

Initial Findings and Observations

The R3 consultant team began their analysis by reviewing existing conditions and development trends in the R3 Zoning District. They coordinated closely with City staff, including the anti-displacement Housing and Neighborhood Services team. Two virtual meetings were also held with multi-family developers to understand the current development environment which might limit or constrain new R3 Zone development.

1. R3 Zone is Used to Regulate Diverse Developments in Many Contexts.

A key finding is that the current R3 Zoning District standards are not flexible enough to incentivize new stacked-flat development on different-sized lots and in different areas of the City. A more flexible and context-specific set of “R3 sub-area” standards should be explored to help facilitate new stacked-flat development. This approach would break up the R3 Zoning District into smaller areas based on different geographic contexts, opportunities and constraints, and standards for different lot sizes (from small to extra-large sites).

For example, a sub-area approach could explore different standards within different areas, such as:

- In areas adjacent to single-family neighborhoods, a new sub-area zone could require height transitions to surrounding development while modifying other standards, such as open area or side setbacks;
- In areas within walking distance to transit or services, a new sub-area zone could reduce or eliminate parking; or
- In sub-area zones with small lots, modified standards could help facilitate more “missing middle” house-scale developments, such as duplexes, triplexes, or fourplexes.

2. Feasibility Analysis.

The R3 team’s initial analysis focused on how current R3 standards and market conditions affect the feasibility of new developments. This work included several iterations of both “physical” and “financial feasibility” analyses.

It is important to note that while feasibility is a key part of the analysis, it is only one of several factors under consideration when proposing changes to the R3 Zone. Additional factors that will need to be further considered include:

- R3 adjacencies (i.e., where R3 areas are closer to corridors and/or high-quality transit could be areas for greater intensification. R3 areas adjacent to single-family neighborhoods could include less intensification with special transitional development standards.);
- R3 clusters of consistent lot widths (i.e., clusters of small or medium lots could include calibrated standards to address these conditions); and
- The desired degree of change (i.e., where change or preservation is desired).

The physical analysis tested how different-sized R3 lots¹ could accommodate stacked flats under current R3 standards. Parcels were organized primarily by lot width as an indicator of size as this characteristic is generally a key factor in determining what can be built/fit on a parcel. Several building prototypes were used to test feasibility. These prototypes were based on market-rate rental projects of different building and parcel sizes and included 15 percent BMR units.² Then, these prototypes were tested for feasibility with theoretical modifications to R3 standards to reflect an updated standard.

The prototypes were then tested for financial feasibility under current local market conditions. The financial analysis included construction costs; “soft costs,” such as design and development; developer return; and permit and impact fees.

The analysis showed that new R3 prototype projects do not necessarily meet current R3 standards, and the most feasible projects would be primarily larger lot sizes. This is due to the current constraints of the R3 Zoning Code in terms of densities, heights, and other development standards, including parking requirements.

Table 1 lists the R3 standards that limit feasibility and what would need to be changed to improve feasibility.

Table 1: R3 Standards and Feasibility

Standard	Lot Category	R3 Code Maximum or Standards			Potential Influences on Feasibility	
		Lot Area	Max. Units	Max. Units per Acre	Min. Units	Min. Units per Acre

¹ Lot types: Small, up to 99’ wide; Medium, 100’ to 199’ wide; Large, 100’ to 199’ wide, 155’ to 300’ deep; X-Large, 100’ to 199’ and >200’ wide, >300’ deep; and Outlier, < 100’ wide, > 300’ deep.

² The analysis did not study for-sale developments, which are generally more financially feasible than rental units under this analysis. However, factors such as construction liability insurance may limit the feasibility of for-sale developments.

Standard	Lot Category	R3 Code Maximum or Standards			Potential Influences on Feasibility	
Density	Small	9,000 sf	5	24	8	39
	Medium	12,500 sf	9	31	44	153
	Medium	13,700 sf	10	31	44	140
	Large	19,000 sf	16	36	64	147
	X-Large	74,760 sf	85	51	183	49
	X-Large	118,125 sf	139	49	315	51
Building Height	Small	3 stories			Additional height (1-2 stories) improves feasibility	
	Medium	3 stories				
	Large	3 stories				
	X-Large	3 stories				
Setbacks	Small	15' min.			Reductions in setbacks can improve feasibility	
	Medium	15' min.				
	Large	15' min.				
	X-Large	15' min.				
Lot Coverage	Small	35%			Particularly on larger lots, increases in buildable coverage can result in increased feasibility	
	Medium	35%				
	Large	35%				
	X-Large	35%				
Floor Area Ratio (FAR)	Small	1.05 FAR			1.25 to 2.5 FAR (FAR depends on the parking system used)	
	Medium	1.05 FAR				
	Large	1.05 FAR				
	X-Large	1.05 FAR				
Parking Requirements	Small	1 per bedroom			Generally, reductions of parking requirements to 1 space per unit or less increase feasibility	
	Medium	1 per bedroom				
	Large	1 per bedroom				
	X-Large	1 per bedroom				
On-site Open Space	Small	55%			Reductions in the on-site open-space requirement result in increased project feasibility	
	Medium	55%				
	Large	55%				
	X-Large	55%				

3. Residential Yield.

The analysis demonstrated that changes in development standards to attain more feasible stacked-flat projects in the R3 Zone could result in the creation of up to 12,000 new units over time. This is a very high-level assumption over a very long-term development horizon, and the ultimate yield will depend on the effectiveness of

modified development standards and future market conditions. Staff intends to use this approximate residential yield as the basis for the project's California Environmental Quality Act (CEQA) document, which is required to analyze the maximum scope of a project