



Date: June 4, 2025
TO: Planning and Zoning Commission
FROM: Tiffany Antol, AICP, Zoning Code Manager
Through: Michelle McNulty, AICP, Planning Director
Alaxandra Pucciarelli, Current Planning Manager
RE: **PZ-24-00041: Single Use Residential in Commercial Zones and Adaptive Reuse Incentives**

I. Request:

PZ-25-00041: Single Use Residential in Commercial Zones and Adaptive Reuse Incentives – This amendment proposes to allow single use residential projects without a Conditional Use Permit in commercial zones with the provision of at least 20% affordable housing units. Additionally, the amendment provides further incentives for adaptive reuse projects.

II. Purpose of the Work Session:

The work session with the Planning and Zoning Commission is required as a “Citizen Review Session” in compliance with Section 10-20.50.040 (Procedures) of the Zoning Code and applicable state law. The purpose of the work session is for staff to present an overview of the proposed amendments, to allow interested residents to provide their ideas, suggestions, and concerns, and for the Commission to ask questions, seek clarification, and discuss the amendments, as well as offer alternate suggestions and ideas. The Commission will take no action at this work session. After the work session, staff will revise the proposed amendments as necessary. The amendments will then be presented to the Commission at a public hearing for consideration and action. Once a recommendation is received, a public hearing will be scheduled with the City Council. The anticipated timeline for the amendments is as follows:

June 25, 2025 – Planning and Zoning Commission Work Session

August 13, 2025 – Potential Planning and Zoning Commission Public Hearing

September 2, 2025 – Potential City Council Public Hearing (1st Reading of Ordinance)

September 16, 2025 – Potential City Council Public Hearing (2nd Reading of Ordinance/Adoption)

III. Overview of Proposed Amendments:

A. PZ-25-00041 – Single Use Residential & Adaptive Reuse Incentive Zoning Code Text Amendment

The Housing Section is currently preparing a policy/program for the provision of housing bond funds for eligible adaptive reuse projects. After consultation with the Housing Section about their proposal to create a program to encourage adaptive reuse, staff identified a potential zoning code amendment to make these projects easier to accomplish as an incentive for providing affordable housing resources in alignment with the new policy/program.

The Zoning Code currently requires that most single-use residential (100% residential) developments in commercial zoning districts obtain a Conditional Use Permit (CUP) prior to issuance of construction permits. As an incentive to bypass the conditional use permit process for both adaptive reuse and single-use residential projects, the developer must provide a minimum of 20% of all housing units within the development at an average of 80% Area Median Income (AMI), (with a maximum household income of 100% AMI) for a period of 30 years for rental projects. For ownership projects, the developer must provide 15% of all housing units at an average of 150% AMI for a period of 99 years. To incentivize developers to provide more than the usual 10% affordable housing contribution, the incentive of not having to obtain a conditional use permit requires a minimum affordable housing contribution of 20%. Increasing the affordable housing contribution from 10% to 20% will more swiftly address the declared affordable housing shortage in Flagstaff's 10-Year Housing Plan.

Staff is looking for feedback from the Commission on the following incentives:

- **New Definitions**
 - **Single-Use Residential: A development containing only residential uses.**
 - **Adaptive Reuse: The repurposing of an existing building from the use for which it was constructed to a new use by preserving the elements of the existing building rather than demolition.**

- **New Affordable Housing Incentives**
 - **Single Use Residential in Commercial Zones. Projects providing a minimum of 20% of all housing units within the development at an average of 80% AMI (with a maximum household income of 100% AMI) for a period of 30 years for rental or a minimum of 15% of all housing units at a maximum of 150% AMI for a period of 99 years for ownership are not required to obtain a Conditional Use Permit.**

 - **Adaptive Reuse Projects. Projects providing a minimum of 20% of all housing units within the development at an average of 80% AMI (with a maximum household income of 100% AMI) for a period of 30 years for rental or a minimum of 15% of all housing units at a maximum of 150% AMI for a period of 99 years for ownership.**
 - a. **Applicability. To be eligible for the Adaptive Reuse Project incentives, the following criteria must be met:**
 - (i) **The building shall be a minimum of fifteen years of age; and**
 - (ii) **The project may not include additions that exceed 25% of the existing building.**

 - b. **Adaptive Reuse Project Incentives. Applicable projects are not required to do the following:**

(i) Provide additional parking spaces or update the existing parking spaces in accordance with Division 10-50.80: Parking Standards or Division 10-30.60: Site Planning Design Standards. All Zoning Ordinance requirements for accessible parking shall apply. If the total parking required is less than the number of spaces that exist, then the number of parking spaces may be reduced to that number of required parking spaces, and

(ii) Provide additional or update the existing on-site landscaping in accordance with Division 10-50.60: Landscaping Standards, and

(iii) Provide Common Space as required by the zoning district, and

(iv) Comply with the provisions of Division 10-50.020: Architectural Design Standards.

In addition to the housing incentive provisions above an additional incentive has been added for nonresidential adaptive reuse projects that are less than 5,000 square feet, to allow greater flexibility in the requirements for parking and changes in land use. When an existing development site is proposed to become a different land use (i.e., a retail space is converted to a restaurant) planning staff performs an analysis of the parking on site versus the required parking for the new land use. If the site does not have sufficient parking for the new land use, additional parking is typically required. The Zoning Code includes an exception for parking new uses on properties located in the Central Business zoning district which only applies to portions of the downtown. Properties in this zone are not required to provide additional parking when the land use changes so long as there are no additions to the existing development as many of the properties downtown are historic and were developed without any parking. Strict application of parking requirements to these properties would alter the historic character of this area. The same is true for areas outside of the Central Business zoning district. This amendment is meant to alleviate the requirement for additional parking on these sites as well.

Staff is looking for feedback from the Commission on the following incentives:

New Parking Reduction:

- o **Adaptive Reuse Reduction. No additional off-street parking shall be required for the Adaptive Reuse of a Building that meets the following requirements:**
 1. **The Building shall be a minimum of 15 years of age; and**
 2. **The Development shall be a non-residential use or a Mixed-Use Building; and**
 3. **The size of the Building shall not exceed 5,000 gross square feet including any proposed additions. No proposed additions may exceed fifty percent of the existing Building; and**
 4. **On-street public parking is available within 1,320 feet from the Development Site.**

IV. Findings:

At the August 13, 2025, Planning and Zoning Commission public hearing, the Commission will be requested to make a recommendation to the City Council on the proposed amendments based on the required findings specified in the Zoning Code. For your reference and discussion purposes, the required findings are specified below.

1. The proposed amendment is consistent with and conforms to the objectives and policies of the General Plan and any applicable specific plan;
2. The proposed amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the City; and
3. The proposed amendment is internally consistent with other applicable provisions of this Zoning Code.

V. Community Involvement:

In accordance with Arizona Revised Statutes and the Zoning Code, the work session before the Planning and Zoning Commission was advertised in the Arizona Daily Sun on June 7, 2025, which is 18 days before the scheduled meeting date. Staff held a public open house on the amendment on June 5, 2025.

VI. Conclusion:

As indicated above, the purpose of the work session is for staff to present an overview of the Zoning Code's proposed amendments and allow interested individuals, residents, and business owners to provide comments. The work session also allows the Commission to ask questions, seek clarification, have discussions, and offer comments on the proposed amendments. No formal recommendation or action by the Commission to the City Council is to occur at the work session. Additional opportunities for discussion, public comment, and action by the Commission will occur at a future public hearing.

Attachments:

1. PZ-25-00041: Single Use Residential in Commercial Zones and Adaptive Reuse Incentives