

## STAFF REPORT

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**Date:** December 6, 2023

**To:** Mayor and City Council

**Thru:** Doug Thornley, City Manager

**Subject:** Staff Report (For Possible Action): Presentation and potential direction to staff regarding changes to Title 18 of Reno Municipal Code pertaining to housing initiatives.

**From:** Angela Fuss, Assistant Director of Development Services

**Department:** Development Services

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### **Summary:**

Housing affordability continues to be a top priority for the Reno City Council. As a part of that priority, staff is working on a number of housing strategies tied to the Title 18 Zoning Code. This includes providing incentives for affordable housing developments, density bonuses for infill areas, flexibility for developing different housing products/types, and allowing for more residential projects to go straight to a building permit (by-right). The changes were initially proposed to be processed as part of the Zoning Code Clean-Up. However, based on Council direction received on the November 1st Housing Workshop, staff removed the housing initiatives from the Code Clean-Up, and is proposing to process those amendments separately. Council specifically direction staff to come back to Council and provide housing data to help better inform the decision making process. Staff recommends Council provide direction on the proposed housing initiatives.

### **Alignment with Strategic Plan:**

Economic Opportunity, Homelessness, and Affordable Housing

### **Previous Council Action:**

November 1, 2023 – City Council directed staff to separate the Zoning Code Clean-Up housing initiatives from the rest of the clean-up items and bring the housing items back to Council for a discussion.

### **Background:**

At the November 1, 2023 Housing Workshop, staff presented multiple initiatives proposed for the Title 18 Code Clean-Up to help with housing affordability. Council directed staff to remove

the proposed housing initiatives from the Code Clean-Up and take them as a separate text amendment. In addition to the housing initiatives, Assembly Bill 213, which passed in the 2023 legislative session, requires that on or before July 1, 2024 the governing body of each jurisdiction shall create an expedited process for affordable housing, and create incentives that encourage affordable housing. The proposed changes to the zoning code include incentives and expedited review process improvements that address the requirements outlined in Assembly Bill 213.

**Discussion:**

During the November 1, 2023 Reno City Council Housing Workshop, Shane Phillips, author of *The Affordable City*, presented specific recommendations that the City of Reno could implement to address housing supply and affordability. While this staff report is more specific to zoning, Shane’s report titled *Local Strategies for Improving Housing Affordability*, has been attached as a reminder of some of the broader initiatives that were previously discussed.

The information provided in this staff report includes specific housing and permit data encompassing the past few years. The data is intended to show how effective (or not effective) existing housing initiatives, such as density bonus incentives, have contributed to increasing housing supply. These are all tied to staff’s recommendations for updates to the zoning code to help address housing and affordability.

**Proposed Incentives for Affordable Housing**

Assembly Bill 213 requires local jurisdictions to create processes for expediting affordable housing projects. Entitlement review adds cost, time and uncertainty to any project. In an effort to reduce cost, speed up the review time and eliminate uncertainty associated with entitlement review, the proposed changes would be added to code. For background, over the last two years, five affordable housing projects have triggered an entitlement process, including:

- Copper Mesa Apartments
- Orovada Senior Apartments Phase I
- Orovada Senior Apartments Phase II
- Vintage at Redfield Apartments
- Carville Park Senior Apartments

Proposed updates to the zoning code to allow for affordable housing projects to be exempt from entitlement review and for an expedited building permit review include:

- (b) **Exemption from Entitlement Review** Projects providing affordable housing with an average total gross income not exceeding 60 percent of the AMI shall be exempt from all minor conditional use permit, conditional use permit, site plan review, and major site plan

review application requirements. Requests for entitlements listed under Article 8 “Flexibility and Relief” are not exempted.

- (c) **Expedited Building Permit Processing** For any project providing affordable housing with an average total gross income not exceeding 60 percent of the AMI, the Development Services Department shall prioritize the review permits and related plans.

**Proposed Density Bonus Increases for Affordable Housing**

Density bonuses for affordable housing projects currently exist in the zoning code. In an effort to encourage more affordable housing at different levels of affordability, changes are proposed to increase the amount of density bonus received and to add a density bonus for projects that meet the workforce housing income levels, categorized in the 60-120 percent of the adjusted median income (AMI). This is also more aligned with how Nevada Revised Statute (NRS) defines affordable housing, which breaks affordable housing into three categories with Tier one meeting 60 percent, Tier two meeting 60-80 percent and Tier three meeting 80-120 percent AMI.

The current zoning code regulations limit the affordable housing density bonus to units that provide between 0-60 percent AMI, with a maximum density bonus cap at 45 percent. The proposed changes would allow:

- Projects meeting the 81-120 percent AMI to receive a 35 percent density bonus.
- Projects meeting the 61-80 percent AMI to receive a 45 percent density bonus.
- Projects meeting the 0-60 percent AMI to receive unlimited density bonus.

**Proposed Density Bonus Increases for Market Rate Infill Development**

The current zoning code allows a density bonus for market rate infill projects. This bonus allows developers to build more units that would ordinarily be allowed on a site by the underlying zoning. Over the last two years, approximately 13 different projects have utilized the density bonus allowance. The total number of units added with the density bonus tool is 61 units. The majority of the 13 development projects only added 1-3 additional units. The greatest impact was on a conversion from a Motel 6 to an apartment project. The motel was able to get additional 36 apartment units, using the same building footprint as the motel and converting motel rooms into living units.

| Project Location  | Number of Units Allowed by Zoning | Number of Units Added with Density Bonus |
|---|-----------------------------------|--|
| Building permit for 943 S. Wells                                  | 7                                 | 2  |
| Building permit for 121 Vesta                                     | 34                                | 6  |
| Building permit for 1400 Stardust (Motel 6 conversion to housing) | 88                                | 36                                       |

|   |    |   |
|---|----|---|
| Building permit for 518 Ridge           | 2  | 1 |
| Building permit for 3200 Lakeside       | 92 | 6 |
| Building permit for 643 La Rue          | 2  | 1 |
| Building permit for 570 W Taylor        | 2  | 1 |
| Building permit for 723 Lander          | 2  | 1 |
| Building permit for 470 Claremont       | 2  | 1 |
| Building permit for 1039 Wheeler Avenue | 5  | 1 |
| Tentative Map for Riviera               | 4  | 1 |
| Tentative map for 1565 Plumas Townhomes | 14 | 3 |
| Orovada Senior Apartments               | 73 | 1 |

Density bonus has been an effective tool in many communities across the country. The current zoning code caps the density bonus at 45 percent of what the underlying zoning would otherwise allow. The density bonus is currently offered for units with an average size of 1,800 square feet (15% density bonus), 1,400 square feet in size (30% density bonus) and 1,000 square feet in size (45% density bonus). In an effort to get more housing in these targeted infill areas, proposed changes would increase the amount of additional density that is permitted within those same unit sizes. The maximum density bonus cap is proposed to go from 45 percent up to 80 percent, and still requires the unit size to be under 1,000 square feet in size.

- 1,800 square feet unit (35% density bonus) – increase from existing 15% density bonus
- 1,400 square feet unit (45% density bonus) – increase from existing 30% density bonus
- 1,000 square feet unit (80% density bonus) – increase from existing 45% density bonus

Considering that the majority of the projects that have utilized the density bonus in the past two years were only able to add an additional 1-3 units, the proposed changes are not anticipated to make a significant impact on increasing the housing supply, but will help to move the needle.

**Proposal to Allow for More Development By-Right**

The current zoning code requires approval of a minor conditional use permit for multifamily projects with more than 20 units and requires approval of a conditional use permit for projects with more than 100 units. In an effort to encourage density and help bring housing to market, proposed changes to the zoning could modify the triggers for an entitlement. Multifamily projects with more than 100 units would still require approval of a conditional use permit, but no entitlement would be triggered for less than 100 units. Since January 2021, the City has processed 7 entitlement cases for multifamily development that fell within the 20-100 unit threshold. This encompassed 175 residential units. Larger multifamily projects with more than 100 units would still trigger a conditional use permit. The proposed changes to the zoning code to allow these smaller multifamily developments by-right will not have a significant impact on the supply of housing, but will help to bring infill housing to market faster.

The proposed changes are consistent with many other jurisdictions in Nevada and across the country. The table below provides examples from other jurisdictions that allow multifamily development by-right and do not trigger an entitlement review.

| <b>Jurisdiction</b>     | <b>Threshold for Triggering an Entitlement</b>                          |
|-------------------------|---|
| City of Sparks          | Conditional use permit required for more than 110 units                 |
| City of Henderson       | No entitlements required for apartments in multifamily zoning districts |
| City of Fernley         | Conditional use permit required for more than 100 units                 |
| City of North Las Vegas | No entitlements required in multifamily zoning districts                |
| Spokane, WA             | No entitlements required for apartments in multifamily zoning districts |
| Salem, OR               | No entitlements required for apartments in multifamily zoning districts |

**Proposal to Allow for More “Missing Middle” Development**

The term “missing middle housing” refers to housing types that fall somewhere in between a single-family home and mid-rise apartment buildings, such as townhomes, duplexes, triplexes, and courtyard clusters. The current zoning code allows for duplex, triplex and fourplex development by-right within the multifamily zoning districts. The current zoning code also allows for duplex, triplex and fourplex developments with approval of a conditional use permit in SF5 and SF8 zoning districts. The proposed changes would expand duplex, triplex and fourplex to also be allowed, with the approval of a conditional use permit, in the remaining single-family zoning districts of SF3 and SF5. This is a minor change that is not anticipated to have significant impacts on the housing supply and still allows for the public review process within the two additional single-family zoning districts.

**Financial Implications:**

There is no financial impact at this time.

**Legal Implications:**

Legal review completed for compliance with City procedures and Nevada law.

**Recommendation:**

Staff recommends Council provide direction to staff regarding proposed changes to the Title 18 Zoning Code pertaining to housing initiatives.

**Proposed Motion:**

I move to approve the staff recommendation.

**Attachments:**

Local Strategies for Improving Housing Affordability by Shane Phillips