

## **MEMORANDUM**

To: City of Reno  
From: Economic & Planning Systems  
Subject: Key Policy Choices: Fiscal Impact Analysis Summary  
Date: November 18, 2016

*The Economics of Land Use*



## **Key Policy Choices: Fiscal Impact Analysis Summary**

### **Fiscal Impact Analysis Objective**

Task 2 of the Phase II Master Plan work included an analysis of the fiscal impacts of growth scenarios associated with key policy choices. The objective of the fiscal impact analysis was to identify and quantify the costs and tradeoffs associated with the key policy choices for employment, housing, and infill/redevelopment priorities. Based on the findings from the market analysis and public outreach, potential land use alternatives were developed to align with the key policy choices. The goal was to identify potential land use alternatives that could be used to address each of the policy choices and measure their fiscal impact to the City of Reno if implemented. The fiscal impact analysis findings were presented to the Planning Commission on November 3, 2016, and are attached to this memorandum in the form of a PowerPoint presentation.

### **Approach**

The fiscal impact analysis identified land use alternatives that reflect potential directions related to the key policy choices. The alternatives were analyzed considering the following questions:

- How does each alternative align with market demand?
- What is the on-going fiscal impact to the City of Reno of each alternative?
- What are the high-level capital investment needs associated with each alternative?

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The fiscal impact model used for the analysis was developed during Phase I of the Master Plan process as a tool to measure the on-going annual revenues and costs that would be expected based on certain land use patterns. The model measures the impact on the City of Reno's General Fund and Streets Fund. An initial analysis of the on-going fiscal impact of the existing land use plan (baseline) produces a net positive impact annually. With this understanding, scenarios that isolated specific land use alternatives were measured to ensure they do not create a significant negative fiscal impact. It is important to understand that the goal for the city-wide land use plan is to have a balance of uses that meet future demand and needs. The most basic finding is the City of Reno needs employment growth to match with housing growth in the future. Choosing one use over another will only lead to imbalances and create different negative impacts depending on use.

## **Key Policy Choices Analysis**

### ***Employment***

#### Policy Question

Should the City play an active role in shaping employment growth by investing in improvements that create a more modern work environment aimed at workforce attraction/retention and by expanding the amount of land designated for industrial uses to maximize Reno's capture in the current industrial investment cycle?

#### Background and Alternatives Tested

The employment demand and needs assessment found that Reno has a limited supply of industrial land. Over 75 percent of the vacant land capacity for industrial development in Reno is in the northern quadrant of the city, and much of this capacity is within the Reno-Stead Airport. Development in the North Valleys has occurred incrementally over time, leading to industrial uses abutting residential uses, and a large portion of undeveloped land is designated for mixed-use where residential, commercial and industrial uses are allowed.

As a result, three alternative land use patterns were developed to address the issues.

- Baseline: Continues mixing of industrial and residential uses without direction to the market, and re-zonings outside of mixed-use areas based on developer requests
- Alternative 1: Employment Emphasis: Designates more land for employment uses and converts areas designated for mixed-use to industrial and mixed employment land use categories
- Alternative 2: Employment and Housing Nodes: Creates pockets of mixed-use/multi-family residential along North Virginia Street and Stead Blvd and convert remaining mixed-use areas to industrial/employment uses

#### Analysis Findings

##### **Alignment with Market Demand**

- The alternatives to the baseline reduce the amount of commercial and mixed use designated land, while providing more land for employment uses and better direction to the market.
- The land around Reno-Stead Airport is critical to the City's future economic growth
  - Reno-Stead Airport represents 60% of industrial land in the City
  - The vision for the Reno-Stead Airport is to attract advanced manufacturing and aerospace jobs. The Airport is actively competing for high-tech, knowledge-based jobs.

- The employment alternative provides additional near-term capacity for industrial use, and the employment and housing nodes alternative enhances near-term capacity for industrial and allows for more housing.

**On-going Fiscal Impact**

- Generally, industrial development increases annual fiscal benefits to the City.
- Both the employment and employment and housing alternatives create a greater fiscal benefit for the City than the baseline.

**Capital Improvement Needs**

- The north quadrant of the City needs increased sewer treatment capacity to accommodate growth of all types. Additional capacity may be needed sooner with alternatives, but will be needed regardless at some point.
- Interchange improvements along US 395 and roadway network improvements are needed to accommodate new growth, especially increases in truck freight traffic. Regional partners are aware of needs as roadway studies are currently underway and capital projects have been identified.

***Housing***

Policy Question

Should the City encourage a diversity of housing to better match future demand in established central neighborhoods, in future projects and in existing PUDs on a voluntary basis?

Background and Alternatives Tested

The housing demand and need assessment found that future demand for housing Reno does not match with the existing planned supply. The approved, unbuilt housing in the City is predominately single family homes on large lots. While a large portion of future housing demand will still be for single family homes, a wider variety of housing is needed to meet demand.

As a result, alternative land use patterns were analyzed for the central portion of Reno, as well as the outer future neighborhoods. The alternatives identify potential mixtures of housing types that better match with demand.

**Central Quadrant Housing Alternatives**

- Baseline: Low density pattern, which is based on current designations/zoning and estimates from the Truckee Meadows Regional Planning Agency (TMRPA)
- Alternative 1: Mix of housing aligned with housing study demand: Shifts demand to more dense housing types

**Outer Neighborhoods Housing Alternatives**

- Baseline: Based on existing entitlements and development trends prior to the recession (over 80% single family detached homes)
- Alternative 1: Greater mix of housing: Increases the proportion of attached and multifamily housing types (over 50% single family detached homes)
- Alternative 2: Mix of housing aligned with housing study demand: Shifts demand to more dense housing types using demand composition identified in housing study (about 35% single family detached homes)

Analysis Findings

**Alignment with Market Demand**

- Increasing mix of land uses in the central quadrant would require allowing increases in density in neighborhoods (where appropriate) and encouraging infill/redevelopment within centers and corridors.

- To achieve a greater mix of housing changes to current land use designations/PUDs are needed to become a reality. Specifically, policy and implementation strategies to encourage and/or incentivize the development community to voluntary change existing entitlements within existing PUDs (especially in North and West quadrants) would be needed.

**On-going Fiscal Impact**

- Generally, shifting housing from single family to multifamily reduces the fiscal benefit to the General Fund yet raises the benefit to the Streets Fund. The shifts largely offset each other due to the inverse changes that occur in the General Fund and Streets Fund.
- Alternative 1 for the central quadrant nearly doubles annual net benefit from the baseline. It does create a greater negative impact on General Fund, but increased density of housing reduces costs for road maintenance, creating greater net positive impact on Streets Fund.
- For the outer neighborhoods, alternative 1 generates a positive impact for both the General Fund and Streets Fund. Alternative 2 creates a negative net impact on the General Fund but generates a large net positive impact on the Streets Fund. The findings support the need to diversify housing options in these areas with a balanced mix of single family and multifamily homes.

**Capital Improvement Needs**

- Capital investments in neighborhood amenities are needed to make neighborhoods more walkable to support a denser housing pattern.
- There are sewer capacity issues within the North quadrant in future, as described above, that need to be addressed.
- Development outside of fire service areas for existing fire stations would trigger need for new fire stations.

***Infill/Redevelopment***

Policy Question

Should the City prioritize infill/redevelopment in centers and corridors within the McCarran Loop in the near-term?

Background and Alternatives Tested

Community input has indicated that many residents would like to see the City encourage more infill and redevelopment as opposed to greenfield development. As well, the community has indicated that revitalization of downtown Reno is needed and desired. Infill and redevelopment has been sporadic and largely outside of downtown. While the City currently supports and encourages infill development, incentives may be needed to spur change in particular locations.

As a result, alternatives were tested to understand the impacts of increased housing capture in the central quadrant and how impacts might differ when prioritizing certain centers over others.

- Baseline: 14% of forecast housing units in Central Quadrant, based on historic trends
- Alternative 1: Downtown and UNR Focus: 25% capture of forecast housing units while prioritizing capture of the majority of new units within the Downtown and UNR Regional Centers
- Alternative 2: Centers and Corridors Focus: 25% capture of forecast housing units while prioritizing capture of units within Downtown and UNR Regional Centers plus the South Virginia Street and East Fourth Street TOD Corridors

### Analysis Findings

#### **Alignment with Market Demand**

- Capturing more housing within centers and corridors will require redevelopment of existing uses/parcels in many cases.
- More housing in centers and corridors likely to drive demand for more jobs and non-residential uses as well.
- Urban infill/redevelopment is more expensive due to higher land prices and increased costs related to denser housing products (e.g. structured parking), which makes attracting infill development more difficult and may require the City help facilitate.

#### **On-going Fiscal Impact**

- Both alternatives decrease the net negative fiscal impact (General Fund impact plus Street Fund impact), however they increase the General Fund net negative fiscal impact due to increase in population largely within multifamily units
- Infill takes advantage of existing roadway network and increased revenue for street maintenance while generating little increased expenditure costs for street maintenance
- Annual net negative fiscal impact per unit decreases in half from the baseline in both alternative (from \$78 to \$39 annually per unit)

#### **Capital Improvement Needs**

- Additional capital investments to are needed to support livability, such as sidewalks, dog parks, greenways, etc.
- Increased capacity and/or upgrades to existing water and sewer lines may be needed.

Attachment: Fiscal impact analysis for key policy choices presentation provided to the Reno Planning Commission November 3, 2016



## Overview



- Key policy choices
  - Framed at 7/13 Joint Leadership meeting
  - Identified using technical analysis and public input
    - Housing Demand Forecast and Needs Assessment
    - Employment Demand Forecast and Needs Analysis
    - Phase II Neighborhood Amenity follow-up survey
  - Decide direction at 12/13 Joint Leadership meeting
- Fiscal impact analysis
  - Complements market demand work
  - Developed to provide fiscal understanding of potential land use changes aligned with key policy choices
  - Changes tested must be considered in relation to citywide mix of uses

## Fiscal Impact Purpose

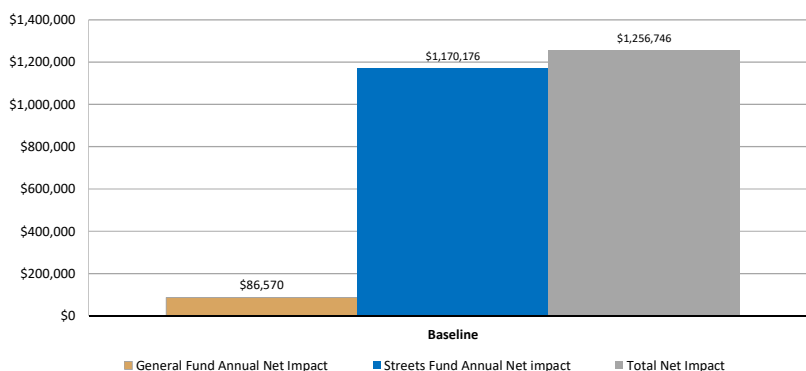


- Specific key choices are evaluated to isolate specific land use alternatives and to ensure they do not create a significant negative fiscal impact
  - Employment, housing and infill/redevelopment choices evaluated
  - Key choices regarding infrastructure and neighborhoods underlie all land use alternatives
- Important Considerations
  - Goal should be to have a balance of uses that meet future demand
  - Employment growth needs to match with housing growth
  - Choosing one use over another will only lead to imbalances, which results in different negative impacts depending on use
  - City's control over its revenue sources varies

## Citywide Fiscal Impact

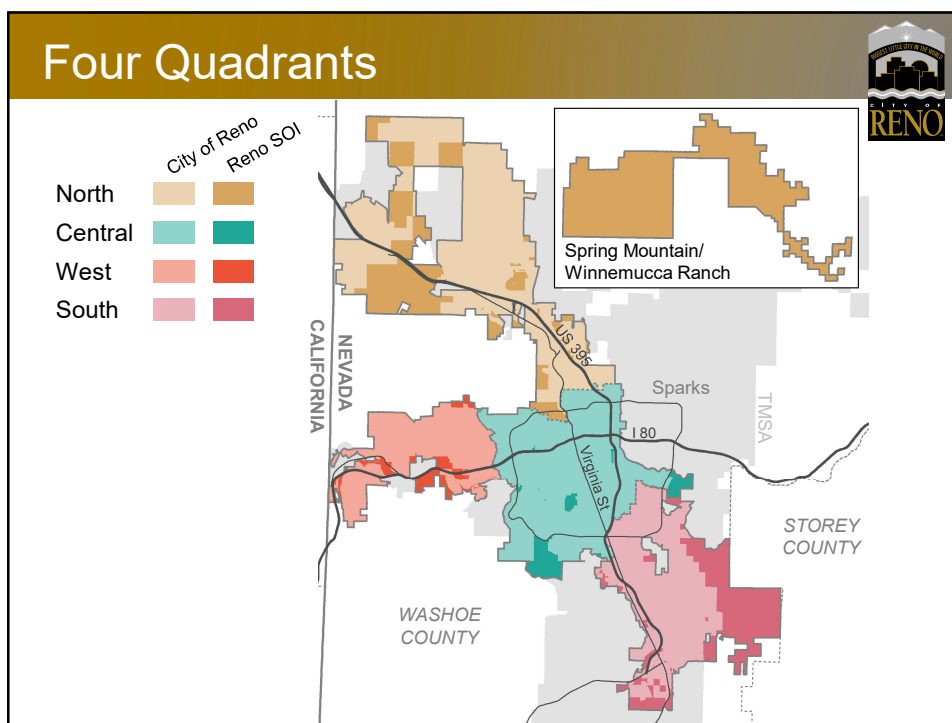


Annual Net Fiscal Impact in Year 20 (2035)



Source: Economic & Planning Systems

Baseline conditions produce a positive impact over 20 years



## Key Policy Choices and Opportunities

1. Employment
2. Housing
3. Infill/redevelopment priorities
4. Infrastructure
5. Neighborhoods

**Illustration Details:** The illustration shows a city skyline with mountains in the background. The word "BELIEVE" is written across the sky. A red car is driving on a road, and a person is riding a bicycle. The word "BELIEVE" is also written on the side of the car.



## Employment Key Choices



1. Should the City play an active role in shaping employment growth?
2. Should the City support the retention and expansion of lands currently designated for industrial uses by identifying appropriate additional lands for industrial uses and by limiting incompatible uses?
3. Should the City consider converting other land use designations to industrial or mixed-employment to expand options?

## Employment Demand versus Supply



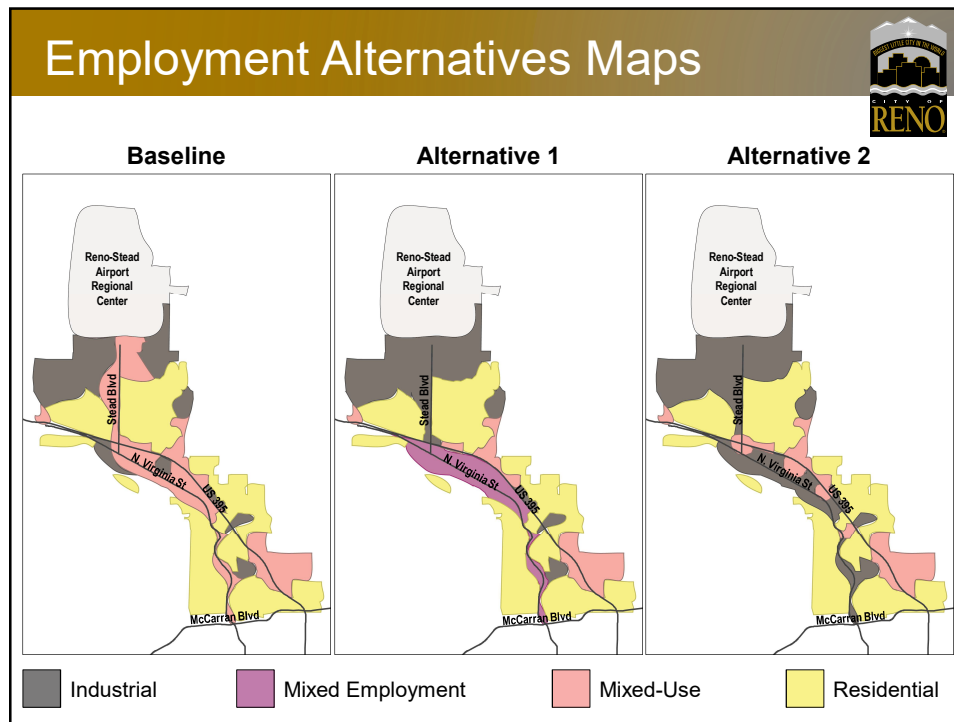
Commercial and Mixed Use	60	4,200	70
Industrial*	63	4,000	63
<b>Total</b>	<b>123</b>	<b>8,200</b>	<b>67</b>

Commercial and Mixed Use	65	4,200	65
Industrial*	131	4,000	31
<b>Total</b>	<b>196</b>	<b>8,200</b>	<b>42</b>


- Industrial supply includes 2,400 acres of RTAA lands at Reno-Stead

*\*Industrial supply assumes mixed use areas zoned for commercial & industrial uses develop as industrial uses.*

Source: TMRPA; Economic & Planning Systems; Clarion Associates



## Alternative Assumptions



### Development Type Acreage

Commercial (Office and Retail)	500	500	500
Industrial	700	2,100	1,600
Mixed Use	1,450	50	450
Housing	20	20	120

### Estimated Development Demand

Commercial (Office and Retail)	2,242,100	2,242,100	2,242,100
Industrial	8,167,500	15,246,000	15,246,000
Housing	4,400	352	4,400

*\*Employment alternatives do not include acreage at Reno-Stead Airport*

## Major Considerations



- Alignment with market demand
- On-going fiscal impact
- Needed capital investments
- Community preferences
- Consistency with Master Plan goals

## Alignment with Market Demand

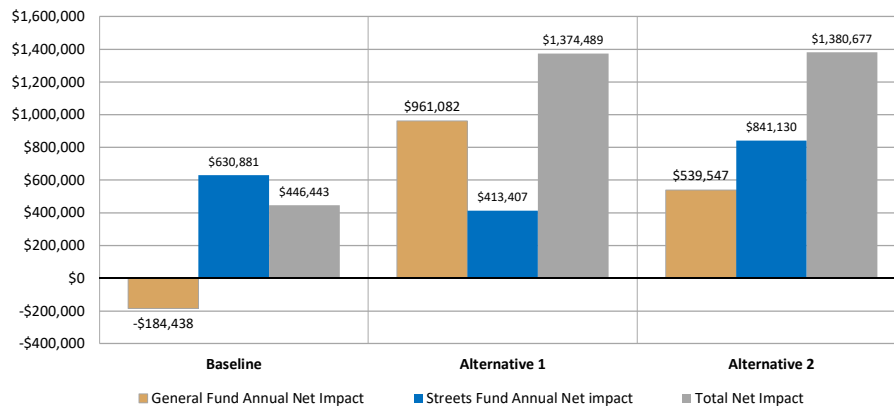


- Alternatives...
  - Reduce amount of commercial and mixed use land
  - Provide better direction to the market
- Connection to Reno-Stead Airport lands critical
  - Reno-Stead Airport represents 60% of industrial land in the City
  - The vision for the Reno-Stead Airport is to attract advanced manufacturing and aerospace jobs as well as supply chain
    - Reno-Stead Airport is actively competing for high-tech, knowledge-based jobs
    - Reno-Stead Airport's vision aligns with the City's land use objectives to create positive fiscal impact, meet future demand and attract higher income, knowledge-based jobs
  - Alternative 1 provides additional near-term capacity for industrial uses
  - Alternative 2 enhances near-term capacity and allows for more housing

## On-going Fiscal Impact



### Annual Impact in Year 20 (2035)



Converting to employment oriented land uses  
triples net positive fiscal impact

## Needed Capital Investments



- Increased sewer treatment capacity
  - Additional capacity may be needed sooner with alternatives, but needed regardless at some point
  - Reno/Stead Water Reclamation Facility
    - Phase 1 upgraded = \$6.0 million for 0.5 MGD expansion
    - Phase 2 upgrade = \$56 to \$60 million for 2.3 MGD expansion
- Interchange improvements along US 395 and roadway network improvements
  - Improvements needed regardless, but increased industrial development could increase truck traffic volumes
  - Roadway studies and capital projects
    - North Valleys Regional Transportation study underway (RTC)
    - Reno-Sparks freeway study underway (NDOT)
    - US 395 capacity improvements planned in 2040 RTP project listing

## Employment Land Use Alternatives



### Questions

- Clarifications?
- Additional Information?
- Concerns?

## Key Policy Choices and Opportunities



1. Employment
2. Housing
3. Infill/redevelopment priorities
4. Infrastructure
5. Neighborhoods



## Housing Key Choices

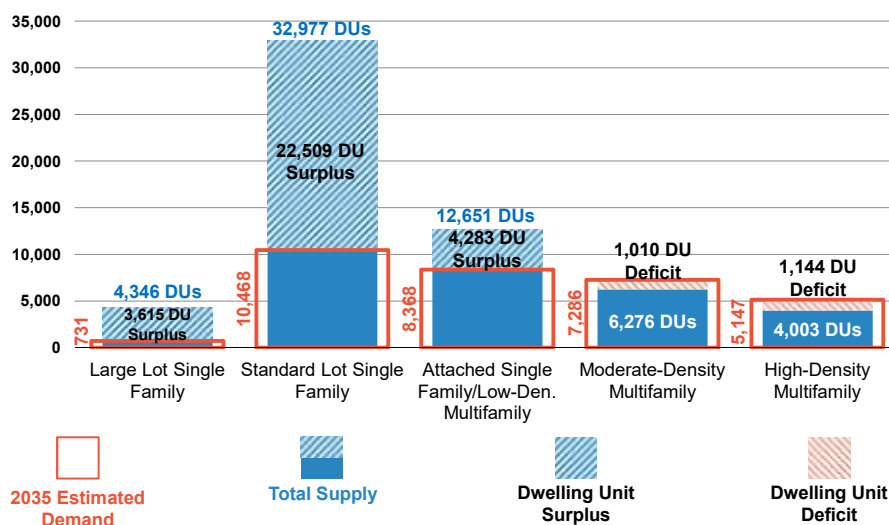


- Should we diversify established central neighborhoods to better match demand?
- Should we diversify future projects in outer neighborhoods to align with demand?
  - Should the city actively work with the development community to increase housing diversity in unbuilt PUDs on a voluntary basis?
  - Should a mixture of housing options be required within larger PUDs or projects going forward?

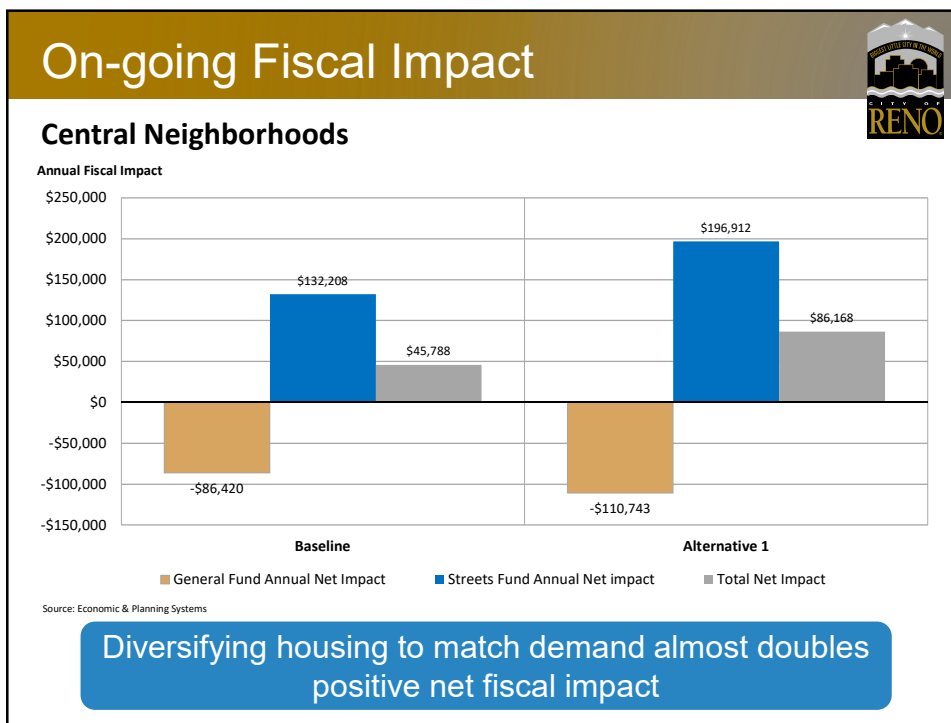
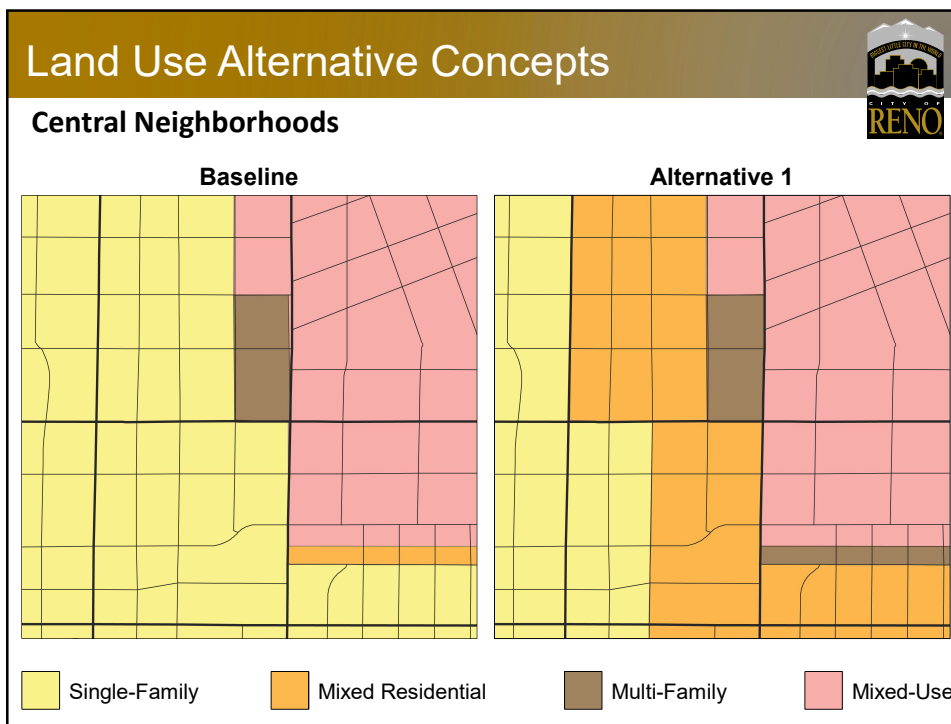
## Residential Demand versus Supply

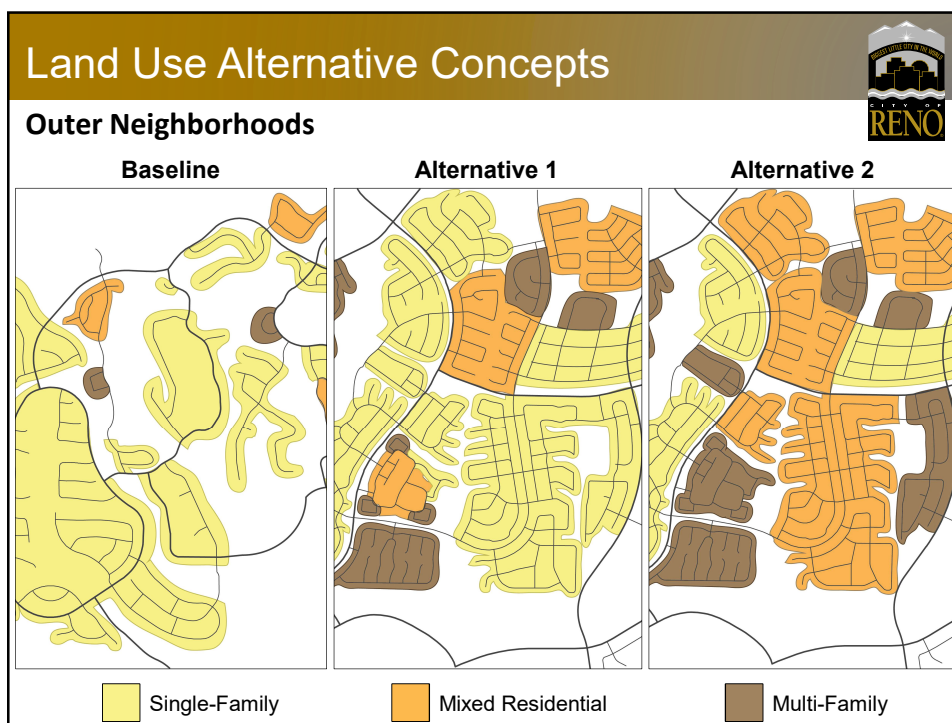


Citywide housing unit **surplus** of 28,250 units  
(includes development on vacant lands and redevelopment/infill potential)




Source: TMRPA, Economic & Planning Systems, Clarion Associates





## Alternative Assumptions



### Land Use Designations

Large Lot Neighborhood	5%	3%	2%
Single Family Neighborhood	78%	<b>50%</b>	<b>33%</b>
Mixed Residential Neighborhood	15%	<b>20%</b>	<b>26%</b>
Multi-Family Neighborhood	2%	<b>17%</b>	<b>23%</b>
Mixed-Use (Vertical & Horizontal)	0%	<b>5%</b>	<b>16%</b>
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



## Alignment with Market Demand



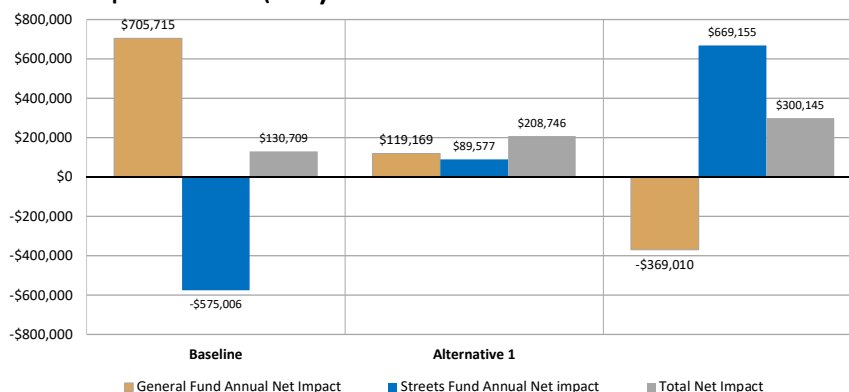
- Goal of policy decision is to plan for a broader mix of housing that better matches demand
- Housing Alternative 1 mix is most likely within the North and West quadrants
  - Does need changes to current land use designations/PUDs to become a reality
- Policy and implementation strategies to encourage and/or incentivize the development community to voluntary change existing entitlements within existing PUDs (especially in North and West quadrants)
  - Changing existing entitlements is risky for developers, opens their project to increased scrutiny, and may complicate financing/feasibility

## On-going Fiscal Impact



### Outer Neighborhoods

Annual Impact in Year 20 (2035)



Source: Economic & Planning Systems

Diversifying housing increases net positive fiscal impact

## Needed Capital Investments

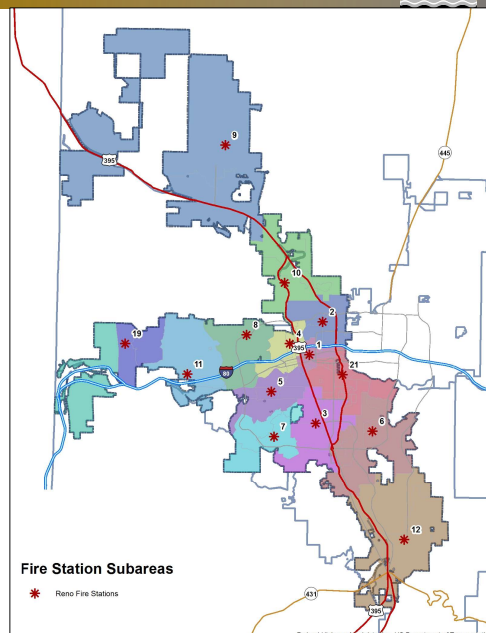


- Sewer capacity issues within North quadrant in future
- Development outside of fire service areas for existing fire stations would trigger need for new fire station
  - Capital Cost: approximately \$4.5 million (excluding land cost)
  - On-going cost: \$2 million per year per station

## Impact of Growth on Fire Service



- Future growth will likely require new fire stations to serve development
  - Additional station likely needed in the North Valleys
  - Additional station likely needed in west Reno



## Housing Land Use Alternatives



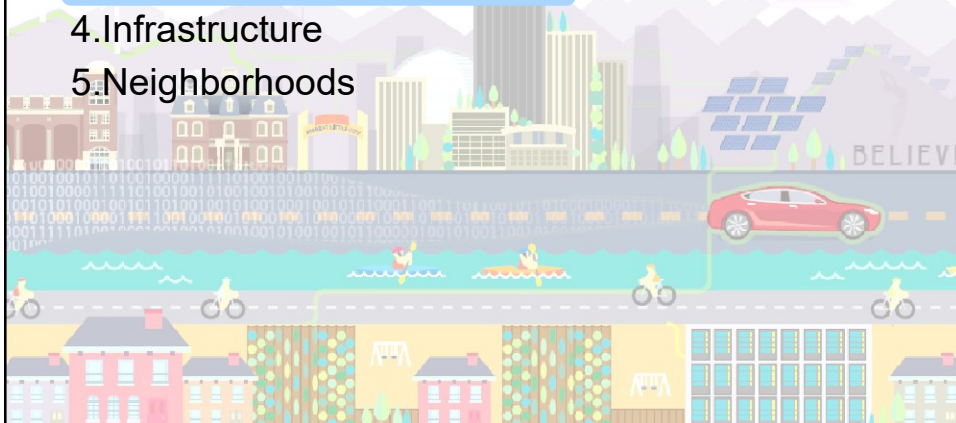
### Questions

- Clarifications?
- Additional Information?
- Concerns?

## Key Policy Choices and Opportunities



1. Employment
2. Housing
3. Infill/redevelopment priorities
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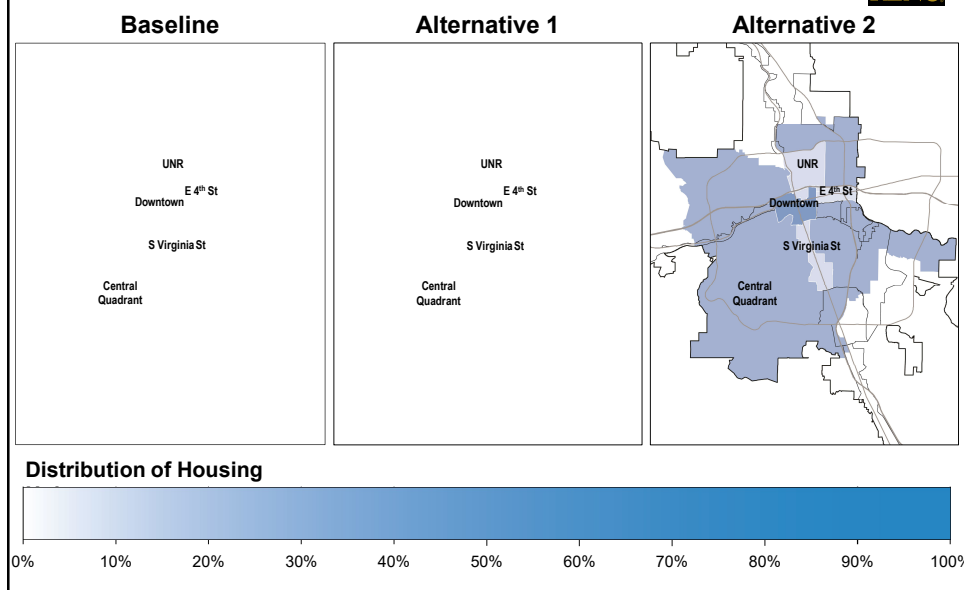


## Infill/Redevelopment Key Choice



- Where should we prioritize locations for infill/ redevelopment in the near-term?
  - Downtown & UNR Regional Centers (including existing redevelopment areas)
  - Transit-Oriented Development Corridors within the McCarran loop
  - Some combination of the above

## Infill/Redevelopment Concepts



## Alternative Assumptions



### Areas within Central Quadrant

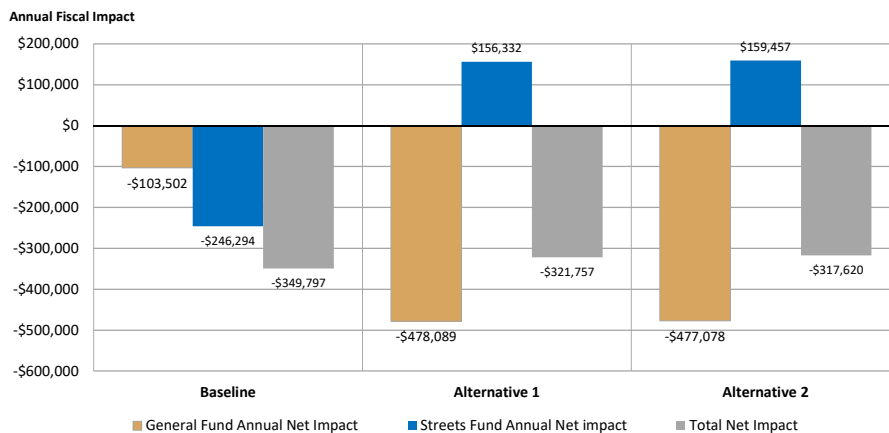
Total Units in Alternative	4,500	<b>8,100</b>	<b>8,100</b>
Downtown Regional Center	14%	<b>40%</b>	<b>40%</b>
UNR Regional Center	12%	<b>20%</b>	10%
South Virginia Street TOD	12%	7%	10%
East Fourth Street TOD	1%	0%	7%
Areas outside Centers and Corridors	61%	33%	33%
TOTAL	100%	100%	100%

## Alignment with Market Demand



- Capturing more housing within centers and corridors will require redevelopment of existing uses/parcels in many cases
- More housing in centers and corridors likely to drive demand for more jobs and non-residential uses as well
- Urban infill/redevelopment more expensive due to higher land prices and increased costs related to denser housing products (e.g. structured parking)

## On-going Fiscal Impact



Directing units to Centers and Corridors and increasing capture of units to 25% within Central Quadrant reduces negative fiscal impact in both alternatives

## Needed Capital Investments



- Renewed interest in walkable urban places leading to infill development and increased demand in mixed use areas
  - Additional capital investments to support livability...
    - Sidewalks, dog parks, greenways, etc.
- Other potential capital investments....
  - Increase capacity or repair existing water and sewer lines, especially older infrastructure
    - Responsibility of developer for site specific needs
    - Responsibility of city for trunk infrastructure

## Infill/Redevelopment Land Use Alternatives



### Questions

- Clarifications?
- Additional Information?
- Concerns?

## Fiscal Impact Results Summary



- Employment Lands
  - Both employment alternatives create a greater fiscal benefit for the City and difference in net benefit is negligible
  - Employment and Housing alternative offers greater housing options
- Housing in Central Neighborhoods
  - Aligning future housing with housing study demand nearly doubles the annual net benefit, but creates a greater negative impact on General Fund and creates a greater net positive impact on the Streets Fund
- Housing in Outer Neighborhoods
  - Both housing alternatives create a greater net positive fiscal impact over the Baseline Alternative
  - Alternative 1 is most likely and has positive impact for both General Fund and Streets Fund
- Infill/Redevelopment Priorities
  - Both alternatives decrease the net negative fiscal impact

## Next Steps and Possible Motion



### Next Steps for Key Choices

1. Planning Commission Preferred Direction at 12/8 meeting
  - Summarize technical information and community input for each key choice
  - Seeking Planning Commission recommendation to City Council to inform 12/13 Joint Leadership meeting
2. Make Key Choices
  - Decide direction at Joint Leadership meeting 12/13

### Possible Motion

Approval of preliminary analysis evaluating the fiscal impact of various land use scenarios to support key policy choices for the updated master plan

