

Note: Anyone wishing to speak at any Planning Commission meeting is encouraged to do so. If you wish to speak, please fill out a Speaker Request Form and place it in the Speaker Request Box by staff. You will then be allowed to speak. Please note that the public testimony may be limited by the Chair and normally is not allowed after the Public Hearing is closed.

**ASHLAND PLANNING COMMISSION  
STUDY SESSION  
December 22, 2020  
AGENDA**

- I. **CALL TO ORDER:** 7:00 PM, Civic Center Council Chambers, 1175 E. Main Street
  
- II. **ANNOUNCEMENTS**
  
- III. **PUBLIC FORUM**
  
- IV. **DISCUSSION ITEMS**
  - A. **Changes in commercial space needs – A developer’s perspective**
  
  - B. **Code Amendment Options for State of Oregon Middle Housing (Duplex) Requirements**
  
- V. **ADJOURNMENT**



In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Community Development office at 541-488-5305 (TTY phone is 1-800-735-2900). Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to the meeting (28 CFR 35.102-35.104 ADA Title 1).

# **DISCUSSION ITEM**

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**Changes in commercial space needs  
A developer's perspective**

# Memo

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DATE: December 22, 2020

TO: Ashland Planning Commission

FROM: Bill Molnar, Community Development Director

RE: Commercial land and space needs

## **Summary**

This is an informational item for the Planning Commission, providing a perspective by Ashland developers Mark Knox and Laz Ayala on the changing landscape of commercial space needs and the potential opportunity for providing additional rental housing. No action is being requested by the Planning Commission at this time.

## **Background**

In June 2018, the Planning Commission held their annual retreat. Among the topics for discussion was e-commerce. Wikipedia states that e-commerce (electronic commerce) is the activity of electronically buying or selling of products over the internet. Some forecast that online sales may approach 20% of American retail sales by 2025. There were none in 1999. Conversation at the retreat focused on potential impacts to City infrastructure, site planning/design and neighborhood character given an increase in the frequency of delivery vehicles brought about by continued growth in online purchasing. Questions were posed as to how might land use planning assist in preparing the community, and especially our neighborhoods, for the influx of small freight traffic? Potential concerns were noted, such as the ability of neighborhood streets to handle rises in delivery traffic and safety concerns presented by parked vehicles and off-loading of packages. Research suggested that increased noise and the possible impacts on air quality from idling vehicles also could be areas for future concern.

COVID-19 has accelerated an expansion of e-commerce toward new firms, customers and types of products. It has increased customer access to a substantial variety of products from the convenience and safety of their homes. To some degree, e-commerce has shifted from more expensive items and services toward everyday necessities, which are relevant to a large segment of the population. Additionally, COVID-19 has had a dramatic impact on many employers and their employees, leading to increased numbers of employees from specific sectors of the work force working from home through employer-sponsored teleworking agreements. This has led to discussions about whether the potential benefits from teleworking arrangements could spill over into the post-COVID era. If so, the combination of e-commerce and post-COVID-19 employment arrangements may suggest a need to evaluate projections in commercial land and space needs and corresponding land use standards and requirements.

Local developers and Ashland residents Mark Knox and Laz Ayala of KDA Homes have met with the Interim City Administrator, Adam Hanks, and the Community Development Director to describe in their view how e-commerce and current events are influencing the demand for commercial/employment

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space. It was suggested that they present their perspective to the Planning Commission on the issue and how these changes might present opportunities for responding to Ashland's specific land use needs.

**Attachments:**

Letter submitted by Mark Knox, KDA Homes – Ashland Economic and Housing Sustainability

Letter submitted by Laz Ayala, KDA Homes - Ashland Economic Sustainability Assessment



# KDAHomes

plan. develop. build

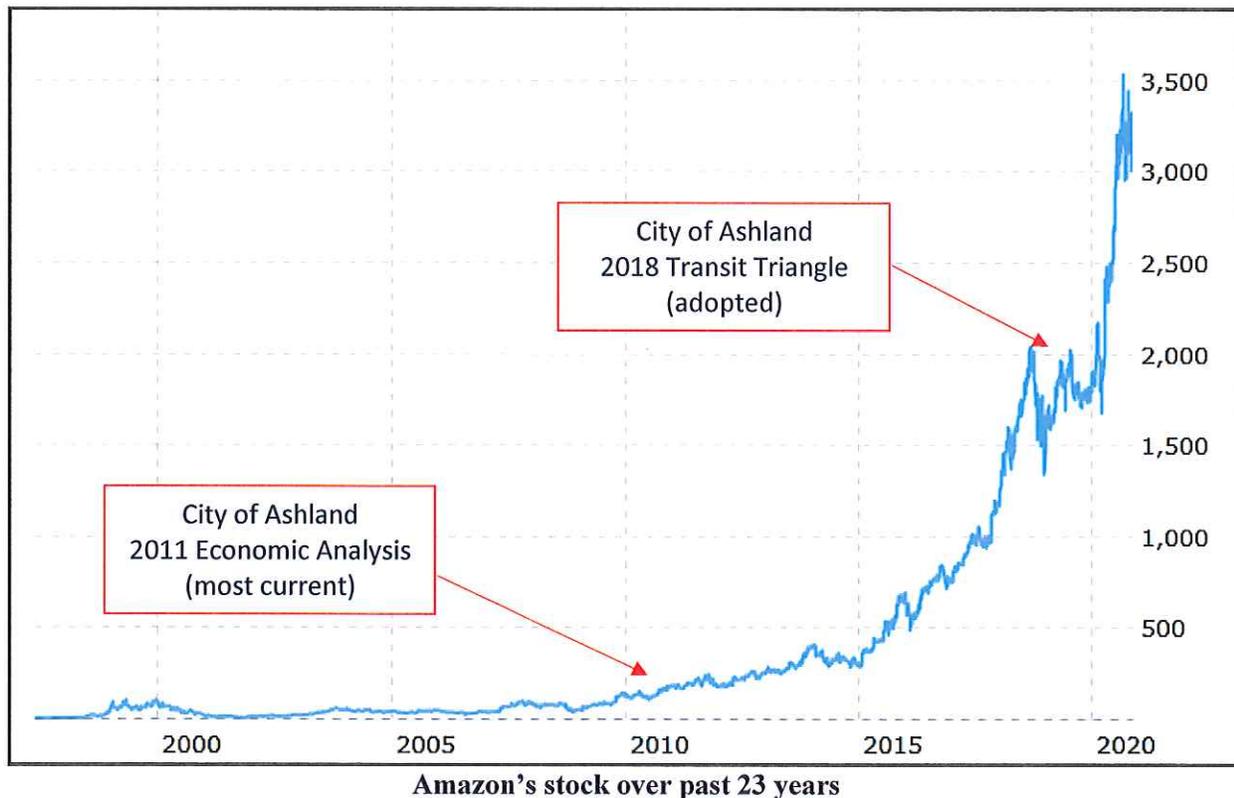
December 16<sup>th</sup>, 2020

TO: Ashland Planning Commission & Planning Staff

FROM: Mark Knox, KDA Homes, LLC

SUBJECT: Ashland Economic Sustainability

*Background:* As the Planning Commission and Planning Staff are aware, over the last few years I have spoken publically about concerns relating to e-commerce and how quickly technology is effecting Main Street's across the country. Main Streets have always been under attack with the innovation of the automobile, invention of malls or most recently big box retailers. But, today's rapid technological advancements relating to e-commerce, automation and overnight shipping, compounded by low-cost goods sourced from other countries is far different and likely to have the most devastating impact.



After experiencing the phenomenon first hand in the summer of 2017 while visiting the Main Street section in Tiburon California, reading multiple articles on the subject and closely monitoring our own Downtown Main Street, the problem is real. I've also talked with numerous professionals

Planning Commission's hearings and discussion of the Transit Triangle Infill Strategy, I submitted testimony relating to this issue and suggested the Planning Commission consider "swapping" the ground floor commercial code "requirement" from a minimum 65% required ground floor commercial use and maximum 35% ground floor residential use and the Planning Commission unanimously concurred, as did the City Council. The general idea being commercial space demand is in decline whereas residential demand continues to remain strong.

Unfortunately, since 2018, the issue has only worsened for a variety of reasons and so I'm again speaking out, talking with the Chamber of Commerce, City Council, Planning Staff, Southern Oregon University, Planning Staff, colleagues and anyone else who will listen.

*Problem:* The problems facing Ashland's Main Street are not just tied to e-commerce, big box or auto centric competition, but now it's facing the impacts and/or implications of forest fires, fear of travel from the pandemic, declining lease projections for professional office space due to the pandemic and a decline in Shakespeare or theatre enthusiasts. Further, in what should be considered a warning alarm, lending institutions have either stopped or significantly increased their lending demands for commercial developments, including mixed-use developments.

Unlike many other small towns across the country, Ashland has numerous attributes and livability components that draw visitors and locals to its fine dining establishments, pubs and bookstores, but it is not immune to real world issues and a slow erosion can quickly occur if we do not try to address it. And, because of the speed at which it is occurring, it needs immediate attention.

*Solution:* As most people know, I was a City Planner for the City of Ashland in what seems like yesterday but is now "years ago". I'm now a local Developer who does land use planning for a small development company. Over the last eight years, I've had the opportunity to work on various land use projects from small subdivisions (Garden Cottages – Ashland's first Cottage Housing Development) to large scale commercial developments (First Place along Lithia Way). I've also had the opportunity to work with a variety of professionals and obtain a better understanding of complex financial matters and market trends.

To this point, I've reached out to the Ashland Planning Department to discuss a possible amendment to the Ashland Municipal Code that could not only help stabilize the issues noted above, but also provide additional housing opportunities that have realistically never been resolved since I moved to Ashland 28 years ago.

In simple terms, the request is for the Planning Commission and Staff to consider a relatively simple code amendment that looks similar to the ground floor code amendments recently adopted in 2018 for the Transit Triangle Overlay or code language within the adopted 1995 North Mountain Neighborhood Plan that allows 100% ground floor residential until there is commercial demand. The suggested code language would apply in certain employment and commercial zones (not Downtown, Croman, or Airport areas) with code stipulations that ground floor spaces are to be: 1) Designed and built following Commercial Building Codes, 2) Designed to comply with all commercial Site Design & Use Standards 3) Permitted to be converted to commercial use at any time and 4) Only applicable to qualifying buildings that are at least two stories measured from adjacent street grade.

*Benefits:* The suggested amendment should be beneficial for a number of reasons, including the following:

- 1) It provides much needed small unit affordable rental housing in areas that are generally close to essential services;
- 2) It provides much needed housing that hopefully creates a surplus and thus helps stabilize market rental housing prices;
- 3) It provides the financial incentive for property owners to invest and construct mixed-use buildings;
- 4) It encourages financial institutions to finance mixed-use buildings. This is critical as without the financing, the building does not get built nor do “any” permissible residential units;
- 5) It helps maintain the City’s tax base and related construction impact fees for streets, roads, schools, etc. A perfect example is the now under construction Meadowbrook Square Apartment Building (see picture insert below) that would NOT have been possible without the suggested exception language built into the North Mountain Master Plan in 1995. In this case, the related construction fees are approximately \$148,575 and SDC fees \$206,253. Upon completion, the annual tax revenue will be roughly \$72,333 of which \$52,000 will go to the City of Ashland and Ashland School District. *Note:* The Meadowbrook Square Condominiums (across the street) are currently contributing \$30,229.06 in tax revenue annually of which approximately \$22,000 goes directly to the City of Ashland and Ashland School District. Permit and SDC’s paid to City of Ashland totaled \$95,751.26. This building’s ground floor unit is also “interim” and used as a residence;



**Meadowbrook Apartments (12.16.2020)** Three-story Mixed-Use Building with “24” 500 sq. ft. apartments on 2<sup>nd</sup> and 3<sup>rd</sup> floors and “5” *interim* residential apartments on ground floor to eventually be converted to commercial office/retail use pending market demand.

- 6) It still requires the appearance of typical commercial mixed-use facades as envisioned in the City's Site Design & Use Standards;
- 7) It provides an opportunity for an expeditious conversion from residential to commercial when the market demands. In the vast majority of cases, commercial business cannot "wait" the typical 1 to 2 year timeframe for land use planning and construction and thus under the suggested code provision, the commercial spaces are already in existence and only have to "wait" 6 to 9 months to complete tenant improvements;
- 8) It helps stimulate construction employment and any related employment;
- 9) It can help provide for an added customer base for local businesses during what appears to be a long slow trend of declining tourism due to a variety of real or perceived factors related to climate change conditions, tourism preferences, etc.

*Negative Implications:* At the present time, I do not believe there are any negative implications with this proposal, but also understand the idea needs to be vetted with the public, staff, Planning Commission and City Council. Further, I do not believe there are any State land use limitations as the proposal does not eliminate or reduce available commercial or employment lands, it simply provides for a more efficient use of those lands until the market demand exists.

Overall, I appreciate the opportunity to voice my opinion on this important matter and look forward to discussing it with the Planning Commission. As mentioned, I've discussed the suggested amendment proposal with a number of City leaders and local business owners and all agree the idea is sound and timing appropriate. In that regard, the starting point for official consideration is the Ashland Planning Commission via a public Study Session.

Sincerely,



Mark Knox  
276 W. Nevada Street  
Ashland, OR 97520

Related Articles:

- 1) *Mounting commercial real estate losses threaten banks, recovery* (The Washington Post, 11/11/20)  
<https://www.washingtonpost.com/business/2020/11/11/commercial-real-estate-economy/>
- 2) *Amazon is now a drug store.* (CNN Business, 11/17/20)  
<https://www.cnn.com/2020/11/17/business/amazon-pharmacy-launch/index.html>
- 3) *Can Governments Save Main Street?* (The Salem News, 11/30/20).  
[https://www.salemnews.com/opinion/columns/column-can-governments-help-save-main-street/article\\_000a1e23-cadd-54ca-b9f1-651b11cbdb3a.html](https://www.salemnews.com/opinion/columns/column-can-governments-help-save-main-street/article_000a1e23-cadd-54ca-b9f1-651b11cbdb3a.html)

- 4) *Small Town Kept Walmart Out. Now It Faces Amazon.* (The Atlantic, 3/3/18)  
<https://www.theatlantic.com/business/archive/2018/03/amazon-local-retail/554681/>
- 5) *Downtowns Matter* (State of Main, Edward T. McMahon Fall 2016)  
<https://www.mainstreet.org/HigherLogic/System/DownloadDocumentFile.ashx?DocumentFileKey=32bde503-eeb9-3bd4-0ff5-0a525562b1b8&forceDialog=0>

# **Ashland Economic Sustainability Assessment**

Laz Ayala, KDA Homes, LLC

12/11/2020

Ashland Planning Commission,

For many years, our community has been experiencing a housing supply problem involving market rate and subsidized housing, particularly 1- and 2-bedroom units often referred to as workforce housing. Workforce housing is essential in attracting businesses to our community as we look to diversify our local economy. Forrest fires, Covid-19 and E-commerce have caused serious short- and long-term damage to Ashland's economy. These phenomenons are not likely to disappear and in fact, experts warn to expect more in the years ahead. While these phenomenons have created economic devastation and accelerated shifts in how we live, work, shop, and play they also bring opportunities we must embrace if Ashland is to remain the thriving community it still is today. We have two choices: embrace these opportunities or become collateral damage.

We have time to assess what may or may not work in Ashland's future economy and make the necessary changes to adapt to the fast-changing world we live in. If we agree that our tourist economy is in peril, we must respond with the changes needed to adapt to a more diverse and sustainable economy. As earlier mentioned, an adequate supply of workforce housing is fundamental in this effort and as such we must explore ways, we can provide much needed workforce housing that will not only address our housing needs, but provide revenue to fund City services such as fire, police, water, sewer, roads, parks, schools, affordable housing and other public funded programs.

If we agree that demand for office and retail commercial space is in decline and recognize the need for more workforce housing, council should consider a minor amendment to the commercial and employment zones (C-1/ E-1) allowing for 100% residential uses at ground level (with conditions for future commercial conversion) such as in the Transit Triangle and North Mountain neighborhoods. Except for these two neighborhoods, 100% residential is not permitted at ground level in other commercial zone districts in Ashland. We believe Downtown should not be part of this amendment, but rather commercial properties located within the fringe of Downtown, such as the commercial and employment district between "A" and Hersey extending west to Laurel and east to Mountain. Why 100% residential at ground level? There is no demand for retail or office space and

banks will not finance these projects nor will developers take a risk building commercial space for which there is no market.

Amending the commercial code to allow for 100% residential use makes projects like Meadowbrook Apartments along Fair Oaks Avenue within the North Mountain Master Plan area feasible. Below is a summary of the economic benefit to the City in terms of revenue in addition to the workforce housing opportunities provided:

The Meadowbrook Apartments project which is currently under construction has contributed approximately \$148,575.75 in permit fees and \$206,253.19 system development fees (CDCs) for a total of \$358,000. Upon completion it is estimated to provide \$72,333.57 in annual tax revenue, \$52,000 of which will go directly to the City of Ashland.

It is conceivable that amending the commercial zone requirements to allow for 100% residential would generate enough interest in similar projects and it is conceivable to see several of these projects get built every year thereby providing revenue for the City and its agencies and much needed workforce housing to attract investment and businesses to diversify our economy.

Sincerely,

Laz Ayala

# **DISCUSSION ITEM**

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## **Code Amendment Options for State of Oregon Middle Housing (Duplex) Requirements**

# Memo

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DATE: December 22, 2020  
TO: Ashland Planning Commission  
FROM: Maria Harris, Planning Manager  
RE: Duplex code amendment options

## **Summary**

This is discussion item for the Planning Commission regarding options for drafting the required land use code amendments for duplexes.

## **Background**

In the 2019 legislative session, the Oregon State Legislature passed House Bill (HB) 2001 which requires “medium” cities to amend codes to allow duplexes on residentially zoned lots that allow the development of detached single-family homes. A medium city is defined as with a population between 10,000 and 25,000 and outside the Portland Metro boundary. The 2020 population estimate from Portland State University for Ashland is 21,105.

HB 2001 allows cities to regulate the siting and design of duplexes as long as the regulations do not, individually or cumulatively, deter the development of duplexes through unreasonable cost and delay. The administrative rules, OAR Chapter 60 Division 46 Middle Housing, implement HB 2001 and clarify that siting and design standards that create unreasonable cost and delay include any standards applied to duplex development that are more restrictive than those that are applied to detached single-family dwellings in the same zone.

More information about the state law and administrative rules that apply to cities such as Ashland is included in the [October 13, 2020](#) Planning Commission packet.

## **Code Amendment Options**

As discussed at the Planning Commissions October 13, 2020 study session, the new state law and administrative rules prescribe the approval process and siting and design standards for the duplexes. Duplexes must be allowed as a permitted use on residentially zoned lots where single-family dwellings are permitted. In summary, the approval process and standards used for duplexes, such as historic district review and dimensional requirements (i.e., minimum lot size, density, height, setback and lot coverage), must be the same as applied to the construction of a single-family home.

In Ashland, single-family homes are a permitted use and in most cases simply require a building permit. The exceptions are planning approvals required for exceeding the maximum permitted house size (MPFA) in the historic district, exceptions for the solar setback, variances to dimensional, parking and



access requirements, tree removal permits, and permits for construction in natural hazard and resource areas such as hillside lands (25 percent slope and greater), floodplains, riparian areas and wetlands.

There are two areas where the new law provides flexibility for local jurisdictions – the definition of a duplex and single-family housing design standards. The attached matrix identifies the advantages and disadvantages of each approach, as well as notes on possible discussion points for the Planning Commission.

Cities have the option of defining a duplex as two attached dwelling units on one lot, or as two units on a lot in any configuration (i.e., attached and detached). The dimensional requirements such as lot coverage, height and setbacks are determined by the zoning of a property, and are the same for one unit or two units under the current code and the duplex code. As a result, whether a property owner elects to build a single-family home, a single-family home and a detached second unit or two attached units, the building or buildings can cover the same amount of the lot, have to be the same height, must meet standard setbacks and the solar setback, and are allowed the same volume of building. The exception under the current code is that the gross habitable square footage of ARUs is currently limited to 1,000 square feet in the single-family zones and 500 square feet in the multifamily zones.

The second area of flexibility is design standards. Ashland has design standards for single-family homes in Ashland Municipal Code (AMC) 18.2.5.090 (see below). Compliance with the standards is reviewed at the building permit. The standards could be expanded to capture some of the basic building placement, orientation and design standards for residential development in AMC 18.4.2.030. The residential development design standards in AMC 18.4.2.030 are currently applied through the planning approval process for site design review of a detached ARU or second multifamily housing unit. However, the standards would have to be rewritten to meet the state requirement of being clear and objective. In addition, this would expand the requirements to building permits for all single-family homes along with any duplex applications.

### **18.2.5.090 Standard for Single-Family Dwellings**

- A.** The following standards apply to new single-family dwellings constructed in the R-1, R-1-3.5, R-2, and R-3 zones; the standards do not apply to dwellings in the WR or RR zones.
- B.** Single-family dwellings subject to this section shall utilize at least two of the following design features to provide visual relief along the front of the residence:
  1. Dormers
  2. Gables
  3. Recessed entries
  4. Covered porch entries
  5. Cupolas
  6. Pillars or posts
  7. Bay window (min. 12" projection)
  8. Eaves (min. 6" projection)
  9. Off-sets in building face or roof (min. 16")



**Staff Recommendation**

Staff recommends defining a duplex as two units on a lot in any configuration and keeping the design standard for single-family dwellings in AMC 18.2.5.090 in the current form.

The advantages of defining a duplex as two units on a lot in any configuration, attached or detached, include the following.

- Creates equity in approval process by having one process, timeline and permit costs that address all permits for two units on a lot. The inverse of requiring a planning approval for detached second units adds time and application costs for the property owner.
- Provides more design flexibility to tailor the unit configuration to best suit an individual property. Common design issues are tree preservation, creating or preserving yard space and physical constraints such as steep slopes and riparian areas.
- Removes real and perceived barriers to housing production of rental units and therefore, addresses adopted housing policy and housing needs analysis to address low vacancy rates, variety of housing types and housing costs.
- Enhances customer service and efficiency in administration of the land use code. Will require less staff time than having to explain two different processes, timelines and related fees.

Staff believes the impact of expanding the design standards for single-family dwellings in AMC 18.2.5.090 includes more disadvantages than advantages. Since the standards will have to apply to all single-family dwellings, an expansion of the requirements will require more resources from applicants as well as the Community Development department. Additional staff time will be needed to explain the requirements to building permit applicants as well as for the additional work load to perform more involved reviews of building permits for single-family homes. Staff believes it is likely that the general public and the development community may perceive additional design requirements on building permits as creating additional barriers to all types of housing. Finally, some of the existing building design standards in AMC 18.4.2.030, such as building orientation to the street, don't apply to detached second units when the units are located at the rear of a lot and more than 20 feet from the street.



Duplex Amendment Options				
Standard	Options	Advantages	Disadvantages	Notes
<b>Definition of duplex</b>	<b>Attached</b> – Define duplex as two attached dwelling units on a lot or parcel. Common examples of attached duplex configurations are stacked over and under, side-by-side and attached by a garage wall.	<ul style="list-style-type: none"> <li>Retains site design review for detached units (i.e., ARU's<sup>11</sup>, second MFR<sup>22</sup> unit).</li> <li>Retains historic district review for detached units.</li> </ul>	<ul style="list-style-type: none"> <li>Creates inequitable process for attached duplex unit vs. a detached second unit (i.e., ARU or second MFR unit). Requiring a planning approval for detached units adds time and additional application costs.</li> <li>Impact of noticing process on predictability for applicant and neighborhood. The required public noticing process for a planning application and the possibility of a public hearing request by a neighbor will deter some property owners from pursuing detached units. Can also create neighborhood expectations that don't align with state requirement for clear and objective standards for needed housing.</li> <li>Disparity in size allowances may be disincentive. Size limitation for attached duplex units is prohibited by state law. Existing code for</li> </ul>	<ul style="list-style-type: none"> <li>What is the tangible difference or greater impact of a detached unit that necessitates the planning application process and additional time and fees?</li> <li>What is value of having of a process for detached units but not for attached?</li> <li>Will be difficult to explain to customers why one configuration (detached) involves more fees, process takes longer (noticing process) and limits size while another configuration (attached) does not. Impacts public perception regarding reasonableness and fairness of the process.</li> </ul>

<sup>1</sup> ARU = accessory residential unit

<sup>2</sup> MFR = multifamily residential

Duplex Amendment Options				
Standard	Options	Advantages	Disadvantages	Notes
			<p>ARUs includes size limitation.</p> <ul style="list-style-type: none"> <li>• May discourage a better design using a detached unit if process is retained for detached units but not for attached units.</li> <li>• May result in unusual attached designs to avoid the added planning process and additional fees.</li> <li>• Creates customer service and administrative challenges explaining differing processes (e.g., staff time costs, public perception).</li> </ul>	
	<p><b>Attached and detached</b> – Define duplex as two dwelling units on a lot in any configuration. In addition to the attached examples described above, common examples of detached duplexes are side-by-side and front and back.</p>	<ul style="list-style-type: none"> <li>• Creates equity in approval process by having one process, timeline and permit costs that address all permits for two units on a lot. Both attached and detached second units would require a building permit.</li> <li>• Provides more design flexibility to tailor the unit configuration to best suit an individual property (e.g., tree preservation,</li> </ul>	<ul style="list-style-type: none"> <li>• Eliminates site design review process for detached units (i.e., ARUs and second MFR units).</li> <li>• Eliminates maximum size for detached ARUs of 1,000 sf in SFR<sup>33</sup> zones and of 500 sf in MFR zones.</li> <li>• Eliminates site design review process for detached units in the historic district (unless there is an issue with the maximum permitted floor area).</li> </ul>	<ul style="list-style-type: none"> <li>• Will delete ARU section.</li> </ul>

<sup>3</sup> SFR = single-family residential

Duplex Amendment Options				
Standard	Options	Advantages	Disadvantages	Notes
		<p>preservation of yard space, physical constraints).</p> <ul style="list-style-type: none"> <li>Removes real and perceived barriers to housing production of rental units and therefore, addresses adopted housing policy and needs to address low vacancy rates, variety of housing types and housing cost.</li> <li>Enhanced customer service and efficiency in administration of code. Will require less staff time than having to explain two different processes, timelines and related fees.</li> </ul>		
<b>design standards</b>	<b>No change to existing SFR standards</b> in AMC 18.2.5.090	<ul style="list-style-type: none"> <li>Absence of additional standards generally viewed as facilitating housing production.</li> </ul>	<ul style="list-style-type: none"> <li>May get neighborhood concerns if duplex violates design norms, especially in existing neighborhoods.</li> </ul>	<ul style="list-style-type: none"> <li>Additional clear and objective approval standards may not mitigate or address neighborhood expectations.</li> </ul>
	<b>Expand existing SFR standards</b> in AMC 18.2.5.090	<ul style="list-style-type: none"> <li>Maintain basic design standards such as orienting the building to the street.</li> </ul>	<ul style="list-style-type: none"> <li>Will have to be applied to all SFR building permits including building permits for one SFR unit.</li> <li>Creates additional administrative needs to review all SFR building permits for expanded standards (i.e., staff time).</li> </ul>	

<b>Duplex Amendment Options</b>				
<b>Standard</b>	<b>Options</b>	<b>Advantages</b>	<b>Disadvantages</b>	<b>Notes</b>
			<ul style="list-style-type: none"> <li>• Increases customer service needs explaining standards to customers (e.g., staff time, public perception).</li> <li>• May be perceived as creating barriers to housing production.</li> </ul>	