ECONorthwest
ECONOMICS • FINANCE • PLANNING

DATE: February 14, 2019
TO: Clark County Buildable Lands Project Advisory Committee
CC: Jose Alvarez, Clark County
FROM: Bob Parker, Becky Hewitt, and Margaret Raimann, ECONorthwest
SUBJECT: Land Classifications and Redevelopment

Executive Summary

This memo addresses two topics from the list that the BLPAC will review: classifying residential and commercial/industrial land and the approach to estimating redevelopment. The memo provides background and context, summarizes the current approach, and identifies options and preliminary recommendations. These recommendations are intended as a starting point for discussion with the Buildable Lands Project Advisory Committee (BLPAC).

The way land is classified as vacant, underutilized, built, etc. determines whether it is assumed to have potential for development or not in the buildable lands model. The model treats vacant land as largely developable (except where there are environmental constraints), while "underutilized" land is assumed to generate less development, and "built" land is generally not assumed to redevelop. Different land classifications can also be used to capture land that should have different planning assumptions applied (e.g., whether new roads are likely to be needed).

The discussion topics identified by the Project Team and preliminary recommendations are summarized below for residential land classifications, commercial and industrial land classifications, and off-model redevelopment assumptions. The balance of this memo provides additional analysis to inform recommendations and identifies other options that the BLPAC could consider.

Summary of Residential Land Topics and Preliminary 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.

> ***Preliminary Project Team Recommendation***: Create a new residential land classification for vacant platted lots (including those both under and over 5,000 square feet that are part of an approved subdivision). These can then have specific planning assumptions (e.g., 1 unit per lot) that are appropriate to this category.

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.

Preliminary Project Team Recommendation: There are many possible refinements, but most would add complexity. For simplicity and consistency with the underutilized definition, staff prefers to switch to using building value per acre (e.g., under $10,000 per acre, indexed or converted to a percentile) rather than building value to identify vacant land.

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.

Preliminary Project Team Recommendation: Consider establishing a new classification for small underutilized lots (e.g., parcels between a half-acre and one acre and capacity for additional housing units).

Summary of Commercial and Industrial Land Topics and Preliminary Recommendations

1.4: Vacant Commercial and Industrial Land: Building Value Threshold. Using building value rather than building value per acre could understate the development potential of very large parcels that are minimally developed. The value threshold does not update automatically over time.

Preliminary Project Team Recommendation: Use building value per acre for vacant as well as underutilized, with a very low threshold. Additional analysis is needed to identify an appropriate threshold.

1.5: Underutilized Commercial and Industrial Land: Building Value per Acre Threshold. With a fixed dollar value per acre embedded in the criteria, the building value per acre threshold may become less appropriate over time.

Preliminary Project Team Recommendation: Change to a percentile rather than a fixed value for building value per acre. Additional analysis is needed to identify an appropriate threshold.

Summary of Issues and Recommendations Related to Redevelopment Assumptions Outside the VBLM

2.1: Demand-side assumptions of redevelopment. Capturing redevelopment outside the model and at the point of the population and employment forecasts may create confusion and potentially duplication. The existing assumptions are based on professional judgement and may be reasonable but are not supported by specific evidence.

Preliminary Project Team Recommendation: While the model can be adjusted to better capture some redevelopment, there will continue to be development that occurs in unpredictable locations. Accounting for this outside the VBLM is appropriate, though further analysis is needed to confirm the percentages.

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 (BLPAC) 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.

This memo addresses two topics from the list that the BLPAC will review: classifying residential and commercial/industrial land and the approach to estimating redevelopment. The memo provides background and context, lays out the current approach, and identifies options and preliminary recommendations. The memo includes the following:

- A summary of current County practice
- A summary of state guidance, drawing on legislation and the recently updated Guidelines
- A summary of how other buildable lands counties are addressing the issue (we have looked to Snohomish, Pierce, and Thurston counties as the most relevant comparators; a more detailed description of their methodologies is included as Attachment A)
- Additional details on the current approach, and specific topics for discussion
- Analysis from the Project Team to inform some of the more complex topics
- Options to consider for potential refinements or new approaches, along with comments about the strengths and weaknesses of those options
- Preliminary team recommendations to inform a BLPAC discussion of the options

Issue Overview and Background

The Clark County Vacant Buildable Land Model (VBLM) has several key steps:

1. Assign development status to all land
2. Make constraint deductions
3. Make market factor adjustments
4. Make infrastructure deductions
5. Estimate development capacity

The way land is classified as vacant, underutilized, built, etc. determines whether it is assumed to have potential for development or not in the buildable lands model. The model treats vacant land as largely developable (except where there are environmental constraints), while "underutilized" land is assumed to generate less development, and "built" land is generally not

assumed to redevelop. Different land classifications can also be used to capture land that should have different planning assumptions applied (e.g., whether new roads are likely to be needed).

The County's current methodology uses factors including parcel size, building value, and building value per acre of land (relative to other parcels) to determine whether land is vacant, underutilized, or built.[1] The dollar value for the building value threshold was originally set in 1994 and was last updated for inflation in 2000. (Other factors used to exclude non-developable land include tax exempt status, easements and rights-of-way, parks and open space, institutional and state-assessed parcels, and mobile home parks.)

The County's VBLM does not include an assumption for redevelopment on land classified as built; the only "redevelopment" in the model is the assumption that much of the land classified as "underutilized" will experience further development. However, 5% of population and employment forecasts are assumed to be accommodated through redevelopment, outside of the VBLMs. In addition, site-specific overrides are made outside of the model based on information provided by local governments.

State Guidance

Land classifications are not defined within statute or rule, but the guidelines provide suggested conceptual definitions.

> ***Lands Suitable for Development****: All vacant, partially-utilized, and under-utilized parcels that are (a) designated for commercial, industrial, or residential use; (b) not intended for public use; and (c) not constrained by regulations, including zoning, development, airport overlays, and environmental regulations that prevent development from occurring.*
>
> ***Vacant Parcels****: Parcels of land that have no structures or have buildings with little value.*
>
> ***Under-utilized Land****: All parcels of land zoned for more intensive use than that which currently occupies the property. For instance, a single-family home on multifamily-zoned land will generally be considered under-utilized. This classification also includes redevelopable land, i.e., land on which development has already occurred but on which, due to present or expected market forces, there exists the strong likelihood that existing development will be converted to more intensive uses during the planning period.*
>
> ***Partially Utilized Land****: Partially utilized parcels are those occupied by a use but which contain enough land to be further subdivided without rezoning. For instance, a*

[1] See page 5 of the existing methodology document (Attachment B) for details.

single house on a 10-acre parcel, where urban densities are allowed, may be partially developed.[2]

Specific to evaluating redevelopment, the guidelines note:

> *Accounting for changing growth patterns, particularly when defining and calculating land supply, will be one of the most significant changes that many buildable land jurisdictions will face moving forward. Capacity calculations that have traditionally been oriented around greenfield development sites will increasingly need to consider urban dynamics and redevelopment. A shift towards redevelopment has many tangible benefits, but also requires additional market and economic considerations that are more complex than previous assessments…*[3]

The guidelines identify improvement value and improvement-to-land value ratio as two potential indicators of redevelopment potential and suggest looking at achieved densities for past redevelopment or comparable areas to set reasonable expectations for the amount and density of redevelopment.

How Addressed in Other Buildable Lands Counties

Pierce County

Pierce identifies vacant land based on Assessor-Treasurer's (ATR) land use descriptions, and separates out parcels assumed to accommodate only one housing unit from those assumed to further subdivide based on parcel size relative to zoning. Underutilized parcels (those with existing development but the ability to accommodate additional housing units or jobs) are identified based on existing structure(s) or land use activity, improvement value, ratio of improvement-to-land value, and ratio of assumed build-out to existing units/jobs. Lots under 3,000 square feet are excluded from the analysis. Existing housing units and jobs that are located on underutilized parcels are assumed to be displaced and subtracted from the capacity so that only the net additional units and jobs are counted.

Snohomish County

Snohomish County identifies vacant land based on improvement value (under $2,000), with certain exceptions. Partially used parcels (those with an existing building but where additional development on the parcel is possible without demolition) are based on lot size relative to zoning, building footprint relative to buildable parcel area, and improvement-to-land value ratio. Redevelopable parcels are non-vacant parcels with an existing building that may be demolished and replaced with a new use during the 20-year Growth Management Act (GMA) plan horizon. Identification of buildings as redevelopable begins with the ratio of improvement value to land value, the Urban Growth Area (UGA) in which the parcel is located, the zoning or plan designation, and the current use.

[2] Department of Commerce, *Buildable Lands Guidelines* (2018), pages 6-7.

[3] Department of Commerce, *Buildable Lands Guidelines* (2018), page 23.

Thurston County

Thurston County applies a larger number of different residential land classifications, including lots under construction at the time of the land use inventory, empty subdivision lots, larger master-planned communities and known planned projects, vacant single lots that are not part of a larger subdivision (e.g., rural lots), vacant land large enough to subdivide, and partially-used land with an existing structure where the lot is large enough to subdivide. For commercial and industrial land, parcels with existing structures are evaluated based on the ratio of building size to lot size to determine whether they are fully developed or partially used.

Based on market conditions in Thurston County, redevelopable land is only identified in mixed-use, commercial, and industrial zoning districts. Redevelopment is assumed to result in multifamily, commercial, or industrial development. Redevelopment potential is evaluated by comparing building value to land value along with consideration of building area to parcel area.

Potential Refinements and New Approaches

The possible updates to the methodology can be categorized as follows:

- **Status Quo.** No change to current methodology.
- **Refinement.** May require analysis of existing data to determine update to current method (e.g., analysis of recent development to determine update market factor).
- **New approach.** Different methodology than current. May require collection of new data. Individual options listed under new approach may be applied individually—they are not necessarily linked to one another.

They have been broken out by options related to residential land classifications, options related to commercial and industrial land classifications, and options related to off-model redevelopment assumptions.

Residential Land Classifications

The existing methodology is summarized below. Analysis, options, and preliminary recommendations related to the numbered topics are provided following this table.

Status Quo Approach	Commentary
Exclude tax exempt properties, easements, rights-of-way, state assessed and institutional parcels, parks and open space (public and private), and mobile home parks	This is similar to other counties' approaches. While the data shows that there has been residential development on some excluded land (e.g., houses built on Camas School property and Green Mountain Golf course). These are large parcels, but unusual and difficult to predict.

Status Quo Approach	Commentary
Vacant land criteria: • Parcel size > 5,000 square feet (sf) • Building value < $13,000	**1.1:** Several jurisdictions allow single family development on lots under 5,000 square feet, and this has become increasingly common. These lots are being excluded from the analysis at present. In addition, platted lots over 5,000 square feet are being treated as gross vacant land subject to the same assumptions (e.g., infrastructure set-asides) as very large vacant tracts that have yet to be subdivided. **1.2:** There is no mechanism to update the threshold to account for inflation.
Underutilized land criteria: • Parcel size > 1 acre • Building value per acre in bottom 10% for county	**1.3:** Lots under 1 acre that exceed the vacant land value threshold are automatically considered built, though they may have further development potential.
Development on underutilized residential properties uses the same planning assumptions as vacant land aside from market factor (e.g., gross-to-net reductions, densities). Any existing units are not subtracted from the capacity.	These assumptions may be appropriate for the way underutilized is defined at the moment, but may not be appropriate to apply to urban infill and redevelopment.

Analysis Approach

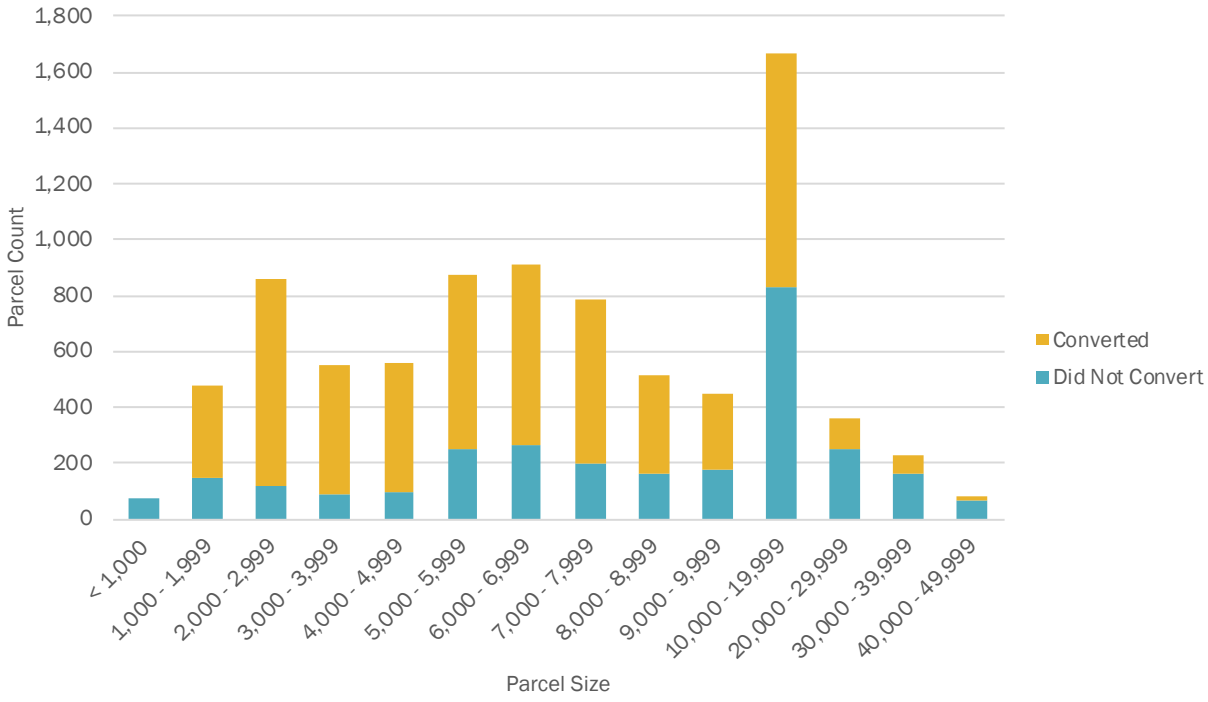
To identify the potential key issues with each land classification, the Project Team analyzed VBLM data of residential land that "converted" (meaning that it added housing units) between 2007 and 2019 within each VBLM classification as of 2007. The data used in this analysis excludes properties in the UGA (but outside city limits) in all UGAs except Vancouver, in order to avoid mixing parcels in an Urban Holding Overlay with those that are not. While the data is useful for showing patterns and trends, there is substantial "noise" involved in comparing conditions in 2019 to those in 2007, making precision difficult.

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

Nearly 2,000 units were built on lots under 5,000 square feet that otherwise would have been identified as vacant (in other words, they met all the criteria except for the minimum lot size). Cities of Vancouver, Battle Ground, Camas, Washougal, Ridgefield, La Center and the unincorporated Vancouver UGA now allow single family detached housing on lots under 5,000 square feet, making it more important to capture these parcels in the land supply. While these parcels reflect land that is already "committed" in the sense that it has been platted and is very likely to be developed with housing, if the units have not been built at the time of the population estimates that provide the basis for the population forecasts from the Office of Financial Management (OFM), the future population in those units is part of the forecast and should be accounted for. However, to do this accurately would require a separate category so that the same assumptions that are applied to larger vacant land (e.g., deductions for roads and infrastructure, environmental constraints, and market factor) are not applied to vacant platted lots. This is the approach used in Pierce and Thurston Counties, along with many jurisdictions in Oregon.

Exhibit 1, below, shows that the majority of vacant residential lots between 1,000 and 5,000 square feet developed between 2007 and 2019. There is little difference in rates of development between these lots and those between 5,000 and 10,000 square feet. Exhibit 1 also shows that lots under 1,000 square feet are much less likely to develop than lots over 1,000 square feet.

Exhibit 1: Unimproved Lots Developed and Not Developed by Lot Size since 2007



Source: ECONorthwest analysis using data provided by Clark County

Options for Refinements or New Approaches

Option	Commentary
Potential Refinements	
A: Reduce existing lot size thresholds for vacant land	This would pick up smaller platted lots as vacant, but the smaller lots would then be included with larger lots that have not yet been subdivided.
Potential New Approaches	
B: Establish a new category to capture vacant platted lots where further land division is unlikely but a home has not yet been built.	This would pick up the smaller platted lots, and would allow them to have a separate set of planning assumptions (e.g., density, market factor, and infrastructure set asides) that are appropriate for platted lots. This would also allow the County to track how many platted lots are in the development pipeline.

Preliminary Project Team Recommendation

Option B: Create a new residential land classification for vacant platted lots. This could be based on having been part of a plat recorded since a certain date (e.g., within the last 10-20 years) and not having an existing dwelling. Some size criteria would likely still be appropriate (e.g., at least 1,000 square feet, and under one acre). All the current exclusions used for residential land would still apply. (Note that unbuildable tracts used for stormwater, open space, etc. are already filtered out through these exclusions, so the remaining parcels are intended as home sites.) An upper size threshold would likely be appropriate here as well, to ensure it is capturing plats at urban densities. This classification would be assumed to produce 1 unit per lot.

1.2: Vacant Residential Land—Building Value Threshold

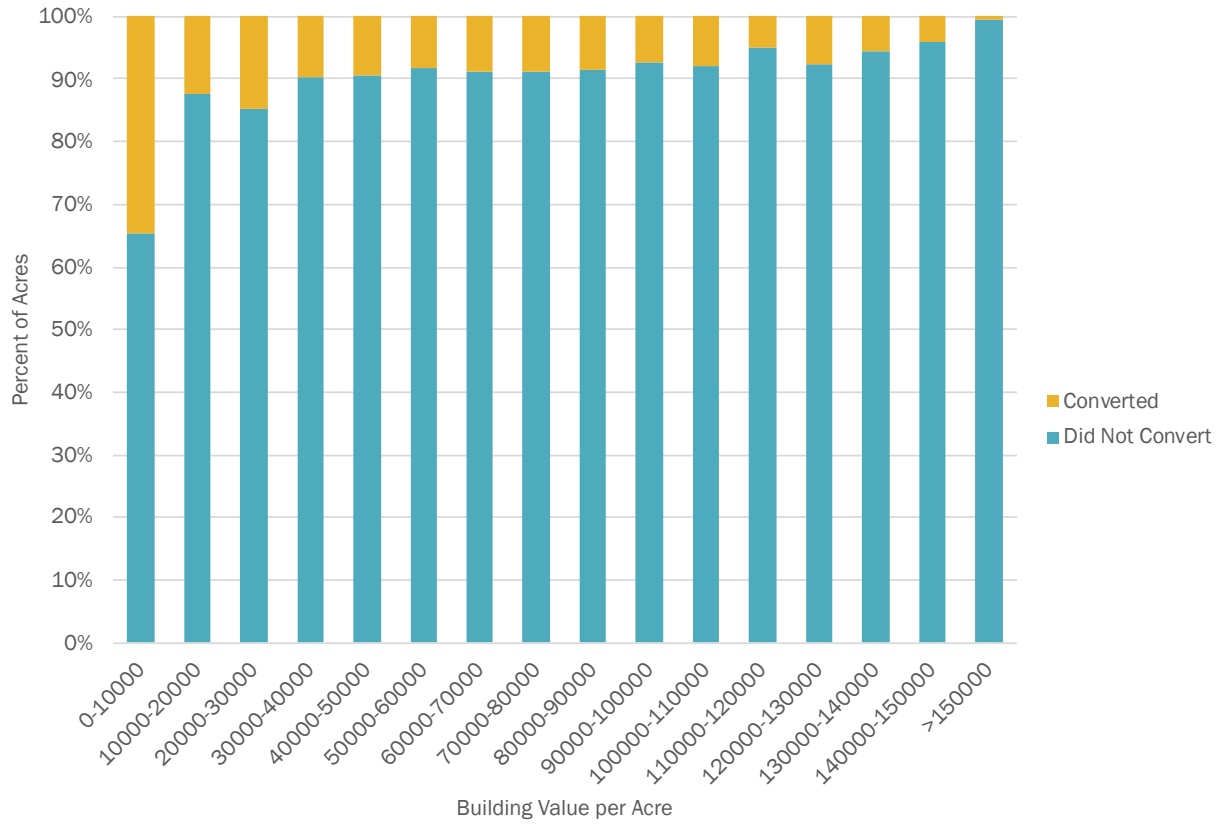
Because the improvement value threshold has not been updated since 2007 and does not automatically adjust with inflation, over time, it has become a less accurate predictor of whether land is developed or vacant.

This could be particularly problematic for very large parcels (e.g., over 10 acres). For example, a single $80,000 structure can mean that a 40-acre parcel is considered "underutilized" rather than vacant and assumed to have less development potential.

The Project Team analyzed vacant and underutilized parcels from the 2007 VBLM to see how building value, building value per acre, and other factors are associated with a likelihood of development. That analysis shows:

- Most of the parcels analyzed that were classified as underutilized as of 2007 had a home on them, including those over 10 acres.

Exhibit 2: Percent of Built, Vacant, and Underutilized Property Developed with Additional Units (2007-2019) by Building Value per Acre

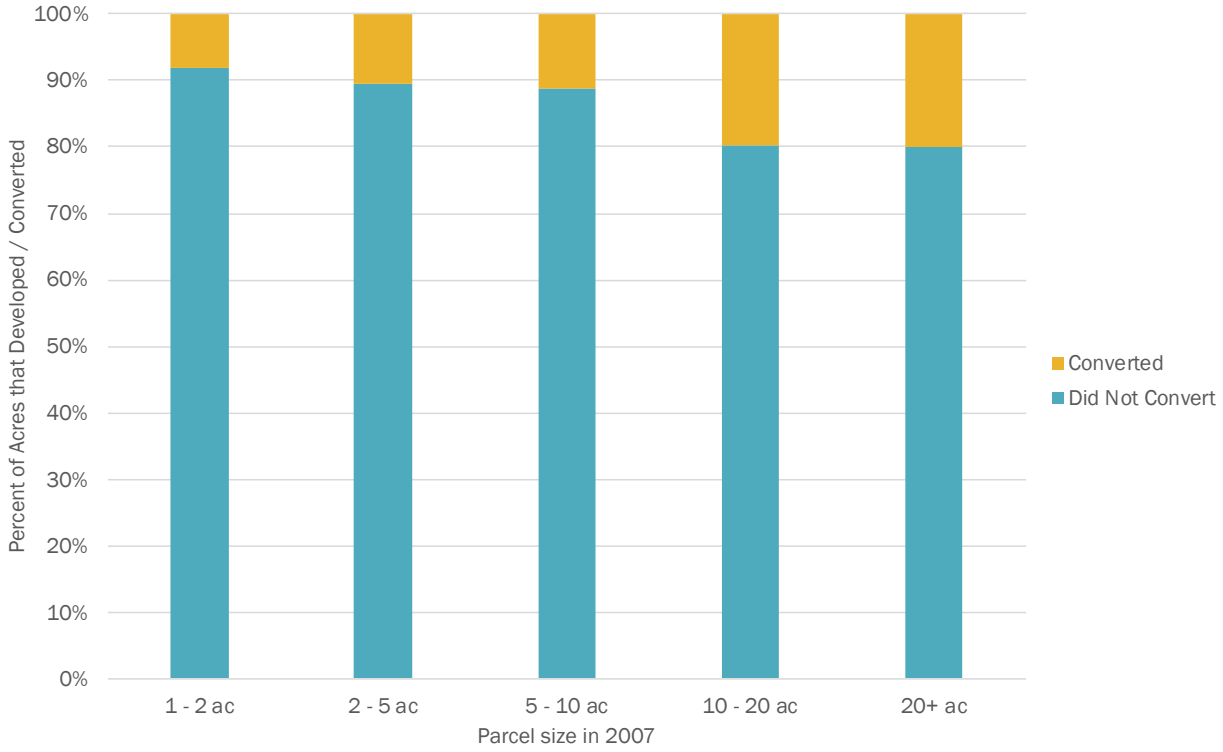


Source: ECONorthwest analysis using data provided by Clark County

- For residential land classified as vacant, underutilized, and built building value per acre (BVA) shows a clear relationship to likelihood of converting in the data analyzed, as shown in Exhibit 2Exhibit 6, above. Properties with a building value per acre under $10,000 are much more likely to develop than those with a BVA of $10,000-$150,000, and those with a BVA above $150,000 are very unlikely to develop. Most, but not all, of the land identified by the assessor as vacant or agricultural falls below the $10,000 BVA threshold.
- Parcels analyzed with improvements other than a home (e.g., agricultural buildings, nurseries, and warehouses) tended to develop at a higher rate than properties classified as underutilized with a home on them; however, parcels with an existing home on them (1 unit) accounted for over 25% of the underutilized land analyzed that did convert from 2007 to 2019.
- Nearly all (almost 99%) of the underutilized property analyzed that converted had a BVA of less than $150,000 as of 2007. On underutilized parcels over 10 acres, all the land analyzed that converted had a building value per acre of less than $50,000 as of 2007. The BVA threshold in 2007 to be identified as underutilized was $328,000.

- None of the parcels in the data analyzed that had more than one unit and were classified as underutilized developed further since 2007.

Exhibit 3: Percent of Underutilized Land that Converted (2007-2019) by Parcel Size[4]

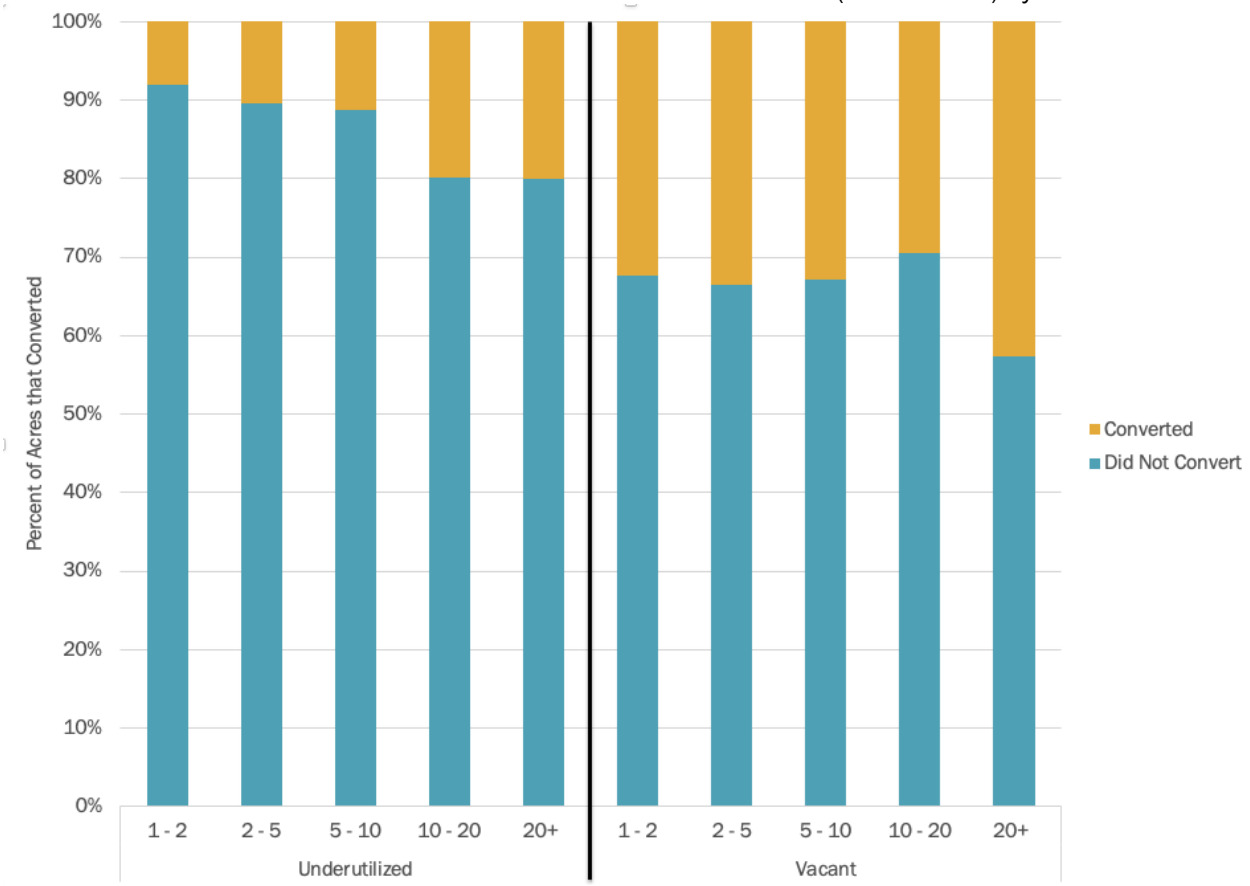


Source: ECONorthwest analysis using data provided by Clark County

- Large underutilized parcels (over 10 acres) in the data analyzed were more likely to develop than smaller ones (1-10 acres), as shown in Exhibit 3, above.

[4] The data in this chart excludes properties with more than one unit on them, since none of those developed at any size.

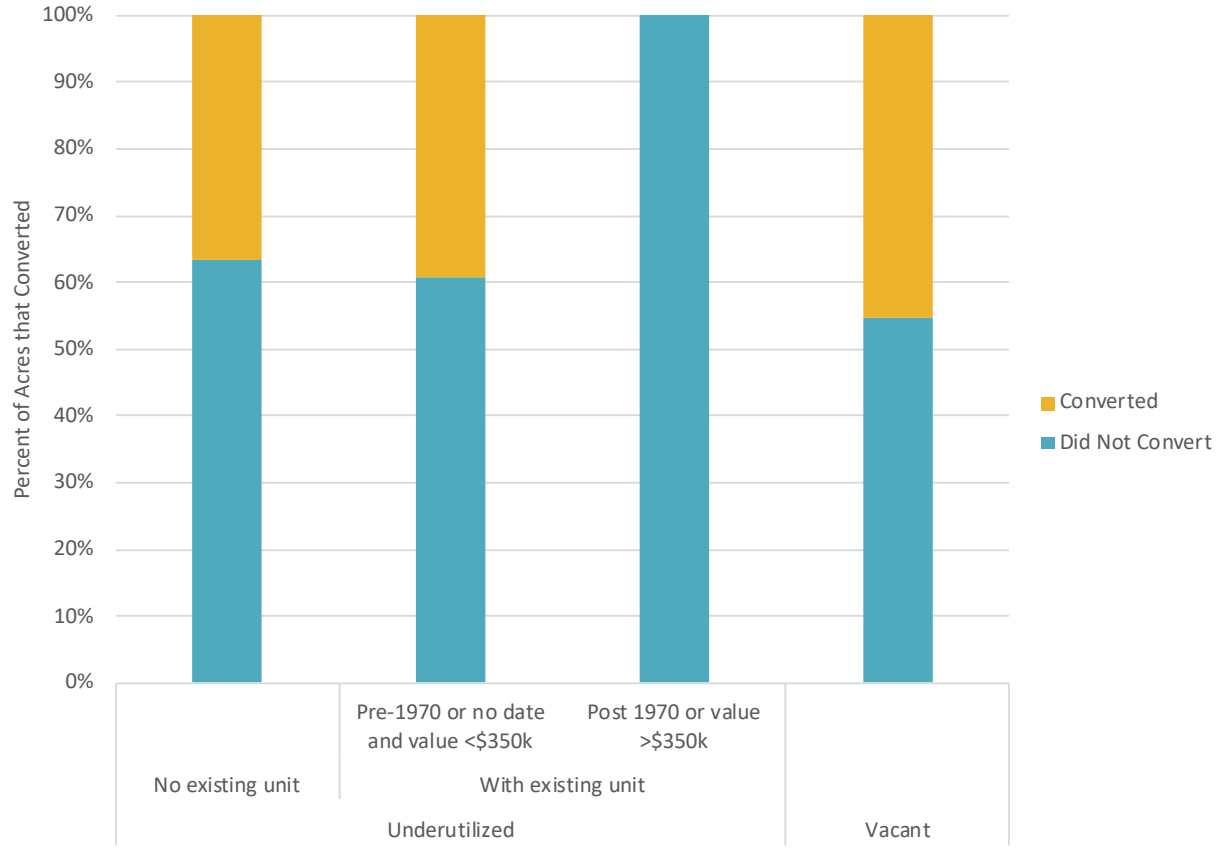
Exhibit 4: Percent of Vacant and Underutilized Land that Converted (2007-2019) by Parcel Size



Source: ECONorthwest analysis using data provided by Clark County

- Even large underutilized parcels in the data studied developed at a lower rate than those classified as vacant of the same size, as shown in Exhibit 4, above.

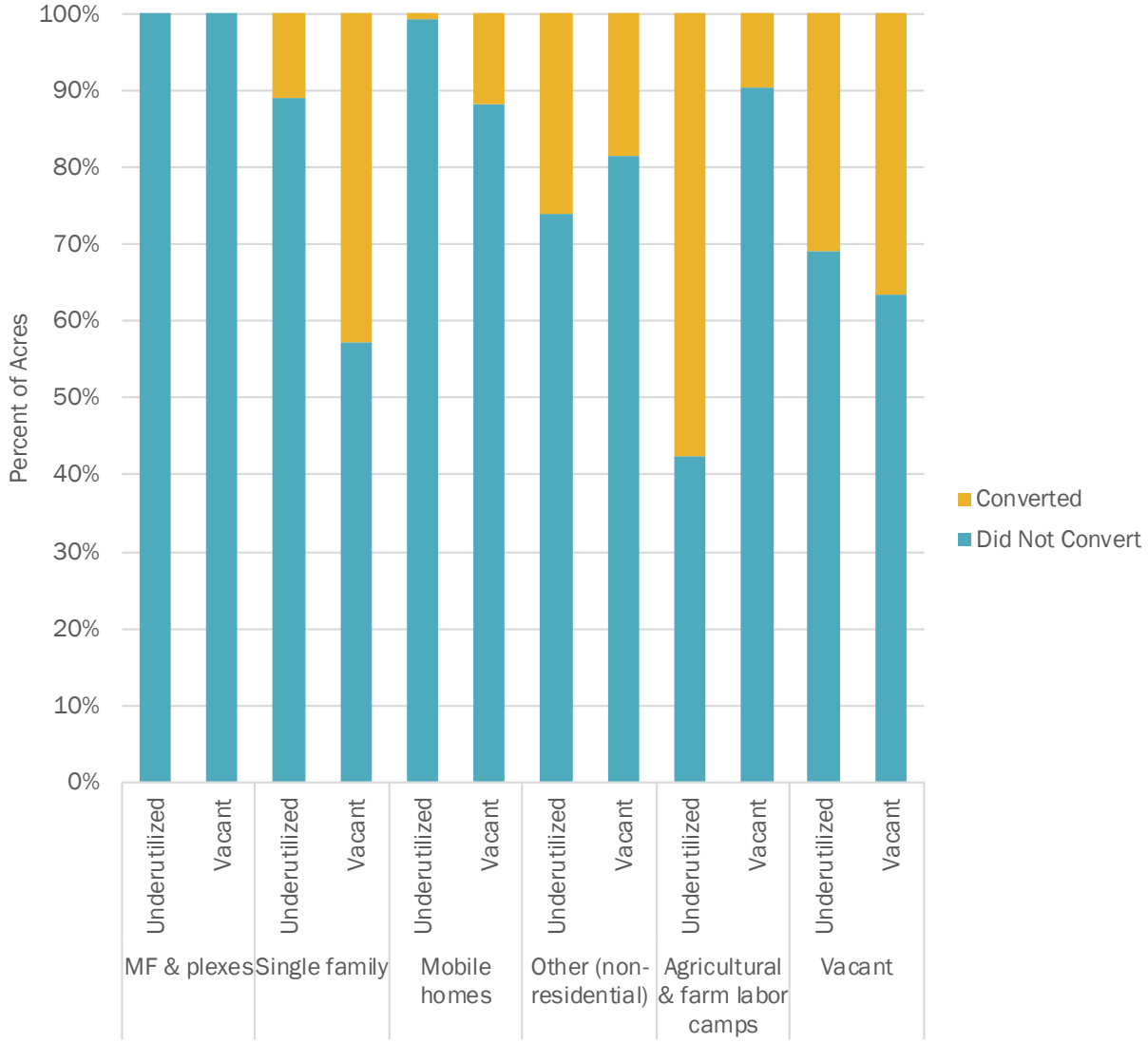
Exhibit 5: Percent of Vacant and Underutilized Land that Converted (2007-2019) by Presence, Age, and Value of Housing Unit (10+ acre parcels only)



Source: ECONorthwest analysis using data provided by Clark County

- Within the large (10+ acre) underutilized properties, the difference in likelihood of development appears to come primarily from large parcels with a newer, higher-value home on them, as shown in Exhibit 5, above. None of the large (10+ acre) underutilized properties in the data analyzed that had a unit built since 1970 or valued at more than $350,000 (as of 2007) developed by 2019.
- Properties described by assessor's data as vacant or similar descriptions accounted for over 70% of the acres of land classified as underutilized in 2007 that converted by 2019. These properties were listed as having building values that exceed the vacant threshold (often by quite a bit), indicating that adjusting the building value threshold would not necessarily capture them. None were listed as having a dwelling unit, but these properties developed at a higher rate than other properties without a dwelling unit—a rate more comparable to land classified in the model as vacant.

Exhibit 6: Percent of Vacant and Underutilized Land (over 1 acre) that Converted (2007-2019) by Generalized Assessor Property Code



Taken together, this analysis suggests that the existing thresholds for vacant and underutilized are largely working in the aggregate, in the sense that the land classified as underutilized is developing at a somewhat lower rate than vacant land, but at a high enough rate that it makes sense to consider it largely developable. However, there are other criteria for identifying both vacant and underutilized land that might better align with observed trends, including consideration of the existing use of the property as described by the assessor and/or the number of units on the property; separating large parcels (over 10 acres) from smaller ones; and refining the building value per acre threshold for underutilized. The options under consideration and the trade-offs associated with them are summarized below.

Options for Refinements or New Approaches

Pierce County identifies all urban agriculture land as vacant, and does not consider improvement value. Thurston County uses the presence of commercial, industrial, or residential structures as an indicator of whether land is vacant, and does not use improvement value. Snohomish County does use improvement value, with an even lower threshold than Clark County currently uses. The options considered for use in Clark County are summarized below, along with notes about the trade-offs associated with them. Most of these options could be implemented alone or in combination with other options.

Option	Commentary
Potential Refinements	
A: Increase building value threshold for vacant land	This would pick up more parcels as vacant, but picking a single threshold for both very large and very small lots would remain an issue and this would not address the other variables that appear to be important.
B: Index the building value threshold to inflation using a specific index so that they adjust automatically over time.	This may require additional time to configure the model, but would save time in future VBLMs to reflect this incremental increase, since changing values requires Council action, but if the Council approves an indexing approach, updates based on the index would not require Council action.
C: Use building value per acre percentile for vacant as well as underutilized	This would simplify the approach and create more consistency between how vacant and underutilized lands are identified without requiring use of additional factors. It would also address very large parcels with minimal improvements. However, it might overstate the likelihood of development on some large parcels with an existing housing unit or other development.
Potential New Approaches	
D: Use the number of a dwelling units on the lot rather than improvement value to exclude land that is developed as residential from the vacant category	The analysis suggests that lots with an existing home are less likely to develop than those in the residential model that have non-residential improvements, and those with more than one unit are very unlikely to develop and likely should be classified as built. However, introducing an additional factor would add complexity to the model.
E: Treat all urban agriculture land as vacant, regardless of improvement value	This would ensure that agricultural improvements are not used as an indicator of lower development potential; however, it is a more complex approach that requires reliance on the assessor's land use coding.
F: Use property type information from the assessor's data to identify vacant land (in addition to or instead of measures related to building value)	The assessor's data correlates fairly well with which land developed; however, the categories are somewhat complex and would need to be simplified/grouped. Some measure of building value is likely still needed at least for land not classified as vacant.

Option	Commentary
G: Differentiate large underutilized properties (e.g., over 10 acres) from medium-sized ones to enable applying different planning assumptions (e.g., market factor)	This would capture situations like an existing home on a 20-acre lot where the lot is not entirely vacant but does have substantial development potential. The analysis shows that larger underutilized properties are developing at a higher rate than medium-sized ones.

Preliminary Project Team Recommendation

There are many possible refinements that could be appropriate. However, those that may better align to observed trends in the data also introduce substantial additional complexity to the model and may not be worth the additional complexity. Staff prefers the simplest possible solution to address the fixed building value threshold—**Option C:** Use a building value per acre threshold (e.g., less than $10,000 per acre, indexed or converted to a percentile).

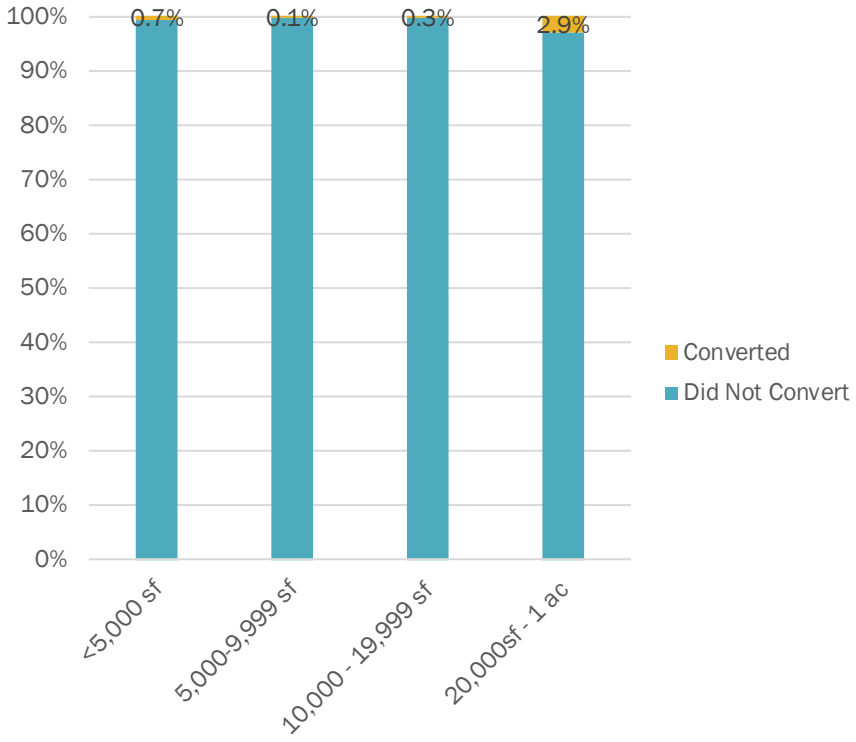
1.3: Underutilized Residential Land—Lot Size Threshold

Lots under one acre with low improvement values relative to their size (but higher improvement values than the threshold for vacant) are considered built under the current methodology. A small fraction (less than 1%) of these developed between 2007 and 2019. Some developed as multifamily, but others developed as single family. With more market potential for urban infill in certain areas, the VBLM methodology may need to be updated to capture these situations. Accurately understanding when a half-acre lot has additional development potential and when it is fully developed requires consideration of both building value per acre and additional development capacity based on the zoning. While low value structures may be replaced by newer structure, it does not generate capacity unless additional units are created. The ability to create additional units on the property can also increase the likelihood of redevelopment or infill.

The Project Team's analysis shows that the majority (over 70%) of the land identified as built that converted with additional units between 2007 and 2019[5] was in lots over 20,000 square feet (roughly a half-acre). Just under 3% of land in developed lots between 20,000 square feet and an acre developed with additional units. On built lots under 20,000 square feet, less than 1% of land developed with additional units, as shown in Exhibit 7.

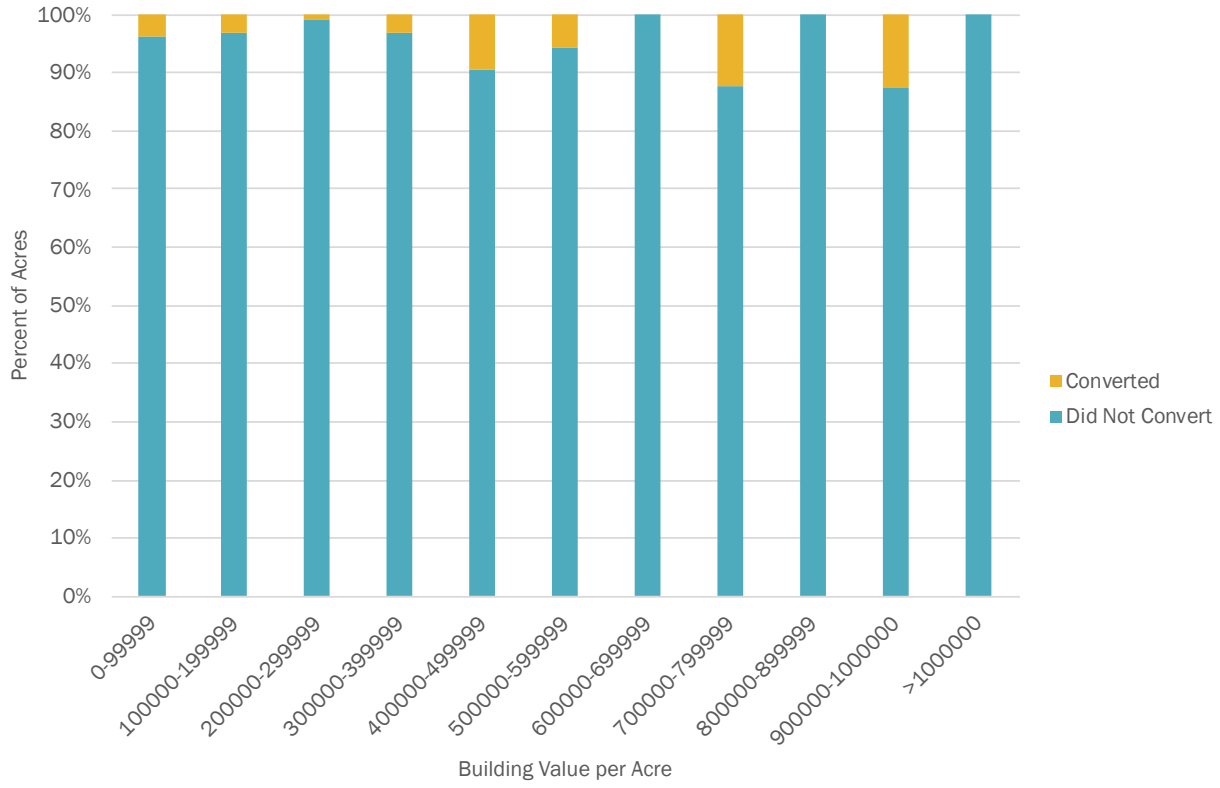
[5] This analysis excludes land that was classified as built in the 2007 VBLM but has been identified for this analysis as a vacant platted lot.

Exhibit 7: Percent of "Built" Residential Land under 1 acre that Converted (2007-2019) by Lot Size



Within the half-acre to one-acre size category, building value per acre does not appear to correlate well with the likelihood the property will develop with additional units, as shown in Exhibit 8.

Exhibit 8: Percent of "Built" Property 0.5-1 acre that Converted (2007-2019) by Building Value per Acre



Data on zoned capacity is not available at this time; further analysis would be needed to evaluate the relationship of zoned capacity to conversion of built land.

Options for Refinements or New Approaches

Option	Commentary
Potential Refinements	
A: Adjust the underutilized thresholds (lower minimum lot size and potentially higher building value per acre threshold) to pick up urban infill and redevelopment	Grouping urban redevelopment with other situations may make it harder to assign appropriate planning assumptions.
Potential New Approaches	
B: Establish a new category to capture urban infill/redevelopment on lots under 1 acre with additional development potential and relatively low improvement value per acre.	This would capture development that is currently missed by the model, but would require careful setting of thresholds and planning assumptions to avoid over-estimating infill and redevelopment potential.
C: Use parcel size relative to zoning minimum lot size or existing unit count relative to max allowed under zoning as an additional factor to identify underutilized land	This is an important consideration in determining whether additional development is likely on lots that have one or more existing units. However, it is primarily applicable to urban infill situations as described above. Lots over 1 acre likely have additional development potential in the majority of urban residential zones.

Preliminary Project Team Recommendation

Options B and C: Establish a new classification for small underutilized lots, and factor in parcel size / additional zoned capacity. The new classification would be limited to parcels between a half-acre and one acre with capacity for additional housing units. This category could include all land under an acre with low improvement value per acre that has potential for at least one additional dwelling unit under the zoning, or could be limited to those with more development potential (e.g., more than 5 units) in order to focus on the properties with the greatest potential and avoid picking up too many lots that are less likely to develop further. Additional analysis would be needed to set an appropriate threshold for additional zoned capacity.

Commercial & Industrial Land Classifications

The existing methodology is summarized below. Analysis, options, and preliminary recommendations related to the numbered topics are provided following this table.

Status Quo Approach	Commentary
Exclude tax exempt properties (other than Port property, which is addressed separately), easements, rights-of-way, state assessed and institutional parcels	
Parcels that are assessed with another parcel are treated as built	This typically captures parcels that are part of a larger development (e.g., a parking lot serving a shopping center). This is a reasonable assumption but may miss some situations where there is potential for additional development on a site with multiple parcels.
Vacant land criteria: ▪ Parcel size > 5,000 sf ▪ Building value < $67,500	A minimum parcel size of 5,000 square feet is less likely to be an issue for commercial and industrial development, though it may miss some situations. **1.4:** Using building value rather than building value per acre could understate the development potential of very large parcels that are minimally developed. Since it has not been indexed, it may also need to be updated to reflect current market conditions.
Underutilized land criteria: ▪ Parcel size > 5,000 sf ▪ Building value per acre less than $50,000	**1.5:** With a fixed dollar value per acre embedded in the criteria, the building value per acre threshold may become less appropriate over time. It also may be too low to identify redevelopment potential for some urban locations.
Underutilized commercial and industrial land uses the same planning assumptions as vacant land. No market factor is applied except to constrained land. Market factor has been applied to the demand side outside of the model.	This may not be appropriate for a redevelopment setting, where development may be less likely but the need for infrastructure may also be less.

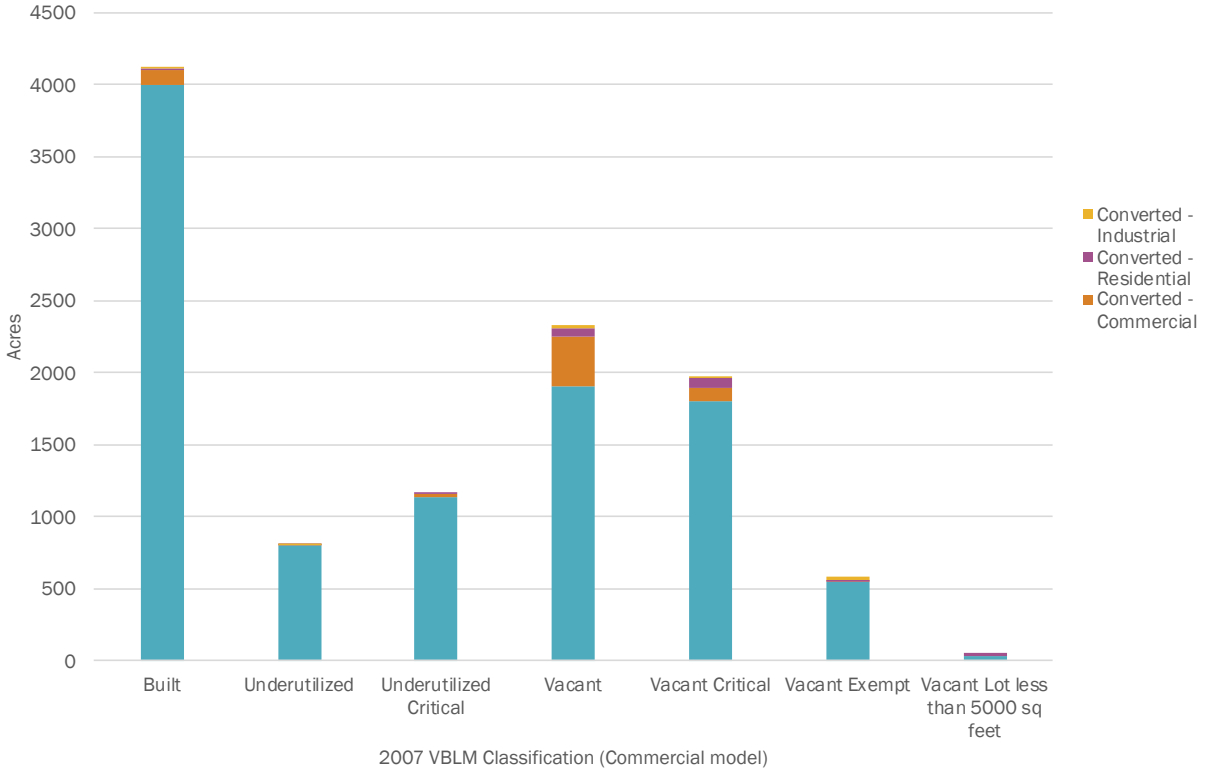
Analysis Approach

Similar to the Residential Land analysis, the Project Team evaluated changing development conditions on land classified as Commercial and Industrial between 2007 and 2019. Note that "converted" land for commercial and industrial was identified based on building year built (properties with buildings built since 2007 were flagged as converted). However, the available data does not show whether properties that converted with newer buildings also added employment capacity, or simply replaced older buildings with newer ones. One limitation of the data for commercial and industrial is a challenge with developments that span multiple parcels—difficulty in accurately capturing the building value at a tax lot level means that additional work would be needed to accurately analyze building value and building value per acre thresholds.

Overview of Development Patterns

In the 2007 Commercial VBLM, about 113 acres of the land classified as built converted to another use by 2019 (Exhibit 9). Of these 113 acres, about 88% converted to another commercial use and about 11% converted to a residential use. For land classified as underutilized, about 11 acres converted, most of which were to industrial uses. About 430 acres of vacant commercial land converted to commercial (81%), residential (14%), or industrial (6%) uses. Additionally, about 21 acres of vacant commercial land with lots less than 5,000 square feet converted to residential uses.

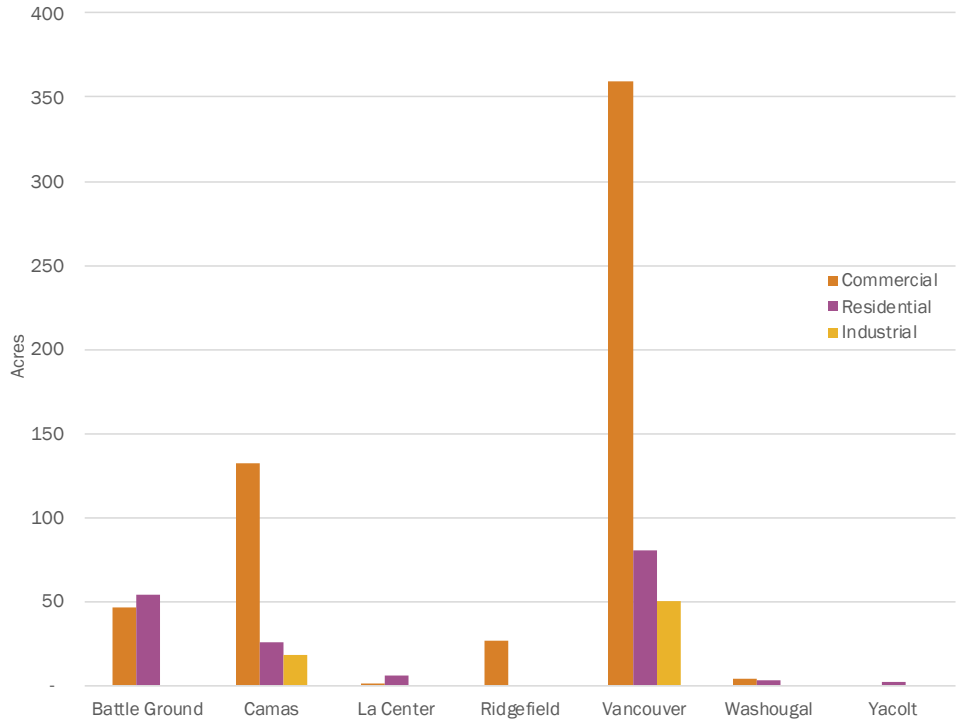
Exhibit 9: Commercial Land by 2007 VBLM Classification and Acres Converted



Source: ECONorthwest analysis using data provided by Clark County

Conversion of commercial land between 2007 and 2019 mostly occurred on land in Vancouver and Camas (Exhibit 10). About 80 acres of land in the 2007 commercial VBLM converted to a residential use in Vancouver, while over 350 acres converted to another commercial use. These conversions of commercial land to residential uses aligns with observations by County and City of Vancouver staff. (This will be addressed in more depth in a subsequent memo focused on mixed use areas.)

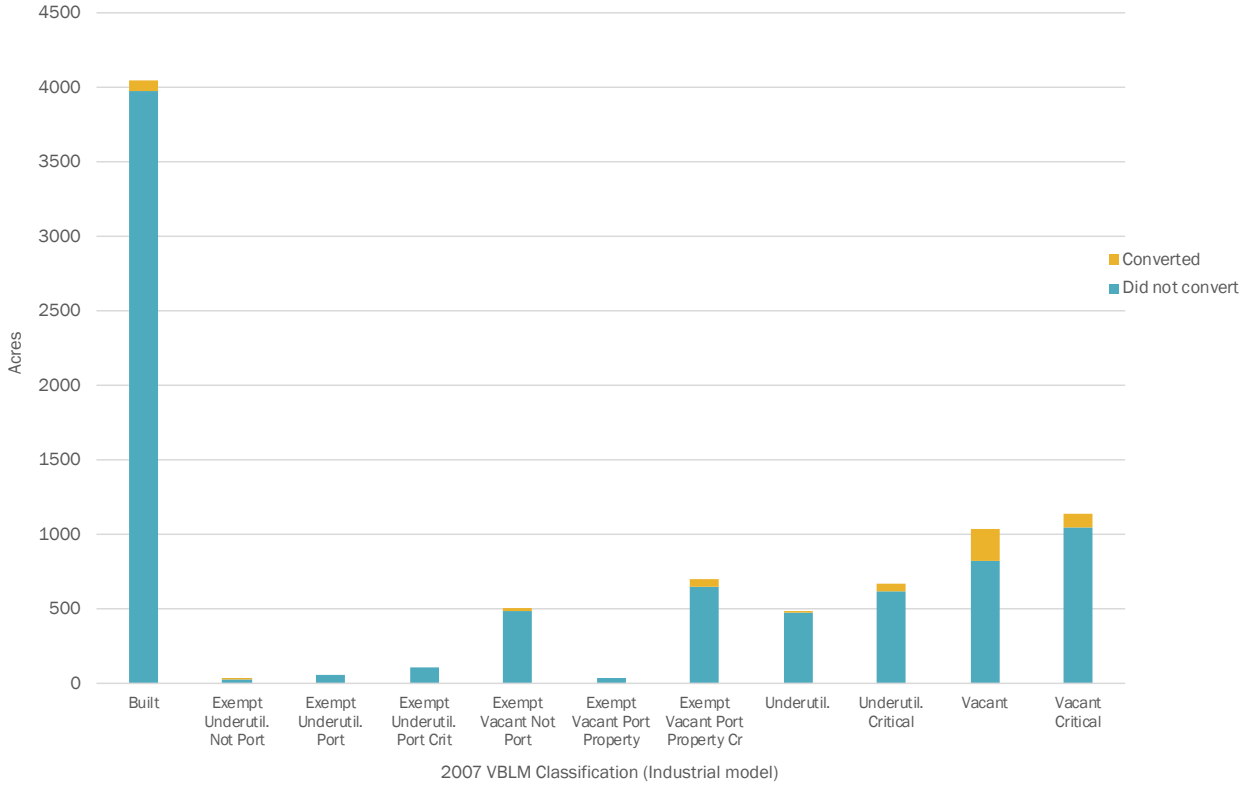
Exhibit 10: Converted Commercial Acres by 2019 Development Use and City Limits (or Vancouver UGA)



Source: ECONorthwest analysis using data provided by Clark County

For industrial land, most of the land in the analysis that converted was in the Vacant and Vacant Critical classifications, but 2% of the Built and 5% of the Underutilized (all subcategories) land also converted, along with 14% of vacant and vacant critical land. Converted land classified as built (72 acres) or underutilized (8 acres) mostly converted to another industrial use.

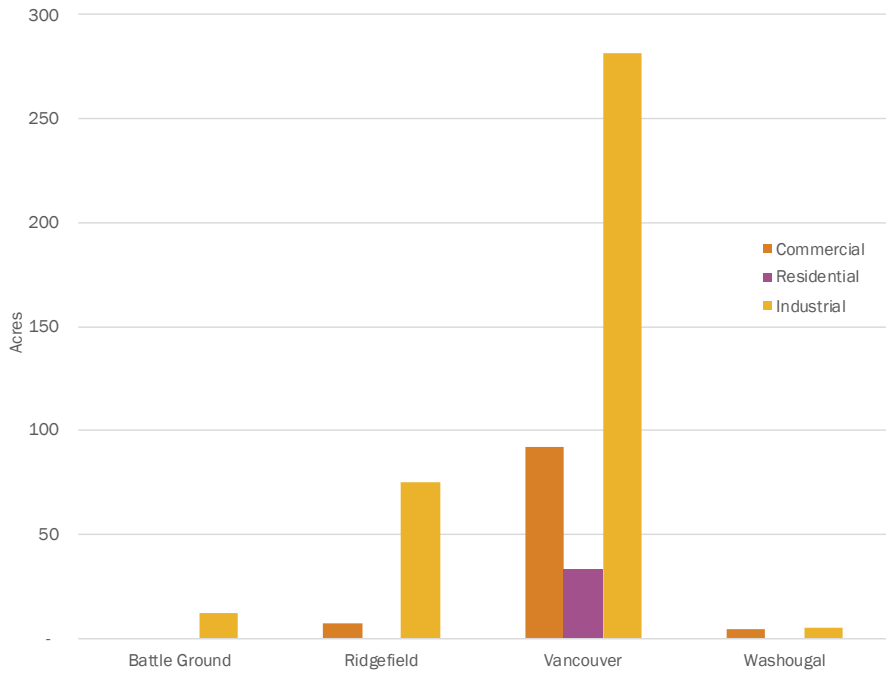
Exhibit 11: Industrial Land by 2007 VBLM Classification and Acres Converted



Source: ECONorthwest analysis using data provided by Clark County

As found in the analysis of converted commercial land, most of the converted industrial land occurred on land in the Vancouver UGA. About 280 acres converted to another industrial use, while about 90 acres converted to a commercial use and about 30 acres converted to a residential use (Exhibit 12). (The land that converted to residential use will be addressed in a later memo regarding mixed use areas and residential development on non-residential land.)

Exhibit 12: Converted Industrial Acres by 2019 Development Use and City Limits (or Vancouver UGA)



Source: ECONorthwest analysis using data provided by Clark County

1.4: Vacant Commercial and Industrial Land: Building Value Threshold

Options for Refinements or New Approaches

Option	Commentary
Potential Refinements	
A: Modify building value threshold if analysis shows that a different threshold would better reflect / predict which properties have development potential	This might improve accuracy for this update, but would not address the need for adjustments in future due to inflation.
B: Index building value threshold to inflation using a specific index so that it adjusts automatically over time.	This may require additional time to configure the model, but would save time in future VBLMs to reflect this incremental increase.
C: Use building value per acre for vacant as well as underutilized	This would simplify the approach and create more consistency between how vacant and underutilized lands are identified. It would also address very large parcels with minimal improvements.

Preliminary Project Team Recommendation

Option C: Use building value per acre for vacant as well as underutilized, with a very low threshold, pending additional analysis.

1.5: Underutilized Commercial and Industrial Land: Building Value per Acre Threshold

Our analysis of commercial and industrial land that converted between 2007 and 2019 showed that a large share of the converted land was classified as built in the 2007 VBLM. This may suggest potential refinement of thresholds to better assign capacity to land that will convert.

Options for Refinements or New Approaches

Option	Commentary
Potential Refinements	
A: Modify building value per acre threshold if analysis shows that a different threshold would better reflect / predict which properties have development potential	This might improve accuracy for this update, but would not address the need for adjustments in future due to inflation.
B: Index building value per acre threshold to inflation using a specific index so that it adjusts automatically over time.	This may require additional time to configure the model, but would save time in future VBLMs to reflect this incremental increase.
C: Change to a percentile rather than a fixed value for building value per acre	This would ensure that the threshold adjusts over time with property values and would be consistent with the approach used for residential land.

Preliminary Project Team Recommendation

Option C: Change to a percentile rather than a fixed value for building value per acre. This would require some additional analysis to set the appropriate threshold.

Redevelopment Assumptions Outside the VBLM

Status Quo Approach	Commentary
On the demand side, 5% of population and employment is assumed to be accommodated through redevelopment that is not captured in the VBLM.	**2.1:** Capturing redevelopment outside the model and at the point of the population and employment forecasts may create confusion and potentially duplication. These percentages are based on professional judgement and may be reasonable but are not supported by specific evidence.

Issue 2.1: Demand-side assumptions of redevelopment

Options for Refinements or New Approaches

Option	Commentary
Potential Refinements	
A: Adjust the percentage of population and employment assumed to come through redevelopment as needed based on past trends.	Additional analysis could be done to estimate how much of population and employment county-wide has occurred through redevelopment based on historical trends.
Potential New Approaches	
B: Eliminate the demand-side redevelopment assumption in favor of fully accounting for redevelopment potential in the VBLM.	This would be clearer in the Buildable Lands Report, but identifying redevelopment potential at a parcel level can be more difficult than establishing an aggregate amount of redevelopment that might occur based on past trends.

Preliminary Project Team Recommendation

Option A: While the model can be adjusted to better capture some redevelopment, there will continue to be development that occurs in unpredictable locations. Accounting for this outside the VBLM is appropriate, though further analysis is needed to confirm the percentages.

Attachments

Attachment A. Description of Snohomish, Pierce, and Thurston County approaches to identified issues