BUSINESS IMPACT STATEMENT
BILL NO. 2010-25
(Amends the sewer service provisions to adjust the equivalent residential unit classifications for condominiums and apartment houses)

This business impact statement was prepared pursuant to NRS 237.090 to address the impact of a proposed ordinance, Bill No. 2010-25, that will amend the sewer service provisions to adjust the equivalent residential unit classifications for condominiums and apartment houses.

1. The following constitutes a description of the manner in which comment was solicited from affected businesses, a summary of their responses and an explanation of the manner in which other interested persons may obtain a copy of the summary.

A notice was sent to approximately 1900 holders of apartment house business licenses within the City. The notice informed them of the proposal to adjust the equivalent residential unit (ERU) classifications for condominiums and apartment houses as follows:

–Increase the ERU classification for apartment dwelling units from .70 to .80, and
–Decrease the ERU classification for condominium dwelling units from 1.00 to .80.

Responses from approximately 14 distinct properties were received, including responses from the Southern Nevada Multihousing Association and a number of individual owners and managers of apartment houses. A summary of those comments, which is available to interested persons as part of this business impact statement, is as follows:

A. All expenses of and assessments against apartment owners have gone up, rental rates have been forced downward, and vacancies are up. Owners and managers have had to "contribute" to the operation of their apartments, which has led to negative cash flows. Apartment owners can hardly pay sewer bills now, and tenants cannot afford existing rents. Owners and managers currently are able to rent apartments now by reducing rates. Any sewer increase will have to be passed along to tenants, who will move out. Owners are being forced out of business because of rising taxes and sewer rates, paying sewer rates for full occupancy even with 50% vacancies. Further increases will force more owners out of business.

B. Apartment units are not the same as condos, even if some condo units are being rented. Though the adjustment may essentially be "revenue neutral" to the City, it is not so to the apartment owner/manager/occupant community.

C. The proposal discriminates against small businesses and in favor of larger businesses. It creates a disproportionate impact on apartment owners (who with multiple units pay increase multiple times, as opposed to condo owners who are affected only once (per unit).

D. Even if the rationale for the adjustment makes sense, the timing is not right. Any increase should wait for the economy to rebound.

E. Increased utility costs for apartment renters make them less affordable. The adjustment is inconsistent with offering affordable housing, especially housing that is encouraged and recognized as affordable by the City's Neighborhood Services Dept. Such housing should be exempted from this proposed adjustment if it is to go forward.

2. The estimated economic effect of the proposed rule on businesses, including, without limitation, both adverse and beneficial effects, and both direct and indirect effects:

Adverse effects:

–Increased risk of reducing the affordability of apartments (about $2 per month per unit)
–Risk of higher vacancies and reduced income
–Reduced profitability for owners, making it more difficult to stay in business

Beneficial effects:

–More equity in treatment among sewer users
–Provide consistency with most of the other local jurisdictions in assigning both types of uses the same ERU classification

Direct effects:

(See adverse effects and beneficial effects above)

Indirect effects:

None noted

3. The following constitutes a description of the methods the local government considered to reduce the impact of the proposed rule on businesses and a statement regarding whether any, and if so which, of these methods were used:

No methods to reduce the impact on businesses were identified, other than the alternative to abandon the increase in ERU classification for apartment houses. The decision to move forward takes into account that the current discrepancy between classifications is no longer warranted. The historical distinctions between the condominium and apartment unit uses have blurred. Many units originally developed for condominium use are being operated as rental units, and many units have been developed so that they can be marketed and used either way. In addition, assigning the same classification to both types of use is consistent with the treatment afforded by most area jurisdictions.

4. The estimate of the annual cost to the local government for enforcement of the proposed rule is:

No additional cost

5. If the proposed rule provides for a new fee or increases an existing fee, the total annual amount expected to be collected is:

Approximately $45,000. The proposal is essentially revenue neutral to the City, with the estimated revenue increase representing the net increase that is estimated to result from the two adjustments

6. If the proposed rule provides for a new fee or increases an existing fee, the money generated by the new fee or increase in existing fee will be used by the local government to:

Help offset the costs of providing service, including the rehabilitation of existing sewer collection system pipes that are in need of repair

7. If the proposed rule includes provisions that duplicate or are more stringent than federal, state or local standards regulating the same activity, the following explains why such duplicative or more stringent provisions are necessary:

N/A

Date: June 3, 2010