

Pierce County Buildable Lands Program

Necessary Refinements to the 2021 Pierce County Buildable Lands Report Methodology

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FINAL DRAFT TO GMCC

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1 OVERVIEW

1.01 BACKGROUND

The Buildable Lands legislation in RCW 36.70A.215 was amended in 2017 to include additional considerations when identifying lands suitable for development. With these amendments, the State Legislature also directed the Department of Commerce to update its Buildable Lands Guidelines. These Guidelines provide the framework for which the Review and Evaluation Program under the Growth Management Act (GMA) is conducted.

Pierce County and its cities began developing its Buildable Lands Program in 1997 in concert with the amendment of the Growth Management Act that required counties planning under GMA to evaluate and monitor development activities as they pertain to the capacity to accommodate future growth within the UGA. This update marks the fourth iteration of the monitoring required under the Buildable Lands Program in Pierce County.

The Pierce County Countywide Planning Policies establish the minimum requirements for the County to follow in implementing its Buildable Lands Program. Since the initial report in 2002, the methodology for conducting this review and evaluation has evolved in each report. The body of each report details the methodology that is used.

The purpose of this report is to identify necessary refinements to Pierce County's Buildable Lands methodology based on best practices and changes to state legislation and state guidance for its 2021 Buildable Lands Report.

1.02 PREVIOUS METHODOLOGY

The methodology used in the most recent report (2014) is described in detail within that report and discusses lessons learned from previous reports. The following sections summarize the key components.

1.02.01 DATA COLLECTION

Jurisdictions are required to submit the following data on an annual basis:

- Residential Building Permits
 - Calculate multi-family density by zoning district.
 - Single-family permit reporting is optional.

- Residential Platting Activity
 - Calculate the gross and net residential density by zoning district.
 - Calculate the consumption of land for non-residential purposes (critical areas, roads, and other uses).
 - Limitations: single parcel tracts accommodate more than one non-residential facility/activity.
- Commercial Building Permits
 - Calculate the amount of land consumed by commercial and industrial activity.
 - Track the amount of non-residential uses permitted in residential zoning districts.
 - Limitations: disconnect between commercial permits and available employment statistics.

1.02.02 BUILDABLE LANDS INVENTORY

All included parcels must be at least 3,000 square feet and not be adjacent to marine shorelines. The Pierce County Assessor-Treasurer parcel database is to be queried to generate a preliminary inventory.

Vacant lands are those parcels without an established structure or land use activity, including agricultural and resource lands, but excluding those enrolled in a current use tax program. Vacant parcels are categorized as either “Vacant” or “Vacant (single-unit)”. Vacant parcels owned by a government entity are flagged for local review.

- “Vacant” represents those parcels that are assumed to be further subdivided and accommodate more than one housing unit. These parcels are included in the full capacity calculations
- “Vacant (single-unit)” represents an individual vacant lot that is assumed to accommodate only one housing unit based on its net acreage. These parcels are separated from the “acreage” capacity calculations and added in as one unit per parcel to the final “acreage” capacity.

Underutilized land includes parcels that have an existing structure or land use activity and that have the ability to accommodate additional employment or housing units. These lands include parcels in which excess space is available to build a new structure(s), or it is assumed that an existing structure(s) will be demolished and replaced with a larger structure or more structures. Parcels are considered “underutilized” when:

- Residential or Mixed Use zoning classification:

- The ATR use code is single family/mobile home, multi-family, or mobile home park.
 - For existing single-family housing units, the improvement value is less than \$500,000.
 - For multi-family and mobile home parks, the improvement value is less than \$1,000,000.
- The ratio of assumed housing build-out to the existing number of housing units is greater than or equal to 2.5.
- Commercial/industrial zoning classifications that prohibits residential units:
 - An existing single family housing unit, excluding parcels that are within platted subdivisions.
- Commercial or mixed use zoning classification:
 - An existing single family housing unit which has an ATR land value greater than its improvement value.
- Parcels within commercial, industrial, or mixed use zoning classifications:
 - The ATR use code is non-residential.
 - The parcel has an improvement value less than \$1,000,000.
 - The ratio of assumed future job build-out to estimated existing jobs is greater than or equal to 5.

The existing-to-build-out housing density ratio is calculated by:

- Determining the existing net housing units per acre for each parcel using ATR data for existing buildings/units.
- Calculating the assumed housing units per acre using the established density assumptions (listed in Table 4 of the report for each jurisdiction).
- Dividing the assumed build-out density by the existing density (this is the existing density to build-out ratio).
- If the existing housing unit to build-out ratio is 2.5 or greater, the property is categorized as “underutilized.” If the build-out ratio is less than 2.5, the property is assumed not to have additional housing capacity and is identified as “built out.”

The existing-to-build-out employment density ratio is calculated by:

- Determining the existing employment density for each parcel by dividing the square footage of the existing building(s) by the industry standard square footage

assumption to estimate the existing number of employees using ATR data for existing building square footage.

- Calculating the assumed future employment build-out for the parcel by multiplying the gross acreage of the parcel by the assumed employment density.
- The assumed future employment build-out figure is divided by the estimated existing number of jobs (this is the existing employment to build-out ratio).
- If the existing employment to assumed build-out ratio is 5 or greater, the property is categorized as “underutilized.” If the build-out ratio is less than 5, the property is assumed not to have additional employment capacity and is counted as “built out” in the inventory.

Parcels with existing uses that are categorized as “undevelopable” or “built out” are removed from the inventory outright. It is assumed that certain uses, such as utilities, cemeteries, drain fields, religious services, and other protected uses will not develop further or contribute to housing or employment capacity.

Projects that are currently in the “pipeline” may be counted separately from the vacant and underutilized land. Pipeline projects include those projects that have an active development application. For parcels that have pipeline projects, the number of units in the application are counted toward the capacity. “Major Projects” are large scale planned development projects.

1.02.03 BUILDABLE LANDS CAPACITY ANALYSIS

The 2014 report uses the following factors/assumptions to assess the amount of land available for development/redevelopment:

- Mixed-Use Zoning: To account for a mixture of activity in both the residential and commercial/industrial capacity analyses, a percentage of zoning classification’s acreage is split between the housing and employment capacity calculations. In some instances where a vertical mixed use is anticipated, 100 percent of the land area is assumed as both residential and commercial. This recognizes buildings where the first floor is commercial and the additional stories are residential. In other cases, it is assumed that a specific mixed use zone will produce 100 percent commercial on the first floor, but only a percentage of the land in that zone will produce residential on the second and above floors. A 100 percent commercial and smaller percent residential assumption, depending on the jurisdiction and zone, is applied to accommodate this trend.
- Land Unavailable for Development: Although individual properties met the criteria for vacant and underutilized lands, not all properties are assumed available for

development during the 20-year planning period. Property owners may not pursue development due to personal use, economic/investment, constraints associated with properties on private roads, or sentimental relationship with their surrounding environment. To account for the market availability and other factors, a specific percent of the net acreage is deducted from the inventory. A higher percentage is deducted for properties categorized as underutilized. The adjustment related to land unavailable for development is referred to as the “market factor.”

- Future Capital Facilities: The acreage associated with anticipated/planned public capital facilities is deducted from the total gross residential and commercial/industrial acreage. If the documented needs specify a parcel(s), all identified parcels are considered “undevelopable” or “built out” in the inventory and are subsequently excluded from the capacity calculations. In some instances, local jurisdictions elected to incorporate a specific percentage of future land to deduct from the gross acreage in each zone or specific zones for future public capital facilities.
- Residential Density: The net buildable acreage is converted to housing unit capacity through the application of assumed density. Individual jurisdictions established the density assumptions with recognition of past trends and recent regulatory modifications.
- Plat Deductions: The plat deductions reflect the type of approach that respective jurisdictions implement when calculating the maximum number of housing units permitted within a project (either by gross or net density). For jurisdictions using net density, these deductions may include land reserved for roads, critical areas, parks and recreation, or storm water facilities.
- Non-Residential Uses: Zoning codes permit various types of non-residential development within residential districts, such as churches and day-care centers. To account for future non-residential development a percentage of the net residential acreage is deducted from the available buildable lands. The specific percentage differs among jurisdictions and is based on the percentage of development in the zone that was non-residential.
- Displaced Units: Existing housing units located on underutilized parcels are categorized as displaced units.
- Employment Density: The buildable acreage is converted to employee capacity through the application of assumed gross employees per acre. An assumption for employment density (employees per acre) is necessary to calculate the capacity of the commercial and industrial lands. Although the Buildable Lands legislation directs the County to use the average employment densities generated through the trending period, this approach was found to be problematic because employment

statistics were not readily available and many commercial/industrial buildings/complexes were not 100 percent occupied within the first year of completion. For the 2014 Report, the Traffic Division of Pierce County Public Works and Utilities Department prepared a survey of employment trends for the entire County. It was determined that the previous assumption of 19.37 employees per acre for commercial and services was consistent with their findings, however the 11.15 employees per acre for industrial warehousing and manufacturing was closer to 8.25 employees per acre, which was then used for the 2014 Report.

- Displaced Employees: The underutilized land category may include existing businesses and employees that if redeveloped as another business is assumed to be displaced. To calculate the displaced employees, the locally observed density of 500 square feet per employee for commercial and 900 square feet per employee for industrial/warehousing is applied to the existing building square footage. Since not all of the gross acreage is considered to be developable, the total number of displaced employees per zone is adjusted down to reflect the same percent of deductions that was applied to the gross acreage to derive the net developable acreage. For commercial or industrial buildings on a property that is considered only redevelopable as a residential use, the calculation is done in both the residential and commercial/industrial capacity tables. The existing employees assumed to be displaced are accounted for by adding them to the total need.

1.03 AMENDMENTS TO BUILDABLE LANDS LEGISLATION (E2SSB 5254)

In 2017, the State Legislature amended the Review and Evaluation Program under RCW 36.70A.215. The amendments contained within E2SSB 5254 constitute the first major revision to the program since its inception.

The amendments add consideration of reasonable measures for reconciling differences between growth assumptions and actual development patterns, as well as providing additional measures for determining land suitable for development.

One of the clarifications to the Review and Evaluation Program was that reasonable measures must be developed to reduce the differences in growth and development assumptions and targets and actual development patterns. The reasonable measures may be adopted into comprehensive plans or countywide planning policies when appropriate. Reasonable measures are actions necessary to reduce the differences between growth and development assumptions and targets and actual development patterns. Examples of reasonable measures are discussed below in the section on Updated State Guidance.

The amendments state that the “zoned capacity of land alone” is not sufficient to deem land suitable for development or redevelopment. As such, evaluation and identification

procedures for said land must include a review of the land use designation and zoning/development regulations (including tree retention requirements, stormwater, and critical area regulations), infrastructure gaps, and other regulations that could prevent assigned densities from being achieved.

A “reasonable land market supply factor” must also be used when evaluating land suitable for new development or redevelopment. The State Legislature directed the Department of Commerce to prepare a methodology for developing a reasonable land market factor. The updated Buildable Lands Guidelines are the result of this directive; the methodology for complying with this measure is discussed below in the section on Updated State Guidance.

The final clarification is that county and city development assumptions/targets are to be analyzed when they are not resulting in growth targets/assumptions being achieved. Rationale should be given to any findings, rather than assertions that the assumed growth will occur at the end of the comprehensive planning 20-year cycle.

1.04 UPDATED STATE GUIDANCE

Following adoption of the amended state legislation, the state legislature directed the Department of Commerce to update its Buildable Lands Guidelines. The updated Guidelines do not provide specific direction to meet the legislative requirements, but rather serve more as a summary of potential approaches for compliance. Throughout the document, it is reiterated that the Guidelines are a flexible guidebook that breaks down the requirements of the Review and Evaluation Program and provides information, best practices, and methodologies to assist local governments through the process. However, the process is a “bottom-up” process which is intended to provide discretion to counties and cities as they define their own program.

1.05 NECESSARY REFINEMENTS

Sections 2, 3 and 4 of this report will go on to detail the necessary refinements that will need to be made to Pierce County’s existing Buildable Lands Report methodology in order to comply with the amended state legislation as well as utilize best practices as detailed in the updated guidance document from the Department of Commerce and research of other jurisdictions approaches as conducted by AHBL and ECONorthwest.

2 DATA COLLECTION

2.01 ANNUAL DEVELOPMENT DATA REPORTING

Pierce County and its jurisdictions are required to collect the following data sets on an annual basis and submit to Pierce County. The jurisdictions must submit permit data including the parcel number, plan designation, zoning district, parcel size and site address. For residential development they must include the permitted units or lots, area used to calculate permitted number of units, and, if applicable to density calculations, the number of acres with environmental constraints, roads, other land uses. For commercial development they must include the total building size, and building use. One hundred percent of development activity occurring in each jurisdiction is sought. However, if a jurisdiction does not submit complete information for an individual project, that project is not incorporated in the reported information. Density calculations from the developments reflect locally adopted regulations.

Figure 1: Annual Data Reporting Requirements from the 2014 Buildable Lands Report

Residential Building Permits	Residential Platting Activity	Commercial Building Permits
<ul style="list-style-type: none"> • Calculate multi-family density by zoning district. • Single-family permit reporting is optional. • Limitations: none. 	<ul style="list-style-type: none"> • Calculate the gross and net residential density by zoning district • Calculate the consumption of land for non-residential purposes, (critical areas, roads, and other uses) • Limitations: single parcel tracts accommodate more than one non-residential facility/activity. 	<ul style="list-style-type: none"> • Calculate the amount of land consumed by commercial and industrial activity. • Track the amount of non-residential uses permitted in residential zoning districts. • Limitations: disconnect between commercial permits and available employment statistics.

Source: Pierce County 2014 Buildable Lands Report, page 17

Per the amended state legislation, Pierce County and its jurisdictions are required to assess land capacity not “solely on the basis of zoned capacity”. It is likely that adopted development regulations may reduce the achievable density below what is allowed by local zoning regulations.

As part of the update to Pierce County’s Buildable Lands Report, the methodology section relating to data collection should be amended to require jurisdictions to identify additional development constraints such as stormwater tracts, tree retention requirements, and

enhanced critical area buffers. Pierce County in its reporting template for the 2021 update is already requesting this information. The methodology section should be updated to reflect this.

In addition, to facilitate the capacity analysis as it relates to future planned capital facilities, locations of known future school sites or future capital facilities should be identified such that they can be removed from the land suitable for development. Infrastructure gaps should also be identified. Areas where a lack of development has occurred where growth would typically be expected may indicate infrastructure gaps and can be flagged for further analysis.

2.02 CATEGORIZING REDEVELOPABLE LAND

Pierce County's 2014 Buildable Lands Report (BLR) used a combination of methods to identify redevelopable lands. The BLR uses the term "underutilized" to include properties that are developed and have capacity for additional development over the 20-year planning period. The method used for classifying parcels as underutilized is based on a ratio of future housing units or job capacity to the base number of housing units or jobs, as well as several other criteria. The County's existing methodology is discussed in detail in Section 1.02.02.

The Department of Commerce's updated guidelines addresses identifying and calculating the capacity of redevelopable lands. The guidelines discuss five approaches to identifying redevelopable lands and/or their development capacity.

- Achieved densities. This method uses historical data on development by use type or zone to make assumptions about future development densities. Jurisdictions are already required to do this type of analysis to evaluate if planned densities were achieved over the planning period.
- Improvement value. This method uses the assessed improvement value for a parcel to determine if it is potentially redevelopable. The analysis sets an improvement value threshold and designates parcels with values lower than that threshold as redevelopable. This is similar to the method Pierce County currently uses for single-family parcels.
- Improvement to land value ratios (ILRs). This method uses the ratio of a parcel's assessed improvement and land value to determine potentially redevelopable parcels. Parcels with a ratio below a defined threshold, such as 1.0, are considered redevelopable.
- Market studies. This method uses a comprehensive analysis of current local real estate market conditions to assess redevelopment potential. Market studies are

often conducted for a defined area and are not typically done for an entire county as market conditions and trends may vary from city to city or within a given area.

- Comparable sites and jurisdictions. This method uses development trends and patterns in similar sites and locations to make assumptions about how redevelopment may occur in the study area.

The updated guidelines do not recommend a specific approach or data sources to use but rather serve to outline potential approaches that may be taken to achieve the purpose of the program. The guidelines suggest additional information that may be inventoried to supplement the approaches above, such as the age of the structure or zoning. Ultimately, it is at the discretion of the local jurisdiction to establish a methodology for identifying redevelopable lands based on the data available and lessons learned through prior updates.

2.02.01 METHODS USED BY OTHER JURISDICTIONS

Other counties within Washington State that are required to participate in the Review and Evaluation Program under the Growth Management Act have developed their own methods for identifying redevelopable land. In King County uses a separate methodology for identifying redevelopable land based on its use (i.e. single-family, multifamily, and commercial/industrial). In addition, each jurisdiction in King County establishes its own assumptions for each method. Snohomish County also uses an ILR to classify redevelopable parcels for all use types. However, the Snohomish County also has a “Partially-Used” classification that accounts for parcels that could realize additional development while maintaining the existing structure. Clark County uses an improvement value per acre to classify underutilized parcels as part of its Vacant Buildable Land Model. Those methods are discussed in detail in a separate memorandum prepared by ECONorthwest (available upon request).

2.02.02 LITERATURE REVIEW

A survey of academic literature, articles, and studies revealed some useful insight about what drives mixed-use development and how to predict where it will occur. However, there has been little peer-reviewed work on redevelopable land potential or redevelopment rates. One useful insight from these studies is that decisions to redevelop are different in urban versus suburban contexts (Munneke 1996; Charles 2014). In an urban context, investors choose to redevelop a site to elevate the current value of the property. In a suburban context, however, Charles (2014) found that the future increase of a property’s value is what drove redevelopment decisions. For example, knowing that a current neighborhood

was becoming more popular in a few years drove redevelopment more than the current value of the property.

These findings indicate that reliable parcel-level metrics for identifying redevelopable properties as part of a buildable lands analysis is challenging. A metric such as an improvement to land ratio may work well in a more urban area because it is based on current property values, but it may not be indicative of redevelopment potential in a suburban or rural area with different real estate market conditions. The next section reviews redevelopment trends in Pierce County since the previous buildable lands analysis was completed to assess how well the County's current methodology captured the potential for redevelopment.

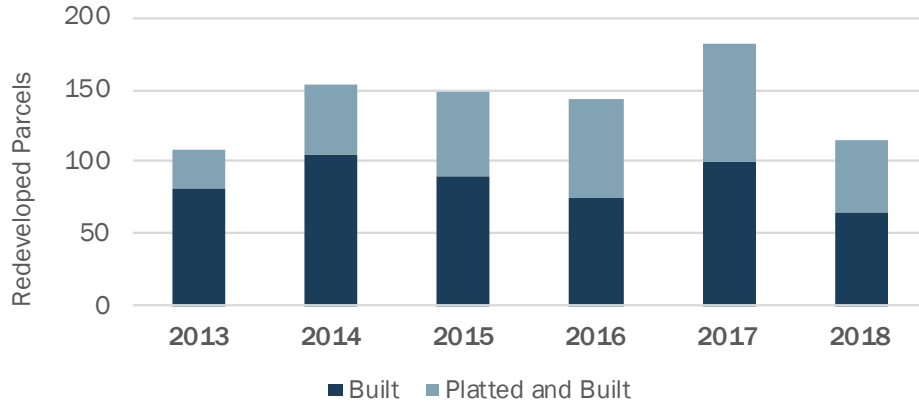
2.02.03 REDEVELOPMENT TRENDS IN PIERCE COUNTY

ECONorthwest analyzed redevelopment trends in Pierce County since the 2010 buildable lands inventory to evaluate how much and where redevelopment occurred since 2010 and how well the County's methodology accounted for the redevelopment that did occur. To conduct the analysis, ECONorthwest used the 2010 BLI parcel dataset and the most recent parcel improvement data provided by Pierce County. The analysis considers all parcels from the 2010 BLI dataset that were classified as (1) underutilized, or (2) built out/undevelopable that had an improvement with the year-built field of 2011 to 2018 as being redeveloped. Vacant lots that were developed since 2010 were not included in the analysis. There are two types of redeveloped parcels:

- Built – parcels where new buildings with a value of at least \$100,000 were constructed and where the lot did not change (i.e., it is the same size and has the same parcel identification number as in 2010). A \$100,000 threshold was used to exclude the development of garages, sheds, and other structures from the analysis.
- Platted and built – parcels with an existing building that were subdivided and subsequently built on since 2010, creating new lots that did not exist in 2010.

In the 2010 BLI, just over 17,000 parcels (7.7 percent) of more than 224,000 parcels were classified as underutilized. The vast majority of parcels (85.4 percent) were classified as Built Out/Undevelopable. As of 2018, only a small fraction of parcels (less than 0.5 percent) actually realized redevelopment. In total, 849 parcels were built or platted and built. Figure 2 shows the number of parcels redeveloped over the last five years.

Figure 2: Count of Parcels Redeveloped 2013-2018



Source: Pierce County, ECONorthwest

The County’s method for classifying underutilized properties did not capture the vast majority of parcels redeveloped since 2010. Almost 70 percent of redeveloped lots were considered "Built Out" in 2010. It is important to note that not all platted parcels have realized new development. In total, 1,826 parcels have been platted since 2010 but have not, yet, been built. These lots will likely be built on in the near-future and substantially increase the total number of parcels platted and built.

Figure 3: Count of Redeveloped Parcels by 2010 BLI Classification and Use

Classification	Built	Platted and Built	Total Redeveloped	
			Parcels	Percent
Built Out/Undevelopable	376	200	576	67.8%
Underutilized	137	136	273	32.2%
Total	513	336	849	100.0%
Percent	60%	40%	100%	

Source: Pierce County, ECONorthwest

The location of redeveloped parcels is distributed throughout the County’s incorporated and unincorporated UGAs. Incorporated cities (excluding Tacoma) had the largest share of redeveloped parcels. Unincorporated urban growth areas (UGAs) had almost 32 percent, and Tacoma had almost 31 percent.

Figure 4: Redeveloped Parcels by Area

Area	Built	Platted and Built	Total	
			Redeveloped Parcels	Percent
Other Cities	190	129	319	37.6%
Unincorporated UGA	185	83	268	31.6%
Tacoma	138	124	262	30.9%
Total	513	336	849	100%

Source: Pierce County, ECONorthwest

To assess indicators for redevelopment, ECONorthwest analyzed the parcels that did redevelop (i.e., either built or platted and built) based on commonly used metrics in other methods to identify redevelopable land. Additional metrics and summary tables are provided in Appendix A at the end of the memorandum prepared by ECONorthwest.

Improvement Value

- Lots that did redevelop had a median improvement to land value ratio (ILR) of 0.59.
- Tacoma had a higher median ILR (0.80) compared to other cities (0.55) and unincorporated UGAs (0.40).
- In comparison, all Built Out or Underutilized parcels had a median ILR of 1.45
- Average improvement values of parcels that redeveloped range considerably depending on the use.
- Residential uses had an average improvement value of about \$134,000.
- Commercial and industrial uses were much higher and depended on the classification.

Floor Area Ratio

- Lots that did redevelop had very low FAR with a median of 0.08.
- In comparison, all Built Out or Underutilized parcels had a median FAR of 0.19.

Parcel Size

- Lots that did develop had an average size of over 2.4 acres
- Residential uses that redeveloped had a smaller average lot size of about one acre
- Commercial and industrial uses had much larger average parcel sizes.

Existing Building Size

- Residential uses had small existing building sizes (less than 2,000 square feet) on parcels that were redeveloped indicating there was likely just one home on the lot.
- For commercial and industrial uses, parcels designated as Built Out had much larger existing buildings than those designated Underutilized.

Infrastructure Availability

[THIS SECTION TO BE ADDED FOLLOWING RECEIPT OF INFRASTRUCTURE GAP MAPS FROM JURISDICTIONS]

2.03 BUILDABLE LANDS INVENTORY RECOMMENDATIONS

Overall, the County realized only a small amount of the redevelopment potential that was identified through the methodology over the last nine years. The lack of redevelopment is partially due to the slow economic recovery after the housing-driven recession in 2008. Local real estate market conditions in Pierce County are also a factor in redevelopment trends. The redevelopment that did occur was not concentrated in any particular area. Instead, it was dispersed throughout UGAs within the county.

The County's current method for identifying underutilized property was not particularly effective in capturing parcels that did end up redeveloping. Our results show that nearly 70% of the redevelopment that occurred was on parcels identified as built out/undevelopable. This suggests the method is only partially accurate in predicting where redevelopment is likely to occur.

The method is primarily based on the development capacity of the lot relative to existing structures on the lot. In addition, improvement value thresholds remove parcels with higher-value structures from the classification. The drawback of this method is that simply changing the zoning to allow more intense development increases the potential that it would be identified as underutilized, even if the market potential of the parcel to actually redevelop is low and/or remains the same. As a result, the County will likely want to consider other methods for identifying underutilized parcels in its upcoming land capacity analysis.

The County has several options for revising its methodology for identifying underutilized parcels that may redevelop. There are trade-offs between the simplicity and complexity of each approach used. A simple method is easy to implement with the data and tools available to most jurisdictions' staff, such as an improvement to land value ratio. More complex methods may require additional data processing and technical skills for jurisdictions. For example, conducting a statistical regression analysis based on historical development data is a complex method. This method is used by Metro, the regional

government in the Portland region. However, complexity does not necessarily result in better outcomes.

As a result, a simple method that better reflects the market potential for redevelopment and infill development than the current method is likely the best approach for Pierce County. Below is a list of options for the County and local jurisdictions to consider as part of an updated methodology. The method the County ultimately uses could consist of one or a combination of these options.

- Improvement to land value ratios. Using an ILR would better capture the underlying value of the land. Most of the parcels that did redevelop in Pierce County had relatively low ILRs. This method was also highlighted as an option in the recent Buildable Land guidance from the Department of Commerce, and it is relatively easy to implement by jurisdictions' staff.
- Parcel size thresholds. A minimum size threshold can supplement other metrics, such as an ILR, to reduce the number of underutilized parcels to just the larger parcels that are easier to subdivide. The parcels that did redevelop in Pierce County had larger lot sizes. Clark County uses a parcel size threshold to supplement its method for identifying underutilized properties.
- New "partially vacant" classification. Parcels that are subdivided for development accounted for a sizeable share of redevelopment in Pierce County; 339 parcels were platted and built since 2010 and an additional 1,826 platted lots could be improved. The potential for a parcel to be subdivided and developed is different than the complete redevelopment of a property, particularly for residential uses. Creating a new partially vacant category could use separate methods to better capture this type of infill development. Methods for determining partially vacant lots are typically based on a minimum lot size threshold, such as two times the minimum lot size allowed by zoning.

Right-sizing the ILR or parcel size threshold assumptions may require additional analysis, which can be conducted with more input on the method the County and stakeholders.

3 RESIDENTIAL AND COMMERCIAL CAPACITY ANALYSIS

3.01 METHODOLOGY

Section 2 of this report discussed the necessary refinements to the County’s Buildable Lands Inventory. This section discusses the necessary refinements to comply with E2SSB 5254 within the capacity analysis.

The methodology used in the capacity analysis of the County’s 2014 Buildable Lands Report is discussed in Section 1.02.03. That methodology was largely similar to the methodology used in the 2002 and 2007 analysis. The exception is the consolidation of “underdeveloped” and “redevelopable” categories into one “underutilized” category and the criteria utilized to identify parcels within this category. The modification was made as an effort to achieve inter-departmental consistency between the County’s land use and transportation models.

The main item that the County must address per the amended state legislation and the updated Buildable Lands Guidelines is the market supply factor. In general, the County employs various factors and assumptions that are customized for each jurisdiction. These assumptions and any necessary refinements to them are discussed below.

3.02 GENERAL FACTORS/ASSUMPTIONS

3.02.01 MIXED USE ZONING

Currently, the County addresses mixed-use zoning by splitting a parcel’s acreage between the employment and housing capacity calculations. In the case of vertical mixed use (i.e. ground floor retail is required) 100 percent of the land area is assumed as both residential and commercial. No changes are proposed to this methodology to address the amended state legislation or updated Guidelines except to address new zones or overlays jurisdictions may have developed since the last update with specific mixed-use requirements. As all of these factors/assumptions are addressed within the capacity analysis, the assumptions will be customized for each jurisdiction based on their zoning.

3.02.02 LAND UNAVAILABLE FOR DEVELOPMENT

While a market supply factor has been used in the previous methodology, the amended state legislation requires that the methodology used to determine this factor be elaborated

on. The factor is currently applied as a blanket reduction to the amount of land categorized as suitable for development and redevelopment. Counties and cities may consider local circumstances in determining an appropriate market factor. Because market supply factor adjustments can vary considerably, an approach should be developed based on a variety of assumptions. Examples of these assumptions in the past have been willingness for property owners to sell, or the availability of sewer and other utilities and infrastructure.

With the passage of E2SSB 5254, the previous assumption employed by jurisdictions may be too high, or too low; jurisdictions must verify whether historical market supply factors need to be updated. The amended legislation adds specific considerations as listed below. The Buildable Lands Guidelines provide detail for how to approach each of these considerations:

- Infrastructure costs: Infrastructure costs include but are not limited to transportation, water, sewer, stormwater, and the cost to provide new or upgraded infrastructure if required to serve development. Timing of infrastructure construction is key to facilitating redevelopment and should be explicitly addressed in the Market Supply Factor. This can best be understood with review of a Capital Facilities Plan.
- Cost of development: Development costs can be greatly impacted by circumstances such as impact fees and infrastructure costs, condominium liability costs, and development standards. When costs reduce the yield that a developer can achieve, they may look to other parcels first where costs are not as high.
- Timelines to permit and develop land: Upon review, the issue of timelines to develop was not found to directly influence a developer's decision to redevelop land within a 20-year planning period, however, it may be significant consideration as a reasonable measures for planning agencies. The exception is for master-planned communities, who's pace of development may be altered by economic cycles, or changing infrastructure costs.
- Market availability of land: A property owner's willingness to sell can be attributed to a variety of factors and varies jurisdiction to jurisdiction. Examples of potential reasons may be tax implications of selling, trust ownership restrictions, changing ownership preferences, and foreign ownership. This issue, like others, can be studied with property owner surveys, interviews, or real estate industry input.
- The nexus between proposed densities, economic conditions needed to achieve those densities, and the impact to housing affordability for home ownership and rental housing: Although cited in the amended legislation, this issue was determined to be more appropriate to consider as Reasonable Measures for dealing with inconsistencies between planned capacity at varying densities and the extent to which such planned capacity may not be economically delivered.

- Market demand when evaluating if land is suitable for development or redevelopment: Again, although this is cited as a market supply factor, it has been determined to be more appropriate in consideration of Reasonable Measures. Market demand is important to note when assessing inconsistencies between planned capacity at varying densities and the extent to which there is not enough market demand to deliver those densities.

Using the considerations above, jurisdictions must revise their market supply factor assumptions by collecting new information. Examples of sources of this information include property owner advisory input, property owner surveys (to determine willingness to sell), survey of comparable jurisdictions’ market factors, and real estate industry input. The County should work with the jurisdictions to assess their market factors, and “show their work” (i.e. document their approach).

3.02.03 FUTURE CAPITAL FACILITIES

In previous reports, the capacity analysis addressed planned future capital facilities by either deducting their proposed acreage from the gross residential and commercial/industrial acreage. If a specific parcel is identified as the site of a future capital facility (i.e. a school, road improvement, etc.), then it is removed from the capacity calculations and considered “built-out”. In some instances, local jurisdictions chose to incorporate a specific percentage of future land to deduct from the gross acreage in each zone or specific zones for future capital facilities. The current methodology is a conservative approach to addressing future planned capital facilities. As a part of the 2021 Buildable Lands Report, jurisdictions should coordinate future capital facilities with their local school and fire districts. Other than ensuring these provider’s plans are incorporated, no other changes are proposed to this methodology to address the amended state legislation or updated Guidelines.

3.03 RESIDENTIAL FACTORS/ASSUMPTIONS

3.03.01 RESIDENTIAL DENSITY

Residential density within the capacity analysis is calculated for each zoning district by reconciling the allowable zoning with past development trends to result in an assumed density. As discussed in Section 2.01, additional data is necessary to determine the land available for development above the “zoned capacity” of the land. For jurisdictions who utilize net density, residential platting activity and commercial FAR may be further reduced due to enlarged critical area buffers, recently adopted tree retention requirements, and stormwater requirements. Where communities are falling short of meeting their assigned

densities, reasonable measures may be necessary to provide the land capacity needed to meet their growth targets.

3.03.02 PLAT DEDUCTIONS

As discussed above and in Section 2.01, additional considerations are required to comply with E2SSB 5254's requirement that the "zoned capacity of land alone" is not sufficient to deem land suitable for development or redevelopment. Additional plat deductions may be incorporated into this portion of the capacity analysis based on each individual jurisdiction's local regulations.

3.03.03 NON-RESIDENTIAL USES

In previous reports, to address non-residential uses within residential zoning districts such as schools, churches or day-care centers, a percentage of the net residential acreage has been deducted from the available buildable lands. This percentage is customized for each jurisdiction. However, these lands have not previously been incorporated back into the employment capacity analysis despite their provision of jobs (and in some communities, these lands may be a major employer i.e. schools). The 2021 Buildable Lands Report capacity analysis should continue to deduct lands for non-residential uses based on input from local jurisdictions, however this land should be reincorporated into the land capacity analysis as it relates to calculating the employment capacity for each jurisdiction.

3.03.04 DISPLACED UNITS

When land is categorized as having existing housing units located on underutilized parcels, these housing units are considered "displaced" when the property redevelops. As such, the residential units currently present on a property are accounted for by adding them to the total housing need.

It has been discussed that with the need for affordable housing, displacing units can detract from the quantity of housing affordable to low income households. While an important facet of the Growth Management Act, this topic is not required to be addressed as part of the Review and Evaluation Program. The County and local jurisdictions may choose to address housing affordability within their Comprehensive Plans or as reasonable measures to address deficiencies in achieving assigned densities.

3.04 COMMERCIAL FACTORS/ASSUMPTIONS

3.04.01 COMMERCIAL/INDUSTRIAL INTENSITY AND PLANNED EMPLOYMENT DENSITIES

The buildable acreage within commercial/industrial zones is converted to employment capacity through the application of assumed gross employees per acre. The County has had challenges acquiring employment statistics and many new commercial/industrial buildings/complexes may not be 100 percent occupied within the first year of completion.

For the 2002 Report, data on individual businesses in Pierce County was obtained from the Washington State Employment Security Department to identify an average employment statistic to incorporate into the analysis. Businesses included in the survey were randomly selected without regard to when the building was constructed.

For the 2007 Report, an employment density average was generated again from a subset of properties. However in the 2007 survey, the average for manufacturing/ warehousing was found to be higher than the 2002 Report. A conservative approach was used to determine employment capacity and the lower average of the two surveys was adopted. For the 2014 Report, the Traffic Division of Pierce County Public Works and Utilities Department prepared an employment density survey that further reduced the average employment density for manufacturing/warehousing. The average employment density for commercial/retail was not changed.

An updated employment density survey will be conducted as part of the update to the Pierce County 2021 Buildable Lands Report. One new data source that has been identified is business license data. Other sources of data will also be explored.

3.04.02 DISPLACED EMPLOYEES

Similarly to how displaced housing units are addressed, when land categorized as underutilized contains existing businesses and employees is redeveloped as another business, those employees are assumed to be displaced. To calculate the displaced employees, the locally observed density of 500ft² for commercial and 900ft² for industrial/warehousing is applied to the existing building square footage. As a part of this update, these employment densities will be reviewed based on the updated employment density survey. No other changes are proposed to this methodology to address the amended state legislation or updated Guidelines.

4 URBAN CAPACITY NEEDS AND REASONABLE MEASURES

4.01 GROWTH FORECASTS

The amended state legislation requires jurisdictions to identify whether there is capacity to accommodate growth for commercial, industrial, and housing for the remaining portion of the 20-year planning period. Jurisdictions often look to their 20-year population and employment forecasts to calculate the demand that will occur. This relies on appropriate housing and employment forecasts. The updated guidelines do not dictate the approach for how capacity is calculated.

Puget Sound Regional Council (PSRC) provides targets for how counties and cities plan to grow in the future. These targets are prepared as part of a Regional Growth Strategy that establishes goals for managing urban growth, reducing sprawl, protecting environmentally sensitive areas, and encouraging efficient multimodal transportation systems. The targets prepared as part of PSRC's VISION 2040's Regional Growth Strategy are policy driven, and include assumptions that the planning policies included within VISION 2040 will be incorporated into local policies and Comprehensive Plans. As part of Pierce County's Buildable Lands Program update, PSRC's population, housing and employment targets will be reviewed against population, housing and employment forecasts that are based on historical development patterns to determine whether the targeted growth is being achieved.

4.02 REASONABLE MEASURES

If it is determined during the achieved densities calculation portion of the analysis that densities in a zone or area are not occurring as planned, or if it is determined that there is not sufficient capacity to accommodate the remaining portion of the 20-year employment and population forecasts, then a jurisdiction must determine if reasonable measures are necessary to correct this.

The amendments add consideration of reasonable measures for reconciling differences between growth assumptions and actual development patterns, as well as providing additional measures for determining land suitable for development.

The amended state legislation does not provide specificity regarding when reasonable measures are required; however, the Guidelines state that reasonable measures are required when:

- Planned densities are not being achieved;
- There is insufficient capacity to accommodate growth within the remaining portion of the planning period; and/or
- Actual development patterns are inconsistent with growth and development assumptions in the county-wide planning policies and/or comprehensive plan.

Reasonable measures should be taken to document how regulatory changes that have occurred (such as critical area regulations being updated during the periodic update) may be a possible cause of the inconsistency and detail how this has been addressed. Reasonable measures shall also be identified where planned capital facilities or infrastructure gaps will not be resolved within the 20-year planning period. Appendix B of the Guidelines provides examples of reasonable measures that have been used by Buildable Lands counties.

One addition to the updated Guidelines is that reasonable measures be considered where affordable housing goals and policies for a county or city are not being met. As part of Pierce County's Buildable Lands Program a surplus land survey will be conducted to identify land that may be suitable for providing affordable housing.