

Key Takeaways of:

'Market and Land Need Analysis for a Proposed Comprehensive Plan Amendment and Rezone Request in Camas, Washington'

Johnson Economics

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**Mackay Family Properties Comprehensive Plan Amendment
and Rezone Request**

City of Camas 2023 Annual Review Cycle

The MacKay's Johnson Economics, LLC of Portland, OR, to analyze market and land needs and to report on said items in support of a request to change the Comprehensive Plan land use designations and zoning districts. The analysis and report is part and parcel of what is required when requesting that land for employment uses be changed to residential uses.

The Johnson Economics (JE) report comprises five sections: introduction, site analysis, land capacity analysis, market analysis, and conclusions. With the site analysis section, it is broken out into a discussion of the subject sites, proposed alternative uses, and site suitability for alternative uses. The land capacity analysis looks at the 2015-2035 Comprehensive Plan and the 2021 Clark County Buildable Lands Report. Regarding the market analysis, the discussion is broken out into three areas: commercial, industrial, and residential. The three (3) analysis sections lead to the conclusions of the report.

Section II Site Analysis

Site Suitability for Alternative Analysis

The report breaks out the subject sites by the north site (BP) and south site (RC). Both sites are looked at in terms of compatibility, scale/configuration, topography, traffic/access, and market conditions.

Key takeaways for the north site for BP uses are:

- **Compatibility:** *"Some industrial uses dependent on frequent or heavy inbound or outbound freight may not be compatible with the surrounding residential and educational uses, due to congestion in the morning and afternoon."* (p. 7)
- **Scale/Configuration:** *"In terms of acreage, the site has adequate scale for most business park uses. However, the configuration renders the narrow south portion of the site unusable for the campus-style projects envisioned in this zone, though smaller commercial buildings could be accommodated."* (p. 7)
- **Topography:** *"The sloping topography makes industrial development of the narrow south portion of the site difficult from an economic standpoint."* (p. 7)
- **Traffic/Access:** *"Local arterial access via Payne Road/18th Avenue, 16th Avenue, and Parker Street/Brady Road is also likely adequate. However, these arterials are two-lane roads, and congestion around the schools during the beginning and end of the school day effectively reduces the access, especially from 18th Avenue."* (p. 7)
- **Market Conditions:** *"Apart from the Intel campus in Hillsboro, there has been very limited demand for flex buildings of a tech/R&D format, like the buildings from the 1990s north and west of the site. Suburban business park users with more of a professional/office format generally seek locations near commercial amenities (e.g., Columbia Tech Center)".* (p. 7)
"Office space absorption has averaged 15,000 square feet, or 1.4 acres annually. Given the site's lack of suitability (and entitlement) for heavy manufacturing, and its lack of proximity to commercial areas, only a small portion of the current industrial and office space demand can realistically be captured on the site, representing absorption of less than one acre annually on average." (p. 8)

Key takeaways for the south site for RC uses are:

- Compatibility: “The regional establishments intended for the Regional Commercial (RC) zone include many “big-box” stores dependent on large scale in order to attract demand from a regional trade area. ***The traffic generated by such stores would not be compatible with the residential and educational uses around the site.***” (p. 8)
- Scale/Configuration: “***At 6.6 acres, the site does not have adequate scale for a regional commercial center. The flag-shaped configuration of the site makes it difficult to accommodate even a smaller grocery-anchored community center.*** The most likely commercial format is a non-grocer neighborhood center.” (p. 8)
- Topography: “***The east portion of the site has a relatively steep slope to the east (Brady Road), which requires significant, costly site work in order to be usable.***” (p. 8)
Traffic/Access: “***From a capacity standpoint, the two-lane roads to the site are inadequate for the type of shopping traffic associated with regional commercial centers. As discussed, there is already congestion on the roads around the site at the beginning and end of the school day.***” (p. 8)
- Market Conditions: “***Some of this demand can likely be captured in neighborhood centers with a convenience format, like the proposed Camas Station project. However, with this center providing 14,000 square feet of convenience, gas, coffee, and additional retail and service, we regard the potential for additional establishments at this location to be very limited – especially taking into account the limited traffic exposure.***” (p. 8)

Key takeaways for both sites for MF-18 uses are:

- Compatibility: “***Multifamily and attached single-family housing on the sites are generally compatible with surrounding housing, schools, and park.***” (p. 9)
However, the ***most likely development format on these sites in the current market are two- and three-story structures*** (four-story structures are typically only feasible closer to commercial amenities, where pricing is higher). We also regard the residential uses to be compatible with the nLight building west of the north site, as this building is set back quite far from the property line, and screened by a row of trees. ***We therefore find the proposed residential use on both sites to be fully compatible with surrounding uses.***” (p. 9)
- Topography: “***Multi-family and attached-home development is typically feasible on uneven topography due to the ability to locate buildings and parking areas at different elevations.***” (p. 9)
- Traffic/Access: “The sites ***have adequate access for the proposed residential uses, and the pedestrian access to schools, park, and commercial amenities at the proposed Camas Station enhances the residential marketability of the sites.*** Though the traffic will increase compared to the current undeveloped state, ***the uses represent lower intensity and peak-hour traffic than typical commercial and industrial uses.*** Moreover, the adjacent schools and proposed commercial center within walking distance will allow for trip reductions at these sites. Given the many Camas residents who commute to the west, the sites ***would also offer shorter commutes and reduced traffic compared to other buildable multifamily land in the city.***” (p. 9)
- Market Conditions: “***The market for affordable housing forms, including rental apartments and attached homes, is strong all across the region, and the recent increase in mortgage rates is likely to shift additional housing demand to these housing formats.***”

“Our modeling of residential demand over the coming five years in Camas indicate a need for nearly 400 additional multifamily units and around 150 additional attached homes. We regard the subject sites to be well positioned to capture this demand, due to their views, access to schools and park, and relative proximity to employment and commercial areas to the west and in Downtown Camas.” (p. 9)

Section III Land Capacity Analysis

Ability to Meet Comp Plan Targets with Current Land Capacity

This section looks at the Camas 2035 Comp Plan as well as the 2021 Clark County Buildable Lands Report. The JE report notes, “After the projected land need over 20 years was factored, the analysis adopted in the Comp Plan finds that there is a surplus of land for all three land uses. The Comp Plan finds the narrowest 20-year surplus of commercial land (127 acres), with a larger surplus of industrial lands (167 acres), and the largest surplus of residential land (231 acres).” It also notes the findings of the 2021 BLR. JE notes the June 2022 finalized BLR, “This updated VBLM found a diminished supply of net buildable lands in the commercial and residential categories, but a slight increase in the industrial category: **296 acres of Commercial Land (down from 464 ac. in 2015); 667 acres of Industrial Land (up from 660 ac.) and 710 acres of Residential Land (down from 876 ac.)**” (p. 10)

With a discussion of current land capacity vs. recent absorption (2016-2020), the JE report notes the land supply for commercial, industrial, and residential represents certain years of supply based on those absorption rates. Specifically, “According to the report, land absorption in Camas over the 2016-20 period represented 60 acres of residential land annually, 6 acres of commercial land annually, and 1.6 acres of industrial land annually. **At this pace, the residential category is the most likely to exhaust its supply of land by 2035. The current land supply represents: over 50 years of Commercial Land (5.8 acres/year); over 400 years of Industrial Land (1.6 acres/year); and 12 years of Residential Land (59.6 acres/year)**” (p. 10)

With respect to the ability to meet the Comp Plan targets with the current land capacity, “**The current supply of employment land (963 ac. total) has capacity for 11,923 jobs at these densities, thus exceeding the original 20-year target.**” (1st paragraph, p. 11)

It also concludes, “Still, the **current capacity for 11,923 jobs is more than adequate** to accommodate the 9,124 jobs that remain of the 2035 target, **representing a surplus of 286 acres.**” (2nd paragraph, p. 11)

For residential targets, “As of the 2021 Buildable Lands Report, the 710 acres of net buildable residential land can accommodate 4,260 units at the same density. In other words, the **current residential capacity is more than enough** to accommodate the entire 20-year growth target, and more than twice the needed amount to accommodate the 1,872 units remaining of the 2035 target. The **current residential surplus is roughly 400 acres.**” (3rd paragraph, p. 11)

Impact of the Proposed Amendment on Land Supply

“Relative to the adopted growth targets, the proposed comp plan amendment will increase the imbalance in the surplus of residential vs. employment land. However, the actual absorption pace presented in the Buildable Lands Report indicates that the residential category will exhaust its supply of

land first. ***Thus, relative to actual development patterns and community needs, the proposed amendment will contribute to greater balance in the land supply.*** As mentioned, the adopted growth target for employment was based on modeling workers residing in, rather than working in, Camas in 2013. Instead of the intended 3.7% annual growth rate, the adopted target effectively assumes 4.2% annual growth. In comparison, employment growth over the 2015-21 period has averaged 3.0% annually. Thus, the comp plan's unrealistic employment growth assumptions result in artificially low estimates of surplus employment land currently. ***In other words, the current actual surplus of employment land is likely much greater than the indicated 286 acres.***" (p. 12)

Camas Housing Action Plan (2021)

The JE report notes the Housing Action Plan (HAP) and comments on the thorough analysis. A key takeaway in the JE report states, "The plan identifies a need for additional multifamily and attached single-family housing, and recommends strategies that can encourage additional development in these categories. ***These strategies include rezoning employment land to multifamily residential land. Again, though this would increase the imbalance of surplus land relative to adopted growth targets, it would help reduce the imbalance in the actual development patterns and needs in the city.***" (1st paragraph, p. 12)

It notes the HAP reports around 70 acres of buildable multifamily zoned land in Camas and that 24 acres have been publicly acquired. It notes, "***Some of this land is located in the North Shore area, without current access to infrastructure.*** These sites are unlikely to develop over the near term, as they are dependent on other sites developing first and bringing the infrastructure closer (some of these sites also have significant topographical challenges). Thus, the near-term capacity for this type of housing is likely well below this figure. ***The proposed comp plan amendment and zone change would contribute additional multifamily land with near-term development potential.***" (2nd paragraph, p. 12)

Section IV Market Analysis

This section evaluates market trends for commercial, industrial and residential uses in Camas. For commercial uses, retail and office trends are discussed along with historical retail and office space absorption rates.

Commercial

"The office market in Camas has also shown a weak trend in recent years, at least if we ignore the 2020 expansion at Fisher Investments, which represented 108,000 square feet. With the latter included, the ***city has averaged 15,000 square feet of net absorption annually since 2016, representing just over one acre per year with typical FARs.***" (bottom of p. 14)

Looking at office space demand, with certain outlined assumptions, JE forecasts future office space growth "in office employment of roughly 100 workers annually over the next five years. This represents around 20,000 square feet of space, or 100,000 over a five-year period. ***With an FAR of 0.33, this translates into land demand of 6.9 acres over five years, or 1.4 acres annually. Combining this with the modeled retail demand, we arrive at an estimated need for 1.9 acres of commercial land annually. This represents 9.5 acres over five years and 38 acres over a 20-year planning period.***" (2nd paragraph, p. 16)

JE also forecasts retail office space demand, which is summarized in figure 4.7 of the report. It concludes with, “At a typical \$325 per square foot (annual average, according to CoStar) the total sales growth **represents an increase in retail space demand of 26,000 square feet, or 2.4 acres at a standard 0.25 FAR. This reflects roughly 5,000 square feet and 0.5 acres on an annual basis**, which is 40% greater than the average annual absorption since 2016 reported by CoStar.” (3rd paragraph, p. 17)

Industrial

For industrial uses, JE reports a decline of 320,000 square feet of industrial space, including flex and specialty buildings, between the 2008-09 recession and 2015. The report notes that after re-occupied space in 2016 by WaferTech, “**Since then, the market has averaged 25,000 square feet (~1.4 ac.) of positive absorption annually**. More than half of this was CubeSmart Self Storage on 38th Avenue. The market lost industrial occupancy in 2021, when Karcher moved out of its building on Pacific Rim Boulevard, but regained most of this in 2022 as Northwest Paper Box moved in. Note that the Mill property is considered fully occupied.” (pp. 16-17)

JE uses the same approach in forecasting industrial demand as they do for office space. “With the projected growth of roughly 20 new jobs annually taking place in industrial buildings, **this results in a projected need for 93,000 square feet over five years, or nearly 20,000 square feet annually. At an FAR of 0.4, this represents 1.1 acres annually**. Note that these are expectations for annual averages. Industrial development typically takes place in few large projects rather than small annual increments. Moreover, certain storage or warehousing projects can be realized with limited associated job growth. At 1.1 acres annually, the modeled demand growth represents 5.5 acres over five years and 22 acres over 20 years.” (pp. 19-20)

Residential

“Camas has been among the fastest growing cities in the County, tripling in size since 1990, **growing at more than twice the Clark County rate**. Between 2010 and 2022, the city grew from 19,400 to 27,300, adding 7,900 residents. This represents an increase of 41%, or **2.9% per year on average**.” Figure 4.14 is a graph representing these data. Furthermore, “The city’s growth was strongest in the late 1990s, when the annual growth rate averaged roughly 10.0% per year. **The weakest growth was after the 2008-09 recession, when the rate hovered around 2.0% per year**. This is still strong – the long-term regional growth rate is 1.2% – and indicates considerable demand pressures. The growth gained momentum over the last decade, averaging 3.8% per year over the 2017-2021 period, when the city added 4,500 residents. This increase was accommodated by increased housing supply, which totaled 1,600 units over the five years.” (pp. 20-21)

Residential Shift

“**Regionally, there has been a shift in demand over the past two decades, from single-family ownership homes to multi-family rental units**. The shift was catalyzed by the foreclosure crisis and ensuing recession at the end of the 2000s, which led to stricter credit requirements for homebuyers. The recession also caused an increase in college enrollment, at rapidly growing tuition costs, something that in tandem with rapidly rising rent levels made it difficult to save up for down payments. Rental apartments became the only viable housing form for many young households, which in turn led to a shift in housing construction, from single- to multi-family units. **Rapid price gains in the single-family**

market has continued to sustain demand for the more affordable multi-family homes in recent years.”
(p. last paragraph, 21)

The report continues, **“The same shift has taken place in Clark County, where the multi-family share of new housing production went from 15% in the early 2000s to 45% by 2021. Camas has not participated in this shift to the same degree.** If we exclude the 276-unit Kielo at Grass Valley in 2019 (and the Casey in 2022), the share of issued multifamily building permits has remained around 0% over the past 10 years.” (p. 1st paragraph, p.22)

Historic Demand

“Reflecting the very limited supply of new units, market absorption of apartments in Camas was very modest until 2018-19, when roughly 50 units were absorbed annually, and 2020-21, when the absorption averaged more than 160 units annually due to lease-up of Kielo at Grass Valley. In isolation, Kielo achieved absorption of 31 units per month on average (~20 ac./yr). **This is unusually high, indicating strong demand. Thus, Camas would likely have absorbed many more units with additional supply.**” (2nd paragraph, p. 22)

Projected Housing Demand

JE has developed a model that “allocates anticipated household growth into demand for housing of different forms.” The model takes into account household age and income levels, with the demand growth “anticipated to be concentrated among middle- and upper-income segments, with declines at the lowest income levels. This is in keeping with recent trends, reflecting the appeal of Camas to affluent households.”

Figure 4.20 of the JE Report shows a 5-year demand growth and an annual demand growth. In summary, the figure shows, “Detached single-family ownership homes dominate the projected demand, representing a net increase of roughly 700 units over five years. If we include detached rental homes, which typically come from the existing housing stock, there is an estimated net need for 760 new detached homes. Attached homes are projected to represent a total need for roughly 150 homes. **Rental apartments are projected to see the strongest demand growth in relative terms, for an estimated 365 units.** If we include condominiums, the net need for new multifamily units is estimated to 385.” (2nd paragraph, p. 24)

Again, this forecast is based on the historical job/housing relationship and existing single-/multifamily splits in the city. **It may underestimate the preference for housing among low- and middle-income households, who are currently underrepresented. Additional housing at appropriate price points would thus likely accommodate additional growth.**” (4th paragraph, p. 24)

Section V Conclusions

Land Capacity

According to the 2021 Clark County Buildable Lands Report, land absorption in Camas over the 2016-20 period represented absorption of 60 acres of residential land per year on average, 6 acres of commercial land annually, and 1.6 acres of industrial land annually. At these rates, the current land supply represents over 50 years of commercial land and over 400 years of industrial land, while the residential

land represents only 12 years of absorption. ***From a land capacity standpoint, the proposed re-allocation of commercial and industrial land to residential land would thus improve the balance in the land supply.*** (3rd paragraph, p. 25)

Market Trends

All across the region, there has been a shift in demand from single- to multifamily housing in recent years, as single-family homes have become financially unattainable for a growing share of the population. While the housing production in Clark County has evolved to match the new pattern, Camas has only to a limited degree shifted its housing production, and thus likely has some pent-up demand for multifamily housing. ***This is corroborated by the Camas Housing Action Plan (2021), which includes a detailed analysis of current and future housing needs in the city. The analysis finds a particular need for additional multi-family and attached single-family homes that can accommodate low- and middle-income households. Additional housing in these categories will likely help employment growth in the city by providing workforce housing that brings needed labor closer to Camas employment.*** (2nd paragraph, p. 25)

Given the limited need for employment land reflected in these market-based forecasts, ***the proposed re-allocation of industrial and commercial land to residential land is unlikely to have negative impact on employment growth, while it can alleviate pressures in the residential market.*** By accommodating needed workforce housing in the city, the re-allocation may in fact have a positive impact on employment growth. (2nd paragraph, p. 26)

Suitability for Development

We regard both sites to be suitable for the proposed multifamily residential (MF-18) zoning, which is intended for multifamily and attached single-family housing. The sites are located at the transition between residential and employment land, where these housing forms are encouraged. Moreover, these uses are compatible with surrounding housing and schools, and do not face the issues related to scale, configuration, or topography that would complicate commercial or industrial development. On the contrary, the sloping topography represents an amenity in the form of views. Furthermore, the sites would provide housing within walking distance of schools, parks, and the proposed Camas Station commercial center, thus generating limited auto traffic. Given the many Camas residents who commute to the west, the sites would also offer shorter commutes and relatively less traffic compared to other buildable multifamily land in the city. A strong indication of the suitability for the proposed residential use is provided by Parker Village, a recent attached-home development located between the subject sites. (3rd paragraph, p. 26)

In conclusion, we regard the subject sites to represent desirable locations for housing, both from a community standpoint and from the perspective of renters, buyers, and developers. The sites are less suitable for employment uses, and less likely to be developed in light of current and anticipated market conditions. These findings are supportive of the proposed comp plan amendment and zone change. (last paragraph, p. 26)