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A place where families and businesses thrive.

CITY RECORDER USE ONLY:	
AGENDA ITEM #:	
MEETING DATE:	
FINAL ACTION:	

CITY COUNCIL STAFF REPORT

WORK SESSION:

TO: *City Council*

FROM: *Jesse VanderZanden, City Manager*

MEETING DATE: *April 23, 2018*

PROJECT TEAM: *Daniel Riordan, Senior Planner, James Reitz, Senior Planner, Bryan Pohl, Community Development Director*

SUBJECT TITLE: *Affordable Housing Development Incentive: RMH Zoning District*

ACTION REQUESTED:
X all that apply

	Ordinance		Order		Resolution		Motion	X	Informational

ISSUE STATEMENT:

This presentation (Attachment A) provides an opportunity for staff to report back to City Council on the Planning Commission's discussion about density in the Residential Multifamily High (RMH) zoning district and to ask Council about the merits of holding a joint City Council/Planning Commission work session on the density question.

BACKGROUND:

Last November City Council considered a package of proposed amendments to the Development Code. One of the proposed amendments increased the target density in the RMH zone from 20.28 dwelling units per net acre to 30 dwelling units per net acre. The target density is defined as being between the minimum and maximum allowed densities. All residential subdivisions and multifamily developments are required to develop at a minimum 80% of the target density. Maximum density of the RMH zone is 115% of the target density. The maximum density is only allowed as part of a planned development approved by the Planning Commission.

The same package of Development Code amendments presented to Council in November also included an affordable housing incentive of 20 units per acre, for a total of 50 units per acre, provided the additional 20 units per acre are for affordable housing.

After deliberating on the density proposals, Council referred increasing the RMH density back to the Planning Commission for further evaluation and consideration. The Planning Commission held a work session on April 2nd to take up to the issue of increasing the RMH density. The presentation prepared by staff for the April 2nd Planning Commission meeting is attached for additional background information (Attachment B).

During the April 2nd work session, the Planning Commission expressed concern with both the increase to the target density and the affordable housing incentive. Concerns included compatibility of higher density development with lower density neighborhoods, whether there is a current market need to increase the density in the RMH zone and whether increasing the density will really aid in the affordable housing effort.

After careful consideration and discussion, the Planning Commission reached consensus to support a housing density bonus of 10 dwelling units per acre for developments that include affordable housing. With this approach a maximum density of 30 dwellings per acre is possible for eligible affordable housing projects provided 20% of the dwelling units per acre are for affordable housing. The criteria to qualify for the affordable housing density bonus requires further refinement including minimum number of affordable units and household income targets. Market rate projects would still be subject to the 20.28 dwelling unit per acre target density.

Staff offers two options for Council discussion on April 23rd related to the density issue:

- Accept the Planning Commission's recommendation to:
  - Retain the target density of 20.28 dwellings per acre for market rate projects; and
  - Provide for a 10 unit per acre density bonus for affordable housing projects provided 20% of the total units area set-aside for households earning no more than 60% County area median income (AMI). Under this approach qualifying affordable housing projects would be allowed up to 30 units per acre, and/or
- Hold a Work Session with the Planning Commission to discuss:
  - An increase in the target density from 20.28 to 30 dwelling units per acre in the RMH zone for market rate projects with an affordable housing incentive of 10 dwellings units for a total of 40 dwellings per acre in the RMH zone with a 20% set-aside for 60% County AMI.
  - Increase target density from 20.28 to 30 dwellings per acre in the RMH zone for market rate projects with an affordable housing incentive of 20 dwellings units per acre for a total 50 dwellings per acre in the RMH zone with a 20% set-aside for 60% County AMI.

Staff is asking Council to provide feedback on the Planning Commission recommendation and alternative concepts identified above.

ATTACHMENT(s):

Attachment A: PowerPoint presentation for City Council meeting, April 23, 2018
Attachment B: PowerPoint presentation to Planning Commission, April 2, 2018

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Affordable Housing Development Incentive: RMH Zoning District

Project Team:

Bryan Pohl, Community Development Director

Daniel Riordan, Senior Planner

James Reitz, Senior Planner

City Council Presentation

April 23, 2018

ATTACHMENT A

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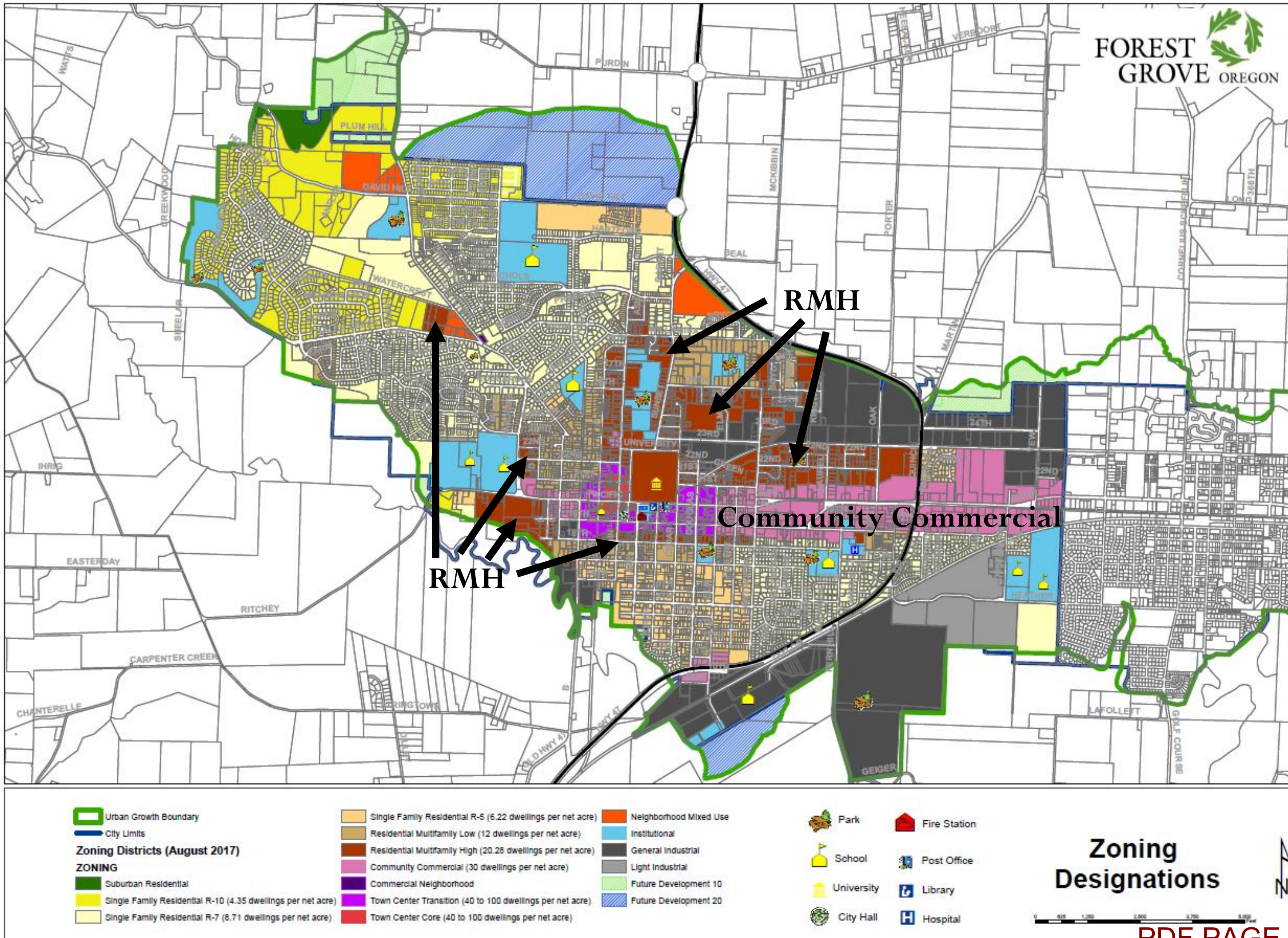
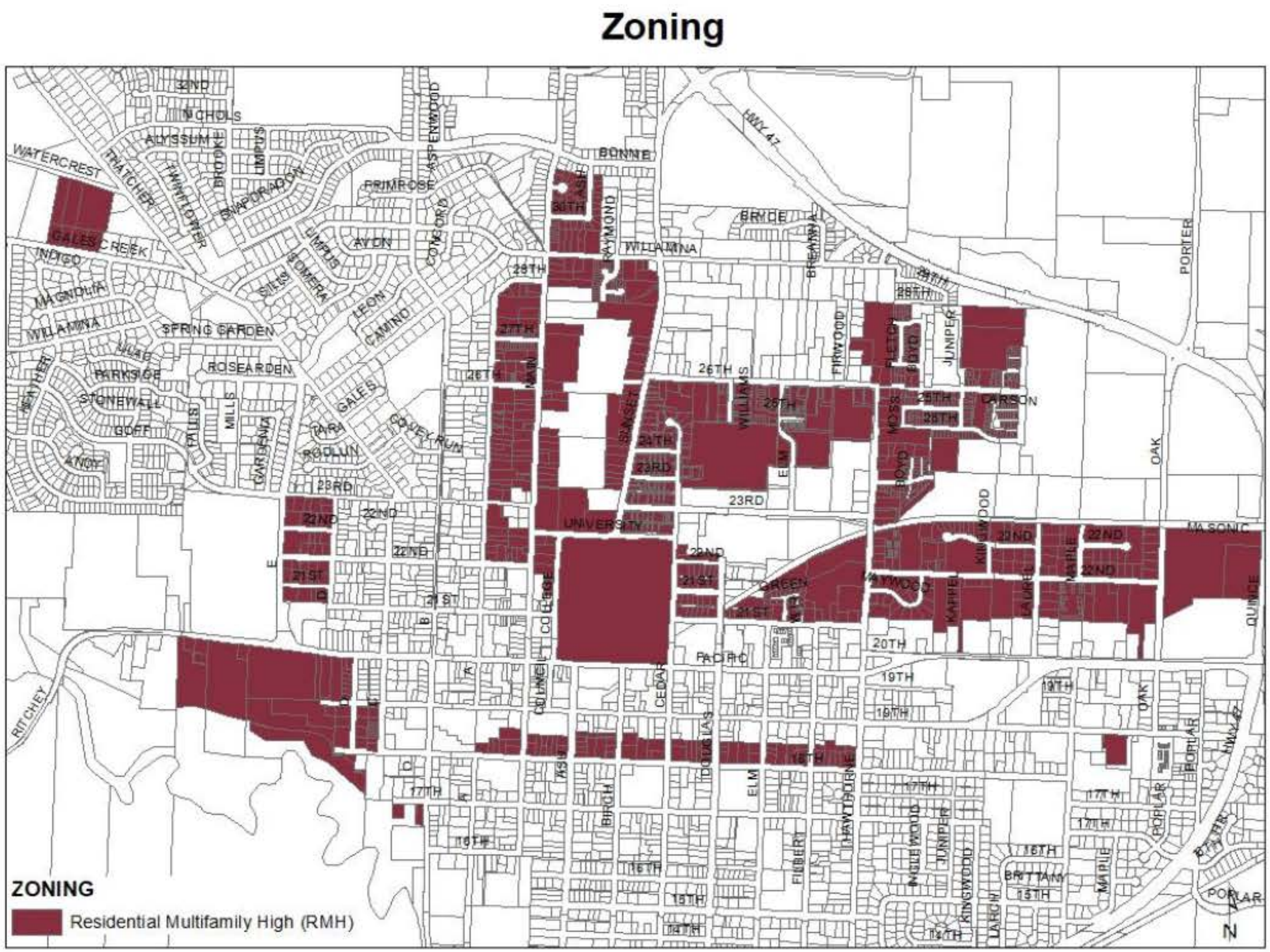
Purpose

- Report back to City Council on the Planning Commission's discussion about RMH density and to ask Council about the merits of holding a joint City Council/Planning Commission work session on the density question.
- Last November City Council considered a package of proposed amendments to the Development Code.
- One of the proposed amendments increased the target density in the Residential Multifamily High zone from 20.28 dwelling units per net acre to 30 dwelling units per acre. The change made the target density consistent with the neighboring Community Commercial Zone. This was irrespective of an affordable housing incentive.
- The same amendment allowed an affordable housing incentive of 20 units per acre, for a total of 50 units per acre, if the 20 additional units were for affordable housing.
- The Planning Commission expressed concern with both the increase to the target density and to the affordable housing incentive. Council referred increasing the issue back to the Planning Commission for further evaluation and consideration. The Planning Commission held a work session on April 2nd to further evaluate increasing the RMH density.

Zoning Districts



Areas Zoned Multifamily (RMH)



PC Work Session Overview

- The Planning Commission discussion focused on:
  - The market need to increase the density in the RMH zone.
  - Possible incompatibility with existing lower density neighborhoods.
  - If increasing the density will aid the affordable housing effort.
- The Planning Commission reached consensus on:
  - No increase to the target density of 20.28 dwellings per acre.
  - A bonus density of 10 dwellings units per acre for a maximum density of 30.28 dwelling per acre, provided 20% of the 30.28 dwelling units are for affordable housing.
    - The criteria to qualify for the density bonus requires further refinement including minimum number of affordable units and household income targets.

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Discussion and Next Steps

- Options for Discussion:
  - Adopt Planning Commission's recommendation of retaining the target density of 20.28 DUA and an affordable housing incentive of 10 DUA in the RMH zone with a 20% set-aside for 60% County AMI household income, and/or:
  - Hold a joint City Council and Planning Commission work session to exchange ideas and explore concepts further.
    - Increase target density from 20.28 to 30 DUA in the RMH zone with an affordable housing incentive of 10 DUA for a total of 40 DUA in the RMH zone with a 20% set-aside for 60% County AMI household income.
    - Increase target density from 20.28 to 30 DUA in the RMH zone with an affordable housing incentive of 20 DUA for a total of 50 DUA in the RMH zone with a 20% set-aside for 60% County AMI household income.

The End

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RMH Zoning District
Planning Commission Work Session
April 2, 2018

Bryan Pohl, Community Development Director

James Reitz, Senior Planner

Daniel Riordan, Senior Planner

Attachment B

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Purpose of Work Session

- During November 2017, City Council considered a package of proposed amendments to the Development Code.
- One proposed amendment was increasing the target density in the RMH zone from 20.28 units per net acre to 30 units per net acre.
- Council referred increasing the target density to the Planning Commission for further evaluation and consideration.
- Tonight's work session provides an opportunity to look at RMH land characteristics in depth.
- This work session also provides an opportunity for Commission discussion on possible approaches for density in the RMH zone to ensure housing needs are met.

Multifamily (RMH) Zone Overview

- As stated in the Development Code, the RMH zone is intended for development at a target density of 20.28 dwelling units per net acre. Multi-unit buildings (apartments) are envisioned to be the predominant housing type in the RMH zone.

- RMH zoning is generally applied near transit streets and adjacent to commercial districts. The RMH zone also allows a limited range of non-residential uses to help provide services for residents and enhance the quality of the higher density neighborhood.

- Specific housing types allowed in the RMH Zone include:
  - Single Family Detached (Limited to existing lots 5,000 square feet or less, planned developments or developable parcels less than ½ acre in area provide placement of the dwelling doesn't preclude additional units if allowed)
  - Single Family Attached (rowhouses)
  - Accessory Dwelling Units
  - Duplexes
  - Manufactured Homes (except within historic districts)
  - Manufactured Home Parks (as a conditional use on sites at least 4 acres in area)
  - Multifamily Units (more than 3 units in a structure)

- Buildings in the RMH zone are currently limited to a maximum height of three stories or forty-five (45) feet, whichever is less. A step down in building heights may be required for multi-family building(s) that abut a lower density residential zone. The need for a step down in building heights to provide privacy, access to sunlight and transition zones are evaluated in the design review process.

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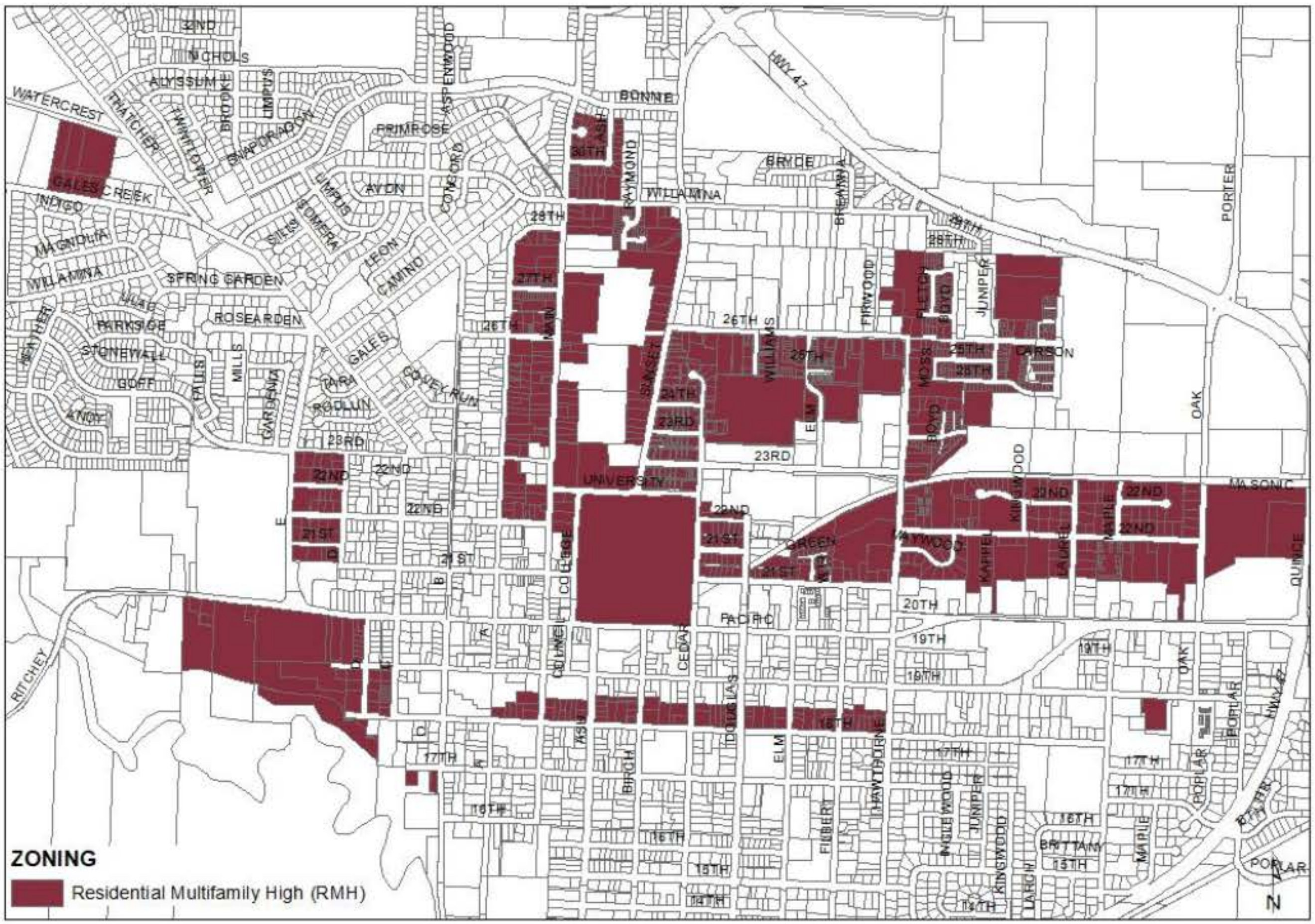
Areas Zoned Multifamily (RMH)

Zoning



Multifamily (RMH) Land Characteristics

- Approximately 340 gross acres of land in the City is currently zoned RMH
- This includes developed and vacant sites and Pacific University
- The City's Housing Needs Assessment (HNA) prepared for the last Comp. Plan update shows about 70 net acres of zoned RMH land that is vacant and potentially buildable
- As shown on the next slide, RMH lands typically abut land zoned:
  - Residential Multifamily Low
  - Town Center
  - Community Commercial
  - General Industrial

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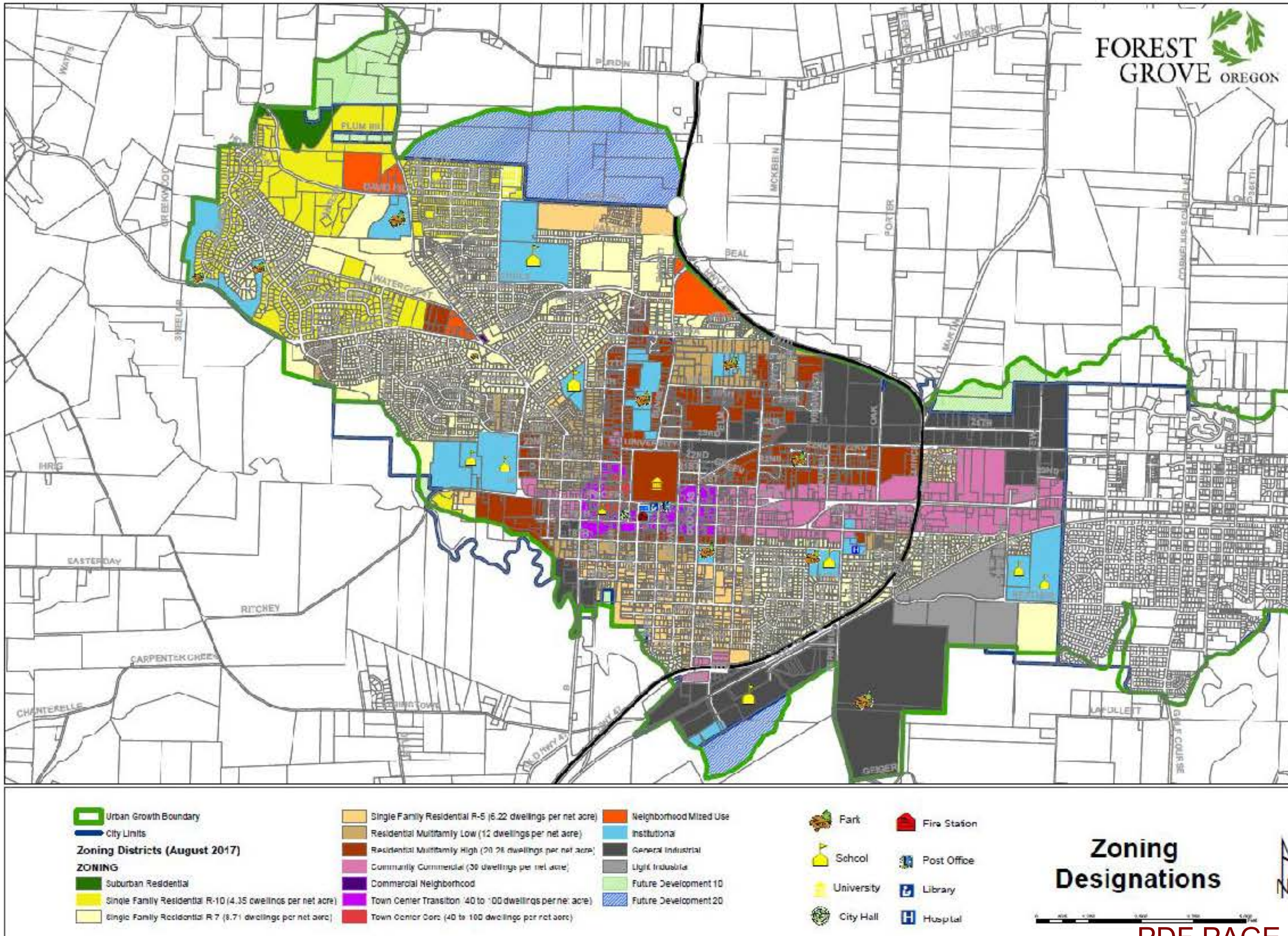
Zoning Districts



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Typical Multifamily Development Forms

FIGURE 2: DEVELOPMENT FORMS FROM LOWER TO HIGHER DENSITY

Development Form	Description	Example Photo
Duplex/Townhomes	Also typically wood frame, these units often have parking under the unit, from the front or an alley. Projects can be fee simple or with condominium ownership of the land and common area elements.	
Type V (wood-framed) Construction with Surface	Typically wood frame construction with surface parking, carports or stand-alone garages. Construction is usually two to three stories high, with a density approaching 30 units per acre. This is the predominant multi-family form in most suburban communities.	
Type V (wood-framed) Construction over Concrete Podium	Wood frame and/or steel stud construction over a single story concrete podium. This construction type is more common than mid-rise in communities where achievable pricing is somewhat lower. It is seen often on infill sites in the Portland Metro area, and is more common in suburban environments than mid-rise development.	
Mid-Rise	Steel and concrete construction, limited in height to 4-7 stories. In Oregon, these are mostly seen in inner Portland neighborhoods, in areas in which a high-rise solution is considered too large or costly in scale. This form has not been done in the Aloha area to-date, but can be found in Hillsboro and Beaverton.	

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Example Multifamily Projects

- Boxer Apartments
  - Main Street near Lincoln Park
  - 100 units
  - 3.5 acres
  - 28.6 units/acre

Example Multifamily Projects

- Karen's Korner
  - Pacific Avenue near Prime Time
  - 61 units
  - 3.27 acres
  - 18.7 dwellings/acre

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Example Multifamily Projects

- Juniper Gardens
  - 26th Avenue and Juniper Street
  - Zoned RML
  - 47 units
  - 3.8 acres
  - 12.4 units/acre

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Example Multifamily Projects

- Forestplace Apartments
  - Pacific Avenue near Ace Hardware
  - 192 units
  - 7.3 acres
  - 26.3 dwellings/acre

General Impacts

- There are approximately 2,300 multifamily housing units in the City
- Based on 2.4 persons per household multifamily units accommodate 5,520 persons or about 23% of the City's population
- The City's HNA estimates a projected housing need of at least 1,500 additional multiple family units over the next twenty years
- This will accommodate an additional 3,600 persons in the City
- An additional 1,500 units would require approximately 74 acres of land at 20.28 units per net acre or 50 acres of land at 30 units per acre
- The City's HNA indicates there is about 70 net acres of buildable RMH land that could accommodate about 1,424 units
- An additional 1,424 units could increase the City's population by approximately 3,418 persons

Traffic Generation (ITE Manual)

- Single Family Detached
  - Trip generation per dwelling (weekday average): 9.52
  - At 8.71 units per acre traffic generation is about 83 trips per day/acre
  - At 4.35 units per acre traffic generation is about 41 trips per day/acre
- Townhouse
  - Trip generation per dwelling (weekday average): 5.81
  - At 20.28 units per net acre traffic generation is about 117 trips per day/acre
  - At 30 units per net acre traffic generation is about 174 trips per day/acre
- Apartment
  - Peak traffic generation per dwelling (weekday average): 6.65
  - At 20.28 units per acre traffic generation is about 135 trips per day/acre
  - At 30 units per acre traffic generation is about 200 trips per day/acre

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Parking Requirements

- Single Family Detached: 1 space per dwelling
- Duplex: 1 space per dwelling
- Multifamily:

- Multi-Family Units (outside the Town Center)	DU<500 sq. ft: 1.0 / DU 1 bedroom: 1.25 / DU 2 bedroom: 1.50 / DU 3 bedroom: 1.75 / DU
- Multi-Family Units (Within the Town Center)	DU<500 sq. ft: 0.5 / DU 1 bedroom: 0.75 / DU 2 bedroom: 1.25 / DU 3 bedroom: 1.75 / DU

Johnson Economics – Density Analysis

- Market rate housing projects:
  - Built density is driven by income (rent) and the cost to build the project
  - Development costs includes on- off-site improvements, fees, SDCs, process costs, land, labor and materials
  - Feasible projects are those where the value of each housing unit exceeds the marginal cost of construction
  - When rental income does not offset construction costs there is no marginal value associated with that unit and the unit won't be built even if higher density is allowed. In this case a lower density project will provide better economic returns
  - Development costs and achievable rent in Forest Grove will determine the density of built projects.

Johnson Economics – Density Analysis

- Affordable Housing Projects:
  - In general, the analysis prepared by Johnson Economics shows that increasing density can have a moderate positive improvement in affordability (about 10% to 20%) while still achieving the same targeted project return. The chart below provides examples for areas of Washington County.

FIGURE 5: HYPOTHETICAL AFFORDABILITY IMPROVEMENTS, FROM VALUE OF INCREMENTAL DENSITY BONUS

Density Levels	SITE 1 Alexander Street	SITE 2 Cornell-Murray (CPAH)	SITE 3 Shaw Street	SITE 4 Springville Road	SITE 5 Hypothetical
	Effective Affordability Level (% of AMI)				
Baseline Density (Market)	81%	90%	91%	114%	106%
+ 20% Bonus	79%	87%	88%	110%	101%
+ 40% Bonus	76%	85%	85%	106%	96%
+ 60% Bonus	74%	82%	82%	103%	91%
+ 80% Bonus	72%	80%	79%	99%	87%
+ 100% Bonus	70%	77%	76%	96%	83%
Total Reduction in AMI Level:	*11%*	*13%*	*15%*	*18%*	*23%*

AMI = Area Median Income
100% = Median Family income

- Other factors that influence the cost of development and housing affordability:
  - Cost of providing parking
  - Cost to build off-site improvements such as sidewalks, streets, traffic signals and utilities
  - Requirements for mixed-use

Possible Approaches to Density

- Retain existing target density limit of 20.28 dwelling units per net acre
  - Considerations:
    - With this density, single family detached units on very small lots in RMH zones is possible when done as a planned development
    - With this density there is a risk apartment construction may become infeasible due to increasing land and constructions costs.
    - Apartment construction will be geared toward the Town Center and Community Commercial zones where maximum density is higher.

- Increase target density for multifamily units to 30 units per acre
  - Considerations:
    - Since building height is limited to three stories increasing density would require smaller units if number of units increased provided off-street parking requirements could be met.
    - This could provide an incentive for more affordable units since units would be smaller at the higher density.
    - 30 units per acre is consistent with the Community Commercial zone

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Possible Approaches to Density

- Increase target density to something other than 30 units per acre
  - Considerations:
    - Allow for incentive density for affordable housing units?
    - Research indicates that greater density can result in moderate improvements in housing affordability
    - Research also indicates other measures may achieve higher levels of affordability by reducing construction costs and improving operating costs
- Increase density only for certain housing forms such as single family attached units
  - Consideration:
    - This approach could provide an incentive for townhouses and rowhouses more compatible with areas of the City developed at lower densities
- Other Approaches?
  - Consider rezoning some RMH areas if density is increased
    - Gales Creek Road near Thatcher Road?
    - Any reduction in density would have to be offset elsewhere

Next Step

- Joint Work Session with City Council
  - Anticipated May 29th

Discussion

- Questions?

The End