

WORK SESSION AGENDA ITEM SUMMARY

City Council



STAFF

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SUBJECT FOR DISCUSSION

Land Use Code Update: Commercial Corridors and Centers

EXECUTIVE SUMMARY

The purpose of this item is to update Council on the proposed code changes, approach, and timeline for the Land Use Code (LUC) update.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What questions do Councilmembers have regarding the proposed Land Use Code changes?
2. What feedback do Councilmembers have on the timeline or other considerations for the Land Use Code update?

BACKGROUND / DISCUSSION

Project Overview

The Land Use Code (LUC) Update: Commercial Corridors and Centers, focuses on changes along major roadways with frequent bus service to encourage more housing and mixed-use development, create more resilient commercial and employment centers, and improve predictability through site design standards and clear site improvement requirements.

Foundational Land Use Code Changes

Several foundational LUC changes were adopted by Council on April 16, 2024. These include:

- Reorganized content so the most used information is first in the Code
- Reformatted zone districts with consistent graphics, tables, and illustrations
- Created a menu of building types and form standards to guide compatibility
- Updated use standards, rules of measurement, and definitions to align with new building types and standards
- Expanded and re-calibrated incentives for affordable housing

- Regulate density through form standards and building types instead of dwelling units per acre

State Legislation

Several bills were passed last year through the state legislature that will affect local Land Use Policy. Compliance with these bills will be integrated into the LUC work and will be brought to Council to comply with their associated deadlines:

HB-1313 Housing in Transit-Oriented Communities:

This bill requires the establishment of a Housing Opportunity Goal and ongoing reporting to ensure a minimum zoned housing capacity along high frequency transit corridors. In addition, the bill requires communities to review and permit multifamily and mixed-use projects in transit areas without requiring a public hearing and to develop anti-displacement strategies. The City intends to comply with the first deadline to submit a preliminary transit-oriented community assessment report on or before June 30, 2025.

HB-1152 Accessory Dwelling Units:

This bill will require updating our Land Use Code to permit Accessory Dwelling Units (ADUs) wherever we allow single-family detached homes. As of February 14, 2025, the LUC was updated to be compliant with HB-1152.

HB-1304 Minimum Parking Requirements:

This bill will require updates to the Land Use Code to remove minimum parking requirements for multi-family and certain mixed-use projects close to transit. As of February 15, 2025, the LUC is compliant with HB-1304.

Policy Foundation

Code updates are complex, multifaceted efforts that build on years of previous planning work. The LUC is the City's primary regulatory tool for implementing our community's vision as described in various policies and adopted plans. The City has over 300 pages of adopted policies and information to inform the LUC Updates that primarily come from the following documents:

- *City Plan*
- *Housing Strategic Plan (HSP)*
- *Economic Health Strategic Plan*
- *Our Climate Future (OCF)*
- *Transit Master Plan*
- *15-Minute City Analysis*
- *Land Use Code Audit (which identified opportunities to align LUC with the newly adopted City Plan)*
- *Council Priorities (affordable and achievable housing strategies; 15-minute communities)*
- *Urban Forest Strategic Plan*

Relevant Council Priorities

- **Council Priority No. 1:** Operationalize City resources to build and preserve affordable housing
- **Council Priority No. 3:** Advance a 15-minute city by igniting neighborhood centers
- **Council Priority No. 4:** Pursue an integrated, intentional approach to economic health

- **Council Priority No. 8:** Advance a 15-minute city by accelerating our shift to active modes

These documents and priorities serve as primary inputs to the formation of Guiding Principles and code language, augmented by work accomplished in Phase 1 of the LUC update. Staff have been engaging internal staff and providing monthly updates at work sessions with the Planning & Zoning Commission.

Guiding Principles

The following Guiding Principles were developed utilizing goals, policies and action items from the adopted policy plan documents mentioned above, in addition to Council priorities.

- Enable more housing and mixed-use buildings, especially along roads with frequent bus service
- Create resilient commercial and employment centers that are adaptable to future needs
- Create clearer building and site design standards that promote transit use, walking, and rolling along roads with frequent bus service
- Improve Predictability of the Land Use Code, especially to support small business owners

Project Focus Areas

Focus areas for Land Use Code updates have been identified based on Guiding Principles, community input, and analyses conducted by the consultant team and City staff.

Transit Oriented Development Overlay (TOD) District

Corresponding Guiding Principle: *Enable more housing and mixed-use buildings, especially along roads with frequent bus service*

The Purpose of the Transit-Oriented Development Overlay District is to modify the underlying zone districts south of Prospect Road to encourage denser development and supportive land uses close to transit. The TOD Overlay offers height bonuses if projects meet various criteria. These criteria include building affordable units (at least 10%), including structured parking, and including mixed-use. Height bonuses are meant to incentivize greater density in certain areas. Most of the underlying zone district south of Prospect Road within the TOD Overlay is General Commercial.

Example: A 4-story building is currently allowed in General Commercial zoning (CG). With the TOD Overlay Zone Incentives, up to a 7-story building would be allowed if all incentives are used.

Although the TOD Overlay encourages higher-intensity mixed-use development, most of the built and proposed development and redevelopment in this area continues to be suburban in character and generally low-intensity uses. Testing the various potential configurations for market feasibility reveals that most configurations to include mixed-use, even with the additional height allowances, do not achieve a feasible internal rate of profitability return that would make a developer willing to take on a project. Primarily, costs of construction and low commercial rents disincentivize building more floors. Only with a tax incentive does the prospect of adding the additional 3 floors allowed within the TOD Overlay and a ground floor commercial component begin to achieve a feasible internal rate of return. However, a test scenario to assume one-story additional height allowance (5-story residential building) without a mixed-use component is found to be the most market feasible development type available today.

Another reason why the development pattern within the TOD Overlay continues to be low-density and auto centric could be the land uses that are allowed by the Land Use Code. Permitted land uses in the TOD currently include gas stations, self-storage, drive-thru restaurants, drive-thru pharmacies, car washes, drive-thru banks & credit unions, and stand-alone parking lots, amongst others. Auto-centric uses are already concentrated within most of the TOD Overlay, particularly in the area south of Prospect Road (please reference April 9 Open House Map 'Transit-Oriented Development' map). Additional concentration

of these uses makes it more difficult to achieve the dense, mixed-use environment as envisioned by the TOD Overlay.

Community engagement for this project thus far has documented a large volume of comments about the amount of existing surface parking provided by many of the commercial developments across Fort Collins, but particularly in the TOD overlay. Currently in the Land Use Code, there is a parking minimum and a parking maximum that must be met by non-residential uses. Therefore, another consideration during this code update could be to adjust and recalibrate the amount of parking required for non-residential uses.

Recommended Code and Policy Changes

Based on staff and consultant analyses, staff is recommending the following code changes within the TOD section of the LUC:

- **Recalibrate incentives:** Consider recalibrating height bonuses for standalone residential.
- **Adjust permitted uses:** Limit additional low-intensity or excessively auto-centric uses such as drive-thrus, gas stations, and single-floor mini storage.
- **Recalibrate non-residential parking:** Consider lowering surface parking minimums and/or maximums for commercial uses.
- **Leverage other City incentives outside of the LUC to encourage desired TOD development:** Examples: URA, public-private development opportunities.

Harmony Corridor and Employment Zones

Corresponding Guiding Principle: *Create resilient commercial and employment centers that are adaptable to future needs*

The Harmony Corridor District is intended to implement the design concepts and land use vision of the Harmony Corridor Plan - that of creating an attractive and complete mixed-use area with a major employment base. The Harmony Corridor Plan was adopted in 2006 as an element of City Plan. “Primary” and “Secondary” uses were established to emphasize the office and employment functions of the area. While this has served the area well in the past, market conditions have shifted away from large office parks and demand for residential and smaller retail has increased.

Current Standards:

In addition to defining Primary and Secondary Uses within the Harmony Corridor, the code defines ratios of Primary versus Secondary Uses for development plans as follows:

- Secondary Uses may occupy no more than 25% of the Gross Area of the Development Plan
- Locate industries and businesses in areas designated for Primary Uses.
- Primary uses must account for 75% of the development plan area.

Primary Uses:	Secondary Uses:
<ul style="list-style-type: none">• Offices, financial services & clinics• Long term care facility• Medical centers/clinics• Light industrial• Mixed-use Dwellings• And Others	<ul style="list-style-type: none">• Residential uses (with some exceptions)• Convenience shopping centers• Standard restaurants• Limited indoor recreation use and facility• Child Care Centers• And Others

Recommended Code and Policy Changes

The development pattern within the Harmony Corridor has generally achieved the vision of the Harmony Corridor plan. Community feedback regarding this corridor has largely centered around the need for greater flexibility while maintaining some areas for employment uses to allow for mixed-use development. Testing various market feasibility scenarios has revealed that housing development is most feasible in this area, much more economically viable than employment or large office parks. That said, given the desire for flexibility and mixed-use potential, staff recommend a number of adjustments to standards intended to achieve the Guiding Principle for the Harmony Corridor and other areas zoned for Employment across the community.

- Adjust the primary/secondary use ratio to allow for a greater mix of uses, including housing
- Adjust primary use requirements in mixed-use buildings
 - Explanation: Currently, the LUC requires that the entire ground floor of a mixed-use building in these zone districts be occupied by a primary use. Consider reducing this requirement to allow a smaller portion of the ground floor or any individual floor to be occupied by a primary use.
- Allow more secondary uses as part of a multi-story, mixed-use development
 - Explanation: This would allow more configurations of mixed-use buildings, combining multiple secondary uses. For example, a building with a restaurant on the ground floor and upper floors of residential.
- Allow standalone secondary uses to be developed if replacing an existing surface parking lot

Building Design Standards

Corresponding Guiding Principle: *Create clearer building and site design standards that promote transit use, walking, and rolling along roads with frequent bus service*

The LUC currently does not include non-residential building types or provide additional configurations of mixed-use buildings (Article 3 of the LUC). This often results in a lack of clarity for development teams regarding design standards and can sometimes lead to project delays and miscommunication.

Article 5 of the LUC (General Development and Site Design) includes the standards that influence building placement and site design, building standards, circulation and connectivity standards, bus stop design standards, etc. – **standards that influence the pedestrian, multi-modal, and transit experience.**

Form standards and building types (like the diagrams added during Phase 1 of the LUC update) can yield better design outcomes and can help achieve more predictability in built projects.

Article 5 of the LUC was not updated in the last round of code updates and contains redundant sections that could be clarified, simplified, and possibly eliminated with the addition of building types.

Recommended Code and Policy Changes

To address the redundancy in the code within Article 5 and to move to greater clarity and predictability, staff are recommending the following code changes:

- Develop new Non-Residential Building Types to be added to the LUC
- Consolidate and organize standards addressing non-residential buildings. Convert text standards to illustrations and graphics
- Update pedestrian-oriented design standards:
 - Connectivity and site circulation

- Frontage and ground floor activity
- Building massing and articulation

Change of Use

Corresponding Guiding Principle: *Improve predictability of the Land Use Code, especially to support small business owners*

The Change of Use process is used in a variety of situations, including for existing business spaces that are changing from one allowable use (ex: retail shop) to another (ex: restaurant). Often the requirements are meant to identify both areas of necessary site improvements (ex: sidewalks and lighting) that are commensurate with the change of site intensity (ex: more visitors at different times of the day).

Current standards do not offer clearly defined boundaries for the extent of site improvements. The onus is then placed on staff to decide on the level of requirements for a Change of Use process. These requirements are often based on site deficiencies rather than other factors, such as actual changes to site intensity or the magnitude of the project (ex: major site reconfiguration or a major change in site use intensity).

The Change of Use process has been identified as an area for improvement, both for process and clarity of requirements. These areas for improvement have been identified through community and staff engagement.

Recommended Code and Policy Changes

To alleviate ambiguity and to add predictability in the process, staff are contemplating the following changes:

- Design an approach that makes requirements clear from the beginning and is commensurate with the impact of the proposed changes:
 - Reduce the quantity of projects that must go through the change of use process.
 - When a site is undergoing a more significant change, limit site upgrades to a percentage of the total cost of the project.
 - Prioritize the site upgrades that the Land Use Code requires.

Other LUC Updates

The four categories of code updates organized by Guiding Principle capture the most significant anticipated code updates. However, staff are also tracking a list of smaller clarification and clean-up edits that will appear in the first version of the draft LUC. These edits will be documented, and staff will be prepared to review and discuss these suggested edits with City Council during future work sessions.

Focus Group topics and other engagement

Several Focus Group conversations were held with frequent users of the code and smaller, local businesses who have recently gone through a development review process. These were held in January and February of 2024. A summary of feedback from the five focus groups is attached to this AIS. Below is a brief summary of feedback:

Code Feedback and Recommendations

Feedback was wide-ranging, including many suggestions on process and coordination between departments. Subjects also varied widely, including suggestions for improvements to Historic Preservation

requirements and clarity regarding habitat buffer zones. While most participants recommended fixes to the process not directly outlined in the LUC, and considered them just as important as LUC changes, they also had many suggestions for improvement of the LUC. The following list is most pertinent to the updates proposed in the Commercial Corridors and Centers project, but more can be found in the attachment:

- Make the LUC easier to navigate. There is a steep learning curve for laypeople who are trying to navigate the LUC. It is not organized in a user-friendly way.
- Build in ranges and flexibility to make it easier to make modifications for infill development. Where possible, articulate an objective and offer flexibility in how a developer meets that objective.
- Participants like the form-based code but want to ensure that examples are realistic and representative. Build in flexibility around form definitions.
- Better distinguish between infill and greenfield standards, as infill projects always require modifications to the Code standards, which are currently better suited for suburban landscapes.
- Expand the definition of “uses,” as the change of use process is complicated.
- Revisit architectural design requirements, as requirements intended to improve architectural diversity hamper creativity.
- Clarify requirements for compatibility and transitions between adjacent uses, especially if there is a transition in density.
- Re-evaluate restrictions on secondary uses and redefine employment zones to better reflect the current, post-pandemic market.
- Update parking ratios and calculations in mixed owner environments and based on market conditions, for example in big shopping centers with a mix of business types and property arrangements.
- Include a shared parking section in the Code for commercial and residential mixed use.

Timeline and Next Steps

Following the April Work Session, staff will continue code refinement and plan to meet with focus groups again in May or June to review drafted code concepts. A public release of a draft LUC is anticipated in June. Staff expect to return to a work session with City Council in July to discuss feedback on the draft LUC and ideas for refinement of code sections prior to finalizing a draft.

ATTACHMENTS

1. Draft Summary of Focus Group Feedback
2. Boards from April 9th LUC Open House
3. Commercial Code Sensitivity Analysis
4. Presentation