



Meeting Date: September 20, 2017

Agenda Item: # _____

Mission Statement

To provide our growing dynamic community excellent municipal services to make Fernley a great place to live, work, and play.

Together, we enhance the desirability, safety, friendliness, aesthetics and quality of life in our city.

CITY OF FERNLEY CITY COUNCIL MEETING STAFF REPORT

REPORT TO: Mayor & City Council

REPORT THRU: Daphne Hooper, City Manager

REPORT BY: **Tim Thompson, Planning Director**
Rick Kabele, Building Official
Derek Starkey, City Engineer

REVIEWED BY: Brandi Jensen, City Attorney

REVIEWED BY: Denise Lewis, Finance Director

AGENDA ITEM: Public Hearing – Resolution #17-018 - Discussion and Possible Action to adopt Resolution #17-018, a resolution of the City of Fernley to fix, impose, and collect service charges for various services primarily benefiting individuals or groups rather than the public at large, specifically fees for building permits and development services.

ACTION REQUESTED: Consent Ordinance Resolution Motion Receive/File

RECOMMENDED ACTION BY CITY COUNCIL

I move to adopt Resolution #17-018 to amend the fee schedule related to Building Permits and Development Services within the City of Fernley

Key Points:

1. The Building Permit and Development Services Fees have not been updated since 2008.
2. The purpose of the fees is to recover the cost of providing the services associated with planning application, land division, engineering, and building permit review.
3. The proposed fees are reasonable and are consistent with the fees of other local jurisdictions.

POLICY REFERENCE

Nevada Statutes: NRS 268, NRS 278, & NRS 354

Fernley Municipal Code: N/A

Policies & Procedure Manual: N/A

Community Assessment: N/A

City of Fernley Development Code: N/A

SUPPORTING INFORMATION

N/A

FINANCIAL INFORMATION

<p><u>FISCAL IMPACT:</u></p> <ol style="list-style-type: none">1. Is There A Fiscal Impact? <u>NO</u>2. Is it Currently Budgeted? <u>N/A</u>3. If Budgeted, Which Line Item/Account?	<p><u>FISCAL SYNOPSIS:</u></p> <p>There is no fee associated with this request. However, approval will generate additional revenues which will be used to cover the cost of providing building permit and development review services.</p>
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BACKGROUND INFORMATION

Over the course of the past two budget cycles, staff has been tasked with gaining efficiencies, reducing expenditures, and looking at our sources of revenue.

In this time, the city has created a Development Team comprised of the City Manager, Public Works Director, Planning Director, City Engineer, Building Official, and Water Rights/GIS Manager. The role of this team is to focus on development related activity within the city. The efforts of this team have led to better coordination between departments and greater efficiencies in the development review process.

The team has implemented a more streamlined development review process which fosters better communication with applicants as well as each other. The team participates in “pre-application” meetings which provides potential applicants an opportunity to meet with staff about development proposals. These meetings occur twice a month on pre-determined dates and are free of charge. These meetings have proved to be instrumental in establishing good working relationships between the city, developers, and constituents.

The city has also implemented an application intake schedule. The city only accepts applications once a month. The application deadline dates are determined based on the Planning Commission and City

Council meeting dates. This accomplishes several things. First, the schedule and ensuing process assures each applicant is being treated consistently and equitably. Second, the schedule ensures that any statutory time limits have been satisfied. Lastly, the schedule allows staff to better manage time and resources spent reviewing development projects. Because staff resources are limited, managing our workload is critical to our success.

The development team has also achieved better coordination related to building permits. This coordination has improved the city's ability to react to the needs of various applicants and developers.

The team's goal is to: provide fair and equitable treatment of individuals; reduce barriers to development; streamline permit review processes; ensure aesthetically pleasing and quality development; and to promote the City of Fernley as being "open for business."

The development team has made great strides in gaining efficiencies which has inherently allowed for a reduction in expenditures. The team will continue to refine the development and building permit review processes. The next step in the process is to explore cost recovery for the services provided.

It is the opinion of the development team that development must pay for itself. Under the current fee resolution, the city is not fully recovering the cost of reviewing, entitling, permitting and inspecting the land use approvals and development activity occurring in the city. In other words, development activity continues to be subsidized through property tax and licensing fees.

The revised building permit and development fee schedule will generate additional revenue which more closely aligns with the true cost of providing the services associated with reviewing, entitling, permitting and inspecting land use approvals and development activity within the city

PROJECT SUMMARY:

Review and update of building permit and development services fees.

ANALYSIS

Periodically, the City of Fernley conducts a review the cost of delivering services for which it charges fees, particularly for building permits and development services. If fee amounts were less than the cost of the work, the City would have to use tax dollars to subsidize the difference. Although this may be an acceptable policy decision, any subsidy should be based on the city's willingness and financial ability to do so. Staff believes it is in city's interest to limit subsidies at the present time. Therefore, adjustment of user fees is a viable option to ensure that prices keep up with increases in cost, without compromising service quality.

As indicated above, staff has implemented a number of process changes and gained efficiencies in service delivery. The fees are intended to cover the cost of providing the following services:

- The administrative costs of accepting and reviewing applications for completeness, inputting data into the permit system and generating permit numbers, and routing applications to reviewers.
- Plan review/plan checking to verify the proposal meets applicable code requirements.
- Scheduling items for public hearings before the Planning Commission and City Council, including time spent preparing staff reports and associated administrative costs.

- To addresses the time associated with field inspection activities to ensure the project is built according to the approved plan, such as landscaping and screening.
- Any documentation which verifies the project is complete and satisfies any conditions of approval.

The last update of fees occurred in 2008. Resolution number's 08-011 and 08-012 adopted fees for the Community Development Department and Public Works Department respectively. In comparing these fees with the current fee of other local jurisdictions, staff concluded that City of Fernley fees were some of the lowest in Northern Nevada.

Building Permit Fees:

Up until this time, the City of Fernley has based its Building Permit Fees on the outdated and obsolete 1997 Uniform Building Code "Table 1-A." The International Congress of Building Officials (ICBO) that had published that code effectively ceased to exist after 1997 with the first publication of the "new" consolidated International Building Code (IBC). The reality is, that we have been applying a fee schedule that is now more than 20-years old.

During the time from 1997 to 2017, the U.S. Bureau of Labor Statistics reports that the Consumer Price Index (CPI) for the Western Region has risen by Fifty-Six and Two Two-Tenth's percent (56.2%). And while we cannot think of a fee increase anywhere near that drastic, we do propose to implement only a small incremental increase representative of the increase in the CPI over the past calendar year. That percentage is just Two and One-Half percent (2.5%) and is reflected in the Building Permit Fee Schedule (BPFS) that follows.

Attached are four documents (Attachments 1-4). The first titled "Exhibit A" which is the basis for all building permit and inspection fees. In every case, reasonable efforts to correlate each fee with the actual costs incurred by the City to offer each specific service. Many of the dollar amounts listed are identical to those charged by Lyon County. Others are more specific to the City of Fernley, while other fees have been determined to be lower and thereby more reasonable. The second document titled "Building Permit Fee Schedule Comparison" represents the current 1997 UBC "Table 1-A" Base Fees and Incremental Fees along with the proposed fees incorporating the 2.5% increase in the 2016 Consumer Price Index or CPI (Highlighted in "Green" on the table). The third document is our actual proposed "Building Permit Fee Schedule" or BPFS presenting these fees in the same format as the old 1997 UBC "Table 1-A." The fourth and final document is a printout of the Bureau of Labor Statistics "Consumer Price Index" reporting the 2016 annual change of 2.5% in consumer prices for the western region.

This proposal is both fair and reasonable to our clients and fiscally responsible for the services provided by the building department. Nevada law allowing a local jurisdiction to set reasonable fees for permits is codified in NRS 278.580(2) copied in part below.

"NRS 278.580 Building codes: Adoption; fees for permits; applicability to State and Nevada System of Higher Education; authorization of use of materials and technologies that conserve resources in construction and use of solar or wind energy; adoption of seismic provisions and standards.

2. The governing body may also fix a reasonable schedule of fees for the issuance of building permits. (Emphasis added.)"

Further, Nevada law also provides for the periodic increase or decrease of these fees in correlation with the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for the prior calendar year. That provision is found at NRS 354.59891(2) cited below.

“NRS 354.59891 Limitations on fees for building permits, barricade permits and encroachment permits; exceptions.

- 2. Except as otherwise provided in subsections 3 and 4, a local government shall not increase its building permit basis by more than an amount equal to the building permit basis on June 30, 1989, multiplied by a percentage equal to the percentage increase in the Western Urban Non-Seasonally Adjusted Consumer Price Index, as published by the United States Department of Labor, from January 1, 1988, to the January 1 next preceding the fiscal year for which the calculation is made. (Emphasis added.)”*

In conclusion, the proposed Building Permit Fee Schedule is in-line with the provisions of Nevada law and will afford the Building Department the financial resources to implement additional improvements in service to the public through innovation and greater efficiencies.

Development Services Fees:

Staff conducted a thorough review of development fees for many jurisdictions in Northern Nevada, see Attachment 5 for a jurisdictional comparison table of development fees. Included in the table are development fees for Lyon, Washoe, Douglas, and Churchill Counties, Carson City, and the cities of Reno, Sparks, and Elko. The table also includes both the current and proposed City of Fernley fees.

As can be seen from the table, the current City of Fernley fees are consistently lower than the majority of other jurisdictions. Staff acknowledges that some fees, specifically pertaining to planning entitlements, were identified in the previously adopted resolution as base charges with an additional hourly fee for planner review. Based on staff’s research, it does not appear the city accepted any fees above the base fee for any planning application in within the past 5 years, if not longer.

It is also important to point out some of the fee amounts shown are deposits or base rates, meaning additional charges may apply based on actual staff time. For example, the special use permit fee in Sparks is a deposit, applicants will be charged based on actual cost and either reimbursed or billed the difference up to a maximum of \$7,495. In addition, the fee amounts shown in the table may not include fees charged by other departments. The tentative subdivision map fee in Lyon County is \$3,000, but Lyon County also charges \$40 per dwelling unit on subdivisions greater than 50 lots. The engineering map review fee would be an added charge based on the actual cost. For a 100-lot subdivision in Lyon County, the fee would be \$5,000 plus the actual cost of the engineering map review. Under this scenario, the total fee could be in the range of \$7,000 - \$8,000, if not more. Not all fees in the table provide an “apples-to-apples” comparison.

Each jurisdiction has chosen a method for charging fees based on what works well for their respective organization. Some organizations chose the “actual cost” method which requires staff to keep track of hours, involves additional paperwork and necessitates finance staff having to either reimburse or bill an applicant. Collecting on that debt can be challenging considering some of the statutory time limits.

After evaluating available resources, assessing current processes, and considering the applicant’s

perspective, staff settled on a fee structure that we believe works well for our jurisdiction.

To minimize confusion and the number of “different” fees charged by department, staff is proposing that nearly all departmental fees be consolidated into a single amount. Internally, staff can still determine whether costs are being adequately recovered.

Staff admits that the actual work required for a planning or engineering permit may vary by project. The development team expressed concern about this, but acknowledged the city’s need to publish a rate schedule and provide certainty to an applicant means that some averaging of permit issuance costs is necessary.

For an Area Plan or Planned Development application, staff is proposing to charge a \$5,000 deposit and bill for actual time spent. Both application types can be somewhat challenging depending on the size and scope of the project and may necessitate the hiring of a consultant. In some instances, the city may not have the expertise in-house to complete our review and must utilize professional services. In these cases, the applicant is simply charged whatever rate the city is charged for the professional service. For example, the city uses a land surveying company to perform the technical review associated with a final map.

In determining the fees, staff considered the type of application, staff time involved in processing each application, and the development fees of other local jurisdictions. In many cases, the proposed fees are consistent with the recently updated Lyon County fee schedule.

Staff is proposing to implement new fees for noticing and for the planning department’s review of building permits. Development applications which involve public hearings are required to be noticed in a local newspaper and may also require that individual property owners be noticed. To cover the costs associated with this requirement, staff is proposing a \$300 noticing fee for only those applications which require public notice.

While the Building Department is largely responsible for review of building permits, both Planning and Engineering also play a vital role in the review process. Engineering has established fees for the review of civil improvements which staff is proposing to update. Planning is proposing to charge a plan check fee of 40% of the building permit fee to recover the cost of providing the service. Planning staff ensures building permit applications are in conformance with approved entitlement applications, conditions of approval, architectural and design criteria, or any other development code requirements. For single family repeats, the proposed fee is \$100 and will cover the cost for both Planning and Engineering services.

There are two fees that staff is proposing to reduce. The Temporary Use permit fee is being reduced from \$150 to \$100. In comparing this fee to other jurisdictions, it seemed appropriate to reduce to cost to be more in-line with the other local governments.

The City of Fernley has many instances where the zoning and master plan land use designations conflict. The intent of the development code, specifically zoning, is to implement the city’s master plan. It is not uncommon, for example, that a property has a master plan land use designation of Commercial, but is zoned M-1 (Industrial). To encourage zoning map amendments or the rezoning of properties, staff is proposing a lower fee of \$600. As can be seen from the comparison table, most jurisdictions charge substantially more. Although the full cost of processing the application may not be recovered, staff believes the lower cost will encourage land owners to rezone their property, thus implementing the city’s master plan.

Lastly, the proposed Tentative Map fee is one of the higher fees proposed in this fee update. As mentioned previously, the comparison table isn't necessarily an "apples-to-apples" assessment of fees. For example, the tentative subdivision map fee in Lyon County is \$3,000, but Lyon County also charges \$40 per dwelling unit on subdivisions greater than 50 lots, and charges for the actual cost of the engineering map review. For a 100-lot subdivision in Lyon County, the fee would be \$5,000 plus the actual cost of the engineering map review. Under this scenario, the total fee could be in the range of \$7,000 - \$8,000, if not more. Although Fernley's fee appears to be higher, the cost includes the engineering review and provides certainty to the applicant regarding total cost.

After careful consideration and analysis, staff recommends the City Council adopt the updated fee schedule as presented.

PRIOR COUNCIL ACTION/REVIEW

As mentioned previously, the City Council last updated building permit and development services fees in 2008. In 2015, it appears the City Council provided staff with policy direction regarding the collection of building permit fees, taxes, and connection fees, but it does not appear the policy was memorialized by resolution.

ATTACHED INFORMATION

1. Attachment 1 – "Exhibit A" – Building Department Permit & Inspection Fees
2. Attachment 2 – Building Permit Fee Schedule Comparison
3. Attachment 3 – Building Permit Fee Schedule
4. Attachment 4 – Bureau of Labor Statistics "Consumer Price Index"
5. Attachment 5 – Development Services Fee Comparison Table
6. Attachment 6 – Resolution #17-018 including "Exhibit A" and "Exhibit B"