hazards and lacking equitable access to key services and environmental amenities. The Department would also benefit from the Working Group developing shared language around environmental justice.

Current FRTM initiatives that will consider environmental justice, include the following:

- Update maps to reflect updated models of flooding that include climate change models, with potential to regulate to the 500-year flood plain.
 - Office of Sustainability's work with the US Army Corps of Engineers to map effective Base Flood Elevations in the Eastwick community that did not previously exist on previous FEMA maps.
 - Adopting regulatory maps to capture infrastructure-related flooding that does not currently get modeled on FEMA effective FIRM maps (which can be understood as basement backflow and sewage overflow in underserved communities)
 - Identifying strategic planning for potential Hazard Mitigation Planning grants (where it may target repetitive loss properties found in low- income communities)
 - Use of HUD funding for mitigation projects associated with residential structures (where it may target repetitive loss properties found in low-income communities)
 - Adoption of above code standards to help regulate fill placement and use (with consideration to pursue requirements of H&H studies for fill placement to curb increased flooding impacts on surrounding communities)
 - Discussion with City Councilmembers around floodplain issues, concerns, and consideration needs about floodplain development, in order to drive pragmatic legislative action to support the needs of communities.
3. Other major cities such as New York and Boston are currently working to implement building emissions reduction and disclosure programs or building performance standards. The Biden Administration has noted reducing building emissions as a primary goal, and buildings are our city's largest source of emissions.
- a. Has anyone in your department evaluated these programs from our peer cities or worked with the Office of Sustainability on their initiatives related to building performance?

While the Department has not conducted an evaluation, the City's Building Energy Performance Program, administered by the Office of Sustainability, focus on the same goals. OOS enforces this program directly, but the Department has and will continue to engage in cooperative efforts to reduce building emissions.

The Department works directly towards the City's goal of carbon footprint reduction through the enforcement of the International Energy Conservation Code (IECC) for building construction and renovation. Codes are adopted every three years, with a heavy focus on energy efficiency improvement. Changes in the IECC have resulted in an approximate 40% improvement in energy efficiency over the past 15 years. The City will adopt the 2021 IECC in 2025 in accordance with the PA Construction Code Act.



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In addition, the Department has supported and streamlined programs to increase solar energy and electric vehicle usage.

- b. How are L&I employees given opportunities to learn net zero and passive building, LEED building, and other climate mitigation focused building initiatives?

Department employees receive regular training in energy code and flood plain management.

The Department has actively sought improved enforcement through multiple initiatives over the past several years:

- Participated in a Green Building United study to evaluate enforcement, make recommendations, and provide training on the energy code provisions.
- Contracted with building science consultant Performance Systems Development (PSD) on the implementation of the 2018 IECC.
- Contracted with building science consultant Christine Williamson to review water management practices in building envelope design and construction. A request for proposal has been posted to provide training to internal staff and external stakeholders on best practices.
- Provided support for a PSD DOE grant proposal for a national third-party energy professional program, which would provide policy support for jurisdictions and credentialing, training, and quality assurance for third-party entities performing energy code verification.
- Participated in DOE National Energy Codes Conferences, enabling staff to learn about energy code enforcement and strategies being undertaken by other jurisdictions, including net zero goals.

Staff have regular access to floodplain management training offered through FEMA and PAFPM and are encouraged to seek certification.

- c. How are L&I employees trained to ensure we are pushing for the highest standards of energy efficiency allowable under our current code?

Plans examination and inspection staff are trained in energy code compliance through specialized third-party education providers and Department onboarding initiatives. As a condition of employment, staff must acquire energy code certification through examination, register this certification with the PA Dept of Labor and Industry, and participate in continuing education to maintain this certification.

Topic: racial equity

Questions:

1. You're asking for \$50,000 in class 200 funds for your racial equity action plan. Have you selected a contractor for this already, and if so, who is it?

The RFP for the Racial Equity Plan contractor was posted on Monday, April 3, 2023. While we have a standing workgroup of employees moving forward racial equity at L&I, we recognize the need for a dedicated resource to help further define and implement our racial equity plan. The contractor has yet to be selected.



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2. What are the specifications or qualifications you're looking for in a racial equity contractor?

L&I is seeking expertise to assist the Department with Racial Equity Planning and consulting, which may include Departmental services and culture assessments; racial equality and equity education and training; community assessments; support and promotion of the value of diversity and recognition of the history of systemic racism. L&I seeks expertise with how to address and eliminate barriers, and otherwise create opportunities to build a more diverse workforce across the organization.