



City of Ketchum
Planning & Building

STAFF REPORT
KETCHUM PLANNING AND ZONING COMMISSION
MEETING OF APRIL 11, 2023

Refined Scope of Work for the Permanent Adoption of Interim Ordinance 1234

Introduction

The Planning & Building Department is working on two major efforts to update the city's land use regulations: (1) the permanent adoption of Interim Ordinance 1234 (the "interim ordinance") and (2) the comprehensive plan update and zoning code rewrite. During their March 8, 2023 meeting, the Planning and Zoning Commission ("Commission") discussed the scope of work for the permanent adoption of the interim ordinance. Staff presented an initial assessment of interim ordinance standards that warrant further analysis and refinement. This initial assessment was based on staff's evaluation of new development projects for conformance with the interim ordinance as well as ongoing feedback gathered from key stakeholders and the city's Technical Advisory Group ("TAG"). In addition to the initial assessment of interim ordinance standards, staff identified zoning code technical corrections, text clarifications, and amendments to address in the short-term through the permanent ordinance while the city's land use regulations are rewritten over the next three years. The Commission recommended that staff prioritize further analysis and refinement of interim ordinance standards rather than expending significant time and effort on additional code amendments to adopt through the permanent list.

The staff report identifies interim ordinance standards that warrant further analysis and refinement as well as the code amendments that have been removed from the list of permanent ordinance additions. The purpose of this discussion is to finalize the scope of work for the permanent adoption of interim ordinance standards and additional zoning code amendments.

Analysis & Refinement of Interim Ordinance Standards

Idaho's Local Land Use Planning Act authorizes local jurisdictions to enact interim ordinances establishing temporary zoning standards effective up to one year while long-term land use regulations are analyzed and prepared. Interim ordinances provide an opportunity for cities to trial run temporary land use regulations and gauge their effectiveness. The purpose of the interim ordinance is to encourage projects that contribute to the community, enhance downtown vibrancy, support and strengthen Ketchum's economy, and increase housing production. The interim ordinance was adopted in October of 2022 and the temporary standards will expire on October 19, 2023 unless the code is amended through the adoption of a permanent ordinance.

Technical expertise is needed to assist staff with the commercial demand analysis and architectural feasibility studies that will inform further refinement of interim ordinance standards. At their April 3, 2023 meeting, the City Council approved professional services contracts for Economic and Planning Systems ("EPS") to conduct the commercial demand analysis and for Holst Architecture to evaluate development feasibility. The commercial demand analysis will build an inventory of existing commercial space, document rental rates and vacancy data, and assess current and future commercial demand. In addition, EPS will create two prototypes to model the financial feasibility of development

projects subject to the interim ordinance. The architectural analysis will include massing and yield studies for developments on 5,500-square-foot interior lots and corner parcels with flat and sloped topography to evaluate development feasibility for the minimum residential density requirements and the minimum 55% commercial ground-floor standard.

The commercial demand analysis, financial feasibility case studies, and architectural evaluation will inform further refinement of interim ordinance standards. Staff's examination and refinement of interim ordinance standards will be ongoing as EPS and Holst Architecture prepare further analysis, conduct feasibility studies, and provide recommendations. In addition, staff will continue to evaluate new development projects for conformance with the interim ordinance and gather feedback from key stakeholders to help guide refinement of the interim ordinance standards.

Based on ongoing evaluation, stakeholder input, and Commission feedback, Staff has identified the following list of interim ordinance standards that warrant further analysis and refinement.

Expansion of Downtown Properties Requiring Ground-Floor Commercial along Street Frontage

Section 10 of the interim ordinance changed the permitted uses of certain properties in the Mixed-Use Subdistrict of the Community Core (CC-2 Zone) as shown in Figure 1 from the alley west of Main Street to Washington Avenue between 2nd and 5th Streets to prohibit ground-floor residential use with street frontage. These CC-2 properties were selected due to their existing vibrant characteristics and high volume of pedestrian traffic. The expansion of downtown properties subject to the ground-floor commercial along street frontage requirement encompasses key pedestrian corridors, including 4th Street and Sun Valley Road. This expansion increases the downtown properties where commercial use is required on the ground floor with street frontage by 43% promoting vibrant uses that will create an activated, pedestrian-friendly, and engaging downtown environment. The Commission recommended that staff reevaluate the expansion of downtown properties requiring ground floor commercial along the street frontage. This assessment will be informed by the commercial demand analysis that will be prepared by EPS.

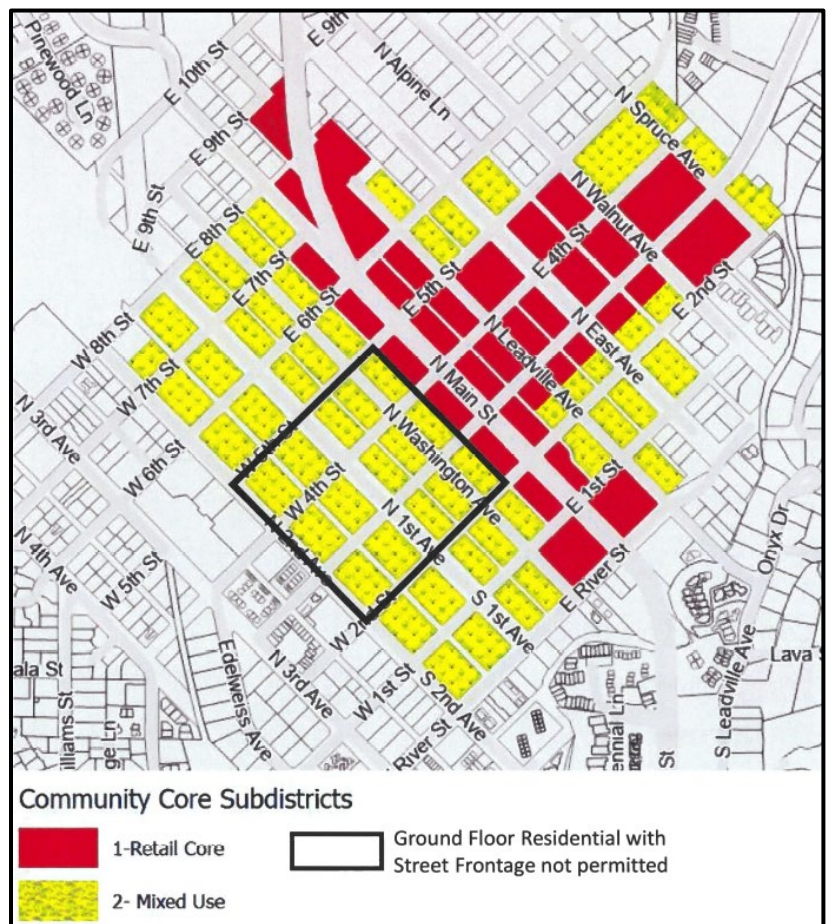


Figure 1: Interim Ordinance 1234 Exhibit B

Adjustment of Requirements through Conditional Use Permit

Section 12 of the interim ordinance states that requirements may be adjusted through a Conditional Use Permit (“CUP”) reviewed and approved by the Commission. Stakeholders have provided feedback that the CUP process increases uncertainty for developers. Additionally, the CUP criteria are broad and challenging to apply to the adjustment of interim ordinance standards. Staff is exploring alternatives to the CUP to evaluate alternative methods to consider adjustments to interim ordinance standards, including crafting a specific waiver with associated criteria. The goal of this alternative method is to provide a clear, transparent, and predictable process to consider adjustments to interim ordinance standards.

55% Commercial Ground-Floor Requirement

Section 11A of the interim ordinance states, “For mixed-use developments, a minimum of 55% of the gross floor area, as defined in KMC 17.08.020, of the ground floor must be commercial use(s).” Recent development trends in Ketchum have prioritized low-density, large, luxury residential units for second homeowners over commercial uses. Market-rate residential units have been prioritized in mixed-use developments above commercial uses as evidenced by residential amenities, including large lobbies, private garages, and storage areas, that occupy large areas on the ground floor of mixed-use developments. The intent of this interim ordinance standard is to promote the prioritization of commercial uses on the ground floor and limit the area dedicated to luxury residential amenities. Based on staff evaluations of recent downtown development projects for conformance with the interim ordinance, most new mixed-use buildings do not comply with the 55% commercial requirement. Refinement of this standard will be informed by the architectural evaluation and feasibility analysis prepared by Holst Architecture.

Parking Exceptions and Standards

Section 8 of the interim ordinance provides a parking exemption for office uses. Staff has received feedback that the city should consider providing a parking exception for personal service uses like beauty salons that provide services with a short time duration resulting in more transient customer parking. In addition to the parking exception provided for offices, section 11D of the interim ordinance states, “Developments shall not provide a total number of parking spaces above the minimum requirements per KMC §17.125.040-Off Street Parking and Loading Calculations, unless the additional parking spaces are designated for public parking use only or for deed restricted community housing.” The Commission has expressed concerns with downtown parking availability and the loss of existing on-street parking spaces resulting from new sidewalk improvements and bulb-outs.

The city and industry expert Dixon Resources are developing a downtown parking action plan that provides management strategies to increase



Figure 2: Downtown Ketchum Parking Map

efficiency and address the parking needs of various users, including workers, shoppers, and tourists. The city has been collecting data through license plate recognition technology that indicates downtown parking availability block by block, duration, and turnover ratio. This data will inform the city’s parking policies, regulations, rates, and management strategies to maximize the efficient use of existing parking spaces and future parking supply. The city’s ongoing development of the downtown parking action plan will assist in the evaluation and refinement of interim ordinance parking standards and exceptions.

Minimum Residential Densities

Section 4 of the interim ordinance establishes minimum residential densities for new development projects that exceed a total floor area ratio of 1.0. Recent development trends in Ketchum have resulted in low-density residential development in areas the comprehensive plan envisions for medium- to high-density residential and mixed-use developments. Luxury residential penthouse units owned by second homeowners are unoccupied most of the year resulting in developments with little to no human activity, which decreases downtown vibrancy. In addition to recent low-density residential development trends, the city is experiencing a significant population increase and severe housing shortage. The city needs between 660 to 980 preserved, converted, or new homes in the next 10 years to meet demand. Goal 2 of the city’s Housing Action Plan (“HAP”) is to update policy to promote housing. Priority actions to support this goal include, “enact interim ordinance while permanent regulations are developed to increase the production of housing.” The minimum residential density requirements support this HAP goal. The city has received feedback that achieving the minimum residential densities on interior Ketchum townsite lots may not be feasible due to building code requirements for zero-lot-line developments. The architectural analysis and yield studies prepared by Holst Architecture will inform further refinement of minimum density residential requirements.

No Net Loss of Dwelling Units

Section 6 of the interior ordinance states, “No demolition permit shall be issued pursuant to Chapter 15.16 of the KMC that results in the net loss in the total number of residential units currently existing on a property.” Recent development trends in Ketchum have demolished older, high-density multi-family developments to accommodate large single-family homes and luxury townhomes. Many older, high-density multi-family residential developments support naturally occurring affordable housing that is unsubsidized but remains affordable regardless of market rent.

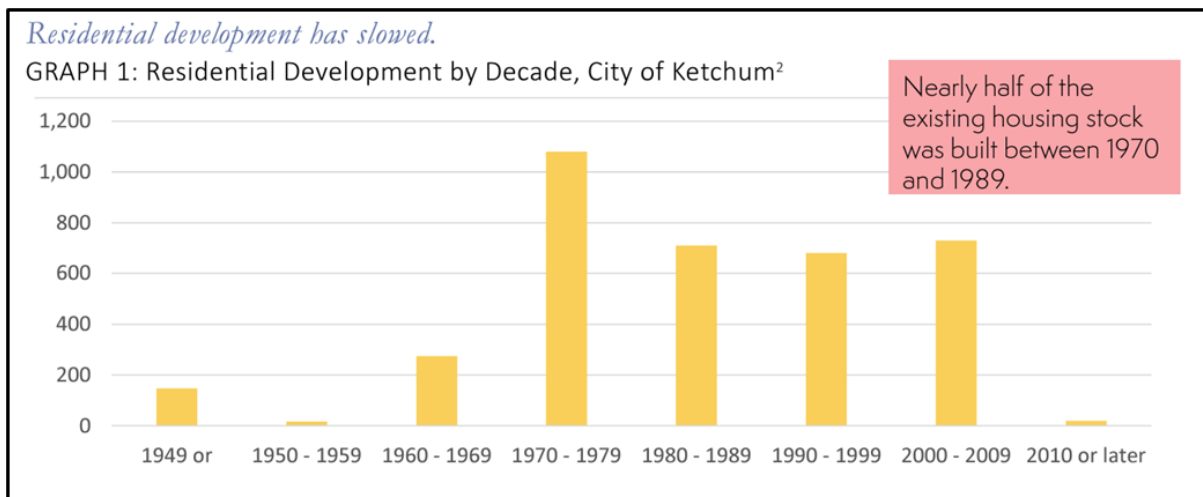


Figure 3: HAP Graph 1 (Page 10)

Ketchum lost 475 long-term rental and ownership housing units from 2000 to 2019. The no net loss of dwelling units regulation will be revised to clarify that the standard applies to all building permit and land use applications submitted for redevelopment projects.

Maximum Size for Penthouse Residential Units

Section 11C of the interim ordinance states that, “individual residential dwelling units cannot exceed a total square footage of 3,000 square feet.” The intent of this interim ordinance standard is to encourage more dwelling units with a variety of sizes, room layouts, and configurations within a building. The city has received multiple inquiries for CUPs to adjust this requirement. The mass, yield, and financial feasibility studies will guide further refinement of this interim ordinance standard.

Code Amendment Additions

Staff’s initial list of zoning code technical corrections, text clarifications, and amendments to address in the short-term through the permanent ordinance is provided in the March 8, 2023 staff report included as Attachment A. Certain code amendment additions originally identified by staff require more extensive analysis and community outreach. Based on the Commission’s direction to prioritize further analysis and refinement of interim ordinance standards, Staff has removed the code amendment additions that will be more challenging to implement due to the limited timeframe provided for the permanent adoption of the interim ordinance.

A workshop is scheduled on the agenda for the April 11, 2023 Planning and Zoning Commission Meeting to clarify Mountain Overlay Design Review criteria and construction regulations on hillsides with 25% or greater slope. Staff recommends these clarifications be memorialized through a formal Commission interpretation, which would provide more time to clarify and refine Mountain Overlay Design Review criteria and hillside development standards through the full code rewrite.

Staff’s initial list of code amendment additions included clarifying green building standards for snowmelt, pools, and hot tubs. During their meeting on April 3, 2023, the City Council provided policy direction regarding snowmelt systems installed as permanent encroachments within the public right-of-way. The City Council is supportive of snowmelt systems installed for downtown development projects as these systems provide a public benefit by keeping sidewalks clear of snow and ice during winter providing a safe pathway for pedestrians. The City Council will not approve future Right-of-Way Encroachments for residential snowmelt systems unless the system is required by the Fire Department for nonconforming driveways with steep slopes or required by the Streets Department to increase the safety, functionality, and street maintenance operations of substandard roadways. In addition to City Council policy direction, the Idaho Legislature recently passed House Bill 287 that prohibits local governments from adopting energy codes that differ from state requirements and eliminates the grandfather clause that has allowed local governments with existing energy efficiency code requirements stricter than what the state allows to remain in place. As a result of City Council policy direction and House Bill 287, staff has removed clarifying green building standards for snowmelt, pools, and hot tubs from the list of interim ordinance additions.

The initial list code amendment additions included clarifying process and standards for when and how performance bonds can be accepted. Performance bonds are referenced in multiples sections of Ketchum Municipal Code, including Title 15—Buildings and Construction, Title 16—Subdivision Regulations, Title 13—Public Services, Title 12—Streets, Sidewalks, Public Utility Easements and Public

Places, and Title 17—Zoning Regulations. Amending the code to clarify the process and standards for performance bonds would require significant time and effort. This code clarification has been removed from the list of interim ordinance additions. Staff is developing an internal system for the acceptance of performance bonds that will improve the process.

Staff is evaluating a zoning code amendment to allow Tiny Homes on Wheels (THOWs) and park model recreation vehicles (RVs) as ADUs. Siting of THOWs and RVs on residential properties in Ketchum is currently prohibited. Staff is considering the potential impacts of permitting THOWs as ADUs and evaluating the effort, including staff analysis and community outreach, that would be required to implement this code amendment. Staff is gathering feedback on THOWs from the Fire and Building departments and will provide the Commission with a recommendation for whether this code amendment should be addressed through the permanent ordinance.

The Commission recommended amending the definition for multi-family dwelling unit to require more density. KMC §17.08.020 defines *dwelling, multiple-family* as, “a building, under single or multiple ownership, containing two or more dwelling units used for residential occupancy.” Staff does not recommend amending the definition for multi-family dwelling unit as it applies to low-density residential and light industrial zoning district and would create multiple that would require significant staff effort to resolve in the zoning code. Staff believes that the goal to increase housing production is adequately addressed through interim ordinance standards, including minimum residential density requirements.

Section 11B of the interim ordinance prohibits the siting of community housing units in basements. During their March 8, 2023 discussion, the Commission recommended that community housing livability standards be added as a code amendment to address through the permanent ordinance. Mountain communities like Teton County, Wyoming and the City of Boulder, Colorado have adopted livability standards for affordable housing. These standards range in scope and detail and may include unit size requirements, room layout and configuration design standards, and regulations for kitchen countertops and cabinets, storage areas, appliances, floor coverings, and windows. While livability requirements help improve the quality of affordable housing, Staff does not recommend the addition of community housing livability standards to the permanent ordinance at this time. The city is currently working to: (1) determine how well current efforts are meeting the community’s housing needs and preferences and has recently launched a survey to gather input and (2) expand and verify the 2022 housing needs assessment with more recent data. The city’s Housing Director has recommended that the community housing livability standards be developed at a later date so that the requirements may be informed by these ongoing efforts.

Staff Recommendation

Due to the short timeframe provided to adopt the permanent ordinance, staff requests the Commission provide final feedback on the proposed code amendment additions (see Attachment A). Moving forward, no additional code amendments will be considered for inclusion in the permanent ordinance.

Next Steps

EPS will present preliminary findings from commercial demand analysis to the TAG during their upcoming meeting on May 4th, 2023. Commission work sessions to review certain interim ordinance

standards and code amendment additions will begin in May. Staff is coordinating an interactive community workshop that will be scheduled for mid-June.

Attachments

- A. March 8, 2023 Staff Report: Interim Ordinance 1234 Revisions & Prioritization of Additional Code Amendments Discussion
- B. Economic & Planning Systems Scope of Work for Commercial Demand Analysis & Financial Feasibility Case Study
- C. Holst Architecture Scope of Services for Architectural Evaluation and Feasibility Studies

Attachment A

March 8, 2023 Staff Report:

Interim Ordinance 1234

Revisions & Prioritization

of

Additional Code Amendments

Discussion



City of Ketchum Planning & Building

STAFF REPORT KETCHUM PLANNING AND ZONING COMMISSION SPECIAL MEETING OF MARCH 8, 2023

INTRODUCTION

As outlined in the City of Ketchum Planning and Building Department workplan, the city is working on two efforts focused on updating the city's land use regulations. The first effort is the permanent adoption of Interim Ordinance 1234. The second is a full rewrite of the city's land use regulations including Title 16 – *Subdivision Regulations*, Title 17 – *Zoning Regulations*, and focused updates to Title 12 – *Streets, Sidewalks, Public Utility Easements and Public Places* and Title 15 – *Buildings and Construction* to ensure consistency of regulations.

During the January 10, 2023 meeting of the Planning and Zoning Commission (the "Commission"), members expressed concern for the length of time it will take to execute the full rewrite of the code following an audit and update of the comprehensive plan. As such, staff committed to identify certain updates to the land use regulations that can be achieved during the development of the permanent ordinance this year. The report below provides an overview of code issues identified through discussions with the development community, City Council, Commission, Historic Preservation Commission, and staff. As anticipated, the list is quite long and many of the items require not only extensive evaluation but also warrant comprehensive community engagement.

The goals of the permanent ordinance include:

- Address negative development trends in housing supply, housing variety, and commercial development
- Increase housing supply within the City of Ketchum
- Increase opportunities for commercial development in the downtown
- Reduce regulatory barriers for accessory dwelling unit development
- Implement process improvements to provide clarity and increased certainty
- Clarify code requirements to decrease inconsistencies in the code and application of code provisions

To achieve these goals, staff will evaluate existing elements of the interim ordinance based on additional data and analysis and refine elements of the interim ordinance that may be unclear or overly complicated to reduce confusion. Staff is also identifying third party consultants to assist the city in the following analysis to inform the revisions of the interim ordinance:

- Commercial demand analysis – the city will contract with a consultant to conduct a comprehensive commercial demand analysis for the entire city and a specific analysis of the community core. This information will outline key baseline indicators including commercial inventory by type, vacancy rates, and future demand based on general growth trends.
- Architectural Analysis – the city will contract with a consultant to conduct architectural evaluations of ground floor commercial square footage and feasible residential densities on single Ketchum townsite lots (corner and interior)

As outlined in the Planning & Building Department 2023 workplan, staff anticipates the following general schedule for the permanent ordinance:

- Permanent Ordinance Scope and Goals (February-Beginning of April)

- Data Gathering (Now-May)
- Public Engagement & Commission, TAG, and Stakeholder Feedback and Work Sessions (April-June)
- Synthesize Data and Feedback (June 2023)
- Draft Permanent Ordinance (June and July 2023)
- Adoption Process (August through October)

The purpose of this discussion is for the Commission to:

- Evaluate the interim ordinance and identify elements for further evaluation.
- Review the list of additional changes identified and prioritize what items should be addressed through the permanent ordinance.
- Identify other potential changes not mentioned below for incorporation into the permanent ordinance.

BACKGROUND

The Ketchum City Council adopted Interim Ordinance 1234 on October 17, 2022 (Attachment A). The interim ordinance adopted changes to the city's land-regulations and established:

- Minimum residential densities for projects that exceed a total Floor Area Ratio (FAR) of 1.0 within the Community Core, Tourist, and General Residential High-Density zoning districts.
- Additional standards and process changes for the review and approval of lot consolidations.
- Requirements that ensure redevelopment projects result in no net loss of residential units.
- Parking exemptions for retail and office uses.
- Permitted and conditionally permitted uses for certain properties along River Street in the Tourist Zone District.
Restrictions on the ground floor residential for certain properties within the Community Core.
- Development standards for the size of commercial uses and residential units, the location of community housing units, and restrictions for exceeding minimum parking requirements.
- Design Review criteria requiring conformance with the comprehensive plan.
- Terms for Pre-Applications requiring that applicants submit final Design Review applications within 6 months of the Commission's review.

ANALYSIS

Interim Ordinance Revisions

Since the adoption of the interim ordinance, staff has evaluated all new development projects, including projects that are vested under the current zoning code, for conformance with the interim ordinance. These evaluations have provided information on the feasibility of development projects under the interim ordinance standards. The implementation of the interim ordinance has allowed the city to track its effectiveness and determine if the desired outcomes are achieved. Staff has provided the evaluations of new development projects for interim ordinance conformance as Attachment B.

Planning staff has also gathered ongoing feedback from key constituents in the community, including realtors, developers, and design professionals through one-on-one meetings and interviews. The city has also formed a Technical Advisory Group (TAG) of key stakeholders from the design and development community. During their first meeting on February 22, 2023, the city's TAG provided initial feedback on the interim ordinance.

Based on what city staff has heard so far, the following elements of the interim ordinance need to be revisited:

- Expansion of the area where ground floor commercial is required – evaluate the need for the expanded ground floor commercial area
- Conditional Use Permit (CUP)- Requirements of the interim ordinance standards may be adjusted subject to the review and approval of a CUP by the Planning and Zoning Commission. Staff has received feedback that the CUP process increases uncertainty and developers may choose not to proceed with the project instead of applying for a CUP as the criteria is very broad.

- % of Commercial Space on the Ground Floor – some projects meeting it, most are not.
- Parking Exemption for Office and Other Commercial Uses– the city receives inquiries for CUPs to allow for the placement of on-site parking for office uses and has received feedback that the city should consider providing a parking exemption for “Personal Service” uses
- Minimum Density Requirements for Interior Single Ketchum Townsite Lots – the city received feedback that these densities may not be feasible based on zero lot line and building code requirements
- No Net Loss of Dwelling Units – clarify that this standard applies to building permits and other permits as well.
- Maximum Size for Penthouse – the city receives inquiries for CUPs to allow for increased sizes of top floor penthouse uses

Permanent Ordinance Additions

At the January 10, 2023 meeting of the Commission, there was concern expressed that the full code rewrite would take too long and that the city should address additional items in the code in the short term. Additions to the permanent ordinance can include technical corrections, text clarifications, and amendments to standards/regulations or processes that are critical for new development and redevelopment in the next three years while the comprehensive code rewrite is underway, but relatively easy to achieve without requiring extensive analysis or comprehensive community outreach.

Below is a list for potential inclusion identified based on feedback gathered from individual interviews, the TAG meeting, and staff discussions:

Process Improvements

- Clarify Pre-Application versus Design Review intent and application materials
- Clarify process and standards for when and how performance bonds can be accepted
- Clarify timeframes for when applications can be resubmitted following a denial
- Add clause for process of handling applications that have had no activity for a long time (dormant applications)
- Clarify Building Permit process for extensions and when permits expire
- Clarification of Administrative Design Review vs. what is exempt from Design Review

General Code Clarifications

- Clarify the dimensional standards for rooftop features within the Community Core
 - Clarify what qualifies as a non-habitable amenity and add a definition for non-habitable structure
 - Clarify setback requirements for rooftop solar – a past interpretation allows for placement anywhere on the roof provided that the solar panels do not exceed the parapet height
- Clarify where side façade setback is measured from when measuring building height in the Community Core (façade versus property line)
- Clarify standards for when tandem parking configurations are permitted for commercial uses
- Clarify green building code standards for snowmelt, pools, and hot tubs
- Clarify what is considered a below grade encroachment
- Clarify the definition of open space
- Add definition for net-livable floor area
- Clarify what “common and public areas” mean for calculation of gross floor area for nonresidential parking calculation

Codification of Planning and Zoning Commission and Administrator Determinations and Interpretations

- Clarify construction regulations on hillsides within 25% and greater slopes and codification of Zoning Interpretation 22-001 regarding redevelopment of disturbed Mountain Overlay building sites
- Clarification of number of detached structures permitted per lot in residential zoning districts.

- Clarification on required setbacks for detached, accessory structures.
- Clarification of “structure” vs “building” and what is permitted within setbacks and/or outside building envelope
- Clarification of how retaining walls are regulated – through “fences/hedges/walls” or “structure”

Removing Regulatory Barriers to Accessory Dwelling Unit (ADU) Development

- Tiny Homes on Wheels
- Clarification of how the ADU lot coverage bonus is applied – existing development or new development
- Clarification of ADU and condominium/townhouse storage requirements
- Clarification of ADU design review requirement – code references

Other Changes Considered

Building on the foundation of the short-term changes, the following long-term changes can be considered. Implementation of these changes is more complex, requiring detailed analysis of the proposed change and the potential impacts on infrastructure, community character, and other city policy initiatives. These changes should be developed through analysis and comprehensive community outreach before final decisions are made. The following list contains hot button issues that staff and the Commission have grappled with over the past two years but will require more complex analysis. Based on timeframe, staff capacity, and resources, staff recommends the following be addressed through the full code rewrite rather than the permanent ordinance:

- Permitting ADUs as an accessory use for multi-family residential uses
- Height, setback, building coverage bonuses to incentivize ADU construction
- Permitting more than one ADU be constructed per residential lot
- Clarification of Mountain Overlay Design Review criteria and standards and standards to minimize excavation, fill, and vegetation standards
- Livability standards for community housing units, including minimum size requirements
- Community Core Dimensional Standards
 - Third floor setback
 - Permissibility of elevator over-runs and parameters for rooftop mechanical equipment
- Rework of Design Review criteria and standards
- Pulling dimensional requirements out of the definitions section

NEXT STEPS

Following feedback from the Commission, staff will provide an overview to the City Council on potential revisions and additions to the interim ordinance. Staff will then return to the Commission with a refined list of interim ordinance revisions and additions for more discussion.

Comprehensive Plan Audit/Update and Code Rewrite

As outlined in the workplan, the city anticipates the following general schedule for implementation of the audit/update of the comprehensive plan and rewrite of the city’s land use regulations:

- March - Process and timeline review with Commission and City Council (draft RFP)
- April-June – RFP publication and selection of consultant team
- June-Nov – Project scoping exercise and data gathering
- Oct 2023-Mar 2024 – Comprehensive Plan Audit and identification of amendments or clarifications
- January 2024 – December 2025 (2 years) – rewrite timeframe

Staff recommends a multi-phased approach to the project as follows:

- Phase 1 – Request for Qualifications to identify consultant
- Phase 2 – Project Scoping Exercise and Data Gathering – rather than setting the scope of the project in a vacuum, staff recommend identification of a qualified consultant first (phase 1). Once that consultant

is identified, the city would conduct workshops with the consultant, City Council, Commission, and HPC to develop the process and scope of work for the project. This exercise would include discussions of community engagement expectations and process, scope of revisions to the comprehensive plan, and approach to revision and adoption of the code (one full adoption or adoption in pieces). This phase will also include identification of data gaps that need to be filled prior to execution of the project and efforts to obtain that data.

- Phase 3 – Audit and Update of the Comprehensive Plan – based on the outputs of phase 2, this phase will consist of efforts focused on evaluating the current comprehensive plan, identification of potential updates, and implementation of those updates.
- Phase 4 – Rewrite of the Land Use Regulations – again, based on outputs of phase 2, this phase will consist of the rewriting of Title 16, Title 17, and select revisions of Title 12 and Title 15.

It is important to note that community engagement will be conducted in all phases of the process. Staff welcomes feedback on the proposed approach for the project as outlined above.

STAFF RECOMMENDATION

Staff requests the Commission consider the information above and provide directions on: (1) revisions to the interim-ordinance standards and (2) additional code changes, regulations, and standards to incorporate into the permanent ordinance.


ATTACHMENTS:

- A. Interim Ordinance 1234
- B. Evaluations of New Development Projects for Interim Ordinance Conformance
- C. 2023 Planning & Building Department Workplan

Attachment B

Economic & Planning Systems
Scope of Work for Commercial
Demand Analysis & Financial
Feasibility Case Study



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A photograph of a busy city street with tall buildings and people walking. A white diagonal line cuts across the image from the top right to the bottom left. The text "About Economic & Planning Systems" is overlaid on the left side of the image.

About Economic & Planning Systems

Economic & Planning Systems, Inc. (EPS) is a land economics consulting firm experienced in the full spectrum of services related to real estate development, the financing of public infrastructure and government services, land use and conservation planning, and government organization.

EPS was founded on the principle that real estate development and land use-related public policy should be built on realistic assessment of market forces and economic trends, feasible implementation measures, and recognition of public policy objectives, including provisions for required public facilities and services.

AREAS OF EXPERTISE

- ▶ Real Estate Economics
- ▶ Public Finance
- ▶ Land Use & Transportation
- ▶ Economic Development & Revitalization
- ▶ Fiscal and Economic Impact Analysis
- ▶ Housing Policy
- ▶ Public-Private Partnership (P3)
- ▶ Parks and Open Space Economics

Clients Served

Since 1983 EPS has provided consulting services to hundreds of public- and private-sector clients in Colorado and throughout the United States. Clients include cities, counties, special districts, multi-jurisdictional authorities, property owners, developers, financial institutions, and land use attorneys.

Staff Capabilities

The professional staff includes specialists in public finance, real estate development, land use and transportation planning, government organization, and computer applications. The firm excels in preparing concise analyses that disclose risks and impacts, support decision making, and provide solutions to real estate development and land use-related problems.



Real Estate Economics

EPS advances realistic and achievable land use and development programs with rigorous market and financial analysis.

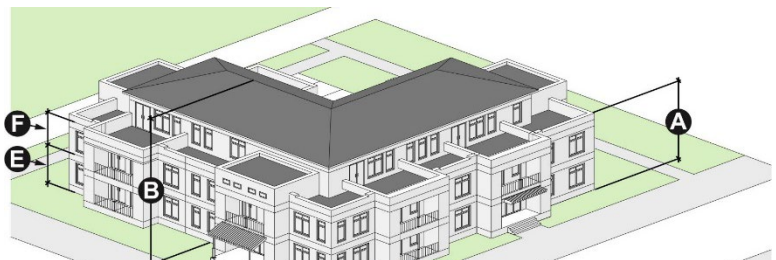
- Market Studies** – EPS provides a research-based assessment of market fundamentals to determine the viability of land use plans and real estate projects. Our analyses consider the full range of factors affecting real estate demand and supply, including socioeconomic trends, real estate performance, and consumer preferences. Our expertise covers the full range of real estate product types, including residential, retail, office, R&D, industrial, hospitality, and entertainment.
- Financial Feasibility Analysis** – EPS financial feasibility analyses evaluate the expected economic performance of real estate development projects, drawing on market research concerning product values, analysis of construction costs, and an understanding of investor objectives. Our feasibility work relies on pro forma cash flow models that test feasibility under a range of project alternatives, market assumptions, financing alternatives, partnership options, disposition strategies, and measures of financial return.
- Highest and Best Use Analysis** – EPS highest and best use analyses rely on market research and financial analysis to determine the most profitable use of a site, whether vacant land or an improved property. These studies consider the range of legally permissible and physically possible projects, assessing the likely market and financial performance of each viable land use option.

Project Profiles

Downtown Littleton Design and Zoning Guidelines

Littleton, Colorado

As part of an update to the City of Littleton’s design and zoning guidelines for the City’s downtown area, the City requested that EPS develop a financial model that could be used to better understand the impact of specific changes to the design and zoning guidelines on development feasibility. This analysis provided staff and the City Council with a more comprehensive understanding of the impact of specific design and zoning requirements on the feasibility of specific uses in the downtown area. EPS specifically tested the impact of alternative design requirements, such as setback and stepback, and zoning requirements, such as parking ratios, on development



DESCRIPTION	Baseline	Reduced Parking	Reduced Stepback	Reduced Parking and Stepback
Building Height	3-Story	3-Story	3-Story	3-Story
Parking Solution	Tuck Under / Surface	Tuck Under / Surface	Tuck Under / Surface	Tuck Under / Surface
Max stories within 20' of property line	2	2	3	3
Residential Parking Ratio	1.5/unit	1.0/unit	1.5/unit	1.0/unit
Retail Parking Ratio	5.0/1,000 sf	2.0/1,000 sf	5.0/1,000 sf	2.0/1,000 sf
Office Parking Ratio	N/A	N/A	N/A	N/A
Yield on Cost				
Target	6.23%	6.22%	6.17%	6.28%
Actual	5.93%	6.35%	5.96%	6.55%
Internal Rate of Return				
Target	9.20%	9.20%	9.15%	9.25%
Actual	8.62%	9.56%	8.78%	9.90%

feasibility for a range of uses. The results of this analysis allowed Council to fully understand the impact of specific regulations and align zoning and design guidelines with current market conditions in the downtown area.

Nashville Music Row TDR Feasibility Study

Nashville, Tennessee

EPS was contracted by the City of Nashville to study the feasibility of creating and utilizing a transfer of development rights (TDR) program in Music Row to preserve its rich history and present of more than 200 music-related businesses. Music Row is a national treasure, an official designation received from the National Trust for Historic Preservation, one of several agencies and community groups that have been working with Metro planners and Music Row stakeholders over the past three years to shape Music Row's future.

EPS made a series of 25 recommendations to the City leveraging best practices from TDR programs around the U.S., extensive market and economic analysis, and modeling of parcels within potential sending and receiving area scenarios. The recommendations gave guidance to the City on creating this regulatory tool, administrative procedures, a phasing of sending and receiving areas, an enhanced transfer ratio, guidance for documenting transactions, timing issues, potential zoning and market challenges, as well as a general gauge for likely pricing of development rights.

Boulder University Hill Feasibility Study

Denver, Colorado

The University Hill General Improvement District (UHGID) manages parking in the University Hill commercial district adjacent to the University of Colorado campus. UHGID had previously commissioned a study of the future build out of the University Hill area and concluded that additional parking would be needed to accommodate future growth. UHGID and the City of Boulder received an unsolicited proposal to develop one of UHGID's surface parking lots into a new parking garage with student oriented for-rent apartments above it. The City and UHGID engaged EPS to complete a feasibility analysis of the proposed project.

EPS evaluated the development proposal and designed a pro forma financial model to determine: 1) if the proposed project is feasible and provides a reasonable return to the City and the developer; and 2) what are the costs and benefits of building a parking garage through the proposed project as opposed to the City itself building the garage? Based on the analysis, the City determined there was a reasonable basis to move forward to negotiate a potential project with the developer. Since the initial review, the developer proposed a modified project due to zoning changes in the area that restrict student housing. EPS also reviewed the revised project proposal to assess return and impact on UHGID.

Project Understanding

The City of Ketchum adopted an interim ordinance (Ordinance 1234) in October of 2022. The ordinance is aimed at requiring development projects in certain zone districts to build a minimum density with amount of housing and commercial space to address housing needs in the community and achieve the vision for the community. The ordinance, so far, has been working successfully to produce greater housing density and housing units out of new development, but the impact on commercial space needs is unclear. The City is seeking to make the interim regulations permanent and wants additional analysis on the demand for commercial space in the City to support the ordinance requirements. The City also wants to help illustrate the impacts on development feasibility of the ordinance to address any barriers to development generated by the ordinance.

The City currently lacks reliable and comprehensive market data on commercial space to assess commercial conditions. To make an informed policy decision, the city is seeking a commercial demand analysis to assess needs of the community. The desired outcomes of the study are to:

- Develop an inventory of commercial space in the City.
- Data related to rental rates and vacancy rates of commercial space.
- Recommendations for how to create an on-going approach to tracking commercial space.
- An understanding of current demand for commercial space and estimate for future demand for commercial space based on historic growth rates.

The primary focus of the study is intended to be the “retail core” and “mixed-use core” areas of the city, which are the primary focus of Ordinance 1234. However, the City would also like to understand citywide commercial conditions and demand.

Additionally, the City wants to understand the impacts on feasibility of development projects impacted by the ordinance to address concerns of the ability to continue to build housing the City’s core. The City is planning to begin drafting a permanent ordinance in the summer with plans for seeking city council adoption in the fall. To support drafting, preliminary findings, at a minimum, are needed.

Scope of Work

The below scope of work was designed to address the city's needs and respond to the timing considerations.

Task 1 – Project Initiation and Outreach

EPS will meet with the city staff to gather all relevant data related to commercial space and infill development within the city. For commercial space, we will be building off the initial inventory being developed from county assessor data. EPS will also reach out to economic development, real estate brokers, and development professionals active in the city to obtain any available data. EPS will also utilize the Focus Group formed by the city related to Ordinance 1234 to gain input and feedback on the study.

Task 2 – Commercial Space Inventory

The following steps are envisioned to build the commercial inventory.

- The first step will be to build a data-based commercial space inventory for the City of Ketchum. EPS will build off of county assessor parcel data, available local real estate resources and listings, city business license data, and secondary data providers (such as CoStar and ESRI Business Analyst). A systematic approach to the inventory will be used and documented in order for the city or partner agency to maintain the inventory going forward. The inventory will be built using ESRI ArcMap GIS and Microsoft Excel. The inventory will have two primary areas of focus: the community core (inclusive of the retail core and mixed use core) and the rest of the city.
- The second step will include a site visit and tour to confirm visually and through interviews the initial inventory. Refinements to the inventory will be made based on the site tour.
- The third step will include vetting of the inventory with stakeholders in the community to address any additional issues and to gain feedback on on-going tracking of space in the city.
- The last step will be to document data related to rental rates and vacancy based on the inventory development. EPS may recommend the use and/or development of survey tool to track and document conditions over time.

Task 3 – Commercial Demand Analysis

The commercial demand analysis will assess the current demand for commercial space based on the existing household base, visitation totals, and employment based demand. The following steps are anticipated.

- Trade Area Definition - EPS will identify trade areas in order to estimate demand for the city and the community core. EPS anticipates assessing demand at the County, City, and Community Core geographies. The socioeconomic characteristics of the trade areas will then be profiled including population, households, income, housing tenure, employment by industry, hotel and "hot bed" inventory, and visitor data.
- Retail Sales Flows and Commercial Demand - EPS will first estimate the total retail spending potential of the trade areas, which will be based on household and visitor demand, and employment generated sales/demand. We will quantify existing sales flows in the county into and out of the city and community core including the number of sales captured by existing stores in each trade area by category and the number of unmet sales potentials represented by outflow or retail leakage.
- Future Retail/Commercial Demand - Additional retail sales and commercial space demand associated with new household and employment growth will also be estimated for a five and ten-year forecast period. The amount of additional retail space by store category supportable in the trade areas will then be estimated based on average sales per store and per square foot.

Task 4 – Infill Feasibility Analysis

To support the adoption of the permanent ordinance, EPS will model the financial feasibility of infill development projects subject to the ordinance. EPS will work with staff to identify two sites to create prototype development programs to test the impacts of the ordinance versus what was allowed prior to the ordinance.

Task 4.A – Market Inputs and Development Prototypes

Task 4.A will help establish basic proforma inputs and to gauge demand for different types of real estate. The following research and analysis is expected to be done.

- Growth trends and projections – Population, housing, and job trends and forecasts.
- Market inputs – Trends in and snapshots of home prices, rents, and vacancy levels.
- Recent development – Concise case studies of 2 to 4 recent development projects that typify the issues in the study.
- Market demand for possible building types – Estimate annual demand for attached and multifamily housing in the focus areas for feasibility modeling.
- Development costs – Estimates of hard costs (materials and labor) and soft costs (fees, financing costs, design and permitting costs), and parking costs for common construction types.

The market research will be summarized into a PowerPoint format for review and outreach to the development community. Stock imagery or local photographs will be used to enable people to visualize the building types.

Task 4.B – Proforma Models and Testing

Next, we will construct proforma feasibility models for the 2 prototypes. The proformas are expected to be static models, not time series models. A static model estimates costs, revenues, and financial performance at completion. For static proformas, the primary metrics will be profit (for-sale projects) and return on cost for income producing properties (net operating income divided by cost). EPS will reach out to local development community stakeholders to confirm proforma inputs and to vet findings to match with local market conditions and realities.

Task 5 – Final Reports and Commercial Space Inventory Database

EPS will develop two final deliverables. A final report for the commercial demand study will be created that will include a summary of the commercial space inventory, the methodology for developing the inventory and direction for how to maintain the inventory going forward and estimates of current and future commercial space demand. EPS will also provide a GIS based inventory of commercial space with associated data within Excel. The second deliverable will be a report documenting the findings of the infill development feasibility analysis.

Project Schedule

EPS proposes a five-month schedule for the project with a major mid-course milestone to support ordinance drafting using two project phases.

- The first phase (April through June) will focus on building an initial inventory and estimating current commercial space demand. EPS will work to develop an initial comparison of current commercial space demand with existing commercial space and business/retail mix. Estimates of future commercial demand will also be developed to assist with assessment requirements for commercial space in the ordinance. The infill development prototypes will be developed, including gathering all needed proforma inputs, in this phase in order to produce initial findings for review. EPS site tour will occur in this phase.
- The second phase (June through August) will focus on refining the inventory, finalizing an approach to maintaining the inventory, and completing the assessment of commercial market conditions in the city. Refinements to the financial feasibility models will also be made in this phase. The final deliverables will also be produced. EPS anticipates a workshop (or interviews) with a stakeholder group to vet the inventory and findings.

Estimated Budget

The following budget was developed based on above scope of work. EPS proposes to complete the scope of work on a time and materials basis with a not-to-exceed limit of \$45,000.

Table 1 Proposed Budget

Description	Principal Prosser	Vice President Shindman	Research / Production	Total
Billing Rate	\$250	\$195	\$95	
Labor				
Task 1 - Project Initiation and Outreach	8	8	0	\$3,560
Task 2 - Commercial Space Inventory	12	32	40	\$13,040
Task 3 - Commercial Demand Analysis	24	4	16	\$8,300
Task 4 - Infill Feasibility Analysis	24	32	24	\$14,520
Task 5 - Final Report and Inventory Database	6	6	4	\$3,050
Total Labor	74	82	84	\$42,470
Direct Expenses				
Travel	\$1,000	\$1,000	\$0	\$2,000
Data				\$530
Total Direct Expenses				\$2,530
Total Cost	\$19,500	\$16,990	\$7,980	\$45,000

Source: Economic & Planning Systems

Attachment C

Holst Architecture

Scope of Services

for

Architectural Evaluation

and

Feasibility Studies

MORGAN LANDERS, AICP
DIRECTOR OF PLANNING & BUILDING
CITY OF KETCHUM
191 5TH STREET WEST
KETCHUM, ID 83340

03.24.2023

RE: PROPOSAL FOR SERVICES: CITY OF KETCHUM ORDINANCE 1234

Morgan and Abby,

Thank you for the opportunity to provide this proposal for Architectural Services. We are pleased propose the scope below to support The City as you analyze metrics in interim Ordinance 1234. We look forward to continuing our work with your team.

123 NE 3RD AVE.
SUITE 310
PORTLAND, OR
97232

HOLSTARC.COM

PROJECT SUMMARY

Holst will provide feasibility analysis for typical Ketchum Townsite lots by applying interim Ordinance 1234 standards to evaluate ground floor commercial square footage requirements, minimum residential density, and other application zoning requirements.

SCOPE OF SERVICES

FEASIBILITY STUDY:

TYPICAL COMMUNITY CORE 5500 SF INTERIOR AND CORNER PARCELS

- Apply Ordinance 1234 requirements with multiple topography scenarios.
 - Flat Lot
 - Sloping Lot - topography slopes down to the street
 - Sloping Lot - topography slopes up to the street
- Review of applicable regulatory requirements.
- Exploration and evaluation of massing/yield to analyze minimum residential density (section 4), the 55% ground floor commercial square footage requirement (section 11A), and other applicable zoning requirements such as parking for a typical site.
- Work with City of Ketchum staff to evaluate and refine feasibility analysis.
- Evaluate Ordinance 1234 for clarity.
- Create a final presentation package of site diagrams, massing options, Ordinance analysis and summary of findings for each typical site type.
- Schedule is anticipated to be the month of April 2023

H O L S T

FEE STRUCTURE

Our proposed fee for the scope outlined is lump sum as indicated in the table below. Holst will invoice monthly based on work complete. See Terms and Conditions for additional information.

SCOPE OF SERVICES	
ORDINANCE 1234 TEST FIT ANALYSIS	\$6,800

EXCLUSIONS AND CONDITIONS OF DESIGN

- Holst will work from survey documents provided by the City of Ketchum or other available sources.
- Civil, MEP and Structural Engineering services are not included.
- Landscape design services are not included.
- Traffic studies and coordination are not included.
- Permits, jurisdictional and system development fees are not included.
- Environmental and geotechnical reports are not included.
- Outsourced renderings if requested by Owner are not included.
- Land Use entitlement processes is not included.

TERMS AND CONDITIONS

This proposal is valid for 30 days commencing on the date of this document. Reimbursable expenses such as taxes, application/permit fees, travel, printing, and consultant fees shall be invoiced at cost plus 10%. Taxes include all state and local assessments, including the Oregon Corporate Activities Tax outlined under Oregon Laws 2019, chapters 122 and 579. All invoices will include a reimbursable expense using Holst's effective tax rate of 0.4% on all services, reimbursable expenses, and reimbursable consultant costs billed.

Invoices shall be payable within 30 days of the invoice date. Invoices not paid within 30 days of the invoice date shall be subject to interest at the rate of 1.5 percent per month. Invoices not paid within 60 days of the invoice date shall be considered substantial nonperformance on the part of the Owner and cause for suspension of performance of services or termination of services. Holst shall give seven days' written notice to the Owner prior to suspension or termination of services.

In the event of suspension of services, Holst shall have no liability to the Owner for delay or damage caused because of such suspension of services. Before resuming services, Holst shall be paid all sums due prior to suspension, including interest accrued. If the project is suspended for more than 30 consecutive days, Holst shall be compensated for actual expenses incurred in the interruption and resumption of services, if any. Holst's fees for the remaining services and the time schedules shall be equitably adjusted. Owner may cancel this engagement upon written notice to Holst if Owner pays all fees for

H O L S T

work completed and reimbursables incurred through the date of termination.

Holst shall be deemed the authors and owners of our respective Instruments of Service, including the Drawings and Specifications, and shall retain all common law, statutory and other reserved rights, including copyrights. Submission or distribution of Instruments of Service to meet official regulatory requirements or for similar purposes in connection with the Project is not to be construed as publication in derogation of the reserved rights of Holst. In the event the Owner uses the Instruments of Service without retaining the authors of the Instruments of Service, the Owner releases Holst from all claims and causes of action arising from such uses. The Owner, to the extent permitted by law, further agrees to indemnify and hold harmless Holst from all costs and expenses, including the cost of defense, related to claims and causes of action asserted by any third person or entity to the extent such costs and expenses arise from the Owner's use of the Instruments of Service.

If any action is brought to enforce the terms of this Agreement, the prevailing party will be entitled to recover its reasonable attorneys' fees, costs, and expenses from the other party, in addition to any other relief to which the prevailing party may be entitled.

HOURLY RATES

Professional services shall be billed on an hourly basis according to the Rate Schedule currently in effect. The current Holst Hourly Rates are attached to this proposal. Holst Architecture reserves the right to adjust hourly rates on an annual basis.

AGREEMENT

If this proposal meets with your approval, please sign a copy of this proposal that will serve as your authorization for Holst to proceed with work.

Accepted by Owner:

CITY OF KETCHUM

DATE

If you have any questions or require additional information, please contact me directly.

Sincerely,



RENÉE STRAND, AIA
HOLST ARCHITECTURE

H O L S T

2023 RATE SCHEDULE

Work performed by Holst Architecture will be billed monthly according to the current rate schedule in effect at the time of the work performed.

PERSONNEL CHARGES

123 NE 3RD AVE.
SUITE 310
PORTLAND, OR
97232

HOLSTARC.COM

Principal	\$220.00/hour
Project Manager	\$180.00/hour
Project Designer	\$180.00/hour
Project Architect	\$180.00/hour
BIM Coordinator	\$180.00/hour
Inclusive Design Facilitator	\$150.00/hour
Architect / Designer	\$130.00/hour
Project Accountant	\$180.00/hour

EFFECTIVE THROUGH DECEMBER 2023