



**DATE:** November 25, 2024  
**TO:** Planning & Zoning Board  
**THROUGH:** Nana Appiah, Development Services Director  
Mary Kopaskie-Brown, Planning Director  
**FROM:** Rachel Nettles, Assistant Planning Director  
**SUBJECT:** Mesa Zoning Ordinance text amendment (**Adaptive Reuse**)- Proposed amendments to Chapters 6, 7, 8, 81, and 87 of Title 11 of the Mesa City Code.

**RECOMMENDATION:**

Staff recommends that the Mesa City Council adopt the proposed Mesa Zoning Ordinance (MZO) Adaptive Reuse text amendments.

**PURPOSE:**

The proposed text amendments attached as Exhibit 1 (Adaptive Reuse Ordinance) address state legislation (House Bill 2297) that was passed in 2024. House Bill 2297 requires municipalities with a population of 150,000 or more to allow multi-family residential development or adaptive reuse on not more than 10% of the total existing commercial, office, or mixed-use buildings without requiring a rezone, or any other application that would require a public hearing.

The proposed text amendments which affect Chapters 6, 7, 8, 81, and 87 of MZO: (1) Create definitions for Adaptive Reuse; Adaptive Reuse Permit; Existing Commercial, Office, and Mixed-use Buildings; Low-Income Housing; Moderate-Income Housing; and Multiple Residence Reuse. (2) Add Chapter 81: Adaptive Reuse Permit; and (3) Amend land use tables to allow for multiple residence use buildings with approval of an Adaptive Reuse Permit.

**BACKGROUND:**

On October 23, 2024, the Planning and Zoning Board recommended approval of the Adaptive Reuse text amendments to City Council. On October 24, 2024, staff received additional clarification on the Bill that indicated that multiple residence uses are required for any Adaptive Reuse project under HB 2297; Multiple Residence projects already required the residential use. Staff revised the proposed ordinance to require residential uses as part of all Adaptive Reuse projects and are seeking the Planning and Zoning Board's recommendation to City Council.

On April 10, 2024, Governor Hobbs signed House Bill 2297 (HB 2297) into law. HB 2297 requires municipalities with a population of 150,000 or more to establish objective standards on or before January 1, 2025, to allow multi-family residential development or adaptive reuse on not more than 10% of the total existing commercial, office, or mixed-use buildings within the municipality without requiring a rezone, or any other application that would require a public hearing.

HB 2297 does not apply to land that is designated as a Historic District or Historic Landmark; land in the territory of a military airport or ancillary military facility; or land in the vicinity of a commercially licensed airport, general aviation airport, or a public airport.

In addition to the areas specified by HB 2297, municipalities may designate no more than 10% of existing commercial, office, or mixed-use buildings as “Commercial or Employment Hubs” which may also be excluded from the provisions of the Bill. The remainder of the existing commercial, office, or mixed-use buildings within a municipality would be eligible for multi-family residential development or adaptive reuse under certain provisions.

For multi-family residential development or adaptive reuse, HB 2297 states that a municipality shall require but may not require more than the following:

- Site Plan Review, including site plan review by a utility provider impacted by the proposed development
- Adequate public sewer and water service for the entire development.
- Compliance with all Building and Fire Codes.
- That the existing building is economically or functionally obsolete.
- That the existing building is located on a parcel or parcels that are at least one acre but no more than 20 acres in size.
- That 10% of total dwelling units is set aside for either moderate-income housing, low-income housing, or a combination thereof for at least 20 years after the initial occupation of the proposed development.
- Municipalities may not require more parking than other multi-family residential buildings or adaptive reuse buildings under the existing Zoning Code.
- For multi-family residential development-
  - The demolition of all or a portion of the existing commercial, office, or mixed-use building is allowed.
  - Setbacks requirements may not exceed what is required in the existing Zoning Code for multi-family buildings.
  - The maximum height and density shall be equal to the highest allowable multi-family height and density for a multi-family zoning district in one mile of the building to be redeveloped. If there is no multi-family zoning district within one mile of the building being redeveloped, the maximum height and density shall be equal to the next closest multi-family zoning district.
  - The maximum height may not exceed five stories.
  - A municipality may limit the height to two stories in the area of the site within 100 feet of a single-family residential zone.
- For other adaptive reuse development-
  - The demolition of a portion of the existing commercial, office, or mixed-use building is allowed.
  - Setback requirements for the proposed use shall apply.
  - If the existing setback is less than the minimum setback required for the use, the building shall be considered non-conforming.

- If the existing building height is taller than the maximum allowed height, the building shall be considered non-conforming and may be expanded.

## **SUMMARY OF THE AMENDMENTS AND EXPLANATION:**

### ***1) Create definitions for Adaptive Reuse; Adaptive Reuse Permit; Existing Commercial, Office, and Mixed-use Buildings; Low-Income Housing; Moderate-Income Housing; and Multiple Residence Reuse.***

The proposed text amendments contain terminology that was either defined within HB 2297 or created to address certain aspects of the Bill. The following definitions are recommended to be added to Chapter 87: Definitions:

**Adaptive Reuse.** Conversion of an Existing Commercial, Office, Or Mixed-Use Building from the use for which it was constructed to a new use by maintaining some or all of the elements of the building and which must include a residential use component.

**Adaptive Reuse Permit.** Permit issued for an Existing Commercial, Office, or Mixed-Use Building for the building to be redeveloped as a multi-family residential development or Adaptive Reuse.

**Existing Commercial, Office, or Mixed-Use Building.** A building whose primary use is a club or lodge, day care center, government office, hospital, clinic, Commercial land use listed in Section 11-86-4, or a Mixed-use land use listed in Section 11-86-8 of this Ordinance.

**Low-income Housing.** A housing unit available for sale or rent, the cost of which does not exceed 30% of the household income for a person(s) whose income is 80% or less than the area median income.

**Moderate-income Housing.** A housing unit available for sale or rent, the cost of which does not exceed 30% of the household income for a person(s) whose income is 130% or less than the area median income.

**Multiple Residence Reuse.** Conversion of an Existing Commercial, Office, Or Mixed-Use Building from the use for which it was constructed to “multi-family residential development” as that term is defined in A.R.S. § 9-462.10(H).

### ***2) Add Chapter 81: Adaptive Reuse Permit.***

HB 2297 requires municipalities to adopt objective standards to allow for multi-family development and adaptive reuse in compliance with the Bill. Staff recommends creating an Adaptive Reuse Permit, the process and the applicable standards for which are outlined in Chapter 81: Adaptive Reuse Permit.

The Adaptive Reuse Permit would be an administrative process, providing for site plan review and entitlement of qualifying projects.

Eligibility:

In accordance with HB 2297, for a building to qualify for an Adaptive Reuse Permit it must be: 1) located outside of a restricted area as identified in the proposed amendments; 2) located on a parcel or parcels at least one acre but no more than 20 acres in size; 3) the building must be an existing Commercial, Office, or Mixed-Use Building as defined in Chapter 87 of the MZO; 4) the building must be in a state of disrepair or have 50% vacancy in the total leasable square footage; and 5) ten percent (10%) or more of the total dwelling units must be set aside for moderate-income housing, low-income housing, or a combination thereof for a period of at least 20 years.

#### Applicability:

If a proposed project qualifies for an Adaptive Reuse Permit, all or a portion of the building, in its current state, may be reused, or a portion of the building may be demolished to allow for its adaptive reuse.

If the entire building is being adaptively reused for a multi-family use, the entire building may be demolished and rebuilt.

#### Application Cap, Tracking, and Reporting:

Per HB 2297, municipalities must allow for 10% of the existing commercial, office, and mixed-use buildings within the municipality to be used for adaptive reuse. Currently there are 2024 existing commercial, office, and mixed-use buildings within the City of Mesa. Therefore, using the proposed Adaptive Reuse Permit, no more than 202 existing commercial, office, or mixed-use buildings may be redeveloped.

To ensure compliance with HB 2297's requirement that 10% of dwelling units be reserved for moderate and low-income housing, the applicant must provide the City with a deed restriction, restrictive covenant, or other restriction or guarantee that 10% of the total housing units will be reserved for moderate-income housing, low-income housing, or a combination, for a period of 20 years from the issuance of a certificate of occupancy.

The applicant must provide the City an annual report demonstrating compliance.

#### Land Use:

Projects qualifying for an Adaptive Reuse Permit are subject to the permitted, conditional, and restricted land uses per the underlying zoning district; except that multiple residential uses do not require a Council Use Permit and do not have to adhere to the commercial/residential mix ratios of Section 11-31-31.

#### Development Standards:

HB 2297 has different requirements for how municipalities can regulate the development of Multiple Residence Reuse versus other Adaptive Reuse projects.

For Multiple Residential Reuse, the development standards will be based on the development standards for the highest density Multiple Residence Base Zoning District within one mile of the qualifying site. If there is no Multiple Residence Base Zoning District within a one-mile radius, then the standards are based on the next closed Multiple Residence Base Zoning District. However, HB 2297 imposes additional height restrictions stating that in no case may a multiple-family adaptive reuse project exceed five stories in height, and if the proposed project or part of the

proposed project is within 100 feet of a Single Residence Zoning District, it may be no more than two stories in height.

All other Adaptive Reuse Permits are subject to the development standards of the underlying zoning district except in the case of non-conforming structures. For both Multiple Residence Reuse and Adaptive Reuse projects, buildings with non-conforming heights or setbacks may remain and may be expanded to a height matching the existing building height or expanded with a setback matching the existing building setback.

**3) *Amend land use tables to allow for multiple residence use of buildings with approval of an Adaptive Reuse Permit***

HB 2297 requires that multi-family residential be permitted in up to 10% of existing commercial, office, and mixed-use buildings that qualify for adaptive reuse under the provisions of the Bill.

Multiple Residence uses are currently permitted in some Commercial Districts; however, they must be part of a mixed-use development and comply with certain commercial-to-residential mix ratios per Section 11-31-31 of the MZO or receive approval of a Council Use Permit. Multiple Residence uses are not permitted in Industrial Districts and only permitted in some Downtown Districts.

HB 2297 refers to the use of buildings, rather than zoning, for identifying where adaptive reuse may take place. Since commercial, office, or mixed-use buildings may exist in either commercial, industrial, or downtown zoning districts, the provision for allowing multi-family uses without requiring a rezone or any other process that requires a public hearing must be addressed in these class of zoning districts.

The proposed text amendments modify Table 11-6-2: Commercial Districts, Table 11-7-2: Employment Districts, and Table 11-8-3: Downtown Districts, adding Multiple Residential use as a permitted use with a footnote that requires approval of an Adaptive Reuse Permit.

**IMPLEMENTATION:**

Staff recommends the ordinance approving the proposed text amendments become effective 30 days from the date of City Council approval.

**Exhibits:**

Exhibit 1 – Adaptive Reuse Ordinance

Exhibit 2 – HB 2297