

EXISTING CONDITIONS

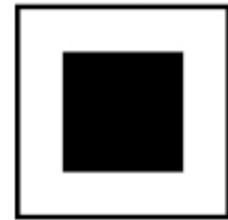
The following information about the availability of multi-family residential housing in Sedona provides a background for understanding why this amendment to the Sedona Community Plan (Plan) is being proposed. Attachment 3 is a supplement to the following background information and includes a variety of data and figures on the history, number, and distribution of multi-family housing in the city.

Explanation of Terms:

First, an explanation of “multi-family” housing: the term differentiates housing with multiple living units as opposed to single-family detached homes. Multi-family can be further broken into various categories such as an apartment, townhouse, or duplex. Apartments are individual dwelling units for rent within a portion of a building. Townhouse and condominiums are individually owned dwelling units, typically with shared ownership of common areas, and may be owner occupied or rented.

Another term important to this discussion is “density”, or the number of housing units per acre of land. Single-family houses on large lots are low density, whereas high density can accommodate more housing units within the same land area.

Density Examples



Density: 1 unit/acre



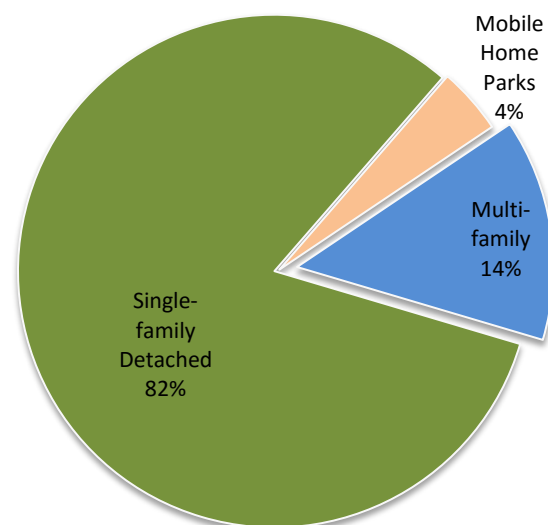
Density: 6 unit/acre

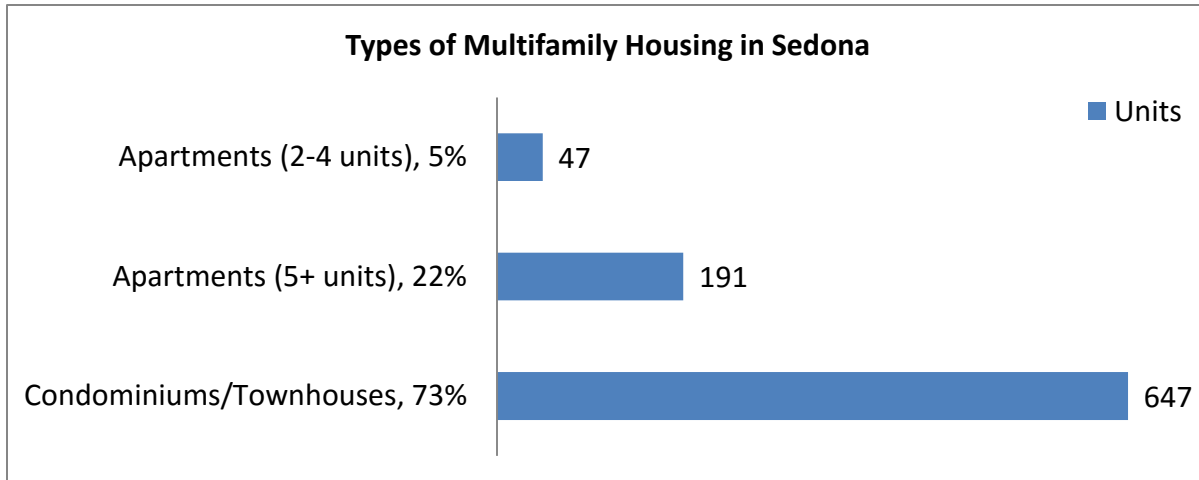
Existing Multi-family Housing

There are a total of 885 units of multi-family housing in the city. For comparison, there are 5,326 single-family detached housing units in the city. The total number of built housing units in the city, including mobile homes, is 6,516. To provide yet another comparison, there are more lodging units in the city than there are multi-family units (2,527 lodging to 885 multi-family units).

Among the city’s various types of housing, multi-family housing makes up approximately 14% of all housing units (see Existing Housing Types chart to the right). In comparison, the national average is 32% multi-family (U.S. Census Bureau). The chart on the following page (Types of Multi-family Housing) breaks down the city’s existing multi-family into 3 different categories with the number of units for each type.

Existing Housing Types





Current Multi-family Zoning

There are 4,453 acres of land in the city zoned for residential housing. Of that, 60 acres are within one of three multi-family zoning districts (RM-1, RM-2, and RM-3). Of the 60 acres, 18 acres are now vacant. Considering the allowable density of the vacant land, a maximum of 220 new multi-family units could be built. However some of the 18 acres may be unbuildable due to topography or other constraints.

The RM-3 zoning district allows for a maximum of 20 units per acre. 18 acres of land in the city is currently zoned RM-3 and only 2 acres of that is vacant, which would allow for a maximum of 40 new units on land zoned RM-3. While the RM-3 district allows for a maximum of 20 units per acre, the Plan's future land use designations limit multi-family density to 12 units per acre. This application proposes to amend the Plan so that it is aligned with the zoning districts.

Multi-family Zoning Districts and Acreage		
<u>Zoning</u>	<u>Max Density</u>	<u>Acres</u>
RM-1 Medium Density Multi-family Residential	8 units/acre	4
RM-2 High Density Multi-family Residential	12 units/acre	38
RM-3 High Density Multi-family Residential	20 units/acre	18
Total:		60
All other residentially zoned property (e.g. single family residential and planned residential developments):		4,453

Challenges to the Availability of Multi-family Housing:

One of the Plan's goals is to "Encourage diverse and affordable housing options." Yet there is a wide variety of challenges to doing so, including:

- A diminishing supply of vacant land
- Zoning limitations (as described above)
- The cost of land
- The historic trend in Sedona for single-family homes

These and other challenges, some of which are unique to Sedona, are described in more detail below.

Development Limitations

Over the past few years, several developers have expressed a desire to develop multi-family and apartment complexes with a goal of tapping into the demand for local workforce housing. During these conversations developers often express concern and frustration with one or more of the following:

- Density limit of 12 units/acre
- Cost of land
- Sewer connection fees
- Development impact fees
- Requirements for affordability
- Development standards (e.g. parking, height, site coverage)
- Approval and permitting process (e.g. length and controversy)

To develop a multi-family project that provides elements of affordability and housing choice, without some kind of financial subsidy, higher densities are crucial to make a project viable. The city's density limit of 12 units per acre is often cited by potential developers as too low to support diverse multi-family housing options, including affordable units.

To build a project such as an apartment complex, developers need to offset the costs of development. A greater number of units allows fixed costs (e.g. land, road improvements) to be distributed among more units, resulting in reduced costs per unit. Another factor that contributes to consumer affordability is unit size; smaller units typically rent for lower prices than larger units. However, in order for a project with smaller units to work financially for the developer, the number of units needs to increase. Given the current density maximum of 12 units per acre, developers do not have the option of building more units and will instead build larger units in order to recoup their investment, which tend to be at a higher price point. In an Urban Land article "Why Aren't More Small Apartment Projects Built?", the author, Beth Mattson-Teig, highlights the fact that the effort to design, develop, and receive entitlements for a small project (less than 50 units) is roughly equal to the effort to develop a large project (more than 150). Thus, staff believes that the limits on density and thus the limited number of potential units, discourages the development of multi-family projects in the city.

Cost of Housing

Sedona's median price home in 2016 was \$479,000 and appears to be climbing in 2017. In 2006-2007 the median price was approximately \$600,000 and dipped to \$330,000 in 2011. In 2003 when the Housing Commission was established, the median price of approximately \$420,000 was considered unaffordable for most of Sedona's workforce. According to the City of Sedona Human Resources Department and the Sedona Unified School District, in 2011, the average salaries for service employees such as police and teachers were in the range of \$38,000-\$50,000. The Yavapai College Regional Economic Center Report entitled "Verde Valley Economic & Workforce Analysis 2017" states that the average earnings in 2016 were \$39,312. Even at salaries of up to \$50,000, a median priced home in Sedona is unaffordable. For those unable to afford to buy a home in Sedona, there is a need for alternative types of housing.

Vacation Rentals

Effective January 1, 2017 a State senate bill (SB 1350) ended the prohibition on short-term vacation rentals in Sedona (A.R.S. § 9-500.39). The statute defines vacation rentals as:

"Vacation rental" or "short-term rental" means any individually or collectively owned single-family or one-to-four-family house or dwelling unit or any unit or group of units in a condominium, cooperative or timeshare, that is also a transient public lodging establishment or owner-occupied residential home offered for transient use if the accommodations are not classified for property taxation under section 42-12001. Vacation rental and short-term rental do not include a unit that is used for any nonresidential use, including retail, restaurant, banquet space, event center or another similar use.

Based on this definition, properties that may have been previously used as long-term housing rentals can now be used as vacation rentals and include: single-family homes, duplex/fourplex (1-4 units), guest homes, accessory dwelling units (ADUs), and condominiums/townhouses. Many of these have been long-term rental housing options (both single-family and multi-family) that are being converted to vacation rentals, which in many cases have led to the eviction of renters forced to find housing elsewhere.

ADUs were originally intended to help increase the inventory of affordable housing. However, with the passage of SB 1350 the city's ADU regulations were repealed, as ADUs may now be used as vacation rentals. Thus, the allowance for vacation rentals has resulted in a smaller pool of rental housing, exacerbating the issue of housing availability and affordability, including increases in monthly rental rates and substandard living conditions.

Substandard Housing

As a tourist destination with a high cost of living, the city has seen substandard housing in the past; however with the increasing number of conversions to vacation rentals and displaced renters looking for new housing options, the amount of substandard and unsafe housing has increased. City code enforcement staff has seen more complaints and concerns about unusual, illegal, and unsafe living conditions. Often, the people found to be living in these conditions are employees working in the city. Some property owners have seen the need as an opportunity and have illegally converted buildings to create spaces for rent that are often not habitable.

There have been cases of unpermitted (and often unsafe) building additions or building interiors being divided up to create more space to rent. Examples of other substandard housing that has been encountered include: storage units, garages, sheds, walk-in closets, crawl spaces underneath a house, as well as people living in cars or camping.

The Housing Issue in Context

Since incorporation, the city has recognized the need for diverse and affordable housing. It was addressed in the first Plan in 1991 and each subsequent update. For many years, neighboring communities such as Cottonwood and Camp Verde have met a great deal of Sedona's housing needs. It has been historically recognized that Sedona itself could never address the full spectrum of affordable and diverse housing needs and that any solution would require a regional aspect. The Verde Valley region's housing needs are also increasing, and with Cottonwood growing, their supply of housing for both cities may not be able to keep up with the demand.

Responding to these concerns, City Council established a Housing Commission in 2003 for the purpose of examining ways to improve the city's role in creating additional housing opportunities. The importance of this issue was reaffirmed in 2004 as City Council included affordable housing as one of their top five priorities, and it remains a Council priority today.

This is not only a local issue. According to the Urban Land Institute's 2015 report "Preserving Multifamily Workforce and Affordable Housing":

America's multi-family housing stock for "lower- and middle-income renters"—those who earn up to the area median income (AMI)—is slowly but surely disappearing. The often-overlooked apartment properties that provide decent, affordable homes for millions of workers, senior citizens, and young children in households with modest incomes exist in all parts of the country. These "workforce and affordable" properties are an essential element of our national infrastructure and the fabric of our local communities. They will not likely be replaced in nearly the numbers that are needed, absent unforeseen policy interventions.

The continued loss of this critical if underappreciated real estate asset class, already playing out in many markets, will impose ever-greater social and economic costs on our country in the years ahead. "Preserving" the nation's existing housing for lower- and middle-income renters—ensuring that it remains in good physical condition and affordable to households that most need it—must be a top priority for the real estate community, public officials, and the nation as a whole.

The mix of housing types available is also not keeping up with changes in preferences. The National Multifamily Housing Council stated:

Importantly, this supply-constrained market comes at a time of historic growth in renter households. Changing lifestyle preferences and major demographic shifts are driving growing apartment demand. Only five times since 1966 has the annual growth in renter households exceeded one million; three of those have been in the last four years.

The 76 million Baby Boomers who may consider downsizing their homes and moving to more walkable neighborhoods where rental housing is prevalent are just part of what's driving the growth of renter households to historic levels. There are also the nearly 80 million Millennials who will create up to 25 million new households from 2015-2025. Their preferences, which initially favor rental housing, will reshape housing demand. Finally, the primary driver of suburban development—married couples with children—has fallen from 44% of households in 1955 to under 20% today, and that number continues to fall.

Community Plan Recommendations:

This application is addressing the discrepancy between the zoning districts and the Plan's future land use designations (see the table below). The first Community Plan, after city incorporation in 1988 chose to limit the multi-family housing density to 12 units per acre, which at the time was considered sufficient. Since then the lack of housing diversity has become more apparent, so much so that it is one of six desired outcomes in the 2014 Plan. These outcome statements are intended to reflect future conditions, and in the Plan's summary (page vi) under "Housing Diversity" the desired outcome is that:

Sedona has fostered the building of different housing types to provide more options for all ages and income levels by using innovative public policies and programs and nurturing partnerships with private developers. This housing diversity has attracted more young people, families, and professionals, to become a vital part of our community life.

Comparison of Multi-family Zoning Districts and Future Land Use Designations			
<u>Land Development Code Zoning Districts</u>	<u>Max Density</u>	<u>Community Plan Future Land Use Designations</u>	<u>Density</u>
RM-1 Medium Density Multi-family Residential	8 units/acre	Multi-family Medium Density	4 to 8 units/acre
RM-2 High Density Multi-family Residential	12 units/acre	Multi-family Medium & High Density	4 to 12 units/acre
RM-3 High Density Multi-family Residential	20 units/acre	No corresponding designation	

The Plan's housing goal (page 17) of encouraging diverse and affordable housing options overlaps with other goals in the Plan such as sustainability, circulation, economic development, and community. Furthering the housing goal positively influences these other goals, moving Sedona closer to achieving the community's vision, as summed up on page 24 of the Plan:

Encouraging a variety of choices in housing types is consistent with the community's vision for a future that "nurtures connections between people, encourages healthy and active lifestyles, and supports a diverse and prosperous economy, and values the protection of the environment."

The following is another excerpt from the housing section that further explains how the different elements of the community vision are intertwined (page 23):

Choice in housing is important to both individual families and the community as a whole. The home is the foundation of any community, and a diversity of housing choices is essential for a prosperous, sustainable, and healthy place to live.

A sustainable community offers a range of housing types by providing opportunities for people to live near jobs, shopping, and services, which enable shorter trips, the use of alternative transportation, and a reduction in traffic congestion. There are also economic benefits associated with a diversity of housing choices, such as the ability to attract and retain businesses and employees. A lack of choices may mean a loss in revenue when employees choose to live in another community that has more housing options, where they spend their income outside the City.

Housing choices are also important to seniors whose needs will change as they age, whether they are downsizing, want a lower maintenance home, or need support services, or a full service healthcare facility. Without a range of options, elderly residents may relocate to meet their needs. Similarly, families and young people who grew up in Sedona may relocate due to the lack of housing choices.

Understanding that the City's current density limits can be an impediment to housing development, the Plan includes a provision for residential densities greater than 12 units per acre to be considered in Community Focus Areas (CFA) through the approval of a CFA plan. The Western Gateway CFA Plan, adopted in 2016 includes provisions that promote housing diversity and affordability with more specific incentives to allow for increased densities over 12 units per acre. However, these provisions are limited to property within the Western Gateway CFA boundary. While CFA planning is one way to potentially address needs for higher densities, not all CFA plans will include such provisions, and not all areas of the city will fall within a CFA.

The following are additional Community Plan Goals and how this proposal relates to those goals.

- *Create mixed use, walkable districts.* Land Use Goal, p. 17

This goal is also discussed in the Community Expectations for several CFA's including consideration for densities greater than 12 units per acre in conjunction with CFA planning. Housing diversity plays a key role in creating a mixed use environment, which also encourages pedestrian access to jobs, shopping and services.

- *Create a more walkable and bike-able community.* Circulation Goal, p. 57

A higher density housing option is an opportunity for more residents to live closer to jobs and services within walking and biking distance and with better access to transit.

- *Support locally owned businesses.* Economic Development Goal, p. 89

Higher density housing contributes to housing diversity with other housing options for professionals, employees and residents.

- *Ensure that the needs and aspirations of the community now and into the future are met through a variety of cultural activities, opportunities and facilities.* Community Goal, p. 97

This proposal provides a needed housing option to help support professionals and businesses with housing options for themselves, employees and residents of the community.

PROPOSED AMENDMENT

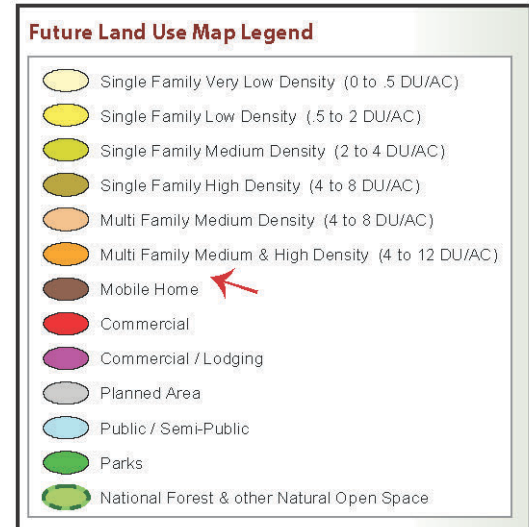
This application proposes several changes to the text of the Community Plan that would address high density multi-family housing. The following explains each of the proposed changes.

1. Addition of a new future land use designation

This application proposes to add the following new land use designation to the Future Land Use Map legend (shown to the right) on page 27 and 51 of the Community Plan:

“Multi-family High Density
(Greater than 12 DU/AC)”

This addition would better align the Plan’s goals with its future land use designations. The Plan’s lack of a high density multi-family designation is inconsistent with the Plan’s goal to “encourage diverse and affordable housing options.” This amendment proposes to remove this inconsistency and align the Plan’s density allowances and housing goals.



Community Plan, page 27 and 51
Placement of proposed new designation

This amendment will also align the Plan with the city’s zoning designations. Since city incorporation, the RM-3 zoning district has allowed densities of up to 20 units per acre. Yet the Plan’s maximum density for multi-family is only 12 units per acre.

Without this proposed text amendment, there are only two scenarios that would allow a developer to build multi-family housing at more than 12 units per acre:

- Locate on property zoned RM-3 (see the discussion about zoning on page 2 above).
- Locate within the area of an approved CFA Plan that supports more than 12 units per acre. This would require a zone change and a *minor* Plan amendment (see discussion on page 7).

Since the Plan does not have a future land use designation for higher density, it is not possible to request a rezoning to RM-3 if the above conditions are not met.

2. Addition of text to the Plan's "Land Use Designations" descriptions.

This application proposes to add the following language to the paragraph about multi-family housing (shown to the right) on page 26 of the Plan:

"High density multi-family projects may exceed densities of 12 DU/AC on a case-by-case basis through consideration of strategies for achieving housing diversity, affordability and availability to address local housing needs."

Any projects requesting a higher density would need to positively impact the community's housing issues such as enhancing the different types of housing choices, providing affordable housing options, and increasing the supply of multi-family housing.

By evaluating each project individually, a variety of factors will be considered to determine the suitability of a project. Some of those factors will include the suitability of the location, the impacts on neighboring land uses, the effects of a higher density of land use, and the community benefits.

3. Add a Land Use Policy

This application proposes to add an additional policy (#17) about high density multi-family housing on page 54 of the Community Plan:

"Allow densities greater than 12 dwelling units per acre through consideration of projects with strategies for achieving housing diversity, affordability and availability to address local housing needs in areas designated for Multi-family High Density".

Since the high density designation did not exist prior to this amendment, implementation of this policy would require that a landowner first request a change to their property's land use designation. A landowner would then be able to request a zone change to RM-3, PD (Planned Development), or PRD (Planned Residential Development) when the housing needs criteria are being met. Given that these zoning districts are established, no changes to the Land Development Code are needed in conjunction with this amendment. However future updates to the Land Development Code may propose new mixed use zoning categories that would support higher multi-family densities for the purpose of providing diverse and affordable housing options.

LAND USE DESIGNATIONS

The Future Land Use Map is the graphic depiction of desired future land uses for Sedona. The following are the descriptions of the Future Land Use Map designations.

Residential

Single-family Residential

Clustering of residential units is strongly encouraged for new residential projects in concentrated areas to direct development away from more environmentally sensitive portions of a site. New development adjacent to the National Forest should provide maximum feasible open space buffers to these lands to minimize urban interface impacts.

Multi-family Residential

Includes patio homes, townhouses, condominiums, apartments, single-family attached uses. Multi-family development is also encouraged within commercial areas and mixed use development in Community Focus Areas (CFA). *

Community Plan, page 26

* New text to be added

Please note that there is currently another application for a Major Plan Amendment now being considered that will be contingent upon this amendment. The Pinon/89A Multi-family Plan Amendment Proposal (PZ17-00009) is requesting a change to this new land use designation and a zone change to RM-3 in order to build a 45 unit apartment complex on State Route 89A.

What the amendment will not do

This amendment alone will not result in any changes to property or directly result in any new on-the-ground development projects. It does not change any properties to the new land use designation. It adds a designation to the *legend* of the Future Land Use Map, but does not change the map itself. It does not provide landowners with any new entitlements.

How this amendment will be utilized

To see any on-the-ground changes that result from this amendment will require a series of steps initiated by a landowner. This would involve multiple applications and evaluations that may or may not result in approvals of the proposed changes. The proposals would be evaluated on a case-by-case basis to assess the merits of the request and whether the proposal addresses the community's housing needs.

Since this will be landowner initiated, the first step is that the landowner applies for a Major Community Plan Amendment to change the land use designation of their property to the new designation of multi-family high density. This step would be required because of the criteria for major amendments that includes changes to the Future Land Use Map and increases in residential densities above 12 units per acre. The Planning and Zoning Commission and the City Council would review both the applications, take public comments, and determine the outcome. The request for a Major Community Plan Amendment would require a 2/3 vote of City Council. If the requested amendment was approved, the Plan's Future Land Use Map would be amended accordingly.

In addition, the landowner would also need to request a zone change and development review approval. Those applications would be reviewed based on the currently established processes. The zone change would require a recommendation from the Planning and Zoning Commission and approval by the City Council while the development review application would only require Commission approval. Once all approvals are obtained, the City would be able to issue building permits based on the approved project.

Although not specifically proposed here, if the requirement for each high density project to obtain Major Amendment approval is considered as too much of a disincentive for future applicants, language could be added to the Major Amendment Criteria on page 113 of the Plan that would only require a Minor Amendment for these High Density Multi-family projects that meet local housing needs. Minor Amendments can be considered at any time and do not require a 2/3 vote of the City Council to approve. If City Council gives staff this direction, the changes to the Major Amendment Criteria can be brought forward by staff as a Minor Amendment.

Major Plan Amendment Criteria

As defined by A.R.S. § 9-461.06, a major amendment is defined as a substantial alteration of the City's land use mixture or balance as established in the Plan's land use element. It is up to the City to develop criteria that meet this definition. Based on the criteria set by the City of Sedona in the Plan (page 113 of the Plan), the following are the Major Amendment criteria. Those that apply to this application are in bold:

A. A change to the Future Land Use Map where:

- 1. There is an increase in density beyond the density range of a specific residential land use category and the density allowed by the Zoning Map.*
- 2. There is an increase in residential density above 12 DU/AC.*
- 3. There is a change in the land use designation from:*
 - Residential to Commercial; Commercial/Lodging and Planned Area*
 - Public/Semi-Public to Residential; Commercial; Commercial/Lodging and Planned Area.*
 - Planned Area to Commercial; Commercial/Lodging.*
 - Commercial to Commercial/Lodging if outside the Lodging Area Limits in the Future Land Use Map designation.*
 - Parks and Open Space to any other land use designation.*
- 4. A new land use designation is applied to the Map.*

B. A modification to the text of the Community Plan that proposes:

- 1. A change in the density ranges within the residential land use categories or a change in the intensity of use in any land use category.*
- 2. Substantial changes to goals and policies in the Land Use, Housing and Growth chapter.*
- 3. Addition of a new land use designation.*

Major Plan Amendment Procedures

Once it has been determined that a Major Amendment is required, the following are required for the review of the application:

- 1. Major amendments are subject to public participation procedures adopted by the City Council.*
 - a. As the property is not for a specific parcel, there is no notification radius for the project. A community open house was held on August 22, 2017. This open house was advertised in the Red Rock News and on the City's website. In addition, citizens who have previously indicated that they are interested in housing issues were informed of the meeting.
 - b. The public hearing was noticed in the Red Rock News with a ¼ page display ad.
 - c. City staff completed the noticing with a City-wide notification for all Major Plan Amendments, including this proposal.

2. *Shall be presented at a single public hearing in the same calendar year the proposal is made.*
 - a. The proposal was made in 2017. The Planning and Zoning Commission hearing is scheduled to be held on September 19, 2017, and the City Council public hearing is tentatively scheduled for October 25, 2017.
 - b. All Major Plan Amendments will be presented at the same public hearing.
3. *Be approved by an affirmative vote of at least two-thirds of the members of the City Council.*
 - a. The proposal will not become effective unless approved by two-thirds of the City Council.
4. *May be initiated by the City or requested by the private sector.*
 - a. This proposal was initiated by the City of Sedona.

REFERENCES

National Multifamily Housing Council. *Apartment Supply Shortage Fact Sheet*.

<https://www.nmhc.org/Advocacy/Apartment-Supply-Shortage-Fact-Sheet/>

Arizona Revised Statutes, § 9-500.39. Limitations on regulation of vacation rentals and short-term rentals.

Mattson-Teig, Beth. 2017. "Why Aren't More Small Apartment Projects Built?" *Urban Land, the Magazine of the Urban Land Institute*.

<https://urbanland.uli.org/planning-design/isnt-america-building-small-apartments/>.

Mazur, Christopher. 2013. *Physical Characteristics of Housing: 2009-2011*. United States Census Bureau, American Community Survey Briefs.

Williams, Stockton. 2015. *Preserving Multifamily Workforce and Affordable Housing: New Approaches for Investing in a Vital National Asset*. Washington, DC: Urban Land Institute.

<http://uli.org/wp-content/uploads/ULI-Documents/Preserving-Multifamily-Workforce-and-Affordable-Housing.pdf>.

Yavapai College Regional Economic Development Center. 2017. *Verde Valley Economic & Workforce Analysis 2017*.