

Memorandum

To: **Robin Koskey, Director, Government Relations and Communications Puget Sound Regional Council**

From: HR&A Advisors, Inc.

Date: **January 13, 2026**

Re: Analysis of Zoning Capacity and Development Feasibility Under Proposed Legislation S-3569
- DRAFT V2

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Change Log

(1/14/2026)

- Updated values to omit PUD land in Pierce County that is currently being developed as residential labeled in zoning as (Employment Based Planned Communities) as well as the Lakeland Hills Community in Auburn, WA.

(1/13/2026):

- Added Table of Contents.
- Updated Legislation Overview to reflect TOD parcel exclusion in forthcoming new draft of bill.
- Revised first three bullets under Key Findings to account for overall residential use restrictions and ground floor residential use restrictions.

HR&A Advisors conducted a technical analysis of proposed legislation **S-3569** (version as of 12/15/2025) to evaluate its potential impact on zoning capacity and residential development feasibility across Washington State. The study examined 70,701 parcels (approx. 82,000 acres) within the Growth Management Area (GMA) currently designated as Commercial or Mixed Use. First, the study analyzes zoning regulations to identify which commercial and mixed-use zones allow residential development at all, as well as on the ground floor of a building. Second, the study integrates zoning regulation data with economic feasibility metrics ("soft sites") to distinguish between theoretical zoning capacity changes and practical development potential.

Legislation Overview

S-3569 (Proposed Legislation, as of 12/15/2025) mandates that any city or county planning under the Growth Management Act (GMA) with a population of 30,000 or more must allow residential uses in areas currently zoned for commercial or mixed-use development. Specifically, the bill prohibits these jurisdictions from enforcing zoning controls that would effectively exclude housing, such as requiring ground-floor commercial or retail space as a condition for permitting residential development.

The legislation includes specific exclusions where this mandate does not apply:

- **Hazard & Industrial Areas:** Parcels within **3,200 feet** of an active oil or gas refinery.
- **Shorelines:** Waterfront lots in a shoreline environment where multifamily residential or mixed-use development is currently prohibited.
- **Critical Areas:** Areas governed by a critical area ordinance (with an exception for critical aquifer recharge areas where single-family housing is already allowed).
- **Historic Structures:** Sites requiring the demolition of a designated historic structure.
- **Urban Growth Areas:** Parcels located outside the Urban Growth Area (UGA).
- **Transit-Oriented Development (TOD) Parcels** (parcels impacted by [HB 1491](#)) were excluded from this analysis to avoid double-counting legislative impacts.¹ TOD parcels are shown in dark gray on accompanying maps.

¹ HB 1491 requires certain cities planning under the GMA to update their zoning to allow multifamily residential uses (with specific density and affordability requirements and a prohibition against requiring parking minimums) in designated areas near transit stations—including in commercial and mixed-use zones—by December 31, 2029, at the latest.

Key Findings

HR&A analyzed the existing landscape of zoning across all parcels in Washington State to evaluate the parcels that would be affected by this proposed legislation. The full methodology is detailed within this document.

- **Overall Residential Use Permissions:** Of the 70,701 selected parcels, 44% generally permit residential uses by right. The majority of parcels restrict residential uses in some way: 51% allow residential development as a conditional use, and 5% prohibit residential development outright.
- **"Ground Floor" Residential Restrictions:** When we look specifically at ground-floor regulations, **71%** of all parcels face specific ground-floor barriers—meaning residential is either banned entirely on the ground floor or requires conditional approval to be placed there.²
 - **Construction Implications:** Restrictions on ground-floor residential use often require concrete podium construction rather than wood-frame housing.
- **The "Effective" Restriction Rate:** Combining all forms of restriction (conditional status or ground-floor bans), **75% of parcels face significant hurdles to residential development.**
- **Restriction Rates on Large Parcels:** Parcels larger than 1 acre face higher restriction rates than the general average. *"Restrictions" are defined as any zoning that makes residential development conditional or requires ground floor non-residential uses.*
 - **80%** of large parcels are restricted in some form (vs. 75% for all parcels).
 - **79%** of large parcels specifically restrict ground-floor residential use.
- **Commercial versus Mixed-Use Zones:** Zones explicitly labeled "Commercial" exhibit higher restriction rates than those labeled "Mixed Use."
 - **Commercial (COM) Zones:** **80%** restricted.
 - **Mixed Use (MXU) Zones:** **74%** restricted.
- **Types of Restrictions: Explicit Bans vs. Conditional Use** Analysis of specific jurisdictions indicates two primary methods of restrictions:
 - **Conditional Use/Ground Floor Restrictions:** Major cities such as **Seattle, Vancouver, and Renton** technically allow housing in most commercial zones (0% Prohibited) but are **100% Restricted**. In these areas, commercial parcels are subject to ground-floor prohibitions or conditional use permits.
 - **Explicit Prohibitions:** Cities such as **Kirkland (38% Prohibited), Mount Vernon (25% Prohibited),** and **Richland (22% Prohibited)** maintain areas of commercial land where housing is prohibited.

² Most land where residential development is freely allowed is located in Spokane Valley, Spokane, and Unincorporated Pierce County. These three jurisdictions account for over 50% of the allowed parcels in the study. When excluding parcels in these jurisdictions, 84% of all other parcels do not allow for ground-floor residential development.

Table 1. Parcel Restriction Status by Jurisdiction**Top 15 Most Restrictive Major Jurisdictions**

Jurisdiction	Total Parcels	Allowed	Prohibited (No Housing)	Restricted (Conditional/No GF)
Mount Vernon	993	0.0%	63.5%	36.5%
Kirkland	757	0.0%	40.4%	59.6%
Richland	1,533	0.0%	28.2%	71.8%
Puyallup	732	0.0%	3.1%	96.9%
Marysville	1,445	0.0%	2.4%	97.6%
Kent	562	0.0%	0.9%	99.1%
Auburn	831	0.0%	0.7%	99.3%
Edmonds	710	0.0%	0.3%	99.7%
Pasco	1,260	0.0%	0.1%	99.9%
Kennewick	1,978	0.0%	0.0%	100.0%
Lake Stevens	516	0.0%	0.0%	100.0%
Renton	707	0.0%	0.0%	100.0%
Seattle	4,010	0.0%	0.0%	100.0%
Vancouver	2,144	0.0%	0.0%	100.0%
Walla Walla	588	0.0%	0.0%	100.0%

Development Feasibility

Zoning capacity is a necessary, but not sufficient, condition for eventual development. To estimate the order-of-magnitude development potential of these eligible parcels, HR&A conducted a high-level soft-site analysis.

Definition: A parcel is considered a "Soft Site" if:

- **Financial Feasibility:** The value of the land is greater than the value of the existing improvements (Land-to-Improvement Ratio > 1.0).
- **Scale:** The parcel is larger than 1 acre.

Statewide Feasibility Summary While the legislation applies to **70,791 eligible parcels**, economic criteria reduce the eventual potential development:

1. **Eligible Parcels:** 70,791 parcels are zoned and eligible, of which ~50.6K would see zoning relief.
2. **Soft Sites (Financial Feasibility):** 22,710 (45%) meet the Land-to-Improvement ratio criteria.
3. **Large Soft Sites (Practical Scale):** 5,249 (9%) meet both financial and size (>1 acre) criteria.

Analyzing development feasibility as acres unlocked per 1,000 residents, the analysis suggests that the highest potential for new development is located in mid-sized cities with available commercially zoned land, rather than the largest cities (Seattle, Spokane).

Jurisdictions with High Per Capita Feasible Acreage

- **Richland:** 22.0 acres / 1,000 residents
- **Lacey:** 14.8 acres / 1,000 residents
- **Yakima:** 13.3 acres / 1,000 residents
- **Bremerton:** 11.7 acres / 1,000 residents
- **Auburn:** 11.7 acres / 1,000 residents

Jurisdictions with Low Per Capita Feasible Acreage

- **Spokane:** 0.4 acres / 1,000 residents
- **Seattle:** 0.3 acres / 1,000 residents

Analysis of Specific Markets

- **Seattle Parcel Characteristics:** Seattle contains 4,010 eligible parcels, of which 2% meet the criteria for "Large Soft Sites." This reflects a high ratio of improvement value to land value and smaller average lot sizes, factors that necessitate lot assembly and demolition for redevelopment.
- **Bellevue Parcel Characteristics:** Bellevue exhibits a Soft Site Ratio of 86% among eligible parcels. This indicates a higher prevalence of parcels where land value exceeds improvement value, typically associated with lower-density commercial sites compared to Seattle's higher-density existing stock.
- **Feasibility in Secondary Markets:** Cities such as Richland and Lacey possess a proportionally higher acreage of soft sites relative to their population size compared to primary urban centers.

Methodology

Parcel Selection Criteria

Parcels were selected for analysis based on the following parameters:

- **Geographic Scope:** Located within the designated [Growth Management Area \(GMA\)](#).
- **Population Density:** Located within a municipality with more than 30,000 residents, or within unincorporated county land where the unincorporated population exceeds 30,000. Population data was sourced from the [OFM April 1 Population Estimates](#) for unincorporated counties and the US Census Population Estimates Program for municipalities.
- **Zoning Category:** Designated as either Commercial (COM) or Mixed Use (MXU) per the [Washington Zoning Atlas](#).

Exclusions

To ensure the analysis reflected realistic legislative constraints and accurate land use data, specific exclusions were applied:

- **Hazard/Environmental Areas:** Parcels were excluded if located within 3,200 feet of an oil refinery or within 200 feet of a shoreline. *Note: This spatial filter serves as a simplified proxy for the aquifer and shoreline waterfront exclusions outlined in legislative sections 2(d) and 2(e).*
- **Transit-Oriented Development:** Parcels potentially impacted by [HB 1491](#) (regarding Transit-Oriented Housing Development) were excluded from this specific analysis to avoid double-counting legislative impacts (shown in dark gray on accompanying maps).
- **Manual Zoning Verification:** A manual review was conducted to verify zones classified as Mixed Use (MXU) in the Washington Zoning Atlas. Certain zones were removed from the analysis because their specific descriptions indicated they were primarily residential rather than mixed-use commercial, despite their atlas classification. Examples of excluded zones include:
 - **Pasco:** "R-1/PUD, Low Density" and "R-3/PUD, Medium Density" (classified as MXUPC).
 - **Unincorporated Snohomish County:** Zones ranging from "Residential 9,600 Sq. Ft" to "Residential 20,000 Sq. Ft" (classified as MXUPC).
 - **Longview:** "Residential High Density" (classified as MXU4).
 - **Unincorporated Pierce County:** MXU4 zones designated as "Neighborhood Corridor."
 - **PUD Developments** designated by WAZA as Mixed Use, but follow traditional subdivision development patterns in Pierce County and Auburn, WA

RAG-Based Regulatory Analysis

To accurately determine whether residential development—specifically ground-floor residential—is permitted, HR&A utilized a **verified Retrieval-Augmented Generation (RAG) AI framework**. This process involved ingesting official zoning code documents (PDFs) and performing targeted vector searches to extract relevant regulations for each zone.

The model generated a determination for each zone (Allowed, Conditional, or Prohibited) supported by a **textual justification** and a specific source reference (e.g., municipal code section) to ensure accuracy. This allowed for a granular distinction between zones that theoretically allow housing versus those that restrict it on the ground floor.

To ensure transparency and auditability, the system captured granular metadata for every determination:

- **Evidence Retrieval:** For each query, the model retrieved specific text segments ("chunks") from the underlying zoning documents. These chunks served as the raw evidence base for the decision, ensuring the AI's reasoning was grounded in the actual legal text.
- **Source Transparency:** The analysis tracked the origin of the information, distinguishing between "**Local File**"(verified PDF uploads) and "**Web Search**" fallbacks. For local files, the specific filename (e.g., Lakewood Zoning Code.pdf) was recorded. For web searches, specific urls were logged to allow for manual cross-referencing.
- **Justification:** The model generated a determination for each zone supported by a textual justification citing the specific code section.

Examples of Verified Determinations:

- **Prohibited (Lakewood, Air Corridor 1):** The analysis identified that while the zone is commercial, residential use is explicitly prohibited.
 - *Justification:* "According to LMC 18A.40.130(D), the Air Corridor and Clear Zone (AC1) district is intended to provide for compatible land uses... residential use is prohibited."
- **Conditional Ground Floor (Bellevue, Bel-Red General Commercial):** The model identified that residential use is allowed but restricted on the ground floor.
 - *Justification:* "Residential uses are permitted in the BelRed-CR district as a component of a mixed-use development... [but are] conditional."
- **Prohibited Residential (Yakima, Airport Support District):** The model verified that no residential uses were listed in the permitted use table.
 - *Justification:* "According to the Yakima Municipal Code... residential uses are not listed as permitted or conditional in the Airport Support District."

Economic Feasibility ("Soft Sites") Criteria

To evaluate practical development potential beyond theoretical zoning capacity, the analysis applied a "Soft Site" lens using county assessor data. This filter distinguishes between parcels where development is legally permitted and those where it is economically viable.

A parcel was classified as a "**Soft Site**" if it met the following economic and physical criteria:

- **Financial Feasibility (Land-to-Improvement Ratio):** The assessed value of the land exceeds the assessed value of existing improvements ($L:I > 1.0$). This metric identifies underutilized properties—such as surface parking lots, aging strip malls, or vacant land—where the cost of demolition and site preparation is low relative to the land's value. This is a simplified proxy for under-improved land; where there may be lower economic friction for reinvestment or redevelopment than sites with high improvement value. This is a crude screening heuristic—actual development feasibility will depend on physical constraints, market strength, construction and financing costs, and ownership conditions that affect willingness to redevelop.
- **Development Scale:** The parcel is larger than **1 acre**. This size threshold ensures the site can support cost-effective construction typologies (e.g., wood-frame over concrete podium) and minimizes the need for complex, expensive lot assembly. Similar to soft-site designation; this does not alone determine opportunity: assemblage potential, lot shape, environmental remediation requirements among many other factors will all be considered if a parcel is redeveloped.