

Manager's Update

raleighnc.gov



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Second Budget Work Session Monday, March 15

Reminder that Council will meet via remote electronic format in a scheduled budget work session **Monday** at **4:00 P.M.** The agenda for the work session was published Thursday:

<https://go.boarddocs.com/nc/raleigh/Board.nsf>

As a reminder, listed below are the remaining budget sessions scheduled in advance of the City Manager's Proposed Budget which will be presented in May:

- Monday, April 5 4:00 P.M.

Regular Council Meeting Tuesday, March 16; Lunch Work Session at 11:30

Council will meet in work session at **11:30 A.M.** via remote electronic format. The agenda for the lunch work session is included with the regular meeting agenda and may be accessed via the BoardDocs electronic agenda system:

<https://go.boarddocs.com/nc/raleigh/Board.nsf>

The **regular** Council meeting begins at **1:00 P.M.**

Reminder: If there is an item you would like to pull from the consent agenda for discussion, please e-mail mayorstaff@raleighnc.gov by 11 A.M. the day of the meeting.

You will receive information on joining the WebEx Events session on Monday; staff will be available to assist with log ins and joining the virtual City Council meeting.

INFORMATION:

Reset and Resumption of Standard Revenue Collection Processes

Staff Resource: David Fitzgerald, Finance, 996-4931, david.fitzgerald@raleighnc.gov

Revenue Services paused its standard delinquent account collection efforts in March of last year in support of the City's response to COVID-19 and the closure of the Payments Lobby to the public (March 2020 – July 2020). Revenue is resuming these standard collection activities with a reset of all past due invoices and late fees specifically for Fire Inspections, Police False Alarm, Regulatory Licenses and Beer/Wine Licenses. While delinquent account collection efforts have been on hold since March 2020, the services for which these fees are charged have continued without interruption. Resumption of these efforts will be communicated via direct mail inserts which will accompany past due invoices and on the City's web site.

A detailed summary of the outstanding invoices by revenue type, total dollar amount and collection processes is provided in the attachment.

(Attachments)

GoRaleigh Bus Shelter Design Wins AIA Honor Award

Staff Resource: David Eatman, Transportation, 996-4040, david.eatman@raleighnc.gov

In March 2020, the City Council approved a contract for new GoRaleigh shelters that had a compelling red design, with a goal of generating excitement about public transit and the GoRaleigh brand. Since the contract was approved, 10 of these shelters have been installed at GoRaleigh stops.

Staff have recently learned that the North Carolina chapter of the American Institute of Architects (AIA) has awarded this new concept with their Honor Award, their highest level of design recognition for projects.



Photo Credit Clark Nexsen

Go[Shelter] is the winning entry for a design competition hosted by GoRaleigh Transit and the AIA Triangle Chapter. The brief asked for proposals that re-imagine area bus shelters. Go[Shelter] takes its formal cues from notions of points and connections. As a result, a triangulated shelter evolved. The proposed design challenges regional views of public transportation and encourages discourse via a highly visible network of functional and sculptural art installations. As a result, the public transit system is punctuated along transit corridors throughout the city enlivening and invigorating an unsung urban asset. –AIA

(No attachment)

Council Member Follow Up Items

Follow Up from the February 2 City Council Meeting

Movable Tiny Houses

Staff Resources: Charles Dillard, Planning and Development, 996-4631, charles.dillard@raleighnc.gov,
Hannah Reckhow, Planning and Development, 996-2622, hannah.reckhow@raleighnc.gov

In response to public comment and direction given at the meeting, staff has prepared additional information about tiny houses, including movable tiny houses. The enclosed memo provides an overview of work on tiny houses to date, description of common types and applications of tiny houses, key considerations for movable tiny houses, and opportunities for adjustments to the UDO to permit or incent tiny houses, including movable types.

(Attachments)

General Follow Up Item

Housing Unit Construction and Rezoning Analysis (Council Member Cox)

Staff Resource: Christopher Golden, Planning and Development, 996-6368,
christopher.golden@raleighnc.gov

In February, Council Member Cox requested information regarding the nexus of housing unit entitlement vs. housing units constructed through the rezoning process over the last five years. In response to Council Member Cox's request, basic data relating to housing unit entitlement was provided to the full Council via email on February 15. However more time was needed to provide the deeper analysis necessary to determine the number of units constructed as a result of the rezoning process. A staff memorandum which includes a detailed analysis and additional information is included.

(Attachment)



Raleigh

MEMO

TO: Marchell Adams-David, City Manager

FROM: David Fitzgerald, Revenue Services Manager

CC: Allison Bradsher, Chief Financial Officer
Patrick Eudy, Assistant Financial Officer

DEPARTMENT: Finance

DATE: March 11, 2021

SUBJECT: Resumption of Revenue Collection Efforts

Revenue Services paused its standard delinquent account collection efforts in March of last year in support of the City's response to COVID-19 and the closure of the Payments Lobby to the public (March 2020 – July 2020). Revenue is resuming these standard collection activities with a reset of all past due invoices and late fees specifically for Fire Inspections, Police False Alarm and Regulatory Licenses.

While delinquent account collection efforts have been on hold since March 2020, the services for which these fees are charged have continued without interruption. As Revenue Services has continued to bill for these services many businesses and residents have paid their balances in full and on time.

The timing of the reset and resumption of collection processes aligns with the most recent Governor's orders and the resumption of late fees by Raleigh Water beginning on February 6th. Resumption of these efforts will be communicated via direct mail inserts which will accompany past due invoices and on the City's web site.

With the resumption of these standard collection practices, Revenue Services will be fully operational in its delinquent account collection processes beginning April 1st.

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Raleigh, North Carolina 27601

City of Raleigh
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North Carolina 27602-0590
(Mailing Address)

As additional backup a summary of past due invoices and standard collection processes are included below along with a description of the revenue.

Revenue Collection	Description of Revenue	Count of Past Due Invoices	Amount and % of Total Past Due Invoices	Collection Method: City Staff Collection Calls	Collection Method: Collection Agency	Late Fee
Fire Inspections	Fire code mandated inspections performed at regular intervals	1,480	\$185,181 15%	✓ (up to 3)	✓ (after 120 Days)	N/A
Police False Alarms	Fines for multiple police-dispatched false alarms during 12- month period	1,195	\$150,230 43%	✓ (up to 3)	✓ (after 120 Days)	✓ (after 30 days)
Regulatory Licenses	Annual licenses for massage businesses and therapists	119	\$3,575 17%	✓	N/A	N/A
Beer and Wine Licenses *	Annual licenses for sale of wine and malt beverages	20	\$810 2%	✓	N/A	N/A
Total		2,814	\$339,796			

Note: Of the invoices outstanding, staff identified 36 businesses that would receive more than one type of past due notice

- * North Carolina House Bill 4 signed into law on Feb 25th, 2021 applies only to the NC State ABC permit and allows for an extension of payment until bar establishments are at full capacity. Raleigh licenses are issued and collected under Municipal Code Section 2-2041.

Council Member Follow Up



Raleigh

MEMO

TO: Marchell Adams-David, City Manager

THRU: Patrick O. Young, AICP, Director

FROM: Joe Michael, Planning Manager
Bynum Walter, Planning Supervisor
Charles Dillard, Senior Planner
Hannah Reckhow, Senior Planner

DEPARTMENT: Planning and Development

DATE: March 11, 2021

SUBJECT: Movable Tiny Houses

Overview

At the February 2, 2021 meeting, several members of the public spoke in favor of permitting movable tiny houses in Raleigh. Mayor Baldwin requested that staff provide more information about tiny houses generally, including how peer communities have addressed movable tiny houses, pros and cons of movable tiny houses, as well as opportunities in adjusting minimum lot size, flag lots, parking requirements, and utility connections. This memo will cover the past research and adjustments to Raleigh's Unified Development Ordinance to date, identify key considerations to permit movable tiny houses, and potential next steps to consider. If the City Council would like to amend the UDO to clarify regulations related to tiny homes, staff suggests the following text changes:

1. Modify definitions in the UDO to permit tiny homes as primary and accessory dwelling units.
2. Modify minimum lot sizes, and permit and regulate flag lots.
3. Reduce or eliminate parking requirements for tiny homes.
4. Permit movable tiny houses within Cottage Court development.

Once authorized, staff will begin to draft ordinance language. The draft ordinance language will be placed on the text change portal for comment. The Planning Commission would review and provide a recommendation to the City Council. Finally, a public hearing would be required to adopt an ordinance.

Background

In line with national trends, interest and activity related to tiny homes has remained in Raleigh in recent years. City Council has requested information on tiny homes three times since 2018. Meanwhile, resident advocates and tiny home developers have engaged staff to identify opportunities for tiny homes with increasing regularity. In response to these private requests, staff has

engaged in additional study to determine the feasibility of tiny homes in Raleigh. These efforts are described below:

Work to Date

February 2018 Staff Memo: Tiny House Development in Raleigh

In November 2017, City Council requested information about tiny houses and City policy relating to their development. The staff response provided a broad tiny home definition that identifies the unique types that exist (e.g. tiny home on wheels, foundation-built, etc.). The memo describes how City of Raleigh and North Carolina State Residential Code standards within a high land cost environment preclude tiny homes in most cases. Mobile tiny homes are discussed, including a differentiation between units regulated by the HUD Manufactured Housing Construction Program and smaller units that are regulated by the RV Industry Association.

April 2018 Staff Memo: Cottage Court Development and Tiny Houses

In March 2018, City Council requested information on a since-approved UDO text change related to Cottage Courts and whether the ordinance amendments had the potential to facilitate development of cottage courts consisting of tiny homes. The staff response described the regulatory barriers to Cottage Court development at the time and described a range of opportunities for amending the UDO to facilitate such developments. Of particular note, staff identified a reduction in minimum site area per dwelling unit to facilitate Cottage Court development. This recommendation was incorporated into the Cottage Court text change and is included in the proposed text changes related to Missing Middle housing (TC-5-20), and Transit-Oriented Development (TC-17-20).

February 2020 Staff Memo: Evaluation of Tiny Houses and Next Steps for Raleigh

In January 2020, City Council requested general information about tiny homes and recommendations for policy and regulatory changes to facilitate their development. The staff response detailed the many variations of tiny homes that are defined below. The memo discussed some benefits of tiny homes, presented questions related to changes in regulatory approaches, and identified possible next steps and suggested areas of additional study.

November 2020 Staff Review: Accessory Dwelling Unit Programs and Regulatory Tools

In July 2020, City Council requested information on how peer cities facilitate ADU construction. Staff presented a review of best practices. While not all ADUs are tiny homes, staff identified regulatory and policy recommendations that could facilitate tiny home development. Specifically, minimum lot standards and a prohibition on flag lots precludes both ADU and tiny home development in many cases. City Council authorized staff to study revisions to such lot standards. This task is ongoing.

2021 City Pilot: Tiny Homes

In January 2021, City Council requested information on strategies to incent tiny home village construction by third parties, with an examination of the possibility for location on city properties through a Request for Information process. Staff is currently modeling various tiny home village approaches on a range of property sizes and land uses.

2021 Private Proposal: Tiny Home Village

In January 2021, a local church expressed interest in developing a tiny home village, a portion of which would be reserved for Veterans. The village is intended as transitional housing for unhoused

individuals. Staff from various departments are engaged to identify ways to administratively approve such a project.

Definitions

Tiny home or tiny house is a broad term that has come to refer to a broad category of single-unit dwellings. The [February 2018 memo](#) details the distinguishing characteristics of the various types of tiny homes. Additional definition is provided below:

Small Single-Family Home – A tiny home that is the primary dwelling unit on a property. Such *detached* units are permitted today, however, large minimum lot size standards and high land costs typically preclude detached tiny home primary residences.

Tiny Home Village – A development consisting of multiple tiny homes. There are two major subcategories of tiny home villages:

- Tiny Home Cottage Court – A development of multiple tiny homes on one or more properties, the residents of which typically own or rent the land under their home. Many tiny home courts are intentional communities of residents who prefer small living spaces and the amenities inherent to a communal living environment. Some tiny home communities are places of last resort housing but are not considered transitional.
- Transitional Housing – A development of tiny homes, typically created and managed by public agencies or non-profit organizations as transitional housing for unhoused individuals. Many tiny home villages include shared amenity space for cooking and cleaning. Most also offer social services to residents.

Accessory Dwelling Unit – A residential structure that is accessory to a property's primary dwelling unit. ADUs are permitted on most residential lots in Raleigh, where they are otherwise not prohibited by covenants or homeowners' associations. ADUs are homes built on foundations, typically located in the rear of a property, and range in size from 450 to 800 square feet. Zoning does not distinguish between an ADU and a Tiny Home in this context; they are effectively the same.

Recreational Vehicle – A broad term that includes moveable tiny homes, but also more widely-known self-propelled recreational vehicles, also known as motor homes. Moveable tiny homes are regulated by the RV Industry Association and the NC Residential code. Recent regulatory approaches in peer cities have defined movable tiny homes subject to RV codes as structures no larger than 400 square feet that are intended as independent permanent residences. It is typical for municipalities to require registration with their state Department of Motor Vehicles and that the units meet widely used fire safety standards. A primary differentiator between moveable tiny homes and motor homes is that the tiny home is not self-propelled.

Manufactured Home – A residential structure governed by the HUD Manufactured Housing Code and NC Residential code. Typically, manufactured homes in Raleigh are located in the Manufactured Housing district (MH-). However, if a single manufactured home is placed on a foundation it is regulated like any other detached house and is permitted in other zoning districts as well. The Comprehensive Plan states that manufactured home parks could be appropriate in Low Density Residential areas on the Future Land Use Map (1-6 units per acre).

Movable tiny houses

Staff has been asked to explore the allowance of movable tiny houses as permanent dwelling units. There are several important topics for consideration. In short, these include how to construct a use definition that differentiates movable tiny houses from recreational vehicles, the implications of these changes on mobile homes more broadly, ensuring adequate connections to utilities, and protections against natural hazards.

The largest challenge identified is the method of classification for a tiny home on wheels. These movable tiny houses are currently regulated as recreational vehicles, which are not permitted as a permanent housing option in Raleigh. To change this, Raleigh's UDO would need to define movable tiny house in a way that separates it from an RV. As mentioned above, a definition could specify a movable tiny house not being self-propelled to achieve this. Such a definition could also specify building material and roof pitch to further differentiate a mobile tiny house from an RV. Some states and municipalities have adopted definitions for movable tiny houses. Brevard County in Florida, for example, includes three conditions that a movable tiny house must meet, including being towable by a vehicle, not designed to move by its own power, and meeting state dimensional and weight requirements for vehicles on public roads. Tiny Living NC, an advocate organization for tiny house living in North Carolina, has developed a potential definition for Raleigh's UDO, which is attached to this memo.

Raleigh's UDO currently permits movable homes as permanent dwelling units only in the context of manufactured housing and mobile homes. Such housing is permitted in Manufactured Housing (MH) districts and is not permitted as an accessory dwelling unit. The exception to this is where a mobile home is put on a foundation and meets the housing and buildings codes; it is then considered a detached house. Permitting movable tiny houses would create a different approach to movable or manufactured housing than currently exists in Raleigh's UDO. Depending on how it is written, a definition for movable tiny house may need to differentiate between a tiny house and manufactured house to avoid unintended impacts to the change. However, while moveable tiny homes and Manufactured homes are often easily distinguishable, a challenge remains identifying an equitable regulatory approach that prohibits Manufactured Homes while allowing tiny homes on wheels.

If permitted as permanent dwelling units, movable tiny houses would be required to meet Raleigh's housing code, including a connection to water and sanitary sewer that is approved by the City. For most dwelling units in Raleigh, this means a connection to City water and sewer. In areas outside of City limits and without proximate access to City services, this requirement could also be met with a well and septic field connection. While part of the appeal of movable tiny homes is the ability to relocate, and some designs incorporate compostable toilets and water tanks that facilitate that, if incorporated into the UDO as a permitted permanent dwelling option, movable tiny homes would need to meet minimum housing standards including a connection to water and sanitary sewer.

A final issue for consideration is how to ensure movable tiny houses are well protected from natural hazards. If Raleigh residents live full time in a movable tiny house, it is important that such structures may only be located and built in a way that does not impact public safety. Nantucket, Massachusetts, for example, permits tiny houses only when build on foundations as a way to protect against hurricane and other storms. Tiny houses built in Brevard County, Florida must comply with

flood and tie-down regulations that apply to all construction in Florida. San Diego, California permits movable tiny houses if they comply with relevant fire codes. This means that if automatic sprinkler system is required for traditional residential development, it is also required to cover a movable tiny house. In Raleigh's context as well, it is desirable to ensure that any tiny house is not impacted by potential hazards, including flooding and hurricanes.

Options

1. Authorize a text change to modify the definitions in the UDO. This would permit a tiny home as a primary or accessory dwelling unit.
2. Authorize a text change to modify minimum lot sizes and to allow flag lots.
3. Authorize a text change to modify minimum parking requirements for a tiny home.
4. Authorize text change to allow tiny homes in a cottage court.

Background Information on Options

Each potential text change to the UDO is explained below, with consideration of the benefits and detriments of each potential change.

Permit tiny homes, including moveable tiny homes, as Accessory Dwelling Units

Cost remains a significant barrier to the development of Accessory Dwelling Units. The lower cost tiny home option could be a more feasible ADU option for many property owners. A tiny home on a foundation is legal wherever ADUs are permitted. Permitting moveable types as ADUs could increase the supply of such units.

Pros:

- Increases opportunity for accessory dwelling units.
- Potential for reduced costs to homeowners and developers.

Cons:

- Tiny homes on wheels require utility connections that could be vacated upon removal of the unit, leading to potential maintenance concerns.
- An entitlement to place tiny homes on wheels on properties as Accessory Dwelling Units while prohibiting Manufactured homes is a concern for equity advocates.

Revise minimum lot sizes and dimensional requirements

Traditionally, large minimum lot sizes and dimensions in Raleigh's residential districts have made tiny homes and other small residences financially infeasible. However, the proposed Missing Middle and TOD Overlay text changes would reduce minimum lot sizes in most residential districts and would generally facilitate development of greater densities in neighborhoods, often with smaller unit sizes. City Council could augment these recommendations with standards specific to tiny homes.

Pros:

- Increases opportunities for infill housing development of ADUs and missing middle housing.
- Effectively reduces land costs in high-demand neighborhoods.

Cons:

- Lot sizes small enough to make primary tiny home development financially feasible may be considered inconsistent with neighborhood character in some locations.

Authorize a text change to permit and regulate flag lots in residentially zoned districts

A flag lot is a "flag-shaped" property with a narrow street frontage that leads typically to an elongated strip of land connecting to the main portion of the property, commonly located to the rear of the adjacent property or properties. While Comprehensive Plan policy recommends against establishing flag lots, such properties are increasingly seen as necessary in the provision of infill housing in growing cities. Of note, as most traditional mortgage products require the presence of a land parcel beneath a residence, flag lots have become an attractive option in the financing and development of ADUs and small infill residences.

Pros:

- Facilitates financing of tiny homes and ADUs.
- Provides additional opportunities for infill housing in high-demand neighborhoods.

Cons:

- Maintenance concerns, particularly where driveways are located on commonly shared or adjacent “flag poles.”
- Flag lots can be difficult to locate for emergency response personnel.

Reduce or eliminate parking requirements for tiny homes

In 2019, City Council removed the parking requirement for Accessory Dwelling Units. The proposed TOD overlay text change would eliminate parking requirements for residential uses. To facilitate tiny home development, City Council could similarly remove parking requirements for tiny homes. More generally, parking requirements should be examined within the area and corridor planning processes.

Pros:

- Eliminating parking requirements facilitates higher density and missing middle housing types that are in high demand.
- Encourages transit use, biking, and walking.
- Reduces Raleigh’s dependence on cars.
- Reduces Raleigh’s carbon emissions.

Cons:

- Some potential for increased competition for on-street parking spaces.

Permit movable tiny houses as Cottage Court or principal dwelling unit

There are several options that could incorporate movable tiny houses into the UDO. The Cottage Court development option could be amended to permit movable tiny houses. This development type permits several houses on the same structure, surrounding a courtyard or shared open space. Recent text changes have adjusted the requirements to encourage use throughout the city. Another option is to further explore permitting movable tiny houses as principal structures on a lot under the Conventional Development Option. This would allow a movable tiny house to be the principal structure on a residential lot.

Pros:

- Integrates into existing regulatory frameworks, and dimensional standards and other requirements are already established.

- Permits movable tiny houses in a “tiny house village” development, one of the common contexts for the building type.

Cons:

- Movable tiny houses require utility connections that could be vacated upon removal of the unit, leading to potential maintenance concerns.



Recommended Definition

for Moveable Tiny Homes / Tiny Homes on Wheels

Raleigh, NC

There are numerous associations that have formed across the country and around the world that are working to implement change in legislation and zoning to legalize tiny houses to become a viable solution to housing. Over the past several years there have been think tanks, affordable housing summits, local festivals and many meetings, all with the goal to create more legal places to live and more tiny friendly communities.

At this time, there is not one unified industry standard that is recognized for tiny houses on wheels and each jurisdiction, bank, insurance agency, etc are creating definitions and criteria to deny or allow them. In NC, we are working together across jurisdictions to create a recommended definition for Moveable Tiny Houses to help bridge the existing gap and uncertainty that faces owners of Moveable Tiny Homes.

Most City or County ordinances can be amended to permit Movable Tiny Houses simply by adding a definition for a "movable tiny house" to the unified development code and designating in what zoning districts to allow them.

What follows is a draft or model definition for a Moveable Tiny House that could be adopted into the Raleigh Unified Development Ordinance in order to legalize the use of Moveable Tiny Houses as Dwelling Units.

Definition of Movable Tiny House

Moveable Tiny House. A structure no larger than 400 square feet intended for separate, independent living quarters, designed as a permanent, year-round residence for one household that meets these five conditions:

1. Is licensed and registered with the North Carolina Department of Motor Vehicles and meets requirements of ANSI 119.5 or the National Fire Protection Association (NFPA) 1192 standards as certified by an accredited qualified third-party inspector for ANSI/NFPA compliance.
2. Is towable by a bumper hitch, frame-towing hitch, or fifth-wheel connection, and is not designed to move under its own power;
3. Is no larger than allowed by North Carolina State Law for movement on public highways, but in no case wider than 14 feet;
4. Has at least 150 square feet of first floor interior living space;
5. Is a detached self-contained unit which includes basic functional areas that support normal daily routines including cooking, sleeping, and sanitation in line with Raleigh's definition of "dwelling unit"

Additional Requirements for Movable Tiny Houses as Dwelling Units.

Movable Tiny Houses must comply with all the following:

- (1) When sited on a lot, the undercarriage (wheels, axles, tongue and hitch) shall be hidden from view.
- (2) If the wheels are not removed, the parking area shall include bumper guards, curbs, or other installations adequate to prevent movement of the unit. The wheels and leveling or support jacks must sit on a paving surface such as concrete or decomposed granite sufficient to hold the weight of unit on wheels and jacks.
- (3) If the wheels are removed so the unit may sit on a foundation, the foundation requirements for a Movable Tiny House shall follow the State approved requirements for foundation systems for manufactured housing, or follow an alternative design certified by a licensed engineer.
- (4) Mechanical equipment, other than solar panels shall be incorporated into the structure and not located on the roof.
- (5) Movable Tiny Houses shall be connected to water, sewer and electric services/utilities or otherwise comply with applicable Municipal Health Department requirements for sewage disposal and water supply.
- (6) Movable Tiny Houses are not required to have sprinklers, but shall follow the ANSI A119.5 or NFPA 1192 standards relating to health, fire and life-safety.
- (7) Movable Tiny Houses shall have the following design elements:
 - (a) Materials used as exterior wall covering shall be natural or man-made materials of a non-reflective nature;
 - (b) windows shall be at least double pane glass and labelled for building use, and shall include exterior trim;
 - (c) roofs shall have a minimum of a 12:1 pitch for greater than 50% of the roof area;
 - (d) all exterior walls and roof of moveable tiny houses shall be fixed with no slide-outs, tip-outs, nor other forms of mechanically articulating room area extensions.
 - (e) includes insulation with values of at least R13 for the walls and R19 for floor and ceiling

Other Recommendations to fully legalize Moveable Tiny Houses within the Raleigh Unified Development Ordinance

Expand from a simple definition of Moveable Tiny Houses to an additional building type option that can be used for primary or accessory structures.

Allow Moveable Tiny Houses as a primary dwelling unit in all residential and agricultural zoning districts.

Allow Moveable Tiny Houses as an accessory dwelling unit in all zoning districts.

Allow Moveable Tiny Houses in Cluster and Cottage Court development options.

Consider the lot sizes, utilities, permitting and inspection requirements that will lower barriers to legally establish and connect Moveable Tiny Houses where allowed by right.



Raleigh

MEMO

TO: Marchell Adams-David, City Manager

FROM: Patrick O. Young AICP, Director

DEPARTMENT: Planning and Development

DATE: March 11, 2021

SUBJECT: **HOUSING UNIT/REZONING ANALYSIS FOLLOW UP**

On February 12, 2021, the Planning and Development Department responded to a request for information from Council Member David Cox regarding themes relating to the nexus of housing entitled vs. Housing units produced through the rezoning process. In the initial request, the following three questions were asked:

- **Over the past five years there have been several rezoning cases that intended to add housing in the City of Raleigh. If we analyze these rezoning cases, how many units would we have if they were all built out?**
- **Currently, how many of those rezoning requests that were approved over the past five years remain to be built out?**
- **Regarding current construction activity, how many housing units are currently being constructed in Raleigh?**

In the timeframe provided to respond, staff was able to report on the first question: Of all rezoning requests approved from 2016 to 2020, approximately 60,000 residential units could be built. This number, while true in terms of raw capacity, only tells part of the story. The net result of units built require a much more detailed analysis. This memo will provide additional context and analysis, showing that entitlements aren't a certainty and that a variety of factors determine what gets built at the close of a project.

While the initial estimate is accurate in terms of what could potentially be built, an adjustment should be applied to the 60,000-unit estimate based on observations of what has actually been built on those sites in the last 5 years and a reasonable assumption on what will likely be built on undeveloped rezoning sites in the future. We'll begin with how we calculated the original estimate of approximately 60,000 units.

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Envision Tomorrow Unit Entitlement Estimates

For each rezoning case, staff uses a program called “Envision Tomorrow” to quantify zoning entitlement. This analysis is primarily conducted to ensure that adequate infrastructure is in place to serve the requested zoning entitlement. Staff uses Envision Tomorrow to generate a theoretical highest-possible-intensity development scenario. This is because in the universe of all possibilities, considering a worst-case scenario to evaluate anticipated impacts on infrastructure is helpful information for the City’s professional engineering staff to quantify and evaluate what potential improvements are warranted or if existing infrastructure is sufficient.

Secondarily, Envision Tomorrow provides a meaningful way to quantify zoning entitlement for zoning districts that do not prescribe discrete limitations to development entitlement. Raleigh’s zoning code has five residential districts Residential-1, -2, -4, -6, and -10, which prescribe the maximum densities, per acre, of their titles. All other districts allow an open-ended amount of zoning entitlement that is generally proportional to the size of a property, specific requirements of various uses, and permitted building height. Additionally, these districts permit a mix of uses, meaning development within them could include some residential units and some commercial or office space. Because most of Raleigh’s zoning districts limit development effectively by building size, the Envision Tomorrow programs helps staff and decision makers estimate and quantify impacts.

Individual Factors Impacting Envision Tomorrow Unit Entitlement Estimates

The estimate of 60,000 residential units was a compilation of each highest-possible-intensity development scenario, assuming in all cases that only residential development occurred, from the 173 zoning cases approved from 2016 to 2020. It is important to note that while most rezonings create residential entitlement, there are other non-residential development needs to support the population of the City and that applicants often pursue rezonings to create the entitlement they need in order to make their projects work. It is also important to note that site limitations such as, topography, flood plain, stream buffers, tree buffers, stormwater control measures, setbacks and a host of additional factors specific to each site can impact what can be built on site regardless of the face value of the entitlement granted by a zoning district. As a result, the entitlement estimates quantified by Envision Tomorrow, do not mean that this many units will be built but merely indicates the maximum of what could be built in the absence of internal and external factors specific to each rezoned area and each site. Because of this, when a development is completed, the number of units constructed can vary greatly from the unit entitlement estimates indicated by Envision Tomorrow.

Current Status for Rezoning Requests for the period 2016-2019

To get a better idea of how this plays out in reality, Planning Staff looked at the cumulative zoning cases that occurred between the years of 2016 through 2020. In total, there were 173 approved rezoning cases during this period. The tables and text below, provide an analysis of these cases and answers the remaining two questions posed by Council Member Cox.

Of the 173 approved rezoning cases, how many have been fully constructed, how many have had development plans approved, how many are in review and how many have seen no activity?

Of the 173 zoning cases approved from 2016 through 2020, there have been 15 developments constructed and another 36 have site plans that have been approved and are ready for construction. There are currently 32 development plans in review. The remaining 90 rezoning sites have seen no development or permit activity, however in 13 of those cases, the sites were either sold to another owner or rezoned again. This data is contained in Table 1.

Table 1: Zoning Cases - Where Are They Now?

	Cases Approved	No Activity	Resold	Re- Rezoned	Development Plan Approved	Development Plan in Review	Development Constructed
2016	39	13	3	1	9	2	11
2017	29	13	2	0	10	3	1
2018	27	8	0	1	11	4	3
2019	47	23	3	1	6	14	0
2020	31	20	2	0	0	9	0
<i>total</i>	<i>173</i>	<i>90*</i>	<i>10</i>	<i>3</i>	<i>36</i>	<i>32</i>	<i>15</i>

Of the 173 approved rezoning cases, how many units have been constructed, how many are under review for permitting, and how does that compare to their overall zoning entitlement?

Since 2016, 1,925 residential units have been constructed on sites that were rezoned, which represent 3.1% of estimated unit entitlement from the Envision Tomorrow analysis. Another 6,018 units are under review which represent 9.6% of the total estimated entitlement. Together this represents 12.7% of the total estimated residential entitlement achieved through rezoning. This data is contained in Table 2.

Table 2: Residential Units Through Rezone by Year

	Entitled	Constructed	Pending	Constructed vs. Entitled ratio	Pending vs. Entitled Ratio
2016	14,536	1691	792	11.6%	5.4%
2017	5,018	234	1,291	4.8%	26.6%
2018	7,375	0	1,770	0.0%	24.0%
2019	13,072	0	1,767	0.0%	13.5%
2020	22,692	0	398	0.0%	1.8%
<i>Total</i>	<i>62,693</i>	<i>1,925</i>	<i>6,018</i>	<i>3.1%</i>	<i>9.6%</i>

It's important to note that in any project, there is a delay between when a project is approved and when that project is constructed. This can be due to a variety of factors both economic or situational which can be unique to each development. In many cases, an applicant seeks to rezone a property to increase entitlement not for the purpose of development but instead for the marketing and future sale of the involved property.

Zoning as it Relates to the Production of New Housing Units

Raleigh's population today is estimated to be 474,708 and is anticipated to grow to 683,035 by 2040, an increase of 208,327 individual residents. There are currently 205,534 residential units in Raleigh (2019 ACS); that's roughly 2.3 Raleighites per unit. Based on 2040 population projections and assuming the same distribution of new population across residential units, roughly 90,577 new units would be needed to house the increase in population. To meet this demand, an average of 4,767 new units would need to be constructed each year.

In the timeframe of 2016 to 2019, a total of 14,262 new units have been constructed and 1,925 of those units were constructed on sites that were rezoned (complete 2020 construction data is currently not available). Roughly 13% of total units constructed were built following a rezoning. These 1,925 units represent 3.1% of the estimated overall zoning entitlement for rezoned properties. Another 6,018 units are under review which represent 9.6% of the total estimated entitlement. Together this represents 12.7% of the total estimated residential entitlement of rezoned sites.

If the entitlement and construction trends for the last five years persist, then 92,717 new units would need to be entitled through rezoning to provide at least 12.7% of the anticipated housing demand, or 4,880 newly entitled units a year over a 19-year time period. If 35 rezoning cases a year are

approved per year, as is the current average, each zoning case would need to increase residential entitlement by 140 units to keep up with projected demand.

From 2016 to 2020, an average of 5,782 new units were entitled each year. Across 173 approved rezoning requests in that period, each request increased zoning entitlement by 33 residential units on average, which represents 21.4% of the needed increase of residential zoning entitlement needed to fulfill just 13% of the overall housing demand.

Summary and Conclusion

In summary, the analysis makes clear the following points:

Housing Supply and Demand

- From the period 2016 to 2019, there have been an average of 3,566 housing units constructed annually.
- If this rate persists over the next 19 years, 71,310 units would be built.
- 4,767 units would need to be constructed per year for the next 19 years to accommodate the projected population growth. This translates to the construction of 90,577 new housing units by 2040.
- Subtracting the number of anticipated units resulting from the current construction rate from the anticipated units needed to serve the projected population, would result in a projected deficit in the housing supply by 19,267 units which would be needed to house the additional 44,314 people anticipated through the most recent population projections.

Rezoning and Housing Unit Entitlement

- From 2016 to 2020, roughly 60,000 units have been entitled through rezoning (an average of 12,000 per year).
- 1,952 rezoning-based units were built or approved from 2016 to 2019 (an average of 488 per year)
- Roughly 4% of entitled units have been constructed on rezoned sites.

Residential units delivered to the market from rezoning have accounted for 12.7% of the 90,577-unit demand. If 4,880 units are entitled through rezoning each year for the next 19 years, the rate will stay the same as it has for the past 5 years. To maintain this rate, assuming 35 zoning cases were approved each year as is the current five-year average, each case would need to increase residential entitlement by an average of 140 units.

Relying on this type of linear projection to correlate rezoning entitlement and residential unit construction is an imperfect metric to precisely anticipate how much housing will be constructed following a rezoning. In fact, most the city's zoning districts are not designed to provide that type of specificity.

Considering the projected housing demand and what has been observed over the last five years, rezoning to permit more housing is a needed action to provide an adequate supply of residential units. Significantly less residential units are constructed than are entitled through rezoning. It is also reasonable to expect from this analysis that entitling more housing will result in more housing construction, which is needed to keep up with the current demand.