Municipality of Anchorage

MEMORANDUM

DATE: December 1, 2008

TO: Planning and Zoning Commission

THRU: Tom Nelson, Director
Planning Department

FROM: Physical Planning Division Staff

SUBJECT: Case 2008-056 – Title 21 Rewrite Economic Impact Analysis: Potential Site Development Cost Impacts on Retail and Medium Density Residential Uses

This memorandum provides the results of follow-up development cost comparison testing for the Title 21 Rewrite Economic Impact Analysis (EIA). These follow-up site tests assess the potential development cost impacts on representative examples of commercial retail and medium density multifamily development under the proposed code as compared to the current regulations.

Following a description regarding the background, purpose and methodology of the testing, this memorandum highlights the overall findings on page 3. Pages 4 through 7 summarize the testing methods and results from each individual site. Detailed EIA model testing reports are attached.

BACKGROUND

The main EIA report, prepared by the consultant firm Development Strategies, Inc., with assistance from municipal staff, was made available on February 29, 2008. The EIA responds to questions about potential economic impacts to property owners who would be subject to changes imposed by the new code. The EIA report measures two types of potential economic impacts of the proposed regulations, as compared to current code: impacts on land values when considering land development potential; and impacts on development costs related to compliance with the proposed regulations. An EIA Executive Summary and Addendum addressing potential impacts on maximum possible building size were made available in early June.

The main finding of the EIA materials provided in March and June of 2008 is that the overall impacts of the Title 21 Rewrite on land value and development costs are, in general, not significantly different from the current code. For commercial office, industrial and high-density residential uses, increased development costs related to improved landscaping, private open space and pedestrian enhancements are in most cases offset or outweighed by savings from reduced parking requirements. Generally, the same size or larger buildings are enabled under the proposed zoning. Potential impacts caused by proposed height limits would typically be offset or outweighed by parking reductions for the types of uses that would typically occupy upper floors—i.e., residential and office uses. The analysis used a rigorous, spreadsheet-based computer model developed specifically for the EIA (EIA model). The reports, spreadsheet tests and findings are available at http://www.muni.org/planning/Econ_Impact_Analysis-Title21.cfm.

The EIA and its follow-up testing comprise a technical study and approval by the Commission is not required. The EIA and any related public comments or testimony are intended to assist with the evaluation of Title 21 Rewrite—primarily the draft development standards in Chapter 21.07. A summary of the public review process leading to the December 1, 2008 public hearing is provided in the April 7, 2008 memorandum to the Commission regarding the EIA.

PURPOSE OF FOLLOW-UP DEVELOPMENT COST COMPARIONS

The part of the EIA which compared the cost of complying with current Title 21 regulations to the projected costs of complying with the proposed regulations was based on an evaluation of three site development examples representing office, warehouse and high-density multifamily uses.

Because of questions regarding potential impacts on commercial retail and common types of residential development, the Planning Department in consultation with representatives from the Mayor's Title 21 Real Estate Task Force (RETF) identified representative site development examples of these uses. These include (1) a stand-alone retail store in South Anchorage, (2) a multi-tenant strip mall in Midtown, (3) a reuse/expansion of a vacant commercial building into a grocery store, and (4) a medium-density multifamily apartment building in Spenard.

The follow-up testing contributes to more comprehensive findings from the development cost comparison testing by providing specific results from a broader of use categories.

CHANGES TO DRAFT CODE AND UPDATES TO EIA MODEL

As with the sites previously tested using the EIA model, the four new sites are actual projects that are built and operational. Development costs and key data for the development sites were input into the EIA model, which then calculates various outputs that measure economic impacts; minor adjustments to actual site and building dimensions were made to simplify testing. The EIA model then compares the costs under existing zoning (B-1A, B-3 or R-4) to that of the likely proposed districts that would replace it. In the case of the follow-up testing sites, the proposed districts include the B-1A, B-3 and R-4 in revised form plus two new districts: NMU and CMU. For example, certain properties now in B-3 could become B-3 (revised), NMU, or CMU. As done before, the EIA model calculates the costs of complying with the current zoning compared to proposed zoning and estimates two types of potential cost impacts associated with compliance with the new regulations: (1) anticipated costs in dollars, and (2) anticipated land requirements in square feet.

Minor improvements have been made to the EIA model. The model now allows the input of more accurate data regarding building height, building façade length, parking lot length and parking lot/building location relative to setbacks and perimeter landscaping. Some of the other dimensional assumptions and calculations have been corrected or expanded to accommodate the location or physical characteristics of the new site development examples. For example the model now allows cost comparisons involving the current and proposed B-1A zoning district in order to test Sagaya's City Market.

Comments from the public and development community have also resulted in improvements to the model. For example, there was a comment that the model's built-in dimensional

assumptions overestimated the land area needed on average for each parking stall and appurtenant driveways (and therefore overestimated the benefit of the proposed code's parking reductions). In response, staff researched the issue and reduced the land area assumption built into the model.

The EIA model has also been updated to reflect changes in the draft code made in 2008 after the release of the previous EIA report. These include (a) amendments to Chapters 4, 5 and 6 provisionally adopted by the Assembly, (b) amendments to the Chapter 7 site development standards approved by the PZC as of December 1, 2008, and (c) remaining staff recommendations regarding the Chapter 7 site development standards which are going to the PZC in December.

Some of the recent recommended changes in the draft code are a direct result of the previous round of EIA testing. For example, previous testing showed that a draft provision limiting the extent to which perimeter landscaping may overlap with utility easements would have significantly increased the amount of land area needed for development. The provision is now recommended to be amended to allow required landscaping to coincide with a utility easement.

Other changes to the draft code have been as a result of continuing review, analysis and comment. For example, based on further parking demand surveys the PZC has approved a downward adjustment in the multifamily parking requirement. The proposed parking requirement for restaurants has changed as well. There have been recommended amendments to other draft standards as well, such as multifamily private open space and snow storage.

CONSTRUCTION COST OF BUILDINGS

Because of the complexity of estimating the impact of menu based building design standards on the cost of building materials, fenestration and building façade and roofline articulation, the testing for the main EIA report, depended upon a rule-of-thumb that building design standards in the proposed code would typically increase the cost of building construction by around 5%.

To make it possible to estimate the cost impacts of the building design standards on a proposed development scenario, which could then be input into the EIA model, the Department identified the individual building design feature menu choices in the draft Title 21 building design standards most likely to apply to the three retail test sites. This information could be used to identify the costs of each individual design feature choice to be required under the proposed code at these specific sites.

However, the building cost information for these features are not available at this time. Therefore, the follow-up tests in this memorandum continue to use the assumption of a 5% increase in building construction costs under the proposed code as compared to the current code.

RETAIL AND MULTIFAMILY COST COMPARISONS – SUMMARY OF FINDINGS

The results of the cost comparisons vary among the testing scenarios, as shown in Tables 1 and 2 below. Table 1 compares the impacts of the code on the monetary costs of site development and construction (not including land acquisition). Table 2 compares the land area requirements under the current and proposed codes for the same set of testing scenarios.

Table 1. Impacts on Site Development Costs:
Comparison of Current Title 21 to Title 21 Rewrite (Draft as of December 2008)
Based on Model Tests for Cost of Zoning Compliance on Example Development Scenarios

Example Development Scenario	Current Zoning	Draft Zoning	Cost of Site Development Not Including Building		Cost of Site Development with Building (Total Cost)	
			Current Code	Draft Code *(% change)*	Current Code	Draft Code *(% change)*
Commercial Retail						
1. Retail Store (1 parking space per 300 sf GFA)	B-3	B-3	$ 238,100	$ 289,900 *(+22%)*	$ 1,393,100	$1,502,900 *(+8%)*
	B-3	NMU / CMU	$238,100	$ 254,600 *(+7%)*	$ 1,393,100	$ 1,467,600 *(+5%)*
2. Retail Store (1 parking space per 400 sf GFA)	B-3	B-3	$ 238,100	$ 249,400 *(+5%)*	$ 1,393,100	$ 1,462,400 *(+5%)*
	B-3	NMU / CMU	$ 238,100	$ 223,800 *(-6%)*	$ 1,393,100	$ 1,436,800 *(+3%)*
3. Multi-tenant Strip Mall	B-3	B-3	$ 400,400	$ 505,000 *(+26%)*	$ 1,877,400	$ 2,056,000 *(+10%)*
	B-3	CMU	$ 400,400	$ 456,600 *(+14%)*	$ 1,877,400	$ 2,007,600 *(+7%)*
4. Grocery Store Reuse/Expansion	B-1A	B-1A	$ 741,400	$ 544,100 *(-27%)*	$ 3,265,400	$ 3,194,100 *(-2%)*
	B-1A	NMU	$ 741,400	$ 488,700 *(-44%)*	$ 3,265,400	$ 3,138,700 *(-4%)*
Residential						
5. Multifamily Apartments (Medium Density)	R-4	R-4	$ 355,700	262,500 *(-16%)*	$ 2,995,700	$ 3,034,500 *(+1%)*
	B-3	B-3	$ 360,400	292,700 *(-19%)*	$ 3,000,400	$ 3,064,700 *(+2%)*
	B-3	CMU	$ 360,400	$ 265,500 *(-23%)*	$ 3,000,400	$ 3,037,500 *(+1%)*

Table 2. Impacts on Land Area Requirements for Site Development:
Comparison of Current Title 21 to Title 21 Rewrite (Draft as of December 2008)
Based on Model Tests for Cost of Zoning Compliance on Example Development Scenarios

Example Development Scenario	Current Zoning	Draft Zoning	Land Area Required for Site Development Not Including Building		Land Area Required for Site Development with Building (Total Area)	
			Current Code	Draft Code *(% change)*	Current Code	Draft Code *(% change)*
Commercial Retail						
1. Retail Store (1 parking space per 300 sf GFA)	B-3	B-3	15,050 sf	18,440 sf *(+23%)*	21,650 sf	25,040 sf *(+16%)*
	B-3	NMU / CMU	15,050 sf	15,328 sf *(+2%)*	21,650 sf	21,928 sf *(+1%)*
2. Retail Store (1 parking space per 400 sf GFA)	B-3	B-3	15,050 sf	15,880 sf *(+6%)*	21,650 sf	22,480 sf *(+4%)*
	B-3	NMU / CMU	15,050 sf	13,448 sf *(-11%)*	21,650 sf	20,048 sf *(-7%)*
3. Multi-tenant Strip Mall	B-3	B-3	23,458 sf	29,651 sf *(+26%)*	31,158 sf	37,351 sf *(+20%)*
	B-3	CMU	23,458 sf	28,827 sf *(+23%)*	31,158 sf	36,527 *(+17%)*
4. Grocery Store Reuse/Expansion	B-1A	B-1A	43,140 sf	32,989 sf *(-24%)*	56,190 sf	46,039 sf *(-18%)*
	B-1A	NMU	43,140 sf	30,149 sf *(-30%)*	56,190 sf	43,199 sf *(-23%)*
Residential						
5. Multifamily Apartments (Medium Density)	R-4	R-4	21,109 sf	17,303 sf *(-18%)*	26,709 sf	22,903 sf *(-14%)*
	B-3	B-3	21,705 sf	18,891 sf *(-13%)*	27,305 sf	22,711 sf *(-10%)*
	B-3	CMU	21,705 sf	17,111 sf *(-21%)*	27,305 sf	22,711 sf *(-17%)*

Each of the retail sites and the multifamily site was subject to multiple zoning paired comparison tests. The results of each zoning paired comparison test appear as a separate line in the tables.

The tables provide the estimated development cost impacts under current and proposed zoning in actual dollars and square foot amounts. In addition, the percentage change in cost appears in italicized parentheses just below the actual cost estimate. Where a testing scenario predicts

the proposed code would increase costs, the percentage change figure has a "+" sign in front of it. Where the proposed code is predicted to incur lower monetary or land area costs, the figure has a "-" sign.

The overall finding from the follow-up tests is that the development cost impacts from the proposed code vary among the retail commercial site examples. The primary determinant of impact is the extent to which the proposed zoning would reduce the parking requirement, based on the type of retail use and the availability of parking reductions for mixed-use zoning. Increased development costs and land area requirements related to improved landscaping, private open space, pedestrian enhancements and snow storage are in some cases outweighed by the savings from reduced parking requirements. This is because the proposed code lowers the parking requirement of types of retail uses that have been demonstrated to have lower peak period parking demand.

For retail and restaurant use types and site locations with few or no parking reductions, the test results indicate higher proposed costs, on account of increased landscaping, pedestrian, open space and snow storage requirements.

The first two site development scenarios in the tables above best illustrate the impact of parking. These are actually the same retail store site (Bicycle Shop on Dimond) tested under two scenarios—first where the proposed parking requirement remains 1 space per 300 square feet and secondly where the proposed parking requirement is assumed to fall to 1 space per 400 square feet. The latter scenario reflects that the minimum parking requirement for a number of retail stores, such as bulk goods stores or high-turnover stores, are proposed to be at or below 1 space per 400 square feet of building floor area. In these cases, the land area requirements under the proposed code tend to be lower.

The multi-tenant strip mall experiences the greatest rise in monetary costs and land area requirements. In this case, the parking requirements are actually higher under the proposed code because of a sit-down restaurant (Taco del Mar) in one of the tenant spaces. It is likely that this site is a representative example of the type of development that could be impacted by the proposed code: a combination of retail sales and restaurant uses for which the parking requirement will not be reduced, with the retail category of uses standing alone on the site rather than mixing with other uses for which the parking requirement has been reduced.

At the other end of the spectrum, the grocery store reuse/expansion illustrates the ability of applicants to count on-street curb parking spaces toward the minimum parking requirement, as well as a downward adjustment in the basic parking requirement for grocery stores. In addition, because of the draft provisions for landscaping in the proposed B-1A and mixed-use districts, less landscaping would be required in the proposed code than in the current code.

Comparison testing of the fifth development scenario shown in the tables, a low-medium density multifamily apartment with surface parking lot, indicates a potentially economic impact from the draft code because of substantially reduced land area requirements. Site development costs and land area requirements are expected to be reduced under the proposed code.

DEVELOPMENT SITE PROFILES

Following are brief descriptions of the representative example sites used in this memorandum.

Retail Store Site: The Bicycle Shop at Dimond
Development Category: Single-story, Stand-alone Retail Establishment
Zoning Pair Comparisons: Current B-3 to Draft B-3 and NMU


The Bicycle Shop at Dimond is a recent example of a single-story, stand-alone retail store development with a surface parking lot and perimeter landscaping, located along a major arterial. The building is 6,600 square feet. To illustrate the effects of staying at the current parking requirements for many retail uses, this site was tested under two different scenarios, the first assuming that the proposed parking requirement is 1 space per 300 square feet, and the second assuming that the parking requirement falls to 1 space per 400 square feet.

Multi-Tenant Strip Mall: The Shops at 110 West Tudor
Development Category: Single-story Multi-tenant Strip Mall
Zoning Pair Comparisons: Current B-3 to Draft B-3 and CMU


The Shops Building is a recent example of a single story, multi-tenant retail strip mall development with surface parking, drive-through queuing aisle and perimeter landscaping, located on the south side of Tudor Road one block east of C Street. The building is 7,700

square feet and includes the following establishments: a restaurant (1,600 sf), a menswear store (1,440 sf), a boutique / cosmetics store / spa (1,440 sf), a chiropractor (1,440 sf) and a coffee shop with a drive-thru (1,780 sf).

Grocery Store Reuse/Expansion: Sagaya's City Market

Development Category: Commercial Retail Redevelopment
Zoning Pair Comparisons: Current B-1A to Draft B-1A (revised) and NMU

This site was proposed by representatives of the RETF as an example of reuse, renovation and expansion of an existing building, located at the corner of 13th Avenue and I Street. The development is more complex than it appears. The building is actually three stories, including a small basement and second floor storage area, therefore the building footprint is smaller than the floor area of the uses. Use types include a single-story grocery store and restaurant (consisting of a coffee shop and cafeteria). The development on this site was made possible only through variances from the current code requirements for surface parking and perimeter landscaping. The testing assumes no variances and therefore shows the site area requirements under the current code far exceeding the size of the site. The model test reflects the provision in the draft code that allows on-street curb parking to be used toward parking requirements without variances.

Multifamily Apartments (Medium Density): A.L. Spenard Apartments

Development Category: Medium Density Multi-Family Apartments with Surface Parking
Zoning Pair Comparisons: Current R-4 and B-3 to Draft R-4, R-4A, B-3 and CMU

This is a three-story residential multifamily building containing 20 apartment units, with surface parking and perimeter landscaping. It is an infill/redevelopment of a lot located on West 26th Avenue one lot east of Spenard Road. The lot straddles the B-3 commercial corridor along Spenard Road and an R-4 multifamily district, and therefore provides a realistic example to study the potential impacts of the proposed code on infill residential projects under both R-4 and commercial/mixed use zoning scenarios.

Attachments: EIA Model Tests dated 11/21/2008