

DATE: March 13, 2020
TO: Clark County Buildable Lands Project Advisory Committee
CC: Jose Alvarez, Clark County
FROM: Bob Parker, Becky Hewitt, and Margaret Raimann, ECONorthwest
SUBJECT: Update on Residential Land Classifications; Market Factor; and Infrastructure Gaps

Executive Summary

This memo provides a follow up on residential land classifications with responses to comments from the Buildable Lands Project Advisory Committee (BLPAC) and refined recommendations. It also introduces two new topics: market factor and infrastructure gaps.

Update on Residential Land Topics and Refined Recommendations

1.1: Vacant Residential Land—Lot Size Threshold/Vacant Platted Lots. Lots under 5,000 square feet are currently classified as “built” in the model (meaning they generate no capacity); however, several jurisdictions allow single family development on lots under 5,000 square feet, and this has become increasingly common. In addition, platted lots over 5,000 square feet are grouped with other vacant land that has yet to be platted.

Refined Recommendation: Create a new residential land classification for vacant lots between 1,000 square feet and 1 acre that were platted within the last 20 years. Assume capacity of 1 unit per lot.

1.2: Vacant Residential Land—Building Value Threshold. Land with more than \$13,000 in building value is excluded from the vacant land category, and is either captured as underutilized or built. The value threshold does not update automatically over time.

Refined Recommendation: Additional analysis and discussion with the County Assessor’s office indicate that building value likely continues to be the most reliable criterion to identify vacant land. Based on data from 2007, the threshold of \$13,000 continued to be a reasonable cut-off as of that year. To ensure that the threshold remains aligned with property values as they fluctuate over time, the project team recommends adjusting the threshold annually based on the percent change in property values of existing development in Clark County.

1.3: Underutilized Residential Land—Lot Size Threshold. Lots under one acre with improvement values that exceed the threshold for vacant are considered built under the current methodology. Some of these may have further development potential.

Refined Recommendation: Establish a new classification for small underutilized lots using the following criteria:

- Parcels between a half-acre and one acre in size
- Located in the Vancouver Urban Growth Area (UGA)

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- No more than one existing dwelling unit
 - Designated in the Vacant Buildable Lands Model (VBLM) as Residential – Urban High¹

Market Factor

The new legislation requires that counties use a reasonable land market supply factor. The Guidebook emphasizes the importance of providing justification for the market factor assumptions. In the current Clark County methodology, there are “never to convert” assumptions that account for the fact that not all developable land will be developed. For vacant and underutilized residential land, the current assumptions are 10% and 30%, respectively (for unconstrained land). There is no never-to-convert factor for commercial or industrial land except on constrained land in the current methodology. In addition to these supply-side deductions in the VBLM, the County has historically applied assumptions for market factor on the supply side of up to 25% based on direction provided by Council.

To help evaluate the reasonableness of the current never-to-convert assumptions, the project team compared the gross acreage of vacant and underutilized residential land in the 1996 VBLM to the amounts as of 2019 within the same 1996 UGA boundary.² Key findings include:

- Overall, the amount of vacant land that did not convert by 2019 within the 1996 UGAs—estimated at roughly 30%—falls between the 10% never-to-convert factor and the combined 40% value of never-to-convert, market, and error factors (as of 1994).
- Underutilized land is converting at a lower rate than vacant land—roughly 43%, compared to a 30% never-to-convert factor and a 60% combined never-to-convert / error / market factor (as of 1994), which supports using a higher assumption on underutilized than vacant land.
- Generally, the Vancouver UGA has a somewhat higher conversion rate than the smaller cities, though the differences in most cases are fairly minor.

Taken together, this suggests that the existing factors may be roughly right in aggregate: the more recent 15% market factor on top of the 10% and 30% never-to-convert factors seem to be roughly in line with observed trends (though the past planning assumptions are reflected in the observed data). The Project Team does not recommend reducing the never-to-convert factors in the VBLM, but the data does not support an additional market factor greater than about 15%. Given the County’s annual monitoring and regular updates as required by statute, a lower market factor could be applied if desired by Council.

¹ The Residential – Urban High grouping in the VBLM encompasses Urban Medium Density Residential and Urban High Density Residential Comprehensive Plan classifications in Vancouver.

² This analysis excludes areas where the comprehensive plan designation changed from residential to non-residential or vice-versa, but the vacant land as of 2019 may include land that was not originally identified as vacant (e.g. due to demolition or a change in building value). This provides an upper bound for the market factor, but is not a precise indicator.

Infrastructure Gaps

The new Buildable Lands legislation requires that identification of land suitable for development and redevelopment must take into consideration infrastructure gaps, including but not limited to transportation, water, sewer, and stormwater.

Clark County does not currently have an explicit step in the Buildable Lands methodology to address infrastructure gaps. The Urban Holding overlay is used to protect land until it is ready for annexation, and can be used for areas where infrastructure is not currently available or adequate. However, the Growth Management Act (GMA) requires that cities plan to provide urban services to land within their UGA within 20 years, including land within the Urban Holding overlay. Clark County is seeking input from cities to identify any potential infrastructure gaps that merit consideration in the buildable lands inventory, and will report back to the BLPAC at the upcoming meeting.

Introduction

Clark County contracted with ECONorthwest and AHBL to assist in identifying and addressing needed updates to the County’s Buildable Lands Methodology and prepare the 2021 Buildable Lands Report in collaboration with the Clark County Buildable Lands Team, a Buildable Lands Project Advisory Committee and other key stakeholders. The goal of the process is to ensure that the County’s methodology is consistent with state law (including recent legislative changes); reasonably accurate in estimating land capacity for each Urban Growth Area and rural area; and supported by the available evidence and a broad base of stakeholders.

Part 1: Update on Residential Land Classifications

This section provides updates related to the Residential Land Classification topics addressed in the previous meeting (February 21, 2020). Please see the previous memo (dated February 14, 2020) for background and the original analysis. This memo summarizes the BLPAC’s input on these topics, provides additional analysis on specific topics in response to the BLPAC’s feedback, and offers refined recommendations that seek to respond to the BLPAC’s input and any additional analysis by the Project team.

1.1: Vacant Residential Land—Lot Size Threshold/Vacant Platted Lots.

Overview

Lots under 5,000 square feet are currently classified as “built” in the model (meaning they generate no capacity); however, several jurisdictions allow single family development on lots under 5,000 square feet, and this has become increasingly common. In addition, platted lots over 5,000 square feet are grouped with other vacant land that has yet to be platted.

Summary of BLPAC Feedback and Project Team Responses

There was general, though not universal, support for the preliminary project team recommendation. Specific comments and suggested refinements are identified below, along with the Project Team’s responses.

- Concerned about including platted lots given pace of absorption and a potential lag between the VBLM capacity analysis and projecting land needs.
 - The VBLM is run at the beginning of each year. When updating the comprehensive plan, an end of year forecast is done by the County demographer, so that the VBLM and baseline population are as close to being in sync as possible. This baseline population is subtracted from the Office of Financial Management (OFM) projected population, as selected by Council, to determine the amount of growth that needs to be accommodated over the planning horizon. This means a minimal lag in the data.

The platted lots account for much of the near-term capacity for housing, but the alignment in timing means that if the unit is not yet complete the population of that unit remains part of the population forecast.

- Need to exclude gaps and slivers that aren't actually buildable.
 - The Project Team recommends continuing to exclude lots under 1,000 square feet since the data shows that these generally did not develop. This will exclude most remnant parcels that are not buildable.
- Need to set a time period for how far back to go for plat date.
 - The Project Team recommends including lots platted within the last 20 years. As of 2019/20, this will include lots platted under GMA rules. Older platted lots are more likely to have zoning that does not match the zoning when they were platted, making them more likely to be re-platted and possibly divided prior to development.

Refined Recommendations

- Create a new residential land classification for vacant platted lots that meet the following criteria:
 - Parcel size is greater than 1,000 square feet and less than 1 acre in size
 - Platted within 20 years of the VBLM model run
 - No existing housing units
 - Meeting all other criteria for vacant land (including building value or its alternative determined through this process)
- Assume a capacity of one unit per lot for this new classification.

1.2: Vacant Residential Land—Building Value Threshold

Overview

Land with more than \$13,000 in building value is excluded from the vacant land category, and is either captured as underutilized or built. The value threshold does not update automatically over time.

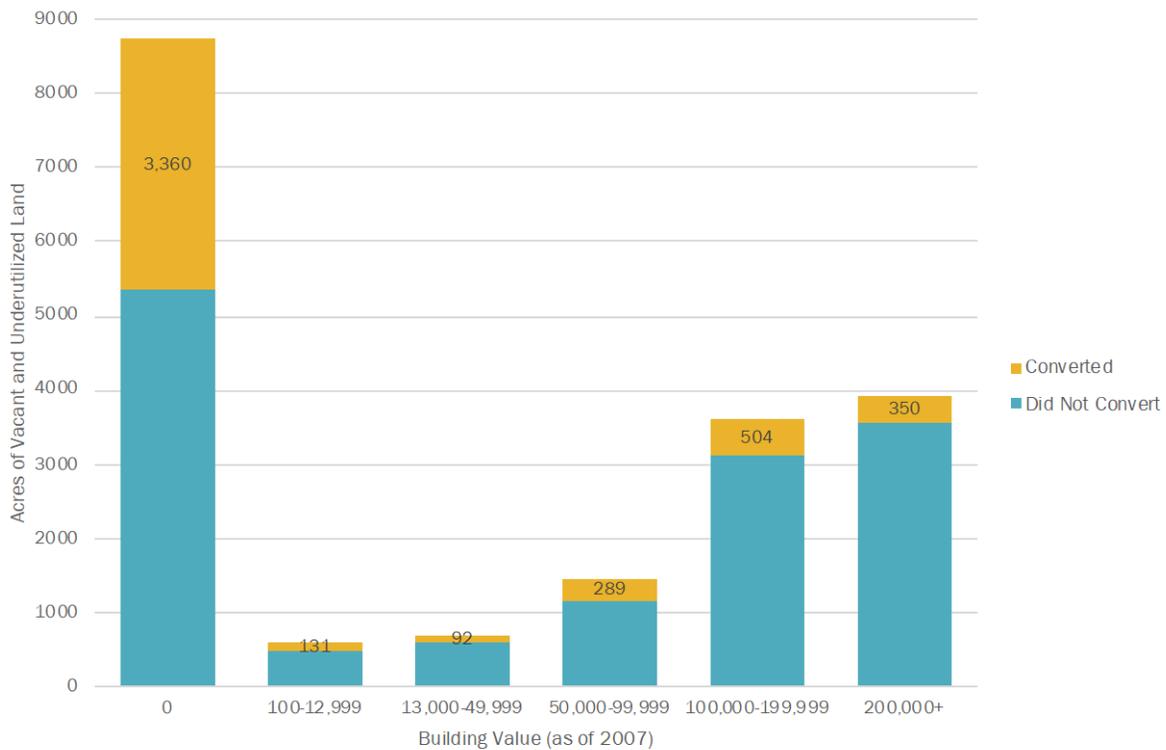
Summary of BLPAC Feedback and Project Team Responses

There was mixed feedback on the preliminary project team recommendation. Specific comments are identified below, along with the Project Team's responses.

- There was interest in considering more complex factors if it would provide better accuracy.
 - Staff sought input from the assessor on the reliability of various types of information available in the assessor's database. The input they received is summarized below.

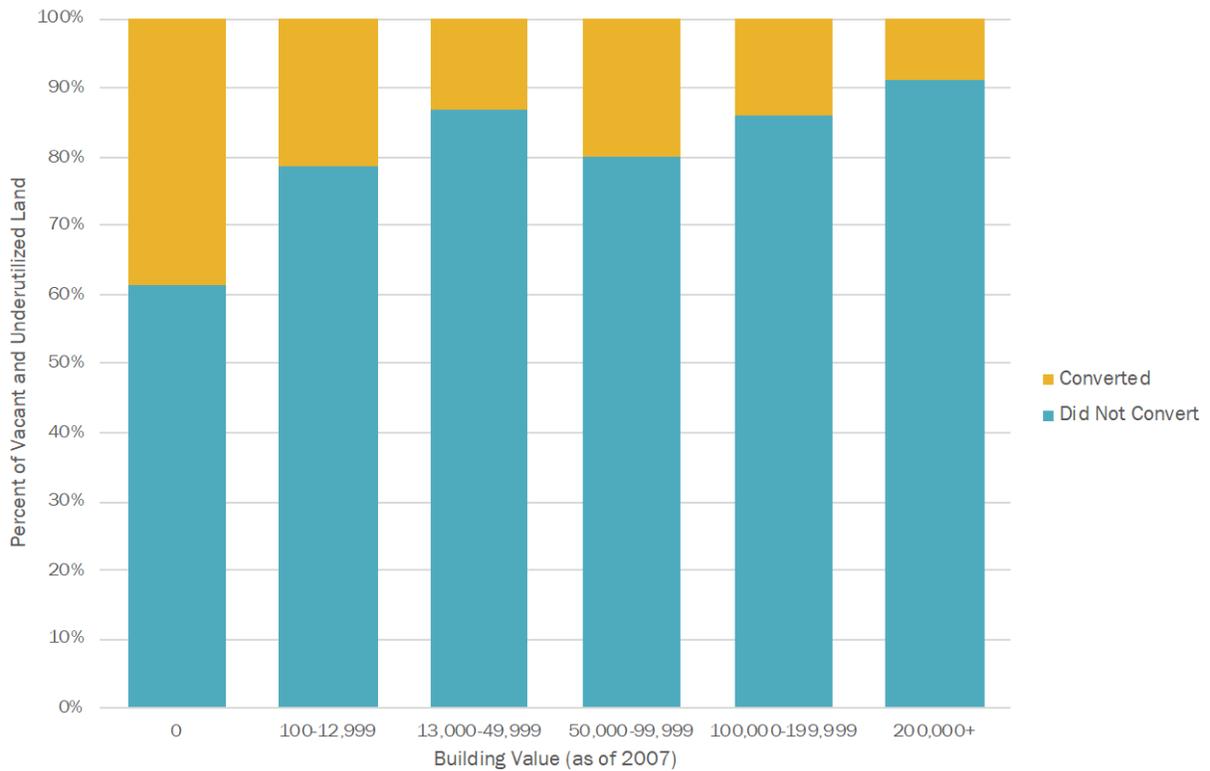
- Building value is a reliable field with an annual update cycle in which values are reviewed for accuracy every year by the State, and property owner.
- Property type codes do not have an annual review cycle. They do not drive value, so they are not reviewed as rigorously and are assigned somewhat differently by individual appraisers. The assessor did not recommend using property type codes to classify land in the VBLM.
- There is a different set of codes that indicate residential lands being valued based on a having a higher and better use than the current development. These lands can have a building value of zero, even though they have a housing unit; the house is declared “economically obsolescent”. Unlike property type codes, these codes drive value, so they are well maintained. The assessor suggested these codes would be reliable and potentially useful for the VBLM.
- The Project Team has done additional analysis of building value and building value per acre. While building value is not a perfect indicator of what land is vacant, the vast majority of vacant and underutilized land that is developing has a building value of zero, as shown in Exhibit 1 (by acres) and Exhibit 2 (as a percentage). (Note that the building value data is as of 2007, not as of 2019 or the year in which the land converted.)

Exhibit 1: Vacant and Underutilized Acres that Developed with Additional Units (2007-2019) by Building Value



Source: ECONorthwest analysis using data provided by Clark County

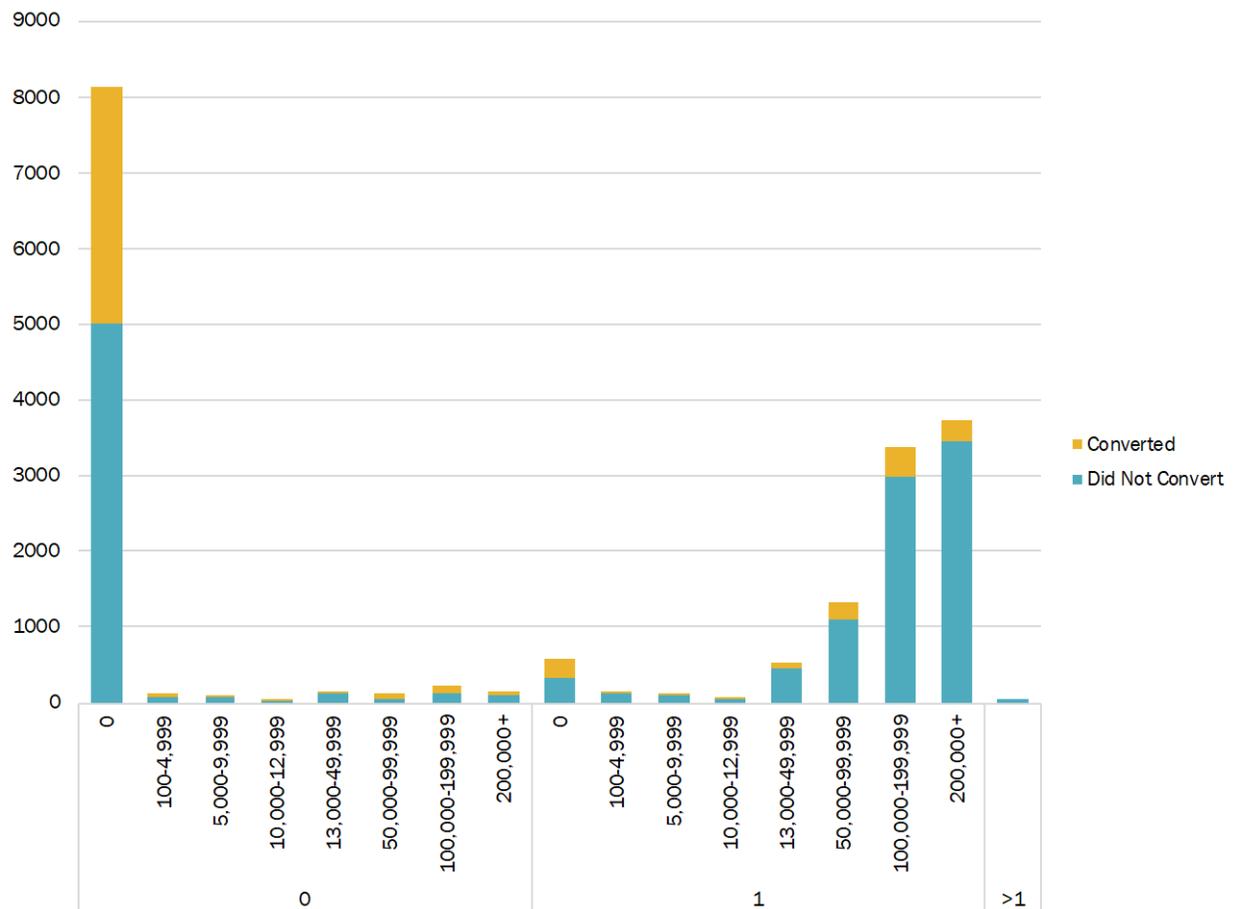
Exhibit 2: Percent of Vacant and Underutilized Acres that Developed with Additional Units (2007-2019) by Building Value



Source: ECONorthwest analysis using data provided by Clark County

- County staff also has confidence in the assessor’s data that indicates the presence of a housing unit on the site. Exhibit 3 shows a breakdown of vacant and underutilized land that developed by number of existing units and building value. It shows that even with a unit on the property, buildings valued at or near \$0 had a higher chance of converting (this likely reflects “economically obsolete” housing as identified by the assessor—see above). Also, there was little property with building values between \$0 and \$13,000 as of 2007.

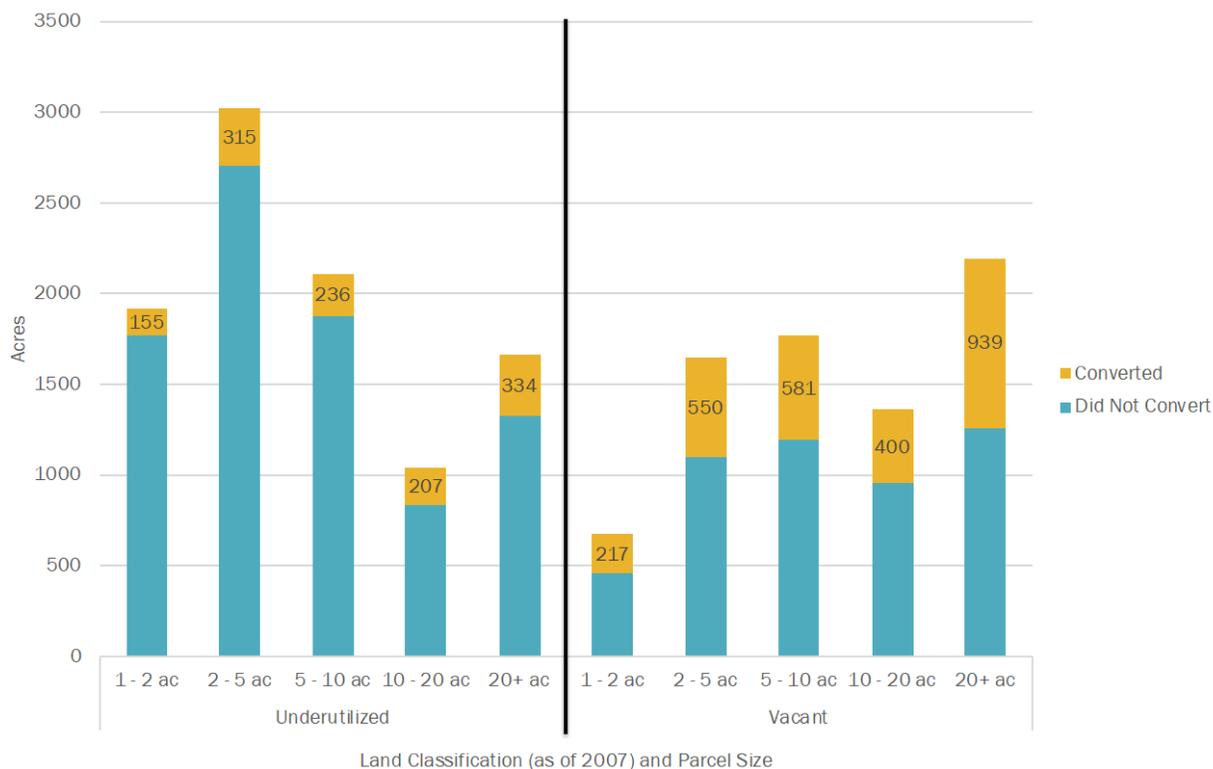
Exhibit 3: Vacant and Underutilized Acres that Developed with Additional Units (2007-2019) by Number of Existing Dwelling Units and Building Value



Source: ECONorthwest analysis using data provided by Clark County

- There was interest in understanding how trends may have changed in the building value of lots that have converted within the last few years compared to closer to 2007.
 - The dataset that has been prepared for the analysis only provides building value as of 2007. It would take a substantial amount of work to answer this question, and there would likely be a fair amount of “noise” (e.g., variability in the observations—both high and low) in the data if it was disaggregated by year in this way.
- There was interest in understanding the acreage of the larger lots where the current system may be underestimating capacity.
 - See Exhibit 4 below, which updates a chart provided in the previous memo to show the total acres rather than the percent of acres converted and not converted for vacant and underutilized land by size category.

Exhibit 4: Acres of Vacant and Underutilized Land that Converted (2007-2019) by Parcel Size



Source: ECONorthwest analysis using data provided by Clark County

Refined Recommendations

- Index the building value threshold for vacant land based on the percent change in property value for existing development in Clark County from the prior year.³

1.3: Underutilized Residential Land—Lot Size Threshold

Summary

Lots under one acre with improvement values that exceed the threshold for vacant are considered built under the current methodology. Some of these may have further development potential.

Summary of BLPAC Feedback and Project Team Responses

There was general support for the concept of creating a new classification for lots between a half-acre and one acre with capacity for additional residential development. PAC members agreed with the need to focus on lots with more capacity: one suggested lots that can accommodate enough units for a long plat or at least 6 lots⁴ and another suggested that additional development would be more likely at multifamily densities than in low density

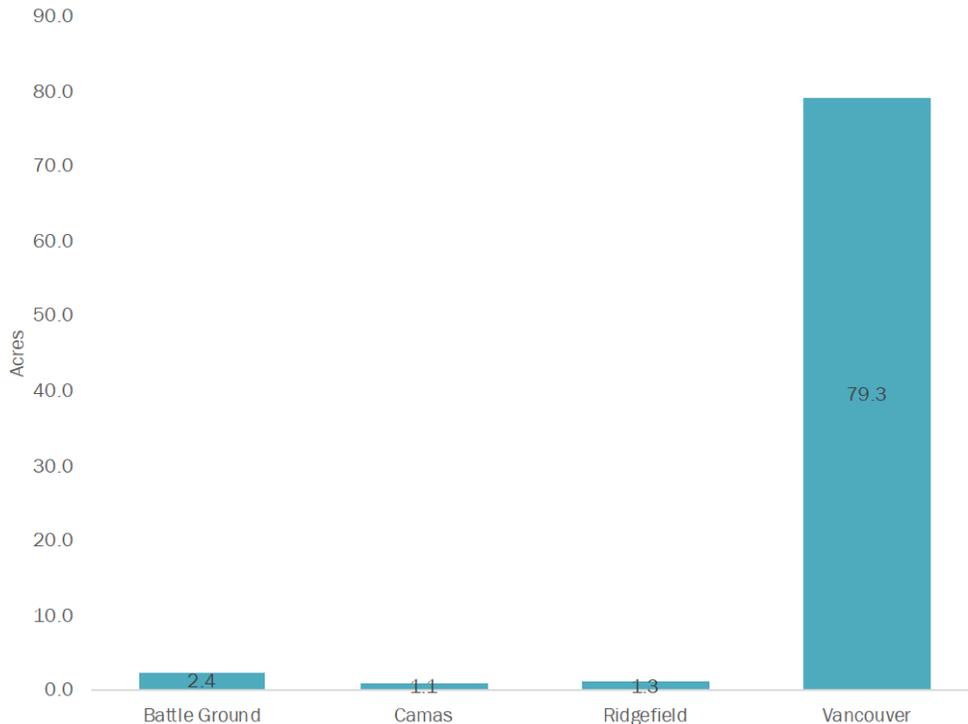
³ Staff is further evaluating the best source of information and methodology for this indexing approach.

⁴ The maximum number of lots created through a short plat varies by jurisdiction but is between 4 and 9.

areas. The Project Team conducted additional analysis to inform the criteria used to identify smaller underutilized lots, as summarized below.

Most of the properties that have converted within this category (half-acre to one-acre lots with no more than one existing housing unit that do not meet the criteria for vacant land and are currently classified as built) are located in the Vancouver UGA, as shown in Exhibit 5.

Exhibit 5: Acres of “Built” Property 0.5-1 acre that Converted (2007-2019) by UGA

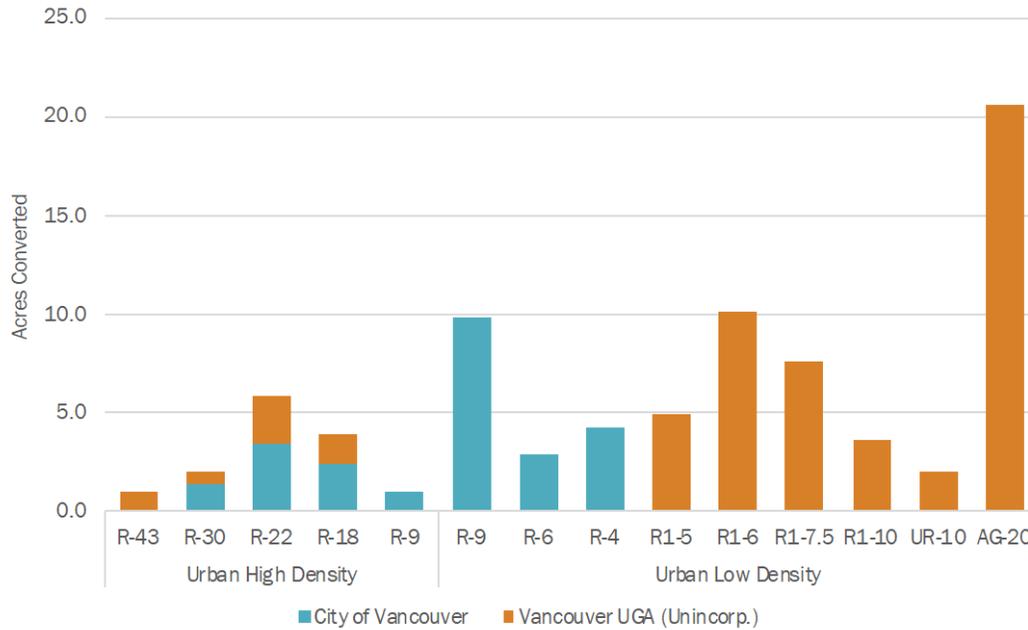


Source: ECONorthwest analysis using data provided by Clark County

Notes: Excludes property with more than one existing housing unit. Land in the Battle Ground, Camas, and Ridgefield UGAs includes land within City limits only; in the Vancouver UGA, unincorporated land within the UGA is also included.

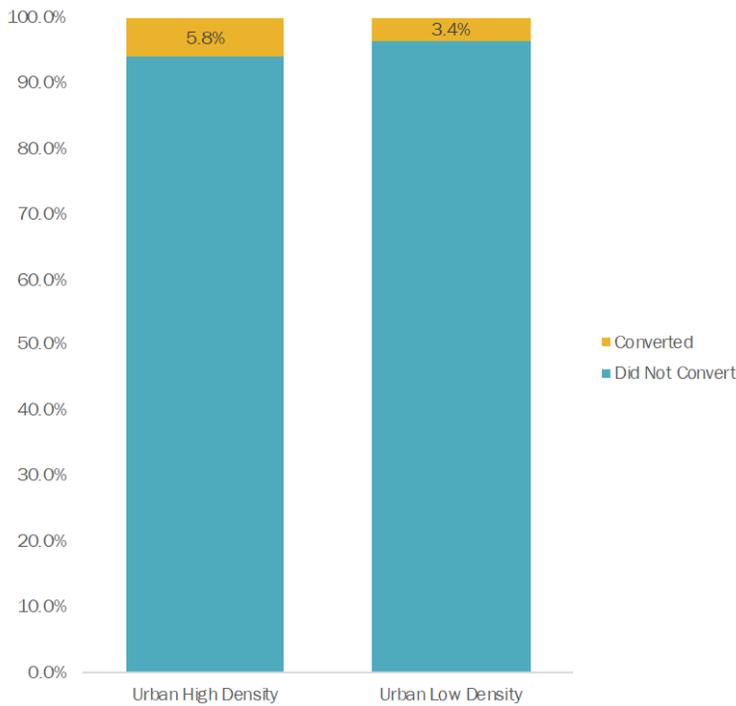
Of the property in this category within Vancouver that converted, the majority was within the “Urban Low Density” GMA land use category (see Exhibit 6). However, a higher percentage of land within the Urban High Density GMA land use category converted than within the Urban Low Density land use category (see Exhibit 7). Many appear to have been consolidated with other lots as part of a larger development, though few were under common ownership as of 2007. The GMA land use (Urban High Density and Urban Low Density), which is based on comprehensive plan designations, appears to do a reasonably good job of identifying areas with a higher likelihood of further development and is already in use by County staff in the VBLM model.

Exhibit 6: Acres of “Built” Property 0.5-1 acre in the Vancouver UGA that Converted (2007-2019) by GMA Land Use and Zoning



Source: ECONorthwest analysis using data provided by Clark County
 Notes: Excludes property with more than one existing housing unit. Zoning and GMA land use are as of 2007. Land zoned UR-10 and AG-20 was likely rezoned prior to development, but the ultimate zoning is not known from the current data set.

Exhibit 7: Percent of “Built” Property 0.5-1 acre in the Vancouver UGA that Converted (2007-2019) by GMA Land Use



Source: ECONorthwest analysis using data provided by Clark County
 Notes: Excludes property with more than one existing housing unit. GMA land use is as of 2007.

Refined Recommendations

Establish a new classification for small underutilized lots using the following criteria:

- Parcels between a half-acre and one acre in size
- Located in the Vancouver UGA
- No more than one existing dwelling unit
- Designated in the VBLM model as Residential – Urban High⁵

Apply a redevelopment rate of 5-10% of acres (a 5.8% conversion rate over 12 years would translate to just under a 10% conversion rate over 20 years if the trend were linear).

Part 2: Market Factor

Issue Overview and Background

The Buildable Lands methodology recognizes that not all developable land will be developed within a given planning period, for a variety of reasons. The new legislation requires counties to analyze, justify, and apply an appropriate market supply factor when identifying land suitable for development.

In the current Clark County methodology, there are “never to convert” assumptions that account for the fact that not all developable land will be developed. In addition to deductions for constrained land (e.g., wetlands, flood plains, steep slopes, habitat areas, stream corridors, etc.), the methodology applies never-to-convert factors to vacant and underutilized residential land (10% and 30%, respectively). There is no specific never-to-convert assumption for commercial or industrial land except on constrained land.⁶

In addition to the never-to-convert factors used in the VBLM, Clark County uses a market factor that is applied to the number of acres needed to accommodate new population/employment projections. This demand side equation is estimating the number of net acres needed to accommodate new growth.⁷ The resulting net acres are compared to the net buildable acres in the VBLM, after the never-to-convert factor and other gross-to-net deductions are applied to determine whether there is a surplus or deficit of land to accommodate the population

⁵ The Residential – Urban High grouping in the VBLM encompasses the City of Vancouver’s Urban Medium Density Residential and Urban High Density Residential Comprehensive Plan classifications.

⁶ Note that the never-to-convert assumption accounts for a land market factor—that not all available land will be developed. In establishing residential land needs, the conversion from population projections to housing units needed accounts for housing unit vacancy separately. For commercial and industrial land, the use of observed employment densities (rather than built space) has historically meant that the County did not need to address vacancy in the same way for commercial and industrial development.

⁷ This is taking into consideration the following assumptions approved by Council: OFM population projection, urban/rural split, persons per household, density targets, and infrastructure set-asides.

projection. The demand-side factors that have been applied historically are summarized in Exhibit 8.

Exhibit 8: Demand-Side Market Factors and Other Adjustments, 1994-2016

Assumptions	1994	2004	2007	2016
Residential				
Market Factor	25%	0	10%	15%
Error factor	5%	0	0	0
Redevelopment	0	5%	5%	5%
Commercial				
Market Factor	25%	25%	0	15%
Redevelopment	0	5%	5%	5%
Industrial				
Market Factor	25%	25%	0	15%
Redevelopment	0	5%	5%	5%
Business Park*				
Market Factor	0	25%	0	15%
Redevelopment	0	0	5%	5%

*Business Park was added as a category in 2004

State Guidance

As noted above, the new legislation requires that: “An evaluation and identification of land suitable for development or redevelopment shall include: Use of a reasonable land market supply factor when evaluating land suitable to accommodate new development or redevelopment of land for residential development and employment activities. The reasonable market supply factor identifies reductions in the amount of land suitable for development and redevelopment.” It defers to the later guidance (the updated Guidebook) to establish appropriate methodology.

The Guidebook provides the following additional guidance:

Passage of ESSSB-5254 in 2017 indicates a need to elaborate on Market Supply Factor determination by Buildable Lands jurisdictions, with amendment to RCW 36.70A. SB 5254 section 3(1)(d) specifically adding the following considerations for potential guidance on how jurisdictions derive Market Supply Factor deductions:

1. *Infrastructure costs, including but not limited to transportation, water, sewer, stormwater, and the cost to provide new or upgraded infrastructure if required to serve development.*
2. *Cost of development.*
3. *Timelines to permit and develop land.*
4. *Market availability of land.*

5. *The nexus between proposed densities, economic conditions needed to achieve those densities, and the impact to housing affordability for home ownership and rental housing.*

6. *Market demand when evaluating if land is suitable for development or redevelopment.*⁸

How Addressed in Other Buildable Lands Counties

Because the updated legislation and guidelines require counties to do more to justify their market factors, several of the counties we looked at are in the process of making updates to their market factor assumptions.

Pierce County

Currently, Pierce County applies a range of assumptions for “Land Unavailable for Development” that are set by each jurisdiction. Some vary by residential vs. commercial, by zone, and/or land classification. The range of factors applied is summarized below for vacant and underutilized land:

- Vacant land: 0-30%
- Underutilized land: 0-70%

The City of Tacoma uses a “Market Factor” or “Safety Factor” instead of assuming “Land Unavailable for Development”. The methodology notes that comprehensive plan policies limit the “safety factor” or “market factor” to no more than 25% for urban Pierce County. However, this limitation does not appear to apply to the assumptions of land unavailable for development.

Snohomish County

Snohomish County applies a market availability reduction factor of 15% for vacant land and 30% for partially-used and redevelopable land based on a property owner survey conducted in 2005.⁹ It is not applied to parcels with pending development or other clear indications of property owner intent to develop. The methodology notes that the market availability reduction factor “is separate and distinct from the UGA safety factor calculation,” which is intended to “assure adequate availability and choice at all times.”¹⁰ (The safety factor is not documented in the buildable lands methodology.)

⁸ Department of Commerce, *Buildable Lands Guidelines* (2018), Appendix A, page 51.

⁹ Snohomish County and Snohomish County Tomorrow. *Snohomish County 2012 Buildable Lands Report*. June 12, 2013, page 30. Available at <https://snohomishcountywa.gov/1352/Buildable-Lands>.

¹⁰ Snohomish County and Snohomish County Tomorrow. *Snohomish County 2012 Buildable Lands Report*. June 12, 2013, page 29. Available at <https://snohomishcountywa.gov/1352/Buildable-Lands>.

Thurston County

Thurston County calculates excess capacity relative to demand, and notes that: “Supply should exceed demand (percent excess) by a reasonable market factor in order to account for land that is not available for development during the planning horizon. The rule of thumb is a county-wide market factor between 10% and 25% is considered reasonable. Smaller jurisdictions tend to have higher market factors due to the statistical difficulties in estimating supply versus demand for small areas.”¹¹

The methodology also states that: “New market factors are anticipated to be developed for the 2021 Buildable Lands Report and will be consistent with updated program guidance from the Washington State Department of Commerce.”¹² They note that they will consider an additional “margin for small town and cities to recognize greater fluctuation in their growth rates and potential access to sewer,”¹³ and note that while varying levels of impact fees may impact development potential, the capacity projections are based on past trends, which generally reflect those impact fees.

Summary of Analysis and Findings

Methodology and Limitations

The project team compared the gross acreage of vacant and underutilized land identified in the 1996 VBLM to the gross acreage of vacant and underutilized land identified within the 1996 UGAs in the 2019 VBLM. There are several caveats worth noting for this analysis:

- The analysis is limited to areas that had residential comprehensive plan designations in 2019 and excludes critical areas.
- Additional land may have been classified as vacant or underutilized in 2019 that was not vacant or underutilized in 1996 (for example, as a result of demolition, a change in property value, or land division to separate a portion of the parcel with an existing home from the vacant portion of the parcel).
- Changes to the VBLM methodology in 2000 altered the way that constrained land was factored in, which may have resulted in land changing from constrained to unconstrained or vice versa.
- Staff has observed specific instances where an error in the model is responsible for land being identified as vacant that should not be (e.g., constraints that are not being factored in correctly). These errors can largely be corrected going forward and should not be included within the market factor.

¹¹ Thurston Regional Planning Council. *Buildable Lands Report 2014 for Thurston County*. March 2014, page 38.

¹² Thurston Regional Planning Council. *Buildable Lands Report 2014 for Thurston County*. March 2014, page 30.

¹³ Thurston Regional Planning Council. *Buildable Lands Report 2014 for Thurston County*. March 2014, page 31.

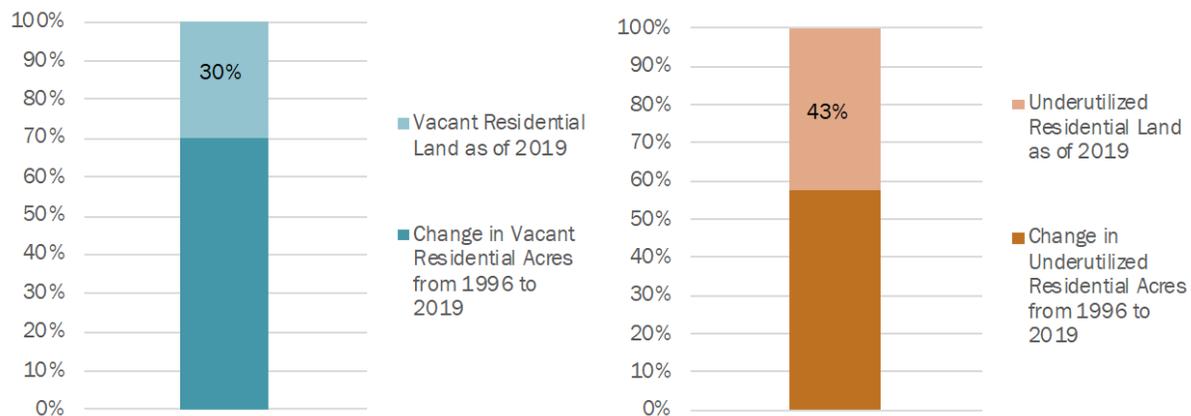
- The available GIS data does not allow for an accurate spatial comparison of land that was classified as vacant in 1996 and in 2019 due to corrections in parcel alignment that caused a shift in the way parcel boundaries were mapped. This shift means that simply overlaying the new data on the old data would produce many errors at the edges of parcels.

Given these limitations, this analysis provides a rough indicator of the market factor, not a precise calculation.

Results

County-wide (within all 1996 UGAs), the acreage of land that is currently vacant compared to the acreage that is no longer vacant is roughly 30%, and the share for underutilized land is roughly 43%. As noted above, this number includes some land that is now classified as vacant or underutilized but was not classified that way in 1996, as well as a limited amount of land that should have been identified as critical.

Exhibit 9: Overall Share of Vacant and Underutilized Land Converted and Remaining, 1996 to 2019



Source: Analysis by ECONorthwest using data provided by Clark County

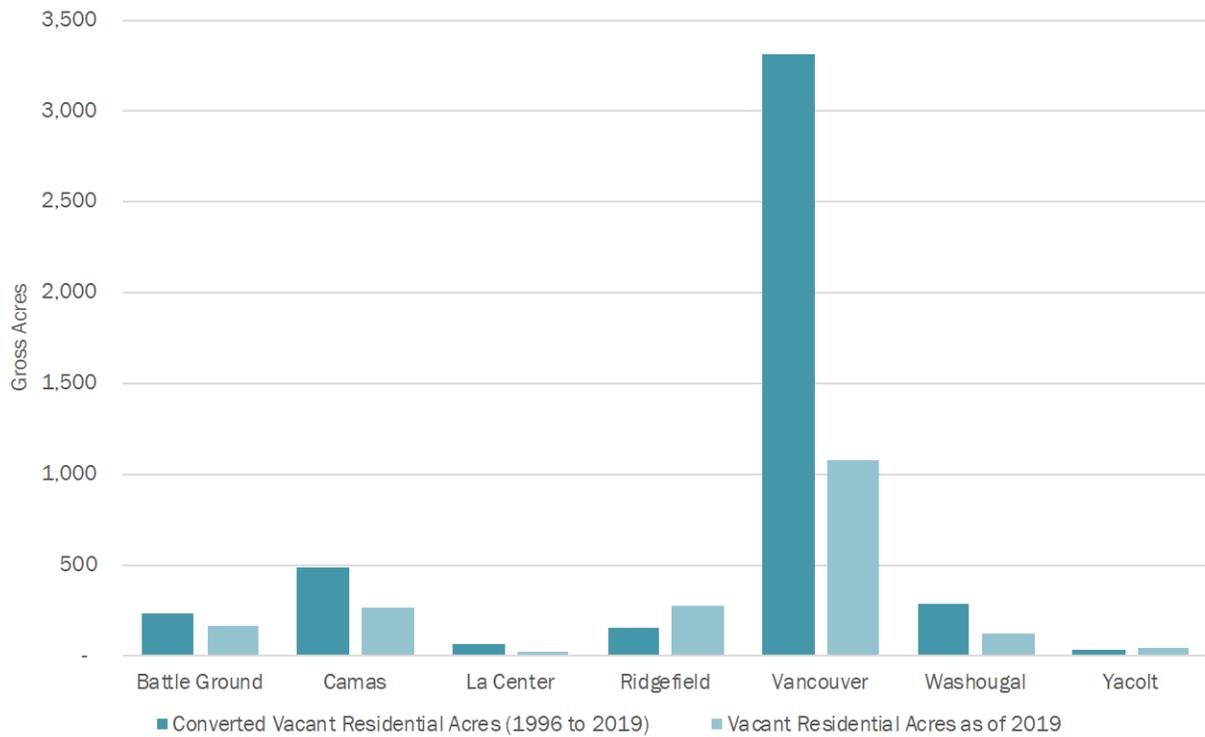
Note: This analysis uses only land within the 1996 UGA boundary. Converted acreage is calculated as the change in gross acres of that land classification within the 1996 UGA boundaries of all cities in Clark County.

Since the total land supply within the UGAs reflects both the never-to-convert assumptions as well as the demand-side market factor adjustments, it is most appropriate to compare the results to the combined value of both factors. As of 1996, for residential land, this was 40% for vacant land (10% never-to-convert plus 25% market factor plus 5% error factor) and 60% (30% never-to-convert plus 25% market factor plus 5% error factor) for underutilized land. (Later expansions to the UGAs included smaller market factors or none at all, and no error factor, as shown in Exhibit 8.)

Overall, it appears that the amount of land that did not convert by 2019 within the 1996 UGAs falls between the 10% to 30% never-to-convert factor and the combined value of never-to-convert, market, and error factors (40% to 60%). Underutilized land is converting at a lower rate than vacant land, supporting a higher market factor or never-to-convert factor for underutilized land.

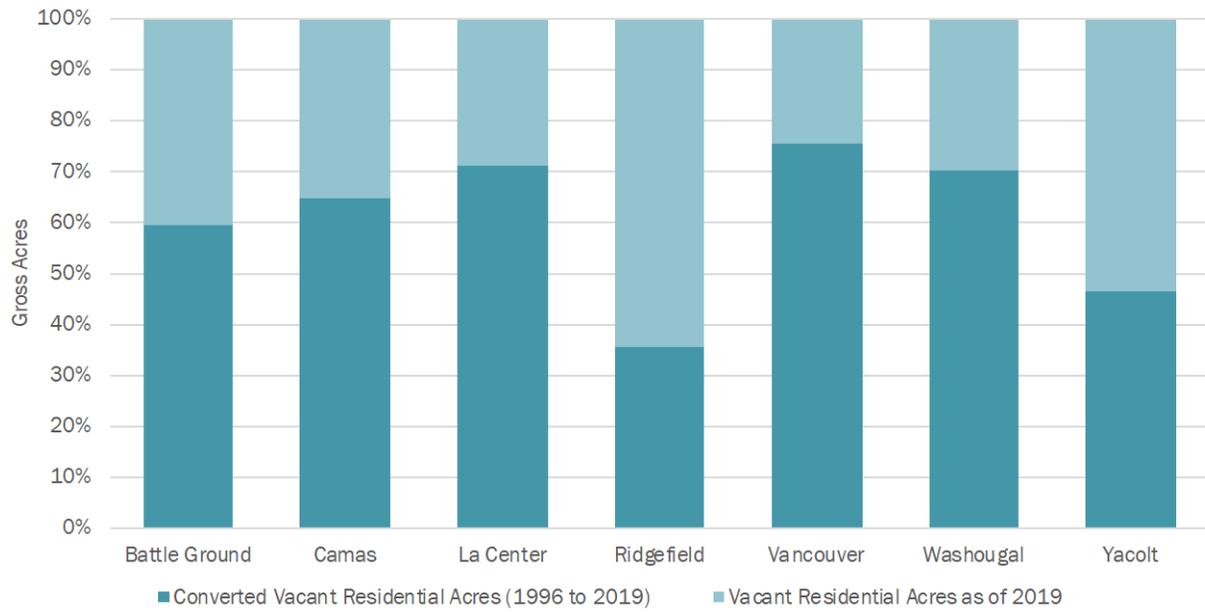
Exhibit 10 through Exhibit 13 show how this varies by UGA. For most UGAs, there is more of the underutilized land that has not converted than for vacant land. Ridgefield is an exception, mostly as a result of some of the caveats noted previously which have a more pronounced effect for the Ridgefield UGA. There are other reasons to be cautious of putting too much weight on UGA-level data, including potential variation in population growth relative to the allocated population forecast, the greater amount of “noise” in looking at smaller areas, and City-specific conditions (e.g., lack of sewer service in Yacolt). Aside from the anomalies in Ridgefield and Yacolt, the data show a general pattern of somewhat higher conversion rates in Vancouver than in the smaller cities, though the differences in most cases are fairly minor.

Exhibit 10: Acres of Vacant Residential Land Converted and Remaining, 1996 to 2019, by UGA



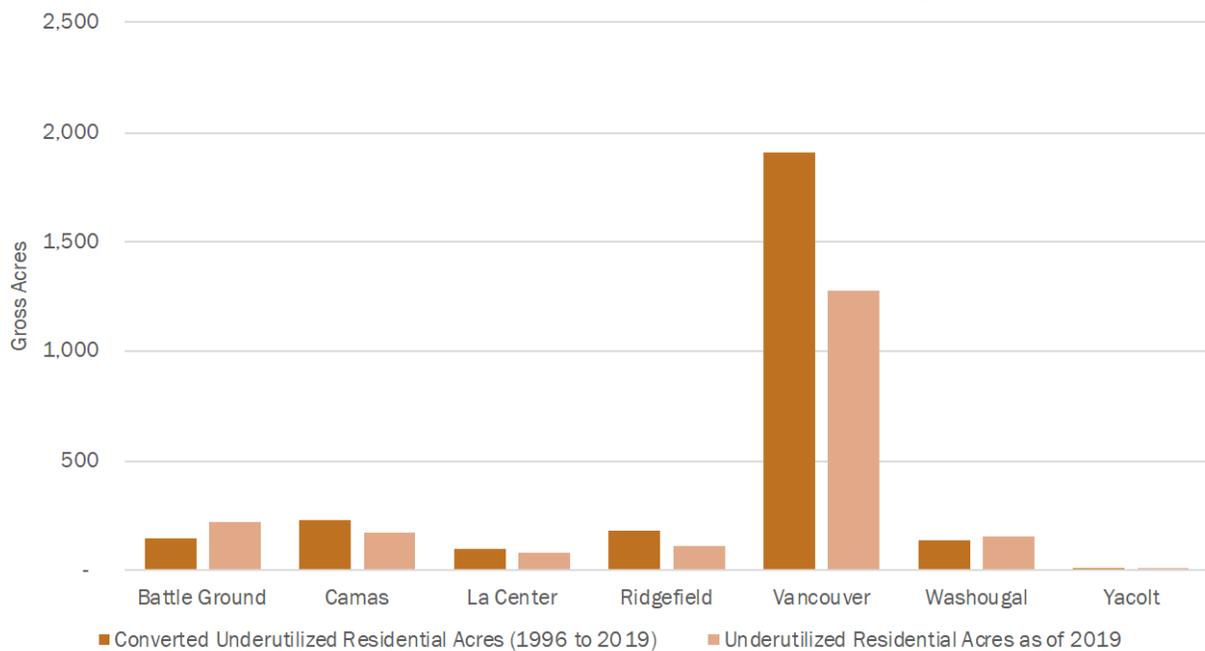
Source: Analysis by ECONorthwest using data provided by Clark County

Exhibit 11: Percent of Vacant Residential Land Converted and Remaining, 1996 to 2019, by UGA



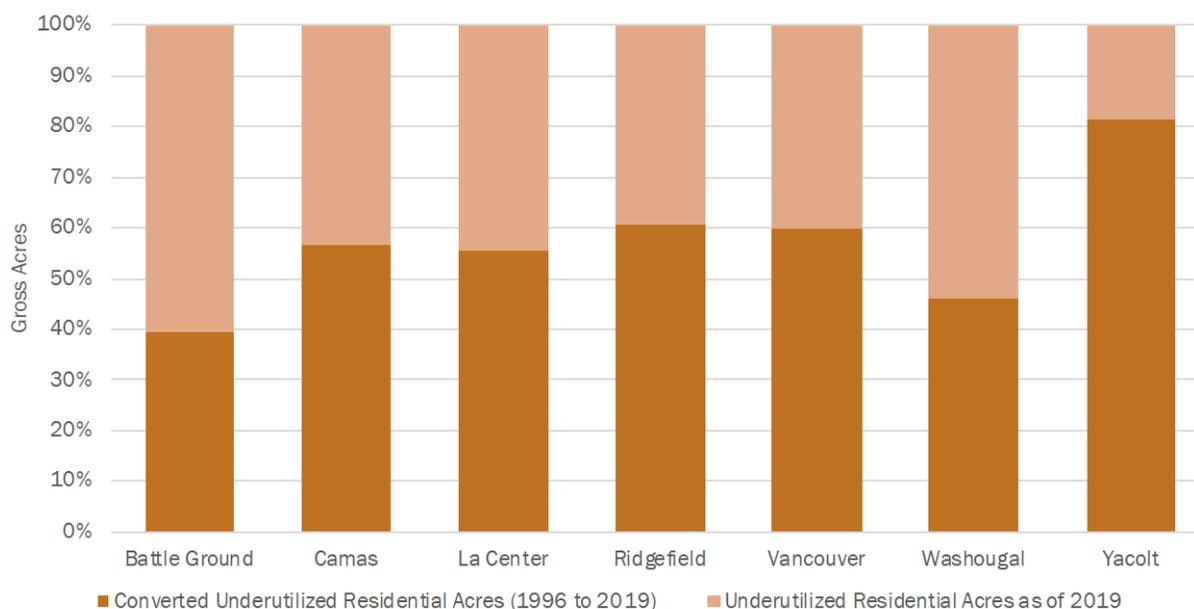
Source: Analysis by ECONorthwest using data provided by Clark County

Exhibit 12: Acres of Underutilized Residential Land Converted and Remaining, 1996 to 2019, by UGA



Source: Analysis by ECONorthwest using data provided by Clark County

Exhibit 13: Percent of Underutilized Residential Land Converted and Remaining, 1996 to 2019, by UGA



Source: Analysis by ECONorthwest using data provided by Clark County

Preliminary Project Team Recommendation

Taken together, the analysis above suggests that the current factors are roughly right in aggregate. The 15% market factor applied in 2016, in addition to the 10% and 30% never-to-convert factors seem to be roughly in line with observed trends. However, it is worth remembering that the planning assumptions intentionally create some surplus in the system, and this is reflected in the data. If the planning assumptions had been lower, the observed market factor would likely be lower as well, though we do not have sufficient data to know how much lower. Based on the data available, the Project Team does not recommend reducing the never-to-convert factors in the VBLM. However, the available evidence does not support an additional market factor greater than about 15%, and with annual monitoring and regular updates as required by statute, a lower market factor could be applied if desired by Council.

Part 3: Infrastructure Gaps

Issue Overview and Background

The new Buildable Lands legislation requires that identification of land suitable for development and redevelopment must take into consideration infrastructure gaps, including but not limited to transportation, water, sewer, and stormwater.

Clark County does not currently have an explicit step in the Buildable Lands methodology to address infrastructure gaps. However, jurisdictions in Clark County apply an Urban Holding (UH) Overlay plan designation to land that has infrastructure limitations on it that must be resolved prior to annexation and/or development. The purpose of the UH Overlay is to protect lands identified within UGAs from premature development when public policy establishes

urbanization criteria such as requiring annexation prior to development or where public facilities are inadequate to support development under the urban zoning designation. The Comprehensive Plan identifies criteria that must be met in order to remove the urban holding overlays and authorize the implementation of the underlying urban zone. These are set for each UH Overlay, and are generally tied to funding of specific capital improvements necessary to provide adequate capacity to support urban development. When the critical facilities are “reasonably funded”, either through a capital improvement plan (which is generally a six-year plan) or through a development agreement, the overlay can be removed.

State Guidance

As noted above, the new legislation requires that “evaluation and identification of land suitable for development or redevelopment shall include... infrastructure gaps (including but not limited to transportation, water, sewer, and stormwater).”¹⁴

The Guidelines state that in determining whether there is an infrastructure gap, jurisdictions should consider several factors:

Is there a long-term lack of urban development in the area?

How did the recent comprehensive plan address the needed infrastructure provision, and is that information still valid?

*If the infrastructure is anticipated to be provided later in the planning period, is development likely to occur quickly so that planned development is realized within the planning period, or will some of the area remain undeveloped?*¹⁵

How Addressed in Other Buildable Lands Counties

This issue is part of the updated legislation and guidelines; the counties whose methodologies we reviewed are also in the process of adopting updates to comply with these requirements. Pierce County does not specifically address infrastructure gaps in its current methodology. Snohomish County uses lack of sewer availability in some areas to assume that further subdivision will not occur, though homes on existing lots or low-density development on septic are still modeled.

Thurston County comments on potential infrastructure limitations but ultimately does not adjust capacity on this basis, in part because some are noted to have been resolved. Their report also notes: “A recent Central Puget Sound Growth Management Hearings Board case, while not applicable to Thurston County, offers a relevant analysis of the GMA requirements (Kitsap Citizens for Responsible Planning v Kitsap County, Case 06-3-0007, FDO July 26, 2006). In that case, The Central Board ruled that the GMA requires that jurisdictions must plan to develop

¹⁴ RCW 36.70A.215(3)(b)(i)

¹⁵ Department of Commerce, *Buildable Lands Guidelines* (2018), page 32.

urban areas in an urban manner, providing urban services to enable it. Thus, urban areas should not include lands that cannot be provided urban services within 20 years.”¹⁶ This suggests a perspective that areas with infrastructure limitations should perhaps be excluded from the UGA, not just the buildable lands inventory.

Summary of Analysis and Findings

Clark County is seeking input from cities to identify any potential infrastructure gaps that merit consideration in the buildable lands inventory. The County has reached out to the cities and requested responses by March 18, 2020. There is also an upcoming City/County coordination meeting on March 13, 2020 where this will be a topic of conversation. Staff will share an update on feedback from the cities at the BLPAC meeting on March 20, 2020.

¹⁶ Thurston Regional Planning Council. *Buildable Lands Report 2014 for Thurston County*. March 2014, page 32. Available at <https://www.trpc.org/164/Buildable-Lands-Program>.