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Reno housing | 1,000 home initiative: Who applied, for how much and will it work?

Anjeanette Damon, Reno Gazette Journal Published 6:00 a.m. PT Jan. 31, 2020 | Updated 6:20 p.m. PT Feb. 1, 2020

Last fall, Reno Mayor Hillary Schieve [announced a signature initiative \(/story/news/2019/09/18/housing-crisis-schieve-unveils-plan-build-1-000-homes-120-days-reno-sparks-affordable-washoe-county/2365835001/\)](/story/news/2019/09/18/housing-crisis-schieve-unveils-plan-build-1-000-homes-120-days-reno-sparks-affordable-washoe-county/2365835001/) she hoped would jump-start construction in a city crippled by an affordable housing shortage.

She promised 1,000 homes in 120 days by offering developers a five-year deferral on permit and sewer fees. Then, she waited, nervously wondering whether anyone would take her up on her offer.

To her delight, the city has announced several milestones since the council approved the initiative on Oct. 2. In December, [they announced 1,600 units on the books \(/story/news/money/business/2019/12/09/1600-units-proposed-via-reno-1000-homes-120-days-initiative-housing/2633359001/\)](/story/news/money/business/2019/12/09/1600-units-proposed-via-reno-1000-homes-120-days-initiative-housing/2633359001/). And last week, the council approved agreements with the developers of 18 promised projects out of a total of 24 applications.

Reno housing: [City of Reno's '1,000 homes in 120 days' push nets more than 2,000 proposals \(/story/news/2020/01/24/renos-1-000-homes-120-days-push-nets-2000-proposals/4567265002/\)](/story/news/2020/01/24/renos-1-000-homes-120-days-push-nets-2000-proposals/4567265002/)

[The units now on the books: 2,038 \(/story/news/2020/01/24/renos-1-000-homes-120-days-push-nets-2000-proposals/4567265002/\)](/story/news/2020/01/24/renos-1-000-homes-120-days-push-nets-2000-proposals/4567265002/) — twice what the mayor had originally hoped.

The announcements sparked a burst of celebratory publicity for a Reno City Council beleaguered by complaints of the city's affordable housing crisis.

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"I think the mentality has to be we are constantly trying and trying new things," Schieve said. "We know with this housing crisis, it is not one thing that is going to solve it."

Despite the celebrations, it won't be known for quite some time whether the initiative actually results in 1,000 homes. Those 2,038 units are still speculative, and at least one developer expressed doubt that one of his projects will actually come to fruition.

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The front entrance of Clearwater at Rancharra is under construction in September 2019. (Photo: Brett McGinness/RGJ)

A Reno Gazette Journal analysis of 24 applications submitted showed:

- The city is still in the initial phase of the initiative. So far, developers have only submitted letters of interest, not actual applications. None have provided the required proof of their projects' financial viability, something that will come in the actual application phase.
- Only one of the 24 projects includes affordable units: a proposed senior living complex on Winter Street by Green Street Communities. In fact, one applicant asked the city to guarantee his ability to charge market-rate rent in perpetuity. "If rent control is enacted in the future, it may not be applied to this project," the builder wrote in his letter.
- One proposed project would result in the demolition of the Best Bets, a 26-unit weekly motel relied on for housing by low-income families. The development company said it would give those tenants six months' notice and financial assistance to move so that 200 market-rate units could be built.
- Most of the proposed projects have actually been in the works for some time, including a mixed-use project on the site of the former Greyhound bus station, one on the long-vacant site across from Greater Nevada Field, and the hotel-condominium project proposed on Court Street near Wingfield Park. Builders interviewed by the Reno Gazette Journal said they hope the fee deferral will be the boost they need to get their projects off the ground.
- The initiative could result in the deferral of \$11 million in fees owed to the sewer fund, which is used to finance upkeep and expansion of the city's aging sewer system. Projects financed by that fund have been deemed so critical that council members once warned that raw sewage could end up in the Truckee River if they aren't completed.

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The goal behind the initiative is to spur the quick construction of new units with the idea that generating more supply will help stabilize housing prices at all levels. Builders often complain that upfront costs, such as a city fees, impede getting a project off the ground.

So under the initiative, builders would have up to five years after the project is complete to pay back sewer and permit fees. Permit fees are based on the value of the project. Sewer fees are a flat rate of \$5,445 per unit.

The deferral is essentially an interest-free loan from the city, some as high as \$2 million depending on the number of units in the project. If the developer doesn't pay the loan back, the city would place a lien on the property.



Steamboat by Vintage, a new affordable housing complex in South Reno now leasing to income-qualified families, features 360 units ranging from one to three bedrooms. (Photo: Digiman Studio/Provided to RGJ Media)

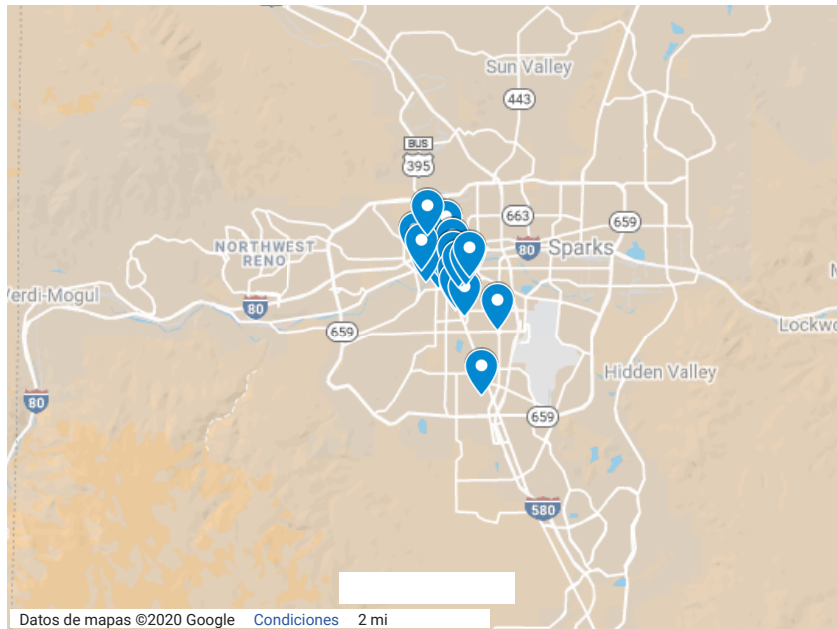
Initially, the city council passed several eligibility requirements, including that developers build at least 30 dwelling units and complete construction within 18 months of signing the agreement.

The council also wanted to promote infill, so it required that developers build in a federally designated Opportunity Zone within the city core. Investors in these zones — which are based on Census tract data designating the area as low income — already enjoy substantial federal tax breaks.

But in December, the council decided to expand the program, allowing a project as small as a single family residence to qualify, as well as projects outside Opportunity Zones but inside the McCarran Boulevard ring.

Map: The location of all 24 applications for Schieve's 1,000 homes initiative, including the amount of sewer fee deferral the project would get.

"1,000 Homes in 120 Days" ☆



Developers had 120 days to apply. The deadline is Jan. 31.

Aric Jensen, Reno's revitalization manager who is in charge of the initiative, acknowledged that the proposed units aren't exactly "new." He said projects typically take up to three years from conception to permit phase, meaning new development likely wouldn't qualify. Instead, the initiative is aimed at triggering stalled or delayed projects.

"We're trying to focus on projects that were either stalled or had been proposed at one time and shelved," Jensen said.

Even with the added jump-start, however, the 2,038 planned units represent less than a third of the total units built in 2019.

Reno neighborhoods: [Here are the top 5 that saw the highest rent increases in the last year \(/story/news/money/business/2020/01/30/reno-top-five-neighborhood-highest-rent-increase/4614284002/\)](#)

Bryan Raydon was one of the developers who successfully argued his projects should be eligible for the initiative despite their small size. His company, Marmot Properties, specializes in smaller townhome projects in the Midtown area.

"We are very Midtown-specific and it's really, really hard to find a site that can accommodate that many units in Midtown," Raydon said. "We're big advocates in believing that urban infill is where the growth should be taking place."

Raydon's company had submitted and was approved for the fee deferral on eight projects totaling 55 units, including one single family home the company planned to remodel into living space for college students.



Bryan Raydon of Marmot Properties checks out the view from the balcony of his company's recently completed Midtown apartments made from shipping containers on Jan. 8, 2020. (Photo: Jason Hidalgo)

But he's already had to give up on the single family home for reasons unrelated to the mayor's initiative. And he's unsure they'll be able to get their largest proposed project — a 36-unit office building conversion on Vesta Street — off the ground.

"Vesta is the wild card," he said. "I'm a little skeptical of that one happening."

'Ask for whatever you want'

When the council loosened the requirements on the program, city staff began telling developers to go ahead and "ask for whatever you want" in terms of subsidies from the city.

That's resulted in some interesting demands from developers.

For example, Reno-based BUILT, proposing a project on California Avenue, has asked the city to preserve its ability to charge market-rate rents forever, even if future rent control measures are enacted. While the topic of rent control was once broached, no serious proposals are being considered by the Reno City Council.

Watch:: [Reno undertakes annual Point-in-Time count of homeless people \(/videos/news/2020/01/30/watch-reno-undertakes-annual-point-time-count-homeless-people/2859690001/\)](/videos/news/2020/01/30/watch-reno-undertakes-annual-point-time-count-homeless-people/2859690001/)

The developers of a project [that's long been planned \(/story/news/2018/05/02/rentals-tech-employees-planned-reno-greyhound-station/571214002/\)](/story/news/2018/05/02/rentals-tech-employees-planned-reno-greyhound-station/571214002/) for the old Greyhound bus station property on Stevenson Street are also asking for more subsidies. The 210-unit condo project is proposed by Greenway Properties, a company owned by Jeff Straubel, the father of Tesla co-founder Jeffrey B. Straubel.

They've asked for a 99-year lease of city property across the street from the project site. They're willing to pay \$1 a year for the land. And they want the city to grant them a portion of Stevenson Street to use as a pedestrian courtyard.

A new development team is reportedly in negotiations with retail mogul Herb Simon's company to develop the parcel across the street from the ballpark. [Two years ago \(/story/news/2018/01/10/riverside-housing-development-works-vacant-downtown-land/1022174001/\)](/story/news/2018/01/10/riverside-housing-development-works-vacant-downtown-land/1022174001/), Aces president Eric Edelstein promised the Reno City Council that a deal was close for those surrounding parcels.



Reno Aces president Eric Edelstein (Photo: Jim Krajewski)

Jensen declined to comment on the specific requests other than to say the developers are free to ask.

"We told applicants they could ask for whatever they want, but that doesn't mean they're going to get it," he said.

On Jan. 22, the Reno City Council approved agreements with 18 projects that want only a deferral on permit and sewer fees. The agreements with developers who want additional city assistance are expected to be decided by the council in February and March.

Sewer problems

When city staff initially conceived the program, they had wanted to defer most of the fees paid by developers. But they quickly discovered they couldn't defer road and park fees without regional approval. That would take too long.

News: [California vineyard spills nearly 100K gallons of red wine \(/story/news/2020/01/24/california-vineyard-spills-nearly-100-k-gallons-red-wine/4565219002/\)](https://www.renojournal.com/story/news/2020/01/24/california-vineyard-spills-nearly-100k-gallons-red-wine/4565219002/)

So they settled on fees within their power: Permit fees and sewer connection fees. Under the program, the city expects to defer about \$12 million. The vast majority of that— \$11 million — will be deferred sewer fees.

The city relies on the sewer fund to operate, maintain and expand its aging sewer system. That work is so important that existing sewer customers have been shouldering annual increases as high as 8 percent for the past 16 years.

In 2004, customers paid \$19.40 a month for sewer. Today, customers pay \$48.20 a month.

In 2015, the [council rejected a proposal \(/story/news/2015/09/09/sewer-rate-hike-coming-reno-council-rejects-effort-cut-increase-half/71973654/\)](https://www.renojournal.com/story/news/2015/09/09/sewer-rate-hike-coming-reno-council-rejects-effort-cut-increase-half/71973654/) to give ratepayers some relief by splitting the 8 percent increase in half over two years. Splitting the rate increase would have cost the sewer fund \$7 million over five years and could have delayed some projects by a year.



Reno Mayor Hillary Schieve speaks at an event at Reno City Hall. (Photo: James DeHaven/RGJ)

"We could be facing giant river cleanups," Councilwoman Naomi Duerr warned at the time, if the aging infrastructure wasn't replaced on schedule.

Such concerns were not raised this year despite the \$11 million hit to the same fund over five years.

Public works director John Flansberg said his department did a "quick analysis" to confirm the additional 2,000 units themselves wouldn't require any immediate projects to expand sewer capacity.

"We didn't see anything that concerned us," he said.

However, the city is already facing \$210 million in deferred sewer projects through 2029 and is planning to sell bonds to expand the Reno-Stead treatment plant rather than finance it through the sewer fund.

Burning Man 2020: [Ticket prices increased again; 2019 ticket SNAFU addressed \(/story/life/arts/burning-man/2020/01/30/burning-man-2020-ticket-sales-dates/2859786001/\).](#)

If balance levels drop significantly in the sewer fund at the same time major housing projects come on line, the city could be forced to sell more bonds to finance sewer projects, incurring the cost of interest.

That burden on the sewer fund was the reason Councilwoman Jenny Brekhuis became the sole 'no' vote on the housing initiative.

"This has been a hard one for me," Brekhuis said. "While I support broad policy to address the challenges, individual deals are difficult for me. This reaches into the sewer fund and I just cannot support a subsidy deal with the sewer fund."

Schieve said she is still pleased with the initiative's early results of the pilot program.

"It's when we stop trying that we fail," she said. "It might not be perfect, but if we can get some movement of the needle, that's what have to keep shooting for."

Anjeanette Damon is the government watchdog reporter for the RGJ. You can reach her at adamon@rgj.com or follow her on Twitter @AnjeanetteDamon. If you care about shining a bright light on decisions made by your elected officials, [please consider subscribing \(https://offers.rgj.com/specialoffer\)](https://offers.rgj.com/specialoffer) to the Reno Gazette Journal.

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