



ZONING AUDIT

PREPARED FOR: Urban Renewal Advisory Board (URAB)

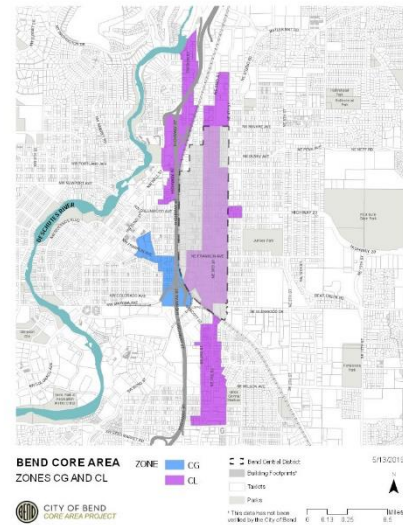
PREPARED BY: Cascadia Partners LLC

DATE: 07/10/2019

Introduction

Cascadia Partners (CP) performed a market-driven assessment of the zoning standards within the BCD Overlay and the CL and CG zone districts. The purpose of the zoning audit is to determine which zoning standards within the study area may be limiting investment, redevelopment and preventing the area from achieving Citywide goals, such as new housing.

There are several reasons why reducing barriers to investment in this area are important. Bend’s City Council has prioritized a focus on reducing barriers to housing development in general. The CAP project is investigating the viability of using Tax Increment Financing (TIF) revenue to fund certain types of projects within the study area. TIF relies on new investments to generate the new tax revenue needed to pay for these enhancements. The development feasibility analysis performed by Cascadia Partners for an earlier phase of the Core Area Project pointed to several zoning standards as potentially limiting redevelopment feasibility, especially for housing. This audit represents a deeper investigation into those issues and provides recommended changes. These recommendations are based on best practice zoning standards and will need to be evaluated further for their appropriate application in the Core Area.



Evaluation Process

The assessment included an in-depth review of selected elements of Bend’s Development Code, including the sections of chapters relevant to the application of the BCD Overlay, and CL and CG zones within the Core Area Project boundary. Existing zoning standards were modeled using pro forma tools to assess both financial feasibility as well as building form. Best practice zoning standards were also tested and compared to the existing standards. CP has conducted zoning audits across the US, including Coeur d’Alene ID, Gunnison CO, Austin TX, Grand Junction CO and Salt Lake City UT and has developed a strong sense of what is market-feasible in locations very similar to the CAP study area. Recommendations were made based on this comparative

analysis. CP has provided detailed notes on specific code language to City staff. This memo summarizes the key issues and recommendations.

While CL and CG zone districts extend beyond the CAP project boundary, this analysis focused within the CAP boundary. The issues identified in this analysis are likely relevant for other areas of the city that have CL and CG zoning and could be considered for citywide adoption.

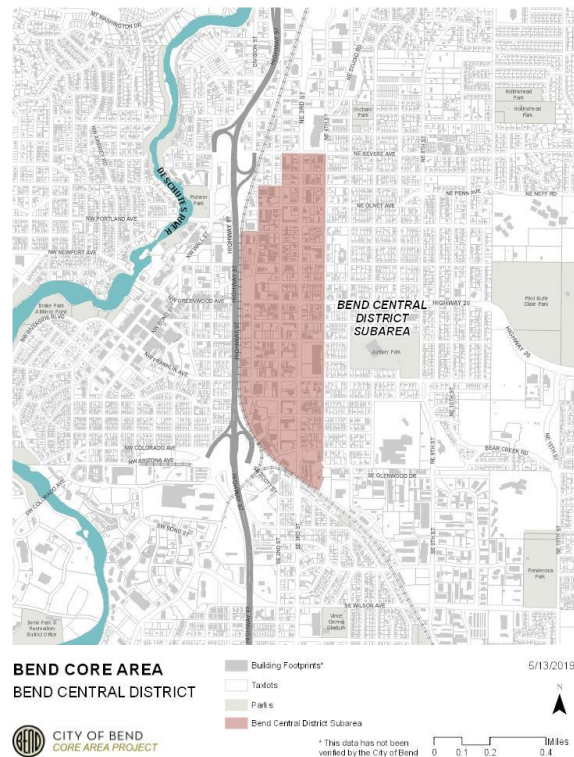
Key Findings: BCD Overlay

The BCD Overlay area represents a major portion of the CAP study boundary. Both the development feasibility analysis and interviews with developers indicated a set of issues within the existing BCD code standards, such as prescriptive mixed-use requirements, parking requirements, and other issues, that are hindering new development in the area.

Prescriptive Mixed-Use Requirements

The existing BCD standards include several prescriptive mixed-use requirements within the 1st/2nd Street Subdistrict. By-right approval of a mixed-use building with residential uses requires that at least a “ground floor equivalent” amount of a secondary use, such as retail, must be included. Not all sites are good for retail, however the code appears to assume they are. Retail is only viable in very limited amounts and in specific locations, such as frontages on Franklin, Greenwood etc. This “ground floor equivalent” requirement means the amount of secondary use is determined by the building footprint rather than the market. This also means that no residential uses can be located on the ground floor, which poses serious design challenges and is unnecessarily restrictive.

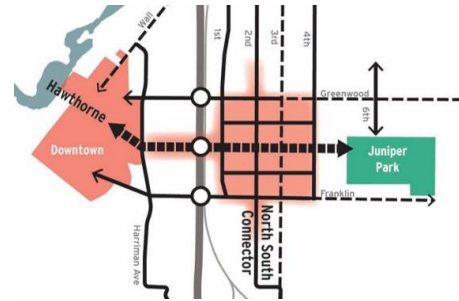
Mixed-use zone standards should be informed by how modern mixed-use buildings are constructed. For instance, most mixed-use buildings constructed recently are podium-style buildings, with a 1-2 story concrete base and several stories of wood framed residential or office above. In many instances, the ground floor of these buildings are not entirely retail (and often less than half of the ground floor is retail). Rather, there is a combination of amenity spaces for upper floors, like lobbies and gyms, rear tuck under parking, storage, mechanical, garbage etc. Even in very strong retail locations, populating the entire ground floor with retail space can be too much square footage for the market to absorb. Requiring the construction of more retail space than the market



can absorb means either the project does not get built or the residential rental rates must be higher to absorb the cost of building empty/low rent retail space.

Recommendations:

- Designate key main streets within the study area where active ground floor building frontages are deemed necessary, such as Greenwood, Franklin, and 3rd Street. Specifically, a minimum 5% secondary use requirement for buildings with frontage on designated main streets.
 - The CAP process and framework design documents could provide the street designations needed (see the draft framework image to the right)
- Allow single use buildings, such as apartment buildings, creative office, or “maker spaces” on lots or portions of lots not fronting these key main streets



Limited Residential Allowances

Residential uses are restricted in a number of ways within the BCD overlay.

Allow Townhomes Enable Live-Work

Townhomes are not allowed at all within the 1st/2nd Street Subdistrict and are limited in 3rd Street Subdistrict. Permitting townhomes could allow for low-cost, owner-occupied, live-work buildings within the district at relatively high densities.

*“Residential uses that are not part of a mixed-use development are **prohibited.**”*

Allow Apartment Buildings Where Retail Not Viable

Single-use residential buildings are not allowed in either the 1st/2nd Street or 3rd Street Subdistricts. The BCD is a large area with very limited residential today. Not all areas are feasible for mixed-use and retail, particularly the interior portions of the district. Financing single-use buildings is less complicated than mixed-use. Residential opportunities exist today that can support the vitality of the district and the City’s priority for new housing.

Recommendations:

- Allow multi-unit buildings and townhomes on lots or portions of lots not fronting designated main streets

Parking

Simplify Used-based Parking Requirements

The BCD Overlay contains use-based, off-street parking requirements and several potential allowed parking reductions. Use-based parking requirements are problematic. The uses in buildings change far more often than buildings themselves change. Many communities are moving away from detailed use-based parking requirements and simplifying parking requirements, often only distinguishing between residential and non-residential uses.

Expand Ground Floor Parking Exemption

The current code contains a parking exemption for up to 5,000 square feet of retail or restaurant uses only. This is an innovative policy but should be expanded to include all ground floor uses, not just retail or restaurant. This would encourage the inclusion of creative office, maker space, or even ADA-accessible residential units on the ground level of buildings.

Expand Mixed-Use Parking Reduction

In order to be eligible for the mixed-use parking reduction of 25%, a mixed-use project is required to have at least 20% secondary uses, such as ground floor retail. Again, the code is determining the amount of that secondary use, even if the market cannot sustain that amount of square footage. For instance, if a building is proposed with 50,000 square feet, at least 10,000 square feet must be secondary uses in order to be eligible for the mixed-use parking reduction – but 10,000 square feet of retail, for instance, may not be market feasible.

Recommendations:

- Reduce residential parking requirements to 0.5 spaces per unit on average from 1
- Simplify the use-based parking requirements to a single non-residential use requirement of 1 space per 1,000 square feet
- Expand the 5,000 square feet parking exemption to include any ground floor use, not just retail and restaurant
 - Ground floor design guidelines should seek to maximize glazing (windows) and transparency (no reflective or tinting to enable viewing inside and out)
- Reduce the amount of secondary space required to be eligible for the mixed-use parking reduction to 5% from 20%
- Eliminate the parking maximums which cause unintended consequences and pose challenges for transitional land use types that are currently market-feasible

Note: the metrics stated above are preliminary for discussion. They are based on best practices for coding pedestrian-oriented, mixed-use areas.

Front Setback

Implement Context-Sensitive Minimum Front Setback

The front setback within the BCD is a minimum of 5 to 10 feet and maximum of 10 to 15 feet, depending on the Subdistrict. The purpose of the minimum front setback is to expand the sidewalk realm, however, this implies that every street within the BCD area is constrained and not sufficiently wide to accommodate all the elements of a “complete street,” such as wide sidewalk, bike lanes and on-street parking. This is not the case. The minimum front setback should be context sensitive and be required only in areas where the right of way is truly constrained.

Allow Flexible Max Front Setback for Active Spaces

The maximum front setback is intended to bring building massing towards the street and create a complete and active street wall. However, activating streets does not always require a uniform street wall. Some of the most successful businesses and active streets in



Bend have a wide variety of setbacks, with active “front yards” that support ground floor uses. If the front setback is used for pedestrian area or outdoor area that supports the building’s uses in an active way, then there should be flexibility in the maximum front setback. The code is already explicit in precluding the front setback from being used for parking. This preclusion should be expanded to include all inactive space, such as landscaping not useable by people.

Recommendations:

- Reduce the minimum front setback to 0 feet, except on designated streets or sections of streets where the right of way is too narrow to accommodate the designated “complete street concept”
- Increase the maximum front setback allowance if the setback is used for enhanced pedestrian area and other active space that can support the businesses
- Explicitly and more clearly restrict inactive uses within the front setback, such as passive landscaping (unless stormwater management features), storage areas etc.

Minimum Lot Width

Allow for Smaller Scaled Buildings

The BCD minimum lot width is 30 feet. The width of many new, innovative modular building forms is 14-15 feet. In addition, allowing a 15' townhome unit can help reduce costs for live-work units like those shown on the right. CP helped write the zone code standards for a Maker District in Gunnison Colorado that allowed small, narrow lots. Townhomes are a relatively dense and cost-effective, ownership product that aligns well with Bend's strong owner market.



Recommendations:

- Eliminate the minimum lot width and let building code dictate the minimum
- Alternatively, reduce the minimum lot width to 15'

Building Size Limitations

The current code places limits on building sizes based on the land use. This could potentially limit development/redevelopment of desirable businesses within the study area. For example, the code limits retail sales and service uses within the Bend Central District to 30,000 square foot limit per business and 50,000 square feet per building. The average size of grocery store ranges between 35,000-50,000 square feet which would exceed the current limit per business. Current limits on business and use size is overly prescriptive and could potentially detract valuable users and businesses to the Bend Central District.

Recommendation:

- Consider reducing or eliminating limitations on building size, particularly for Entertainment/Recreation and Retail Sales and Service uses

Parking Exemption for Small Footprint Projects

Most Lots in BCD are Relatively Small

Half of all lots in the BCD are less than 12,000 square feet. A very common lot size in the older neighborhoods of Bend ranges in size between 5,000 and 6,000 square feet. So one way to understand this is that most of the lots in the BCD are smaller than a two standard-sized lots. The zoning in the BCD technically allows up to 85 feet (4-5 stories), but with the current required parking standards, that is impossible to achieve on at least half of the lots in the district.

Accommodating surface parking and structured parking requires a significant amount of lot area. For example, the drive isles and ramps associated with a parking structure have very specific minimum dimensions that are very difficult (if not impossible) to accommodate on lots less than one-half acre (21,780 square feet). Essentially, there is no way to accommodate these things – and be left with enough space to also build a building – on half the lots in the BCD. As a result, the majority of lots have a much lower development potential under current zoning standards than what is envisioned. The market reality is that a 12,000 square foot lot is likely to develop at 1-2 stories with current standards (most notably parking standards).

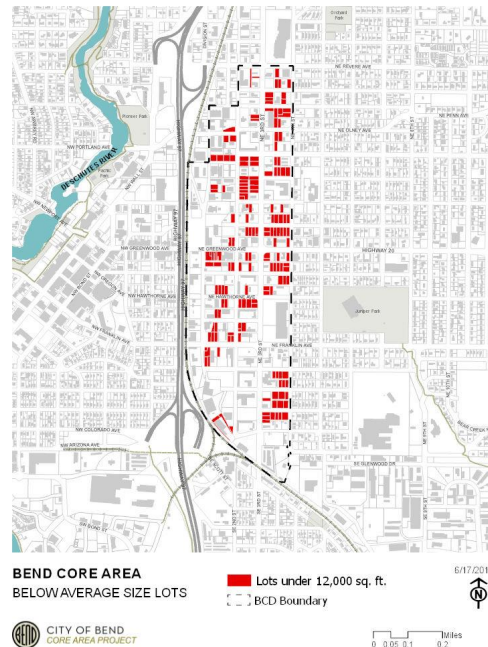
Similar to the existing parking exemption for ground floor retail and restaurants, exempting small-scaled projects from parking requirements can unlock a significant portion of the BCD property for near-term development.

Encouraging small-scale projects has several benefits. There are many more property owners and builders who could self-finance small-scaled projects compared to larger projects which can easily cost tens of millions of dollars. In addition, smaller projects add architectural and business variety to a district that aims to support small-scaled entrepreneurs.

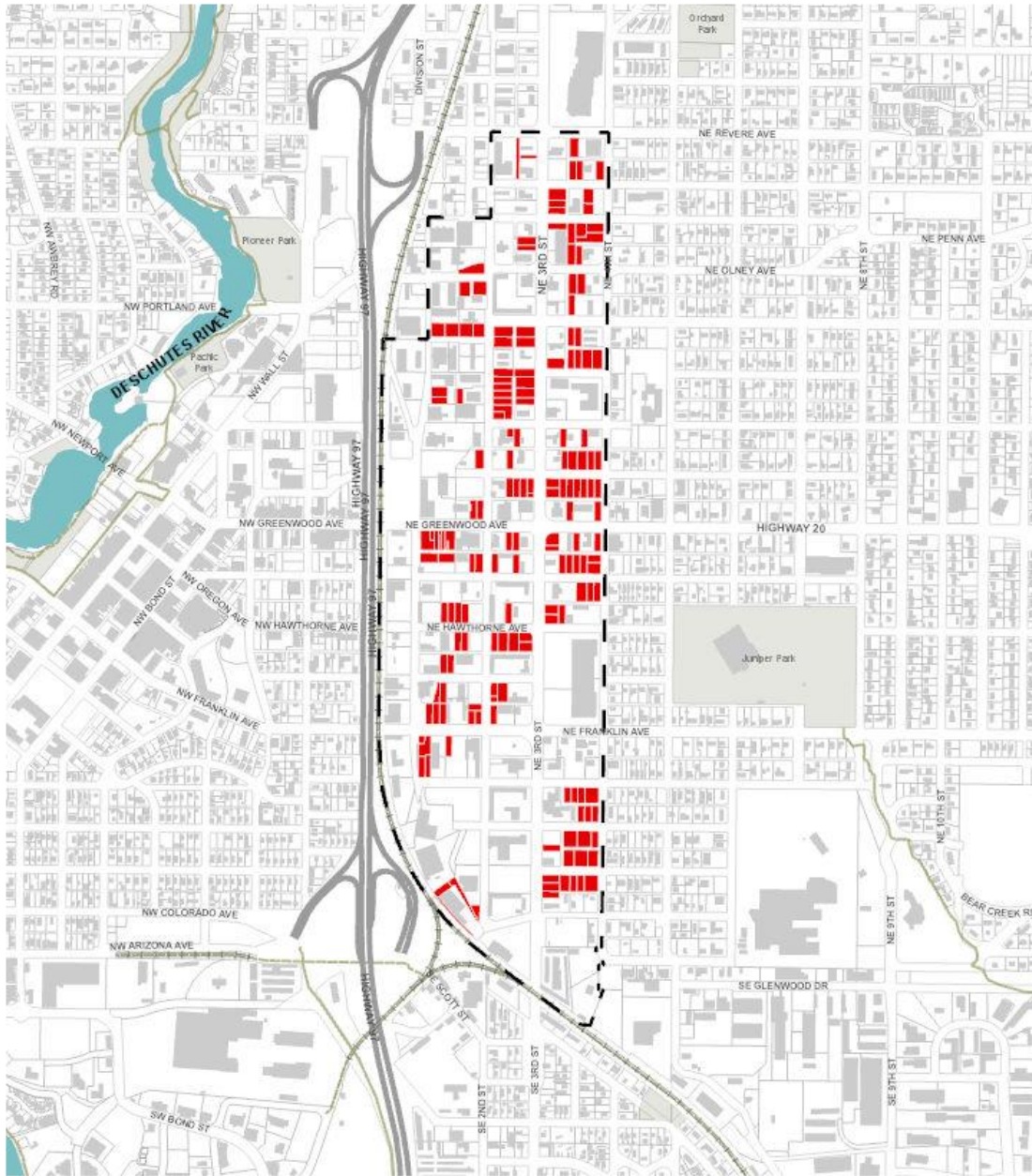
Recommendations:

- Exempt the first 10,000 square feet of lot area from on-site parking requirements to encourage redevelopment on small lots and for smaller footprint projects



Half of All Lots in BCD are less than 12,000 Square Feet in Size – Roughly Two Standard-Sized Lots



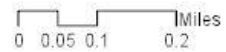
Lots under 12,000 Square Feet in Size within the BCD Overlay Area



BEND CORE AREA
BELOW AVERAGE SIZE LOTS

 Lots under 12,000 sq. ft.
 BCD Boundary

6/17/2019



Pro Forma Evaluation

Testing a Mixed-Use Building: BCD Comparative Analysis

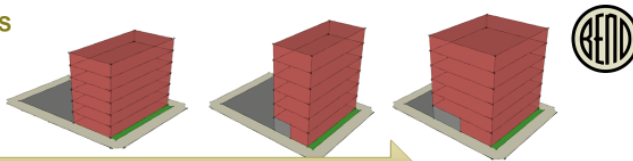
CP ran three pro forma models for a 6-story mixed-use building on a hypothetical, small 7000 square foot site. The BCD is comprised of mostly small sites. The average site size within the BCD is roughly 18,000 square feet and half of all sites are less than 12,000 square feet. Zoning standards tend to pose the most challenges on small sites, so evaluating a small site provides benefits for our analysis even if most 6-story buildings will likely be built on sites larger than 7,000 square feet.

For each scenario we assume that land costs \$30 per square foot, construction costs are \$200 per square foot (hard costs), residential rents are \$1,500 per unit and retail rents are \$25 per square foot, triple-net. These assumptions are in line with current conditions, but costs and rents are currently at historically high levels. Land prices vary widely based on the size of the property, exact location and whether it has a useable building. Properties with useable buildings, for example, have sold for significantly more than \$30 per square foot. There are also many longtime property owners who likely bought for a fraction of this price. For this example, we are assuming a vacant small site.

It is important to note that not all landowners have paid top dollar for land, not all must use 3rd party contractors for construction, and not all can get these rents. However, using consistent figures across the analysis allows us to isolate the relative impact of policy changes. Even if the underlying assumptions change, the relative impact of the policy changes will be consistent. And the impact of the potential policy changes are significant.

The analysis below shows that no single zone standard change will solve the issues identified. There are relationships between standards that mean several changes are necessary to achieve the most feasible outcomes. To show these relationships and compounding benefits of multiple changes, CP conducted a 3-step pro forma analysis to evaluate how the existing zone standards compared to two sets of potential changes. The summary of the analysis with diagrams of the building forms that result from each

MIXED-USE STANDARDS
SENSITIVITY TESTING
BCD OVERLAY



Building Characteristics	Existing Zone Standards	Loosen Mixed-Use Req Only	+ Expand Parking Reductions	% Change
Building size (sf)	14,700	13,600	24,810	+69%
Building Lot Coverage	35%	32%	59%	+69%
Retail (sf)	2,940 (20%) / 1 Floor Equiv.	1,124 (8%) / <1 Floor Equiv.	1,137 (5%) / <1 Floor Equiv.	-61%
Residential (units)	17	16	30	+76%
Parking (sf)	4,550 65% lot (surface)	5,865 (tuck-under, surface)	4,933 (tuck-under, surface)	+8.4%
Parking (spaces)	14 MU Parking Reduction - YES	18 MU Parking Reduction - NO	15 (Ground floor exempt. 0.5 per Unit)	+7%
Return (%) @ \$2.5 for \$25 SF Avg Unit	5.6%	5.1%	6.6%	+17.9%
Required Res Rent	\$1,924 (\$3.18 / SF)	\$1,914 (\$3.16 / SF)	\$1,790 (\$2.98 / SF)	-7%

Enabling efficient podium-style building & tuck-under parking expands building area

Ground Floor Equivalent & 20%+ 2nd Use = Illogical building (ie- Conditional Use)

18% Closer to Viable

set of standards on top. A narrative description of the 3-step process is below the graphic.

In summary, the results indicate that the prescriptive mixed-use requirements have negative (and unintended) impacts to financial feasibility and building form. In addition, urban parking standards and expanded parking reduction allowances can enable the development of an efficient podium-style mixed-use building form. When all of the recommended zone changes are tested, the buildings leasable square footage increases 69% and residential units increase 76% with no added height, and the ground floor uses can be scaled to a market-supportable square footage. These critical changes result in an 18% improvement in return rate from 5.6% to 6.6%. Typical desired cash-on-cash return rates are between 8 and 12% depending on a developer's sources of funding. In Opportunity Zone areas, there may be lower return expectations because of the value of tax savings in these areas.

Step 1: Model Existing Zoning Standards

The current zoning standards make building a mixed-use building challenging. The requirement to include a "ground floor equivalent" amount of secondary use, such as ground floor retail predetermines that nearly 3,000 square feet of retail must be built, in this example, regardless of the market demand. In addition, it prevents using part of the ground floor for rear tuck-under parking for the residences – a common parking strategy in this type of building. Since we can't tuck a row of parking under upper floors of the building, all of the parking is exposed surface and limits the building footprint to less than half of the site area. This example is not financially feasible, but also has design problems, such as a shallow building depth, that may prevent it from being logical to construct.

Step 2: Loosen Mixed-Use Requirements Only

By only relaxing the ground floor equivalent use requirement, the building can accommodate other uses on the ground floor such as tuck-under parking. However, the reduced ground floor allowance means that secondary use is now less than 20% of the building area. As a result, the project is no longer eligible for the mixed-use parking reduction. As a result, the amount of off-street parking increase and the project is even less viable.

Step 3: Loosen Mixed-Use + Expand Parking Reductions

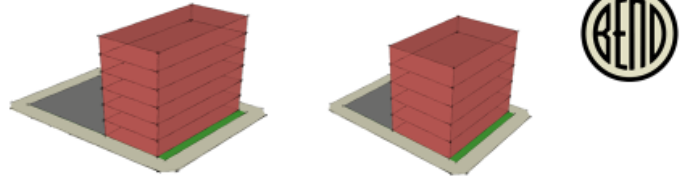
In order to align the zoning standards with modern mixed-use building forms, further changes are needed. Allowing more urban off-street parking ratios is the most effective remaining strategy. Examples of the recommended changes include: reducing residential parking standards to 0.5 spaces per unit, simplifying the non-residential parking requirements to 1 space per 1000 square feet of all non-residential uses, expanding the 5000 square foot exemption to include all ground floor uses, and enabling multimodal project elements, such as bike parking, car/bike share space, etc., to be "traded" for a further reduction in off-street parking spaces.

Testing an Apartment-Only Option

Building on the previous analysis, CP investigated the potential of permitting stand-alone apartments within the interior of the BCD (i.e. - not on main street frontages). A 5-story wood frame apartment building can be built more cost effectively than a mixed-use building. Financing is less complex, retail is not a potential drag on the financial strength of the project, and with urban parking standards, the project can be parked entirely with low-cost surface parking. As a result, the project has a 43% higher return rate than the mixed-use project that assumed current zone standards (from 5.6% to 8%). In addition, 11% lower residential rents are required to make the project “pencil.”

The next phase of CP work will focus on further implementation strategies and incentives. As a preview of this work, we tested the impact of tweaking the program that allows for the financing of System Development Charges (SDC) to evaluate the impact. In the apartment scenario, the SDCs are over \$300,000. Normally a developer must pay these fees as a lump sum at permitting. However, if these fees can be financed instead, that spreads the payment over a 10 years period which has a significant impact on the project’s financing. In this example, SDC financing raises the return rate from 8% to 10% - a market-feasible project – and allows for residential rents to drop to below \$1500 per month, which is in line with the current market. We will evaluate this and other tools in more detail in coming months.

APARTMENT SENSITIVITY TESTING ZONE: BCD OVERLAY



OBSERVATIONS:

- Retail not viable in most locations
- Mandate for mixed-use suppressing redevelopment
- Apartment nearly financial feasible
- Over 11% reduction in needed rents
- >\$300k in SDCs
- Financing reduces required rent to <\$1,500 per month or 23%

Building Characteristics	Existing Zone Standards	Allow Apartments	% Change
Building Floors	6	5	-17%
Building size (sf)	14,700	16,300	+11%
Building Lot Coverage	35%	47%	+86%
Retail (sf)	2,940 (20%) / 1 Floor Equiv.	0 (0%) / <1 Floor Equiv.	-
Residential (units)	17	23	+35%
Parking (sf)	4,550 (surface)	3,731 (surface)	-18%
Parking (spaces)	14 MU Parking Reduction - YES	11 (0.5 spaces per Unit)	-21%
Return (%) @ \$2.5 for 605 SF Avg Unit	5.6%	8.0%	+43%
Required Res Rent	\$1,924 (\$3.18 / SF)	\$1,704 (\$2.82 / SF)	-11.4%

Key Findings: CL/CG Zones

The CL and CG zones generally extend to the north and south of the BCD area within the CAP study area. They also exist in other parts of the City beyond the CAP study area. As with the BCD Overlay area, both the development feasibility analysis and interviews with developers identified several barriers with the current zone standards.

Prescriptive Mixed-Use Requirements

The existing CI/CG zone standards include several prescriptive mixed-use requirements. Current standards require that commercial or public/institutional uses occupy at least a “the floor area equivalent to the entire ground-floor area of the development.”

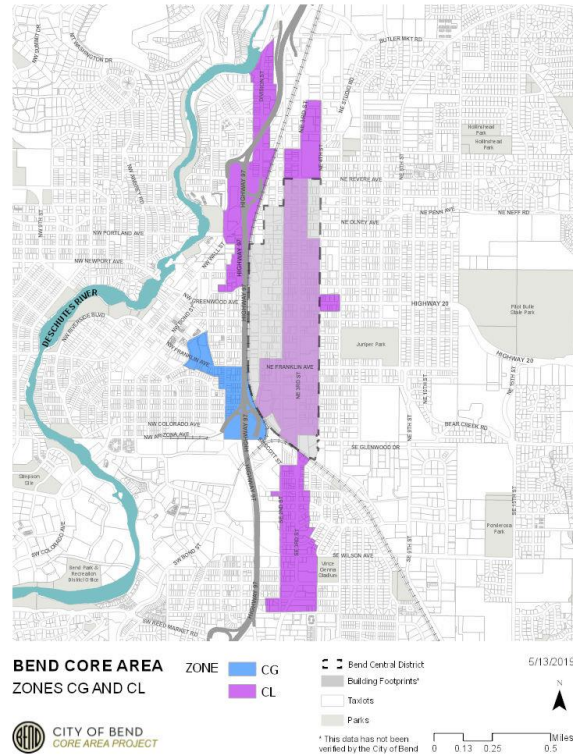
From 3.6.200.1.5:

The commercial or public/institutional uses shall occupy at least the floor area equivalent to the entire ground-floor area of the development. The commercial or public/institutional uses shall be constructed prior to or concurrently with the residential uses.

There are several problems with this standard. First, not all sites are good for commercial, however the code appears to assume they are. Second, this “floor area equivalent” requirement means the amount of retail is determined by the building footprint rather than the market need. Third, retail rarely works above the ground floor so assuming this standard can be accommodated by programming retail on the 2nd floor is not reasonable.

Recommendations:

- Only require active ground floor building frontage uses on designated main streets (same as BCD Overlay recommendation)
 - Specifically, a 5% secondary use requirement for buildings with frontage on designated main streets
- Allow single use buildings, such as apartment buildings, creative office, or “maker spaces” on lots or portions of lots not fronting these shopping streets



- Horizontal mixed-use is technically allowed in the code today, but the requirement to have a “floor area equivalent” of commercial makes it very difficult to achieve, especially if you’re adding an apartment building to a site that already has retail, as this recommendation anticipates

Limited Residential Allowances

Residential uses are restricted in a number of ways within the CL/CG zones.

Allow Stand-alone Residential Buildings Where Retail Not Viable

Stand-alone residential uses are not allowed within the CL/CG zones; they must be built in conjunction with commercial uses. The current standard allows up to 25% of ground floor residential uses on arterial and collector street frontages. Essentially this means that 75% of the ground floor must be in non-residential uses, such as retail. This is overly prescriptive and is likely to result in more retail space being required than the market can sustain for many sites.

“On arterial and collector street frontages ... ground-floor residential uses are limited to 25 percent of the street frontage, except ground-floor entrances or breezeways for housing located above or behind a nonresidential use.”

Similar to the recommendations for the BCD, buildings should be considered mixed-use if at least 5% of the building area is in a secondary use. If the lot is adjacent to a designated main street, then those secondary uses should be located along that frontage and should be active uses. If a secondary use is required and retail is viable, the market will build useable retail space.

On lots or portions of lots not fronting key main streets, standalone uses (including residential) and ground floor residential uses should be permitted by-right. Permitting stand-alone residential uses would allow for building types such as townhomes that could in turn allow for low-cost, owner-occupied, live-work buildings within the district at relatively high densities.

Recommendations:

- Allow multi-unit buildings and townhomes on lots or portions of lots not fronting designated main streets
- Eliminate the current residential ground floor limitations of 25% of the ground floor
- Allow up to 95% of the building square footage to be in residential use

Parking

Simplify Used-based Parking Requirements

The CL/CG zones contain use-based, off-street parking requirements and a few potential allowed parking reductions. Use-based parking requirements are problematic. The uses in buildings change far more often than buildings themselves change. Many communities are moving away from detailed use-based parking requirements and simplifying parking requirements, often only distinguishing between residential and non-residential uses.

Adopt Ground Floor Parking Exemption

There is currently no exemption for ground floor uses in the CL and CG zones, as there is in the BCD Overlay.

Expand Mixed-Use Parking Reduction

Mixed-use developments are eligible for a parking reduction of 5%, which is insignificant and does not provide a sufficient incentive for mixed-use. The BCD mixed-use parking reduction is 25%.

Recommendations:

- Reduce residential parking requirements to 0.5 spaces per unit on average from 1
- Simplify the use-based parking requirements to a single non-residential use requirement of 1 space per 1000 square feet
- Extend the ground floor parking exemption currently in the BCD Overlay (with recommended modifications) to the CL and CG Zones.
- Increase the on-street parking credit allowance to 100% from 50%
- Increase the mixed-use parking reduction incentive from 5% to 25% to be consistent with the BCD Overlay

Setbacks

Adopt Commercial Frontage Standards to Support Pedestrian-friendly Building Design

The front setback within the CL/CG zones is a minimum of 10 feet and maximum of 80, depending on whether on-street parking exists. This does not allow for a building to be up to the street, like in many walkable areas. And it allows buildings to be far away from the street behind large parking lots. Commercial frontage standards have been crafted and adopted in many communities to address the transition of suburban strip commercial land uses to a more main street-style of development pattern. These frontage requirements usually require a certain portion of building frontage to be closer to the street. For instance, requiring 50% of a building's frontage to be at the minimum setback is not uncommon. These standards usually require care and flexibility in

implementation to avoid rendering certain sites unbuildable, such as small or irregularly shaped sites.

Recommendations:

- Adopt commercial frontage standards that support more pedestrian friendly development patterns with a larger portion of buildings frontages closer to the street
- Reduce minimum front setbacks
- Allow flexible front setbacks if the setback is used for enhanced pedestrian area and other active space that can support the businesses

Pro Forma Evaluation

Testing a Mixed-Use Building: CL/CG Zone Comparative Analysis

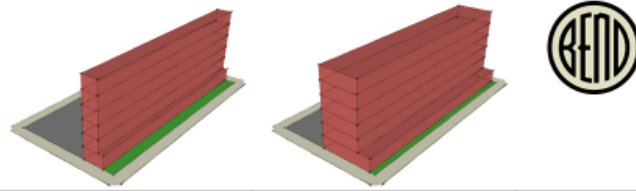
CP ran three pro forma models for a 6-story mixed-use building on a hypothetical, small 10,000 square foot site. The CL/CG zones are comprised of mostly small sites. The average site size within the CL/CG zones is roughly 20,000 and half of all sites are less than 9,000 square feet. Zoning standards tend to pose the most challenges on small sites, so CP used a 10,000 square foot hypothetical site for this analysis.

For each scenario we assume that land costs \$30 per square foot, construction costs are \$200 per square foot (hard costs), residential rents are \$1500 per unit and retail rents are \$25 per square foot, triple-net. These assumptions are in line with current conditions, but costs and rents are currently at historically high levels. Not all landowners have paid top dollar for land, not all must use 3rd party contractors for construction, and not all can get these rents. However, using consistent figures across the analysis allows us to isolate the relative impact of policy changes. Even if the underlying assumptions change, the relative impact of the policy changes will be consistent. And the impact of the potential policy changes are significant.

The analysis below shows that no single zone standard change will solve the issues identified. There are relationships between standards that mean several changes are necessary to achieve the most feasible outcomes. The changes tested below include reduced front setback, elimination of “ground floor equivalent” for ground floor uses, urban parking standards of 0.75 spaces per residential unit and 1 per 1000 square feet of non-residential uses, and a 5000 square foot ground floor use parking exemption like the recommended standard for BCD.

In summary, the results indicate that the prescriptive mixed-use requirements have negative (and unintended) impacts to financial feasibility and building form. In addition, urban parking standards and expanded parking reduction allowances can enable the development of an efficient podium-style and/or surface parked-only mixed-use building form. When all of the recommended zone changes are tested, the buildings leasable square footage increases 144%, the ground floor uses can be scaled to a market-supportable square footage and the return rate increase 600% from 0.3 to 2.1%. While the increase in return rate is significant, the ultimate return rate of 2.1% is not market feasible with these set of assumptions, such as land prices. CP’s next phase of work will focus on additional incentives and implementation tools that can help get these return rates to a market-feasible level.

**SENSITIVITY TESTING
ZONE: CG/CL ZONE DISTRICTS
(OUTSIDE OF BCD)**



OBSERVATIONS:

- **Suburban parking standards make vertical mixed-use infeasible**
 - **Particularly when restaurants included**
- **10' minimum front setback results in more suburban development pattern**
- **Mandated retail in mixed-use limits ability for "horizontal mixed-use"**

Building Characteristics	Existing Zone Standards	Proposed Changes	% Change
Building Floors	6	6	
Building size (sf)	18,686	45,616	+144%
Building Lot Coverage	19%	48%	+153%
Retail (sf)	3,924 (21%) / 1 Floor Equiv.	2,280 (5%) / <1 Floor Equiv.	-42%
Residential (units)	21	57	+171%
Parking (sf)	16,107 – 81% of parcel (surface)	14,298 (tuck-under, surface)	+2%
Parking (spaces)	43	44 (0.75 spaces per Unit)	
Front setback (ft)	10	5 (Expanded Sidewalk)	-50%
Return (%) @ \$2.2 for 605 SF Avg Unit	0.3%	2.1%	600%
Required Res Rent	\$2,205 (\$3.65 / SF)	\$1,880 (\$3.11 / SF)	-15%



Step 1: Model Existing Zone Standards

The current zone standards make building a mixed-use building challenging. The requirement to include a “ground floor equivalent” amount of commercial means that nearly 4,000 square feet of retail must be built, in this example, regardless of the market demand. This example is not financially feasible, but also has design problems, such as a shallow building depth, that may prevent it from being logical to construct.

Step 2: Loosen Mixed-Use + Expand Parking Reductions

In order to align the zoning standards with modern mixed-use building forms, further changes are needed. Allowing more urban off-street parking ratios is the most effective remaining strategy. Examples of the recommended changes include: reducing residential parking standards to 0.5 spaces per unit, simplifying the non-residential parking requirements to 1 space per 1000 square feet of all non-residential uses, enabling the 5000 square foot exemption similar to BCD, and enabling multimodal project elements, such as bike parking, car/bike share space, etc., to be “traded” for a further reduction in off-street parking spaces.

Testing a Horizontal Mixed-Use Apartment

Building on the previous analysis, CP investigated the potential of permitting stand-alone apartments on existing, large CL/CG zoned lots (ie- not on portions of the lot fronting main streets). A 4-story wood frame apartment building can be built more cost effectively than a mixed-use building. Financing is less complex, retail is not a potential drag on the financial strength of the project, and because the land is already owned and parking is already built, the costs are even lower.

As a result, the project has a market-feasible rate of return of 10% cash-on-cash. In addition, the market-feasible residential rents in line with the current market which makes this the most feasible building types we tested.

HORIZONTAL MIXED-USE SENSITIVITY TESTING
 ZONE: CG/CL ZONE DISTRICTS
 (OUTSIDE OF BCD)

OBSERVATIONS:

- Allow horizontal mixed-use
- Stand-alone apartments can take advantage of existing, large parking lots
- Very cost effective, wood frame construction
- Easier to finance



Building Characteristics	Apartment – Horizontal Mixed-Use
Building Floors	4
Building size (sf)	40,000
Residential (units)	56
Parking (spaces)	0 New – Use Existing Lot
Return (%) @ \$2.2 for 605 SF Avg Unit	10%
Required Res Rent	\$1,500 (\$2.50 / SF)