

STAFF REPORT

Date: February 28, 2024

To: Mayor and City Council

Through: Doug Thornley, City Manager

Subject: Staff Report (For Possible Action): Review, discussion, and potential approval of a request for an affordable housing fee reduction in accordance with Reno Municipal Code 1.08, consisting of up to \$8,116 in building permit fees and up to \$313,507 in sewer connection fees for the Village at Sage 2.0.

From: Elaine Wiseman, Housing Manager

Department: City Manager's Office – Housing & Neighborhood Development

Summary:

Reno Municipal Code (RMC) Chapter 1.08 provides a process for affordable housing projects to request a reduction or subsidization of building permit fees and sewer connection fees if they meet certain affordability criteria and are subject to Council approval and findings at the public hearing. Village at Sage 2.0 is an affordable housing project that aims to introduce 96 units of low-income units to Reno, Nevada. This project is an expansion of Village at Sage 1.0. All units will serve households earning 60% or below the area median income (AMI). The affordable housing project is eligible for the 85% fee reduction and is requesting a reduction of both building permit fees and sewer connection fees. Staff recommends Council approve the request for subsidization of up to \$8,116 in building permit fees and \$313,507 in sewer connection fees, in accordance with RMC Chapter 1.08.

Alignment with Strategic Plan:

Economic Opportunity, Homelessness, and Affordable Housing

Previous Council Action:

October 25, 2023 - Council approved Sutro Street Senior North's request for subsidization of \$910,529 in sewer connection fees and \$41,294 in building permit fees.

October 25, 2023 - Council approved Sutro Street Senior South's request for subsidization of \$538,161 in sewer connection fees and \$28,183 in building permit fees.

August 23, 2023 - Council approved Marvel Way Apartments II's request for subsidization of

\$245,025 in sewer connection fees and \$19,785.43 in building permit fees.

June 14, 2023 - Council approved Vintage at Redfield's request for subsidization of \$1,032,099 in sewer connection fees.

April 26, 2023 - Council approved Dick Scott Manor Apartments' request for subsidization of \$65,340 in sewer connection fees and \$14,202 in building permit fees.

August 24, 2022 - Council approved Pinyon Apartments' request for subsidization of \$1,166,319 in sewer connection fees and \$222,667 in building permit fees.

July 27, 2022 - Council approved Copper Mesa Apartments' request for subsidization of \$1,342,492 in sewer connection fees and \$241,918 in building permit fees.

March 9, 2022 - Council approved Vintage at Washington Street Apartments' request for subsidization of \$837,168.75 in sewer connection fees.

March 9, 2022 - Council approved Orovada Street Senior Apartments' request for subsidization of \$22,316 in building permit fees and \$217,800 in sewer connection fees.

April 14, 2021 - Council approved Marvel Way Empowerment Center Apartments' request for subsidization of \$26,943 in building permit fees and \$228,690 in sewer connection fees.

April 14, 2021 - Council approved Springview by Vintage Apartments' request for a subsidization of \$735,075 in sewer connection fees.

February 12, 2020 - Council adopted RMC Chapter 1.08 establishing the criteria that a project for affordable housing must satisfy to qualify for the fee reduction.

Background:

State law was passed during the 2019 Legislative Session enabling local governments to reduce or subsidize impact fees, building permit fees, and sewer connection fees to assist in maintaining or developing affordable housing. Criteria and overall parameters for the fee reduction were later established through an ordinance and adopted by Council in February of 2020. Affordable housing projects must meet the following standards and criteria to be eligible:

RMC 1.08.040 - Standards and Criteria

1) Projects providing housing for families with an average total gross income not exceeding 60% of the AMI for Washoe County are eligible to apply for a 75% reduction in the associated fee(s) for those units at or below 60% of the AMI.

2) Projects providing housing for families with an average total gross income not exceeding 50% of the AMI for Washoe County are eligible to apply for a 100% reduction in the associated fee(s) for those units at or below 60% of the AMI.

3) Projects providing housing for families with an average total gross income not exceeding 30% of the AMI for Washoe County or 100% of the units being affordable for 50% of the AMI for Washoe County are eligible to apply for a 100% reduction in the associated fees.

4) Projects meeting RMC 1.08.040 (1) are eligible to apply for an additional 10% reduction for the following:

- (a) Project site is located within ¼ mile of a bus rapid transit route; or
- (b) Project site is located within a mixed-use area or within one mile of an employment area as identified within the structure plan of the City of Reno Master Plan.

The Village at Sage 2.0 housing units meet the criteria established under item 1, as 100% of the units will be income-restricted to at or below 60% AMI and are eligible for a 75% reduction in fees. This project also meets the criteria of 4(a), to include an additional 10% reduction for a total of 85% reduction in fees.

Discussion:

Approval of the request will provide for 96 affordable housing units, all of which will be provided at or below 60% AMI. All the units will be income-restricted for a minimum of 20 years, as required. The applicant is requesting an 85% fee reduction, resulting in an impact of up to \$8,116 in building permit fees and \$313,507 in sewer connection fees.

In order to approve the reduction or subsidization, Council must make a determination that reducing or subsidizing the fees will not adversely impair the ability of the City to pay, when due, all interest and principal on any outstanding bonds or any other obligations for which revenue from such fees was pledged must be made.

If approved, the applicant must obtain a building permit within 24 months of Council approval. The income restriction must remain in effect for a minimum of 20 years, or the fees will be reinstated and assessed on the property by recordation of a lien. A deed restriction must also be recorded against the property.

Financial Implications:

The applicant is eligible and requesting an 85% fee subsidization consisting of up to \$8,116 in building permit fees (Building Enterprise Fund) and \$313,507 in sewer connection fees (Sewer Enterprise Fund).

Legal Implications:

In the 2019 Legislative Session, Nevada Revised Statute (NRS) 278.235(1)(a) and (2) was implemented to enable local governments to reduce or subsidize in whole or in part impact fees, fees for the issuance of building permits collected pursuant to NRS 278.580, and fees imposed for the purpose for which an enterprise fund was created to assist in maintaining or developing a project for affordable housing only when the project would be affordable on average for a family with a total gross income that does not exceed 60% of the median gross income for Washoe County. Pursuant to state law and RMC 1.08, the City is required to determine how the criteria are met and determine that reducing or subsidizing such fees will not adversely impair the ability of the City to pay, when due, all interest and principal on any outstanding bonds or any other obligations for which revenue from such enterprise fees was pledged. In order to approve the reduction or subsidization, Council must determine through a public hearing the effect of the reduction or subsidization of such fees on the economic viability of the general fund and the affected enterprise fund. Further, the income restriction(s) must remain in effect for 20 years or the reduced fee(s) will be reinstated and assessed on the property by recordation of a lien. Also, a deed restriction will be recorded against the property.

Recommendation:

Staff recommends Council approve the request for subsidization of up to \$8,116 in building permit fees and \$313,507 in sewer connection fees for Village at Sage 2.0, in accordance with RMC Chapter 1.08, and make the determination that the criteria are met and reducing or subsidizing such fees will not adversely impair the ability of the City to pay, when due, all interest and principal on any outstanding bonds or any other obligations for which revenue from such enterprise fees was pledged nor affect the economic viability of the general fund and the affected enterprise fund.

Proposed Motion:

I move to approve the request for subsidization of up to \$8,116 in building permit fees and \$313,507 in sewer connection fees for Village at Sage 2.0, in accordance with RMC Chapter 1.08, and make the determination that the criteria are met and reducing or subsidizing such fees will not adversely impair the ability of the City to pay, when due, all interest and principal on any outstanding bonds or any other obligations for which revenue from such enterprise fees was pledged nor affect the economic viability of the general fund and the affected enterprise fund.

Attachments:

Village at Sage 2.0 Signed Application
Village at Sage 2.0 Vicinity Map