

## STAFF REPORT

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**Date:** October 25, 2023

**To:** Mayor and City Council

**Thru:** Doug Thornley, City Manager

**Subject:** Staff Report (For Possible Action): Review, discussion, and potential approval of request for an affordable housing fee reduction in accordance with Reno Municipal Code 1.08, consisting of up to \$41,294 in building permit fees and up to \$910,529 in sewer connection fees for the Sutro Senior Sanctuary (North) located at 839 Sutro Street, Reno.

**From:** Elaine Wiseman, Management Analyst

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

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### **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 subject to Council approval. Sutro Senior Sanctuary is an affordable housing initiative specially designed for seniors, which aims to introduce 170 low-income units to Reno, Nevada. The location of the northern project, located at 839 Sutro Street, will provide 105 units. All 105 units will be reserved for seniors at or below 60 percent area median income (AMI). The affordable housing project is eligible for the 85 percent fee reduction and is requesting a reduction of both building permit fees and sewer connection fees. Staff recommends Council approve the request for a subsidization of up to \$41,294 in building permit fees and \$910,529 in sewer connection fees, in accordance with RMC Chapter 1.08.

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

Economic Opportunity, Homelessness, and Affordable Housing

### **Previous Council Action:**

August 23, 2023- Council approved Marvel Way Apartments II 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 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 the Vintage at Washington Street Apartments request for subsidization of \$837,168.75 in sewer connection fees.

March 9, 2022 – Council approved the 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 the Marvel Way Empowerment Center Apartments request for a subsidization of \$26,943 in building permit fees and \$228,690 in sewer connection fees.

April 14, 2021 – Council approved the 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. There is no recent Council action relevant to this item.

### **Background:**

State Law was passed in 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/wavier were later established through an ordinance and adopted by City Council in February of 2020. Affordable housing projects must meet the following standards and criteria in order 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 percent of the area median income (AMI) for Washoe County are eligible to apply for a 75 percent reduction in the associated fee(s) for those units at or below 60 percent of the AMI.

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

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

(4) Projects meeting RMC 1.08.040 (1) are eligible to apply for an additional 10 percent 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 105 housing units meet the criteria established under item 1, as 100 percent of the units will be income restricted to at or below 60 percent AMI and are eligible for a 75 percent reduction in fees. This project also meets the criteria of 4a, to include an additional 10 percent reduction; for a total of 85 percent reduction in fees.

**Discussion:**

Approval of the request will provide for 105 affordable housing units, all of which will be provided at or below 60 percent AMI. All of the units will be income restricted for a minimum of 20 years, as required. The applicant is requesting 85 percent of the fee reduction, resulting in an impact of up to \$41,294 in building permit fees and \$910,529 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 or similar property restriction must also be recorded against the property.

**Financial Implications:**

The applicant is eligible and requesting 85 percent fee subsidization consisting of up to \$41,294 in building permit fees (Building Enterprise Fund) and \$910,529 in sewer connection fees (Sewer Enterprise Fund).

**Legal Implications:**

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

**Recommendation:**

In the 2019 Legislative Session, 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 percent 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 or similar property restriction will be recorded against the property.

**Proposed Motion:**

Staff recommends Council to approve the request for a subsidization of up to \$41,294 in building permit fees and \$910,529 in sewer connection fees for Sutro Senior Sanctuary (North), in accordance with RMC Chapter 1.08; and, make the determination 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:**

Sewer Fee Reduction Application, Vicinity map