

Memorandum

To: Alexandria Zoning for Housing Team

From: Anita Morrison
Abigail Ferretti
Partners for Economic Solutions

Subject: Analysis of Experiences in Expanding Housing Opportunities in Single Family Zones Under Recent Zoning Changes

Date: August 24, 2023

The City of Alexandria has undertaken “Zoning for Housing” and “Housing for All” initiatives to expand housing production and affordability while reducing impediments to fair housing. The City is now investigating potentials for increasing development in traditional single family neighborhoods through new provisions to expand housing opportunities at different price points. As background for that effort, PES was asked to review the scale of development that has resulted from changes to single family zoning in other jurisdictions and the potential impacts on property values.

Single Family Zoning

Single family zoning legislation represents newly created regulatory adjustments in a few communities as experience to date is somewhat limited:

2018 Vancouver, British Columbia, passed a bylaw amendment authorizing development of duplexes on 99 percent of the city’s land zoned for single family housing. Two ownership units can be developed at a 0.7 Floor Space Ratio (FSR) along with a secondary suite or lock-off unit in each half-duplex, so a single lot could accommodate up to four units. A secondary suite is smaller dwelling unit within the duplex with a separate external door. A lock-off unit is a small, self-contained unit within the duplex that has an external door and a shared internal door that can be locked; unlocked it acts as part of the principal unit. Locking the door creates an independent unit.

2019 Seattle changed zoning rules, eliminating single family zoning in 27 neighborhoods that constitute about six percent of the city’s land zoned for single family development. The Mandatory Housing Affordability Act requires developers in the selected neighborhoods to commit 5 to 11 percent of their units to long-term affordability or pay a fee in lieu, depending on where and how much they build.

2019 Austin adopted the Affordability Unlocked bonus program, which authorized development of six-unit residential buildings in single family zones. The program

allows developers to build up to 125 percent of its base zoning district height limit and up to six units. At least half of the units are required to be affordable at 60 percent of Area Median Family Income (AMI) for rentals and 80 percent of AMI for ownership units.

2020 Minneapolis, Minnesota modified its Comprehensive Plan to allow duplexes and triplexes to be developed on lots zoned for single family detached housing, starting in January 2020.

2020 Portland, Oregon authorized a Residential Infill Project in 2020 to allow duplexes in single family zones and triplexes/quadplexes almost everywhere in the city, to legalize cottage clusters, and to allow six apartments on three stories for rental households with incomes of 60 to 80 percent of Area Median Family Income (AMI) or homebuyers with incomes of 80 to 100 percent of AMI. New provisions were adopted in July 2022 to make Missing Middle housing simpler with larger maximum sizes for quadplexes, and streamlined approvals for cottage clusters.

2022 Vancouver adopted the Vancouver Plan 2050, which includes goals to “direct new housing choices to low-density residential areas rich in amenities” and to “strengthen existing and support new neighbourhood centres by incorporating Missing Middle housing into clusters of local shops, flexible work spaces, child care, public spaces, and arts and culture venues.” To that end, Making HOME is a zoning amendment approved in 2022 to allow up to six units on a lot in lower density areas; staff is working on regulations to implement the changes by October 2023. The City Council also adopted a 3-3-3-1 framework for issuance of building permits – three days for a home renovation permit, three weeks for single-family home and townhouse permits, three months for professionally designed multi-family and mid-rise projects where zoning is in place, and one year for high-rise or large-scale projects.

2023 Arlington County, Virginia adopted Expanded Housing Option (EHO) development in March 2023 to allow construction of townhouses and residential buildings with two to six units on single family lots zoned R-5 to R-20. The program provisions maintain the setback, height and impervious surface restrictions of the underlying single family zoning, reduced on-site parking requirements and included tree requirements. As an interim measure, the authorization established an annual cap of 58 EHO units for the first five years.

2023 The State of Washington adopted legislation (House Bill 1110) that allows duplexes to be built in zones previously limited to single family detached housing in communities up to 25,000 residents. For cities of at least 75,000 residents, two-unit to four-unit residential buildings can be developed in single family zones, and six-unit buildings are allowed within a quarter-mile of a major transit stop. Bonus

density is allowed with the inclusion of one or two affordable units. Seattle will adopt a revised Comprehensive Plan in 2024.

Accessory Dwelling Units (ADUs)

Given that the City of Alexandria has already adopted an ADU policy, it is not part of the Zoning for Housing/Zoning for All initiative. Nonetheless, a summary of other similar ADU legislation is noted here. As in Alexandria, ADU legislation for backyard cottages and granny flats has increased options for new housing in single family zones. This experience provides some insights relevant to the enhanced housing opportunities zoning. Sample ADU provisions include the following:

2016 California has adopted new laws requiring all jurisdictions to allow development of ADUs since 2016.

2019 Seattle revamped its ADU regulations to remove regulatory barriers and encourage greater ADU development. The revisions established an allowance for two ADUs per property, a smaller minimum lot size of 3,200 square feet for a detached ADU, a higher maximum height and size to allow larger family units, removed the requirements for off-street parking and owner occupancy, and set a limit on the maximum size of single family units (0.5 FAR) while incentivizing ADUs by exempting the ADU floor area from the FAR calculation.

2020 Portland, Oregon's newly created legislation on single family zoning also made it easier to add ADUs. In addition, this new legislation created a simpler process to divide lots to allow fee-simple purchases of ADUs.

New Construction in Single Family Zones

Vancouver saw development of 453 duplexes in single family zones in the three years following adoption of new zoning provisions.

Minneapolis has experienced limited new development with 104 new duplexes and triplexes in single family areas from January 2020 to June 2022. The amended single family zoning allowed only modest density increases and only in specific conditions. The program is still being challenged in court by environmental groups alleging that the Minneapolis 2040 should have been subjected to a full environmental review.

Portland has refined its Single Family Zoning housing provisions through the years in response to the local experience. Provisions were adopted that allow quadplexes to be larger than triplexes, allowing for three-bedroom, family-sized units. In the first year of the Residential Infill Project, 3.4 times more of these newly allowed housing units were built than single family houses. From August 2021 to June 22, development included 47 duplexes, 10 triplexes, 6 quadplexes and 1 six-plex as well as 303 ADUs. Recent

developments include Habitat projects to develop 15 affordable duplexes and triplexes on a 3/4-acre lot and to build 17 detached homes on a 1.9-acre former church site.

Austin has seen very few new housing units built since the single family zoning changes, in part, because development approvals for a duplex are as onerous as for a 100-unit apartment building. The City is considering changes to the development approval requirements and process.

New Construction of ADUs

California's ADU provisions resulted in an increase from 8,905 ADUs statewide in 2018 to 15,927 units in 2020 and 23,663 units in 2021. Multiple builders and architects now focus on the ADU market.

Seattle removed barriers to ADU development in 2019 and saw rapid increases in the number of ADUs and new single family homes with ADUs. ADU development increased from 280 units in 2019 to 988 in 2022 (437 attached ADUs and 551 detached ADUs). One-third were created as condos for ownership opportunities. Seventy percent of all new single family homes built in 2022 included an ADU. Rents ranged across the board with one-sixth below \$1,000 per month.

Seattle made available 10 pre-approved plans for backyard cottages; they have been used 130 times from September 2020 through 2022. Processing times for ADUs built using the preapproved plans dropped from 149.0 days to 55.7 days from intake to building permit, and review time averaged only 36.9 days with the pre-approved plans as compared with 102.2 days using other plans.

Twelve percent of Seattle's ADUs became short-term rental units. Short-term rentals are allowed if the lot has two ADUs and the owners live in the main house.

The new ADU requirements in Portland make it easier to develop ADUs in existing homes and with new housing. The extent of demand has helped to launch a cottage industry of architects and builders specializing in small units.

Impact of Single Family Upzoning on Property Values

To date, there has been little research into the effect of developing multiple unit housing on the values of nearby properties in single family zones. This is partly due to the short history of changes to traditional single family legislation and more to do with the complicated calculations required. Estimating the impact of enhanced single family zoning on nearby property values requires isolating the presence of these zoning adjustments and the new product or expanded product types from the dozens of factors that affect an individual home's sales price. Among those factors are property characteristics (e.g., size, age, lot size, unit type and layout, unit condition, special features such as a fireplace or a

sauna, the nature and quality of surrounding properties, presence on a busy street, perceived quality of the local schools, landscaping and curb appeal, age of the house's major systems, presence of solar panels and other energy-related improvements, presence and size of trees, proximity to major transit facilities, neighborhood amenities, walkability, proximity to retail and services, availability of parking, and jurisdiction) and market/financial issues (e.g., interest rates and mortgage terms, number of other houses on the market and the overall state of the economy).

Ideally, the impact would be calculated based on paired sales of two identical houses, one near a duplex or quadplex unit and one in a fully comparable neighborhood where there are no duplex or quadplex units, but these are hard to find. Without such pairings of identical houses, statistical methods are needed to try to account for the differences in the units. The accuracy of the statistical results depends on the number of cases within a specific time frame before and after the addition of the new units under enhanced single family zoning.

The results would be more meaningful with a longer time period than a year or two so that the research could consider the longer-term impacts over time. That time frame is not yet available in communities with enhanced single family zoning provisions. There is also the issue of changes in the single family zoning legislation and how those changes can affect the nature of the new units.

Most important is the fact that the statistical analyses cannot prove causality; they can only indicate that there is a non-zero difference in values proximate to the enhanced single family zone housing.

Yonah Freemark's 2023 survey of the research on zoning changes and their impacts on construction and housing costs¹ found mixed results in the extent of increased housing production and decreased costs in an up-zoned area (typically relatively small up-zonings not involving missing middle housing). Most experienced small long-term increases in housing construction as compared with areas with unchanged zoning even if they did not see short-term increases. On average, the studied areas saw multi-family development completed roughly eight years following the up-zoning. Property values were shown to increase in 6 to 24 months of re-zoning. The up-zonings were found to be more effective in areas where construction is feasible and market demand exists. As expected, housing prices increased more slowly with the additional supply of new housing. While the small increases in the number of new units was not sufficient to achieve overall affordability for those low- and moderate-income households, they did offer additional housing for middle-income households at a broader range of prices.

¹ Freemark, Yonah. "Zoning change, upzonings, downzonings and their impacts on residential construction, housing costs, and neighborhood demographics," *Journal of Planning Literature*, 2023, 1-23.