



CITY OF HOOD RIVER

PLANNING DEPARTMENT

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Meeting Date: May 18th, 2020

To: Planning Commission

From: Dustin Nilsen, Director of Planning

Subject: Downtown Hood River Parking Study – Interim Regulations

Background:

During the January 13th and 27th 2020 meetings City Council requested that staff provide more information regarding a limited scope of interim parking regulations amendments that would be effective until longer term parking supply alternatives and issues were addressed by the Urban Renewal Agency. These interim regulations were scheduled for discussion at its March workshop and were specifically tailored to address:

- 1) Upper-story residential conversions within historic buildings
- 2) Fees paid in lieu of providing off-street parking
- 3) Demand-based parking rates

At the April 27th meeting staff took additional Council input prior to initiating the legislative process with Planning Commission. The intent of the amendments are to reduce barriers to downtown investments for both commercial and residential uses, facilitate the reuse of historically significant buildings, and expand residential housing opportunities in the City's historic commercial mixed use center, which is a common strategy in successful historic downtown and main street districts. Expanded commentaries and analysis provided by Rick Williams Consulting are included as attachments and provide recommendations and details on each of the following issues.

1). Residential Conversions within Historic Buildings.

As detailed within the Downtown Parking Study, developers and owners of downtown structures identified off street parking requirements as obstacles to residential development within the downtown building inventory. A number of these structures are listed on local and national historic inventories intended to protect their design and architectural elements which are cited as contributors to the history and character of downtown. The addition of on-site parking while maintaining historic character is often cost-prohibitive.

A white paper and discussion from the City's parking consultant are attached.

2). Fee in Lieu of Off-Street Parking

Another issue identified and scoped for an interim code update was fee in lieu of off-street parking downtown. Since its inception, the fee-in-lieu has not been successful in meeting several of the goals originally intended for the parking program by the City. A key finding of the 2019 Downtown Parking Study was that the existing fee-in-lieu option lacked coordination with economic factors essential to translating fee-in-lieu payments into new parking capacity to serve parking demand for developments that would pay the fee (IE the fee didn't match the market).

The City has recognized the Fee in lieu issue in the past and has made a series of adjustments to address market issues. An attachment memo is included for guidance to a zoning code change to be initiated before Planning Commission.

3). Demand-Based Parking Rate:

As outlined in Strategy 3 of the Downtown Parking Study, a recommendation was made to “Revise current parking code requirements for new commercial and residential development in the downtown to be reflective of local demand and supportive of new growth and supportive of a new fee-in-lieu policy/code”.

Currently there are conflicting parking requirements within the code. Revising the parking rate as along with the interim approaches is recommended because the parking requirements suggested in the study influence how fee in lieu calculations are made. As outlined in the memo, revising the parking requirements to reflect the downtown parking demand (as measured by 2019 Hood River parking counts) should coordinate with the fee in lieu revision to avoid code inconsistencies.

The proposed changes are outlined in the following Chart:

Parking Requirement	Residential	Commercial	Industrial
Current	1.5 per unit	1 per employee	1 per employee
Recommended	1.25 per unit	1.50 per 1,000 rentable square feet	1.50 per 1,000 rentable square feet.

Attachments:

- White Paper Number 3 (Parking Demand Forecasts)
- Historic Downtown Properties -Waiver of Parking Requirements
- Fee in Lieu Interim Restructuring of the Current Code Option
- Local Inventory of Historic Buildings from the Zoning Code

White Paper #3: Parking Demand Forecasting - Commercial and Residential Development

1.0 Introduction

The City of Hood River is interested in better understanding the impacts of parking demand for new commercial and residential development in the downtown over a 20-year planning horizon. Currently, parking “demand” is influenced by minimum parking requirements in the City’s development code (Chapter 17). As in most city codes around the United States, code parking requirements are arbitrary and unrelated to the actual demand for parking generated by a use. Unfortunately, this is the case in Hood River as well. To this end, exploring future parking need within the context of actual demand can aid the City in refining its parking code and realistically planning for the future.

As in most city codes around the United States; parking requirements are arbitrary and unrelated to the actual demand for parking generated by a use. Exploring future parking need within the context of actual demand can aid the City in refining its parking code and realistically planning for the future.

The consultant team recently completed an analysis of estimated parking demand for commercial and residential properties located within the downtown Hood River parking study area. For commercial (non-residential) properties, the consultant was able to derive a “mixed-used blended parking demand rate” based on actual peak parking use in the downtown correlated with estimates for occupied building area in non-residential buildings.¹ Given the small number of residential units currently located in the downtown study area (62 units), the consultant derived actual parking demand rates from multi-family residential developments in other cities with similar land use characteristics that affect parking demand (e.g., low transit/high vehicle). Though not as robust of a data file as that developed for the non-residential buildings; this residential demand evaluation provides a realistic comparative model for Hood River to assess both its current code requirements and future planning related to residential impacts on parking.

This paper summarizes the consultant’s findings related to parking demand for both commercial (non-residential) and residential land uses in the downtown and forecasts potential parking impact scenarios over a 20-year period.

¹ These findings are summarized in detail in a White Paper titled *Downtown Parking Demand Assessment (Version 1 – April 2019)*, which was prepared by Rick Williams Consulting.



2.0 Commercial (Non-Residential) Parking Demand Forecast

2.1. Background

City staff and the consultant team developed a comprehensive list of all land uses within the downtown study area. This was compiled using available land use data for tax parcels in the study area and actual physical assessment of sites to verify use type and square footage. Square footages were derived for commercial, retail, and institutional properties. Through this process, it was determined that the total floor area for non-residential land uses in the downtown study area is currently 793,539 square feet.

The consultant was also able to determine the actual number of vehicles parked in the on- and off-street supply as a result of data collection conducted over four days in 2018. At the highest point of occupancy, there were 987 vehicles parked. Finally, the consultant estimated actual occupancy of built land uses (non-residential) in increments of 90%, 93% and 95%.² The formula for calculating demand is:

$$(total\ vehicles\ parked\ in\ peak\ hour) \div (occupied\ gross\ square\ footage / 1,000)$$

Using these metrics of building area, occupied building area and peak hour vehicles parked, actual demand estimates for parking demand for non-residential land uses were calculated. This is reflected in **Table 1**.

Table 1: Study Area Demand – Mixed Land Use to Occupied Land Use

Estimated Building Occupancy	Gross Square Footage (Occupied)	True Demand Ratio	Calibrated True Demand (with 15% Buffer)
95%	753,862 ft ²	1.31 / 1,000 ft ²	1.51 / 1,000 ft ²
93%	737,991 ft ²	1.34 / 1,000 ft ²	1.54 / 1,000 ft ²
90%	714,185 ft ²	1.38 / 1,000 ft ²	1.59 / 1,000 ft ²

As the table demonstrates, true parking demand ranges from 1.31 to 1.38 parking stalls per 1,000 square feet of occupied building area. When a market calibrated buffer is added to true demand, the overall demand per parking per 1,000 square feet ranges between 1.51 and 1.59.³

² In working with City staff, we were unable to identify any reliable data source (at this time) of actual building occupancy for non-residential buildings in downtown Hood River. If this were to change, the demand model could be revised.

³ If projects were built only to True Demand, they would theoretically be 100% occupied at their peak hour, leaving little flexibility for unique variations in the ebb and flow of parking activity over the course of a day or over time. To this end, demand models generally provide for a demand buffer or “flexibility cushion” that is added to True Demand. Traditional commercial buffers (for land uses with high turnover) are 15%, based on the parking industry’s 85% Rule for visitor parking. Providing a 15% buffer for mixed use, retail, and office land uses is considered ideal.

2.2. Forecasting Parking Demand (Non-Residential Land Use Growth)

Forecasting parking demand is simply applying actual parking demand to estimates of future land use growth. For this discussion, the assumption is that Hood River’s downtown will continue to add a mix of non-residential uses to its core area. At present, the City does not have any formal estimates or completed growth plans from which to draw future anticipated growth by land use type.⁴ For purposes of forecasting, the initial approach provides a model that estimates annual growth in new non-residential land uses at 1% a year over the current 2019 baseline of 793,539 square feet of non-residential buildings. This is summarized in **Table 2**.

Table 2: Study Area Demand – 20 YR Forecast

	Non-residential growth (ft2) @ 1% annually					Cumulative @ 20 Years
	2019	2025	2030	2035	2040	
Non-residential ft2	793,539	833,216	874,877	918,621	964,552	
Net growth ft2 (5 YR increments)		39,677	41,661	43,744	45,931	171,013
<i>Net new parking @ 1.51/1,000 ft2*</i>		60	63	66	69	258
<i>Net new parking @ 1.59/1,000 ft2*</i>		63	66	70	73	272

*[NOTE: Net new parking does not account for existing parking that might be removed to accommodate new development]

As the table illustrates, an annual growth rate of 1% in new non-residential building area will result in 171,013 square feet of new land use between 2019 and 2040. This would represent a cumulative increase of 171,013 additional square feet over the current non-residential building stock; an average of 43,000 square feet every 5 years or 21.5%.

In terms of parking impacts, the net parking supply would need to increase by 258 to 272 stalls to assure that existing and new users are effectively accommodated. This would increase the total supply of parking in the downtown study zone from 1,485 stalls (2019) to between 1,743 and 1,757 stalls (2040); an increase of 18%. Again, these estimates are based on the actual blended rate for parking demand in Hood River.

It is important to note that the demand forecast does not account for:

- Existing parking spaces that might be lost/removed to new development, or
- Potential future impacts of changes in user mode behavior (e.g., more people using transit, bike, walking or rideshare) that might reduce overall parking demand.

It is also important to note that any increase or decrease in the rate of growth (estimated here) at 1% annually will affect the model outputs. Nonetheless, we believe this provides a realistic basis from

⁴ If new information is provided over the course of the 2019 parking study, the model can be updated and revised to reflect new assumptions regarding land use growth.

which to engage stakeholder discussions and provide some front-end estimates to inform near and mid-term planning efforts.

3.0 Residential Parking Demand Forecast

3.1. Background

The City provided the consultant team with a list of residential properties in the downtown study area. Several of the sites on the list were ground-truthed by city staff to confirm address and location. There are 62 residential properties in the project study area. According to the available data, most development occurred in waves; the two largest increases came in 2006 (15 units), 1970 (11 units), and 2005 (11 units), with another 11 currently under construction. Only 19 residential units have been built in the downtown in the last thirteen years (since 2006). **Table 3** provides a summary of the residential properties.

Table 3: Downtown Residential Property Inventory

Land Use Type	Units	Year Built
Single Family Residential	1	1890
Single Family Residential	1	1895
Single Family Residential	1	1901
Single Family Residential	1	1937
Multifamily Residential	11	1970
Multifamily Residential	11	2005
Single Family Residential	1	2005
Multifamily Residential	15	2006
Single Family Residential	1	2006
Mixed Use Residential	1	2007
Residential Townhouses	6	2015
Mixed Use Residential	1	2018
Multifamily Residential	11	2019 ⁵
Total	62	

3.2. Current Residential Code Requirements

Based on to Municipal Code Section 17.03.040 G.2 all individual dwelling units, duplexes, and triplexes built within the study are required to provide two (2) parking spaces for each unit on the building site, one (1) of which may be within the required front yard setback area. For, multi-family dwellings the code requires one and one-half (1.5) off-street parking spaces per dwelling unit on or adjacent to the building site.

⁵ Under construction

3.3. Residential Parking Demand Comparison – Peer Review

For the purposes of residential land use planning and right-sizing the city’s parking development code it can be helpful to evaluate peer city parking demand ratios to ensure they are calibrated in a manner that is supportive of residential uses rather than being burdensome. Ideally this evaluation would have derived a demand ratio using local data rather than drawing from comparative data, similar to what was compiled for non-residential demand above. Unfortunately, there were insufficient examples of multi-family dwellings within the study area to provide a sufficient sample size. As such, the examples provided below were recently derived (within the last 3 years) from peer cities with similar land use characteristics that influence parking demand – i.e., low transit availability and have a greater demonstrated reliance on the automobile for general transportation needs.

Table 4: Municipal Residential Parking Demand Ratios

City	Urban Context	Type of Housing	Demand Ratio
Bend, OR	Low transit / High auto	Multi-family	1.25 / unit
Albany, OR	Low transit / High auto	Multi-family	1.33 / unit
SeaTac, WA	Some transit / High auto	Multi-family	1.15 – 1.27 / unit
Tukwila, WA	Low transit / High auto	Multi-family	1.26 – 2.00 / unit
Renton, WA	Low transit / High auto	Multi-family	1.74 / unit

The actual demand figures in the example cities range from as little as 1.15 vehicles per unit to as much as 2.00 per unit. The median ratio of the above samples is 1.27 vehicles per unit; the average ratio is 1.43 with a standard deviation of 0.29. As a rule of thumb, RWC favors using a *median* figure (1.27) rather than an *average* (1.43) which reduces the influence of outlier examples (especially high or low figures). By comparison, the Institute of Transportation Engineers (ITE) Parking Generation Manual (4th Edition) cites 1.23 as the average peak demand for Low/Mid Rise Apartments in a suburban location.

Using the median standard derived here, the City of Hood River can expect new residential development in Downtown to generate the following parking need using the (peer) derived median parking demand ratio for residential units. **Table 5** provides an estimate of future parking need based on development size. [NOTE: The consultant did not attempt to forecast residential demand over a 20-year period given the very low historical growth rate (i.e., 19 units since 2006).

Table 5: Estimated Parking Need for Future Residential Development

Sample Development Size	Parking Demand Ratio	Parking Stall Need
5 units	1.27	7 stalls
10 units	1.27	13 stalls
25 units	1.27	32 stalls
50 units	1.27	64 stalls
100 units	1.27	127 stalls

While somewhat simplistic in nature this residential demand evaluation provides a realistic (scaled) parking generation model for Hood River to assess both its zoning code requirements and future planning related to residential impacts on parking.

4.0 Summary

There is considerable pressure on the City related to development in the Downtown – in the form of providing adequate visitor parking, reasonable development expectations (parking development ratios and/or fees in lieu) and managing traffic and circulation in the manner that is safe and efficient for all user groups. One of the first steps in actively managing the parking component is to understand how and at what level land uses (development) generates the need for parking.

The commercial and residential parking demand assessment described in this white paper help to directly answer that question. In general, commercial space generates the need for between 1.51 – 1.59 parking spaces for every 1,000 square feet of occupied building area. Multi-family residential units can be expected to generate a need for 1.27 parking spaces for every occupied dwelling. These two important factors can be used to calibrate existing zoning code language to more accurately right-size new (parking) supply related to future development. It can also be a valuable tool in estimating long-term land use planning buildout scenarios and how that will impact the downtown parking system.

Going forward a good rule of thumb is to periodically update (every 5 -7 years) the commercial and residential parking demand ratios so they continue to reflect the reality on-the-ground and they continue to serve the role of providing accurate guidance for parking generation and a right-sized parking supply.

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MEMORANDUM

TO: Dustin Nilsen, City of Hood River
FROM: Rick Williams, RWC
DATE: March 3, 2020 (v1)

RE: **Historic Downtown Properties – Waiver of Parking Requirements**

I. BACKGROUND

Organizations who advocate for livable and vibrant downtowns, such as the International Downtown Association, often promote residential development as a key strategy to help strengthen, diversify, and revitalize downtowns. Multifamily residential or mixed-use commercial/residential buildings help provide a customer base for downtown businesses, allow for an efficient use of existing city infrastructure, help to increase the number of residential trips made by walking and biking, and expand the range of residential choices available to employees and community members. Particularly when compared to downtowns that are primarily commercial in nature, downtowns with a variety of residential options are typically livelier into the evening and maintain more activity beyond standard business hours.

Another livability goal for many downtowns is the preservation of older and historic buildings. The nature and character of such buildings contribute to a downtown's identity and heritage. However, because of their age and architecture, the cost of upgrading and/or redeveloping them can be prohibitive. Oftentimes, in the development process, treating them similarly to new development can threaten their preservation; leading to a situation where tearing them down is preferable within the context of a developer's proforma.

For both the goals of encouraging multi-family residential growth downtown and preserving older and historic buildings, providing parking is problematic in terms of its inherent cost and its effect on project feasibility and affordability, and in situations where parking is required as a condition of development. In Hood River in particular, developers have expressed interest in redeveloping upper floors of older and historic buildings downtown to residential uses, but current code related to minimum parking requirements and the cost of "buying out" of requirements through a parking fee-and-lieu have negated any forward progress on such projects.

To this end, the City of Hood River is interested in creating an approach within its development process and code that would eliminate minimum parking requirements for a finite list of designated historic properties in the downtown to achieve the following goals:

- Preserve older and historic building stock as it contributes to downtown's identity and heritage.
- Encourage residential growth and affordable housing opportunities.
- Support reductions in the need for automobiles – car free living.
- Better integrate parking management and alternative mode options.

The intent of this technical memorandum is to outline a potential framework for such an allowance and a discussion of potential outcomes on the existing parking system and measures that would assure such impacts are minimized or mitigated.

II. EXISTING CONDITIONS

A. Pace of Residential Development

There are 62 residential properties in the Downtown Historic District. The City provided the consultant team with a list of residential properties in the downtown study area. According to the available data, most development occurred in waves; the two largest increases came in 2006 (15 units), 1970 (11 units), and 2005 (11 units), with another 11 currently under construction. **Table 1** provides a summary of the existing stock of residential properties downtown.

So, while there has been some recent movement to build residential units in the downtown area, very little has been realized in the last 15 years. Public input derived from the 2019 Downtown Parking Study (including discussion with developers) referenced minimum parking requirements and the current parking fee-in-lieu as significant barriers to any residential development (whether new or for conversions within older and historic properties). For older and historic properties, the minimum requirements were described as non-starters for development as including parking on-site is not feasible (or possible). This limitation is then exacerbated by the fee-in-lieu.

Table 1: Downtown Residential Property Inventory

Land Use Type	Units	Year Built
Single Family Residential	1	1890
Single Family Residential	1	1895
Single Family Residential	1	1901
Single Family Residential	1	1937
Multifamily Residential	11	1970
Multifamily Residential	11	2005
Single Family Residential	1	2005
Multifamily Residential	15	2006
Single Family Residential	1	2006
Mixed Use Residential	1	2007
Residential Townhouses	6	2015
Mixed Use Residential	1	2018
Multifamily Residential	11	2019 ¹
Total	62	

B. Residential Parking Requirements (current code)

Based on the Municipal Code Section 17.03.040 G.2; all individual dwelling units, duplexes, and triplexes built within the study are required to provide two (2) parking spaces for each unit on the building site, one (1) of which may be within the required front yard setback area. For, multi-family

¹ Under construction.

dwelling units the code requires one and one-half (1.5) off-street parking spaces per dwelling unit on or adjacent to the building site. These standards apply to any residential project, new or as a conversion within an existing building. Findings from the 2019 Downtown Parking Study estimated actual parking demand for downtown residential dwelling units to be 1.25 stalls per unit.

C. Fee-in-lieu Option (current code)²

Developers have the option to pay a fee in-lieu as an off-set to providing the full amount of parking required by code.³ The fee-in-lieu amount is set by City Council resolution and is reviewed on at least an annual basis.⁴

Table 2 shows the rate for Fiscal Year 2019-20, for both residential and non-residential uses. As the table demonstrates, there is a clear difference between the fee-in-lieu option for residential uses (up to \$22,088 per space for the first two-thirds of required parking) and non-residential uses (just \$1,226 per space). The difference is striking and provides support for input received in discussions with potential residential developers that the fee-in-lieu option is prohibitive for residential development and markedly so for older and historic properties, rendering it impossible to either meet the minimum parking requirement on-site or pay a very high fee to waive out of parking.

Table 1: Fee-in-Lieu Rates

Residential Uses	\$22,088 per space (first 2/3) + \$2,142 per space (last 1/3)
Commercial Uses	\$1,226 per space
Industrial Uses	\$1,226 per space

The pace of residential growth in the downtown has been marginal over the past 15 years. It is also likely that current code parking requirements and the fee-in-lieu option have limited older and historic buildings from being able to feasibly redevelop or play a role in creating affordable housing opportunities.

III. PROPOSED FRAMEWORK FOR OLDER AND HISTORIC BUILDINGS

To encourage reuse and redevelopment of older and historic buildings, it is recommended that the following framework be considered for incorporation into the City Municipal Code:

- a. Identify a finite list of existing buildings (older and historic) within the Downtown Historic District that would be eligible for waiver of minimum parking requirements if conversion of the second and/or third floor were for multi-family dwelling units.

² The focus of this technical memorandum is the impact of current City regulations on the redevelopment of older and historic properties. A look at how the same regulations impacts new development (commercial and residential) is the subject of a separate technical memorandum that evaluates an interim fee-in-lieu program and adjustments to current parking requirements.

³ 17.24.020 Payment of Fee: Parking Requirement for Calculation of Fee. The In-Lieu Fee shall be based on 1.2 parking stalls or spaces per 1,000 square feet of development multiplied by the amount set by Council resolution in section 17.23.010.

⁴See, Rick Williams Consulting, *White Paper # 5: Strategic Use of Fee-in-Lieu as a Source of Funding for Public Parking (May 7, 2019)*.

- Street level conversions would not be eligible for the exemption nor would transient or hotel users, which is consistent in the code that delineates commercial versus residential uses.
- b. In agreeing to the parking exemption, developer/owner of the allowed building would sign a waiver – assigned to the title of the building and as a condition of use for the building – relinquishing the City from any responsibility for providing parking to users or tenants of the redeveloped property.
- No entitlement to any public parking (on or off-street) is made.
 - Developer/owner would be able to purchase available parking in private or public supply for tenants, but only in an open market format like any other user downtown.
 - If public parking is available, it is available as demand dictates. As such, any availability is considered interim and subject to change.
 - If the City builds future public supply (e.g., lot or garage), the City makes no commitment to the subject building to any access entitlements to that supply; except as supply is available on a demand based system of parking management, which assumes all supply is only available for interim periods.
- c. The City will manage its public parking supply within the framework of its adopted Downtown Parking Management Plan to ensure that existing and future parking capacity is managed to achieve the following:
- The most convenient on-street parking downtown will be preserved for the priority user: the customer trip.
 - The most convenient on-street parking in neighborhoods adjacent to the downtown will be preserved for the priority user: the resident and their guests.
 - Coordinate public off-street parking resources (public and private) to meet employee demand; while balancing the need in public off-street facilities to also accommodate visitor needs.

IV. MANAGING OUTCOMES

Creating a waiver to parking requirements for older and historic buildings will create both challenges and benefits. Numerous cities provide parking requirement waivers for historic buildings and have done so successfully.⁵ These include:

- ✓ Austin, TX
- ✓ Eugene, OR
- ✓ Durham, NC
- ✓ Olympia, WA
- ✓ Portland, OR
- ✓ Richmond, VA

Assuring the City and stakeholders that the change in requirements is a benefit to the downtown will be essential. The following outline addresses both challenges and benefits.

⁵ <https://www.nps.gov/CRMJournal/CRM/v14n7sup.pdf>

A. Challenges

- *Impact on existing supplies.* There may be concern that allowing a zero-build parking scenario for older and historic buildings will result in overflow into existing public on-street and off-street supply downtown as well as into adjacent neighborhoods. This can be effectively mitigated through:
 - Limiting the waiver to a finite set of buildings.
 - Formalizing the waiver framework criteria outlined in Section III, above.
 - Diligent implementation of strategies in the Downtown Parking Management Plan that include:
 - Continue time limited (metered) on-street parking in downtown. This prevents the long-term storage of vehicles on-street (particularly during high customer demand hours).
 - On-going data collection. This will assure that demand is monitored, and strategies are synced and calibrated to the 85% Occupancy Standard. Data collection also allows the City to track changes in use and patterns of parking activity that can be directly correlated to (before and after) a redevelopment project.
 - Extend hours and days of enforcement (as documented through data collection) to ensure continued priority user access. This assures that if customer demand during non-enforcement hours grows; enforcement will be extended.⁶
 - Implement neighborhood permit districts in adjacent residential areas per criteria currently provided for in 10.42.020 of the City Code. This is a tool the City already has to protect the priority of parking in adjacent residential districts for the residents (and guests) of those areas.
 - Implement a shared use parking program to capture currently identified underutilized parking supply in privately owned off-street facilities.

B. Benefits

As stated previously, there is a desire to preserve older and historic buildings and to facilitate growth of affordable residential housing in the downtown. The historical pace of such development has not occurred. Providing a waiver to parking requirements for a finite set of older and historic buildings can provide the following benefits to the downtown and the City.

- *A market-based approach to development.* The waiver option, coupled with the waiver criteria outlined in Section III, place the economic decision for moving forward with a development on the developer. Issues of financing and marketability of the residential asset will be made in the context of the waiver, which means there is no entitlement to parking (on the City's part).
- *Affordable housing is more feasible.* The cost of parking and/or what is now a very high fee-in-lieu would have to be carried within the cost of the housing provided. What the market has seen is that such projects are not viable financially or the cost of units do not support affordability.

⁶ The City cannot prevent any vehicle from parking in a legal on-street stall once enforcement is curtailed. As such, some cities with high concentrations of downtown living will *extend hours of enforcement* from the traditional 9AM – 6PM to later hours in the evening. Similarly, cities have moved to *extending days of enforcement* to include Saturdays and/or Sundays. The purpose is to (a) ensure that customer demand is accommodated and to remove on-street parking as a source of parking that downtown residents rely upon.

- *Downtown vibrancy and livability are enhanced.* Cities across the country have been able to correlate downtown living with increased business vibrancy and higher use of alternative modes (transit, bike, walking).
- *Urban design and historical integrity.* Older and historic buildings have a higher probability of being preserved. This contributes to Hood River’s historic identity and architectural heritage.

V. SUMMARY

Growth in downtown residential housing has been marginal over the past 15 years, though such development is a goal of the City of Hood River. Similarly, upper floor redevelopment of older and historic buildings has also been stagnant. Input from within the development community, and examples from other cities, indicate that minimum parking requirements and/or high fees to waive out of parking requirements are true impediments to repurposing such buildings.

Waiving parking requirements for older and historic buildings – in return for residential housing – comes with challenges and benefits. The recently adopted Downtown Parking Management Plan provides numerous strategies that can support a waiver of parking requirements for these building types. To that end, active commitment to and implementation of the plan will be required.

As seen in other cities, the benefits of the proposed waiver are numerous and consistent with long-stated City goals for historic preservation, affordable housing and continued vibrancy within the downtown.

**CHART B – Cultural Resources Inventory
Local Downtown District: 1994 (updated 2004)**

	Historic Name	Current Name	Address	Inventory #	Previous Designation
1	Ingall-Balch House	Colt Realty	509 Cascade Ave	44	
2	HR Garage, Inc	202 Mall	202 Cascade Ave	51	
3	Davidson Bldg	Real Wind Sports	214, 216 Cascade Ave	52	
4	US Post Office	US Post Office	408 Cascade Ave	55	
5	O.R.W. & N. Railroad	Mt. Hood Railroad	Cascade Ave & E. First	50	Nat Reg/Comp Plan
6	Columbia Laundry	HR Jewelers	413, 415 Oak St	17	
7	Paris Fair/IOOF Hall	Annz Panz	315 Oak St	18	
8	Bartmess Building	Informal Flowers/ Red Feather Mercantile	311 Oak St	19	
9	Johnsen Shoe Store	Twiggs/Benefit Consult.	305, 307 Oak St	20	
10	Butler Bank Bldg	HR City Admin Bldg	301 Oak St	21	Comprehensive Plan
11	E.L. Smith Bldg	HR Stationers	213, 215 Oak St	22	National Register
12	Keir Medical Bldg	Annie Cruz	209, 211 Oak St	23	
13	Hall Bldg	Trillium/Gorge Fly Shop/ Mt View Bicycles	201-07 Oak St	24	
14	Mt Hood Motor Co	Andrews Pizza	107-13 Oak St	26	
15	Top Hat Stoveworks	At Home on Oak	105 Oak St	27	
16	Blowers Block Bldg	HR Windsurfing	101 Oak St	28	
17	Yasui Brothers Mercantile	Holsteins Coffee	12 Oak St	30	
18	Mt Hood Hotel Annex	HR Hotel	102-08 Oak St	31	National Register
19	C.H. Sproat Bldg	Storm Warning	112 Oak St	32	

20	Eliot Bldg (formerly Franz Hardware)	Discovery Bicycles	116 Oak St	33	
21	Brosius Bldg	Carharts/Ananas/Gift House/G.Wilikers	202-06 Oak St	34	
22	La France Bldg	Waucoma Books	212 Oak St	35	
23	Ferguson Bldg	Carousel Museum	304 Oak St	38	Comprehensive Plan
24	Kelly Brothers Hardware	Frame Shop	402-06 Oak St	39	
25	Bartall Bldg	Oak St Mall	408-16 Oak St	40	
26		Windwear	504 Oak St	41	
27	PP & L Bldg	Kerritts	314, 316 Oak St	64	
28	HR Banking and Trust	Apland Jewelers	Oak St & Third	36	
29	Parker House	Parker House	110 Sherman Ave	13	National Register
30	Steward Hardware	Van Metre's	202 State St	9	
31	HR County Library	HR County Library	503 State St	14	Nat Reg/Comp Plan
32	Ezra Smith House	Wine Sellers	514 State St	16	Comprehensive Plan
33	Apple Growers Assoc Plant H	Waucoma Center	902 Wasco St	63	
34	HR City Hall	HR Police Dept	207 Second St	7	Comprehensive Plan
35	Masonic Temple	Masonic Temple	210 Second St	8	Comprehensive Plan
36	Hotel Waucoma	River City Saloon	102-08 Second St	49	Nat Reg/Comp Plan
37	HR Meat Market (formerly Scott Insur.)	Keen Shoes	111 Third St	37	
38	Diamond Fruit Bldg	ANPC	11 Third St	53	
39	Union Truckers Bill of Lading General Office	Union Bldg	Third St & Industrial Ave	61	Comprehensive Plan
40	Riverside Church	Riverside Church	Fourth & State St	11	Comprehensive Plan
41	Georgian Smith Park	Library Park	Fifth & State St	15	Nat Reg/Comp Plan

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MEMORANDUM

TO: Dustin Nilsen, City of Hood River
FROM: Rick Williams, RWC
DATE: March 6, 2020 (v1)

RE: **Fee-in-Lieu – Interim Restructuring of Current Code Option**

I. BACKGROUND

In 2006, the City of Hood River established a fee-in-lieu option in its code (currently outlined in Chapter 17.24¹). The code provision allows developers in the Central Business District to pay a fee to the City in lieu of providing required off-street parking. The amount of the fee is set by resolution of the City Council and reviewed on at least an annual basis. Upon payment of the fee-in-lieu, the City is to deposit monies in a dedicated fund for the development and provision of public parking facilities. At present, the fee is calculated based on 1.2 parking stalls or spaces per 1,000 square feet of development multiplied by the amount set annually by Council. For residential development, the fee is spread at different rates between the first two-thirds of stalls provided and the remaining one-third.

II. PROBLEM STATEMENT

Since its inception, the fee-in-lieu has not been successful in meeting several of the goals originally intended for the program by the City. This was the conclusion of Ad Hoc Committee that was established to develop and complete the 2019 Downtown Parking Study. The Ad Hoc Committee concluded that the format of the current fee-in-lieu is challenged in its capacity to:

- Attract new development to the downtown, particularly affordable housing.
- Support developments constrained by the cost of parking development while reducing reliance on surface parking areas.
- Address site constraints, including historic preservation that may limit the ability to incorporate parking.
- Remove barriers to new development or redevelopment of existing buildings.
- Maintain and encourage an urban form for new development that is consistent with the downtown vision and Hood River's unique identity and character.

A key finding of the 2019 Downtown Parking Study was that the existing fee-in-lieu option lacked coordination with economic factors that are essential to translating fee-in-lieu payments into actual new parking capacity to serve parking demand for developments that would pay the fee. The current

¹ This provision has been modified over the years but is still in place within the code.

format failed to address the issue of “entitlement”² for those that pay and the financial reality that the fee-in-lieu itself was inadequate to the actual cost of delivering new structured parking supply in the downtown. Review of fee-in-lieu programs in other cities found that successful implementation occurred within the context of a broader package of funding sources that can fully support new parking development. In Hood River, the identification and harboring of other funding sources has not occurred. This severely limits the City from being able to strategically respond to potential growth in parking demand and potential partnerships with developers and existing downtown businesses and properties to expand parking capacity over time.

III. MOVING FORWARD

The City is still interested in fee-in-lieu as a potential funding option that could be used to support development of new parking capacity in the future. At the same time, the City realizes that adequate time needs to be taken to explore the true cost of parking development, location, amount and (most importantly) a realistic and feasible funding package that can deliver new capacity while still meeting the goals supporting (and not hindering) new development referred to in Section II above. A process for evaluating and reframing the fee-in-lieu option is outlined in the recently adopted Downtown Parking Study and Plan.³ The strategies and associated action steps within the plan addressing new parking capacity envision a 0-24 month process to get to a fully integrated approach to parking funding (which would include a revised fee-in-lieu).

To this end, the City is interested in an approach that could be used as an interim strategy; an approach that would:

- Suspend the current fee-in-lieu option,
- Allow the City the necessary time to create a new fee-in-lieu framework,
- Identify and commit to a broader package of funding sources,
- Generate some revenue to support downtown access,
- Maximize existing parking supplies and continue to accommodate priority users, and
- Assure that new development projects (commercial and residential) are not hindered from moving forward.

The framework that follows is intended to provide the City with an interim option to address these outcomes.

IV. INTERIM FEE-IN-LIEU

At present, the City has not completed a plan or process for using current fee-in-lieu funds (when received) to provide new capacity for parking or grant any entitlements to payees for access to parking. The consultant recommends a new interim fee-in-lieu that preserves the fee-in-lieu process and payment for the City until such time as (a) the fee-in-lieu is modified and coupled with other funding sources for new capacity or (b) eliminated as a funding option for new capacity.

² Entitlement refers to the level of expectation and certainty that the City would provide to the payee for parking access (capacity) for the parking demand created by the new development. It would also include expectation that such parking access would be available upon completion (e.g., certificate of occupancy) of a project that paid the fee-in-lieu.

³ 2019 Downtown Parking Study and Plan (Final Report), January 22, 2020. See particularly Strategies 27-31, pages 32 – 38.

A. Current requirements

Currently, residential code requires one and one-half parking spaces for each unit in a multi-family development,⁴ whereas minimum parking stalls required for commercial use are based upon employee totals (see Chapter 17.03.040).⁵ However, for purposes of calculating the fee-in-lieu the City bases the fee on 1.2 parking stalls or spaces per 1,000 square feet of commercial development multiplied by the amount set annually by Council.

For Fiscal Year 2019-20, the following fees-in-lieu apply:⁶

- Residential: \$22,088 per space (first 2/3) + \$2,142 per space (last 1/3)
- Commercial Uses: \$1,226 per space
- Industrial Uses: \$1,226 per space

The disparity between the residential and commercial/industrial fees is interesting. The very high fee for residential development (without clarity on whether a development would receive access to parking in return for the fee) likely underscores the concern for the historical lack of residential development in the downtown. At such a high rate, the cost associated with residential parking is viewed by the developer as “valueless,” and must be treated in a proforma as a spread cost. A spread cost would need to be absorbed into the project, increasing rental or unit costs with no return value. Spreading such a cost likely pushes projects out of the market for sales or leasing. Similarly, such costs affect financing, as lenders also view such costs as valueless, affecting the return on investment necessary to finance.

The very low fee for commercial/industrial uses is interesting in that the fee is so low that it works as a zero-minimum requirement. This is based on the assumption that at \$1,226 per space (a) the developer does not expect an entitlement, (b) it does not translate into a adverse drag within a pro forma and (c) the fee is so low that it does not bring much value to the City as a source for future funding of a garage or other transportation improvements in the downtown (e.g., transit, biking or pedestrian infrastructure). The fee is so low as to be superfluous.

B. An interim approach

To encourage continued new development in the downtown, it is recommended that the following framework be considered as an interim approach for approving new developments in the downtown as it pertains to calculating minimum parking requirements and calculating fee-in-lieu rates:

- a. Suspend the current fee-in-lieu option within the code.

⁴ Single dwelling, duplexes and triplexes require 2 stalls per unit.

⁵ Hood River’s code requirements for commercial uses are unique. From a development perspective, using an estimated employee total on a project-by-project approach is difficult without definitional or policy clarity on who qualifies as an ‘employee’ or is this total employee that will use a building over a 24 hour period or are employee shifts accounted for. Further, a developer may not know employee totals when programming a buildings’ uses as tenants needs may different and may change between construction and actual occupancy.

⁶ (Consolidated fee schedules for the last 3 years are on the “Finance” section of the City’s website: <http://ci.hood-river.or.us/FinancialReports>)

b. Revise minimum parking requirements within the code as per the table below.

Parking Requirement	Residential	Commercial	Industrial
Current	1.5 per unit	1 per employee	1 per employee
Recommended	1.25 per unit	1.50 per 1,000 rentable square feet	1.50 per 1,000 rentable square feet.

The recommended requirements are taken from data findings for demand developed for the City in its 2019 Downtown Parking Study.⁷ These calculations represent a truer market calibration of demand for parking by use type in downtown Hood River. It should also be noted that the demand calculations presented represent full demand per 2018 occupancy and use data in the downtown. As such, they are assumed to quantify demand based on existing conditions for access in place in 2018. They do not account for future impacts of alternative modes (transit, bike, and walking) that might occur in future years, which would have a downward impact on actual parking demand.

c. Revise the fee-in-lieu rates per the table below.

Fee Requirement	Residential	Commercial	Industrial
Current	\$22,088 (1 st 2/3rds) \$2,142 (last 1/3 rd)	\$1,226 per space	1 per employee
Recommended	\$3,000 per space	\$3,000 per space	\$3,000 per space

Current fees are too high for residential and do not provide adequate return to the City (as an investment tool) for commercial and industrial uses. At \$3,000 per stall (for the interim) for any residential, commercial or industrial use, the fee simplifies the process and treats each use as an equally important component of downtown’s economic development. The \$3,000 fee should also not be prohibitive to development and creates a small fund that the City would then reinvest in transportation improvements that benefit the broader downtown (e.g., implementation of components of the 2019 Downtown Parking Study and Plan).

As with the current fee, the interim program is an option for a development. Ideally, new development could provide some level of parking supply within their projects. Also, the fee would be periodically adjusted per Council action until such time as a new fee-in-lieu option is developed and implemented.

d. In agreeing to pay the fee, the developer/owner would sign a waiver – assigned to the title of the development and as a condition of use for the building – relinquishing the City from any responsibility for providing parking to users or tenants of the redeveloped property.⁸

- No entitlement to any public parking (on or off-street) is made.
- Developer/owner would be able to purchase available parking in private or public supply for tenants, but only in an open market format like any other user downtown.

⁷ See: White Paper #3: Parking Demand Forecasting - Commercial and Residential Development (June 5, 2019)

⁸ A waiver form would need to be developed in association with the City Attorney.

- If public parking is available, it is available as demand dictates. As such, any availability is considered interim and subject to change.
 - If the City builds future public supply (e.g., lot or garage), the City makes no commitment to the subject building to any access entitlements to that supply; except as supply is available on a demand based system of parking management, which assumes all supply is only available for interim periods.
- e. Use of funds. The City will harbor funds collected from fee-in-lieu payments in a dedicated fund for the development and provision of downtown access programs and improvements. Such programs and improvements can include (but not be limited to):
- Implement elements of the City’s adopted Parking Management Plan
 - Purchase or lease underutilized private parking in the Downtown for conversion to public access.
 - Partner with the private sector to add public parking in new developments.
 - Invest in other transportation infrastructure in the downtown (e.g., transit, bike, pedestrian)
 - Develop new parking structures.
- f. The City will manage its public parking supply within the framework of its adopted Downtown Parking Management Plan to ensure that existing and future parking capacity is managed to achieve the following:
- The most convenient on-street parking downtown will be preserved for the priority user: the customer trip.
 - The most convenient on-street parking in neighborhoods adjacent to the downtown will be preserved for the priority user: the resident and their guests.
 - Coordinate public off-street parking resources (public and private) to meet employee demand; while balancing the need in public off-street facilities to also accommodate visitor needs.

V. CHALLENGES AND BENEFITS

Changing the current fee-in-lieu option within the code will create both challenges and benefits. Assuring the City and stakeholders that the change in requirements is a benefit to the downtown will be essential. The following outline addresses both challenges and benefits.

A. Challenges

- *Impact on existing supplies.* There may be concern that allowing developers (particularly residential developers) a low fee-in-lieu option will result in more developments taking the option, therefore opting not to provide on-site parking. The concern then being that existing supplies of parking would be compromised. This can be mitigated through:
 - Formalizing the waiver framework criteria outlined in Section IV, above.
 - Diligent implementation of strategies in the Downtown Parking Management Plan that include:

- Continue time limited (metered) on-street parking in downtown. This prevents the long-term storage of employee or residential vehicles on-street (particularly during high customer demand hours).
- On-going data collection. This will assure that demand is monitored, and strategies are synced and calibrated to the 85% Occupancy Standard. Data collection also allows the City to track changes in use and patterns of parking activity that can be directly correlated to (before and after) a redevelopment project.
- Extend hours and days of enforcement (as documented through data collection) to ensure continued priority user access. This assures that if customer demand during non-enforcement hours grows; enforcement will be extended.⁹
- Implement neighborhood permit districts in adjacent residential areas per criteria currently provided for in 10.42.020 of the City Code. This is a tool the City already has to protect the priority of parking in adjacent residential districts for the residents (and guests) of those areas.
- Implement a shared use parking program to capture currently identified underutilized parking supply in privately owned off-street facilities.

It is also important to note that a continuing challenge for developers will be project financing. This interim approach is much more clear than current code that no entitlement to parking is granted as a result of paying the fee. Though the recommended fee is low, financing standards will still pressure developers to (a) identify sources of parking access or (b) clearly outline how a no or low parking environment is marketable, financially sustainable and, therefore, mitigates risks to financing by the lender.

B. Benefits

As stated previously, there is a desire to facilitate growth of affordable residential housing and continued commercial/industrial development in the downtown. Providing an interim fee-in-lieu waiver can provide the following benefits to the downtown and the City.

- *Time for strategic planning.* An interim fee-in-lieu provides the City adequate time to develop a more workable package of funding for new parking/transportation capacity development while removing a barrier to current development.
- *A market-based approach to development.* The interim fee-in-lieu program outlined in Section IV, place the economic decision for moving forward with a development on the developer. Issues of financing and marketability of the new asset will be made in the context of the criteria agreed to upon paying the fee; there is no entitlement to parking (on the City's part).
- *Affordable housing is more feasible.* The cost of parking and/or what is now a very high fee-in-lieu would have to be carried within the cost of the housing provided. What the market has seen is that such projects are not viable financially or the cost of units do not support affordability.
- *Supports full implementation of the Downtown Parking Management Plan.* The recommended fees can be directed toward improvements to the existing system, which are intended to

⁹ The City cannot prevent any vehicle from parking in a legal on-street stall once enforcement is curtailed. As such, some cities with high concentrations of downtown living will *extend hours of enforcement* from the traditional 9AM – 6PM to later hours in the evening. Similarly, cities have moved to *extending days of enforcement* to include Saturdays and/or Sundays. The purpose is to (a) ensure that customer demand is accommodated and to remove on-street parking as a source of parking that downtown residents rely upon.

improve the capacity of parking within existing supplies through more strategic management, program investment and partnerships with the private sector.

VI. SUMMARY

The current fee-in-lieu program has become a barrier to new development, as has the difficulty in building new parking supply in the downtown, whether by the public or private sector. The cost to build new parking is extremely high and generally requires multiple sources of funding to be financially sustainable. It has become apparent that relying solely upon a fee-in-lieu option to build parking capacity is a flawed strategy. The City needs time to develop a more coordinated strategy to build parking and/or transportation capacity. Sources of funding need to be identified and a broad group of partners (public and private) will need to participate. The interim fee-in-lieu option outlined in this memorandum removes a stated barrier and will allow new development to proceed forward; letting the market and realities of financing determine feasibility.

DRAFT