

White Paper #4: Barriers to Downtown Residential Development

1.0 Introduction

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.

In Hood River, while there has been some recent movement to build residential units in the downtown area, very little has been realized to date. Only one multifamily residential project has been constructed within the Downtown Historic District since 2006: 6 units in the Union Building (Union Building Lofts, 304-314 Columbia Street). Additionally, two units have been added through residential conversion of existing buildings (304 Oak Street and 301 Oak Street), and one multifamily residential building is currently under construction (317 Oak Street). The only other housing options within the Downtown Historic District include 516 Oak Street Apartments (11 units built in 1970), 310 Oak Street (15 units built in 2005), and 606 Cascade Avenue (Cascade Lofts, 11 units built in 2005).

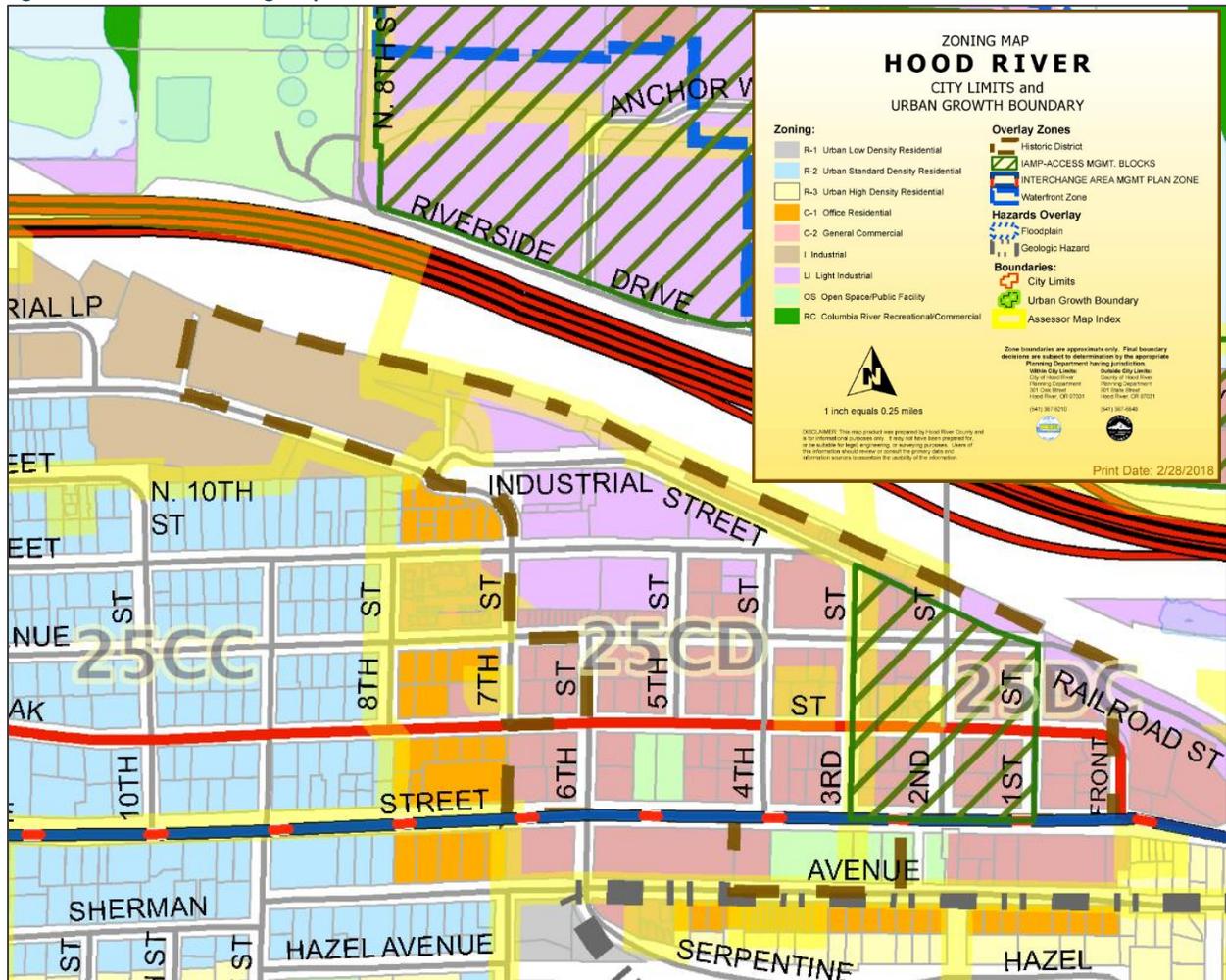
Given the limited number of residential units added within the Downtown Historic District in recent years, the City of Hood River is interested in assessing potential barriers to residential development and revisiting parking requirements and processes. This memo first presents documentation of existing conditions and then presents an initial review of possible barriers to allow for a discussion of potential solutions and code modifications.

2.0 Current Regulations

2.1. Zoning

The Downtown Historic District includes four zoning types: General Commercial (C-2), Light Industrial (LI), Industrial (I), and Open Space/Public Facility (OS). Multifamily residential is permitted (subject to Site Plan Review) within the General Commercial Zone with a minimum density of 11 units/net acre.

Figure A: Downtown Zoning Map



2.2. Parking Requirements by Land Use

For the purposes of this study, the City’s relevant parking requirements for residential and commercial uses are listed in **Table 1**.

Table 1: Off-Street Parking Requirements

Residential Uses	Required Number of Parking Spaces
Duplexes, Triplexes	2.0 per DU
Multifamily Units	1.5 per DU
Commercial Uses	Required Number of Parking Spaces
Professional Offices	1.0 per employee + visitor spaces (unspecified)
Retail/Service/Restaurant/Bar	1.0 per employee + visitor spaces (unspecified)
Industrial Uses	Required Number of Parking Spaces
Industrial	1.0 per employee + visitor spaces (unspecified)
Light Industrial	1.0 per employee + visitor spaces (unspecified)

2.3. Fees-in-Lieu

Developers also have the option to pay a fee in-lieu of providing the full amount of parking required by code.¹ The fee-in-lieu amount is set by City Council resolution and is reviewed on at least an annual basis.²

The following table shows the rate for Fiscal Year 2019-20.

Table 2: 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

In-Lieu Parking Fees are deposited in a dedicated fund for the development and provision of public parking facilities. The collected fees may be applied only to development and provision of public parking that serves the Central Business District, Heights Business District or Waterfront, or the development of City owned parking lots located in non-residential zones. Development and provision of parking to which the fees are applied must be consistent with the City's adopted Parking Management Plan. Development and provision of parking includes, but is not limited to, paving, striping, sidewalks, acquisition of real property, payment of administrative costs, and construction.

3.0 Barrier Assessment

Three major categories were considered and discussed in the following sections:

- Economic Barriers
- Zoning and City Policy Barriers
- Downtown Livability Barriers

3.1. Economic Barriers

3.1.1. Land Value Costs

There are relatively few available buildable sites within Downtown Hood River, and variable sizes and grades make it challenging to establish a typical average for Downtown. However, when comparing land costs between recently developed residential sites in Downtown and ongoing residential development outside of Downtown, land costs in Downtown are generally around double. The Land Real Market

¹ 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.

²See, Rick Williams Consulting, *White Paper # 5: Strategic Use of Fee-in-Lieu as a Source of Funding for Public Parking (May 7, 2019)*.

Value (RMV) for the Union Building Lofts are typically around **\$28 per square foot** for a 640 ft² lot compared to around **\$15 per square foot** of assessed value for undeveloped lots in outlying areas.³

3.1.2. Construction Costs and Price per Square Foot

The overall costs for downtown units, including land, construction/renovation, and parking, are also around double compared outlying areas. The Total Real Market Value (RMV) for the Union Building Lofts are typically around **\$492 per square foot** for a 1,300 ft² unit compared to around **\$230 per square foot** for a 1,679 ft² new build home in the Mountain Vista Development.⁴ Each home has a 2-car garage.

3.1.3. Parking Costs

Costs associated with either providing on-site parking or paying the in-lieu fee can be a significant contributor to higher downtown costs. Duplexes and triplexes require 2.0 stalls per unit and multifamily units require 1.5 stalls per unit by code. While recently revised fee-in-lieu costs allow for a much lower fee for projects that are able to meet at least 2/3 of the required amount of parking, parking costs can still be a significant barrier. Providing underground parking to meet at least 2/3 of the required parking adds to construction costs, potentially limiting the amount of housing developed in Downtown. Alternatively, paying the full fee-in-lieu for all required parking does not guarantee access to parking for residents, which can make it difficult to secure financing or effectively market units.⁵

3.2. Zoning and City Policy Barriers

3.2.1. Conditional Review Process

Most land uses in the C-2 District are permitted but subject to Site Plan Review (including commercial and multifamily residential with a minimum density of 11 units/net acre). However, mixed-used projects with ground level commercial and upper level residential are considered Conditional Use and are subject to a longer process that introduces risks for developers.

3.2.2. Height Restrictions

All structures in the C-2 District are limited to a maximum height of 45-feet. However, residential structures without ground-level commercial are subject to a 35-foot height restriction. Developers interested in residential development in Downtown must assess the potential return on investment by going through the Conditional Use process in order to construct a 45-foot mixed-use project.

3.2.3. Underutilized Floor-Area in Historic Buildings

The upper floors of Historic Buildings in downtown that do not have off-site parking are cost-restricted from converting unused space to residential due to the high residential fee-in-lieu applied to buildings where the first 2/3 of parking cannot be met. If electing to move forward and pay the high residential

³ From the Tax Parcel Data, the Land RMV for a 640 ft² lot in the Union Building (312 Columbia Street) is \$17,920 and the Assessed value of an undeveloped 6,080 ft² lot in the Mountain Vista Development (1817 3rd Street) is \$93,690.

⁴ From the Tax Parcel Data, the Total RMV for a 1,300 ft² lot in the Union Building (312 Columbia Street) is \$640,000 and the Total RMV of a new 1,679 ft² constructed in 2018 in the Mountain Vista Development (1735 3rd Street) is \$385,410.

⁵ See, Footnote #2.

fee-in-lieu, the costs will be passed on to renters/owners who will then not have available parking while paying a premium.

3.2.4. Inconsistency in Residential Parking Requirements

While the code-required number of parking stalls for multifamily residential is 1.5 stalls per unit, according to Municipal Code Section 17.23.010, fee-in-lieu is calculated based on “1.2 parking stalls or spaces per 1,000 square feet of development.” As written, fee-in-lieu suggests that residential units 800 square feet or smaller would only require 1 parking stall and units 1,600 square feet or more would require at least 2 parking stalls. This inconsistency and uncertainty within the code may discourage developers from considering projects due to the unknown costs and unpredictable outcomes.

3.3. Downtown Livability Barriers

3.3.1. Size and Amenities

While many residents interested in renting or owning downtown understand the tradeoffs associated with living in a constrained urban environment compared to a suburban area (smaller units, less outdoor space, etc.), zoning restrictions make it more difficult to provide shared amenities for residents (particularly if shared amenities would increase parking requirements, as the current fee-in-lieu language suggests). For example, bike storage, shared outdoor space, gym space, etc. may be cost-prohibitive to provide in a 35-foot residential building.

3.3.2. Access to Services and Supplies

One of the key draws to living downtown in many cities and towns is the ability to access all needed services on foot. While Hood River has a variety of restaurants, bars, and professional services in Downtown, many residents would still need to drive to access a grocery store, hardware store, gym, and other services.

3.3.3. Multimodal Access and Shared Mobility

Hood River currently lacks a number of multimodal options that help to facilitate “car-free” downtown living. Transit service, car rental services (such as Zip Car), point-to-point carshare (Car2Go, ReachNow), and other shared mobility services are either very limited or non-existent.

3.3.4. Vehicle Storage

Hood River is an attractive place to live and raise a family in part because of the convenient access to nature. Potential residents of downtown may not need daily access to a car but are likely need a car to access outdoor activities. The current fee-in-lieu program increases costs for downtown residents, but does not also come with a guaranteed, safe location to store a vehicle off-site.

4.0 Peer City Comparison

By establishing a fee-in-lieu program, the City of Hood River has effectively indicated that residential units with no off-street parking shall be allowed in Downtown.

Setting aside fee-in-lieu, the following section presents an overview of smaller cities and towns in Oregon, Washington, and Idaho⁶ that have either entirely eliminated or significantly reduced residential

⁶ Seattle and Portland have been excluded.

parking minimums within specific districts (most commonly within the Central Business District). If Hood River elects to maintain a fee-in-lieu program that does not specifically guarantee off-site parking for residential projects, the following towns and cities can provide key case studies for managing parking in downtown when developers are not required to provide parking for residents.

4.1. Colville, WA

- No minimum parking requirements in the “Central Business District” where multifamily residential is a permitted use on the 2nd floor and above (17.72.010).
- The “Purpose and Intent” of this district (17.32.010) is “to preserve and enhance areas in which pedestrian-oriented retail sales and businesses will locate and to encourage consolidated peripheral parking to serve the district.”
- Outside of the Central Business District, the following minimum residential parking requirements apply:
 - Single-Family: 2.0 per DU
 - Duplex: 2.0 per DU
 - Multifamily: 2.0 per DU + 0.20 for guest parking

4.2. Bellevue, WA

- No minimum parking requirements in small portions of the “Old Town Overlay District” (where residential is permitted) except for hotels and motels (20.35.070).
- In most of the “Old Town Overlay District,” the following exemption applies:
 - “The planning director may exempt existing **buildings listed on the local, state or federal register of historic places** from required parking for a one-time floor area expansion, provided (a) the floor area expansion is limited to an area equal to 10 percent of the area of the existing building and (b) existing conforming parking on site shall not be displaced except as otherwise may be allowed. If the listed historic building provides 10 percent or less of the on-site parking that would be required for an equivalent new building, the planning director may allow displacement of some or all of the on-site parking.”
- Without the exemption, the following minimum parking requirements for residential uses would apply within the “Old Town Overlay District:”
 - Multifamily (< 3 bedrooms): 1.0 per DU
 - Multifamily (≥ 3 bedrooms): 0.5 per Bedroom

4.3. Eugene, OR

- No minimum parking requirements for non-residential uses in the “Downtown Riverfront Special Area Zone” and reduced parking requirements for residential uses (9.3165).
- Except as permitted through Design Review, the following minimum residential parking requirements apply within the “Downtown Riverfront Special Area Zone:”
 - Residential: 0.75 per DU

4.4. Sandpoint, ID

- All uses with the “All Uses Exempt” area of Downtown are exempt from minimum parking requirements (9-5-1).
- Outside of the “All Uses Exempt” area of Downtown, the following minimum residential parking requirements apply:
 - Multifamily (< 1,200 ft² /unit): 1.0 per DU
 - Multifamily (> 1,200 ft² /unit): 1.4 per DU

4.5. Ketchum, ID

- For all residential units 750 ft² or less, there is no minimum parking required within the “Community Core District” and the “Tourist District” (17.125.040). Units between 750 ft² and 2,000 ft² are required to provide 1.0 stalls per dwelling unit within these districts, and units greater than 2,000 ft² are required to provide 2.0 spaces per dwelling unit. Parking requirements are not reduced for non-residential uses in these districts (1 space per 1,000 ft²).
- In “Light Industrial” zoning districts, 1.0 stalls per dwelling unit are required.
- In all other districts, the following minimum residential parking requirements apply:
 - Residential (≤ 2,000 ft² /unit): 1.0 per DU
 - Residential (> 2,000 ft² /unit): 2.0 per DU

4.6. Twin Falls, ID

- Within “Parking Overlay District 1,” which covers much of the Central Business District, no off-street parking is required for outright permitted uses, but may be required through the special use permit required by the commission or council (10-10-12). Standalone multifamily residential with 5 or more units and residential units on upper floors of commercial or professional buildings are permitted outright within the “Commercial Central Business District” where the overlay applies.
- Within a slightly larger “Parking Overlay District 2” that covers most of the remaining Central Business District, parking requirements are reduced by 30% (with the exception of multifamily residential with less than 5 units).
- Outside of the Parking Overlay Districts, the following minimum parking requirements apply:
 - Single-Family: 2.0 per DU
 - Multifamily (< 3 Bedrooms): 2.0 per DU
 - Multifamily (3 Bedrooms): 2.5 per DU
 - Multifamily (4 Bedrooms): 3.0 per DU

5.0 Summary

While there has been some recent movement to build residential units in downtown, this memo documents several barriers to residential development related to development costs, City policy, and livability limitations. By considering each of these barriers, determining areas where Hood River may have some control, and modifying policies and fees accordingly, the City may have the ability to attract

additional residential development. The case studies presented in this memo along with the detailed discussion of fee-in-lieu included in **White Paper #5** provide some important context as the City weighs options and considers potential solutions necessary to support residential growth downtown.

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