



March 30, 2021

Hon. Mayor Klovstad
Hon. Vice Mayor Henderson
Hon. Council Member Polivy
Hon. Council Member Romack
Hon. Council Member Zabriskie
Town Manager Callaway
Director of Community Development Nishimori
Town of Truckee
10183 Truckee Airport Road
Truckee, CA 96161

Re: Excessive Building Department Permit Turnaround Times

Honorable Mayor Klovstad and Council Members,

CATT has recently been made aware of the ongoing permit process delays within the Town of Truckee Community Development Department – Building & Safety Division. Town staff recently told multiple permit applicants and CATT members that a 230-permit backlog exists and to expect initial response to take 10-12 weeks. It could be several additional weeks for the permit to be issued. For context, the Department’s internal goal is 5 weeks from “application” to “issued” for this type of permit.

We are currently in the low season for building permit demand. Construction in Truckee is cyclical; permit applications are lowest in January through March, and peak in May through October. According to Building Division reports, permits created in September and October of 2020 were not issued until February 2021 – a turnaround time of 15+ weeks during our low season. There is great concern that these delays will worsen as we enter peak season if this is not urgently prioritized.

You might ask, why does it matter if building permits take 5 or 15 weeks to be issued?

Primary and secondary impacts from permit delays:

- Missed Housing Opportunities
- Lost Wages for Truckee Workforce
- Harm to Truckee Businesses and Economy
- Harm to Truckee Sales Tax Revenue
- Harm to Truckee Property Tax Revenue
- Harm to Truckee Permit and Impact Fee Revenues
- Potential losses of Transfer Tax which benefit Community Organizations

Understanding the Impacts

Missed Housing Opportunities: The consequences of permit delays are amplified by the short building season in Truckee. If a permit is not issued in time, our seasonal limitations mean a home that would be built this year will not be started until next year. This removes a housing unit, but it does not remove the demand. A would-be home builder/owner when faced with waiting two years for their home, instead turns to what is available on the market. When would-be builder/owners turn to on-market homes, it drives up the price of market rate housing through demand-pull inflation. Permit delays are driving up the cost of market rate homes and exacerbating the housing crisis in Truckee.

Truckee Wages: The construction industry in Truckee saw a boom in 2020 despite or possibly because of the Covid19 pandemic. CATT and our members anticipate the same forces will impact the industry in 2021 putting the Building Division under stress again. These boom years do not guild the lily for Truckee based construction companies. These boom years keep a business afloat during the “bust” years, of which there have been many. These are the busy years that construction workers who hammer nails and lay tile can turn extra wages into savings. The best-case scenario is permit delays result in fewer projects being built and lost wages for Truckee residents who are still reeling from the economic losses of the pandemic; the worst-case scenario is permit delays could lead to worker layoffs. Wages paid to construction workers circulate through our economy, supporting local restaurants, shops, and other businesses which in turn supports the livelihood of countless Truckee residents and generate tax revenue.

According to the *Truckee Demographic & Economic Profile* prepared for the Truckee Chamber of Commerce in 2012, construction is the second largest sector of employment for Truckee residents.¹

Town Revenues: Permit delays have economic consequences that reach all corners of the community. According to the *Town of Truckee Sales Tax Update* produced quarterly for the Town by HdL Companies, the building and construction sector is consistently the first or second largest source of sales tax, averaging approximately \$310,000 in General Fund receipts from Q3 2019 through Q3 2020, or annualized to \$1.2 million. The Q2 2020 report states the Town of Truckee General Fund collected \$4.9 million in sales and use tax during FY 2019/20. Assuming approximate \$1.2 million of annual sales tax arrived directly from building materials and construction, the industry accounts for ¼ of the Town’s total General Fund sales tax revenue. Additionally, the 2020/21 adopted General Fund budget shows the Building Division collected \$1.2 million in building permit fees and \$700,000 in other plan check related fees during FY2019/20. Delayed permits mean lost revenue for the Town.

Assumptions for Permit Delay Fiscal Impact: In 2020, the Building Division issued 91 single family residential permits and over 1,000 permits for other various types of work. The fundamental math is that if permit applications take twice as long, half as many permits will be issued in a given timeframe. Let us take a conservative estimate of a 30% plus or minus change in permits issued. A change of 30% in the number of homes constructed or remodeled in 2021 because of timely or delayed building permits would have an estimated value of not less than \$500,000 in direct revenue for the Town² – revenue that could

¹ 11.7% of Truckee’s workforce was in the construction industry as of 2012, trailing only the service industry at 13.7% according to US Census data. Source: <https://www.townoftruckee.com/home/showdocument?id=9351>

² Conservative estimate based on total sales tax and permit fees from FY19/20 as reported in the 2020/21 adopted General Fund budget and HdL reports: (\$1.2m sales tax + \$1.2m permit fees + \$700,000 plan check fees) * 30% = \$930,000. Additional revenue would be received from transfer tax, re-assessed property tax, and through stimulated economic activity.

provide gap financing to an affordable housing project or fill holes in the CIP budget. Substantial revenue would also come from re-assessed property taxes and assessed transfer taxes on spec builds.

Permits Mean more than Revenue: These permits employ dozens of workers on job sites and with upstream vendors. Those wages have downstream stimulus effects as they ripple through Truckee businesses. Delayed permits mean the potential for laying off craftsmen or reduced hours. Considering the extreme hardship and damage done to local businesses and hardworking Truckee residents from the Covid19 pandemic, these permits mean additional wages that would boost discretionary income and stimulate the Truckee economy.

Achievable Solutions

This is a time for Town Council to take immediate and decisive action to support the Community Development Department in its essential role. CATT appreciates the difficult structural challenges to correcting these permit delays. We understand that the Community Development Department is asking for patience as they work to solve these structural challenges in the long term. We must also act to overcome these challenges in the short term. One proposal is to create an additional FTE for a third Development Services Technician. We strongly support that position being created. However, budgeting for additional staff in June, hiring, and training over the summer means the position will be onboard too late to have any impact on the 2021 building season. We recommend the following actions are possible to create immediate improvement.

CATT Suggestions for Immediate Action:

- Town Council could move to hire the Development Services Technician as soon as possible, ahead of the annual budget process if necessary.
- CATT understands that third-party vendors are able to turn around permits within 5-7 working days, with minimal work for Department staff. The Building Division could adopt a policy that all permits past their target turnaround date are sent out-of-house.
- If needed, Building Division staff could divert attention from inhouse plan check entirely to facilitate processing permits through third-party vendors.
- Department priorities may need to be shifted away from less time (and season) sensitive work product until the backlog of permit applications is cleared.
- Town Council could ask the Department for a report on the next Council agenda on the status of permit turnaround time and what is being done to get permit turnaround back on target this year. If there are barriers to using third-party vendors, those must be elaborated on before Council.

When major storm or holiday events require more time from Engineering or Law Enforcement, that need is met by prioritization of resources. It is imperative that Town Council and senior staff take the same approach with the essential need for building permits which enhance the Town's revenue stream, provide wages to Truckee workers, and build Truckee housing – as well as stimulate the economy for all Truckee businesses as we strive to recover from a very difficult year. We all must and do support each other.

We look to Town Council to provide leadership and a commitment to taking strong and immediate action to resolve this problem. 50-60 working days to provide initial comments on a permit application is unacceptable. It will surely get worse as we move into the peak building season. CATT does not believe this is an insurmountable problem, but we are willing to listen and collaborate towards solutions if staff feel we have overlooked reasonable barriers. We thank you for your attention on this important issue; it is imperative that we act together and act now.

Sincerely,
CONTRACTORS ASSOCIATION OF TRUCKEE TAHOE

Peter G. Fenolio
Government Affairs Manager

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