Plan Commission Housing Work Group

Wednesday, September 13, 2023 | 1:00 PM
Hybrid: Online & Council Briefing Center
808 W Spokane Falls Blvd, Spokane, WA 99201

Agenda:

1:00 – 1:30	1. Building Opportunity for Housing – Development feasibility review	**Tim Thompson & KayCee Downey**

Adjournment: The next Housing Work Group meeting will be held on Wednesday, September 27, 2023

Virtual Meeting Link - See Below For Information

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City of Spokane Building Opportunity for Housing Phase II

Development Feasibility Review & Analysis Memo

Date September 5, 2023

To City of Spokane Residential Code Update Project Management Team

From David Fiske, Jennifer Schuch and Chris Zahas, Leland Consulting Group

CC Matt Hastie, Kate Rogers and Brandon Crawford, MIG | APG

Purpose

Between May and August 2023, Leland Consulting Group (LCG) worked together with City of Spokane staff, in consultation with MIG | APG, to assess potential changes to the City of Spokane Municipal Code (SMC) as a part of the Spokane Building Opportunity for Housing (BOH) Phase II project. The primary purpose of this memo is to summarize LCG's findings from this assessment, and to provide a development feasibility perspective of draft recommended Code changes to the SMC with the goal of helping to ensure market viability and a reduction of barriers to new housing construction for any permanent Code changes, with a particular focus on the production of middle housing types.

Overview

In May 2023, MIG | APG issued a memorandum recommending permanent changes to the SMC that would incorporate the City's Interim Housing Regulations (SMC 17C.400), also known as Building Opportunity and Choices for All (BOCA), into other Code sections, with most changes proposed to provisions of Chapter 17C.110 Residential Zones. This memo focuses on the recommendations made in that previous memo, as well as additional recommendations proposed by City staff and MIG | APG that would further update the SMC beyond what currently exists in BOCA, with a particular focus on how they may impact development feasibility. In addition, this memo summarizes key insights gained from stakeholder interviews conducted by City staff and LCG with members of the Spokane residential development community about their experience working with the interim BOCA standards, and potential barriers or opportunities related to housing production.

The following memo is organized into three parts:

I. Development feasibility review of draft code changes
II. Summary of findings from stakeholder interviews
III. Further consideration in regulating the size of single-unit dwellings

I. Development feasibility review of draft code changes

Most of the recommended changes to Spokane's residential zones will have positive outcomes on development feasibility. The permanent implementation of the BOCA interim regulations, along with the additional changes recommended to site controls in residential zones, will lead to the removal of many existing barriers to middle housing types throughout the City of Spokane. However, certain recommendations will have particular impacts on development feasibility. The following topics are highlighted for consideration:

- Removal of density restrictions
- Maximum building coverage
- Maximum building height
- Outdoor area requirements
- Lot width and access for attached housing
- Effectiveness of density transfer
- Incentives for affordable housing

Assumptions

The following feasibility findings are based on a high-level analysis of the draft recommended development standards in the Community Review Draft of the proposed SMC amendments. These standards apply to residential zones RA, RSF, RTF, RMF and RHD zones. For this analysis, RA was excluded, as it accounts for a very small percentage of residential land within the city.

In addition to these standards, the existing parking minimums of 1 parking space per unit (assuming units are not larger than 3 bedrooms), as stated in table 17C.230-2 of the SMC, are used, though an assumption is also made for lots that qualify for Spokane's recent pilot program to remove parking requirements within ½ mile of transit. Parking is assumed to be surface, as structured or underground parking is typically cost prohibitive for middle housing types. Additionally, an 800 sq. ft. average unit size is assumed for all residential development based on an assessment of recent development in Spokane.

Due to the nature of citywide analyses of development standards, not all lot or building design considerations can be taken into account, and therefore, these findings provide a generalized assessment of outcomes for the recommended code. This analysis focuses on feasibility for new construction under the code, however, the preservation of existing structures along with the addition of new structures or housing units is also viable under these draft standards. Additionally, this assessment did not include any pro forma based financial analysis, so though the development outcomes and viable densities summarized below are achievable in terms of site layout, they do not necessarily represent what the market will provide in terms of new housing construction. The following addresses what *could* be built, not what *will*.

Removal of density restrictions

Consideration: The City is considering the removal of maximum density restrictions on all residential lots 2 acres or less, allowing building, site controls and other standards to control residential density. What potential unit counts could result?

Findings: From a general feasibility standpoint**, the removal of strict density regulations will increase flexibility for a developer**, and thus **increases the ways in which a housing project may become feasible**. Allowing a residential developer to increase the number of units, and to size the units according to their perception of the market, can provide the additional revenue needed to make a project financially viable. It is often the case that even adding one additional unit to a project can make a project feasible that otherwise wouldn't be.

With the removal of maximum density restrictions**, achievable densities will depend largely on the specific lot and form-based controls applied in residential zones, as well as the parking standards** applicable to a particular lot. Assuming the development standards cited above, **a duplex is the only feasible middle housing product on a minimum lot size of 1,800 sq. ft**. for RSF, RTF, RMF and RHD zones, but only when utilizing the **common outdoor area substitute** for private area of 200 sq. ft., as opposed to the 250 sq. ft. per unit required for private area.

If parking requirements are removed, a triplex becomes viable on a minimum lot size within these zones, even with the 250 sq. ft. open area per unit requirement.

When applying the same draft development standards to a more **standard Spokane lot size of 6,000 sq. ft.** (50 ft. x 120 ft.), anything up to **a sixplex becomes viable**, even when accounting for 1 parking space per unit, and the 250 sq. ft. open area requirement, though **parking access and location become a potential limiting factor** in this scenario (see below for more discussion on this topic). If parking requirements are removed, and the common area requirement is utilized, **it may be possible to accommodate up to eight units on one lot**. In these cases, it is assumed that the building would be built at three-stories, and the maximum building footprint of 2,450 sq. ft. is fully utilized. If the maximum allowable **building footprint were increased to 3,700 sq. ft., it is possible up to 12 units could be accommodated** with no allocation of parking.

A summary of potential housing densities is in the table below:

	Residential Zones			
Code Assumptions	**RSF**	**RTF**	**RMF**	**RHD**
1,800 sq. ft. minimum lot, 800 sq. ft. average unit size, 250 sq. ft. outdoor area per unit (48 sq. ft. for RHD), 1 parking space per unit				
Number of units	1	1	1	2
1,800 sq. ft. minimum lot, 800 sq. ft. average unit size, 200 sq. ft. outdoor area per unit (48 sq. ft. for RHD), 1 parking space per unit				
Number of units	2	2	2	2
1,800 sq. ft. minimum lot, 800 sq. ft. average unit size, 250 sq. ft. outdoor area per unit (48 sq. ft. for RHD), 0 parking spaces per unit				
Number of units	3	3	3	5
6,000 sq. ft. lot, 800 sq. ft. average unit size, 250 sq. ft. outdoor area per unit (48 sq. ft. for RHD), 1 parking space per unit				
Number of units	6	6	6	8
6,000 sq. ft. lot, 800 sq. ft. average unit size, 200 sq. ft. outdoor area per unit (48 sq. ft. for RHD), 1 parking space per unit				
Number of units	7	7	7	8
6,000 sq. ft. lot, 800 sq. ft. average unit size, 250 sq. ft. outdoor area per unit (48 sq. ft. for RHD), 0 parking spaces per unit				
Number of units	8	8	10*	16*
6,000 sq. ft. lot, 800 sq. ft. average unit size, common outdoor area optimized, 0 parking spaces per unit, increase maximum building footprint to 3,700 sq. ft. in RSF and RTF zones**				
Number of units	12	12	12	16
1 acre lot (43,560 sq. ft.), 800 sq. ft. average unit size, common outdoor area optimized, 0 parking spaces per unit**				
Number of units	N/A	N/A	96	122

*due to no restrictions on maximum building footprint

**combined 200 sq. ft. (first six units) and 150 sq. ft. (all units after six) for RMF

Maximum building coverage

Consideration: The City is considering recommending maximum building coverage of 65% in the RSF zone and 80% in the RTF zone for single-unit detached and middle housing. How might this affect development feasibility?

Findings: In the above analysis on potential densities, **building coverage is not a barrier to development**. Rather, on a minimum sized lot of 1,800 sq. ft., the open area and parking requirements limit development to three units in all zones but RHD. Simply put, **an 1,800 sq. ft. lot is likely not big enough to accommodate more than three units** without significantly decreasing the requirements for open area and parking.

On a more standard 6,000 sq. ft., lot, these factors are less limiting, with six 800 sq. ft. units feasible even with base parking and open area requirements. If parking requirements are removed, and open area optimized, eight units are feasible, with building coverage accounting for only 41% of the overall lot size. In this case**, the limiting factor is the maximum allowable building footprint of 2,450 sq. ft.**, as opposed to building coverage.

If attempting to maximize the building footprint for density, **a footprint of roughly 3,700 sq. ft., which is only 62% lot coverage,** is possible before bumping up against open area requirements and the total lot area. This footprint may make it feasible to build up to 12 units on a standard lot if there is no off-street parking. However, if a builder decided to build multiple structures on the same lot (or add an additional structure to a lot with an existing building), the maximum building coverage of 65% could be a limiting factor, in which case it could encourage the lot to be split.

Maximum building height

Consideration: The City is considering recommending maximum height requirements of 40 ft. in all residential zones excluding RA. How might this affect development feasibility?

Findings: For RSF and RTF zones, a **40 ft. base height limit seems reasonable for accommodating middle housing types that may go to three-stories**. For example, a three-story townhome (garage or surface parked), or a three-story 8-to-12-plex, would require such heights.

In the RMF zone, which under current code has a stated intent of, "allowed housing [that] is characterized by one to four story structures…" (SMC 17C.110.030), **a 40 ft. height limit would prevent a four-story structure from being built by right**. In the RHD zone, which is meant to accommodate medium and high-rise apartments, 40 ft. would limit development considerably. With this base height, the code would disallow certain types of apartments that are typical for the region, including 5-over-1 or 5-over-2 podium-style mixed-use development, as well as less expensive four-story walk-up apartments, or single-staircase/point access block housing.

While considerable density can still be achieved with three-story development that will accommodate many middle housing types, **a 40 ft. height limit objectively reduces the options that developers have at their disposal for more intensive multi-unit development, and therefore may reduce the overall housing production in the city.**

Outdoor area requirements

Consideration: The City is considering recommending outdoor area requirements of 250 sq. ft. per unit, with reduced minimums if common outdoor area is provided. How may this affect development feasibility?

Findings: In the above analysis on potential densities**, outdoor area requirements are one of the primary limiting factors (along with parking) to density**, and therefore potential feasibility of a housing project. On a minimum lot size of 1,800 sq. ft., open area minimums of 250 sq. ft. per unit reduces the potential for anything more than a duplex. The reduction to 200 sq. ft. per unit if provided as common outdoor area does not have a major effect on density. **Only when removing parking minimums does it become possible to achieve more than two units on a minimum lot**.

On a standard lot of 6,000 sq. ft., the open area requirements don't appear to limit development in a major way, and the option to create a common outdoor area allows further flexibility to developers, which may positively impact feasibility.

Lot width, access and parking for attached housing

Consideration: The BOCA regulations encourage development that doesn't require curb cuts by reducing minimum lot widths to 16 ft. for lots with alley access/rear-loaded parking and no street curb cut, and a lot width standard of 36 ft. for front-loaded parking. The City is considering reducing the lot width to 15 ft. for lots with no curb cuts. How do these regulations affect development feasibility for attached housing?

Findings: City **infill lots in Spokane commonly have alley access on the rear of the lot, whereas newer subdivisions tend not to include alley access or rear-loaded designs**. The disparity in minimum lot widths in this case works well for infill developers, as access for rear-loaded parking already exists (meaning they aren't required to build it themselves), while the smaller lot widths promote denser, more vertical styles of townhome or rowhouse development. **This benefits the infill developer in terms of feasibility, and where lots with alley access exist, the city is likely to see an uptake in this style of development.**

On lots that do not have alley access, whether new greenfield development or in parts of the city that weren't built with alleys, rear-loaded access is often not feasible. These projects tend to be further from the center of the city, and therefore more reliant on a car for access, or the lot depth does not allow for rear access, and a front-loaded design is the only solution in the market. While the City's encouragement of utilizing existing alleys can be a boon for feasibility, **the effective discouragement of front-loaded design may dampen the market**. A front-loaded townhome (e.g., a three-story townhome with ground floor garage) may be a desirable outcome in terms of housing production that would not be feasible with a 36 ft. minimum lot width.

If the City would prefer to discourage curb-cuts, they may **consider a lot width reduction for front-loaded designs if the attached housing includes paired driveways**. The City may also consider further developer outreach, exploring additional attached housing types that are common elsewhere in the region, though not necessarily in Spokane, and assisting in developer education around rear-loaded townhomes/rowhouses that are relatively common in both the Seattle and Portland Metros. **The development of stock designs with rear-loaded access that work for common lot dimensions in the city may lead to more of these types of developments.**

Examples of new build, rear-loaded townhomes throughout the Pacific Northwest

6ixth Ave

City: Tacoma
State: WA
Units: 36
Year Built: 2021
Acres: 0.54
Du/acre: 26
Construction: Wood Frame
Stories: 3
Parking: Garage (rear)

Pinnacle Townhomes

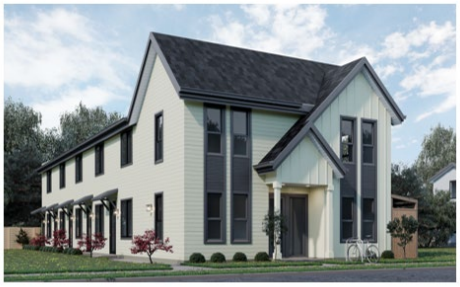
City: Lynnwood
State: WA
Units: 30
Year Built: 2015
Acres: 0.73
Du/acre: 41
Construction: Wood Frame
Stories: 3
Parking: Garage (rear)

87-113 SW Lancaster

City: Troutdale
State: OR
Units: 4
Year Built: 2023
Acres: 0.2
Du/acre: 20
Construction: Wood Frame
Stories: 2
Parking: Garage (rear)

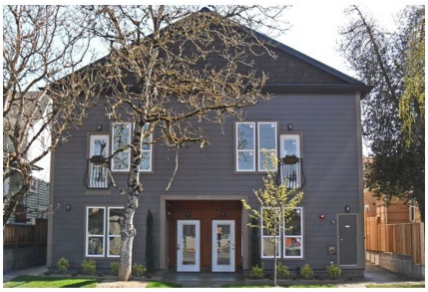
In cases where a lot does not have existing alley access, nor the required depth to provide new rear-access, it may be infeasible to achieve the desired densities with recommended development standards. Ultimately, **parking is the largest contributing factor to development feasibility, and in many cases lot dimensions and size may not be conducive to middle housing production on lots without existing alley access or that aren't a larger corner lot.** The City's proposal to eliminate parking requirements within ½ mile of transit stops will help encourage desired housing types and production when alleyways aren't available. While market demand may still dictate the provision of off-street parking in some projects, the removal of parking requirements would certainly improve development opportunity and feasibility, and may lead to certain housing types the city has not yet seen.

Examples of new build, middle housing with no parking throughout the Pacific Northwest



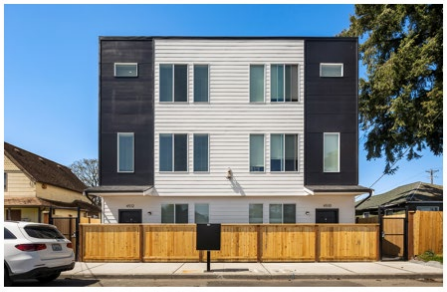
6211 SE 83rd Avenue

City: Portland
State: OR
Units: 6
Year Built: 2023
Acres: 0.09
Du/acre: 67
Construction: Wood Frame
Stories: 2
Parking: None



The Sellwood

City: Portland
State: OR
Units: 11
Year Built: 2015
Acres: 0.11
Du/acre: 100
Construction: Wood Frame
Stories: 2
Parking: None



Warner Street Apartments

City: Tacoma
State: WA
Units: 8
Year Built: 2022
Acres: 0.15
Du/acre: 53
Construction: Wood Frame
Stories: 3
Parking: None

Effectiveness of density transfer

Consideration: With the removal of maximum density requirements for sites 2 acres or less, a density transfer program becomes ineffective. What alternatives may the City consider that achieve similar results?

Findings: Though less common than density transfer, the City could **consider implementing a program that allows for the transfer of building or site allowances**, such as height or building coverage/footprint, that could achieve similar results. However, these types of **transfer programs only work if the market is wanting to build more than the base zoning allows, which is not necessarily the case in Spokane**, therefore it is likely this type of transfer program would go largely unused, and similar outcomes may be achieved with simpler bonus or incentive programs.

Incentives for affordable housing

Consideration: With the removal of maximum density requirements for sites 2 acres or less, a density bonus is no longer a viable option for targeted incentives for middle housing in certain locations (e.g., near transit) or for affordable housing. What types of bonuses or incentives could be utilized to encourage similar outcomes?

Findings: Similar to the above, the City could consider maintaining its base building and site controls, and **offering bonuses to height or building coverage/footprint, as well as reductions in parking and/or open area requirements**, to encourage these specific types of development. As noted above, the 40 ft. height maximum in all residential zones, especially RMF and RHD, may be suppressing more intense housing development. By allowing a height bonus in these zones, perhaps up to 75 ft., the City could promote more density while also achieving goals around affordable housing production.

In addition to a bonus system, the City could consider expanding its General Facilities Connection Waiver (GFCW) program, MFTE or other tax exemptions, and an expedited permitting process.

II. Summary of findings from stakeholder interviews

General feedback received through the interview process pointed to BOCA being a success, having removed previously existing barriers to certain residential development types, and improving upon the existing SMC. Though the interim basis of BOCA was a concern for some developers – some citing the risk of the interim standards being removed before permitting could be completed, particularly for larger multifamily development that has a longer duration of design and approvals – the increased flexibility and clearer design standards under BOCA were generally seen as a boon for housing production. The willingness of the City to be proactive in its collaboration with the development community in drafting more permanent standards was also well received.

Some of the interim standards were flagged during the interviews as impeding development feasibility – particularly related to outdoor area requirements, building height requirements, garage width requirements effectively preventing front-loaded duplexes on certain lot configurations, and lot coverage and frontage standards preventing townhomes from being built. In addition, many of those interviewed mentioned parts of the permit review process hindering development.

A more in-depth summary of these issues is below:

Outdoor area requirements

A number of residential developers noted how the **outdoor area requirements make many projects infeasible on smaller lots in Spokane.** Multiple developers mentioned how open space requirements have forced them to pull the plug on a project before it began because they couldn't make the math work given how much of a lot needed to be reserved for outdoor area. **For small housing developers, the difference between two and three units, or three and four units, can have a major impact on the financial feasibility of a project**, and the requirement for open space meant they could not fit an additional unit on the lot. Some also noted that the 50% landscaped frontage requirements on standard lots was hard to make work.

Though these standards do affect development feasibility in some cases, it should be noted that they assist in achieving other city and community goals.

Building height requirements

Most interviewed stated they had not had many issues with the height requirements on their projects, however, one of the developers more focused on townhome development noted that while 35 ft. is generally fine in the residential zones, a 45 ft. height maximum would allow for easier townhome production, particularly considering the vertical nature of some projects necessitated by small lots.

Garage width requirements

One residential developer cited how the garage width requirements were forcing them to create unusual designs for their duplex projects, in which the requirement of a 50% street face resulting in a narrow garage, and a long entry hallway of unnecessary space. Particularly on narrow lots – including the 50 ft. lot width that is common in Spokane – this resulted in a 10 ft. wide garage that only allows for an 8 ft. garage door. They felt this was not wide enough for many households to get out of their car.

In the opinion of this builder, decreasing the street face percentage to 40% would allow for wider garages, and would allow for easier and more desirable duplex designs.

Lot coverage and frontage standards

One developer that was hoping to see more townhomes built in Spokane cited how the lot coverage and frontage standards in some residential zones made townhome/rowhouse development infeasible. In this developer's opinion, allowing for 100% lot coverage so townhomes could be built on smaller lots would result in many more townhomes being built in the city.

Permit review process

Aside from the standards mentioned above, most developers felt that aside from the code, the permit review process could be improved. With the stated City goal of getting more housing built, many felt there was a disconnect between the long-range policies of the City and implementation during the permitting and review process. Particularly with the ease of greenfield development outside of the City of Spokane, and the demand for housing throughout the region, many felt that the City should be going to greater lengths to streamline the permitting process for residential infill development.

Of particular note is the existing requirement for all three-story buildings to go through the commercial review process, due to Building Code requirements. Though three-stories are not necessary for all middle housing types, for certain types including townhomes and most sixplex or larger projects, three-stories can make a project more feasible on a given lot. Going through the commercial review process adds time and cost to a project that a typical, small-scale residential developer is unable, or unwilling, to accept.

A concern noted by more than one residential developer was how this process may be preventing many developers from building in Spokane, and significantly decreasing the production of new homes in a city that increasingly needs additional workforce housing to meet not only its housing, but also economic goals.