PLANNING & ZONING DIVISION

CLACKAMAS COUNTY

DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT

DEVELOPMENT SERVICES BUILDING
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To: Land Use Housing Strategies Working Group #1

From: Martha Fritzie, Principal Planner

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RE: ZDO-277: Land Use Housing Strategies project, Phase 1 strategies update

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The following includes a brief summary of what staff has heard to date regarding potential amendments to the county's Zoning & Development Ordinance (ZDO) related to the three strategies identified in Phase 1 of the Land Use Housing Strategies project. The feedback summarized below came primarily from two sources:

- 461 responses to a survey posted online for the public to access between December 9 and December 31, 2020; and
- Discussions at prior Working Group meetings that occurred on September 2 and October 21, 2020.

In addition to the summary information, staff outlines recommendations for zoning code amendments and some initial analysis completed to understand potential implications of the amendments on the ability to provide more housing stock in the urban unincorporated areas of the county.

A. <u>Maximum Density for Multifamily C-3, CC, OC and RTL Zones</u> - *Consider increasing or removing maximum density requirements for multifamily developments in commercial zoning districts.*

In general, there appears to be very little support for removing the maximum density for multifamily developments in urban commercial areas, but there is some support for increasing density to allow for more units to be developed. Additionally, there appears to be mixed support for treating affordable housing different via density, with more support for specific bonuses for affordable housing.

- Working Group members expressed concerns about implications for property values and affordability if densities were completely removed.
- Very little support was expressed for removing maximum density (either for all developments or for affordable developments) among survey respondents also:
    - 93% preferred five or fewer stories for multifamily buildings in urban commercial areas
    - Approx. 51%-67% disagreed or strongly disagreed with eliminating density or allowing an increase in density that could result in "higher-rise", 5-8 story buildings
    - A number of comments were included that expressed infrastructure concerns with higher density housing
- Working Group members generally supported increases in density allowances; some supported removal of maximum density for affordable units.
- Approx. 47% - 48% of survey respondents agreed or strongly agreed with keeping density the same or increasing density to allow for up to 5 stories, or "mid-rise" buildings.

Other considerations:

- Staff has heard from various developers that the density needs to increase above the 25 du/acre for developments to be financially feasible, to get units actually built.
- As noted in the memo from Abe Moland, Health and Transportation Impact Planner (*Attachment 2* in meeting packet), providing more housing proximate to essential services has direct impacts on health outcomes for individuals and increased availability of a variety of housing options has direct positive impacts on community health.
- Based on the "scenario" planning done for the Park Avenue Station Area (PASA), a five story building may be able to accommodate as much as 100 DU/acre (although this assumes a lower parking requirement in order to site the building and meet all standards)
- There are three commercial zones in the urban unincorporated area that have no maximum density requirement for multifamily development and in those areas recent projects have been built at approx. 40-48 DU/acre and are 4-5 stories (all built at current or slightly reduced parking ratios)
- The minimum density in HDR (to which the applicable commercial zones are tied) is currently 90% of maximum. This minimum density applies to freestanding multifamily developments in the applicable commercial zones, but not those developed as part of a mixed-use development. Consideration will need to be given to whether this is an appropriate minimum density if the maximum is raised and if not, what would be an appropriate minimum.

Staff recommendations:

- Increase allowed density for multifamily developments in the applicable commercial zones.
- The key to this increase will be to determine what the right maximum is that would provide for financially feasible projects, while limiting size and scale of buildings to something that would be acceptable to community/neighborhood. Planning staff proposes to start the conversation at 45-60 DU/acre. Increasing this density would include a fairly simple set of Zoning & Development Code (ZDO) amendments to Section 510, Urban Commercial and Mixed-Use Zoning Districts, with accompanying amendments to Section 1012, Density.
- Create incentives for affordable units by changing the affordable housing bonuses (see *Affordable Housing Bonus* section of this memo).

Initial analysis:

- Based on vacant and partially vacant commercial lands identified by Metro's most recent BLI, up to approximately 560 new dwelling units could be built at current densities (25 DU/acre) on this land.
  - Increasing density to 45 du/acre could result in up to approximately 1,020 new units
  - Increasing density to 60 DU/acre could result in up to approximately 1,360 new units
  - This analysis does not account for redevelopment of any existing sites
- Additional analyses will need to be done to understand if this increase would generate other significant impacts, but even if one were to assume 100% of these units were built, this represents an increase of less than 2% over existing housing stock in the urban unincorporated area, not likely to be a significant increase from an infrastructure standpoint and initial review of local school district projects indicates that schools in the developed portions of the urban area had been

generally experiencing flat or even negative growth over following 2008 recession, from 2011-2013 but are anticipating growth to increase some through 2030 and new housing units may be needed to accommodate this growth.

- Staff's general conclusion is that is that increasing density allowances by 20 to 35 DU/acre over what is currently allowed could help generate as many as 500 to 800 additional housing units that would be near commercial services, which is desirable for accessibility to jobs, goods and services, health outcomes, and transit, but this strategy will not, by itself, solve all the housing deficit identified in the county's Housing Needs Analysis (HNA) or the total need identified in the Board of County Commissioners (BCC) strategic plan.

B. Required Parking (Multifamily Developments) - *Consider creating a hierarchy of minimum parking standards based on proximity to transit and/or dwelling unit affordability*

Based on survey results, there is some, but not a lot of, public support for reducing parking for multifamily developments; however, there has been general support among Working Group members for providing for lower multifamily parking requirements, at least for certain developments - those near transit and/or those serving low income households.

- Working Group members recognize that parking adds to the expense of a development and, if they are not needed, having to provide fewer parking spots can increase the overall affordability of a multifamily development and could enable more units to be built on a particular site. There is also a recognition that proximity to frequent transit and household income levels affect car ownership and usage and therefore affects needed parking.
- However, Working Group members also expressed concerns about the implications of providing too little parking, including potential impacts to residential neighborhood streets. In addition, there is a recognition that along the commercial corridors in the unincorporated urban areas lack connecting streets with on-street parking.
- Based on survey responses, there does not appear to be strong support for reducing parking; however, it should be noted that many survey respondents made reference to Portland and multifamily developments built with no off-street parking, something which is not even under consideration with this project. There appears to be a little more support for having lower parking requirements near transit than for lower-income households:
    - Only approx. 24% of respondents agreed or strongly agreed that the number of parking spaces should be reduced for multifamily units built for low-income households and/or senior adults; while approx. 37% agreed or strongly agreed that is should be reduced for multifamily units built near major transit stations and/or commercial services.
    - Interestingly though, only approx. 48% agreed or strongly agreed that the amount of parking should remain the same as it is now.

Other considerations:

- Data summarized previously by staff and data provided in the memorandum found in *Attachment 2*, all suggests that car ownership and parking needs among households with low incomes may be as much as 40% lower than the minimums currently required under the ZDO. Senior households, particularly those with extremely low incomes, may have even lower parking needs.

- Data also shows that proximity to a light rail station can reduce, but does not necessarily eliminate the need for a car.
- Strategies to reduce car-dependency can help reduce negative health impacts associated with climate change.
- Reduced parking would likely only result in more units being developed if used in conjunction with increased density and, in fact, it may be needed for many urban sites to achieve higher densities because of site constraints and the financial implications having to construct structures parking if the parking requirements are too high.

Staff recommendations:

- Amend the ZDO to include a slightly lower required parking ratio for general multifamily development, but maintain an average of at least 1 space per unit. Add a parking requirement for studio/0 bedroom units.

	Minimum parking spaces per unit	
	Current	**Option**
3+ bedroom	1.75	1.5
2 bedroom	1.5	1.25
0-1 bedroom	1.25*	1.0

* No parking ratio currently exists in the ZDO for studio/0 bedroom units

- Include a provision to allow for a 20% reduction over required parking ratio for developments that are age-restricted to households over age 55.
- Provide for a reduced required parking ratio for units guaranteed to be affordable and those within proximity of a light rail station in one of two ways:
  - Option 1: A fixed hierarchy. Add a specific parking ratio for each situation in which a reduction could be obtained.

	Minimum parking spaces per multifamily unit		
	Units at 31%-60% MFI (20% reduction)	Units at <30% MFI (40% reduction)	Market rate units within ¼ mile of a light rail station*
3+ bedroom	1.2	0.9	0.8
2 bedroom	1.0	0.8	0.8
0-1 bedroom	0.8	0.6	0.8

*Note: This is consistent with the draft Park Avenue Station Area (PASA) amendments, which has a proposed ratio of 1 space per unit within the station area, but provides for a 20% reductions if within ¼-mile of the station area. This proposal, however, would make this parking ratio applicable to the other light rail stations in the unincorporated area. Parking ratios for affordable housing would need to be reviewed for consistency among this proposal and PASA.

Option 2: Development-specific reductions. Add language for a parking reduction, to be determined on a case-by-case basis, based on study and or other evidence that fewer spaces are not needed, with a maximum overall reduction of no more than 40% (or some other specified amount). This option would require additional data to be provided at the time of application for land use approvals and may include an additional application fee for review.

Washington County' zoning ordinance provides an example for this option: *The minimum number of off-street parking spaces required by Section 413-6.1 may be reduced through the application of Sections 413-8.1 through 413-8.7. …. The total cumulative reduction to minimum off-street parking for residential developments shall not result in a ratio below one-half spaces per unit, except as allowed by Section 413-8.6.* The sections referenced include specific reductions based on proximity to major transit stops, vanpool/carpool spaces, additional bicycle spaces, shared parking agreements, or through a detailed parking analysis. It should be noted that Washington County has parking ratio of 0.75 spaces per unit for affordable units (at or under 80% MFI), which is lower than the general multifamily parking ratio that ranges from 1.0-1.5 spaces per unit.

- From a practical standpoint, the fixed hierarchy would be far easier, less subjective and fairer to administer and would create more predictability for a developer; although we do understand that it would provide less flexibility to users/applicants.
- Amendments to Section 1015, Parking and Loading, would be pretty straightforward and include changes to Table 1015-1. Given that the multifamily dwelling category in that table would also apply to areas outside the urban area that allow this type of development (specifically, in a few zones on Mt Hood), there will likely need to be a distinction between inside the Portland Metro UGB and outside.
- The ZDO currently allows developments in the commercial districts to include on-street parking spaces that abut the parcel being developed to count toward the required parking ratio. This provision would remain, as would other exceptions and current options for reducing the parking minimums like shared parking, electric charging stations and motorcycle parking (found in Section 1015.02(D)).

Initial analysis:

- Without the capability of running specific example development scenarios, it is difficult to ascertain actual impacts of a parking reduction on specific sites and particularly from a small change like is proposed for the overall parking ratio (only a .25 space/dwelling unit reduction for all unit types).
- For context, however, if one were to assume a 100-unit development were proposed, containing an all studio and one-bedroom units, at total of 125 spaces would currently need to be provided. Under the proposal:
    - If the development were market-rate, a total of 100 parking spaces would need to be provided. A typical range for surface parking stall is 300-350 square feet. Thus, a reduction of 25 parking stalls could mean approximately 8,000 SF of site area could be used for something else like additional units or additional common area/open space.

- If the development were near a light rail station or served low income households or seniors, the required amount of parking for a 100-unit development could be reduced to 60-80 stalls, this freeing up an additional 14,000 – 21,000 square feet, or roughly 1/3rd to ½ of an acre, of site area (over what would be required under our current code for parking) for additional units to be developed or more common area/ open space.

C. <u>Affordable Housing Bonus</u> - *Consider providing a tiered density bonus for inclusion of affordable housing*

The Working Group has spent a fair amount to time discussing affordable housing, including the need to incentivize or facilitate the development of more housing available to lower-income households. This may include very-low income households, earning less than 30% of the area's median family income (MFI), but may also include working households that earn up to 80% MFI. As such, there generally appears to be support among Working Group members to amend the county's affordable housing bonus to be more effective, although specific mechanisms to use have not been fully discussed yet.

When asked the question on the survey, support for higher bonuses for affordable housing was modest-just under 50% agreed or strongly agreed that a larger residential density bonus should be provided for affordable housing. Not surprisingly (given the answers to the previous question), when given the option to not change the affordable housing bonus, but reduce the parking requirement, three-quarters (75.1%) of the respondents disagreed or strongly disagreed. And after reading the comments left in the survey, though, a few things became apparent:

1. The options given for this questions were confusing and perhaps incomplete.
2. There is public support for finding ways to provide and even to require affordable housing be built with developments, especially as a part of a mixed-income developments and/or communities with access to parks and greenspace.
3. There is also a fair amount of concern about perceived negative impacts of adding more affordable housing to certain communities as well as taking away green spaces/open spaces for this additional housing.

As such, staff understands that this is not a simple issue and there is no simple answer. We do know that the current bonus for affordable housing is ineffective, at least in part because it does not provide enough of an incentive to generate enough additional units to effectively "move the needle" on the deficit of housing units available to low and very low income households.

Other considerations:

- The county's density bonus applies to all urban residential zoning districts but applies differently to the low density (single-family) zoning districts. Most of the discussion with the Working Group so far has been focused on the bonus for multifamily developments in urban zoning districts. Table 1012-1: Bonus Density, could be amended to address the density in these multifamily districts, while not changing the bonus in single family districts. This may be appropriate at this time because the Urban Low Density residential Districts will be the focus of the Phase II work in the Housing Strategies project, and specifically the code amendments related to the "middle housing" bill, HB 2001 and that may be a better time to discuss whether this bonus should change in those districts. Section 1012 of the ZDO currently allows for bonus density as follows:

Bonus Category	**Maximum Increase in the HR and Urban Low Density Residential Districts**	**Maximum Increase in the HDR, MR-1, MR-2, MRR, and PMD Districts**
Affordable Housing: Dwelling units qualifying and approved for housing for low-income families or for the elderly under a federal, state, or local program will be provided in the development.	One dwelling unit per affordable dwelling unit up to 5 percent of the base density	One dwelling unit per affordable dwelling unit up to 8 percent of the base density

- Depending on how high the county is willing to make the maximum bonus, providing a bonus for affordable housing could have a meaningful impact on the number of new units developed, but it is likely that, in many locations, these higher densities could only be achieved on sites and meet all applicable development standards if less parking can be provided.

Staff recommendation:

- Staff recommends increasing the bonus – or number of additional units above the maximum density – that could be approved in a multifamily development with units.
- Staff also recommends including a specific income level (in terms of % MFI) that the units would need to be maintained at in order to qualify for this bonus and amending the table to be clear that this bonus would apply to multifamily developments in commercial zoning districts.
- The simplest amendment to make would be to just increase the maximum increase in the multifamily districts from 8% up to another set amount, for example 25%. However, there are two options for "sliding scale" bonuses that may provide more incentive to developers to produce more affordable units:
    - <u>Option 1: Scaled bonus based on affordability level of units.</u> Under this option, a larger bonus would be offered for units that serve lower income households. For example, for units affordable at or below 30% MFI, a developer would get a maximum of a 50% increase over the base density, but for units at 60% MFI, the developer would get a 10% maximum bonus on the base density. This is a frequently-used method both to try to incentivize the production of units affordable to the households with the lowest incomes.
    - <u>Option 2: Scaled bonus based percentage of affordable units in a development</u>. Amendments to Table 1012-2 could be structured similar to the City of Bend, which offers a higher density bonus for projects that provide a higher proportion of units at affordable rents or sales prices: *Projects that are providing up to 50% of the units as affordable (targeting 80% of Area Median Income for ownership projects, 60% of AMI for rental projects) are allowed to go to 1.5 of the base density for that zone. It has a decreasing scale of 1.4 for 40% affordable, 1.3 for 30%, etc.* In other words, if a project is proposing that half (50%) of the units in a development are guaranteed to be affordable, then that project can build up to 50% more units than if the development were all market-rate. If the project is

proposing to make 30% of the units affordable, then it could build 30% more units on top of the base density.

It should be noted that Bend also couples this bonus with a reduced parking requirement for multifamily development at 60% MFI of under, with 1 space per unit required instead of 1.5.

Initial analysis:

- The current bonus for providing affordable housing is so low that it is rarely used and, even when used, produces a nominal number of additional units.
- Listed multifamily zoning districts in which this would apply have a maximum density that ranges from 12 to 25 DU/acre. Increasing the maximum bonus for these districts, even as high as 50% would still result in maximum density allowances well below what is being considered for the commercial zones.
- Without feedback from affordable housing developers, it is difficult to determine which option would provide the best incentive to the production of more affordable units. However, considering that the need is generally highest at the lowest affordability levels and that providing affordable housing in a mixed-income environment seems to be the preference of survey respondents and Working Group members, staff would lean toward Option 1. Option 1 rewards lower-priced units, whereas Option 2 rewards developments with a greater number of affordable units overall.