



HOUSE BILL 595: Rental Inspections.

2023-2024 General Assembly

Committee:	House Regulatory Reform. If favorable, re-refer to Judiciary 1. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	August 16, 2023
Introduced by:	Rep. Ward	Prepared by:	Aaron McGlothlin
Analysis of:	PCS to First Edition H595-CSRIf-28		Committee Counsel

OVERVIEW: *The Proposed Committee Substitute (PCS) for House Bill 595 would modify the authority of local governments to require registration and permitting of residential rental properties, and to levy registration fees for certain rental properties.*

The PCS makes the following changes to the First Edition:

- *Deletes the provisions in the First Edition that would allow local governments to require permitting or registration, or levy registration fees, for rental properties when an owner or manager has more than two verified violations in a 12-month rolling period.*
- *Adds a provision that would allow local governments to require permitting or registration of rental properties when an owner or manager has three or more verified violations in a 30-day rolling period.*
- *Adds a provision authorizing local governments to levy registration fees for certain residential rental properties.*
- *Revises the maximum fee amount that local governments can levy on residential rental properties.*
- *Revises the terms "verified violations" and "reasonable cause," as defined for the purposes of G.S. 160D-1207.*

CURRENT LAW: Article 12 of Chapter 160D authorizes local governments to adopt a minimum housing code to ensure dwellings are fit for human habitation. This includes local government authority to establish residential rental property inspection, permit, and registration programs. However, G.S. 160D-1207(c) limits the authority of local governments to regulate residential property rentals by prohibiting, among other things, the following:

- The adoption of any ordinance requiring an owner or manager to obtain a permit from the local government to lease or rent residential property or any ordinance requiring an owner or manager to register rental property with the local government, except for:
 - Individual properties with more than four verified violations in a rolling 12-month period.
 - Individual properties with two or more verified violations in a rolling 30-day period.
 - Properties identified within the top 10% of properties with crime or disorder problems as set forth in local ordinance.

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- Levying a special fee or tax on residential rental property that is not also levied against other commercial and residential properties, unless either of the following apply:
 - There is an express authorization by law to levy a special fee or tax.
 - The special fee or tax does not exceed five hundred dollars (\$500.00) in any 12-month period in which a unit or property is found to have verified violations and only applies to the following properties:
 - Those with more than four verified violations in a rolling 12-month period.
 - Those with two or more verified violations in a rolling 30-day period.
 - Those identified within the top 10% of properties with crime or disorder problems.

For the purposes of G.S. 160D-1207, a "verified violation" is defined as all the following:

- The aggregate of all violations of housing ordinances or codes found in an individual rental unit of residential real property during a 72-hour period.
- Any violations that have not been corrected by the owner or manager within 21 days of receipt of written notice from the local government of the violations. Should the same violation occur more than two times in a 12-month period, the owner or manager may not have the option of correcting the violation. If the housing code provides that any form of prohibited tenant behavior constitutes a violation by the owner or manager of the rental property, it shall be deemed a correction of the tenant-related violation if the owner or manager, within 30 days of receipt of written notice of the tenant-related violation, brings a summary ejectment action to have the tenant evicted.

BILL ANALYSIS: The PCS for House Bill 595 would modify G.S. 160D-1207(c) to provide that local governments may require an owner or manager of residential rental property to register the property with the local government and to obtain a permit to lease or rent the property if the owner or manager of the property has three or more verified violations in a rolling 30-day period, rather than two or more verified violations in a rolling 30-day period.

The PCS would revise the definition of "verified violation" so that, if the same violation occurs more than two times in a six-month period, an owner or manager would not have the option of correcting the violation of the housing code to preclude a finding of a verified violation.

Additionally, the PCS would grant local governments the authority to levy a fee for residential rental property registration for the following properties:

- Those with three verified violations within the previous 12 months.
- Those with two of the same violations within the previous six months.
- Those identified as being within the top 10% of properties with crime or disorder problems.

The PCS would replace the maximum registration fee of \$500 per 12-month period with a provision limiting the registration fee to no more than thirty percent of the total rent collected on the property during the period in which the verified violations occurred. Furthermore, the fee shall be an amount that covers the cost of operating the residential registration program and shall not be used to supplant revenue in other areas.

Finally, the PCS would modify the authority of a local government to conduct periodic inspections of residential buildings where the landlord or owner has a history of more than two verified violations of the

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housing ordinances within a 12-month period, to clarify that the 12-month period is one for which the local government has statutory authorization to abate public health nuisances.

EFFECTIVE DATE: This act would be effective when it becomes law and apply to verified violations occurring on or after that date.

** LAD Staff Attorneys Nicholas Giddings and Anna Parsons substantially contributed to this summary.*