

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion with the Shoreline Planning Commission on MUR-70' Zone Development Regulations		
DEPARTMENT:	Planning and Community Development		
PRESENTED BY:	Andrew Bauer, Planning Manager		
ACTION:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

PROBLEM/ISSUE STATEMENT:

At the April 5, 2021 Council meeting, staff presented several topics for further study as it relates to facilitating better development outcomes in the Mixed Use Residential (MUR)-70' zone as envisioned in the light rail station subarea plans. Several Councilmembers expressed an interest in holding a joint meeting with the Planning Commission to discuss in greater depth the topics and to provide direction on how to proceed.

Tonight, a joint meeting will be convened with the City Council and Planning Commission with the following objectives:

1. Have an in-depth discussion of the MUR-70' zone and issues that may be constraining development; and
2. Provide clear direction to staff for development of a workplan that includes Development Code amendments for consideration and potential action in the second quarter of 2022.

RESOURCE/FINANCIAL IMPACT:

There is no direct financial impact at this time. Direction and future actions stemming from this discussion could require financial and staff resources.

RECOMMENDATION

Staff is seeking direction from Council and Planning Commission on the topics identified in this staff report. Direction from this meeting will be used to draft Development Code amendments for consideration in the first half of 2022.

Approved By: City Manager **DT** City Attorney **MK**

BACKGROUND

At the November 30, 2020 Council meeting, staff presented the 185th Street Station Subarea Plan Progress Report. A copy of the progress report can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2020/staffreport113020-9a.pdf>.

The progress report summarized development activity occurring in the 185th Street Station Subarea since its adoption in 2015. Although the data showed new residential growth is occurring at the pace anticipated by the plan, it also found there was no commercial development in the subarea and no development activity of any type in the MUR-70' zone.

At the April 5, 2021 Council meeting, staff presented responses to questions from the November 30th meeting and began the discussion of identifying topics the Council would like to further study with the goal of facilitating better development outcomes in the MUR 70' zone. A copy of the April 5, 2021 staff report can be found at the follow link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2021/staffreport040521-9a.pdf>.

Council expressed interest in convening a joint meeting with the Planning Commission to discuss in more detail the list of topics identified for potential Development Code amendments. The topics Council directed staff to advance at the April 5th meeting are shown in Table 1.

Table 1 – Potential Topics for Development Code Amendments

Topic	Impact	Effort
Parking standards: Review and revise off street parking ratios and further expand mechanisms for developments to achieve parking reductions. Also review and amend the code to allow “unbundling” cost for off street parking from the lease or sale of residential units.	High	Mid-to-High
Catalyst developments: Develop a package of code requirements and/or incentives, or other benefits that would apply to a certain number of developments that come earlier. For example, regulations could be written to apply to the first 1,000 multifamily units in the MUR-70' zone. Alternatively, regulations could expire after a period of time, such as three years.	High	High
Extension and potential expansion of the MFTE program: The current eligibility applies only to MUR-45' and MUR-70' properties within the phase 1 rezone area and is scheduled to expire at the end of 2021. Extend the program beyond 2021 and review opportunities to expand it to all of the MUR-70' zones.	Medium-to-High	Low

Development incentives: Review incentives and revise with the goal to “right size” the incentives and associated public benefit.	Medium-to-High	High
Development agreement process: Revise the review process for development agreements or explore options for an entitlement process with codified development requirements and an administrative approval.	Medium	Medium
Building height: Increase height regulations in the MUR-70' zone. The current base height is 70' with provisions to go to 140' with a development agreement. Explore height flexibility in areas closest to the light rail stations.	Medium	Medium

MUR-70' Zone

The MUR zones were adopted with the light rail station subarea plans. There are three distinct zones with variation in allowable land uses and development regulations (MUR Housing Types Summary Sheet is attached as Attachment A). The MUR-70' zone allows the most intensive development and is located closest to the two light rail stations at 148th Street and 185th Street (Attachment B). The existing land use pattern within the MUR-70' zone consists almost entirely of single-family homes constructed from the 1940s and onward. Infrastructure and utilities such as streets, water, sewer, and electricity have been sized and built to serve this low-density land use pattern.

Below is a summary of some of the key development standards for the MUR-70' zone:

Table 2 – MUR-70' Zone Development Standards

Standard	Requirement
Residential density	Maximum: None Minimum: 48 dwelling units per acre
Minimum front setback	15 feet on 185 th Street 22 feet on 145 th Street 0 feet all other streets
Minimum rear and side setbacks	0 feet when abutting light rail stations 20 feet when abutting single-family zones 5 feet all other instances
Building height	70 feet (base height) 80 feet when 10% of significant trees retained 90 feet when 20% of significant trees retained 140 feet with development agreement <i>*Portions of buildings above 45 feet shall be stepped back 10 feet or may be setback 10 feet</i>
Maximum building coverage	None
Maximum hardscape	90%

The development community continues to show interest in properties in the MUR-70' zone. There are four current projects in varying stages of development (Attachment C):

- 7-story mixed use building with 252 units, 2,501 square feet of ground floor commercial, and structured parking directly adjacent to the Shoreline South/148th Station. Applications were filed on September 24, 2021.
- 6-story multifamily building with 482 units with structured parking located at the intersection of NE 145th Street and 1st Avenue NE. A pre-application meeting was held in March 2021 and discussions with the applicant continue.
- 7-story mixed use building with 238 units, 2,275 square feet of ground floor commercial, and structured parking located on four existing parcels approximately at 140 NE 145th Street. A pre-application meeting was held in June 2021 and discussions with the applicant continue.
- 7-story mixed use building with 240 units, ground floor commercial, and structured parking located on a six-lot assemblage north of the Shoreline North/185th Station. An Administrative Design Review (ADR) application was filed on October 5, 2021 and construction permit applications are anticipated to follow issuance of a decision on the ADR.

Developer Feedback

Staff presented at the June 10, 2021 Developer Stakeholder Meeting background on the MUR-70' zone and solicited input on the most pressing challenges to development. Summary notes of the input received at the meeting are included as Attachment D. Generally, feedback focused on the following themes:

- Parking:
 - Minimum parking ratios are too high – let the market determine minimum parking.
 - Expand the ability to reduce parking further from transit (at least half-mile or more).
- The market cannot support buildings above seven (7) stories due to the change in construction types.
- Commercial (ground floor and stand-alone commercial buildings):
 - Commercial buildings and ground floor commercial space is not feasible in most locations, but maybe someday.
 - Innovative ways for small commercial space like live-work units or food trucks could test the market.
- 99-year affordable housing requirement should align with the 12-year multifamily tax exemption.
- Early developments should be incentivized for infrastructure/utility improvements that benefit other properties.
- Rental market does not support high rise construction.
- More impact fee credits/waivers could incentivize more development.

Recent and Ongoing Planning Initiatives

Table 3 identifies actions already taken by the City and those under consideration which relate either directly or indirectly to the MUR-70' zone.

Table 3 – Recent and Ongoing Initiatives

Proposal	Status
Parking reductions: A 25% parking reduction is allowed outright to all properties within a quarter mile of a high-capacity transit stop (e.g. bus rapid transit, light rail).	Complete Effective May 11, 2021 (Ord. No. 930)
Front setback for buildings on non-arterials in the MUR-70' zone: The required 10-foot front setback on non-arterials in the MUR-70' zone was eliminated to allow greater design flexibility.	Complete Effective May 11, 2021 (Ord. No. 930)
Administrative design review for alternative landscape designs: New developments that can demonstrate the project meets the purpose and intent of the landscape standards but cannot meet all the prescriptive requirements now have greater flexibility by utilizing the administrative design review process.	Complete Effective May 11, 2021 (Ord. No. 930)
Mid-block Connections: A shared-use path is required when a development fronts on two parallel streets and the distance between the two streets is 250 feet or more.	Complete Effective December 15, 2020 (Ord. No. 907)
Multifamily Tax Exemption: Removal of the sunset provision, expansion of the residential target area to cover the entire light rail station subareas, and adoption of a 20-year program, subject to eligibility criteria.	Complete Council adopted Ord. No. 944 on October 4, 2021
Landscape Conservation and Local Infrastructure Program (LCLIP): The purpose of LCLIP is to encourage Transfer of Development Rights (TDR) with a public infrastructure financing tool called tax increment financing (TIF). The program gives the City access to a new form of revenue in return for development rights from regional farms and forests. LCLIP creates incentives for both land	Pending In November 2020, Council provided direction to staff to begin implementation of a TDR program that would also take advantage of LCLIP. The required 6-month notice was sent to the County Executive's Office on July 8, 2021 and will be complete in January 2022. Council may consider amendments that would adopt a TDR program and LCLIP at that time.

<p>conservation in the King County and infrastructure improvements in the City.</p> <p>The TDR program would introduce incentives to encourage the sale of TDR credits in exchange for additional height, reduced parking, property tax exemptions, and administrative approval of a Development Agreement for development in the MUR-70' over 70-feet.</p>	
<p>Unbundling parking: Remove from the Development Code the requirement that off street parking must be included in the rental or sale price of a unit and parking cannot be rented separate from a residential unit.</p>	<p><i>Pending</i></p> <p>This amendment is included in the second part of the 2021 Development Code amendments and is anticipated to go before Council in late 2021 or early 2022.</p>

DISCUSSION

Development of Financial Analysis

The City entered into a contract with FCS Group in 2021. One of the tasks FCS was contracted to conduct included an evaluation of the financial feasibility of new multifamily development scenarios that could be used to inform discussions on the refinement of the Development Code in the MUR-70' zone. FCS Group will be in attendance for the joint meeting tonight and will present the development scenarios and findings of the Development Financial Analysis (Attachment E).

Development Code Amendment Options and Alternatives

The discussion below and alternatives for further discussion are based on the topics presented at the April 5, 2021 meeting in which Council expressed interest in advancing for further discussion and consideration.

Parking Standards

Off street parking is regulated in a myriad of ways. It has been widely documented that parking regulations can add significant costs to development (Attachment F), the cost of housing, and not to mention the design implications on the built environment where parking standards can often drive the overall design of a development.

Ordinance No. 930 went into effect on May 11, 2021 and expanded the 25 percent parking reduction to all properties within a quarter mile of high-capacity transit (light rail and bus rapid transit). The expansion covers most, but not all, properties zoned MUR-70'. Some MUR-70' zoned properties (particularly in the 185th Street station area) are between a quarter-mile to half-mile distance of the station.

Currently under consideration with the second part of the 2021 Development Code amendments are changes that would allow property owners to charge tenants for an off street parking stall separate from their monthly rent.

Table 4 below provides a comparison of how the City's parking regulations stack up against other cities in the region with either existing stations or stations opening in the near future. The comparison is based on a residential development scenario of 200 units.

Table 4 – Parking Comparison for 200 Unit Residential Development

Unit Type	Units	Shoreline	Mountlake Terrace	Lynnwood	Bellevue (Spring District)	Seattle (Northgate & Roosevelt Station Overlays)
Studio	50	37.5	25	25	37.5	0
1 BR	100	75	75	50	75	0
2 BR	50	75	50	25	37.5	0
Total	200	188 w/o reduction 139 w/25% reduction*	150	100	150	0
Ratio - Stalls per unit	--	1.06 w/o reduction 0.70 w/25% reduction*	0.75	0.5	0.75	0 No minimum in overlay areas

**25% reduction applies to properties within ¼ mile of light rail station*

Alternatives for Discussion

1. Expand the 25 percent parking reduction to all properties in the MUR-70' zone
2. Allow parking reductions more than 25 percent when applicants can demonstrate parking demand will be managed. Examples of managing demand could include:
 - a. Shared parking arrangements
 - b. Enhanced bike facilities
 - c. Transit passes provided to residents at reduced cost

Catalyst Developments

The concept of encouraging early “catalyst” developments in the MUR-70' zone has gained interest among some developers. The purpose of the catalyst development regulations is to recognize the significant up-front utility and infrastructure costs associated with transitioning the current low-density land use pattern into one that is compact and supportive of transit. The early projects in the MUR-70' zone are arguably taking on more risk, in addition to infrastructure costs, since there are not yet other developments to draw on with regard to performance in the market.

Through the catalyst development provisions, certain development requirements could be modified, or waived entirely, for a defined number of units permitted. Catalyst development provisions would ideally *remove* requirements instead of attempting to add more incentives and complexity to the review process.

The catalyst development concepts overlap with the other discussion topics in this report and offer a way to take bold action to remove friction in the development process and to recognize the bold investments being taken by early implementers of the light rail subarea vision.

There are numerous combinations that could be considered for catalyst development provisions. To assist in guiding the discussion, it could be helpful to consider the desired development outcomes being sought, and the most frequent comments and concerns being brought forward by the development community.

Some potential requirements that could be modified or waived include but are not limited to:

- Minimum parking ratios
- Impact fees
- Building height
- Building step backs above 45 feet

Criteria for catalyst developments would need to be defined. If a priority is to encourage larger developments, then provisions could include those developments of 100 units or more be eligible as a catalyst, for example. Catalyst developments could be conditioned to meet performance criteria in order to be eligible such as providing impact fee exemptions where developer-built improvements will benefit other future developments.

Catalyst Development Definition

One potential definition for a catalyst development could include:

- New multifamily or mixed-use developments of 100 units or more; or
- New office development of 10,000 square feet or more.

Catalyst Development Thresholds

The provisions for catalyst developments could apply for a duration of time (e.g. sunset after a number of years), or could apply to a set amount of development quantified in number of residential units and square feet (for office/commercial development). Some potential development thresholds could include:

- The first 1,000 residential units in the MUR-70' zone; or
- The first 100,000 square feet of office space in the MUR-70' zone.

Catalyst Development Examples

To illustrate the definition and the thresholds better, below are examples of projects that could be eligible for relief under the catalyst development provisions:

- A new 7-story mixed use building with 250 units and 2,000 square feet of ground floor commercial
- A new two story, 12,000 square foot office building

Provisions for catalyst developments could waive or modify development standards so the developments in these two examples would have relief from parking, impact fees, building height, or other standards identified. Staff were recently informed by the applicant of a mixed-use building in design the costs to underground and relocate utilities on their property frontage posed a significant financial impact to the project. Using other means, such as impact fees, to offset these types of challenges can in some instances help to advance projects.

It should be noted that Shoreline Municipal Code (SMC) Section 3.80.070.I already exempts many commercial uses from transportation impact fees. Also of note, impact fees in the amount not collected based on an exemption must still be paid from public funds to the impact fee account. In other words, impact fees would be paid by the City on behalf of a development. Those funds would need to come from grants, the City's General Fund, potentially real estate excise taxes, or other revenue streams which could be used for transportation improvement projects.

Alternatives for Discussion

1. Modify or waive development standards for catalyst developments. Modifications or waivers to development standards could include:
 - a. Impact fee exemptions (to offset infrastructure/utility costs)
 - b. Minimum parking requirements
 - c. Building height
 - d. Building step backs above 45 feet
2. Develop performance-based criteria for catalyst developments must meet to be eligible, such as a providing a broader area-wide improvement that will benefit other future developments.
3. Develop catalyst development provisions that would apply solely based on a defined project size and location, without performance-based criteria.

Development Agreement Process and Building Height

To date, there has not been developer interest in the Development Agreement process in the MUR-70' zones. Development Agreements are authorized by RCW 36.70B.170, with the City's process adopted into SMC 20.30.355. A Development Agreement is a legislative decision that requires a public hearing, recommendation by the Planning Commission, and a final decision by the City Council.

The building height regulations in the MUR-70' zone are as follows:

- 70 feet – base height, allowed outright
- 80 feet – at least 10 percent of significant trees retained
- 90 feet – at least 20 percent of significant trees retained
- 140 feet – approved Development Agreement

As is noted above, a Development Agreement is required to achieve the maximum allowable height of 140 feet. As part of the Development Agreement, the requirements in SMC 20.30.355.D must be satisfied, which include:

- 20% of units are affordable at 60% of the area median income (AMI) for 99 years or 10% of units are affordable at 50% AMI (this represents deeper affordability than already required in SMC 20.40.235.B);

- The entire development is to be built to LEED Gold standards;
- 90% of parking is to be within a structure;
- Agreement to purchase transfer of development rights (TDR) credits;
- Park space dedication; and
- Two of the following:
 - Entire site uses combined heat and power infrastructure or district energy.
 - Commercial space of 40,000 square feet or more.
 - 30% of the ground floor provides neighborhood amenities such as nonprofit office space, restaurant, etc.
 - 2% of the building construction value shall be paid to fund parks, open space, art, or other recreational opportunities.
 - Provide additional off-site frontage improvements that connect to nearby amenities such as transit, commercial areas, etc.
 - Provide street-to-street public access such as an alley or multimodal path.

Alternatives for Discussion

1. Allow a height of 140 feet for properties closest to the light rail stations through an overlay area or similar mechanism without a Development Agreement.
2. Allow outright a height allowance of 90 feet in all MUR-70' zones and remove provisions related to tree retention.
3. Revise the Development Agreement requirements to be more attractive to a wider range of potential developments.
4. Keep the thresholds for Development Agreements as is.

NEXT STEPS

With direction provided from the City Council and Planning Commission tonight, staff will begin to draft Development Code amendments. Depending on the scope of the amendments, additional outreach and input from the development community will occur. It is anticipated that draft amendments could go before the Planning Commission in the first quarter of 2022.

RESOURCE/FINANCIAL IMPACT

There is no direct financial impact at this time. Direction and future actions stemming from this discussion could require financial and staff resources.

RECOMMENDATION

Staff is seeking direction from Council and Planning Commission on the topics identified in this staff report. Direction from this meeting will be used to draft Development Code amendments for consideration in the first half of 2022.

ATTACHMENTS

Attachment A – MUR Housing Type Summary Sheet
 Attachment B – Station Subarea Maps
 Attachment C – MUR-70' Zone Developments

Attachment D – Notes from Developer Stakeholder Meeting
Attachment E – Development Financial Analysis Memo
Attachment F – Parking Reform – Urban Land Institute

MIXED-USE RESIDENTIAL HOUSING TYPES



The new zoning designations described below were developed to support neighborhood-serving businesses and additional housing styles. They represent a change from the current system of defining zoning by density maximums to using height limits instead.

Existing single family homes are allowed under all new zoning designations.



MIXED-USE RESIDENTIAL
35-FOOT HEIGHT LIMIT

MUR-35'

This zone would allow multi-family and single-family housing styles such as cottages, row houses, and town homes. The height limit for this zone is 35 feet, which is the same as existing single-family zones, and equates to a three-story building.

MUR-35' would also allow commercial uses along streets identified as arterials including live/work lofts, professional offices, and three-story mixed use buildings (two levels of housing over one level of commercial or other active use at the street level). This zone also would allow the conversion of existing homes to restaurants, yoga studios, optometrists offices, and other uses along arterials.

Existing single-family homes may be expanded or new single-family homes may be constructed to R-6 standards.



MIXED-USE RESIDENTIAL
45-FOOT HEIGHT LIMIT

MUR-45'

This zone would allow multi-family building types with a height limit of 45 feet, which equates to a four-story building. This includes cottages, row houses, townhomes, and apartments. Along arterials, MUR-45' zoning would allow mixed-use housing styles such as live/work lofts, ground floor retail with apartments above, or conversion of single-family houses to commercial or office uses.

Existing single-family houses could be expanded by 50 percent or 1,000 square feet, whichever is less.



MIXED-USE RESIDENTIAL
70-FOOT BASE HEIGHT

MUR-70'

This zone would allow building heights of 70 feet, generally six to seven stories. Building types would typically be mixed-use with residential and/or offices above commercial or other active use at the ground floor level. This type of "transit-oriented development" will occur in areas closest to the light rail station over the long-term. Potentially, buildings in this zone that provide a greater level of green building and affordability (among other requirements) could achieve a height of 140 feet, following a public process requiring notification, a hearing, and Council approval.

Existing single-family houses could be expanded by 50 percent or 1,000 square feet, whichever is less.

145th Street Station Subarea

Attachment B

Zoning Designation

MUR-70; Mixed Use Residential (70' height)
 MUR-45; Mixed Use Residential (45' height)
 R-12; Residential, 12 units/acre

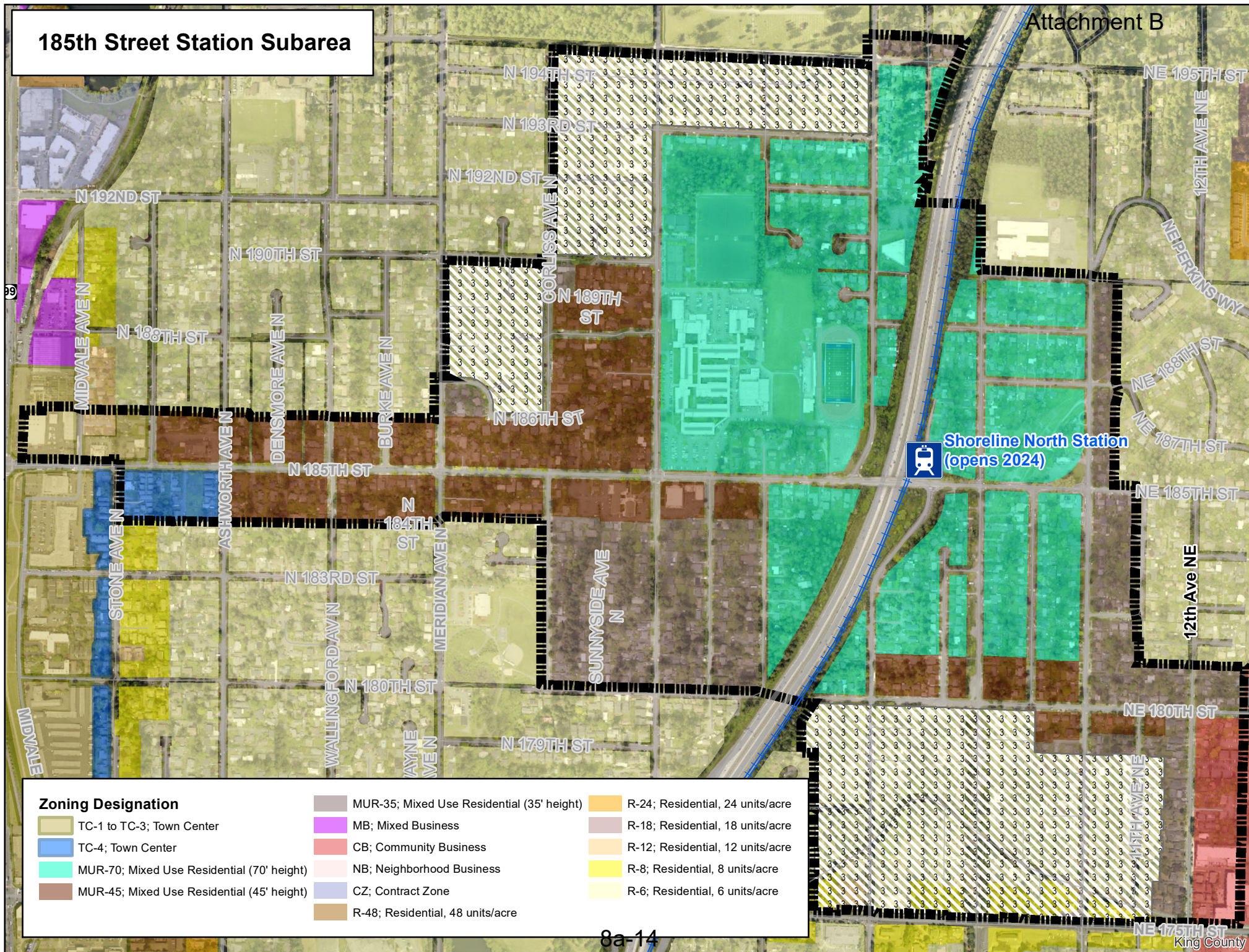
MUR-35; Mixed Use Residential (35' height)
 R-6; Residential, 6 units/acre



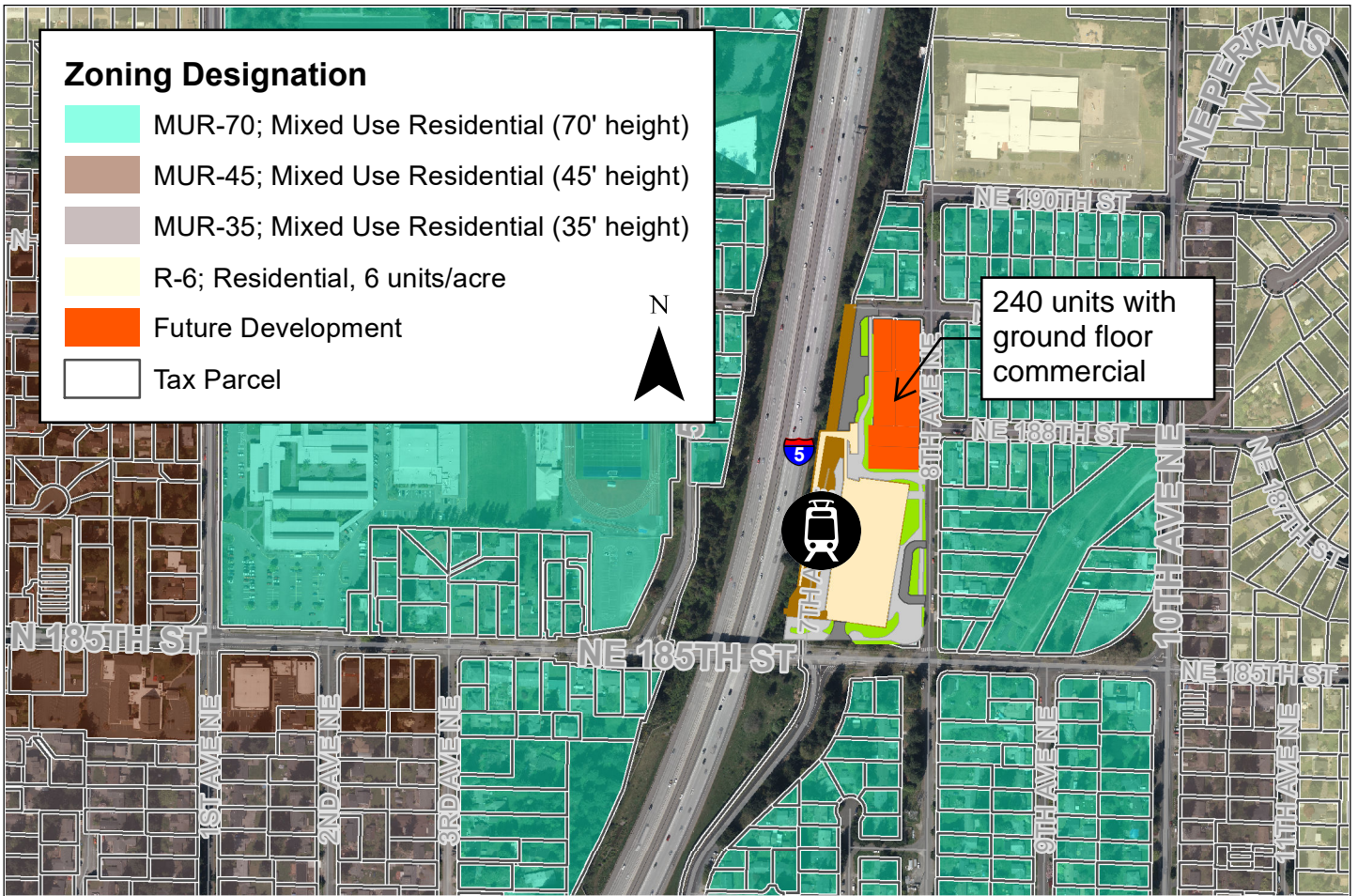
Shoreline South Station
(opens 2024)

185th Street Station Subarea

Attachment B



MUR-70' Zone Developments



DEVELOPER STAKEHOLDER MEETING NOTES – MUR-70' ZONE CHALLENGES

June 10, 2021

Parking

- Parking minimums should be eliminated in all development at least within half mile of light – preferably all development within 1 kilometer
- Let the market determine appropriate parking requirements
- Not all developers are supportive of removing minimum parking requirements
- Buildings are giving free parking right now and it's being subsidized by the development
- Some buildings in Seattle are operating with 0.5 stalls per unit or lower
- City currently requires cost for off street parking be included in a tenant's rent. This requirement was to off set impacts on nearby streets and neighborhoods where residents were avoiding the cost of parking but instead parking on the streets.
- Transportation Management Plans (TMPs) would be an option to require for more parking reductions and flexibility
- Bike parking amenities seem acceptable
- Reduce parking for commercial space

Commercial Uses and Building Height

- Live work units, where it can all be residential, is a good way to allow for an area to transition with more commercial uses over time when the market can support it
- Commercial uses are not supported in the current market
- 140' height is attractive, but there are more requirements as the height increases – there should be less requirements for taller buildings, not more
- The rental market does not support high rise construction
- The market cannot see past 5 over 2 construction types – it's the maximum that can be supported at this time
- Commercial demand will only come when there are more residents in the area
- Creating small space for food trucks and other innovative spaces could be a way to test the market for commercial demand

Infrastructure and Utilities

- Impact fee reductions are needed to help off set the cost of infrastructure and improvements needed
- Some of the first developments that are taking more risk in the MUR-70' zone should be incentivized to mitigate risk and offset costs for infrastructure and improvements that will benefit future developments
- Seattle City Light is unpredictable, and developers cannot get any assistance from them
- The existing process for latecomer's agreements is incredibly onerous

Other

- Predictability is paramount for developers
- Rents are too low in the MUR-70 zone
- The 99-year mandatory affordable housing requirements should align with the MFTE timeframe of 12-years
- The MUR-70' regulations are too rigid – open it up and regulate less
- Townhome projects are near impossible with the new standards
- The pre-application meeting process is a good way to get answers and information from the City

To: Sara Lane, City of Shoreline**Date:** June 23, 2021**From:** Todd Chase, AICP, LEED, and Martin Chaw, FCS GROUP**CC:** Project File #3221**RE:** Development Financial Analysis

INTRODUCTION

To help determine the relative financial feasibility of potential multifamily developments within the City of Shoreline, FCS GROUP conducted a financial feasibility analysis of selected development prototypes from a developer's perspective. The findings are intended to illustrate how changes in local policies could affect the relative feasibility of apartment/mixed-use developments in Shoreline at this time.

METHODOLOGY

Assumptions contained in this analysis are for long-range planning purposes only. Findings take into account input received from City of Shoreline planning staff as well as information gleaned through review real estate market data and interviews with developers specializing in apartment construction and property management.

The development prototypes that were evaluated include variations of apartment buildings that are consistent with current zoning restrictions.

Building construction unit costs, operating expenses, lease/rental rates and debt/equity terms have generally been held constant for each development prototype. This enables FCS to isolate and analyze how potential changes in building heights, parking design, and affordable housing requirements impact the relative financial feasibility of new apartment construction.

Residual Land Value is a common metric used to measure overall project feasibility within the development industry. It represents the difference between a project's construction cost and supportable debt and supportable equity. As such, the residual land value generally indicates the amount a private developer might be willing to pay for a particular site (expressed as \$ per square foot of land area or \$ per dwelling unit) given the underlying cost and net revenue assumptions and targeted rates of return. As such, the residual land value is used in our analysis as the primary metric to evaluate the overall feasibility of each alternative.

As residual land value increases, a development tend to become more feasible from a developer's perspective. Conversely, a project with a negative residual land value generally indicates that costs outweigh the expected financial return. In those cases, there is a "gap in financial viability" that could potentially be addressed through changes to City policy, such as:

- Allowing the developer to charge parking fees to tenants;
- Reducing parking requirements;
- Reducing impact fees;
- Changing affordable housing requirements;
- Changing green building design requirements; and
- Providing limited property tax abatement.

Exhibit 1: Development Scenarios

	Scenario 1	Scenario 2	Scenario 3
	Base Case (6 level apts. over parking structure)	Apt. High Rise (8 levels over parking structure)	Apt. High Rise (13 levels over parking structure)
Building Levels (above grade)	6	8	13
Parking Levels (below grade)	1	1	1
Parking Levels (above grade)	1	1	2
Parking Ratio	1.0	0.75	0.75
Site Size (SF)	43,560	43,560	43,560
Lot Coverage	90%	90%	90%
Dwelling Units	170	286	463
Affordable Units	34	57	93
Avg. Dwelling Size (NSF)	714	714	714
Commercial (NSF)	10,500 SF	7,500 SF	10,500 SF
Est. Construction Cost (excl. land)*	\$54.4 M	\$101.9 M	\$163.4 M
Cost per Dwelling Unit (excl. land)*	\$327,000	\$356,000	\$353,000
Building Improvement Cost Per SF (including parking but excluding land)	\$265	\$323	\$320
FAR (above grade)	3.9	6.5	10.8
Dwellings per Acre	170	286	463

* Cost estimates shown exclude developer profit and overhead, which may add 10% to 20%.

It should be noted that all findings contained in this Memorandum are for long-range planning purposes only. As with any investment or future forecast, actual results can vary widely from forecasted expectations. Finally, residual land values should never be construed as appraised real estate values, since the cost of land (and any improvements on that land) will vary site by site based on multiple factors, such as parcel zoning, configuration, location, soils, existing improvements, access, topography, depth of water table, etc.

Building Construction Cost Assumptions

The construction costs used for this analysis were derived from two primary sources and have been adjusted to 2021 dollar amounts. The sources include: RS Means Cost Report for Seattle area; and

Rider Levett Bucknall 1st Quarter 2021 Cost Report for Seattle area. FCS GROUP prepared a weighted average based on these sources, which is summarized in **Exhibit 2**. Since these unit costs do not reflect site preparation, utility connections, tenant improvements, HVAC and building system improvements, and soft costs (design and permitting), FCS added additional cost adjustments for each scenario as discussed below.

Exhibit 2: Building Hard Construction Cost Assumptions (baseline)

Building Type	Unit
Type V (wood frame)	\$201 per gsf
Type I (steel frame)	\$268 per gsf
Below Grade Parking	\$175 per gsf
Above Grade Parking	\$113 per gsf

Source: compiled by FCS GROUP based on RS Means, and Rider Levett Bucknall, plus \$15/SF for Type V due to lumber prices in 2021.

Parking Cost Assumptions

Hard construction parking costs are assumed to range from approximately \$35,030 per parking stall for above-ground structures to \$54,250 per stall for below-ground construction. An additional cost of 14% has been included for design and contingencies.

Other Capital Cost Assumptions

In addition to the baseline construction costs, FCS GROUP included additional cost allowances for site preparation of \$16 per square foot of land area. An allowance for tenant improvements and internal buildings system is included at \$46 per net square foot of residential and commercial building area.

The baseline construction costs shown above have been adjusted upward to account for green building construction requirements (such as LEED Platinum rating), by assuming a flat 2% increase in overall costs.

Impact fees and general facility charges for water, sewer, parks and transportation were estimated for each scenario using the Shoreline's current rate structure as of May 2021. Additional development *soft costs* for design, engineering and other miscellaneous fees are estimated at 12% of hard costs.

These extraordinary cost allowances are intended to reflect local fees, utility connection charges and various other development and inspection fees that are required in Shoreline, as well as construction of special site design treatments and amenities associated with top quality developments.

As a benchmark for cost estimating, FCS GROUP reviewed King County assessor records to document the total value of construction improvements per gross square foot of building area for several recent development projects within the City of Shoreline. The results indicate that construction costs have varied widely (between \$175 to \$332 per GSF of improvement area) with an average of \$231 per GSF of combined building and parking areas.

Operating Costs and Taxes

For analysis purposes, project operating costs, vacancy allowances and property taxes have been held constant for each development prototype. These costs take into account new construction put into

place, current property tax rates, allowances for vacancy and credit losses, as well non-pass through operating expenses. In aggregate these costs account for approximately 35.7% of gross revenues. Operating expenses have been escalated at an average annual rate of 2.8%.

Project Operating Cost Assumptions		
Non-pass through Operating Cost (% of gross revenue)		
Vacancy & credit loss		4.0%
Property taxes		12.0%
Insurance		0.3%
Maintenance		2.4%
Reserves for replacement		2.0%
Management & other expenses		15.0%
Total Annual Operating & Vacancy Costs		35.7%

Project Income Assumptions

For consistency, each development prototype project is assumed to be completed over a 1-year construction time frame after design and permitting approvals. It is expected that each development will require two years to achieve stabilized income levels, with 70% average annual occupancy during the first year and 96% average occupancy during the remaining years.

Revenue will primarily consist of monthly lease (rent) payments by tenants (apartment renters and ground-floor commercial tenants), and monthly parking fees of \$150 per stall. As part of this study, FCS GROUP conducted a review of local apartment developments in the City of Shoreline.

The base case for each development prototype assumes that 20% of the housing units are restricted as affordable to households earning 70% of the area median income. The resulting income assumptions are provided below.

Project Income Assumptions			
Market-rate units under 900 sqft	\$3.25	per SF/month	
Market-rate units over 900 sqft	\$2.89	per SF/month	
Affordable dwellings (@70% AMI)	\$2.89	per SF/month	
Area Median Income	\$115,700	per year	
Commercial Rents per sqft	\$30.00	per SF/year	
Parking Revenue per space	\$150	per stall/month	
Revenue escalation rate	2.8%	per year	
Cap Rate	5.0%		

For the development scenarios that included high-rise buildings of 8 or more stories, a 3% rent premium has been assumed to reflect the higher achievable rents in the upper-levels. Revenues were assumed to escalate at an annual average rate of 2.8%.

Supportable Debt Assumptions

While debt financing will vary for each project, this analysis assumes that each development prototype derives financing based on a construction-permanent loan that equates to 60% of the development value (at completion). Supplemental bridge financing is assumed and calculated based on the supportable load value of the project using year 3 net operating income and a coverage ratio of 1.25%, with 4.0% interest 20-year loan term.

Assumptions regarding debt terms are shown below.

Debt Service		
Loan-to-Value Ratio (initial construction-permanent loan)	60%	
Minimum Debt Coverage Ratio	1.25	
Interest Rate	4.0%	
Years of Construction	1.0	
Amortization (years)	20	
Loan origination fee	1.0%	
Transaction cost during sale or refinance in year 10	5.0%	

Supportable Developer Equity Assumptions

Equity is the amount a developer would likely be willing to invest into a development to achieve a targeted return based on projected future earnings. Equity can be in the form of cash, land or lines of credit that the developer provides during initial design/permitting and construction, or at least until the project achieves stabilized operations.

For this analysis, supportable equity has been calculated based on the discounted value of future cash flows (net operating income after debt service and before income taxes and depreciation) over the first 10 years. The financial pro forma analysis assumes that the development is refinanced or sold in year 10 to pull accumulated equity out of a project and to obtain the maximum valuation. Hence, the level of equity is computed by assuming that the developer(s) or investor(s) require a 9% (or higher) annual rate of return on equity invested based on the net operating income (NOI) after debt service to cover profit, overhead and perceived investment risk.

The financial pro forma model calculates the development's long term value by assuming that the project is sold or refinanced in year 10. The pre-tax value of the development assumes a 5.0% cap rate based on the net operating income (NOI) in year 10, less a 5% transaction fee.

It should be noted that this analysis is not intended to determine the feasibility of specific developments using metrics that are commonly used by developers, such as internal rate of return (IRR) on all future cash flows, and the number of years until initial cash outlays are recovered. Those indicators require more detailed assumptions that take into account factors that are beyond the scope of this planning-level analysis. However, the targeted pre-tax IRR for developments typically ranges from 15% to 25%.

FINDINGS

Based on the assumptions described above, a 10-year financial proforma analysis was prepared for each development scenario prototype. Overall summary results are provided in **Exhibit 3** and the Appendix.

Key findings include:

- Each development prototype required a fee for parking of at least \$100 to help achieve a positive residual land value.
- The base case scenario: 5 levels of wood frame (Type V) construction over a concrete/parking structure with ground floor commercial is the most financially viable development type. This prototype is expected to generate the highest residual land value of over \$48,570 per dwelling unit (@9% targeted rate of return on equity).

- Both of the high-rise apartment prototypes (8 or 13 levels) are not currently financially viable at this time without some mix of development incentives. This finding is made in spite of the fact that the financial proforma baseline assumptions include: a parking ratio to 0.75 stalls per dwelling, \$150 per month lease rate per parking stall; and a rent premium of 3% over current rental rates. These developments would require more costly Type I construction (steel frame) which increases costs significantly.
- The 8-level apartment/mixed use prototype baseline assumptions result in a negative residual land value of nearly \$39,000 per dwelling unit (assuming \$150/month parking fee). To enable the developer to achieve a 9% return on equity (R.O.E.), approximately \$13.9 million in incentives would be required.
- The 13-level apartment/mixed use prototype baseline assumptions result in a negative residual land value of nearly \$43,000 per dwelling unit (assuming \$150/month parking fee). To enable the developer to achieve a 9% return on equity (R.O.E.), approximately \$22 million in incentives would be required.

The following table summarizes the key analytic results for each scenario.

Exhibit 3: Key Findings by Development Scenario

	Scenario 1	Scenario 2	Scenario 3
	Base Case (6 level apts. over parking structure)	Apt. High Rise (8 levels over parking structure)	Apt. High Rise (13 levels over parking structure)
Baseline Results			
Residual Land Value per square foot of land	\$190	-\$255	-\$462
Residual Land Value per dwelling	\$48,574	-\$38,856	-\$43,442
Overall Feasibility	Positive	Negative	Negative
Total Construction Cost (excluding land)	\$54.4 M	\$101.9 M	\$163.4 M
Cost off-sets needed to result in a Residual Land Value per square foot of \$50		\$13.9M	\$22.0M
Assumed Number of Dwellings	170	286	463
Assumed Number of Parking Stalls	170	210	345
Number of Stalls per Dwelling	1.0	0.75	0.75
Assumed Parking Fee per Stall per Month	\$100	\$150	\$150

A sensitivity analysis was conducted to determine which public policies could influence overall financial viability of high rise construction. The relative benefit of potential policy changes or incentives is as follows (figures presented as the marginal, or additional, increase in residual land value per dwelling unit):

1. **Allowing a monthly parking fee** on tenants (a charge of \$100 to \$150 per month equates to a value of \$30,000 to \$45,000 in residual land value per dwelling unit);
2. **Providing a 100% tax abatement** for 10 years on multifamily construction (equates to a residual land value of \$22,000 to \$24,000 per dwelling unit);
3. **Reducing parking requirements** to 0.5 stalls per dwelling unit (equates to a residual land value of \$8,000 to \$10,000 per dwelling unit if developer is allowed to charge for parking);
4. **Waiving Green Building requirements** (equates to a residual land value of \$7,000 to \$8,000 per dwelling unit);
5. **Reducing city impact fees** and general facility charges by 50% (equates to a residual land value of \$5,400 to \$6,500 per dwelling unit).
6. **Lowering affordable housing requirements** to 10% of units set at 80% of the area median income (equates to a residual land value of \$3,800 to \$4,800 per dwelling unit).

The combination of policies is likely to enhance overall development feasibility by \$46,000 to \$56,000 in residual land value per dwelling unit, which should be more than enough to bridge any financial gap for the high rise developments prototypes evaluated herein.

How to Apply Residual Land Value Findings

Example

Residual Land Value per Dwelling = \$50,000

Dwelling Units Permitted = 100

Optimal Land/Site Value = \$5,000,000 (\$50,000 x 100)

This indicates that a developer may be willing to pay up to \$5 million for a site (inclusive of land and any demolition costs) for the right to build 100 units given all underlying assumptions.


NEXT STEPS

This development feasibility analysis provides a relative comparison of potential apartment prototypes for Shoreline. The results are intended to depict current market conditions as of June 2021. The assumptions (inputs such as parking ratios, affordable housing components, building density, achievable rents, etc.) used in this analysis can be refined to enhance the feasibility of any scenario, or to generate a hybrid scenario, as appropriate.

These draft findings and assumptions provided in this Memorandum will be reviewed by City staff and refined based on their input and experience.

APPENDIX


SCENARIO 1. BASE CASE: 6 STORE APARTMENTS OVER PARKING STRUCTURE

Scenario 1: Base Case, Apartment/Mixed Use Development				
6-Levels: 5 levels of Apartments over Commercial/Parking Podium				
Level				
6		Residential		
5		Residential		
4		Residential		
3		Residential		
2		Residential		
1		Parking	Com.	
(1)		Parking		
Summary				
Site Area		43,560	SF	
Dwellings Total		170	dwellings	
Affordable Units		34	dwellings	
Commercial SF		10,500	SF	
Employment (on site)		26	jobs	
Parking Ratio		1.0	stall per dwelling	
Above Grade Stalls		50	stalls	
Below Grade Stalls		121	stalls	
Total Stalls		170	stalls	
FAR (above grade)		3.9		
Construction Cost		\$54.4	million	
Targeted Return on Equity		9%		
Residual Land Value per SF of Land		\$190		
Residual Land Value per dwelling		\$48,574		
Overall Feasibility		Positive		

SCENARIO 2: 8-STORY APARTMENTS WITH PARKING STRUCTURE

Scenario: Apartment High-Rise/Mixed Use Development

8-Levels: 7 levels of Apartments over 1-level Commercial/Parking Podium

8	Residential		
7	Residential		
6	Residential		
5	Residential		
4	Residential		
3	Residential		
2	Residential		
1	Parking	Com.	
(1)	Parking		

Summary

Site Area		43,560	SF	
Dwellings Total		286	dwellings	
Affordable Units		57	dwellings	
Commercial SF		7,500	SF	
Employment (on site)		17.5	jobs	
Parking Ratio		0.75	stall per dwelling	
Above Grade Stalls		102	stalls	
Below Grade Stalls		107	stalls	
Total Stalls		210	stalls	
FAR (above grade)		6.5		
Construction Cost		\$101.9	million	

SENSITIVITY ANALYSIS


	(1)	(2)
Incentives: 10-yr tax abatement & 50% reduction in impact fees	No Incentives	Incentives
	N/A	see below
Targeted Return on Equity (R.O.E.)	9%	9%
Residual Land Value per SF of Land	(\$255)	\$50
Residual Land Value per dwelling	(\$38,856)	\$7,840
Overall Feasibility	Negative	Positive

Other Public Off-Set Required (if any)*

Off-set Value Amount		(\$13,880,871)
Off-set per Dwelling Unit	\$0	(\$48,527)

* Allows project to achieve target ROE with \$50 per SF in land value.

SCENARIO 3: 13-STORY APARTMENTS OVER PARKING STRUCTURE

Scenario: Apartment High-Rise/Mixed Use Development				
13-Levels: 10 levels of Apartments over 2-level Commercial/Parking Podium				
Level				
12	Residential			
11	Residential			
10	Residential			
9	Residential			
8	Residential			
7	Residential			
6	Residential			
5	Residential			
4	Residential			
3	Residential			
2	Parking		Com.	
1	Parking			
(1)	Parking			

Summary				
Site Area		43,560	SF	
Dwellings Total		463	dwellings	
Affordable Units		93	dwellings	
Commercial SF		10,500	SF	
Employment (on site)		26	jobs	
Parking Ratio		0.75	stall per dwelling	
Above Grade Stalls		219	stalls	
Below Grade Stalls		126	stalls	
Total Stalls		345	stalls	
FAR (above grade)		10.8		
Construction Cost		\$163.4	million	

SENSITIVITY ANALYSIS		
	(1)	(2)
Incentives: 10-yr tax abatement & 50% reduction in impact fees	No Incentives	Incentives
	N/A	see below
Targeted Return on Equity (R.O.E.)	9.0%	9%
Residual Land Value per SF of Land	(\$462)	\$50
Residual Land Value per dwelling	(\$43,442)	\$4,823
Overall Feasibility	Negative	Positive

Other Public Off-Set Required (if any)*		
Off-set Value Amount		(\$22,000,000)
Off-set per Dwelling Unit	\$0	(\$47,476)

* Allows project to achieve target ROE with \$50 per SF in land value.

Public Incentive Assumptions		basecase	(1)	(2)
Parking Ratio		0.75	0.75	0.75
Tax Abatement (multi-family)		0%	0%	0%
Affordable Housing Share		20%	20%	20%
Minimum AMI Requirement		70%	70%	70%
Impact Fee Waiver		0%	0%	0%
Green Building Requirement		2%	2%	2%

PARKING POLICY REFORM

Implications for Social Equity and Housing Affordability

Many municipal parking policies increase development costs, promote land use patterns that limit walkability, and produce negative environmental consequences disproportionately borne by those with lower incomes—who are also less likely to own a personal automobile.

Parking policy reforms can reduce the cost of building new housing and allow for more efficient land use. Investors and the real estate industry increasingly understand that no- and low-parking developments can be successful and less expensive to build.

Implications of Parking Requirements on Social Equity and Housing Affordability



Parking is not an equitable community benefit:

Although cities do not require developers to include amenities such as refrigerators in their projects, many require parking. Parking costs are often passed along to the end user and contribute negatively to housing affordability.



Requiring excessive parking can prevent equitable mobility: Overly burdensome parking requirements can shift affordable housing to less accessible sites where land prices are lower, but also where fewer services can be reached by walking, biking, or transit.¹



Charging separately for parking can reduce housing costs: The inclusion of a garage parking space adds an average of 17 percent to a unit's rent.²



Housing Affordability Benefits

Affordability, Marketability of Housing without Off-Street Parking

A study conducted in San Francisco showed that residential units without on-site, off-street parking are more affordable and make homeownership a reality for more people.³

Units without off-street parking:

- Sold on average 41 days faster than comparable units with off-street parking; and
- Allowed 20 percent more San Francisco households to afford a condo unit (compared with units with bundled off-street parking).

Industry Perspectives

“To achieve a multifamily development in an area with lower median incomes, a building was planned without parking as a means of eliminating any cost in the structure that was not usable or rentable by residents. This helped to keep rents lower than they otherwise would have been and allowed for a maximum density yield on a site.”

—Lender/investor who underwrites projects in the U.S. Southeast (from 2020 ULI member survey)

“Unbundled parking gives more flexibility to the renter to lower their housing costs if they don’t need parking.”

—Developer with projects in North Carolina and South Carolina (from 2020 ULI member survey)



Case Study: Limited Parking at Silver Moon Lodge Apartments



Silver Moon Lodge is a mixed-use workforce housing development that opened in 2014 at the periphery of Albuquerque, New Mexico’s central business district.

The developer, GSL Properties, included just 23 car parking spots on site for the property’s 154 units. By law, GSL Properties could have proposed more than 150 spaces for cars. However, by providing fewer, the developer was able to reduce the site costs associated with building parking and instead focused on providing features that would appeal to those who want the option not to own a car.

Silver Moon Lodge was built using New Mexico Mortgage Finance Authority tax credits. After the project opened, the annual incomes of eligible renters were capped at \$26,460 per year for units housing one person and \$30,240 for units housing two people. Residents of Silver Moon Lodge who cannot afford to own a car, or who choose not to do so, are able to get around on foot or by bicycle. The project includes amenities to support bicycling and is located near a bus stop and on-site car-share station, enhancing the convenience of the development for car-free households.

After the project opened, Jessie Lucero, Silver Moon Lodge’s property manager, noted that the relatively low rate of parking provision, coupled with the project’s bike-friendly features, aided in development objectives, saying, “There is only one car parking space for every six units, but parking has not been an issue because so many of our residents have chosen to rely on bikes to get around.” Lucero adds, “Over 95 percent of our units are occupied. There is a strong market in downtown Albuquerque for apartments that cater to pedestrians and bicyclists.”

¹Wenya Jia and Martin Wachs, “Parking Requirements and Housing Affordability: A Case Study of San Francisco” (Research Paper 380, University of California Transportation Center, 1999).

²C.J. Gabbe and Greg Pierce, “The Hidden Cost of Bundled Parking,” *Access* magazine, Spring 2017.

³Jeffrey Tumlin, *Sustainable Transportation Planning: Tools for Creating Vibrant, Healthy, and Resilient Communities* (Wiley, 2012).

PARKING POLICY REFORM

Implications for Municipalities

Parking policies are typically codified through local zoning. Once adopted, the policies are administered by city staff and rarely revisited. This approach results in most communities operating under a set of legacy parking ratios that fail to respond to actual supply and demand, changing mobility preferences, and market conditions.

Traditional policies assume that parking should be abundant and free; parking reform, however, recognizes that too much parking can be harmful, and that parking should be managed and priced for efficiency. In response, most jurisdictions are encouraging more efficient parking management, and many are significantly reducing or even eliminating minimum off-street parking requirements.

Implications of Parking Requirements for Municipalities



Excess parking can negatively affect the bottom line for cities: Parking often earns only 7 to 42 percent of the tax revenues earned by other land uses.¹



Municipalities bear the consequences of overabundant parking: Impermeable parking surfaces increase runoff, strain stormwater systems, and increase infrastructure maintenance costs.²



Parking requirements discourage reuse of buildings: Required parking for a new use may be difficult to provide on site. Meeting minimum parking regulations can lead to the demolition of adequate building stock, compelling developers to abandon plans when financially infeasible.

Data Collection and Public Outreach Lessons

By conducting local research ahead of public engagement and outreach efforts, cities can proactively address concerns related to parking policy reforms.

San Diego, California, understood that a common public concern related to eliminating parking minimums was that providing less off-site parking could lead to more cars looking for on-street parking, thereby increasing traffic congestion. To allay this concern, the city studied existing parking occupancy rates in “transit priority areas” and in downtown and found that most areas had fewer occupied spaces than the number of spaces required by existing parking ratios. Specifically, the study found that:

- Nearly 90 percent of study sites outside downtown had fewer occupied spaces than the number of spaces required by code; and
- Of downtown study sites, 100 percent had lower parking demand than one space per unit.

Outcomes: Parking demand data collected by the city informed the city’s successful parking policy updates and associated public outreach. In 2019, the city council voted eight to one to eliminate parking requirements for new condominium and apartment complexes in neighborhoods near mass transit. The approved policy also sets a maximum of one parking space per unit for new apartment and condominium projects downtown and requires developers to unbundle the cost of a parking spot from monthly rent or a condominium purchase price.^{3, 4, 5}

Early engagement with business associations, residents’ groups, and others can uncover (surprisingly) deep support for parking policy reforms.

Buffalo, New York, anticipated opposition to the idea of eliminating parking minimums citywide—but this opposition largely did not materialize. Instead, extensive public engagement uncovered strong support for proposed parking policy updates. The city found that:

- Public engagement surveys showed that 74 percent of people expressed strong support for repealing minimum parking requirements;
- Public comments centered on the negative impacts of the overabundance of surface parking lots and a desire to protect the walkability of existing neighborhoods; and
- The parking policy update was formally endorsed by businesses and residents’ associations, including the Elmwood Village Association (a community development organization comprising business owners and neighborhood residents), and states: “Minimum parking standards make suburban-style surface lots a requirement and would have prevented many of Elmwood’s existing great buildings from being constructed.”

Outcomes: In 2017, Buffalo eliminated parking minimums citywide because of strong support, including from business associations and residents’ groups. The city’s planning team had previously considered moving toward a less significant change but decided to repeal minimum parking requirements citywide after finding that their engagement efforts uncovered surprisingly little opposition to the policy change.⁶

¹ Chris McCahill, “SSTI researcher: ‘Parking requirements transform cities, cost millions in tax revenues,’” *State Smart Transportation Initiative*, April 1, 2014.

² City of El Paso Planning Division, Planning and Inspections Department, *Parking Reduction Report*, January 22, 2018.

³ PowerPoint presentation (sandiego.gov).

⁴ Carter Rubin, “San Diego Parking Reform Is a Win for Housing and Climate,” NRDC, March 4, 2019.

⁵ Becca Cudmore, “To Become a Less Car-Centric City, San Diego Takes Aim at Parking Lot Quotas,” NRDC, June 5, 2019.

⁶ Daniel Baldwin Hess, “Repealing minimum parking requirements in Buffalo: new directions for land use and development,” *Journal of Urbanism: International Research on Placemaking and Urban Sustainability* (April 2017).

PARKING POLICY REFORM

Types of Off-Street Parking Policy Updates

Since the 1940s, many cities have required new developments to provide a set number of off-street parking spots, but research has shown that these requirements can lead to an oversupply of parking.

Cities across the United States (and beyond) are updating parking policies to better manage existing parking supply, reduce traffic, cut pollution, and lower development costs.

Selected Trends Influencing Parking Reforms

- **Historically high construction costs**—particularly in dense urban areas—are contributing to housing unaffordability, especially when the high costs of building on-site parking are factored in.
- **Changing shopping preferences, along with over-retailing**, are leaving acres of parking lots at many shopping malls and retail power centers vacant.
- **The popularity of human-powered transportation**, such as walking and bicycling, along with the growth of delivery services and the availability of shared mobility services—such as Lyft, Uber, and car-sharing services—is reducing the need for individuals to own—and park—cars.
- **Advances in technology** are promoting more efficient management of the existing parking supply by using information technology that shares the location of available spaces, supports real-time dynamic pricing, and helps make shared parking options easier.
- **An increased focus by municipalities on sustainability, livability, and social equity** and a growing body of research show that many current parking requirements promote development patterns that increase traffic congestion, contribute to air pollution, raise housing costs, prevent walkability, and penalize those without automobiles.¹

The U.S. has approximately
2 billion parking spaces,
but only 250 million cars.

**THAT'S 8 PARKING
SPACES PER CAR.**



Selected Types of Off-Street Parking Policy Reforms

POLICY TYPE:	EXAMPLES INCLUDE:
<p>Reducing or Eliminating Parking Minimums</p> <p>Reducing or eliminating minimum parking requirements allows developers, parking consultants, and other stakeholders to determine how much parking to include in projects rather than requiring developers to build a set ratio of parking spaces based on a building's square footage, planned uses, or the number of bedrooms in multifamily units.</p>	<ul style="list-style-type: none"> • South Bend, IN: In 2021, the South Bend City Council voted to end minimum parking requirements citywide. • San Francisco, CA: San Francisco's 2018 parking policy update made the city the largest in the United States to be completely free of minimum parking requirements. • Buffalo, NY: In 2017, Buffalo became the first major U.S. city to eliminate minimum parking requirements citywide. • Hartford, CT: In 2017, Hartford lifted all minimum off-street parking requirements throughout the city.
<p>Maximum On-Site Parking Requirements (aka Parking Caps)</p> <p>Maximum on-site parking requirements restrict the total number of parking spaces that can be constructed as part of a development project. A maximum number of spaces is often based on the square footage of a specific land use. Maximum parking requirements can be in addition to or instead of minimum parking requirements.</p>	<ul style="list-style-type: none"> • Dunwoody, GA: In 2020, the city of Dunwoody transformed its former minimum required parking ratios into maximum parking caps for most uses. • San Diego, CA: The city's 2019 Transit Priority Area (TPA) Multifamily Parking Standards set a maximum of one parking space per unit for new apartment and condominium projects downtown. • Sandpoint, ID: A 2009 general code update set parking maximums for commercial, entertainment, and recreational uses at no more than 20 percent above the minimum requirement. The update also eliminated required minimum off-street parking downtown.
<p>Shared Parking</p> <p>Shared parking means that parking spaces are shared by more than one use, which allows parking facilities to be used more efficiently. Shared parking policies recognize that most parking spaces are used only part time, with usage patterns that follow predictable daily, weekly, and annual cycles.</p> <p>Parking shared between mutually beneficial uses can reduce parking provision by 40 to 60 percent, compared with the standard off-street parking requirements for each destination.² For example, offices require maximum parking during weekdays, whereas restaurants and theaters require maximum parking during evenings and weekends.</p>	<ul style="list-style-type: none"> • Honolulu, HI: In 2020, Honolulu eliminated the need for land use permits for on-site "joint use" of parking. The number of required parking spaces may be reduced by applying rates specific to various mixes of uses. • Phoenix, AZ: Shared parking reductions of up to 15 percent may be granted for retail, office, or mixed-use projects after using the city's shared parking model to estimate parking demand for a specific mix of uses. • Montgomery County, MD: An applicant proposing a development with more than one use may submit a shared parking analysis instead of using the county's usual parking requirement formula.
<p>Unbundled Parking</p> <p>Unbundled parking policies prohibit embedding parking costs with unrelated charges, such as including parking in the cost of housing or an office lease. Unbundling parking allows residents and tenants who do not own a car generally to pay less for housing or commercial space. When combined with other parking reforms, unbundled parking can support development goals and promote affordability.</p>	<ul style="list-style-type: none"> • Seattle, WA: The city requires landlords to separate the cost of parking spaces from residential and commercial rent charges, allowing tenants to choose whether to pay for parking. • Santa Monica, CA: The city requires off-street parking spaces to be sold or leased separately from the purchase or lease of residential units at new buildings with four or more dwelling units.

¹ Donald Shoup, "Parking Reform Will Save the City," Bloomberg City Lab, September 20, 2019.

² Thomas P. Smith, "Flexible Parking Requirements" (PAS Report 377, American Planning Association, 1993).



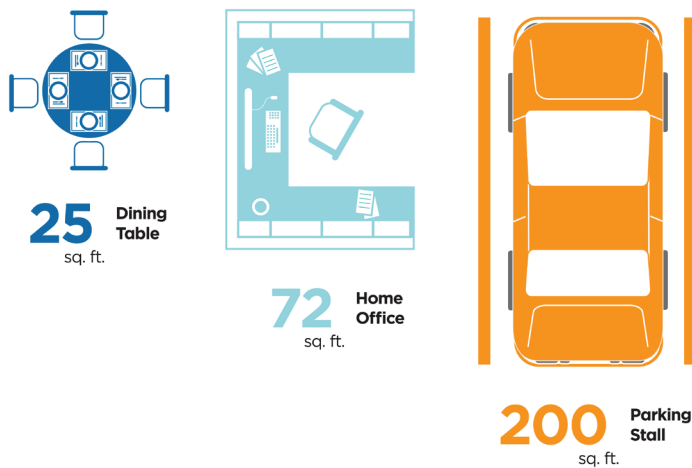
PARKING POLICY REFORM

Implications for Real Estate Development

Parking policy reforms that give developers greater control over parking amounts or limit the amount of parking built can serve to lower project costs and may allow funds to be devoted to community benefits or revenue-generating project amenities.

While some developers, lenders, and investors view parking as a value-add, others cite the high cost of providing it and work to limit parking to improve a project's financial performance.

Parking space scale comparison



Nelson\Nygaard

Financial Implications of Parking Provision on Development

↓ **Parking usage is going down:** Models predict a reduction in overall parking demand between 10 and 40 percent over the next few decades.¹

\$ **Parking is a significant expense for developers:** Parking can represent 10 to 18 percent of typical building development costs.² This can make parking the single most expensive budget item in a project pro forma.




🐷 ↓ **Building less parking can lower development costs:** For a Los Angeles shopping center, it was estimated that parking would increase construction costs by 67 percent for an above-ground garage and by 93 percent if parking were placed underground.³

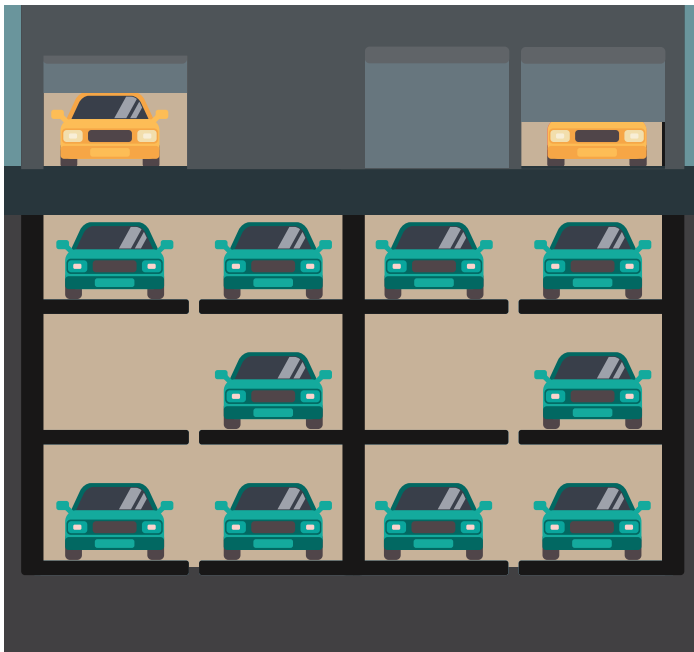
Real Estate Industry Considerations and Perspectives

“There is an evolution happening with the investment community to accept no parking or low parking. . . . We are seeing parking utilization rates go down in new buildings and technologies like ride share expanding. So, investors are increasingly buying into the story that most people don’t need parking day-to-day, especially if they are in an area that is near to transit and where traffic is bad.”

—Will Goodman, vice president, Strada Investment Group, quoted in “Toward Zero Parking: Challenging Conventional Wisdom for Multifamily,” *Urban Land* magazine

National Average Construction Costs per Parking Space⁴

-  **\$34,000** Underground
-  **\$24,000** Above ground
-  **\$10,000** Surface



Case Study: Shared, Unbundled Parking at the Coloradan



The Coloradan is a 19-story mixed-use development in downtown Denver with 334 for-sale residences and 22,000 square feet of ground-floor retail space. The project, developed by East West Partners with equity partner Ascentris, exclusively features shared and unbundled parking, meaning that parking spaces are not sold with homes. Instead, residents have the right to lease spaces in a garage managed by a separate parking management company on a month-to-month or longer-term basis and all parking is unassigned.

Katie Blum, director of real estate development at East West, explains, “The cost of parking was not built into the cost of the homes, making residences less expensive by at least \$50,000. This means that owners pay less if they don’t want a parking lease.”

Blum continues, “Owners have really valued the flexibility. They can add or subtract parking spaces as their lives and preferences change. For example, they can add spaces for family members, guests, and others who come to their home often, or dial down to as little as they need. The parking leases can be adjusted month to month. This unbundled model also allows for more visitor parking in the garage.”

East West believes that shared, unbundled parking at the Coloradan has been a success. The parking arrangement caused no issues with securing financing for the project, and 100 percent of the units were sold less than a year after construction was completed in 2019. [Learn more here.](#)

¹ Chrissy M. Nichols, “Are Parking Minimums a Thing of the Past?,” *ITE Journal* (February 2019).

² Victoria Transport Policy Institute, *Transportation Cost and Benefit Analysis II—Parking Costs*.

³ Donald Shoup, “Cutting the Cost of Parking Requirements,” *Access* magazine, Spring 2016.

⁴ Victoria Transport Policy Institute, *Transportation Cost and Benefit Analysis II—Parking Costs*.



PARKING POLICY REFORM

Impact of Changing Mobility Preferences

In recent years, municipalities, real estate industry professionals, and residents have increasingly supported parking policy reforms and developments with less parking because of the growing demand for car-free or car-light lifestyles and the availability and popularity of new mobility options, including scooters, bike share, car share, and ride hailing.

The effects of COVID-19 on land use, transit, and commuting patterns are not yet fully known, but cities are continuing to advance parking policy reforms coupled with transit-oriented development and other policies to support healthy, safe, and sustainable development.



Parking and Mobility Considerations



Demand for car-light lifestyles is high:

Over 52 percent of people in the United States and 63 percent of millennials would like to live in a place where they do not need to use a car very often.¹



36 percent of trips using shared micromobility replace a car trip²: By accommodating micromobility vehicles (dockless scooters, e-bike rentals, etc.) on site, developers may be able to reduce the number of automobile parking spaces they are required to provide.³



Oversupplying parking limits TOD success:

Oversupplying parking in transit-oriented development (TOD) areas uses up scarce land for a use with a relatively low return on investment.⁴

“Lenders are starting to understand that in some of the denser, more transit-rich markets there is not as much need for parking. And they know the enormous cost of parking. So, there is beginning to be a changing of the status quo.”

—Michael Lander, founder and president, Lander Group, quoted in “Toward Zero Parking: Challenging Conventional Wisdom for Multifamily,” *Urban Land* magazine

Implications of Changing Mobility Preferences on Parking and Development

Industry Perspectives

“We’ve developed with less parking when we’ve felt the market could support it. The sharing economy pre-COVID allowed people to live in San Jose without a car. They could get a car for a minute or a day or a month with their smartphone and that was all that was needed. COVID will reset expectations in the near term, but we believe previous/recent conditions will come back in the long term.”

——Developer with projects in San Jose
(from 2020 ULI member survey)



Reduced Parking Requirements for Developments That Accommodate Micromobility

From *Small Vehicles, Big Impact: Micromobility's Value for Cities and Real Estate*, Urban Land Institute

Developers are hopeful that supporting micromobility options—lightweight, single-person vehicles such as dockless scooters and e-bike rentals—will become a more common way of reducing parking requirements. After all, installing a docking station would be easier and less expensive than constructing parking garages, underground parking, or even surface lots. Transportation demand management requirements for rezoning already incentivize developers to provide noncar alternatives, such as on-site bike-share stations, in exchange for reduced parking and could be updated to include micromobility. For existing developments, cities can provide tax write-offs for properties that convert parking spaces into scooter and e-bike racks.

Micromobility intersects with related trends, including decreased demand for parking, says a lender and investor who underwrites projects in the U.S. Southeast: “Micromobility and other new mobility trends are paramount as they speak to the declining need for private automobile-focused transportation and the evolution of lifestyle choices simply based on where one may park and drive in a vehicle. Automobile parking should be targeted to the lowest commercially accepted amount possible.”

As people consider returning to work after the pandemic, there are new concerns that commuters will choose to drive rather than take public transit, posing logistical issues for buildings that have little to no parking. Encouraging the use of micromobility could help attract people back to the office regardless of parking capacity. “Five years ago, if you asked a developer in Santa Monica how much parking would they build if the requirements were reduced by half, they would still build more than the requirement. Today, developers are very open to building less parking,” says Carter Rubin, transportation technical strategist with the Bloomberg Philanthropies American Cities Climate Challenge. “There are a number of no-parking buildings going up, or buildings with a lot less parking. It’s a very uncertain time, but the abundance of mobility choices has shown developers that they don’t need to provide two spaces per unit.”

¹ *America in 2015*, Urban Land Institute.

² *State of the Industry 2019*, North American Bikeshare Association.

³ Connect Commercial Real Estate, “Apartment Dwellers Get Revved Up Over Electric Scooters,” Connect Media: CRE – National Commercial Real Estate News.

⁴ Richard Wilson, “Parking Policy for Transit-Oriented Development: Lessons from Cities, Transit Agencies, and Developers,” *Journal of Public Transportation* (2005).