

PLANNING AND DEVELOPMENT SERVICES REPORT

Zoning Code Text Amendment

PUBLIC HEARING

PZ-25-00041

DATE: July 1, 2025

MEETING DATE: August 13, 2025

REPORT BY: Tiffany Antol, AICP

REQUEST:

The City is requesting a modification to the Zoning Code provisions in Chapter 10-30: General to All, Division 10-30.20: Affordable Housing Incentives and Chapter 10-40: Specific to Zones, Division 10-40.30: Non-Transect Zones, Section 10-40.30.040: Commercial Zones, Table 10-40.30.040.B. Commercial Zones – Allowed Uses and Table 10-40.30.060.B. Public and Open Space Zones – Allowed Uses, to add existing High Occupancy Housing incentive, and add new incentives for Single Use Residential projects in commercial zones and Adaptive Reuse projects. This amendment also includes modifications to Chapter 10-50: Supplemental to Zones, Division 10-50.80 Parking Standards for general clarifications on permitted parking adjustments and to include a new parking reduction for non-residential or mixed-use adaptive reuse project less than 5,000 square feet.

STAFF RECOMMENDATION:

Staff recommends the Planning and Zoning Commission, in accordance with the findings in this report, make a recommendation to the City Council for approval of the City Code Text Amendment.

I. Proposed Amendment:

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 the commercial and Public Facility 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.

In addition to the housing incentive provisions 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.

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 and Public Facility 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.

New Parking Reduction

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.

II. Zoning Code Text Amendment

The Planning Director shall provide a recommendation to the Planning and Zoning Commission for its review. The Director's recommendation shall be transmitted to the Planning and Zoning Commission in the form of a staff report prior to a scheduled public hearing. The recommendation shall include the following: an evaluation of the consistency and conformance of the proposed amendment with the goals and policies of the General Plan and any applicable specific plans; the grounds for the recommendation based on the standards and purposes of the zones set forth in Division 10-40.20 (Establishment and Designation of Zones) of the Zoning Code; and a recommendation on whether the amendment should be granted or denied.

A Zoning Code Text Amendment shall be evaluated based on the following findings:

A. Finding #1:

The proposed amendment is consistent with and conforms to the objectives and policies of the General Plan and any applicable specific plan;

Flagstaff Regional Plan 2030

Policy LU.1.10. Consider adaptive reuse possibilities when new big box developments are proposed.

Goal LU.10. Increase the proportion of urban neighborhoods to achieve walkable, compact growth.

Policy LU.10.6. In mixed use developments, encourage residential uses located above and behind commercial uses within urban areas as well as a variety of housing types where appropriate.

Policy LU.15.2. Consider the compatible integration of residential uses and proposed employment centers to reduce vehicle trips and commute times.

Policy LU.18.8. Increase residential densities, live-work units, and home occupations within the activity center's pedestrian shed.

Policy LU.18.12. Corridors should focus commercial development to the corridor frontage and residential to the back.

Policy CC.2.9. Strengthen the City's historic preservation and adaptive reuse programs by increasing funding for further inventories, grants to property owners, and education campaigns, especially, where the underlying Zoning for the historic resource put it at risk.

Policy CC.2.10. Educate the community and developers on the benefits of adaptive reuse and create policies to incentivize the reuse of historic buildings to maintain their integrity.

Policy NH.2.1. Encourage the rehabilitation of historic downtown structures and contextual new structures as office, retail, entertainment, and residential space to reinvigorate the area as a destination of culture, shopping, government, and the arts.

The above referenced goals and policies show general support for allowing residential uses in commercial and Public Facility zones and supporting or incentivizing adaptive reuse projects. There are no policies in the Regional Plan that support the reduction of parking.

10-Year Housing Plan

Create 1: Incentivize the creation of affordable units through various programs and mechanisms.

Create 1.1: Ensure that modifications to the zoning code improve and maintain the effectiveness of the density incentives for affordable housing.

Create 1.2: Update the City's affordable housing incentive policy to implement the goals and policies of the 10-Year Housing Plan.

Create 1.3: Amend the City code to implement the revised affordable housing incentive policy.

Preserve 1: Encourage the adaptive reuse of buildings.

Preserve 1.2: Review the Land use Goals and Policies in the Regional Plan, Specific Plans, and City code to remove barriers to adaptive reuse for the creation of affordable housing.

Carbon Neutrality Plan

HA-1: Create housing options for households at all income levels and family sizes occupied by local residents.

HA-2: Connect people to equitable housing solutions.

HA-3: Preserve affordable housing.

B. Finding #2

The proposed amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the City;

The proposed amendment is intended to enhance public health and safety by incentivizing the contribution of affordable housing units as defined by the Zoning Code. In addition, the amendment incentivizes the reuse of existing commercial buildings for residential development by minimizing site improvement requirements including parking, landscaping, architectural design standards, and site planning design standards. Lastly, the amendment includes provisions for nonresidential adaptive reuse projects that reduce the amount of on-site parking requirements.

C. Finding #3

The proposed amendment is internally consistent with other applicable provisions of this Zoning Code.

The amendment is internally consistent with the existing Zoning Code, following its format and aligning with its comprehensive purpose. It does not conflict with any other provisions and ensures that the Zoning Code remains clear, usable, and easily understood.

III. CITIZEN PARTICIPATION

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 July 26, 2025, which is 18 days before the scheduled meeting date. Staff held a community open house on this amendment on June 5, 2025.

As of the date of this memorandum, staff has not received public comments on the proposed amendment.

IV. PLANNING AND ZONING COMMISSION WORK SESSION

At the Planning and Zoning Commission Work Session on June 25, 2025, staff reviewed the proposed Zoning Code Text Amendment application with the Commission.

Attachments:

1. Draft of Case No. PZ-25-00041 – Single Use Residential in the Commercial and Public Facility Zones & Adaptive Reuse Incentives