

Housing Crunch Threatens Reno's Tech Boom

April 20, 2017

By Jim Carlton. [Wall Street Journal](#), jim.carlton@wsj.com

RENO, Nev. -- When a development company here acquired in 2015 a ranch once owned by a casino magnate, managing partner Chip Bowlby thought homes could be quickly built on the land to help meet the demands of a historic jobs boom. But nearly two years later, the project of 691 homes at the late Bill Harrah's Rancharra property remains tied up in permitting, even as the inventory of homes in Reno is drying up amid soaring sales.

"We can sell everything we build," said Mr. Bowlby of Reno Land Development Co., which is selling other homes as Rancharra awaits final approval within weeks. "It's limitless with the demand now." During the 2007-2009 recession, Reno was a poster child for the risks of overbuilding. Now, Nevada's second-largest city is facing what many local business officials call a looming housing crisis after enticing Tesla Motors Inc. and scores of other technology companies to open manufacturing facilities here in recent years.

Part of the problem stems from the recession itself. The city of Reno cut its workforce by a third during the downturn, and a current lack of staffing is contributing to delays in securing permits, according to the city's mayor.

The latest sign of the boom came on Friday, when Alphabet Inc. unit Google bought 1,210 acres at the Tahoe Reno Industrial Center, where it aims to eventually build a data center. Reno has emerged as a tech manufacturing hub, as local officials have cleared a regulatory path and as the state has offered hundreds of millions in tax breaks for companies willing to invest. Nevada's "Biggest Little City in the World" features a comparatively low cost of living and proximity to Silicon Valley.

But the city is struggling to keep up with its own success. The labor market is so tight that economists say Reno needs to count on workers moving in to fill many of the new jobs. Reno's unemployment rate was 4.6% in February. The nationwide average that month was 4.7%. Since 2012, about 30,000 jobs have been created in the Reno metro area, according to the Economic Development Authority of Western Nevada, with another 30,000 expected by the end of the decade. Those figures don't include the Google deal, whose projected job numbers haven't yet been disclosed.

In that same period, building permits have been issued for about 8,600 single-family homes and apartments in Washoe County, which includes most of the greater Reno-Sparks metropolitan area of a half-million people. The yearly average of 2,500 now is half the average during Reno's last boom in the early 2000s.

The imbalance between supply and demand has driven the median price of an existing single-family home to \$320,000 as of February, more than double from \$145,500 in the same month in 2012, according to the Reno/Sparks Association of Realtors.

The national median sale price for existing homes in February was \$228,400, according to the National Association of Realtors. In Los Angeles County, it was \$470,060; in San Diego County, it was \$559,950; and in Santa Clara County, it was \$1.1 million, according to the California Association of Realtors.

A decline in apartment vacancies to 2.9% at the end of 2016 has sent average monthly rents climbing to \$1,066 from \$822 in 2012, when vacancies were 5.6%, according to the most recent quarterly Johnson Perkins Griffin LLC apartment survey.

Many business leaders warn of an imminent housing shortage that could damp the economic boom. Permitting now takes 2 1/2 years. Builders say 18 months is a more typical span. "This will be a serious crisis if we don't address it quickly," said Mike Kazmierski, president and chief executive officer of the Economic Development Authority of Western Nevada.

Companies are taking unusual measures to cope. Tesla and partner Panasonic Corp. have arranged to rent dormitory rooms at the University of Nevada, Reno, this summer to temporarily house 800 workers for Tesla's big battery factory here, said Marc Johnson, president of the school. Tesla didn't respond to requests for comment.

Reno Mayor Hillary Schieve is forming a housing task force to help relieve the problem. While the city is still getting back on its feet financially after the recession, local agencies can do a better job of trying to process permits in a more timely fashion, she said. She rejected calls by some builders for more radical streamlining. "We want to do it not necessarily fast, but right," Ms. Schieve said.

Some builders still feel burned from the last recession, when unemployment soared to 14%. Membership in the Builders Association of Northern Nevada imploded, from 900 before the recession to 400 afterward, and increased for the first time last year to 430, said executive director Don Tatro. "People that got big before the crash shrank that, and they're not willing to leverage themselves," Mr. Tatro said. Reno builder Perry Di Loreto said he has lived through five boom-and-bust cycles and is in no hurry to overextend himself. "My view is we are in another boom period, but that doesn't mean you throw caution to the wind," said the 70-year-old Mr. Di Loreto, who plans to build the same 100 homes this year as he has every year since 2013.

Community leaders believe Reno will resolve problems associated with its boom, which they say many other cities would love to have. "We have growing pains," said the University of Nevada's Mr. Johnson, "but they are good pains to have."