



**A Report to the
Audit Committee**

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**Audit of the Department of Codes
and Building Safety Short Term
Rental Property Permit
Issuance/Renewal Process**

August 30, 2017

Metropolitan
Nashville
Office of
Internal Audit

AUDIT OF THE DEPARTMENT OF CODES AND BUILDING SAFETY SHORT TERM RENTAL PROPERTY PERMIT ISSUANCE/RENEWAL PROCESS

EXECUTIVE SUMMARY

August 30, 2017



Why We Did This Audit

The audit was initiated due to a request from a Metropolitan Nashville Council member over concerns permits were potentially not being issued in accordance with applicable law.

What We Recommend

- Verification of owner occupied status for Type I properties should be enhanced.
- Ensure all affidavits are being consistently retained.
- Enhance management review of the process.
- Ensure verification of applicable taxes are collected.
- Enhance utilization of the City Works system.

BACKGROUND

Short term rental properties have been in operation within the Metropolitan Nashville area since April 2015. Operating such a property requires the owner to obtain a permit from the Department of Codes and Building Safety and adhere to various requirements outlined by the Metropolitan Nashville Code of Laws § 17.16.250.E (see Appendix A, pages 8 through 12.) Short term rental properties have become an important and highly visible business due to the complexities of balancing individual property rights to public welfare concerns as well as the booming Nashville tourism industry and related shortage of hotel rooms.

OBJECTIVES AND SCOPE

The objectives of the audit are to determine if Short Term Rental Property Permit:

- Documentation required within the Metropolitan Nashville Code of Laws § 17.16.250.E is reviewed, verified, and approved prior to the issuance or renewal of a permit.
- Requirements are communicated to permit applicants and permit holders.

The audit scope was April 1, 2015, through March 31, 2017.

WHAT WE FOUND

Staff associated with the issuance and renewals of Short Term Rental Property permits were knowledgeable of the process and requirements contained within the applicable code. There are multiple layers of review in the issuance of a permit. Threshold requirements for Type II and Type III properties are verified against independent sources.

However, signed, notarized owner affidavits are not consistently retained. Verification of owner occupied status, while in conformity with applicable ordinances, should be enhanced. There is no verification of a review process for permit renewals. Permits are allowed to be renewed without verification that applicable taxes (hotel occupancy privilege tax or property tax) have been paid.

The number of staff with administrative rights to the City Works computer system should be minimized, and the City Works computer system should be updated to identify all properties owned by a specific person or entity and establish permit expiration dates.

GOVERNANCE

The Short Term Rental Property Permit process is administered by the Department of Codes and Building Safety. Requirements related to the issuance, renewal, and operation of short term rental properties are outlined in with Metropolitan Nashville Code of Laws § 17.16.250.E. Issues related to short term rental property can be appealed by the citizenry to the Board of Zoning Appeals and enforcement is through the Environmental Court.

BACKGROUND

As of May 1, 2017, there were approximately 2,500 active Short Term Rental Property Permit. A breakdown of issued permits by type is presented below:

Exhibit A –Schedule of Permits as of May 1, 2017

Permit Type	Number	Percentage
Type I	1,051	41
Type II	850	33
Type III	652	26
Total	2,553	100

Source: Metropolitan Planning Department

A short term rental property is defined as a “residential dwelling unit consisting of no more than four sleeping rooms and/or advertised through an online marketplace for rent for transient occupancy by guest.” Rooms are rented between 24 hours and 30 days. Owners of short term rental property are required to obtain a permit from the Department of Codes and Building Safety.

The short term rental property market is a relatively new industry. It has been a challenge across the country to predict and address all potential issues related to these properties. Balancing individual property rights against the public welfare can be difficult to navigate. Twelve separate ordinances have either been proposed or passed in a two-year period.

There are three distinct short term rental property classifications which are as follows:

Type I: Owner Occupied

These are properties where the **owner resides** in the same residence or in an owner occupied residence on the same lot. Along with the general requirements for a permit (described below.) Applicants must submit documentation verifying owner occupied status: acceptable documents include (minimum of two such documents) Tennessee Driver’s License, work identification or badge, State of Tennessee Identification Card, Internal Revenue Service W2 Form, Davidson County Voter Registration Card, bank statement, or pay stub.

Type II: Not Owner Occupied

Type II are properties which are **not** the owners’ primary residence. They can be single-family or a duplex. The number Type II properties allowed to operate within each census tract is three percent of the total number of single family or duplex properties.

Type III: Multifamily

Type III properties **may or may not** be the owner's primary residence, and there are no limits on the number permitted to operate within a given census tract. The primary difference is that these properties are multifamily meaning they can be an apartment or condominium. Applicants for this type permit may be the owner or the lessee. If a lessee, signed documentation verifying permission from the owner must be presented with the application.

OBJECTIVES AND CONCLUSIONS

1. *Is all supporting documentation required to obtain a Short Term Rental Property Permit reviewed, verified and approved prior to the **issuance** of a permit in accordance with Metropolitan Nashville Code of Laws § 17.16.250.E?*

Generally, yes. The Department of Codes and Building Safety management and staff involved in this process are knowledgeable of all requirements required to issue a permit in accordance with applicable ordinances. Three separate parties are required to review various requirements and document this review in the City Works computer system before a permit can be issued. Technology is used to verify threshold requirements for Type II and Type III properties. Fees associated with the issuance of short term rental property permits are collected.

Supporting documentation verifying Type I permit owner occupied status is difficult to verify and easy to re-engineer. Verification of taxes paid is not completed prior to issuance of a permit. Signed notarized affidavits could not be located for 6 (50 percent) out of 12 permits sampled. Retention of supporting documentation is inconsistent. Monitoring of zoning examiners to ensure they are conducting a sufficient review is not a component of the permitting process. (See Observations A, B, C, D, E, F, and G.)

2. *Is all supporting documentation required to obtain a Short Term Rental Property Permit reviewed, verified, and approved prior to the **renewal** of a permit in accordance with Metropolitan Nashville Code of Laws § 17.16.250.E?*

Generally, yes. Fees associated with the renewal of a permit are being obtained and deposited in a Metropolitan Nashville Government bank account. Verification of taxes paid (hotel occupancy privilege tax or property taxes) is not being collected prior to renewal. (See Observation C.)

A field does not exist in the City Works computer system to document management's review that all necessary requirements to renew a permit have been met. (See Observation D.)

3. *Are Short Term Rental Property Permit requirements being communicated to applicants and permit holders?*

Yes. All applicable requirements and Metropolitan Nashville Code of Laws are listed on the Department of Codes and Building Safety's website. Staff is available to answer questions applicants or permit holders may have.

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives, and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (COSO)*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A – Verification of Owner Occupied Status

It is difficult to verify the integrity of the documentation required to confirm owner occupied status for Type I properties. The Metropolitan Department of Codes and Building Safety are collecting and reviewing documentation prior to issuing a Type I permit. However, there is a risk these documents can be manipulated. Verification of true owner occupied status is important in that public welfare concerns are mitigated when the owner occupies the property being rented.

In addition, there are no clear definitions of what “owner occupied” means; particularly as the definition pertains to the percentage of ownership requirements. There have been cases where the owner is occupying the property owned with as little as 5 percent interest in a property, with a holding company owning the remaining 95 percent.

Criteria:

- *COSO, Control Activities– Principle 10. The organization selects, develops that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.*
- *Metropolitan Nashville Code of Laws § 17.16.250.E.2.B.iv states: “For owners applying for an owner-occupied permit, two documents giving proof of owner occupation shall be provided. Acceptable documentation includes Tennessee Driver’s license, other valid State of Tennessee identification card, Davidson County voter registration card, paycheck/check stub, work ID or badge, Internal Revenue Service tax reporting W-2 form, or a bank statement, each current and showing the owner’s name and address matching that of the property to be utilized for short term rental. “*

Recommendation for management of the Department of Codes and Building Safety to:

1. Procure the services from an entity that specializes in providing publicly available online information that could help provide assurance of owner occupied status.
2. Work with the Metropolitan Nashville Council to clarify the definition of “owner occupied” for Type I permits.

Observation B – Verification of Taxes Paid

Verification of taxes paid as required by Metropolitan Nashville Code of Laws § 17.16.250.E.4. i.il(2)(b) is not being collected for any Short Term Rental Permits issued or renewed by the Metropolitan Department of Codes and Building Safety. This criterion was required to obtain or renew a permit as of February 24, 2017. The 12 initial applications and 39 renewal applications sampled subsequent to this date did not have supporting documentation verifying taxes were

paid. Not collecting this information enhances the risk that property owners are not paying applicable taxes.

Out of the 102 initial or renewal Short Term Rental Permits tested, 20 permit holders (20 percent) had not completed monthly Hotel Occupancy Privilege Tax returns with the Metropolitan Nashville Government Treasurer's Collections Office. All 102 had paid applicable property taxes.

Criteria:

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- Metropolitan Nashville Code of Laws § 17.16.250.E.4. i.ii (2) (b) states: *“The STRP continues to be in full compliance with all applicable laws, including the payment of all applicable taxes.”*

Recommendation for management of the Department of Codes and Building Safety to:

Ensure that verification of all applicable taxes is obtained and reviewed prior to issuing or renewing Short Term Rental Permits.

Observation C – Review Process

Management does not review the work of staff involved in the issuance or renewal Short Term Rental Permit process to ensure that all applicable requirements have been met.

There are three levels of review before an initial Short Term Rental Permit can be issued. (1) The zoning examiners obtain and review a variety of documents outlined in applicable law (proof of ownership, floor plans, etc.). (2) The fire marshal reviews certain safety aspects of each property prior to the issuance of the initial application for a permit. Both the zoning examiner and the fire marshal evidence their review in the City Works computer system by checking a specific field that is restricted to their accounts. (3) A cashier does the final review which is to ensure both the zoning examiner and the fire marshal have conducted their reviews (a cashier cannot issue a permit without the prior two sign-offs within the City Works computer system.)

For renewals, review of relevant documentation is conducted by a specific staff member who verbally notifies the cashier that the renewal is approved to process. There are no sign-offs within the City Works computer system other than the cashier.

Not having a management review of all permits issued or renewed enhances the risk that required documentation is not obtained and reviewed. Inconsistency in retention of supporting documentation further diminishes the ability to ensure that all applicable requirements have been met (see Observation F.)

Criteria:

COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Department of Codes and Building Safety to:

1. Establish a policy of adding a management level of review on the issuance and renewals of Short Term Rental Permits to ensure all applicable documentation is obtained and reviewed.
2. Create a field within the City Works computer system that provides evidence of review of applicable documentation for Short Term Rental Permit renewals.

Observation D – Utilization of City Works Computer System

Technology could be better utilized to maximize the effectiveness and efficiency of the application and renewal processes. The Metropolitan Department of Codes and Building Safety primarily utilizes the City Works system to record, track, and monitor activity related to Short Term Rental Property Permits. Overall, this application is functional. However, the following conditions were noted that could diminish its effectiveness.

Excess Number of Employees with Administrative Rights

Multiple cashiers and zoning examiners are assigned to the administrative group. The administrative group has the ability to sign off on any other group function. Thus, a cashier could sign off on the zoning examiner task inappropriately. Similarly, a zoning examiner could accept a payment and issue a permit inappropriately. This condition diminishes segregation of duties control.

Moreover, the City Works computer system is designed so that those without administrative rights do not have the ability to delete a record. A review of 2,553 permits issued during the audit scope showed all approvals were processed by authorized staff.

Enhancing the Ability to Verify Owner Occupied Status

Currently, the City Works system is not designed to conduct a search identifying all properties associated with a specific owner. City Works can only search for a specific property or permit. Having the ability to identify all properties owned by a specific owner during the application/renewal stage mitigates the risk Type I permits are being issued to non-occupied owners.

Date Expired Field

The “Date Expired” field is manually entered in the City Works computer system by staff. There are no system restrictions on who can modify this field. The integrity of the “Date Expired” field is a critical source of information in monitoring Short Term Rental Permit renewals.

Online Applications

Applicants are currently required to present applications and relevant documentation in person at the Metro Office Building. Providing the ability to submit documentation and payments online would enhance citizen satisfaction and the efficiency of the process.

Criteria:

COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of Department of Codes and Building Safety to:

1. Limit the number of staff with administrative rights to only those parties who have a business need for such rights and privileges.
2. Develop a methodology to ascertain the number of properties owned by a specific owner.
3. Modify the “Date Expired” field to populate upon the issuance or renewal of permit automatically. Limit the ability to modify this field to ensure the integrity of expiration date information.
4. Explore technology solutions that facilitate online Short Term Rental Permit applications and renewals.

Observation E – Retention of Supporting Documentation

Supporting documentation is not being retained in a consistent manner. It is impossible to verify if the Codes and Building Safety Department has obtained and reviewed all required documentation without retention of applicable documentation. No records disposition authorization schedule was identified to provide records retention guidance for Short Term Rental Permit documentation.

A sample of 60 Short Term Rental active-permit and 48 Short Term Rental renewal permit files showed documentation exceptions as follows:

Permit Requirement Reviewed	Exceptions	Sample Size	Percent of Exceptions
Initial permit signed, notarized affidavits (effective February 24, 2017)	6	12	50
Renewal permit signed, notarized affidavits (effective December 7, 2016)	2	48	4
Proof of proper payment of applicable taxes (effective February 24, 2017)	31	31	100
Copies of unit/building floorplans	12	60	20
Proof of liability insurance	14	60	23
Proof of adjacent neighbor notifications (effective February 24, 2017)	11	12	90

Note: A random sample of 60 items was tested for initial applications and 48 items for renewal applications. The sample application covered the period of April 15, 2015, through March 31, 2017. Some attribute items were not effective until later in the testing period.

Criteria:

- COSO, Control Activities–Principle 12–The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
- Metropolitan Nashville Code of Laws § 17.16.250.E

Recommendation for management of Department of Codes and Building Safety to:

1. Work with the Metropolitan Nashville Clerk's Records Management Division to establish a records disposition authorization schedule for Short Term Rental Permit documentation.
2. Ensure all applicable supporting documentation is being retained for a reasonable time.

Observation F – Written Policies and Procedures

The Metropolitan Department of Codes and Building Safety has not generated formal written policies and procedures for the short term rental property permitting process. Detailed written procedures help retain and transfer knowledge to future office staff as well as help ensure permits are being issued renewed in a consistent and proper manner.

Criteria:

COSO, Control Activities—Principle 12—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

Recommendation for Management of Metro Department of Codes and Building Safety to:

Develop written procedures for each critical process and task related to the permitting process and other core requirements. These procedures should be periodically reviewed and updated.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

METHODOLOGY

To accomplish our audit objectives, we performed the following steps:

- Interviewed key personnel within various functions.
- Reviewed and analyzed documentation for compliance with the Tennessee Code Annotated, Metropolitan Nashville Code of Laws, and other applicable laws, regulations, and policies.
- Evaluated internal controls in place during the audit period.
- Performed inquiries and observations on walkthroughs of procedures, and tested samples, to determine the effectiveness of internal controls.
- Considered risk of fraud, waste, and abuse.
- Considered information technology risks.

AUDIT TEAM

Bill Walker, CPA, CIA, Auditor-in-Charge

Ted Ciuba, MBA, Staff Auditor

Mark Swann, CPA, CISA, CIA, ACDA, Quality Assurance

APPENDIX A – METROPOLITAN NASHVILLE CODE OF LAWS

Portions of the Metropolitan Nashville Code of Laws most relevant to this audit are highlighted in yellow.

17.16.250 - Residential accessory uses.

E. Short Term Rental Property (STRP). A STRP is permitted as an accessory use in all zoning districts that allow residential use provided a permit has been issued for operation of the property as a STRP pursuant to this section. In IWD, IR and IG, STRP is permitted as an accessory use to a multi-family use associated with Manufacturing, Artisan use.

1. Permit required.

a. No person or entity shall operate a STRP or advertise a residential property for use as a STRP without the owner of the property first having obtained a STRP permit issued by the department of codes administration in accordance with the provisions of this chapter. Any advertising or description of a STRP on any internet website must: (a) prominently display the permit number for the STRP unit; or (b) include an image of the permit, or a link to an image of the permit, in which the permit number is legible.

b. Types of permits and quantities.

i. STRP permit holders shall obtain a use permit from the zoning administrator as an accessory use to the primary residential use pursuant to Section 17.16.250.E. of the Metropolitan Code.

ii. There shall be three types of permits issued as follows:

(1) Type 1 (owner-occupied): A Type 1 permit is available only for an owner-occupied STRP.

(2) Type 2 (not owner-occupied): A Type 2 permit is available for units that are in: (i) single-family, two-family, and nonconforming multi-family units in single-family and one and two-family zoning districts; and (ii) not owner-occupied.

(3) Type 3 (not owner-occupied multifamily): A Type 3 permit is available for units that are: (i) multifamily apartments or condominiums; and (ii) not owner-occupied.

iii. Limits on quantities: No more than three percent of the single-family or two-family residential units within each census tract shall be permitted as Type 2 non-owner-occupied short-term rental use.

iv. Only one permit shall be issued per lot in single-family and one and two-family zoning districts.

2. Application.

a. STRP permit applications shall be valid for ninety calendar days from the date filed and shall expire if the application process has not been completed within that time."

b. The STRP permit application shall verify by affidavit that all of the information being provided is true and accurate and the application shall include the following information:

i. The name, telephone number, address, and email address of the owner and of a person or business ("responsible party") residing or located within twenty-five

- miles of the STRP that is responsible for addressing all maintenance and safety concerns;
 - ii. Proof of insurance evidencing homeowner's fire, hazard, and liability insurance. Liability coverage shall have limits of not less than one million dollars per occurrence.
 - iii. Proof of written notification to the owner of each adjacent property prior to filing the application. For each such adjacent property, proof of written notification shall be: (a) a signature of an owner; (b) a signed receipt of U.S. registered or certified mail addressed to an owner; or (c) notice from the U.S. Postal Service that registered or certified mail to an owner was refused or not timely accepted.
 - iv. For owners applying for an owner-occupied permit, two documents giving proof of owner occupation shall be provided. Acceptable documentation includes Tennessee Driver's license, other valid State of Tennessee identification card, Davidson County voter registration card, paycheck/check stub, work ID or badge, Internal Revenue Service tax reporting W-2 form, or a bank statement, each current and showing the owner's name and address matching that of the property to be utilized for short term rental.
 - v. A statement that the applicant has confirmed that operating the proposed STRP would not violate any home owners association agreement or bylaws, condominium agreement, covenants, codes and restrictions or any other agreement governing and limiting the use of the proposed STRP property.
 - vi. Proof of payment of all taxes due, including property taxes and, for permit renewals, all applicable room, occupancy, and sales taxes required by state law or the Metropolitan Code.
3. Signage. Any sign, as defined in Section 17.32.030.B of this Zoning Code, on a property used for a STRP shall be governed by the provision of Chapter 17.32, Sign Regulations, of this Zoning Code.
4. Regulations.
- a. All STRP occupants shall abide by all applicable noise restrictions and regulations regarding the public peace and welfare contained in the Metropolitan Code, and all applicable waste management provisions of Chapter 10.20 of the Metropolitan Code.
 - b. The STRP shall meet all applicable requirements of the state and local building and fire safety codes, including, but not limited to, having approved smoke alarms meeting Underwriters Laboratory (UL) 217 standards installed as follows:
 - i. In all sleeping areas.
 - ii. In every room in the path of the means of egress from the sleeping area to the door leading from the sleeping unit.
 - iii. In each story within the sleeping unit, including basements.
 - c. Parking shall be provided as required by Section 17.20.030. No recreational vehicles, buses, or trailers shall be visible on the street or property in conjunction with the STRP use.
 - d. No food shall be prepared for or served to the transient by the permit holder.

- e. The principal renter of a STRP unit shall be at least twenty-one years of age.
- f. Maximum occupancy. The maximum number of occupants permitted on a STRP property at any one time shall not exceed more than twice the number of sleeping rooms plus four. Simultaneous rental to more than one party under separate contracts shall not be allowed. The occupancy maximum shall be conspicuously posted within the STRP unit. Advertising a STRP for more occupants than allowed by this regulation shall be grounds for revocation of the permit.
- g. The STRP owner shall not receive any compensation or remuneration to permit occupancy of a STRP for a period of less than twenty-four hours. The maximum stay for any guest shall be thirty consecutive days.
- h. The name and telephone number of the local responsible party shall be conspicuously posted within the STRP unit. The responsible party shall answer calls twenty-four hours a day, seven days a week for the duration of each short term rental period to address problems associated with the STRP.
- i. **Expiration and renewal of permit.**
 - i. A STRP permit shall expire three hundred sixty-five days after it is issued unless it is renewed prior to its expiration.
 - ii. For STRP units that have received no documented complaints to metro codes, police, or public works during the most recent permit period, a renewal application may be submitted by mail, online, or in person according to regulations promulgated by the metro codes department. All such renewal applications shall include:
 - (1) The payment of a fifty dollar renewal fee; and
 - (2) A statement verified by affidavit that:
 - (a) Includes all of the information required in an application under Section 17.16.250.E.2; and
 - (b) The STRP continues to be in full compliance with all applicable laws, including the payment of all applicable taxes.
 - iii. For an STRP that has received no documented complaints to metro codes, police, or public works during the most recent permit period, a thirty calendar day grace period for renewal after the expiration of the STRP permit may be allowed by the zoning administrator upon a showing by the owner of a reasonable explanation other than neglect or mistake for the delay.
 - iv. For an STRP with documented complaints to metro codes, police, or public works during the most recent permit period, no grace period shall be allowed and all permit renewal applications shall be submitted timely. The permit may be renewed upon the payment of a fifty dollar renewal fee, and the submission of a statement verified by affidavit that includes all of the information required in an application under Section 17.16.250.E.2.
- j. The permit holder shall be responsible for collecting and remitting all applicable room, occupancy, and sales taxes required by state law or the Metropolitan Code.

- k. A STRP permit shall not be transferred or assigned to another individual, person, entity, or address, nor shall the permit authorize any person, other than the person named therein, to operate a STRP on the property.
- l. Denial or Revocation of Permit.
 - i. Upon the filing of a complaint regarding a STRP permit, the department of codes administration shall notify the permit holder in writing or by e-mail of such complaint.
 - ii. If the zoning administrator determines, based on reasonably reliable information that the zoning administrator has obtained including without limitation public records or reports, records of regularly conducted activity, or a direct or online statement against a person's own interest, that three violations of this section or other Code sections referenced in this section have occurred within a twelve month period, the permit to operate a STRP may be revoked.
 - iii. Before revoking any permit, the department of codes administration shall give the permit holder fifteen days written notice of the alleged violation(s) against him/her.
 - iv. Any denial or revocation of a STRP permit may be appealed to the board of zoning appeals as an administrative appeal pursuant to Section 17.40.180.A. of the Metropolitan Zoning Code.
 - v. Once a STRP permit has been revoked, no new permit shall be issued to the applicant for the same property for a period of one year.
 - vi. The penalty for operating a short term rental property without a permit shall be:
 - (1) A fifty dollar fine as imposed by a court of competent jurisdiction. Each day of operation without a permit shall constitute a separate offense.
 - (2) Upon a finding by the board of zoning appeals that a short term rental property has operated without a permit, there shall be a waiting period of up to one year from the date of such finding for the property to become eligible for a STRP permit, as determined by the BZA. Properties that have been denied a permit by the board of zoning appeals and made subject to the one year waiting period prior to October 4, 2016 may re-appeal to the board of zoning appeals with no payment of an appeal fee. The length of the waiting period shall be based upon whether the operator was aware or unaware of the requirement that the STRP have a permit. Evidence to be evaluated in making this decision may include but is not limited to:
 - (a) The testimony of the STRP operator;
 - (b) The testimony of neighbors or others with knowledge of the STRP operation;
 - (c) Evidence that the operator was informed of the requirement and disregarded this information;
 - (d) Evidence that the operator had looked into requirements and misunderstood them;
 - (e) Prior or repeat offenses by the operator under this section; and

- (f) Whether the operator, upon being informed of the requirement, obtained or attempted to obtain a permit before renting the STRP again.
- (3) Upon a finding of a court of competent jurisdiction that a short term rental property has operated without a permit, in addition to any other relief granted, there shall be a waiting period of three years from the date of such finding for the property to become eligible for a STRP permit.

(Amdt. 1 to Ord. BL2016-492 § 5, 2017; Ord. BL2016-492 § 5, 2017; Ord. BL2016-309 § 3, 2016; Ord. BL2015-1153 § 16, 2015; Ord. BL2015-1121 § 20, 2015; Ord. BL2014-909 § 3, 2015; Ord. BL2013-629 § 2, 2014; Amdt. 1 to Ord. BL2011-47 § 4, 2012; Ord. BL2011-47 § 4, 2012; Amdt. 1 with Ord. 98-1268 § 1 (part), 1998; § 2(2) of Amdt. 1 with Ord. 96-555 § 4.4(A), 1997)

MEGAN BARRY
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

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August 25, 2017

Mr. Mark Swann
Metropolitan Nashville Office of Internal Audit
P.O. Box 196300
Nashville, TN 37219-6300

Re: Audit Department of Codes and Building Safety, STRP Permit Issuance/Renewal Process

Dear Mr. Swann:

The appropriate personnel of the Department of Codes and Building Safety have reviewed your department's audit of our Short-Term Rental Property permit issuance and renewal process and have accepted your recommendations. We have provided a response (attached) to your findings and established timelines for corrective action.

Thank you for your report and we look forward to working with you on future matters should they arise.

Sincerely,

A handwritten signature in blue ink, appearing to read "Terrence L. Cobb", written over a horizontal line.

Terrence L. Cobb
Director

BUILDING • ELECTRICAL • GAS/MECHANICAL • PLUMBING • PROPERTY STANDARDS • ZONING

APPENDIX B – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches and we encourage them to do so when providing their response to our recommendations.

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendation for Management of Metro Department of Codes and Building Safety to:</i>		
A.1: Procure the services from entity that specializes in providing publicly available online information that could help provide assurance of owner occupied status.	Accept. The Metropolitan Department of Codes and Building Safety will work with Host Compliance to achieve this goal.	12/01/2017
A.2: Work with the Metropolitan Nashville Council to clarify the definition of “owner occupied” for Type I permit issuance.	Accept.	03/01/2018
B.1: Ensure that verification of all applicable taxes is obtained and reviewed prior to issuing or renewing Short Term Rental Permits.	Accept. The Metropolitan Department of Codes and Building Safety will work with Information Technology Services and the Treasurer’s Office to achieve this goal.	12/01/2017
C.1: Establish a policy of adding a management level of review on the issuance and renewals of Short Term Rental permits to ensure all applicable documentation has been obtained and reviewed.	Accept.	10/01/2017
C.2 Create a field within the City Works computer system that provides evidence of review of applicable documentation for Short Term Rental Permit renewals.	Accept. The Metropolitan Department of Codes and Building Safety will work with Information Technology Services and City Works to implement as soon as possible.	12/01/2017
D.1: Limit the number of staff with administrative rights to only those parties who have a business need for such rights and privileges.	Accept. The Metropolitan Department of Codes and Building Safety will work with Information Technology Services City Works to implement as far as practical.	12/01/2017
D.2: Develop a methodology to ascertain the number of properties owned by a specific owner.	Accept.	12/01/2017
D.3: Modify the “Date Expired” field to populate upon the issuance or renewal of permit automatically. Limit the ability to modify this field to ensure the integrity of expiration date information.	Accept. The Metropolitan Department of Codes and Building Safety will work with Information Technology Services and City Works to implement as soon as possible	12/01/2017
D.4: Explore technology solutions that facilitate online Short Term Rental Permit applications and renewals.	Accept.	09/01/2018

APPENDIX B – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
E.1: Work with the Metropolitan Nashville Clerk’s Records Management Division to establish a records disposition authorization schedule for Short Term Rental Permit documentation.	Accept.	10/01/2017
E.2: Ensure all applicable supporting documentation is being retained for a reasonable time.	Accept.	10/01/2017
F.1: Develop written procedures for each critical process and task related to the permitting process and other core requirements. These procedures should be periodically reviewed and updated.	Accept.	10/01/2017