

STAFF REPORT

Date: November 1, 2023

To: Mayor and City Council

Thru: Doug Thornley, City Manager

Subject: Staff Report (For Possible Action): Presentation, discussion and potential direction regarding the Affordable Housing Sewer Connection Fee Subsidy program and funding from the sewer enterprise fund.

From: John Flansberg, Regional Infrastructure Administrator;
Kayla Garcia, Management Analyst

Department: Regional Infrastructure

Summary:

On July 1, 2019, Senate Bill 103, codified in NRS 278.235, went into effect which gave the City the ability to reduce or subsidize, in whole or in part impact fees, fees collected for the issuance of building permits and sewer connection fees for an affordable housing project. After the legislation went into effect, Council voted to implement Senate Bill 103 by adopting Reno Municipal Code (RMC) 1.08 and amending RMC 12.16.280. At the time that the program was implemented, there were no specific financial limitations put into place leaving this program with expenses not budgeted in the sewer fund. Council has approved \$7,318,399 in sewer connection fee subsidies, which have been absorbed by the sewer fund ending cash balance.

Alignment with Strategic Plan:

Economic Opportunity, Homelessness, and Affordable Housing; Fiscal Sustainability; Infrastructure, Climate Change, and Environmental Sustainability

Previous Council Action:

August 23, 2023 – Council approved Marvel Way Apartment II’s request for subsidization of \$245,025 in sewer connection fees and up to \$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 the Dick Scott Apartments’ request for subsidization of \$65,340 in sewer connection fees and \$14,202 in building permit fees.

July 27, 2022 - Council approved the Copper Mesa Apartments’ request for subsidization of \$1,342,192.50 in sewer connection fees and \$241,918.08 in building permit fees.

July 27, 2022 – Council approved Pinyon Apartments’ request for subsidization of \$1,166,319 in sewer connection fees and up to \$222,667.70 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 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 Bill No. 7118, an ordinance adding Chapter 1.08 to the Reno Municipal Code, to provide the City the ability to reduce or subsidize certain fees for an affordable housing project; together with other matters properly relating thereto.

February 12, 2020 – Council adopted Bill No. 7119, an ordinance amending Reno Municipal Code Title 12, “Public Works and Utilities,” Chapter 12.16 “Sewer Service,” Article II, Section 12.16.280, titled “Connection Fee Payment,” to provide for a reduction or subsidization of connection fees for affordable housing.

January 22, 2020 – Ordinance introduction

November 6, 2019 – Presentation, discussion, and potential direction to staff re: implementation of SB103 – subsidization of impact fees – affordable housing. Council motioned for staff to bring back the necessary ordinance amendment.

Discussion:

A goal of Council is to support the creation and maintenance of affordable housing in the community.

In July 2019, Senate Bill 103, codified in NRS 278.235, went into effect. This law gives the City the ability to reduce or subsidize, in whole or in part, impact fees, fees collected for issuance of building permits, and sewer connection fees for affordable housing projects. To implement the law, a new ordinance (RMC 1.08) was required, and an ordinance amendment (RMC 12.16.280) was needed. When the program was initially established, per NRS 278.235, the funding limitation put into place was that Council must make a determination that reducing or subsidizing fees will not adversely impair the ability of the City to pay when due on any outstanding bonds or other obligations.

Currently, the program subsidizes sewer connection fees up to 75% for affordable housing projects that provide housing for families with an average total gross income of 60% or less of area median income (AMI). Projects that are within a quarter mile of a bus rapid transit route or are 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 are eligible to apply for an additional 10%

reduction. Affordable housing projects that provide housing for families with an average total gross income of 50% or less AMI are eligible to apply for a 100% sewer connection fee reduction.

Council has approved \$7,318,399 in sewer connection fee subsidies which has created 1459 affordable housing units.

Project Name	Date Approved	# of Units	Sewer Fee Subsidy Amount
Springview by Vintage	April 14, 2021	180	\$735,075.00
Marvel Way	April 14, 2021	42	\$228,690.00
Washington Station	March 9, 2022	205	\$837,168.75
Orovada	March 9, 2022	40	\$217,800.00
Pinyon Apartments	July 27, 2022	252	\$1,166,319.00
Copper Mesa	July 27, 2022	290	\$1,342,192.50
Dick Scott Manor	April 26, 2023	12	\$65,340.00
Vintage at Redfield	June 14, 2023	223	\$1,032,099.75
Marvel Way Phase 2	August 23, 2023	45	\$245,025.00
Sutro Street Sr. North and South	October 25, 2023	170	\$1,448,690.00
Approved Total		1459	\$7,318,399.00

The program with its current guidelines and funding from the sewer fund is not sustainable. Based upon projects already approved and potential projects, staff estimates that the program's cumulative total could exceed \$11M by the end of FY2025. There is no funding source for this program aside from sewer fund revenues which are primarily derived from sewer user fees. The program needs fiscal and programmatic limitations in order to properly budget and plan for these expenses while appropriately funding ongoing maintenance, operations, and repair/replacement capital projects for the treatment facilities and collection system.

Staff is recommending a cap of \$4M above the current expenditures through FY25 and to model the impact of an annual sewer connection fee subsidy allotment for affordable housing going forward. A sewer fund sufficiency review occurs every two years and will next occur in December 2024.

Financial Implications:

All expenditures without offsetting revenues negatively impact the sewer fund.

Legal Implications:

NRS 278.235(2) provides the following requirements, “A governing body may reduce or subsidize impact fees, fees for the issuance of building permits or fees imposed for the purpose for which an enterprise fund was created to assist in maintaining or developing a project for affordable housing, pursuant to paragraph (a) of subsection 1, only if: (a) When the incomes of all the residents of the project for affordable housing are averaged, the housing 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 the county concerned based upon the estimates of the United States Department of Housing and Urban Development of the most current median gross family income for the county. (b) The governing body has adopted an ordinance that establishes the criteria that a project for affordable housing must satisfy to receive assistance in maintaining or developing the project for affordable housing. Such criteria must be designed to put into effect all relevant elements of the master plan adopted by the governing body pursuant to NRS 278.150. (c) The project for affordable housing satisfies the criteria set forth in the ordinance adopted pursuant to paragraph (b). (d) The governing body makes a determination that reducing or subsidizing such fees will not impair adversely the ability of the governing body to pay, when due, all interest and principal on any outstanding bonds or any other obligations for which revenue from such fees was pledged. (e) The governing body holds a public hearing concerning the effect of the reduction or subsidization of such fees on the economic viability of the general fund of the city or county, as applicable, and, if applicable, the economic viability of any affected enterprise fund. The ordinance adopted by the City follows the requirements. The Council has the discretion to reduce/subsidize less than is requested by the applicant.

Recommendation:

Staff recommends Council:

1. approve an additional \$4M spending cap for sewer connection fee reductions out of the sewer fund through the end of FY25;
2. give direction to staff to evaluate sustainability and impact to sewer user fees to maintain an annual subsidy for this program as part of the biannual sewer fund sufficiency review (due January 2025); and
3. determine alternate funding sources for consideration during FY26 budget discussions.

Proposed Motion:

I move to approve staff recommendation.