



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: March 23, 2021

DATE: February 19, 2021

TO: Board of County Commissioners

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SUBJECT: Recommendation to adopt a resolution amending the Washoe County Development Code Master Fee Schedule, with an effective date of April 15, 2021; and amending the Washoe County Master Administrative Enforcement Penalty and Fee Schedule, with an effective date of April 15, 2021; as authorized by Washoe County Code Chapters 110 (Development Code) and 125 (Enforcement; Remedies; Penalties), respectively. These amendments incorporate new fees, fines and penalties related to the administration and enforcement of short-term rental standards and permits in unincorporated Washoe County. Proposed fees for the new standard Short-Term Rental Permit are outlined in Attachment A-1 and the proposed fines/penalties are outlined in Attachment A-2. Administrative Review Permits specific to Tier 2 short-term rentals would be exempted from Engineering and Health District fees normally associated with that permit type, as they would not be reviewed by those entities. The Board may choose to adopt the new fees and fines as proposed or impose them at higher or lower levels as part of their final action. (All Commission Districts.) FOR POSSIBLE ACTION

SUMMARY

The Washoe County Board of Commissioners (Board) is asked to adopt a resolution amending the Development Code Master Fee Schedule (effective date of April 15, 2021) and Master Administrative Enforcement Penalty and Fee Schedule (effective date of April 15, 2021) to incorporate new fees, fines and penalties related to the administration and enforcement of short-term rental (STR) standards and permits in the unincorporated County.

Washoe County Strategic Objective supported by this item: Safe, secure and healthy communities.

AGENDA ITEM # _____

PREVIOUS ACTION

On March 23, 2021: This item on fees and fines will be heard immediately after the second reading and possible adoption of changes within Washoe County Code Chapters 50, 110 and 125 to establish standards and permitting / enforcement processes for STRs.

February 23, 2021: The Board introduced and conducted a first reading of changes within Washoe County Code Chapters 50, 110 and 125 to establish standards and permitting / enforcement processes for STRs.

August 25, 2020: The Board was scheduled to introduce and conduct a first reading of changes within Washoe County Code Chapters 50, 110 and 125 to establish standards and permitting / enforcement processes for STRs, but the item was postponed.

February 25, 2020: The Board discussed introducing and conducting a first reading of changes within Washoe County Code Chapters 50, 110 and 125 to establish standards and permitting / enforcement processes for STRs. After discussing the matter at length and hearing public comment, the Board decided not to introduce the first reading and instead provided additional direction to staff.

January 7, 2020: The Washoe County Planning Commission (PC) reviewed proposed changes to Chapter 110 related to STRs and voted unanimously to recommend approval of Development Code Amendment WDCA19-0008 with two minor modifications. (The PC only has purview over Chapter 110, not Chapters 50 and 125).

December 10, 2019: The Board formally initiated amendments to the Washoe County Code related to STRs.

November 12, 2019: The Board heard an update on the STR project, including staff's recommendations related to standards and a permitting process. Board members provided individual comments regarding the proposals.

February 26, 2019: The Board determined that by adopting changes to Chapter 25 in 2007 to allow transient lodging and associated room tax, the STR use is allowed within Washoe County (although not yet defined within Chapter 110). Further, the Board identified it did not want to ban STRs in unincorporated Washoe County. In order to resolve potential conflict between the two chapters, the Board directed staff to start the process of establishing regulations for STRs to properly administer their use.

July 10, 2007: The Board adopted changes to Chapter 25 relating to transient lodging.

BACKGROUND

As part of the efforts to develop standards and a permitting process for STRs in unincorporated Washoe County, associated administration and enforcement costs have also been evaluated. A fee structure that will cover the costs of implementing and running the STR program is proposed to ensure, to the extent possible, that implementation and enforcement of the STR program is paid for by those who own and operate STRs, not general taxpayer dollars. *Note: NRS 278.020 provides a governing body general power to regulate land use for purposes of health, safety, morals, and welfare of the community. Included within this authority is the imposition of fees for services to support that regulation, and fines to support its enforcement (NRS 237.060).*

Staffing Needs and Impacted Resources

One additional code enforcement officer is needed to assist with implementation and enforcement of the program, with the position included in the FY21-22 budget. Permit intake and initial application review will be conducted by staff from the Planning and Building Division. Building safety inspections will be conducted by existing Washoe County Building Inspectors. Fire inspectors from the applicable fire district will inspect defensible space and, if applicable, smoke alarm and/or sprinkler systems. The cost of such inspections and associated plan review will be paid for by the STR applicant. Host Compliance's services are expected to be used for matching advertisements to real addresses and the 24/7 complaint hotline; they may also assist with outreach to owners of unpermitted STRs. Accela will be used as the permitting system, with a possible third-party anticipated to develop a mobile enabled interface. STR permit fees are expected to cover all these costs. Appeals of STR-related violations will be heard by the Administrative Hearing Office (AHO), and/or the Board of County Commissioners. Associated fines will be used to offset increased impacts to the Administrative Hearing Office.

Components of Standard STR Permit Fee

The standard STR permit fee is composed of two parts:

1. A base rate calculated to cover known annual costs with minimal variation (ex. Host Compliance contract, enforcement officer salary, overhead, etc.). These recurring costs that determine the base rate are expected to total \$192,219 annually. The proposed base rate is divided by the number of STR permits expected to be issued during the first year after STR standards become effective (i.e. 500 permits). And;
2. Intake, inspection and permit review costs based on an hourly rate with built-in assumptions of review time per permit. Initial permits are expected to take approximately five hours of staff time impacting the Planning Program, Building Program and relevant fire district. Renewals are expected to take up to approximately two and a half hours of staff time. A standardized rate of \$90 per hour (covering salary, benefits and overhead) is included for the impacted resources and is added to the base rate. Cost of renewals that do not require inspections will be reduced accordingly.

The fee structure will be reassessed within the first 6-12 months of operation in order to ensure costs are appropriately covered, and adjustments will be proposed at that time if necessary.

Proposed Amendments to Development Code Master Fee Schedule

The proposed Washoe County Code STR ordinances include three permitting tiers based on the maximum number of occupants allowed within the STR (see table below). A standard STR Permit is required for all tiers. Tiers 2 and 3 allow higher occupancies within STRs and include an additional discretionary permit component intended to assess increased impacts and appropriateness of the proposal for the specific property. These higher tiers require either an Administrative Review Permit or Administrative Permit to be paired with the standard STR Permit in order to operate. For Tiers 2 and 3, the discretionary permit fee is added to the initial standard STR Permit fee. A detailed breakdown of costs is included within Attachment A-1, and a summary of fees is below.

STR Tier	Permit Requirements	Permit Fees*
Tier 1 (1-10 occupants)	Standard STR Permit	Initial permit: \$758.40 Renewal: \$618 or less
Tier 2 (11-20 occupants)	Standard STR Permit with Administrative Review Permit	Initial permit: \$758.40 (Standard STR Permit), plus \$1,248 (Admin Review Permit) Renewal: \$618 or less
Tier 3 (Over 20 occupants)	Standard STR Permit with Administrative Permit	Initial permit: \$758.40 (Standard STR Permit), plus \$2,092-\$2,132 (Administrative Permit) Renewal: \$618 or less

**Fees shown do not reflect proposed discount on Standard STR Permit fees and renewals for use of licensed property manager as local responsible party, nor renewals with self-certification.*

The fee schedule would also be amended to rename the Detached Accessory Dwelling Admin Review Permit fee to the Administrative Review Permit fee to allow for broader use and reflect the changes made to Washoe County Code Chapter 110.

Fee Discount for Licensed Property Managers

In response to requests by the Board, the proposed fee structure includes a 10% discount on the standard STR Permit fee for STRs that use a licensed property manager as the designated local responsible party. This discount is not applied to inspection costs associated with the Building Program’s Enterprise Fund.

Proposed Amendments to Master Administrative Enforcement Penalty and Fee Schedule

Research related to STRs has made it clear that fines and penalties must be significant enough to deter violations; otherwise, it may just be considered the cost of doing business for an operator. Washoe County’s current code enforcement approach for land use violations is focused more on achieving compliance rather than penalizing the property owner. Therefore, current fines for Development Code violations are set relatively low and are considered insufficient to deter STR violations. As a result, staff is proposing a higher fine structure that more than doubles current penalty amounts, starting at \$400 for a first violation and up to \$1,000 for a third violation (along with possible revocation of the STR permit). The proposed fine for operating an STR without a permit is the permit fee plus a \$400 penalty resulting in a fine of \$1,158.40 (\$758.40+\$400). Unpaid fines would become liens against the property. Funds from paid fines would be used to offset impacts to the Administrative Hearing Office. Details are provided within the Master Administrative Enforcement Penalty and Fee Schedule in Attachment A-2.

Other Items for Consideration

Effective Date

If the Board adopts the STR ordinances on March 23, 2021, the recommended effective date would be April 15, 2021 for the Development Code Master Fee Schedule and the Master Administrative Enforcement Penalty and Fee Schedule; however, actual implementation of

the Development Code Master Fee Schedule would begin May 1, 2021 when permit applications are scheduled to be accepted by the county, and the Administrative Enforcement Penalty and Fee Schedule would take effect August 1, 2021 when staff begins enforcing the ordinance.

Average Nightly Rates

While evaluating the cost to administer and enforce STR standards and permitting, staff also sought to compare potential permit costs to STR nightly rates in unincorporated Washoe County. Limited reliable data is available for these purposes. However, based on preliminary information available from Host Compliance for STRs identified thus far, the average nightly rate across unincorporated Washoe County is approximately \$334, with the median nightly rate at \$239. Within the Incline Village/Crystal Bay area only, the average nightly rate is \$350, and the median nightly rate is \$247, although many individual properties likely charge much more than this average rate.

FISCAL IMPACT

Annual recurring costs to administer and enforce STR standards and permitting are estimated at \$192,219, which is expected to be offset by the STR Permit fee's base rate. Intake, plan review and inspection costs are expected to be offset by the Planning, Building and Fire District fees built into each STR Permit fee and based on assumptions of time to review each permit. *Note:* Fees intended for the fire districts may require adoption by the applicable fire board and therefore the final cost for their services may vary slightly from what is included here.

STR costs will be paid and accounted for in the General Fund, Planning, Short Term Rental (105404) cost center. STR permit fees received will be deposited and recorded in the same cost center (105404), Short Term Rental Fees (421107) account.

Fees for STR-related Administrative Review Permits and Administrative Permits will be treated similarly to other land use planning applications, and will be accounted for in the General Fund, Planning (105401) cost center, Building and Zoning (460150) revenue account.

The portion of the STR permit fees specific to inspections will be distributed to the relevant internal Washoe County Building & Safety Fund (560); and to external agencies - Truckee Meadows Fire Protection District or North Lake Tahoe Fire Protection District, as appropriate.

All administrative enforcement penalties and fees are currently, and will continue to be, deposited into the General Fund, Admin Enforcement Process (101110) cost center, Admin Enforcement Fees (471150) account. Funds from this cost center are used to reimburse appropriate administrative enforcement costs, such as fees paid to Administrative Hearing Officers for Administrative Hearings, covering staff administrative costs to manage and operate the Administrative Hearing Office, and other associated costs for the program.

RECOMMENDATION

It is recommended the Board adopt the resolution included as Attachment A, amending the two fee schedules with the effective dates noted.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be:

“Move to adopt the resolution included as Attachment A to this staff report and further authorize the Chair to sign the resolution on behalf of the Board of County Commissioners with an effective date of April 15, 2021 for the Development Code Master Fee Schedule and the Master Administrative Penalty and Fee Schedule.”

Attachments:

- A. Resolution with Amended Fee Schedules
 - A-1. Development Code Master Fee Schedule
 - A-2. Master Administrative Enforcement Penalty and Fee Schedule
- B. Current Development Code Master Fee Schedule
- C. Current Penalty and Fines Schedule