

Findings and Recommendations from the Special Committee on Codes Enforcement

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(Mayor's Youth Council)

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OBJECTIVE

The Special Committee for Codes Enforcement was created to take a deep dive into the challenges the Codes Department faces with regard to the ability to enforce our code. Specifically: The Council can pass all the ordinances that it wants to but if the law is not being enforced, the ordinances do not mean much. Working with the Codes Department, determine the extent of our enforcement efforts. What is being enforced, how quickly are we able to respond to a concern, are we properly staffed, what areas need updating?

BACKGROUND

Codes Department – An Overview

The Metro Department of Codes and Building Safety is a public safety agency that seeks to enhance the quality of life for residents while keeping our economic engine running. From a safety perspective, the Building Codes and Permits Division is responsible for licensing building and trade contractors, inspecting properties and processing various permit applications. From a quality of life perspective, the Property Standards Division responds to thousands of property violations each year. Homeowners and business owners in Nashville have a responsibility to their neighbors to maintain a safe, clean property. A lack of adequate property maintenance can detract from the quality of life for others and lead to public health and safety concerns. The Codes Department is also responsible for permitting Short Term Rental Properties (STRP) and ensuring property owners comply with the rules and regulations set forth by the Metro Council.

How is the Codes Department funded?

The Codes Department is 100% self-funded from revenue generated by the issuance of various permits and fees. Building permit fees and Plan Examination Fees are calculated by using the Building Valuation Data (BVD) table created by the International Code Council (ICC). The Codes Department is currently utilizing the 2015 ICC table to calculate permit fees. This table is updated every 6 months. When revenues exceed expenditures, those monies are deposited into the General Fund. Over the past five budget cycles, FY2015 – FY2019, the Codes Department has deposited, on average, \$14,061,308 into the General Fund, exceeding the budgeted amount of excess revenues by 161% on average.

*Appendix A&B

How has Nashville's growth effected the Codes Department in the last 5 years?

With Nashville's tremendous growth in population, the workload across the board has increased. The dollar value of permitted construction has almost doubled since 2015 (and has more than quadrupled since 2009) to an astonishing \$4,211,524,705 in 2019. *Appendix C The number of building inspections performed in 2019 represents an increase of 37% since 2015. *Appendix E The number of property violations responded to has increased from 14,459 in 2015 to 22,223 in 2019. Keep in mind that the number of inspections per violation is at least two as there is an initial inspection and then a recheck inspection for each.

CHALLENGES

Personnel

The Codes Department is enforcing all codes to the best of their ability. They currently employ 116 people, but staff levels have not kept up with the City's growth. They are significantly understaffed and are operating at max capacity. Meaning, the personnel in Codes is doing as much as they can given their current resources. The codes department lacks the proper staff levels to meet the demands of our growing city and provide good customer service.

Fleet

The fleet of cars the staff uses to travel to inspections is aging and unreliable. Codes employs 65 inspectors yet has only 56 vehicles. Two of these 56 vehicles are on loan to Codes from other departments leaving Codes with only 54 vehicles in their fleet. 40% of those vehicles meet the criteria for replacement which is - 10 years of age or older or have over 100,000 miles. Because the fleet is aging, they are frequently out of service for repairs. The Codes Department has not received any replacement vehicles in over two years. Each day, Assistant Director Byron Hall and Property Standards Chief Jim Mackdanz each spend conservatively 1.5 hours (for a total of 3 man hours) sorting vehicles based on which inspectors are absent on that day in an attempt to put each inspector in a vehicle. While that sorting is taking place, the inspectors are confined to the office waiting to see if he/she will have a vehicle that day to perform inspections. There are countless inspection-hours lost each year in sorting vehicles. Obviously, an inspector without a vehicle cannot go to his/her area to perform inspections that day. This includes property standards inspections, building inspections, electrical inspections, plumbing inspections, and gas/mechanical inspections.

Short Term Rentals

The increasing popularity of Short Term Rentals (STRs) and the enforcement of them has placed an additional strain on the department. Currently in Davidson County, the number of issued permits is 5909. Using analytics software to identify STR operations, Codes believes that there are 6639 STR operations, meaning there are roughly 730 illegal operators. Enforcement is hampered by the sheer volume of STR's but also, the amount of ever changing legislation approved to control them. Since the first ordinance became effective in February 2015 there have been nine local ordinances and one state statute. Additionally, the state statute dictates that the law in effect at the time the permit was issued is the law that governs the use of the property as a short term rental which adds to the complexity of enforcement as well.

Appeals, currently, are heard by the Board of Zoning Appeals (BZA). This Board hears everything from variance applications to sidewalk appeals as well as STR appeals. They are inundated. It can take 6-8 weeks just to get a BZA hearing date. And even then, STR appeals many times get deferred from the end of the BZA docket due to loss of quorum late in the day. It's not an efficient process.

RECOMMENDATIONS

Financial

It is the recommendation of this committee to move from the 2015 ICC Table for calculating permit fees to the 2019 Table. Averaging the increases among all line items in the table, the cumulative increase is 8.2%. For purposes of this illustration, we will use 8%. Using the FY2020 budget, this would increase revenue by \$1,255,431. It's important to note that the Codes Department receives revenue from a variety of fees. This increase would only effect Building Permit Fees and Plans Examination Fees. *Appendices G - I

Personnel

Based on the needs expressed by Director of Codes, Bill Herbert, the committee recommends hiring the following additional employees:

- Two (2) Zoning Examiners – This will result in a material reduction in customer wait time
- One (1) Mechanical Inspector – This will reduce wait times which currently exceed two days
- One (1) Plumbing Inspector – This will reduce wait times
- One (1) Administrative/Development Services – Respond to emails, telephone calls, walk-in customers regarding general zoning questions. This will decrease wait times and increase customer service levels
- One (1) Customer Service Representative - Use and Occupancy – Currently, Codes receives an average of 38 requests per day for Use and Occupancy Letters and staff is working overtime to address the demand

- One (1) Plan Reviewer
- One (1) Chief of STR Enforcement (Technically a Zoning Examiner)
- Two (2) Property Standards Inspectors – Currently Codes has 16 Property Standards Inspectors that respond to an average of 2,125 requests for service each month (25,500 per year). Reduced territory size per inspector will equate to improved response times and the ability to perform neighborhood audits

Should the economy slow, thereby decreasing the demand for the employees, Director Herbert feels confident that those employee levels could be managed through normal attrition.

Fiscal Note: These ten (10) additional employees will cost an additional \$721,500 per year. The revenue generated by these new employees equals \$1,000,100 for a net ROI of \$278,600. This number takes into account a 25% reduction in revenue from each employee for FY2021 due to new hire learning curve contingency. In subsequent years, this ROI will be higher. *Appendix J

Fleet

It is the recommendation of this committee to utilize a six-month pilot program to rent fleet for the Codes Department. Despite the added expense this pilot program presents, this committee believes it is well worth the value it provides. The benefits of this program are:

- Rental Fleet would provide a new vehicle for all inspectors
- Eliminates down time. If a vehicle has to go to the shop, it's immediately replaced with another vehicle
- Increases the safety of the employees, being in a safer vehicle
- Vehicles are fully insured taking the responsibility of 65 vehicles off of Metro
- Takes some of the burden off of an already stressed General Services Department
- Having a dependable vehicle for every employee each day will improve production and improve customer service

- Eliminates down time and wasted manhours searching for an available vehicle

Fiscal Note: This rental pilot program will cost an additional \$251,500 per year (\$550 per car per month). Currently, the Codes Department pays General Services \$177,500 per year to maintain the fleet. The difference in the total cost of the rental pilot program (\$429,000) minus \$177,500 is \$251,500.

Short Term Rental

It is the recommendation of this committee to form a Short Term Rental Appeal Board. The benefits of the STR Appeals Board are:

- The STR Appeal Board creates subject matter expertise on a detailed and always changing body of regulatory law. This Board need not be burdened by the highly nuanced development guidelines like build-to zone variances in alternative zoning districts, calculations of contextual street setbacks, or the latest iteration of the sidewalk requirements. Instead, this Board will focus on only one area of regulatory law that calls for precisely such expertise.
- It costs \$0 to create the Board, staff the board meetings, and host the meetings at Metro Codes. The Board, like most Metro boards, will be an appointed body of volunteers. Metro Codes already has the staff and the meeting spaces available to handle the work of this Board.
- This improves efficiency for resolution of STR appeals that presently go to the Board of Zoning Appeals. The required notice period for the STR Appeal Board can be much shorter than that of the BZA. That cuts the turnaround time nearly in half.

Fiscal Note: The cost of the STR Appeal Board is \$0

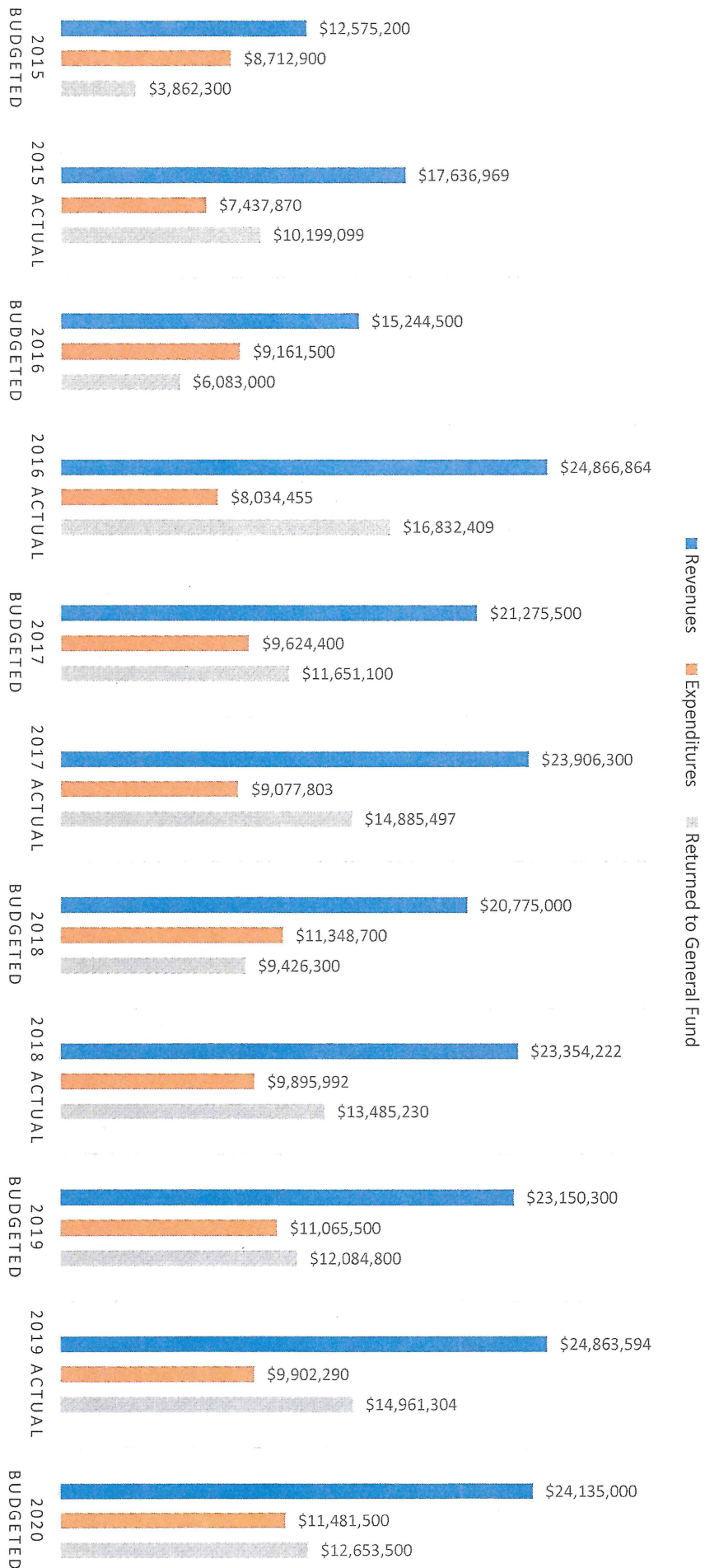
SUMMARY

In summary, Nashville's explosive growth has strained the capability of the Codes Department to enforce our codes in an efficient way and with the high customer service level our residents deserve. By adding personnel, giving them access to a dependable fleet, and bringing the appeals process for short term rentals in house, it is this committee's opinion that the Codes Department will be better equipped to do their very important job more efficiently and effectively. This will not only effect effect customer service in a positive way, but will add to the public safety aspect the Codes Department provides in insuring the proper building standards are met. The fiscal impact of these additions are mitigated by the change in ICC tables to increase permit fees by, on average, 8% as well as the ability for these new employees to generate revenue in their own right. The actual fiscal impact of these recommendations in their entirety is a positive one.

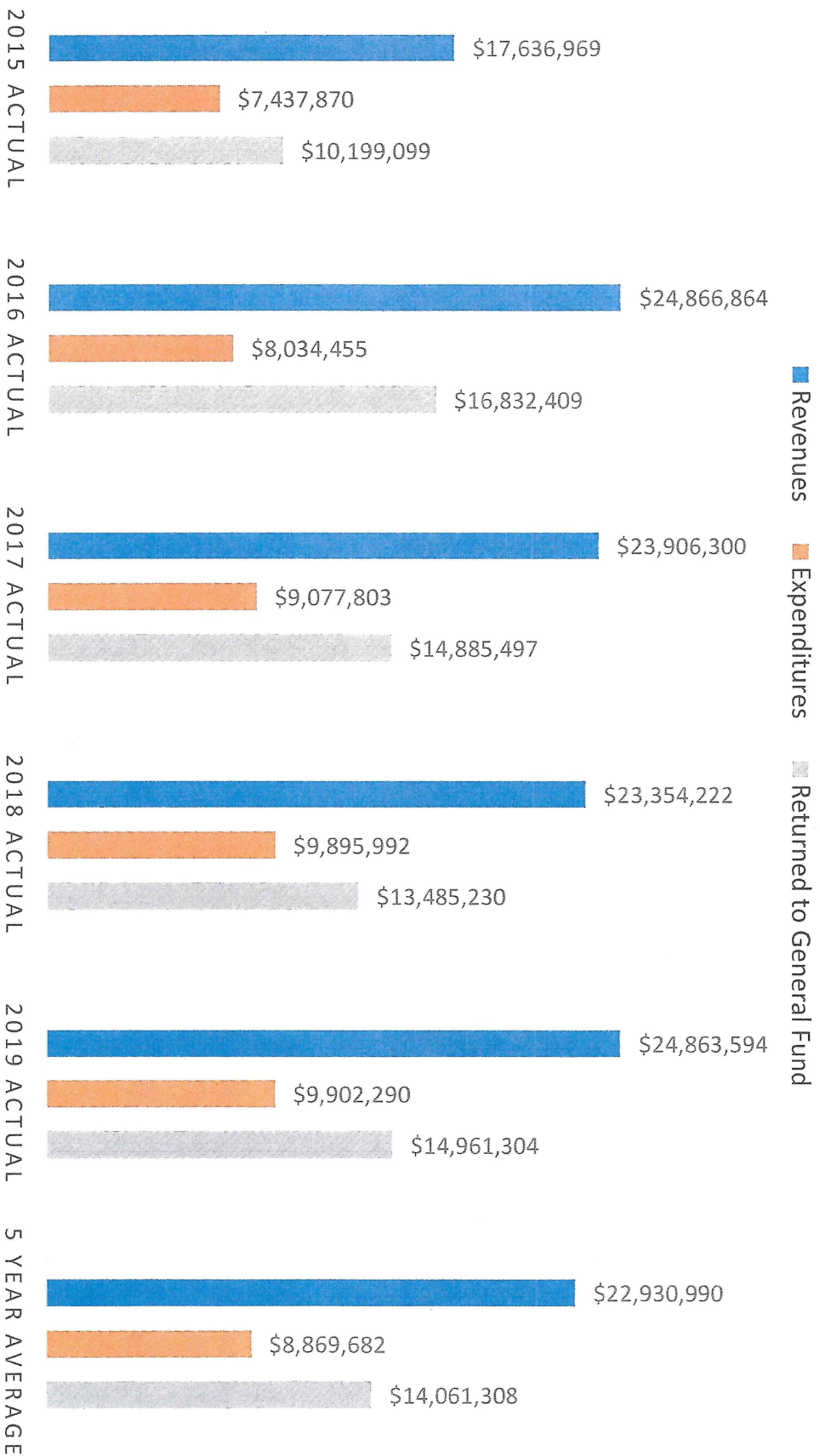
Appendixes

- A. Actual vs Budgeted Revenues vs Expenditures 2015-2019
- B. Actual Revenues vs Expenditures 2015-2019
- C. Fiscal Year Permit Valuation Since 2009
- D. Value of Construction vs Codes Positions
- E. Inspections Summary 2013-2019
- F. Fiscal Year Number of Permits Since 2009
- G. Department of Codes and Safety Budgeted Revenue for Current Year (Through November 2019)
- H. ICC Valuation Variance from 2015 Table to 2019 Table, Spreadsheet
- I. Revenue Data Showing Effect of 8% Increase
- J. ROI for New Employees, Spreadsheet (Finance Department)

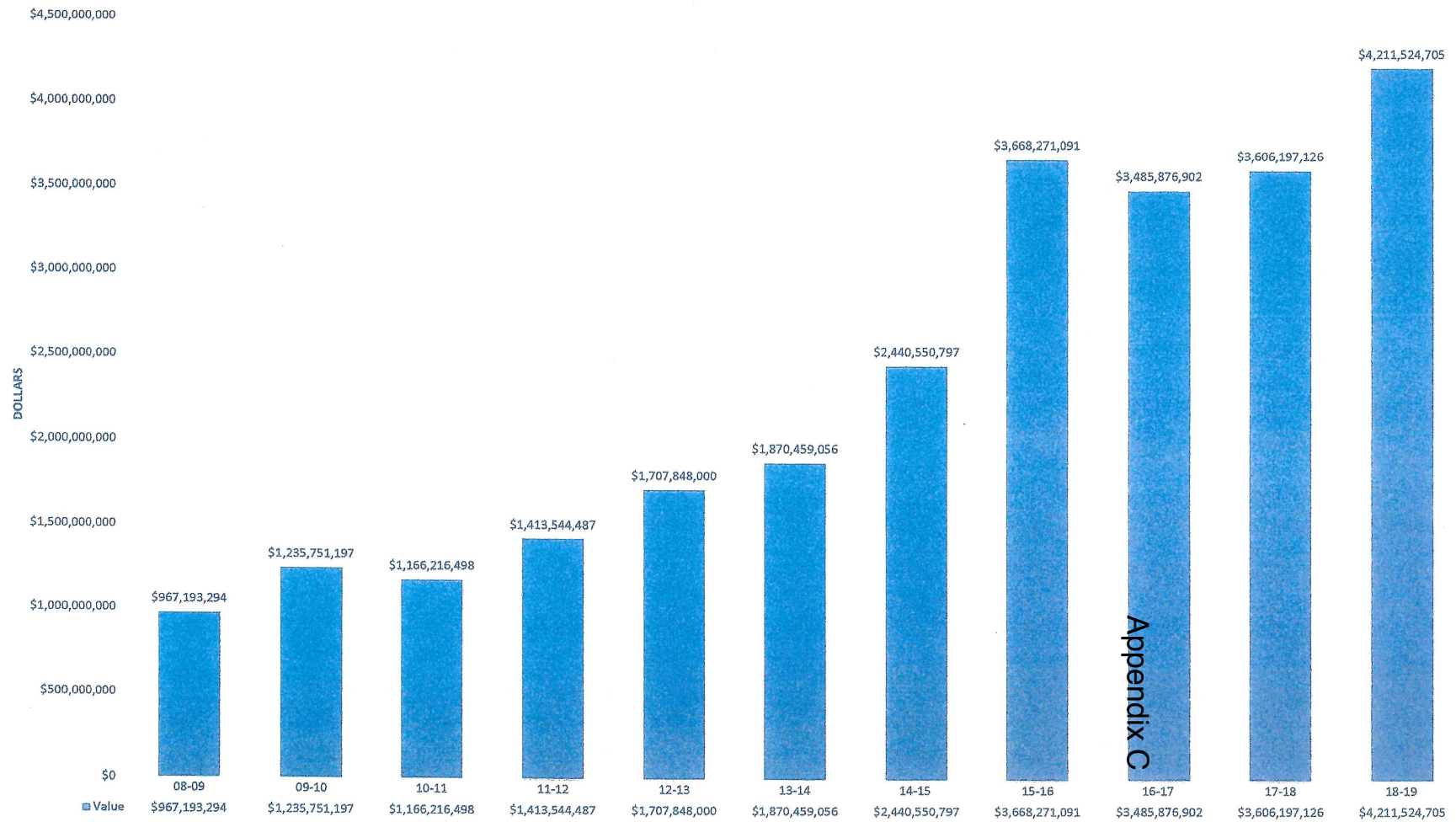
ACTUAL VS BUDGETED 2015-2019



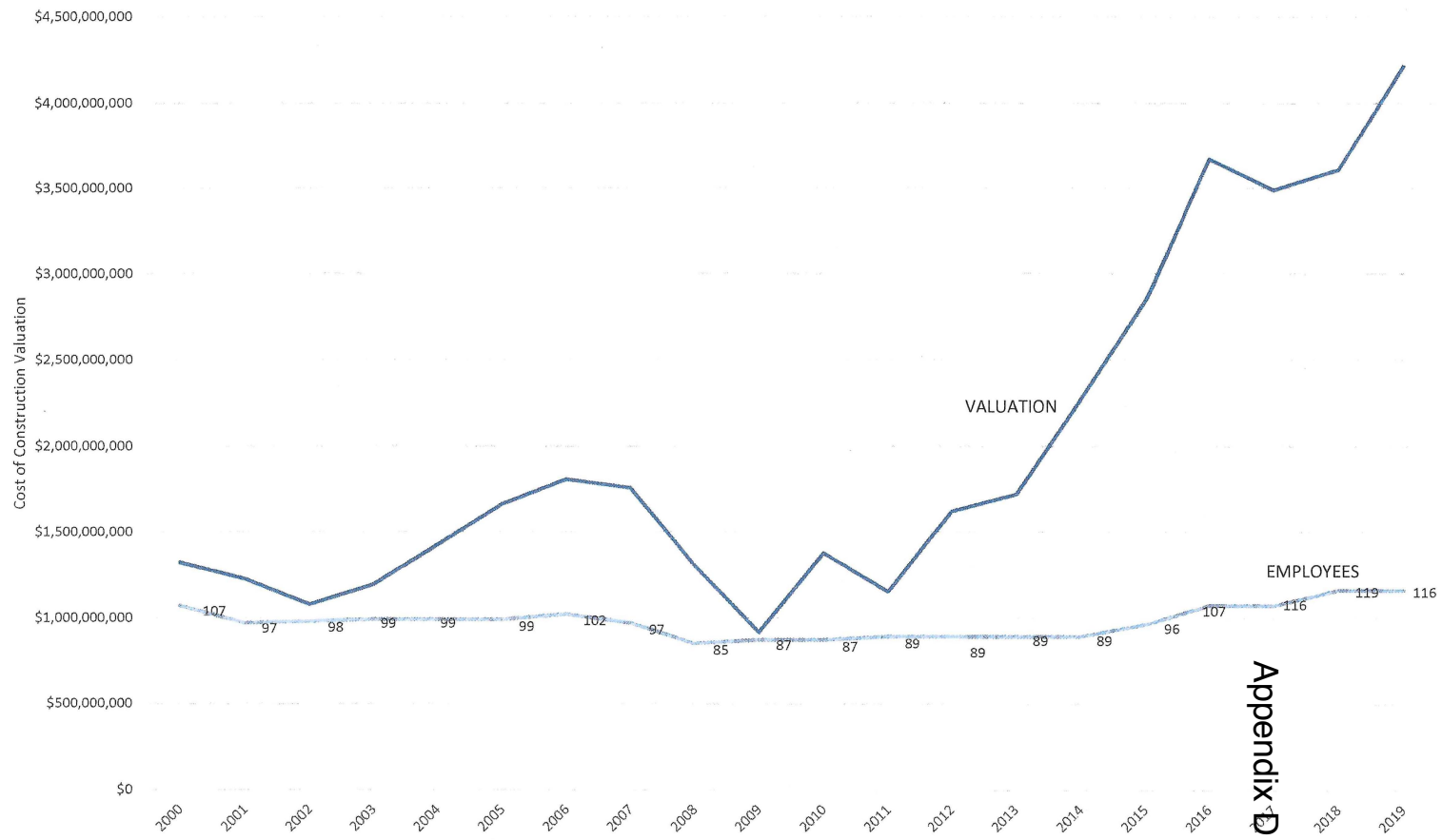
REVENUES VS EXPENDITURES 2015-2019



Fiscal Year Permit Valuation Since 2009

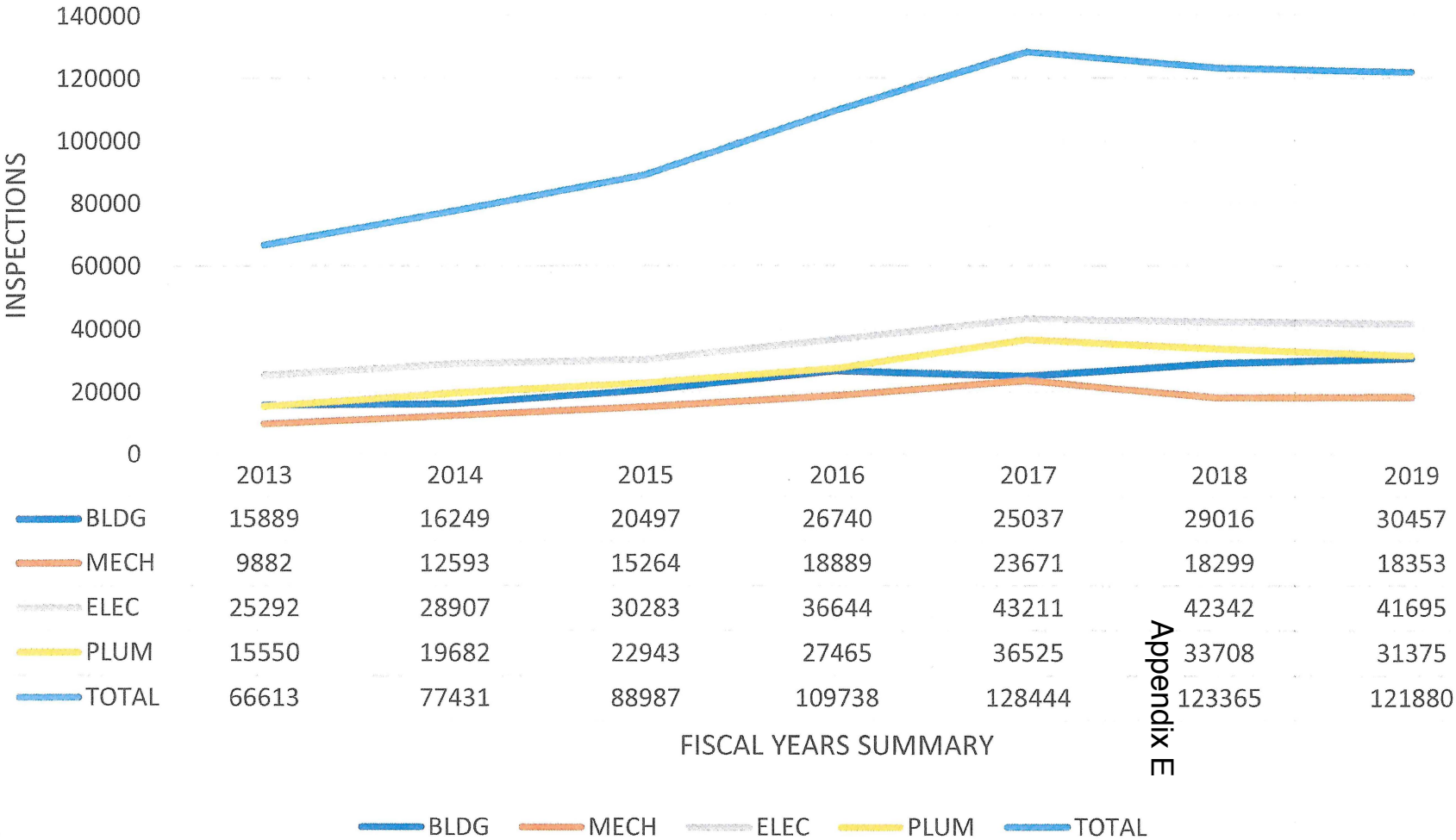


Value of Construction vs Codes Positions

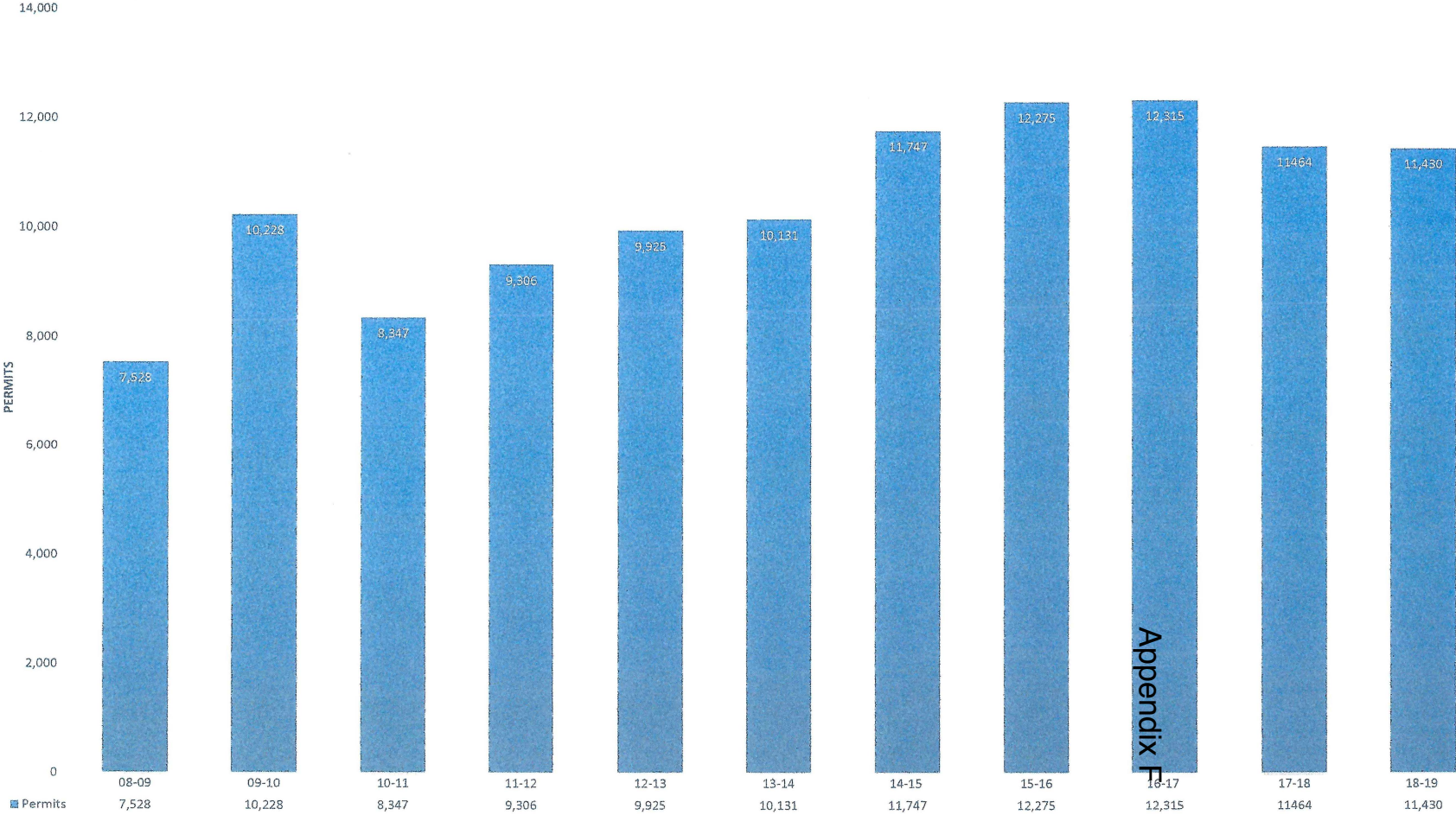


Appendix D

INSPECTIONS SUMMARY 2013-2019



Fiscal Year Number of Permits Since 2009



Department of Codes Administration

Revenue Collections

July 1, 2019 thru November 30, 2019 ~~5 MONTHS~~

12/10/19

		<u>As Shown</u>	<u>YTD Actual</u>	<u>Accrual</u>	<u>YTD</u>		<u>Over (Under)</u>	<u>% over</u>
		<u>Budgeted</u>	<u>11/30/19</u>		<u>Restated</u>	<u>Projected</u>	<u>Budget</u>	<u>(under)</u>
Permits:								
403305	* Building permits	\$ 13,100,000	\$ 5,134,290		\$ 5,134,290	\$ 13,006,000	\$ (94,000)	-0.7%
403306	Electrical permits	2,275,000	939,386		939,386	2,379,000	104,000	4.6%
403307	Plumbing permits	1,725,000	719,299		719,299	1,822,000	97,000	5.6%
403310	Gas/Mechanical permits	2,020,000	798,908		798,908	2,023,000	3,000	0.1%
	Subtotal -- permits	\$ 19,120,000	\$ 7,591,883	\$ -	\$ 7,591,883	\$ 19,230,000	\$ 110,000	0.6%
Appeals:								
407701	BUILD Building appeals	\$ 20,000	\$ 6,245		\$ 6,245	\$ 20,000	\$ -	0.0%
407701	ELECTRIC Electrical appeals	96,000	4,625		4,625	96,000	-	0.0%
407701	PLUMBING Plumbing appeals	59,000	4,960		4,960	59,000	-	0.0%
407701	MECH/GAS Gas/mechanical appeals	59,000	55,495		55,495	59,000	-	0.0%
407701	ZONE Zoning appeals	50,000	18,900		18,900	50,000	-	0.0%
	Subtotal -- appeals	\$ 284,000	\$ 90,225	\$ -	\$ 90,225	\$ 284,000	\$ -	0.0%
Other revenue:								
403311	Alarm device permit	\$ 1,200,000	\$ 54,415		\$ 54,415	\$ 1,200,000	\$ -	0.0%
404007	Return check fee	-	-		-	-	-	0.0%
407705	Small Wireless Facility Fee	25,000	-		-	-	(25,000)	0.0%
407707	* Plans examination	1,850,000	661,526		661,526	1,675,000	(175,000)	-9.5%
403120	Adult entertainment	26,000	17,191		17,191	26,000	-	0.0%
403114	Arborist licenses	100	25		25	100	-	0.0%
403333	Short-Term Rental permit	1,280,000	558,050		558,050	1,413,000	133,000	10.4%
404304	Codes Offender School fees	7,000	990		990	5,600	(1,400)	-20.0%
407709	Code enforcement/collection	-	-		-	-	-	-
407613	Building permit data	100	-		-	100	-	0.0%
407724	FHA-VA inspections	100	-		-	100	-	0.0%
407755	AUTO Abandoned vehicles	2,700	1,470		1,470	2,700	-	0.0%
407797	Landlord registration fees	65,000	32,170		32,170	65,000	-	0.0%
	Subtotal -- other revenue	\$ 4,456,000	\$ 1,325,837	\$ -	\$ 1,325,837	\$ 4,387,600	\$ (68,400)	-1.5%
	Grand totals	\$ 23,860,000	\$ 9,007,945	\$ -	\$ 9,007,945	\$ 23,901,600	\$ 41,600	0.2%
	Percentage of budget	100.0%	37.8%		37.8%	100.2%	0.2%	

Appendix A

1

8.2%

DEPARTMENT OF CODES AND BUILDING SAFETY

Data from R12 thru November -5 Months

	Budget Amount	NOVEMBER Period Amt.	YTD Actual	YET TO BE EARNED \$ Variance YTD
Plans Examination	\$1,850,000	\$8,606	\$661,526	\$1,188,474
Building Permit	\$13,100,000	\$75,358	\$5,134,290	\$7,965,710

Assuming we meet our Budget projections, we should be able to apply the increased Valuation Tables on 7 Months of Building Permit and Plan Review revenue remaining to be earned and collected.

Plans Examination remaining	\$1,188,474		
Building Permit remaining	\$7,965,710		
Total affected revenue	\$9,154,185	increase 8%	\$9,886,519
	YET TO BE EARNED		
	Additional revenue expected Dec-June (7 months)		\$732,335
	Expanded to an entire year assuming same budget		\$1,255,431

ROI Calculations for New Employees

Title	Salary	Fringe	Total Sal +Frg	Quantity	Total Pos Request	Annual Revenue*	FTEs	Rev generated per employee	FTEs requested	Annual rev generated with request	Contingency	Rounded
											(75% for new hires, learning curve, etc.)	
Zoning Examiner	53,778	23,350	77,128	3.00	231,384	802,500	8.00	100,313	3.00	300,938	225,703	225,700
Office Support Rep Senior	34,092	19,415	53,507	1.00	53,507	145,000	1.00	145,000	1.00	145,000	108,750	108,800
Admin Services Officer 4	59,085	24,411	83,497	1.00	83,497	290,000	4.00	72,500	1.00	72,500	54,375	54,400
Mechanical/Gas Inspector 1	44,212	21,438	65,650	1.00	65,650	2,109,000	8.00	263,625	1.00	263,625	197,719	197,700
Plumbing Inspector 1	44,212	21,438	65,650	1.00	65,650	1,957,000	8.00	244,625	1.00	244,625	183,469	183,500
Plans Examiner 2	64,950	25,584	90,534	1.00	90,534	802,500	5.00	160,500	1.00	160,500	120,375	120,400
Property Standards Inspector 1	44,212	21,438	65,650	2.00	131,301	1,315,000	18.00	73,056	2.00	146,111	109,583	109,600
	344,542	157,074	501,616	10.00	721,522	7,421,000	52.00	1,059,618	10.00	1,333,299	999,974	1,000,100

*Based on FY19 actuals

FY21 Investment Request exp	721,500
FY21 Rev generated from request	1,000,100
Net return on investment	278,600