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The Entitlement Process Slowdown or Showdown?

by Lynne Montel

Whether commercial construction in Nevada is booming, holding its own, or slowing, depends on whom you talk to and the part of the state used as the reference point. Commercial development under construction in Clark County - particularly along that valuable corridor of land we know as The Strip - continues unabated, with cranes flying high and multimillion dollar projects rising ever higher. It is the primary engine driving the economy, dominated by major multifaceted projects such as City Center,

Eschelon, Palazzo and Encore. According to Dean Friedli, assistant director of Clark County Development Services, the planning and permitting process for these major commercial projects generates long lines and a requires a good deal of time. "So many elements involved, from zoning and land use, to NDOT road change issues. Submitting plans for a major project review usually involves corrections, changes, updates - all of which go back to the designer, then back to our staff for review. So our time frame is always dependent on this back-and-forth process."

With offices located in Las Vegas, Reno, and Carson City, and more than 60 Nevada lawyers, Holland & Hart is the largest law firm based in the Mountain West.



Gearing up or gearing down, the department always has the added element of staffing challenges to deal with. "We've really been able to pick up the pace by using outside consultants, particularly for plan examination," added Friedli. "From inception to construction, it just takes time. Echelon, for example, is just now getting permits pulled to begin construction. That's a project that was announced a year ago, and is anticipating a two- to three-year construction period. We

are not only dealing with the main project, but also the tenant improvements, stores, shops and restaurants that will populate the Palazzo, Encore and City Center. That's going to be our challenge over the next few years, just trying to keep pace with the flood of plans we know is coming. We have to gage what the market is going to do, however, government doesn't work like the private sector. It takes us longer to react to market trends."

Recruitment isn't always easy when the employees required are highly skilled professionals, such as engineers, who are qualified and certified to conduct plan reviews. Trying to attract and retain staff while competing with the private sector is difficult. The numbers are staggering. According to Friedli, the value of the projects that have been announced or are currently under construction on the Strip total more than \$36 billion - give or take a \$100 million, or so.

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Reno-Sparks

Northern Nevada has experienced a sharp decline in commercial projects and permits. Neil Krutz, community development department director for the city of Sparks, estimates that total permit activity is off about 30 percent overall, with even the commercial permits slowing to a level that allows his staff to stay on top of the curve. He anticipates a relatively slow year for 2008, but predicts activity will regain momentum and accelerate by the second half of 2009.

Like Clark County, Sparks has experienced the same type of municipal growth, where the commercial development follows in the wake of residential development. However, Krutz said Sparks is approaching its saturation point and, consequently, community leaders and developers are compelled to find increasingly creative ways to accommodate growth. A prime example is found on the old site of the famed Helms Construction gravel pit. The city of Sparks took possession of the land - and the 120-foot deep pit that scrapped the site - when Helms declared bankruptcy in the early 1990's. The city turned the pit into an 80-acre lake surrounded by a community park. The lake, in turn, has become the core for a major commercial project now under development - The Legends at Sparks Marina, an outdoor mall comprising of more than 1 million square feet of retail space, and a 1,000-room hotel-casino.

"Our focus on projects such as The Legends at Sparks Marina will be on facilities planning and permitting, and tenant improvements," noted Krutz. "Our department staffed-up over the last few years. Now, in today's market, we need to staff-down. So far we have been able to keep our budget and expenses in line simply through attrition." Currently, the department includes a staff of 90 and occupies about 2 million square feet of office space.

Washoe County

Washoe County, which oversees the unincorporated areas that don't fall within the city limits of Sparks and Reno, actually witness minimal commercial development. Don Jeppson, the chief building official for Washoe County, said the department only issues about 50 commercial permits per year, and most of those are for remodeling and additions.

About 15 permits are actually issued annually for new projects, and a large portion of those are within Spanish Springs, a new industrial and commercial development north of Sparks. The project includes strip malls, as well as office/warehouse properties with loading docks.

"Washoe County actually relies more on residential than commercial construction," noted Jeppson. "So, we felt the downturn more than Reno and Sparks. Home permits have decreased by more than 50 percent over the last two years. We've seen a 50 percent drop in percent as well. But, the dollar impact has not been as dramatic. In 2006, we issued 40 commercial permits and 13 were issued in 2007."

In August, the department eliminated two positions and support staff reducing its payroll from 31 to 19. Like many of governmental entities, the Washoe County building department is run as an Enterprise Fund, and is funded by the developers and builders who pay for its services. All of the money generated by the department stays in the department and does not flow to the county's general fund, nor does the department receive any money from the county for its operation or overhead. "We do have to follow the county guidelines for hiring and layoffs, so it isn't always simple," said Jeppson. "In some ways it is like a non-profit. We are limited on the amount of money we can have in a rainy day fund, we perform a continuing balancing act to match our revenue to our expenses. But, it does a good service for our developers who had initially requested the Enterprise Fund structure. They can see that their fees go directly to support the permitting process."



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Clark County

Back in Southern Nevada, Las Vegas official Paul Wilkins, director of building and safety, is upbeat about his staff, his department and the future. Though they have experienced a slight decrease in commercial permit requests, still, many exciting projects are either under construction or coming on line within the city limits.

As for current conditions, Wilkins admits that we are in a respite right now. "We are gearing up for the end of 2009, when I predict we will be so busy we won't know what to do. I think it's going to start the third or last quarter of 2008 in both housing and commercial. We are in a little slump, but expect no layoffs. We've got great people, and we're keeping them all." To save taxpayer money, Wilkins is developing a program that would actually loan his inspectors to other city departments that can make good use of their expertise. "My plan is to keep everyone busy. So, we are in the process of facilitating the concept so our inspectors can do work for the planning department, neighborhood services, public works and even the fire department. I've also contacted the county to see if they want to rent my people. It's a plan that can save our taxpayers a lot of money."

North Las Vegas

Meanwhile, North Las Vegas has growing pains of its own. The city has granted funding to fill several key vacant positions, which should help reduce the amount of time applicants spend waiting in line. According to Director Tony Vibabul, "Permit delays, on the other hand, deal more with the review/approval process. We offer an expedited review service for an additional fee for structural and architectural reviews in the Building Safety Division. Although this does not guarantee expediting review by all departments, it usually does help speed up the process."

In North Las Vegas, the average time between plan submittal and final approval for tenant improvements is about three weeks and for new construction, four to five weeks, noted Vibabul. That is, of course, assuming civil plans and land use conditions are approved. Officials from all jurisdictions advise that the two most important factors that help facilitate plan approval are the clarity of submitted drawings and the responsiveness of the design team in returning corrections to department staff. North Las Vegas staff members feel their biggest challenge is to provide their customers with a true one-stop-shop center to handle the entire development and permitting operation. "The city's Information Technology Department is also currently working with us to provide interactive tools allowing customers to access our records to view their up-to-the-minute status for plan checks and inspections," continued Vibabul.

Like its sister communities, North Las Vegas outsources plan reviews and has developed a fee inspector program that gives the division flexibility to cover the ebb and flow of developments. It helps accommodate the fluctuations in permitting activity, as well as temporary staffing shortages. "As for the overall process, we are pleased with the positive feedback we have received from the industry in regards to the level of service we are providing," added Vibabul. "The market fluctuates between residential and commercial needs, so we try to shift our resources in the direction that compliments those changes in the industry."

Henderson

Henderson is awash in substantial new projects. "We've seen no decrease in commercial permits, in fact, we've seen an increase," noted Development Services Center Manager Christine Kidd. The Henderson City Tower project was announced earlier this year. Located in the city's new downtown e-development district at Lake Mead Boulevard and Water Street,

City Tower is a \$90 million, mixed-use development featuring two 12-story and two 15-story towers, 40,000 square feet of retail space, 168,000 square feet of office space, 137 condominiums and nine penthouse residences. The project is scheduled to open in two years. Also slated for the same area is City Crossing, developed by Plise Companies. The 126-acre development will include a 6 million-square-foot, mixed-use project with office, retail and residential space. Another 600,000 square feet will be used for retail including fitness facilities, movie theaters and restaurants. The balance of space at City Crossing is designated for 2,500 residential units.

While City Tower and City Crossing are destined to change Henderson's downtown skyline, on the opposite side of the city, plans are underway for The M Resort Spa and Casino to be located at Las Vegas Boulevard and St. Rose Parkway. The \$1 billion project includes an 11-story resort totaling 390 rooms and suites. Other details include 90,000 square feet of gaming space and more than 40,000 square feet of meeting and conference space. The project sits on approximately 80 acres and is set for a spring 2009 completion.

Even with all of the new projects flooding Henderson, Kidd is proud of the Development Services Center's track record. "More than 75 percent of our customers are served within five minutes, with an average wait time less than three minutes," cited Kidd. "We meet our plan review service target 99 percent of the time, as well." The department is constantly rating its efficiency, and a visit to the Web site reveals its current on-time rates, including 98.6 percent for plan review services and a 99.4 percent for inspection services. Accordingly, Kidd said no staff reductions are planned at this time. In fact, the department needs to add a structural engineer. "We do some limited outsourcing, particularly plan reviews for grading and structural work," he said.

The Process

The bureaucratic course a project charts from the initial submission of its plans to the final approval and the awarding of permits, is known as the entitlement process. In the city of Reno, Chris Good, interim director, explained that the amount of time necessary to complete the entitlement process varies widely depending upon a project's type, size and complexity. For example, if the owner of a small business wants to put a new wall up inside an existing structure, such a project would typically require a relatively brief review process, involving plan checkers, fire inspectors and code enforcement, and may pass approval in as little as two or three weeks. A larger, more complex project, however, like Reno's recent Peppermill expansion, can take six months to go through the review process before permits are issued.

In the city of Reno, the volume of commercial permit activity from November 2006 to November 2007 has seen a modest decrease. In 2006, the number of permits totaled 159, for 2007 the figure was 123. "Even with that decrease, however, our commercial permit traffic is helping to keep our revenues reasonable while the housing market weakens," noted Good. "As a city government, we don't rely on housing permits to the extent that some county governments do. During the housing boom, we knew that the increased revenue stream would not continue indefinitely, so we did not begin expanding our full-time permanent staff. Instead we sent the overflow to contractors, so when the market began to weaken and the workload shrank, we simply did not renew those contracts."

Due to this foresight and the city manager's ability to move staff to areas where the work demand exists, the city has been able to avoid layoffs, so far. With the stabilization fund and standard rule of holding back 2 percent of the annual budget, the city has also been able to avoid across-the-board budget cuts, in spite of the slower economy and lower revenues. Overflow work was outsourced to building inspectors, planners to review cases and write recommendations, as well as managers of some staff in engineering and building departments.

So, just what does it take to guide a commercial project through the entitlement process? All of the entities have some form of checklist that is readily available online or from the

appropriate development department, but suffice it to say that Rome wasn't built in a day. For example, the city of Reno's guidelines for submission include cover sheet instructions including project identification and location through more than a dozen items including flood zone.

General requirements start with a permit application from the Community Development Department, one complete set of plans and calculations (other entities require up to five sets of plans for commercial projects), plus a second set of plans for review by the Health Department. Developers must also supply a site plan and an additional list of 16 very specific items before the project is sent to the department staff or outsourced for plan review - one of the most labor intensive parts of the process. Delays can occur during plan review whenever the original designers are called upon to make revisions or corrections before the review can proceed.

Once the plans are approved, the project is then submitted to the appropriate governmental body and scheduled for on the agenda of the next available meeting, which, depending on the locale and the frequency of its meetings, can take several months. Prior to the meeting, notices describing the project are mailed to adjacent or nearby property owners who may not be affected by the development. Should any property owners attend the meeting to voice legitimate objections to the project, the developer may have to return to the drawing board to make changes that address these concerns. Occasionally, opposition to be a project is so vehement, the developer elects to abandon it altogether.

Additional slowdowns in the entitlement process can also occur with traffic plan reviews, curb-cut issues and zoning. A zoning or use change can cause major delays, as well as it must be reviewed and set on a meeting agenda for discussion.




It is impossible to develop an estimated average processing time from start to finish because each project is unique. Times can vary according to the season, the building department's workload and staffing issues. Obviously the more complicated the project, the more time is required for the entitlement process.

According to Las Vegas-based Applied Analysis, for every 1,000 Southern Nevada residents, approximately 87 acres are developed to include everything from open space to retail, office to multi-family. That's 87 acres worth of planning, designs, reviews and permits. So, with 2 million residents in the Las Vegas Valley, that equates to 2,000 separate 87-acre parcels that have been, or will be, developed. When seen from that perspective, it is nothing short of miraculous that everything runs as smoothly as it does.

Lynne Montel

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