

CITY OF KIRKLAND Planning and Building Department 123 5th Avenue, Kirkland, WA 98033 425.587.3600- www.kirklandwa.gov

#### **STAFF REPORT**

То:	Kirkland Hearing Examiner
From:	Adam Weinstein, Planning & Building Director Dawn Nelson, Planning Manager Stephanie Croll, Senior Assistant City Attorney
Date:	October 18, 2021
Subject:	Appeal of Zoning Code Interpretation 21-4

#### RECOMMENDATION:

Staff recommends denial of the appeal of Kirkland Zoning Code (KZC) Interpretation 21-4, as the code interpretation is clearly consistent with relevant provisions of the KZC and supporting policies that have long been adopted in the Comprehensive Plan.

#### **GENERAL BACKGROUND:**

The fundamental reason the City has enacted housing regulations to allow for more compact housing types, such as cottage housing, is to address housing affordability and diversity in the community. As is typical of code amendments for complex topics that are grounded in Comprehensive Plan policy, interpretations are sometimes needed to clarify specific provisions, and such interpretations become apparent after the code begins to be implemented. As will be demonstrated in this memo, the cottage housing interpretation challenged here is consistent with the policies, actions and regulations that have been adopted by the City for many years.

On March 17, 2020, the City Council adopted a sweeping set of code amendments known as the Missing Middle Housing Code Amendments, making it easier to build a range of more compact housing types in Kirkland, including accessory dwelling units (ADUs), cottages, duplexes, and triplexes. The stated intent of the 2020 code amendments was to implement actions in the City's 2018 Housing Strategy Plan, including "leveraging market forces to increase the diversity and supply of housing that is more affordable than conventional single-family development," according to the staff report presented in advance of the March 3, 2020 Council meeting. The 2020 code amendments were a rational follow-up to, and based in part on, prior amendments adopted in the KZC in 2007 pertaining to cottage, carriage, and two/three-unit homes. The 2007 amendments allowed these more compact unit types in select single-family zoning districts throughout Kirkland. The intent of the 2007 code, expanded upon in 2020 is:

"... to address the changing composition of households, and the need for smaller, more diverse, and oftentimes, more affordable housing choices. Providing for a variety of housing types also encourages innovation and diversity in housing design and site development, while ensuring compatibility with surrounding single-family development." [excerpt from KZC 113.10, 2007 Code]

Fundamental goals for housing diversity include those that differ from the goals of conventional single-family development, particularly the creation of more compact housing and the provision of common open space (versus private open space). In general, the 2020 amendments (which applied to all single-family residential zoning districts in the City) were more permissive to developers than the 2007 amendments, with reduced parking requirements, more flexible locational requirements (i.e., no restrictions on projects built in close proximity to a similar project), additional square footage allowances (e.g., cottages could be a maximum of 1,700 square feet in size rather than 1,500 square feet) and (relevant to the subject interpretation) reduced common open space requirements. Adoption of the code amendments in 2007 and 2020 was not without controversy and debate, with many community members providing input. Many residents expressed concern that the additional density allowed under the code would be incompatible with predominantly single-family neighborhoods, creating an undue burden on the transportation network and open space resources. As a result, the 2007 and 2020 codes contain specific provisions related to walkability and open space, especially for larger projects.

In particular, the 2007 code (KZC 113.25, 2007 Code) required all cottage, duplex, and triplex projects to contain 400 square feet of common open space per unit, which was further required to be: (i) centrally located and easily accessible by all residents of the cottage project; and (ii) integrated into the housing project by being surrounded by housing units on at least two sides.

In recognition of the importance of open space, community, and walkability in cottage projects, the requirement for open space was retained in the 2020 amendments, although the requirements were generally made less burdensome for developers. For instance, the amount of required open space was reduced from 400 square feet per unit to 300 square feet, and the requirement only applies to cottage developments of five or more units. The open space requirement in cottage projects was fundamental to gaining community acceptance of the missing middle housing code amendments in 2007 and 2020. In essence, the bargain made with the community in the 2007 and 2020 code amendments was that larger cottage projects (i.e., those consisting of five or more units) were expected to mitigate their impacts on open space via the provision of *high-quality common open space*, and that this open space was to be an organizing principal for cottage project designs in order to *foster community compatibility and walkability*. In sum, open space is key to making smaller, more affordable housing units more livable for the owners *and* the surrounding community.

Since adoption of the 2020 amendments, there has been tremendous interest in developing cottage projects in Kirkland. In approximately the year following adoption of the 2020 amendments (March 2020 to February 2021), the City conducted presubmittal meetings for cottage projects totaling 125 units, and received permit applications for a total of 22 units. In comparison, in the year before the code amendments were adopted (March 2019 to February 2020), the City had conducted presubmittal meetings for only a total of 8 cottages, and received permit applications for only 14 units.

Between March 2020 and February 2021, staff deemed many of the submitted cottage proposals to be code-compliant, with projects providing sufficient common open space and cottages properly oriented around the open space. Some applications, however, were submitted where it appeared that the applicant and/or property owner was attempting to intentionally circumvent the (already reduced) open space requirement by submitting two *separate* applications for side-by-side projects that each individually contained *less* than five cottage units, but together contained *five or more* cottage units. By submitting these side-by-side projects separately, the developers contended they did not have to comply with the City's code requirement for common open space (which applies, of course, only to projects of five units or more).

On August 16, 2021, the City issued and posted on its website three interpretations to clarify sections of the KZC pertaining to missing middle housing:

- 1. One interpretation clarified that missing middle housing units are allowed on a substandard but legal building lot. This interpretation could be construed as a more permissive interpretation of the code from a developer's perspective. This interpretation is not on appeal.
- 2. A second interpretation clarified the types of structures that may be built between an open space and adjacent cottages. This interpretation could be construed as neutral. This interpretation is not on appeal.
- A third interpretation focused on clarifying the term "cottage development containing five or more units" for the purpose of applying the code requirements in KZC 113 (regarding open space). This interpretation (see Attachment 1) is the focus of the subject appeal that was submitted by Merit Homes, on August 31, 2021 (see Attachment 2). Attachment 3 contains additional correspondence submitted by Merit's legal counsel on September 3, 2021.

In sum, the interpretation on appeal clarifies the definition of "cottage developments containing five (5) or more units" for the purposes of ascertaining when common open space and other requirements of cottage projects are required for projects of five or more units.

Specifically, the City defines the term "cottage development containing five or more units" as one or more applications for cottage projects cumulatively containing five or more units that share any of the following characteristics:

- Two or more cottage applications, each on a "subject property" as defined by KZC 5.10.920, with a shared property line that are submitted while there is an active application or issued permit by the same or "related party" (as defined in Attachment 1);
- Cottage clusters separated by lots containing proposed single-family houses and proposed cottages by the same or related development companies;
- Shared utilities; or
- Shared vehicular access.

The term "subject property" is defined by KZC 5.10.920 as "[t]he entire lot, <u>series of lots</u> or <u>parcels on which a development or use is or will be located</u>. . ." (emphasis added). Pursuant to the City's code, a development is not always located on a single lot or parcel. Developments can, and often do, occur on and across multiple lots or parcels. Thus, any argument by the appellant that cottage units built on separate lots or parcels cannot be considered part of "a development" or "one development" is contrary to the City's long-standing code provisions and development practices.

#### BACKGROUND ON BROWN/BABADZHANOV AND BRADLEY AND WU APPLICATIONS SUBMITTED BY MERIT HOMES:

This section of the memo discusses the two pairs of adjacent projects that the appellant discusses in the appeal letter.

#### Brown/Babadzhanov Projects

On August 16, 2021, Merit Homes submitted two separate applications to construct cottage projects on three parcels: the Brown site (consisting of two parcels located at 10202 and 10204 124<sup>th</sup> Ave NE) and the Babadzhanov site (10060 124<sup>th</sup> Ave NE). These sites are adjacent to each other. The Brown project consists of a total of nine units: six units organized around a driveway from 124<sup>th</sup> Ave NE and three units accessed via a driveway from 125<sup>th</sup> Ave NE. Common open space is provided between the grouping of six units and the grouping of three units.

The Babadzhanov project, which is adjacent to the Brown site and is being developed by the same developer (Merit Homes) at the same time as the Brown site, consists of three units accessed via a driveway extending from 124<sup>th</sup> Ave NE. Conspicuously, it does not provide for *any* open space for these three units. Had these projects – which are adjacent to each other and are being proposed by the same developer at the same time<sup>1</sup> – been submitted as one project, then the developer would have clearly been required under the City's code to orient some of the three Babadzhanov units to common open space. Staff would also note that the applicant submitted one geotechnical report analyzing landslide and seismic conditions on both sites as part of their August 16 permit submittal.

<sup>&</sup>lt;sup>1</sup> Staff would note that applications for adjacent cottage projects need not be submitted at the same time to be considered a unified project under the subject interpretation, even though that was the case for the Brown/Babadzhanov projects.

#### Bradley/Wu Projects

On August 16, 2021, Merit Homes also submitted two separate applications to construct cottage projects on two adjacent parcels, the Bradley site (10720 123<sup>rd</sup> Ave NE) and the Wu site (12306 NE 107<sup>th</sup> Street). The Bradley project consists of three units and the Wu projects consists of four units. No common open space is proposed as part of either project. Once again, had these projects – which are adjacent to each other and are being proposed by the same developer at the same time – been submitted as one project, then the developer would have clearly been required under the City's code to provide all of these units with access to common open space.

Both sets of projects (Brown/Babadzhanov and Bradley/Wu) are reliant on lot line adjustments (LLA) to reconfigure the lot lines between the involved parcels to achieve the proposed project shapes and sizes. The Bradley/Wu project will also require a LLA with the adjoining parcel to the east to have enough land area to support the proposed four cottages. None of the required formal LLA applications have been submitted to the City.

Attachment 4 contains the site plans for the projects described above.

#### PROVISIONS OF THE KZC REGARDING THE INTERPRETATION, APPEAL HEARING, AND DECISION:

Section 170.40 of the KZC states that the Planning and Building Director may "issue interpretations of any of the provisions" of the KZC, and shall base such interpretations on:

- a. The defined or common meaning of the words of the provision; and
- b. The general purpose of the provision as expressed in the provision; and
- c. The logical or likely meaning of the provision viewed in relation to the Comprehensive Plan.

Pursuant to Section 170.45 of the KZC, "[a]ny person who is aggrieved by an interpretation issued by the Planning and Building Director may appeal that interpretation." The Zoning Code details the procedures for filing an appeal within 14 days following the date an interpretation is posted and the required content of the appeal ("indicate how the interpretation affects the appellant's property and present any relevant arguments or information on the correctness of the interpretation."). All appeals of interpretations are subject to the appeal provisions of Process I, described in Chapter 145 of the KZC (i.e., an appeal heard by a Hearing Examiner at a public hearing). Key provisions of Chapter 145 are summarized below:

- Scope of the Appeal (KZC Section 145.75). The appeal is an open record hearing, and is "limited to the specific elements of the Planning and Building Director's decision disputed in the letter of appeal, and the Hearing Examiner may only consider comments, testimony and arguments on these specific elements."
- *Staff Report on the Appeal (KZC Section 145.80).* A staff report on the appeal is required that contains: the written decision of the Planning and Building Director;

all written comments submitted to the Director; the letter of appeal; all written comments on the appeal received from persons entitled to appeal and within the scope of the appeal; and an analysis of the specific elements of the Director's decision disputed in the letter of the appeal (that are within the scope of the appeal).

- *Burden of Proof (KZC Section 145.95)*. The appellant "has the responsibility of convincing the Hearing Examiner that the Planning and Building Director made an incorrect decision."
- Decision on the Appeal (KZC Section 145.105). After considering information within the scope of the appeal by those entitled to participate in the appeal, the Hearing Examiner shall either: a) affirm the decision being appealed; b) reverse the decision being appealed; or c) modify the decision being appealed. The decision by the Hearing Examiner must be issued within 90 calendar days of the date the letter of appeal was filed, which in this case is **November 29, 2021**.

#### STAFF'S ANALYSIS OF DISPUTED ITEMS IN THE LETTER OF APPEAL:

Following is a point-by-point analysis of the items raised in the appellant's August 31, 2021 appeal letter (Attachment 2), as required pursuant to KZC Section 145.80. The appellant's claims are summarized in *italics* in the order they appear in their letter. Staff's analysis follows each claim.

1. As a general matter, the appellant claims that the Planning and Building Director's interpretation "introduced entirely new regulatory provisions into KZC 113.25 and KZC 113.35 that require adoption by the City Council and compliance with the statutory requisites."

This is a general statement. The appellant goes on to state more specific claims, which the City addresses below. In response to this general claim, however, the City maintains that its interpretation does not introduce any new regulatory provisions into the code as it only defines an undefined term in the KZC (i.e., what is a "cottage development containing five (5) or more units"?), consistent with other provisions of the code and consistent with the City Council's intent when it adopted this term. The City's interpretation merely clarifies that developers cannot create a loophole that allows them to avoid implementing code-required common open space and other provisions by intentionally bifurcating one cottage development into two or more smaller projects.

a. First, the appellant claims that the interpretation broadens the definition of "cottage developments containing five (5) or more units" to capture only "remotely related projects." In addition, the appellant claims that the interpretation misuses the term "related parties" to capture projects that only vaguely share "functional characteristics."

The interpretation (Attachment 1) does not introduce "entirely new regulatory provisions" that must be adopted by Council. What it does do is clarify an

undefined phrase in the KZC ("cottage developments containing five (5) or more units"). The interpretation addresses the common meaning of the words of the provision, by noting that a "cottage development" is "a project <u>or a group of projects</u> consisting of cottages or primarily cottages that are located in the same general location" and/or share certain functional characteristics, such as shared utilities and common vehicular access (emphasis added).

The City's definition is a common-sense interpretation of the plain words of the KZC, and does not exceed the regulatory strictures of the code, as a pair of cottage projects, proposed by the same applicant on adjacent or close-by parcels and sharing similar design, would appear to the average person as one large project. As noted in the interpretation, while lot lines and applications are important in the real estate and development process, they are not intended to allow for larger cottage projects to be intentionally divided into smaller projects for the specific purpose of avoiding the code's common open space requirements. And as described in the background section, the provision of common open space in larger projects was a key consideration in the 2007 and 2020 amendments.

Furthermore, the interpretation does not consider "remotely related projects" to be one project as claimed by the appellant. Rather, the projects that are considered to be one project in the interpretation have a shared property line, are separated only by other residential development proposed by the same applicant or related companies, or share physical functional characteristics (shared driveways or utilities). The vast majority of the time, these shared functional characteristics would occur on adjacent lots. The related projects that are to be considered one project in the interpretation have design or locational features that make them appear as one project.

Lastly, Section 5.10.920 of the KZC defines "subject property" as "[t]he entire lot, <u>series of lots or parcels</u> on which a development or use is or will be located. . . [.]" (emphasis added). This code provision is consistent with, and supports, the City's interpretation that "cottage developments of five (5) or more units" may also consist of multiple lots, even if the development on each of those lots are submitted as different applications.

# b. Second, the appellant claims that application of "related parties" is without justification.

The "related parties" principle is well-established and founded in the federal Internal Revenue Code (IRC Section 267). In its interpretation, the City clarified that it is following the same principle as the Internal Revenue Service to address the situation where a developer, in order to avoid the common open space requirement in a larger cottage development, divides the larger project up into more than one application and assigns these applications to presumably different developers, but it is shown that the "different" developers submitting the applications are, in reality, related entities. Again, this provision of the

interpretation is not an impermissible expansion of the existing regulatory language in KZC 113, but a common-sense and legally-defensible clarification to ensure that what is essentially the same developer does not divide up one project into smaller projects simply to escape key regulatory requirements of the cottage code. Staff would also note that, without this interpretation, a similar technique could be used to avoid the median income housing requirements that are applicable to cottage (and duplex and triplex) projects containing more than 10 units (see KZC Section 113.40).

c. Third, the appellant claims that the interpretation conflicts with several Comprehensive Plan provisions, including Comprehensive Plan provisions that encourage projects that "would lead to a cohesive neighborhood design."

The appellant's claim here is confusing and counterintuitive. In summary, the appellant supposes that a code interpretation requiring smaller and related applications to be designed as one unified project for the purposes of providing common open space would – somehow – result in a less cohesive neighborhood. This claim is contradicted by numerous development applications and projects of all types throughout Kirkland (ranging from large mixed-use projects like Kirkland Urban, to smaller single-family and cottage projects) that encompass multiple parcels and have resulted in unified, cohesive development projects with integrated, common open space and high-guality urban design. Attachment 5 shows some representative projects consisting of five or more cottage units that have been designed in a unified fashion. The claim that this interpretation would discourage "the use of one builder on multiple but independent projects" is also countered by recent cottage applications received by staff, which combine multiple parcels, or comprise larger but subdividable parcels, that are cohesively designed. As noted in the background section, the City is experiencing significant interest in cottage projects of all sizes, including cottage projects containing more than five units that come with a requirement to provide common open space.

Furthermore, as discussed on page 4 of the interpretation (Attachment 1), following is a complete list of Comprehensive Plan policies that support the interpretation:

- Policy H-1.1: Incorporate neighborhood character and design principles into standards for new development.
- Policy H-2.4: Allow a broad range of housing and site planning approaches in single-family areas to increase housing supply and choice, to reduce cost, and to ensure design quality and neighborhood compatibility.
- Policy CC-1.4: Encourage and develop places and events throughout the community where people can gather and interact.
- Policy CC-4.1: Enhance City identity by use of urban design principles that recognize the unique characteristics of different types of

development, including single-family, multifamily, mixed-use, and various types and sizes of commercial development.

- Policy LU-1.3: Encourage attractive site and building design that is compatible in scale and in character with existing or planned development.
- Policy LU-2.4: Support development patterns that promote public health and provide opportunities for safe and convenient physical activity and social connectivity.
- Policy LU-6.1: Distribute parks and open spaces throughout the City, with particular focus on new facilities in areas of the City facing the greatest population growth, in areas where facilities are deficient, and/or in areas where connections of the open space network could be made.

These Comprehensive Plan policies support the subject interpretation because the holistic design of larger sites consisting of an assemblage of parcels would promote the goals referred to in the policies, including: quality design; meaningful places for people to gather and interact; places for physical activity and social connectivity; and new open space in neighborhoods where dense, new housing is being added.

d. Fourth, the appellant claims that the interpretation's definition of "cottage projects" contains "such a broad range of scenarios" that it results in the code being "impermissibly expanded."

As noted above, the definition of a "cottage development" in the interpretation contains a common-sense definition of what constitutes a "development": projects with a shared property line or that are separated only by other residential development proposed by the same applicant or related companies, or projects that share physical functional characteristics (such as shared driveways or utilities). A "related party" is basically interpreted as the same applicant or developer (even if they use different names and/or supposedly different companies), as defined by the federal Internal Revenue Code.

2. The appellant claims that the interpretation violates State law in that it regulates cottage projects "in a way that would make that individual developer or project pay for a general cost, whether financial or social," rather than mitigate effects caused by the specific development.

This argument fails for at least two reasons. First, as noted above, the projects that are being regulated as a single "cottage development" in the interpretation share physical characteristics and/or the same or related development applicants that make them logically a single project. Second, the common open space that is required of larger cottage projects need not be publicly accessible, it need only be accessible to residents of the cottage project. This open space requirement is intended to mitigate the increased demand for open space associated with

cottage projects (which, by nature of their increased density compared to conventional single-family projects, typically contain little private open space). The City is not requiring developers to "pay for a general cost," such as providing open space for the general population. Here, the impact that is being mitigated is associated with the size of the cottage project itself (five units or more), not solely the shared physical characteristics between two projects (as the appellant purports).

3. The appellant claims the interpretation fails the test that "zoning regulations must be imposed in a uniform manner."

The appellant claims that the interpretation considers applications that are merely "developed in proximity of space and time" to be one project. For example, the appellant speculates that the interpretation "treats independently-owned projects that happen to be developed in proximity of space and time differently from those that are otherwise identical."

As noted above, the interpretation lays out clear criteria for when two or more cottage applications are to be considered one "cottage development" – and in almost every case such applications would be adjacent and undertaken by the same developer. The applications submitted by the appellant meet both these criteria – they are not merely "developed in proximity of space and time."

Contrary to the appellant's claim about zoning regulations being imposed in a nonuniform manner, the interpretation actually bolsters the principle of equal treatment of similarly-situated properties by preventing some developers from intentionally dividing their larger cottage projects into smaller projects to avoid a common open space requirement that other developers of similarly large cottage projects are required to meet.

The City's interpretation is uniform and fair. It does not require developers with several cottage projects in different locations of the City to consolidate those different projects. For example, applications filed at the same time by the same developer for a four-unit cottage project in the Kingsgate neighborhood and a four-unit cottage project in the Houghton neighborhood would not meet the City's definition of "a cottage development of five (5) or more units." The City has established strict, reasonable, common-sense criteria for when separate developments are considered as one development for purposes of the open space requirements in the code.

The Planning Director was well within his authority to render this interpretation because, pursuant to KZC 170.40, the Director may, "acting on his/her own initiative issue interpretations of any of the provisions of" the Zoning Code.

4. The appellant argues that the interpretation will have adverse effects on their four applications because it would require the provision of open space, would reduce the projects' densities, and make the projects infeasible.

Staff can only dispute the first two points, as assessing a specific project's financial feasibility is beyond the purview of the Planning & Building Department. However, staff notes that the City has received applications for similarly-sized and configured cottage projects that other applicants are moving forward with to the building permit stage and for which good economic returns are expected, based on conversations with those developers.

Staff also notes that cottage projects have been successfully developed with common open space throughout Kirkland in the past. Attachment 5 shows some representative projects consisting of five or more cottage units that have been designed in a unified fashion and have proceeded or are likely to proceed to construction/completion.

In talking to residents of other successfully-developed cottage projects with common open space, residents frequently speak to the value of the open space as something that provides an important amenity to residents of the development and increases the property's value to them. This makes it difficult for the City to believe that common open space would diminish a project's feasibility (particularly when viewed in light of the fact that the 2020 code amendments reduced open space requirements from 400 square feet per unit to 300 square feet, in addition to allowing for density premiums and parking reductions).

The claim that the code requirement and associated interpretation would reduce the density of the appellant's project is plausible on its face (because open space absorbs a portion of the site area), but is a somewhat simplistic conclusion as developers pursue multiple decisions that limit or enhance the density that can be achieved on a specific site. In the case of the specific cottage applications referenced in the appellant's letter, each application provides more parking than the code requires, which also diverts valuable land that could otherwise be used to provide space for cottage construction. Thus, the appellant's discretionary decision to provide more parking than is required under the code also limits the density that can ultimately be achieved. Staff would note that the common open space requirement, in and of itself, is not the sole project feature that reduces density beyond what would otherwise be achieved under the code. Furthermore, it is worth noting once again that common open space has value. Density is not the only factor that adds value to a property.

#### CONCLUSION:

Staff believes the subject interpretation is a common-sense and Comprehensive Plansupported approach to clarifying that two or more cottage applications with a combined total of five or more units that are adjacent and are being proposed by the same developer should be subject to the same common open space requirements as projects with the same number of units that happen to be the subject of a single application. As with the definition of "subject property" in KZC Section 5.10.920, the number of parcels

or property owners are not the determining factors that dictate what constitutes a "cottage development." Rather, the characteristics of multiple applications that constitute a single project are those that would be evident under a common-sense reading of the code: adjacency, shared utilities or access, and undertaken by the same or related developer. Staff would also note, in the context of the Comprehensive Plan policies cited on page 4 of the interpretation (and earlier in this memo), the importance of employing the common open space requirement fairly to all larger projects: to increase housing supply and choice; develop places in the community where people can interact; recognize the unique design characteristics of different types of development; and support opportunities for social connection.

#### Attachments

Attachment 1: Interpretation 21-4 Attachment 2: Appeal of Code Interpretation 21-4 Attachment 3: Letter of Protest re. Applications Attachment 4: Brown/Babadzhanov and Bradley/Wu Projects Attachment 5: Representative Cottage Projects



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### **OFFICIAL ZONING CODE INTERPRETATION**

INTERPRETATION NUMBER	CODE SECTION	EFFECTIVE DATE	APPEAL PERIOD
21-4	KZC 113.25 (Common Open Space) and KZC 113.35 (Required Common Open Space)	8/17/2021	8/31/2021

#### ISSUE:

Chapter 113 of the Kirkland Zoning Code (KZC) (Cottage, Carriage and Two/Three-Unit Homes) contains detailed regulations pertaining to more compact housing types, including architectural features, parking requirements, and site development standards. A key element of Chapter 113 is the establishment of open space standards for "cottage developments containing five (5) or more units." While cottage developments may be as small as two units, these larger cottage projects of five or more units must contain open space that is centrally located and easily accessible by all residents of the cottage project, and that is integrated into the cottage community by being surrounded by housing units on at least two sides. In order to avoid these requirements, some project applicants have proposed multiple applications for smaller projects on adjacent sites that cumulatively total five or more cottage units and do not include common open space. Adverse impacts of this development approach include the potential for larger cottage projects that do not fulfill a fundamental intent of Chapter 113: "innovation and variety in housing design and site development" and promoting a sense of community.

#### **INTERPRETATION:**

As referenced in KZC 113.25 and KZC 113.35, "cottage developments containing five (5) or more units" are one or more applications for cottage projects cumulatively containing five (5) or more units that share any of the following characteristics:

- Two or more cottage applications, each on a "subject property" as defined by KZC 5.10.920, with a shared property line that are submitted while there is an active application or issued permit by the same or "related party" (as defined below);
- Cottage clusters separated by lots containing proposed single-family houses and proposed cottages by the same or related development companies;
- Shared utilities; or
- Shared vehicular access.

The City will consider the entire proposed cottage development or use in determining what constitutes the "subject property" for purposes of an open space requirement, even if an applicant chooses to apply to the City on an individual contiguous lot or parcel basis, either individually or through a related party. Subject property" is defined by KZC 5.10.920 as "[t]he entire lot, series of lots or parcels on which a development or use is or will be located...." The following are nonexclusive examples of circumstances under which the City will consider a cottage development application from an owner of a lot or parcel to be a "related party" to a cottage development applicant of a contiguous lot or parcel proposed for the same cottage development use:

- 1. Members of the same family;
- 2. An individual and a corporation or other entity in which the individual owns, directly or indirectly, more than 50% of the corporation or entity;
- 3. Two corporations or entities which are members of the same controlled group;
- 4. A grantor and a fiduciary of any trust; or
- 5. A corporation and a partnership if the same persons own more than 50% of the value of the corporation and more than 50% of the capital or profits interest of the partnership.

These "related party" categories are listed as nonexclusive examples. For general guidance, applicants can refer to the "related party" definitions utilized under the federal Internal Revenue Code, including IRC Section 267.

#### **BACKGROUND:**

The intent of Chapter 113 of the KZC is to foster alternatives to the development of detached single-family housing, to encourage "innovation and variety in housing design and site development," and, importantly, promote a sense of community and inclusivity.

Common open space within larger cottage projects (five or more units) is a critical means of creating projects that differ from standard single-family projects, which typically focus on private open space and privacy, and are characterized by a lack of shared public space. The requirement for common open space is also one of the ways that the City of Kirkland promotes equity and inclusivity in land use planning, pursuant to Resolution 5240 (Declaring Kirkland a Safe, Inclusive, and Welcoming Community) adopted on February 21, 2017, as shared open space contributes to social interaction, reduces isolation, and promotes community. As stated in KZC 113.35.1.c, common open space is intended to "provide a sense of openness, visual relief, and community for cottage developments." Larger cottage projects comprising five or more units that circumvent common open space requirements by filing separate and multiple applications of smaller cottage projects (or via exploiting other loopholes) do not meet the intent of Chapter 113.

#### **APPLICABLE CODE SECTIONS:**

Applicable code sections are:

#### KZC113.25:

Common <u>Open</u>	300 square feet per unit for cottage developments containing 5 or more units
<u>Space</u>	and not required for <u>duplex</u> es or triplexes.
	Can be reduced to 200 square feet per unit if a permanent
	recreational/communal feature, such as cooking facilities, play equipment or
	permanent outdoor furniture, is provided.
	Private open space is also encouraged (see KZC <u>113.35</u> ).

#### KZC 113.35.1.c:

#### c. Required Common Open Space

\* \* \*

Common open space shall meet the following standards:

1) For cottage developments containing five (5) or more units, provide a total of 300 square feet per unit; provided, that the total square footage of common open space for cottage developments of five (5) or more units may be reduced to 200 square feet if a permanent recreational/communal feature is provided.

#### ANALYSIS:

KZC Section 170.40.1 states that the Planning Director (currently Planning & Building Director) may issue an interpretation of any of the provisions of the Code. This section requires the Planning & Building Director to base a decision on the following three criteria (the rationale is italicized under each criterion):

1. Defined or common meaning of the words of the provision.

The common meaning of a "cottage development containing five (5) or more units" is a project or group of projects consisting of cottages or primarily cottages that are located in the same general location and that share one or more functional characteristics (e.g., proximity, adjacency, shared utilities, common vehicular access). While lot lines and applications are important in the real estate and development process, the aforementioned locational and functional characteristics govern what is considered a unified cottage "development" for the purposes of the common open space provisions in KZC 113.

#### 2. <u>The general purpose of the provision as expressed in the provision.</u>

The general purpose of the provisions in KZC 113.25 (Common Open Space) and KZC 113.35 (Required Common Open Space) is to "provide a sense of openness, visual relief, and community for cottage developments," which, in larger cottage developments of five or more units, cannot be achieved solely through the provision of private open space. The purpose of the exceptions for common open space was

to provide owners/developers of smaller, isolated parcels an opportunity to create smaller cottage projects subject to standards that are scaled to the size of the parcel they have to work with. Where an owner/developer has a larger parcel or multiple parcels to work with, the expectation is that the full suite of regulations applies, including, importantly, the common open space requirement.

#### 3. <u>The logical or likely meaning of the provision viewed in relation to the Comprehensive</u> <u>Plan.</u>

Many policies in the Comprehensive Plan support making the City's housing stock more diverse, affordable, and inclusive; fostering open spaces that encourage social interaction and community; and encouraging design that aligns with sound urban planning principles, including the following:

- Policy H-1.1: Incorporate neighborhood character and design principles into standards for new development.
- Policy H-2.4: Allow a broad range of housing and site planning approaches in single-family areas to increase housing supply and choice, to reduce cost, and to ensure design quality and neighborhood compatibility.
- Policy CC-1.4: Encourage and develop places and events throughout the community where people can gather and interact.
- Policy CC-4.1: Enhance City identity by use of urban design principles that recognize the unique characteristics of different types of development, including single-family, multifamily, mixed-use, and various types and sizes of commercial development.
- Policy LU-1.3: Encourage attractive site and building design that is compatible in scale and in character with existing or planned development.
- Policy LU-2.4: Support development patterns that promote public health and provide opportunities for safe and convenient physical activity and social connectivity.
- Policy LU-6.1: Distribute parks and open spaces throughout the City, with particular focus on new facilities in areas of the City facing the greatest population growth, in areas where facilities are deficient, and/or in areas where connections of the open space network could be made.

#### APPEAL PERIOD AND PROCEDURE TO APPEAL:

Any person who is aggrieved by this interpretation may appeal it. An appeal, in the form of a letter of appeal and appeal fee established by ordinance, must be delivered to the Planning & Building Department by 5:00 PM on @, 14 days following the date the interpretation was posted to the City of Kirkland website. The letter of appeal must indicate how the interpretation affects the appellant's property and present any relevant arguments of information on why the interpretation should not be issued.

Adam Weinstein, AICP, Planning & Building Director

Effective date: August 17, 2021

# JohnsMonroe MitsunagaKoloušková

Darrell S. Mitsunaga Duana T. Koloušková Vicki E. Orrico Dean Williams Patricia M. Army Mary Joy Dingler

August 31, 2021

Adam Weinstein Planning and Building Director City of Kirkland 123 5th Ave Kirkland, Washington 98033 Via Messenger

Re: Appeal of Code Interpretation 21-4

Dear Mr. Weinstein:

Our firm represents Merit Homes, Inc. ("Merit"), the Applicant with regard to the four projects identified below. Merit Homes hereby appeals Code Interpretation 21-4 (the "Interpretation"), interpreting KZC 113.25 and 113.35.

#### Background.

Merit is the Applicant for the following four projects (the "Projects"):

- Brown Cottages, eLSM, Application ID 1006229
- Bradley Cottages, eLSM, Application ID: 1006307
- Wu Cottages, eLSM, Application ID: 1006293
- Babadzhanov Cottages, eLSM, Application ID: 1006273

Each Project is owned independently. The Brown property is owned by Jim W. Brown. The Bradley property is owned by Mitchell A. Bradley. The Babadzhanov property is owned by Yuriy and Irina Babadzhanov. Only the Wu property is owned by Merit. The Brown and Babadzhanov properties abut one another. The Bradley and Wu properties abut one another. However the two pairs of properties are not in the vicinity of one another. The Projects do not share vehicular access, and the only "shared" utility is the convergence of the separate storm pipes for each Project into a single connection at the juncture with the public storm facility.

Merit has been engaged to develop each of the Projects. Merit submitted the applications (the "Applications") on August 16, 2021. The Applications were rejected, and contained the following comment:

Based on the final interpretation by the Planning and Building Director since [Babadzhanov and Brown] [Wu and Bradley] are unified by a shared property line, and storm water conveyance, these cottage developments must come in as a joint cottage project. We will not review them as separate projects.

#### Code Interpretation

KZC 113.25 and KZC 113.35.1.c(1) require cottage developments containing five (5) or more units to provide a total of 300 square feet of common open space per unit. The Interpretation

construes "5 or more units" to mean "applications for cottage projects cumulatively containing five (5) or more units that share any of the following characteristics:

- Two or more cottage applications, each on a "subject property" as defined by KZC 5.10.920, with a shared property line that are submitted while there is an active application or issued permit by the same or "related party" (as defined below);
- Cottage clusters separated by lots containing proposed single-family houses and proposed cottages by the same or related development companies;
- Shared utilities; or
- Shared vehicular access."

The Interpretation defines "related party" to include:

- Members of the same family;
- An individual and a corporation or other entity in which the individual owns, directly or indirectly, more than 50% of the corporation or entity;
- Two corporations or entities which are members of the same controlled group;
- A grantor and a fiduciary of any trust; or
- A corporation and a partnership if the same persons own more than 50% of the value of the corporation and more than 50% of the capital or profits interest of the partnership.

The Interpretation then broadens these already-expanded definitions to include:

... a project or group of projects consisting of cottages or primarily cottages that are located in the same general location and that share one or more functional characteristics (e.g., proximity, adjacency, shared utilities, common vehicular access). While lot lines and applications are important in the real estate and development process, the aforementioned locational and functional characteristics govern what is considered a unified cottage "development" for the purposes of the common open space provisions in KZC 113.

#### And:

Where an owner/developer has a larger parcel or multiple parcels to work with, the expectation is that the full suite of regulations applies, including, importantly, the common open space requirement.

#### Why The Interpretation Should Not Be Issued - Legal Basis for Challenge.

#### The Interpretation Improperly Amends KZC 113.25 and KZC 113.35.

Only the City Council may adopt or amend ordinances, and such adoption or amendment must follow the statutory requisites. RCW 35A.12.130. The Director is permitted to interpret legally codified ordinances, but such *interpretation* is limited to:

- a. The defined or common meaning of the words of the provision; and
- b. The general purpose of the provision as expressed in the provision; and
- c. The logical or likely meaning of the provision viewed in relation to the Comprehensive Plan.

The Interpretation did not limit itself to the above constraints, but rather introduced entirely new regulatory provisions into KZC 113.25 and KZC 113.35 that require adoption by the City Council and compliance with the statutory requisites.

First, the Interpretation defined the common meaning of "cottage development containing 5 or more units" to include a "group of projects" in the "same general location" sharing "functional characteristics." This is not merely applying a *common meaning* to the Council's fairly narrow term ("cottage development containing 5 or more units"). The Interpretation then states that "the expectation is that full suite of regulations applies" whether the multiple parcels are under common ownership or the building is simply being overseen by a single company. However, the City Council did not say that *its* expectation was application of the full suite of regulations to such remotely related projects: it said a single development containing 5 or more units.

Most importantly, the Interpretation expands on its own interpretation of the term "related parties" to apply KZC 113.25 and KZC 113.35 to projects "by the same or related development companies", without justification, explanation or demonstration of how adding that term meets the requirements of KZC 170.40 or the requirement that Code amendments be adopted by the City Council. The Interpretation impermissibly expands the City Council's clear regulatory language to include other projects - not under common ownership or even being "developed" together - that the Director vaguely deems to share "functional characteristics." Had the City Council intended to apply the common open space requirement to such projects, it would have drafted the ordinances accordingly.

In addition to going beyond the authority of KZC 170.40 to determine the common meaning of words and general purpose of the provision, the Interpretation conflicts with several of the Comprehensive Plan provisions cited in support of the Interpretation. For example, Policy H-1.1 encourages incorporation of "neighborhood character and design principles into standards for new development." However, the Interpretation discourages the use of one builder on multiple but independent projects in the same general location that would lead to a cohesive neighborhood character and design. Similarly, Policy H-2.4 encourages "a broad range of housing and site planning approaches in single-family areas to increase housing supply and choice, to reduce cost, and to ensure design quality and neighborhood compatibility." Yet the Interpretation in effect discourages use of the Cottage Housing Code by requiring separate owners of projects to dedicate property related to another project in the vicinity. The same is true for Policies CC-4.1 and Policy LU-1.3, which encourage the unique characteristics of single-family, multifamily, and mixed-use, and compatible attractive site and building designs.

The City Council adopted the ordinance requiring dedication of common open space for "cottage developments containing five (5) or more units," and the Interpretation impermissibly broadened the definition of development containing 5 or more units to include a broad range of scenarios such as projects in the "same general location" with a common builder. The Cottage Code contains other requirements using the same or similar language that the Interpretation has impermissibly expanded. Will the City, for example, now require affordable housing for multiple projects with 10 or more units in the same general location with a common builder?

#### KZC 113.25 and KZC 113.35 as Interpreted Violate RCW 82.02.020.

The Interpretation imposes significant new zoning obligations on a development that would otherwise be exempt merely because it shares a builder, utilities, driveway or ownership with another property "in the same general location."

Every zoning regulation must comply with RCW 82.02.020, which only allows local governments to impose conditions on development that mitigate the impacts of the *specific development* but cannot regulate that development in a way that would make that individual developer or project pay for a general cost, whether financial or social. *Southwick v. City of Lacey*, 58 Wn. App. 886, 795 P.2d 712 (1990). RCW 82.02.020 does not authorize zoning regulations which are based on "all new development collectively." *Isla Verde v. City of Camas*, 146 Wn.2d 740, 761, 49 P.3d 867 (2002). Instead, RCW 82.02.020 requires that zoning regulations address direct results of particular proposed developments. *Id.* KZC 113.25 and KZC 113.35 as interpreted do not regulate based on the impacts of a specific development proposal. The burden is on the City to show that the zoning regulation is designed to mitigate the impacts of the individual development itself. *Citizen's Alliance for Property Rights v. Sims (CAPR)*, 145 Wn. App. 649, 187 P.3d 786 (2008).

Here, the owners of independently-owned properties cannot be required to mitigate for the impacts of one another. For example, the fact that two separately owned properties share a property line or storm water conveyance does not create an impact that may be mitigated by dedication of common open space. In fact, sharing utilities reduces impacts and cannot be the basis for determining a greater impact exists that must be redressed.

# KZC 113.25 and KZC 113.35 as Interpreted Violate the Constitutional Requirement for Uniformity in Zoning Regulations.

KZC 113.25 and KZC 113.35 as interpreted will operate in an unconstitutionally random and unpredictable fashion. Zoning regulations must be imposed in a uniform manner. To pass constitutional muster, the Washington Supreme Court mandates that zoning ordinances "are required to be uniform and equal in operation and effect." *State ex rel. Smilanich v. McCollum*, 62 Wn.2d 602, 605, 384 P.2d 358 (1963). The requirement for uniformity does not justify broad application of regulations without respect to the impacts of the particular development. *Citizens' Alliance for Property Rights v. Sims*, 145 Wn. App. 649, 187 P.3d 786 (2008). To the contrary, uniformity and equality of operation means that similarly situated properties must be treated the same: according to the individual impacts that each project creates. The Interpretation treats independently-owned projects that happen to be developed in proximity of space and time differently than those that are otherwise identical. It is the antithesis of uniformity for a city to subject the same two developments to totally different zoning regulations based merely on the fact that one happens to share a builder, utilities, driveway or ownership with another property "in the same general location."

#### Interpretation's Effect on Appellant's Projects

As noted above, Merit has been engaged to build cottage homes on 4 properties, none of which are under common ownership, and only one of which Merit itself owns. While none of the Projects shares a driveway or ownership, the mere fact that Merit has been engaged to develop the Projects, or that the stormwater pipes connect to the City infrastructure at the same juncture, triggers the

common space requirement under the Interpretation. The common space requirement was not anticipated when the Projects were designed, and will reduce the density achievable in each of the four Projects. It is likely that this regulatory taking will make the Projects infeasible. It is also likely that the 4 property owners will be forced to hire separate builders for each Project; this will be at a significant cost, as the Projects have already been designed by Merit. As a result, the Projects will result in fewer smaller, alternative housing units being developed, which is counter to the intent of the Cottage Code.

Ironically, the Interpretation itself asks appellant to "indicate how the interpretation affects the appellant's property," but, by its own terms, the Interpretation has expanded its impact to developers as well as property owners.

We ask that the Hearing Examiner overturn the Director's Interpretation and make it clear that the Projects may be developed without being consolidated and required to dedicate common open space.

Sincerely,

Juni Quin

Vicki E, Orrico

Direct Tel: (425) 467-9968 Email: orricota.jmmklaw.com

Encl.: Appeal Fee

1370-3 Letter of Appeal Code Interpretation 21-4 KZC 113 8-31-21 f



Darrell S. Mitsunaga Duana T. Koloušková Vicki E. Orrico Dean Williams Patricia M. Army Mary Joy Dingler

September 3, 2021

Adam Weinstein Planning and Building Director City of Kirkland 123 5th Ave Kirkland, Washington 98033 *Via MyBuildingPermit* 

Re: Letter of Protest re Applications 1006229, 1006307, 1006293 and 1006273

Dear Mr. Weinstein:

Our firm represents Merit Homes, Inc. ("Merit"), the Applicant with regard to the abovereferenced projects. We are submitting this letter (1) to inform you that your rejection of the most recent submission of two of the applications is not authorized by law and in direct contravention of your newly adopted Code Interpretation 21-4, and (2) to inform you that we are resubmitting these two applications in protest of the Interpretation and reserve all rights to resubmit all four applications in the event we prevail in our appeal of the Code Interpretation or the Code Interpretation is otherwise amended or withdrawn.

By way of background, on August 16, 2021, Merit submitted applications for the following projects:

- Brown Cottages, eLSM, Application ID 1006229
- Bradley Cottages, eLSM, Application ID: 1006307
- Wu Cottages, eLSM, Application ID: 1006293
- Babadzhanov Cottages, eLSM, Application ID: 1006273

Each property related to the above applications is owned independently by totally unrelated parties. The Brown and Babadzhanov properties abut one another. The Bradley and Wu properties abut one another. These initial four applications were rejected, based on the following:

Based on the final interpretation by the Planning and Building Director since [Babadzhanov and Brown] [Wu and Bradley] are unified by a shared property line, and storm water conveyance, these cottage developments must come in as a joint cottage project. We will not review them as separate projects.

On August 17, 2021, the City adopted Code Interpretation 21-4 interpreting the 5-unit common open space requirement to include for projects that share a common builder, utilities, or driveway in the same general location regardless ownership.

As noted in our appeal of the Code Interpretation filed August 31, 2021, the Code Interpretation made development of the adjoining projects as cottage projects infeasible. As such, Merit decided to move forward with only the Brown and Wu projects, neither of which is the vicinity or under common ownership with the other. On August 31, 2021, Merit submitted its applications for these

Adam Weinstein September 3, 2021 P a g e | 2

two unrelated projects. On September 1, 2021, the City rejected these two unrelated applications stating:

This project must be submitted with the [Babadzhanov] [Bradley] project . . . as these projects have a shared property line and they are being applied for by the same party. Please see Official Zoning Code Interpretation 21-4.

The City has no legal authority to require Merit to submit any applications. The Brown and Wu applications were submitted in full compliance with Code Interpretation 21-4. No application was filed for either the Babadzhanov or Bradley project. Should Merit file an application for either of these related projects, the City is welcome to invoke the Code Interpretation as it may exist at such time. In the meantime, Merit is well within its rights to submit the Brown and Wu applications and proceed with the development thereof under the Cottage Code.

Merit hereby resubmits Applications 1006229 (Brown) and 1006293 (Wu) independently and in compliance with Code Interpretation 21-4, and we demand the City accept these applications and proceed with review. However, these submissions area made under protest, and, in the event that Code Interpretation 21-4 is revised, withdrawn or found to be illegal, Merit reserves the right to submit applications for the Babadzhanov and Bradley projects under the Cottage Code.

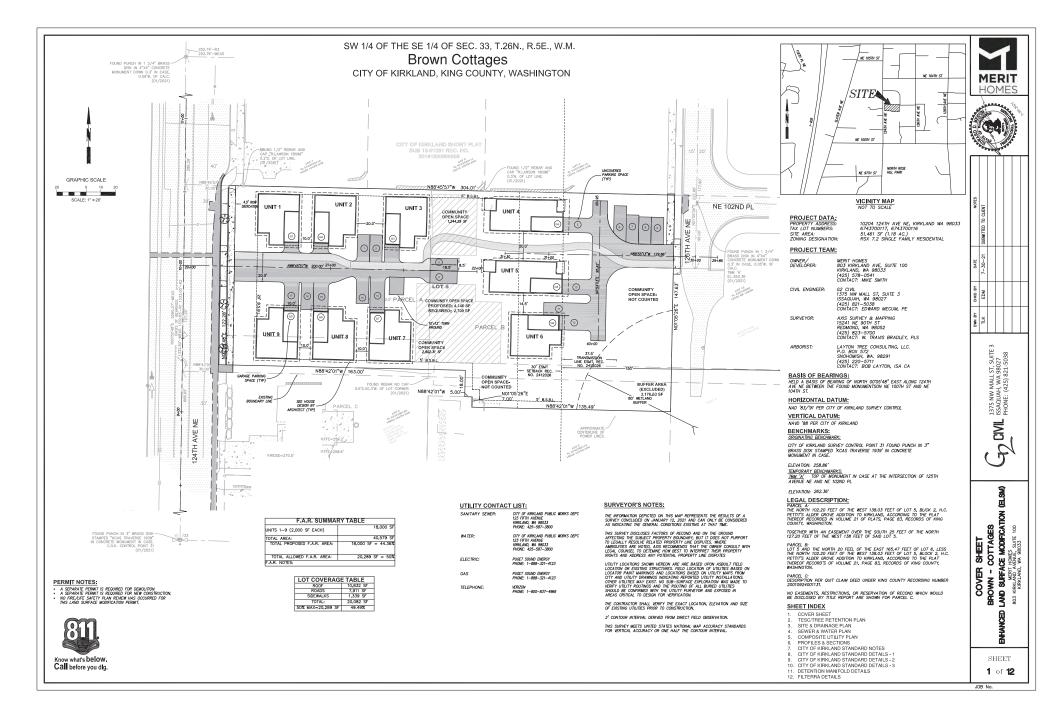
Sincerely,

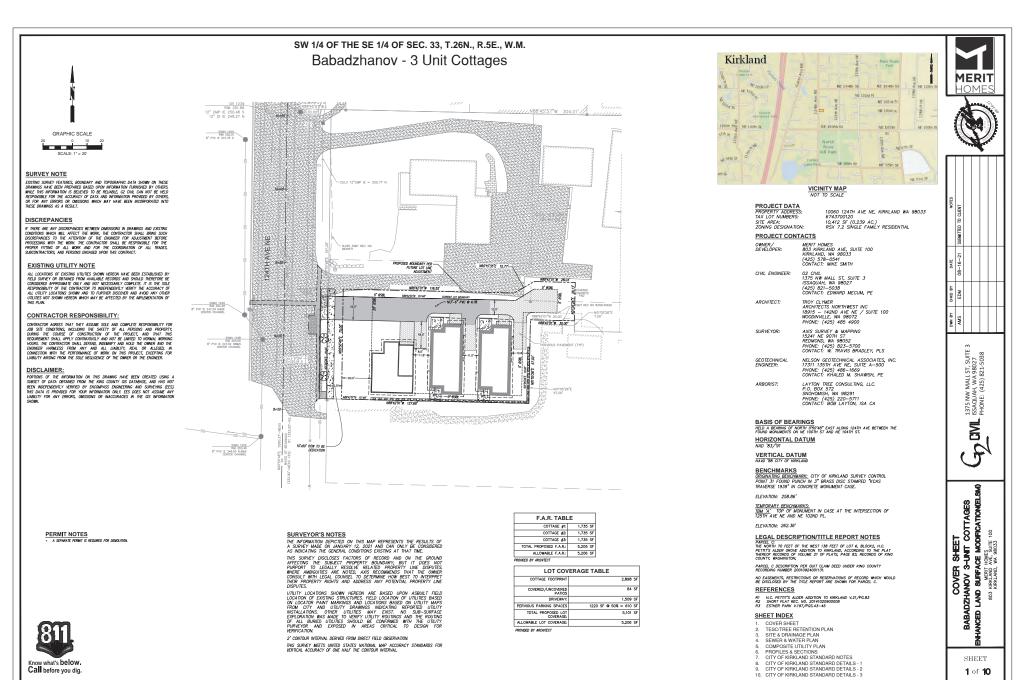
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Vicki E. Orrico Direct Tel: (425) 467-9968 Email: orrico@jmmklaw.com

1370-3 Letter of Protest 9-2-21D



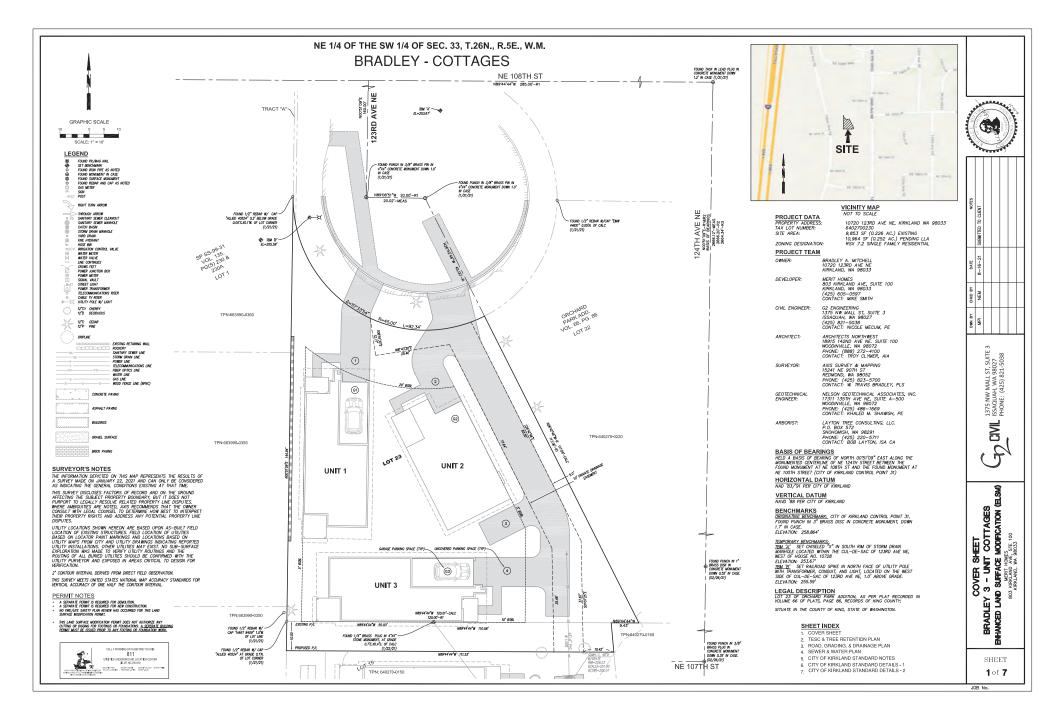


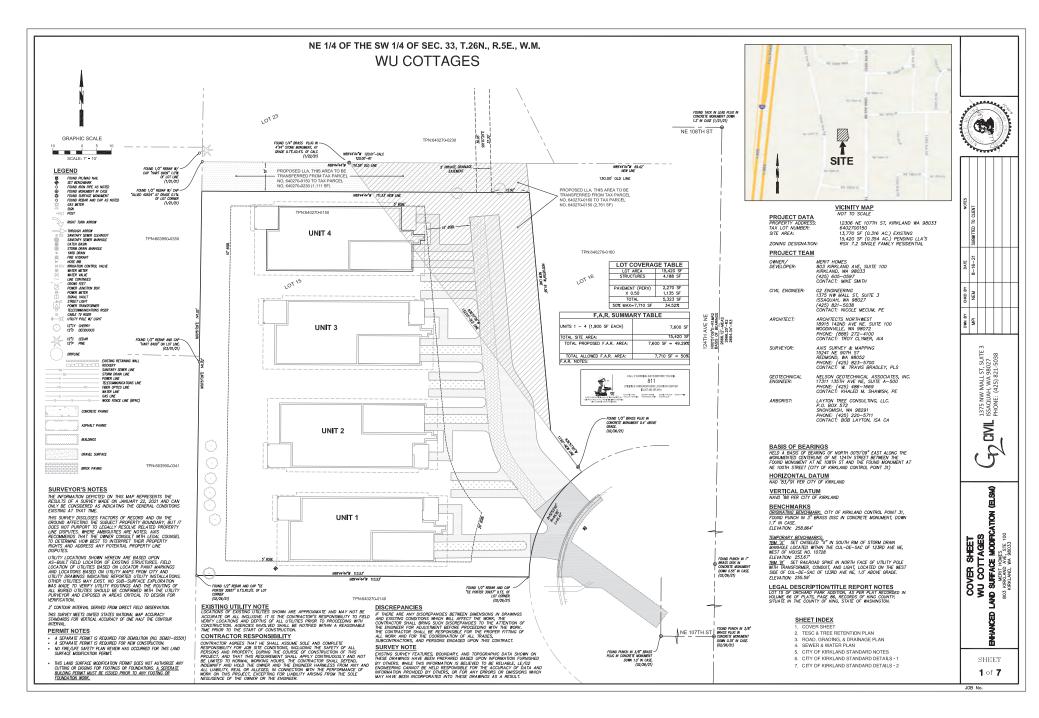


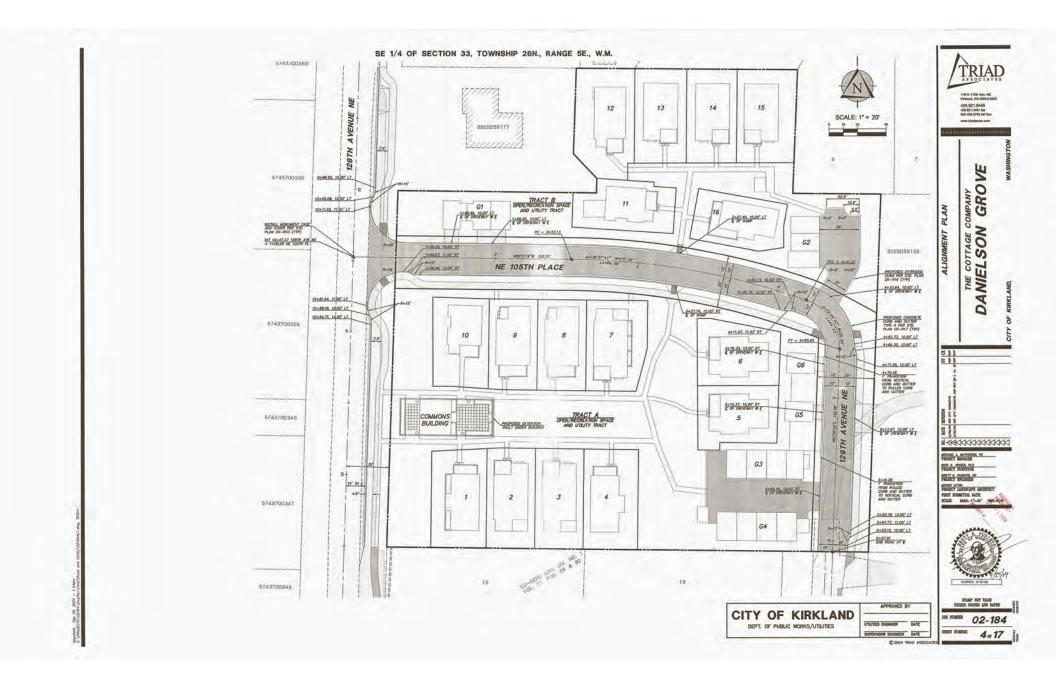
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JOB No









30

#### **ATTACHMENT 5**

triad

20300 Wood suite Sashamish Rd Ni 20300 Woodinville, Shonomen Kd N Suite A + Woodinville, WA 98072 p: 425.415.2000 f: 425.486.5059

w: triadessociates net

NE 1/4 OF SEC. 30 TWP. 26N, RGE, 05E, W.M.

## **JUANITA FARMHOUSE COTTAGES INTEGRATED DEVELOPMENT PLAN/ PRELIMINARY SHORT PLAT**

WATER: SANITARY SEWER: STORM DRAINAGE: FIRE PROTECTION: TELEPHONE: ELECTRICITY:

NATURAL GAS:

PROJECT ADDRESS: ZONING:

TOTAL PARCEL AREA:

TAY PARCEL NUMBER

=

300 302

300 302

SITE INFORMATION:

NORTHSHORE DISTRICT NORTHSHORE DISTRICT CITY OF KIRKLAND CITY OF KIRKLAND CENTURY LINK PUGET SOUND ENERGY

PUGET SOUND ENERGY

302605-9032

LEGEND

PROPOSED UTILITIES - STORM DRAIN PIPE - STORM SERVICE - ROCKERY/WALL/FOOTING DRAIN

EXISTING FEATURE

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8

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GUTTER, FLOW, & CURB LINE - GOTTEN, FLOW, & CORB C - ROAD CENTER LINE - EASEMENT - 10' EXISTING CONTOURS - 10' PROPOSED CONTOURS -- 2' PROPOSED CONTOURS

· PROPOSED ADA ROUTE

CAST IN PLACE WALL

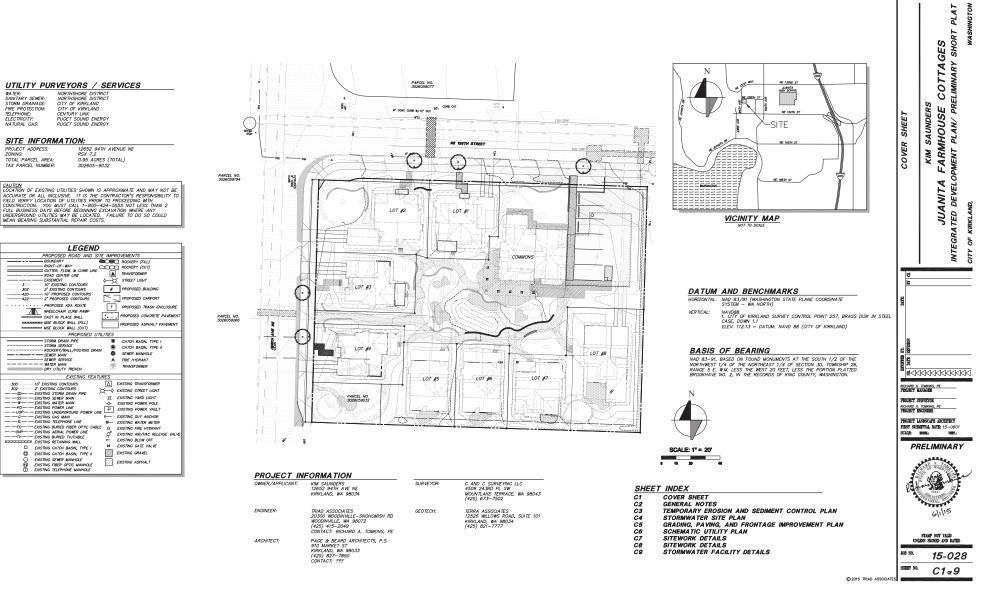
MSE BLOCK WALL (CUT.

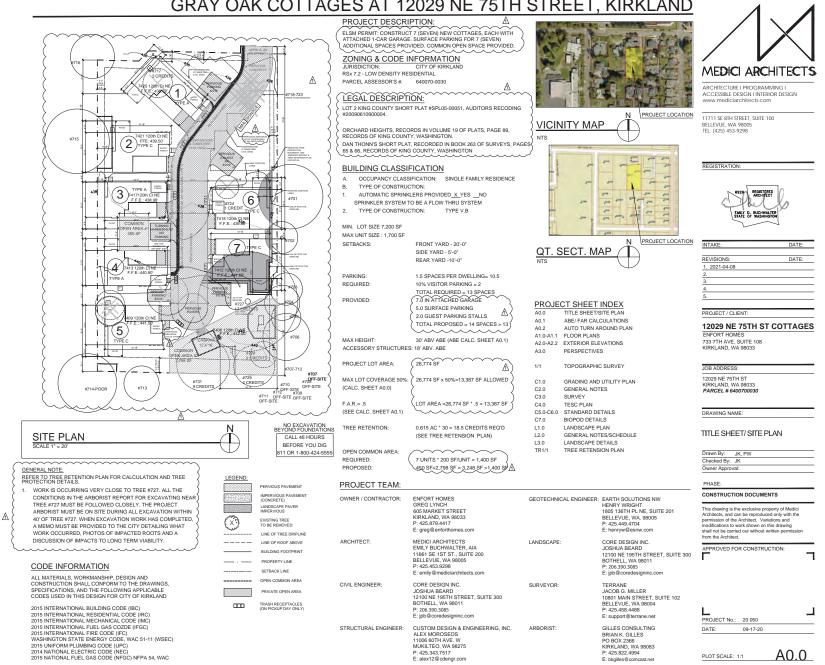
EXISTING CONTOURS - 10' EXISTING CONTOURS - 2' EXISTING CONTOURS - EXISTING STORM DRAIN PIPE - EXISTING SEVER MAIN - EXISTING POMER LINE - EXISTING POMER LINE

EXISTING RELATIONG WALL
EXISTING CATCH BASIN, TYPE I
EXISTING CATCH BASIN, TYPE II
EXISTING CATCH BASIN, TYPE II
EXISTING CATCH BASIN, TYPE II
EXISTING FIBER OPTIC MANHOLE
EXISTING FIBERHORE MANHOLE

WHEELCHAIR CURB RAMP

MSE BLOCK WALL (FILL)





32

### GRAY OAK COTTAGES AT 12029 NE 75TH STREET, KIRKLAND