

memo

to **Bryan Snodgrass and Becky Coutinho, City of Vancouver**
from Kate Rogers, MIG | APG
re **Permit Projections Related to Housing Code Updates (Draft)**
date **3/30/22**

The purpose of this memo is to provide a high-level estimate of the number of development applications that the City of Vancouver might see in coming years for components of the Housing Code Updates project. Specifically, this memo provides estimates related to the following project components:

- Rezone requests under the new R-17 and R-50 residential zoning districts
- Cottage Cluster Housing developments
- Micro Housing Units

To research these questions, we contacted planners from a number of other jurisdictions in Washington and Oregon, looked at development permit records available on jurisdictions' websites, and looked at resources such as the Municipal Research and Services Center (MRSC).

REZONE REQUESTS

Implementation of both the R-17 (small lot single-family) and R-50 (high-density multi-family) zoning designations would require property owners to go through the City's rezone application process. In considering how many applications for such rezones the City of Vancouver might see in the coming years, key determinants likely include:

- ✓ What are the barriers to rezoning (e.g., fees, process, approval criteria)?
- ✓ What is the demand for the housing types that would be allowed in by the new zone?

Vancouver staff informed us that they typically receive three to five rezone applications each year. According to the City's current fee schedule, a Zoning Change application costs \$9,170; if a Comprehensive Plan Amendment is also needed, the fee is \$14,036.

We reached out to our contacts at the Cities of Eugene, Hillsboro, and Beaverton to gauge their recent experience with residential rezoning applications. Their responses are summarized below.

- **Eugene:** The planner estimated that between 1-3 zone changes are received each year moving from one residential zone to a higher-density residential zone to match their Comprehensive Plan designation. Eugene's Zone Change fee within City limits is \$3,983.95.
- **Hillsboro:** Over the last few years the City has only received 1-2 property owner-initiated zone changes which were not associated with annexations. Prior to that, the City was receiving roughly 4-6 zone change applications per year (including nonresidential applications). Staff noted that for

residential development, unless a zone change could achieve significantly more density, applicants most commonly use PUDs to increase the density of their projects. Staff noted that a PUD in tandem with a subdivision plat and Development Review application was procedurally less onerous than a zone change followed by development applications. Hillsboro's Zone Change fee is \$2,625.

- **Beaverton:** Relative to other application types, the City does not receive many zone change applications. The planner estimated that on average they receive one application per year where an applicant wishes to "up zone" from their existing city zoning. The planner also noted that the application requires demonstrating compliance with the Comprehensive Plan, which can deter applicants with smaller sites from pursuing the amendment. Beaverton's Zone Change application fee is \$4,616.10.

Rezoning is typically seen by developers as a time-consuming, costly, and potentially risky proposition. However, if demand for the housing type/density is present, reducing those concerns could increase interest in the rezoning process. If the City wanted to look into this further, they might look at what the existing demand is for housing that would be allowed in the R-17 and R-50 zone. For example, attached single-family housing is known to be a favored product in the region; some of the potential townhouse developers in Vancouver might pursue the R-17 zone for attached or small-lot detached housing. In addition to considering demand, the City could evaluate whether there are opportunities to reduce other barriers (e.g., the approval criteria).

Given other jurisdictions' experience, the other factors noted above, and considering that Vancouver's zone change fee is significantly higher than in the other cities we surveyed, it seems unlikely that the City would receive more than a few applications per year. We estimate approximately one to three rezoning applications per year specific to the R-17 zone.

COTTAGE HOUSING

A number of jurisdictions in Washington and Oregon have adopted cottage housing ordinances to date. Of course, the specifics of each jurisdiction's cottage housing codes will influence the extent to which they stimulate development.

As a local example, Clark County has allowed cottage housing since January 2017. A planner at the County informed us via email that they have received an estimated 12 applications for cottage developments since 2017. That equates to an average of 2-3 applications per year. There are two cottage developments currently listed on the County's project webpage (which goes back to July 2021).¹ One of these applications was recently denied by the Hearings Officer.² It should be noted that Clark County's code requires each cottage to be on its own lot and has high open space requirements, whereas Vancouver's draft code allows units on the same lot and doesn't require as much open space. However, Clark County may have more land available to be subdivided for cottages than Vancouver.

Other Washington cities that allow cottage housing include Kirkland and Redmond. The City of Kirkland's Major Development Projects list for January 2022 includes four cottage projects in various stages of development. The projects range from 6 to 14 units.³ The City of Redmond's planning projects webpage

¹ Clark County, Proposed Developments, <https://clark.wa.gov/community-development/proposed-developments>

² Clark County, Notice of Decision, <https://clark.wa.gov/sites/default/files/media/document/2022-03/119thStCottages-d.pdf>

³ City of Kirkland, Major Development Projects, <https://www.kirklandwa.gov/files/sharedassets/public/planning-amp-building/development-activity-major-projects-january-1-2022.pdf>

lists two cottage housing projects current under development. These are both larger cottage developments, with 28 and 33 cottages, respectively.⁴

As part of the State of Oregon's administrative rulemaking process for House Bill 2001 implementation, ECONorthwest to prepare Fiscal and Housing Impact Statements (FIS and HIS), which included research into increased development potential for middle housing in Oregon. The FIS/HIS noted that development potential for middle housing "depends on a number of factors, including unit size and tenure." Generally, ECONorthwest found that cottage clusters were not as feasible or likely as townhouses, but that because they are detached, they would be built if the financial returns exceed those for traditional single-family. (Note that this analysis was prepared prior to passage of Senate Bill 458, which requires Oregon cities to allow land divisions for all middle housing types. Fee simple cottage lots may be more market feasible than single-lot development.) ECONorthwest also prepared a financial analysis for the City of Eugene's middle housing code update, which had similar findings.⁵ That study noted that "Cottage clusters are less financially feasible than some other middle housing types but may appeal to buyers who prefer detached housing, which could make them more likely to be built than the financial results would suggest." While the study was specifically linked to the Eugene housing market, similar takeaways may apply to other large cities in the region.

Based on the above information, it seems unlikely that the City of Vancouver would receive more than 2-3 cottage cluster applications annually. However, that number may increase as this housing type catches on with the development community and lenders see more successful examples.

MICRO HOUSING UNITS

Vancouver's draft code amendments define micro housing units as living units with a minimum floor area of 120 square feet where residents may or may not share bathroom and/or kitchen facilities. It is more difficult to come up with an accurate estimate for the potential for micro housing in Vancouver. This is not a housing type that many other jurisdictions define separately from typical apartments, and we are not aware of any such developments in Oregon outside of Portland. However, micro housing appears to be more prevalent in Washington. The MRSC website lists example codes from the Cities of Seattle, Olympia, and West Richland, and notes that micro-unit developments have been built in cities like Spokane, Kirkland, and Redmond. A quick Zillow search found:

- One micro-unit development in Kirkland ("eco flats" as small as 180 SF and communal kitchens)
- At least three developments in Spokane with units under 300 SF. Each of these units has individual kitchens.
- Two micro-unit developments in Redmond (both with "eco flats" as small as 235 SF and communal kitchens)

There are a handful of apartment buildings listed in Vancouver with units under 400 SF (not with shared facilities), which suggests there could be local demand for micro-units. *However, given how few examples there are in other cities, it does not seem likely that Vancouver would receive more than one application every few years.*

⁴ City of Redmond, Planning Projects, <https://www.redmond.gov/406/Projects>

⁵ ECONorthwest, Evaluation of Middle Housing Development Potential in Eugene, <https://www.eugene-or.gov/DocumentCenter/View/61751/Economic-Analysis-Summary-Memo>