

DATE: May 3, 2023
TO: Early Learning Washington County
FROM: ECONorthwest
SUBJECT: Summary memo for Task 4: Zoning, process, and case study cost analysis

Introduction

In 2022, Washington County contracted with ECONorthwest to conduct an analysis of infrastructure and workforce needs to support an expansion of early childhood care and education (ECE) for 0–5-year-olds who reside in the County. The scope of work includes assessing current and projected childcare needs, gauging existing provider capacity and geographic coverage, identifying barriers and costs associated with capacity expansion for providers, and understanding the gap between current infrastructure and workforce capacity and anticipated needs for an expanded ECE system.

This memo presents analysis and findings from Task 4 of the project, highlighting cost considerations and potential barriers faced by childcare providers opening new facilities. The scope of work for Task 4 includes the following:

- Zoning code review for three key cities (Beaverton, Hillsboro, Tigard) and unincorporated areas in Washington County to help determine where childcare facilities are allowed and, where allowed, whether they are subject to additional standards or procedures.
- Publicly owned vacant land analysis in areas zoned for childcare facilities to help identify potential opportunities for the County to support facility development, either directly or through partnerships.
- High-level market analysis of commercial space in Washington County to understand rents and vacancy trends, highlighting examples of currently available commercial and single-family properties¹ suitable for childcare facilities.
- Case studies that help identify important cost considerations for developing new childcare facilities, including considerations unique to childcare facilities that increase development costs, creating barriers for capacity expansion.

In Oregon, there are two primary types of licensed childcare: childcare centers (center-based providers) and family childcare homes (home-based providers). A Certified Center (CC) is usually a larger business with multiple employees operating in a commercial building. A family childcare home serves fewer children and is typically located in the primary residence of the provider, with care and business operations occurring within the individual's home. This analysis considered conditions for both center-based and home-based providers.

¹ Single-family properties are anonymized in the analysis.

The Oregon Early Learning Division (ELD)² issues two types of family childcare home-based licenses, Registered Family (RF) and Certified Family (CF), that influence how many children can be served and various space requirements. Appendix A provides an overview of key state-level rules and requirements for the three types of licensed childcare facilities.

Zoning and Land Use Procedures for Childcare Facilities

ELD administers the State of Oregon’s childcare licensing requirements and rules. Childcare facility requirements are mandated at the state level, although providers must also adhere to local processes, codes, and regulations when opening or operating a childcare facility, whether it’s center-based or home-based. The specific set of requirements applicable to an ECE provider depends on the number of children they plan to serve and the type of space they will occupy.

Permitting processes of both city and county jurisdictions are known to be lengthy and complicated, even for experienced applicants such as developers and architects. ECE providers typically lack the level of expertise that can help with navigating the process more efficiently. This section will focus on identifying local complexities and barriers providers face when looking to open new facilities.

Legislative Requirements for Local Zoning of Childcare Facilities

Recent legislation seeks to streamline local processes for ECE zoning allowances. House Bill 3109 (ORS 329A.440) became effective on January 1, 2022, and implemented several changes related to both childcare centers and family childcare homes.³ The bill implemented several new regulations that:

- Require local governments to allow residential dwellings, located in an area zoned for **residential or commercial** uses, to be used as a **family childcare home**.
 - Prohibits local governments from imposing land use regulations, special fees, or conditions on the establishment or maintenance of a family childcare home more restrictive than those imposed on other residential dwellings in the same zone.
- Require local governments to allow **childcare centers** as a permitted use in all areas zoned for **commercial or industrial** use, except areas specifically designated by the local government for heavy industrial use.
 - Prohibits local governments from imposing land use regulations, special fees, or conditions on the establishment or maintenance of a childcare center in an area

² Currently within the Oregon Department of Education; per House Bill 3073 (2021), a new agency named the Department of Early Learning and Care (DELIC) will be established by July 1, 2023. The Employment Related Day Care program (ERDC), currently housed in the Oregon Department of Human Services (ODHS), will also move to the DELIC by July 1, 2023.

³ “Childcare center” means a childcare facility, other than a family childcare home, that is certified under ORS 329A.280 (when certification is required). “Family childcare home” means a childcare facility in a dwelling that is caring for not more than 16 children and is certified under ORS 329A.280 (when certification is required) or is registered under ORS 329A.330. https://www.oregonlegislature.gov/bills_laws/ors/ors329a.html

zoned for commercial or industrial use⁴ that are more restrictive than those imposed for other uses in the same zone.

While these legislative changes limit a local government’s ability to place additional restrictions on childcare facilities, particularly home-based facilities, state land use policies are incongruent with those governing childcare licensing. State administrative rule (OAR 414-350-0000) indicates that licenses can only be obtained by Certified Family Child Care (CF) homes if they are operating in a single-family dwelling. This rule does not apply to smaller capacity Registered Family Child Care (RF) homes, but limits potential for home-based care in apartment buildings or any larger providers in attached housing.

Design and Development Process

ECE operators face severe challenges related to financing the physical construction of all types of facilities. No dedicated state or federal funding exists within ECE programs to support facilities development, requiring providers to search for capital from more generic sources like small business loans or grants from private individuals or foundations. ECE operates on tight margins, so qualifying for traditional forms of financing can be difficult.⁵

As part of the development process, ECE providers must also navigate complex and time-consuming design and permit processes with their local jurisdiction. This often occurs without the technical expertise needed for efficient navigation, and without the financial resources to hire an experienced consultant. Long land use, permitting, and construction timelines can add substantial time and cost to a development project, putting further strain on this under-resourced sector.

Exhibit 1 outlines the steps in the design and development process for new ECE facilities and provides an estimated potential timeline for each step. The roughly estimated timeline for the whole process ranges from 25–44 months, not including the time required for additional processes such as conditional use approval and permit review.

⁴ A local government may impose reasonable conditions upon the establishment or maintenance of a childcare center in an area zoned for industrial uses. “Reasonable conditions” includes, but is not limited to, siting restrictions for properties designated on the Department of Environmental Quality’s statewide list of contaminated properties as having known or suspected releases of hazardous substances.

⁵ *Co-Locating Early Care and Education Facilities with Affordable Housing in Oregon*, Low Income Investment Fund and ECONorthwest, 2022.

Exhibit 1: Design and Development Process, New ECE Facilities

Source: ECONorthwest

Process Step	Primary Process Components	Potential Timeline ⁶
Concept Development & Feasibility	Site and/or building assessment, high-level site plan/layout, financial feasibility Might include pre-application meeting with local planning department at this stage	2–4 weeks
Program and Concept Design	Program design: Outline of program pedagogy and functions of ECE facility to consider spatial needs Schematic design: General plan drawings outlining high-level site circulation Designs could be used for land use application for conditional use or site plan review, depending on the type of project and what is required	3–6 weeks (not including the time necessary for conditional use approvals)
Design Development	More-detailed drawings that include formal dimensions for interior and exterior space, doors and windows, plumbing hookups, etc. This is in preparation for applying for any necessary permits like a building permit, tenant improvement permits, or plumbing and electrical permits, depending on the scope of the project	4–6 weeks (not including city review time for building permit)
Construction Documents	Instructions for contractors to ensure physical development matches planned development	6–8 weeks
Construction	Physical construction of the site Requires scheduling inspections with local city departments throughout the process	6 months–1 year (assuming a small-scale construction project)
Fit Out and Furnishings	Adding all classroom furniture and play equipment to the space	4–8 weeks (depending on availability of materials)

Local Zoning Implications

New ECE facilities are subject to many local land use procedures and regulations. This section describes the following elements:

- Land use definitions
- Special processes (e.g., conditional use permits)
- Permit process timelines
- Land use allowances

Because House Bill 3109, the state legislation discussed above, only became effective in early 2022, many cities in Oregon have yet to update their permitted use tables and procedures to reflect new requirements, which can create administrative challenges for both city staff

⁶ Timelines shown in Exhibit 1 are context-dependent and vary widely based on proposal complexity; these estimated timelines are for less complex projects. The timelines also do not include city review time, which is highly variable.

processing applications and providers researching the feasibility of opening a new center or home-based care facility. This section explores how local zoning codes in Washington County both differ from current state requirements and present additional challenges for developing ECE facilities. Key jurisdictions examined include Beaverton, Hillsboro, Tigard, and unincorporated Washington County.

Definitions for ECE Uses

In the jurisdictions examined, local zoning codes do not fully incorporate the specific definitions outlined by Oregon’s ELD for center and home-based facilities, making it particularly challenging to interpret a jurisdiction’s permitted use table. In addition, jurisdictions may use terms in their permitted use table that are either undefined or not specific enough in their definitions section to clearly identify the type of facility that is permitted.

ECONorthwest assessed the zoning codes of the jurisdictions identified above to characterize the range of terms used for ECE facilities in the local permitted use tables. This section outlines findings from this assessment.

Beaverton

Beaverton has two definitions specifically related to childcare facilities, found in BMC 18.30.020:

- **Child Care Facilities:** Undefined
- **Care Facilities:** General care located within a dwelling accommodating not more than five nonrelated persons, for children and seniors

The City code does not directly reference state-level definitions, and capacity thresholds found in the code do not align with the state’s definitions. “Child Care Facilities” is likely a catchall for other types of day care.

Hillsboro

Hillsboro has two general categories of uses that encompass childcare facilities, found in HMC 12.10:

- **Retail Products and Services:** Retail products and services sell, lease, rent and/or repair new or used products and provide personal services. These services are typically provided directly to consumers, as opposed to wholesale products and services provided to industrial, institutional, or commercial users. Examples include: Adult or child day care
- **Household living:** Household living is characterized by the residential occupancy of a dwelling unit that contains 8 or fewer bedrooms. Occupancy is arranged on a month-to-month basis or for a longer period. Dwelling units in this category must be self-contained, with cooking, sleeping and bathroom facilities. Examples include: Certified or registered family child care home as defined in ORS 329A and Certified or registered residential home as defined in ORS 443

The City does not have specific definitions for childcare, only broader categories of uses (“household living” and “retail products and services”). While the use categories provide examples for childcare use, the broader categories are not intuitive.

Tigard

Tigard has two definitions specifically related to childcare facilities, found in TMC 18.30.020:

- **Day Care:** Undefined
- **Family Day Care:** A facility authorized under ORS 329A to provide childcare, often referred to as “Registered Family Child Care Homes” or “Certified Family Child Care Homes”

The City defines home-based care (Certified or Registered Family Day Care) but not center-based care and has a separate use for “Day care,” which likely includes any type of day care that is not home-based.

Washington County

The County has three definitions specifically related to childcare facilities, found in WCC 430-53:

- **Group Care:** Includes facilities for day care, resident care facilities, and retirement housing communities
- **Day Care Facility:** A facility operated by an agency, organization or individual providing care for six or more children or adults during a part of the 24 hours of a day
- **Family Day Care:** A day care (child care) provider who resides in the home and regularly provides day care in the provider's home to fewer than 16 children (or as specified otherwise by ORS 657A.280), including children of the provider, regardless of full-time or part-time status

The County’s definition for “Family Day Care” aligns with state definitions, but the “Day Care Facilities” threshold does not. In most zones, day care facilities and/or group care are allowed uses as an *accessory* to residential development and “Family Day Care” is only allowed in three rural zones.

Although the issues related to defining childcare uses in jurisdictions may not pose significant barriers for providers who wish to establish new childcare centers, they can create confusion for providers doing their own research and complicate matters for staff trying to determine if a specific use is allowed on a particular property. While these issues can be resolved with a phone call or email to City staff, many cities in Oregon have experienced a surge in development activity over the past decade, leading to a reduction in staff capacity to handle miscellaneous queries from providers with questions about facility development.

Special Procedures and Development Timelines

While recent legislation limits the ability of local governments to place additional restrictions on ECE facilities in certain zones, jurisdictions still maintain some ability to subject ECE facilities to

special procedures or restrictions if they regulate other uses in the zone in the same way. Conditional use permits are one common restriction placed on ECE facilities and are the most significant land use barrier for new ECE facilities. The table below outlines the conditional use processes for Beaverton, Hillsboro, Tigard, and Washington County. The permitted use tables in Appendix C outline the zones in which ECE facilities are subjected to conditional use processes and other additional restrictions and procedures.

The conditional use processes presented in Exhibit 2 are fairly standard procedures in jurisdictions across Oregon and other states, but the codified timelines do not necessarily reflect the actual duration of conditional use permit processes.

Exhibit 2: Conditional Uses Processes in Beaverton, Hillsboro, Tigard and Washington County

	Beaverton	Hillsboro	Tigard	Washington County
Conditional Use Process	Type III Planning Commission 120-day timeline required in Section 50.25.8	Type III Planning & Zoning Hearings Board Public Hearing Noticing 20 days prior to hearing date Decision – up to 20 days after hearing The Notice of Decision within 7 days of the date of the decision Appeal Period – 15 days after Notice of Decision Neighborhood Meeting Required	Type III-HO Hearing Official Public Hearing Noticing 20 days prior to hearing date Decision – up to 14 days after hearing date Notice of Decision – within 7 days of decision being filed Appeal Period – 15 days after Notice of Decision Decision is effective on the day after the appeal period expires, unless an appeal is filed	Type II & III (depending on zone) Type II • Director decision • Noticing and comment period Type III • Hearing Examiner or PC decision • Public Hearing • Appeal Period Neighborhood Meeting Required
Total Codified Time for Conditional Use Decision	120 days (maximum)	62 days (minimum)	56 days (minimum)	120 days inside the UGB and 150 days outside the UGB (maximum)
Other Restrictions			Restrictions on Day Cares in Industrial Zones TMC 18.130.040 ⁷	

⁷ All day care facilities in industrial zones, except family day care, must prepare an environmental impact assessment that documents noise, visible emissions, vibration, odor, glare, and heat from uses within 0.25 miles. A plan and

Findings

Conditional use permit packages require substantial effort to prepare and can have lengthy timelines relative to other permit processes. Land use procedures, like a conditional use process, often have what is referred to as a “land use clock.” Land use clock is a term that describes the timeline and procedural steps for a land use application (e.g., the 120-day timeline Beaverton and Washington County have codified). The clock starts once an applicant submits a land use proposal and ends when the permit is either approved or denied. However, codified timelines for conditional use permits do not account for the time the land use clock stops during the development process. When the clock stops and starts again will vary by jurisdiction, but it’s most common for the clock to stop when the jurisdiction completes a review round and returns the application back to the applicant to address comments and revise plans. Jurisdictions may have other points at which the clock stops and that time is not included in the maximum number of days.

As noted in Exhibit 2, two jurisdictions have set minimum timelines for conditional use decisions (56 days in Tigard and 62 days in Hillsboro) while the other two have codified timeline maximums (120 days in Beaverton and 120–150 days in Washington County). These timelines do not account for time when the land use clock is stopped.

As a point of comparison, the average length of time from application submittal to permit issuance for a residential building permit in the City of Portland is about 115 days, including the time it takes for an applicant to respond to reviewer comments and resubmit revised plans, as well as scheduling and conducting required inspections.⁸ The addition of a conditional use permit process, when required, would likely add months to overall development timelines.

Conditional use procedures involve varying degrees of discretionary review, depending on the type of permit (e.g., Type II or Type III), making approval criteria for conditional use permits subjective. Interpretation of development standards or design criteria can become political, relating to things like community character and need. These aspects of the process offer little assurance that the permit will be approved at the end of the process. Conditional use process requirements that take the most time and can add significant cost include:

- noticing requirements
- neighborhood meetings and public hearings, which might require the applicant to prepare a presentation

program for day care facilities to provide mitigation on-site for any of the above off-site impacts must be provided. Sound attenuation walls, screening, window covering, shades, and other such means are appropriate means of mitigation and may be attached as conditions of approval.

⁸ See the Portland Permit Metric Dashboard, January 1, 2021 to May 1, 2023:

https://public.tableau.com/app/profile/bds.metrics/viz/PermitMetricDashboard_top_public/PortlandPermitMetricDashboard

“Application Submittal to Permit Issuance: This illustrates the average number of business days from the submittal of a permit application through [the City’s online permit portal] to when the permit is issued, including payment of all fees. The issuance of a permit allows construction to begin.”

- appeal period of 2-3 weeks, during which no action on the project can take place

Conditional use processes could also include time for the following items not accounted for in the table:

- pre-application meetings, which can add value by helping to reduce surprises (e.g., costs) that could affect the proposal
- completeness review, which can take up to 30 days
- time required for the applicant to make corrections or supply additional information

Small businesses and ECE providers may experience longer approval times due to their unfamiliarity with the conditional use process. In recent years, largely motivated by the ongoing housing crisis many jurisdictions are facing in the West, many cities have reassessed the need for conditional uses and have started to allow a greater number of uses outright and through administrative approval to reduce the amount of time it takes to get a project fully permitted and ready for construction or use.⁹ To support the childcare sector, jurisdictions should evaluate whether conditional use processes for ECE facilities add value to the community or create unnecessary barriers.

Exhibit 3 shows the estimated share of uses subject to a conditional use process in the three relevant land use categories (residential, commercial, and industrial) for each jurisdiction examined. Generally, Washington County requires conditional uses permits for a larger share of its uses compared with the cities (except for Hillsboro in the residential category).

Exhibit 3: Estimated Percent of Uses Subject to Conditional Review Procedures

Source: ECONorthwest; cities of Beaverton, Hillsboro, Tigard, and Washington County

	Residential	Commercial	Industrial
Beaverton	33%	28%	32%
Hillsboro	78%	56%	26%
Tigard	64%	33%	3%
Washington County	69%	81%	76%

Notes: This estimate blends zoning categories into more general land uses. A use was counted as subject to conditional use procedures if it was required in at least half of the corresponding zones. The estimates do not account for other restrictions applied to uses; they only account for conditional use procedures. Does not include uses that are not permitted in the zones but are still listed in the permitted use table.

General Development Timelines

ECE facilities are required to undergo routine levels of permitting, such as site plan review and building permits, in addition to the conditional use process (in some cases) that acts as an extra level of review in the development process. It is difficult to develop an average timeline for an ECE facility because the timeline will vary depending on various factors such as whether it is a home-based care or a new center, the complexity of the site and/or building, the size, and whether the project is allowed “by right”. However, the timeline for a new ECE project typically

⁹ <https://mrsc.org/stay-informed/mrsc-insight/august-2022/a-new-approach-for-conditional-uses>

ranges from 1-5 years, from the first touchpoint with the City to final inspections. The timeline for home-based facilities with few complications could be as short as 1 year, while a new construction center could take up to 5 years. Tenant improvements for a center in an existing or nearly finished new construction project may only take 1-2 years. This assumes no conditional use permit is required.

Findings

To estimate the time required for a new facility to obtain the necessary permits and begin operations, ECONorthwest contacted planning staff members in Beaverton, Hillsboro, Tigard and Washington County to inquire about the current typical permit processing timelines. Appendix B provides the responses of each jurisdiction regarding permit processing timelines. However, none of the jurisdictions contacted had this information readily available and each responded to the request differently; none closely track review timelines.¹⁰

Tracking permit processing timelines can be helpful in identifying inefficiencies and whether permit timelines are trending upwards, which could help with identifying additional staff needs and ways to provide better customer service. A better understanding of typical facility development timelines could help providers better prepare for new projects and help policymakers identify needed changes to local processes and the timing of funding availability.

Permitted Uses By Right

Despite the implementation HB 3109 in 2022, several Oregon jurisdictions have yet to revise their codes to comply with the updated laws, leading to confusion regarding the permit process and the level of scrutiny ECE facilities might face.

ECONorthwest conducted a review of local zoning codes to determine where and under what circumstances ECE facilities are allowed, and where local code appears out of compliance with state law. Appendix C contains tables that identify where ECE facilities are allowed uses and whether they're subject to special or conditional reviews for Beaverton, Hillsboro, Tigard, and Washington County.

City of Beaverton

“Care Facilities” are allowed outright in all residential and commercial zones, but Beaverton defines “Care Facilities” as care provided in a residential dwelling with a maximum threshold of five children. While the City allows “Care Facilities” in the types of zones where the state requires Family Day Care to be allowed outright, the definition does not align with state requirements because of the different maximum capacity. Family Day Care, as defined by the state in ORS 329A, establishes a maximum capacity of 16 children for certified care facilities and 10 for registered care facilities.

¹⁰ Unpredictable and excessive permitting timelines have been at the forefront of housing development conversations across communities along the west coast for several years. Jurisdictions have been inundated with development applications and review times have increased as regulations have become more complex and challenging to navigate.

“Child Care Facilities” is undefined in the City’s code, but it is assumed to encompass childcare centers. The use is allowed outright in all residential zones and all commercial and industrial zones, with the exception of the NS zone (commercial) and the OI NC (industrial), where it’s either a conditional use or restrictions are placed on the use.

City of Hillsboro

“Household Living,” which allows Family Day Care (as defined in ORS 329A) is allowed outright in all residential and commercial zones, which aligns with state requirements for allowances in residential zones. However, day care centers (allowed under retail products and services) are more restricted, typically allowed either conditionally or with limitations in commercial and industrial zones. This does not align with state requirements, and the City noted that when the code is updated, child care centers will be allowed outright in all commercial zones. The City also indicated that all industrial zones will be designated as heavy industrial, and so childcare centers will no longer be allowed under any conditions in Hillsboro’s industrial zones. The City does not plan to expand allowances for childcare centers in their residential zones (except in mixed-use instances); no changes to current allowances are anticipated.

City of Tigard

Tigard already allows “Family Day Care” (as defined in ORS 329A) outright in all residential, commercial, and industrial zones, which goes above and beyond state requirements.¹¹ Additionally, the city codifies “residential use” as a land use category, and by state law, family day care facilities are considered to be a residential use. Therefore, ECE facilities are also allowed outright in all areas where “residential uses” are allowed outright. Tigard will likely not need to update its code to reflect state law related to “Family Day Care” uses.

“Day cares” are assumed to be considered center-based facilities and are allowed outright in most commercial zones and conditionally in residential zones. The City will likely need to amend its code to reflect state laws related to child care centers, which must be allowed outright in all commercial and industrial zones, as long as the industrial zone has not been designated as heavy industrial.

Washington County

The County’s code is challenging to navigate when identifying the permitted uses in each zone. Generally, “Day Care Facilities” (care of more than 6 children, excluding “Family Day Care”) are only allowed as accessory uses to residential development in residential zones and are subject to Type II procedures, which requires a director’s decision, noticing, and a comment period. However, the County does allow “Family Day Care” defined by (ORS 329A) outright in the AF-10, AF-5, and RR-5 Districts (rural zoning categories). Day Care Facilities are allowed in most commercial zones but are still subject to Type II processes, and they are allowed as an accessory use in the County’s industrial zone.

¹¹ Local governments must allow family childcare homes in all areas zoned for residential and commercial uses.

Vacant Land Inventory

Acquiring land can be a major expense when undertaking new development projects. Therefore, receiving land as a donation or buying it at a discounted rate can significantly enhance the financial viability of a project. Public entities frequently possess land that is underutilized or could be deemed surplus, and local governments are often urged to take inventory of these lands to determine what can be donated or sold at reduced rates for public benefit such as constructing affordable housing.

Washington County could explore the possibility of utilizing vacant and appropriate land for ECE development given the widespread need for early childhood care throughout the County. However, increasing ECE capacity is more likely to be achieved through home-based facilities rather than through developing new centers, the more time-consuming and expensive method of increasing ECE capacity.

ECONorthwest conducted a high-level vacant lands analysis to characterize the amount of vacant, publicly owned land available throughout the county. The analysis focused on residential, commercial, industrial, and public facilities lands where ECE facilities may be an allowed use. The analysis does not include federal or state land, or lands owned by utility districts, but it does include lands owned by school districts, cities, Washington County, parks districts, and other public agencies. This analysis is not meant to be comprehensive, but rather to provide a sense of how much publicly owned vacant land could be available to ECE facility expansion or other uses that serve as a public benefit. In addition, not all identified land is necessarily buildable. Exhibit 4 summarizes the results of the analysis and Appendix D provides maps based on this analysis.

Exhibit 4: Publicly Owned Vacant Land Inventory, Washington County

Source: ECONorthwest

Zone Type	Number of Parcels	Total Acreage
Commercial	69	119
Future Urban Development	21	380
Industrial	175	746
Public Facilities	130	722
Residential	1,680	3,404
Rural	2	2
Total	2,077	5,374

Market Analysis

ECE facilities (centers, specifically) can often be found in mixed-use developments, housed in ground-floor retail spaces, or in stand-alone commercial space. ECONorthwest used CoStar to identify trends in rent and vacancy to get a sense of any barrier providers could face if looking to lease a new space.

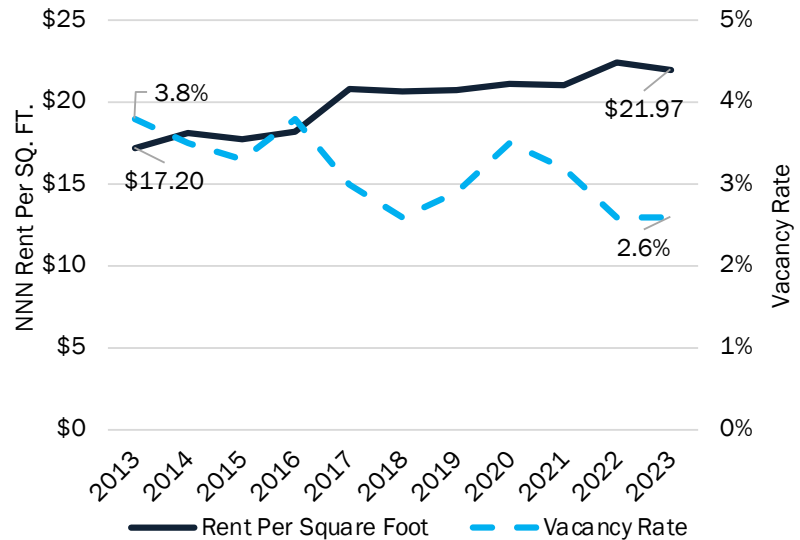
Commercial market trends indicate a strong retail market in Washington County (see Exhibit 5 and Exhibit 6 below). As of early 2023, triple net (NNN) rents¹² were \$21.97 per square foot and vacancy rates were at a low of 2.6%. In addition, nearly 97% of the 1.8 million square feet of retail space delivered between 2013 and 2023 was leased in the market, indicating an ongoing demand for retail space in the area.

Retail rents in Washington County have remained relatively stable in recent years. From 2017 to 2023, triple net (NNN) rents rose 7%, or \$1.18 per square foot.

Retail vacancy rates fluctuated from 2013 to 2023 but have fallen since 2020, most likely due to the COVID-19 pandemic. Rates look to have stabilized over the last two years. However, vacancy rates were low over the entire period, with the lowest rate 2.6% in early 2023.

Exhibit 5: NNN Retail Rents and Vacancy Rates, Washington County, 2012-2023

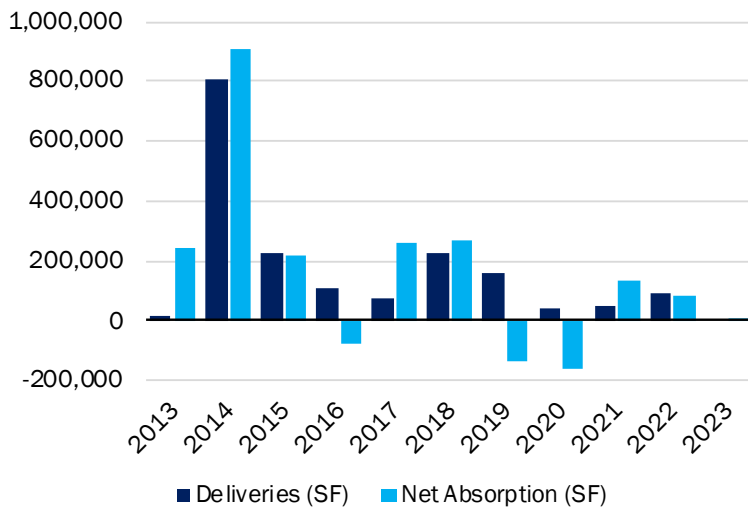
Source: CoStar



¹² A triple net lease (triple-net or NNN) is lease agreement on a property where the tenant pays all the expenses of the property, including real estate taxes, building insurance, and maintenance. These expenses are in addition to the cost of rent and utilities.

Exhibit 6: Deliveries and Net Absorption for Retail Space, Washington County

Source: CoStar



From 2013 to early 2023, roughly 1.8 million square feet of retail space was delivered to the Washington County market. While 809,000 square feet, or 45% of this total, was delivered in 2014, 977,000 square feet, or 46%, have been delivered since 2015.

From 2013 to 2023, 1.74 million square feet were absorbed in the market. This is nearly 97% of the total retail area delivered to the market.

CoStar categorizes day care centers as a subset of the commercial retail market.¹³ As of February 2023, CoStar listed 49 day care centers in Washington County,¹⁴ representing just over 2% of retail spaces. On average, day care centers in Washington County are roughly 6,900 square feet and are the sole occupant of the building.

While data for day care centers are less robust than for the retail market overall, available data indicate a strong demand in the market. As of 2023, vacancy rates for day care center space were just 1.5%.¹⁵ In addition, roughly 43,000 square feet of day care center space were leased in the market from 2013 to 2023. This is more than 12,000 more square feet (or 140%) than the area of day care center space delivered to the market, either through new construction or converting existing space to use as a day care center.

Washington County’s commercial real estate market overall is experiencing strong demand, with quick absorption of new retail space. Rent prices have been increasing since 2017, although they may experience a decrease in 2023. Vacancy rates have recovered since the impact of Covid-19, in part due to a slower delivery of commercial space since 2019; commercial space delivery shows signs of increasing again in 2022. Overall, these factors suggest a competitive

¹³ CoStar defines a day care center as a “single or multi-tenant building that offers child day care and/or pre-school services. Usually includes a playground area, may be divided into classrooms, and have kitchen facilities.”

¹⁴ CoStar’s data on day care centers is very limited and should not be considered comprehensive. FCCO (Find Child Care Oregon) data are likely the most accurate resource for gauging the number of centers in Washington County. FCCO data indicates there are more likely around 220 licensed childcare centers operating in the County.

¹⁵ Because day care centers are a small submarket on CoStar, this data point should be interpreted cautiously. CoStar defines vacant space as “all space not currently occupied by a tenant, regardless of any lease obligation that may be on the space.” Based on this data set, the vacancy rate for day care centers has remained consistently low (< 2%) in the study area over the last decade.

environment for commercial space, but it may take more time to fully understand the long-term impacts of Covid-19

Case Studies

Potential Spaces Available in Washington County

The financing, partnership structures, and site details of housing developments and ECE facilities can vary substantially from project to project. Rather than making assumptions about capacities and needs of an “average” ECE provider, ECONorthwest gathered several examples of commercial spaces that were available for lease as of February 2023 to understand what types of spaces are available, whether childcare facilities would be allowed in accordance with local zoning, and estimated rents (see Exhibit 7). Examples include considerations for the following:

- **Square footage:** Is the space suitable for typical childcare facilities in Washington County observed in the market analysis (~6,000 square feet)?
- **Zoning:** Does the zoning allow for childcare facilities? Or will additional procedures be required?
- **Rent:** What is the estimated monthly rent based on current market value?
- **Use:** What was the prior use of the commercial space? (Knowing that substantial changes in use will require more time and expense)
- **Outdoor space:** Does the site have outdoor space or is it located near a park?

Exhibit 7: Examples of Available Commercial Spaces in Washington County

Source: CoStar; ECONorthwest



- **Tigard:** 6600 SW Cardinal Lane
- **Size:** 6,500 SF
- **Zoning:** I-P (currently allowed for centers with restrictions)
- **Estimated Monthly Rent:** \$10,800 – \$13,000
- **Use:** Vacant, Possible Planned Renovation. Prior use was likely a restaurant
- No outdoor space and no park nearby



- **Tigard: 7295 SW Dartmouth Street**
- **Size:** 5,800 SF
- **Zoning:** TMU - allowed
- **Estimated Monthly Rent:** \$10,100 – \$12,000
- **Use:** Previous use was a retail shop
- Small outdoor space adjacent to property, no park nearby



- **Hillsboro: 18565 NW Tanasbourne Dr**
- **Size:** 6,500 SF
- **Zoning:** C-G
- **Estimated Monthly Rent:** \$15,100 – \$18,400
- **Use:** Previous use was a retail clothing store
- Nearby outdoor space is likely public ROW next to major roadways; located in major retail center; no park nearby



- **Forest Grove: 2038 Pacific Ave**
- **Size:** 3,600 (smaller capacity center)
- **Zoning:** TCC
- **Estimated Monthly Rent:** \$3,600 – \$4,500
- **Use:** Previous use was newspaper office, older building
- No outdoor space and no park nearby

Single Family Homes for Rent

ECE is commonly provided in single-family dwellings. ECONorthwest conducted an analysis of single-family homes for rent in Washington County, limiting the search for homes at a

maximum of 2,500 square feet¹⁶ and on lots 5,000 square feet or larger (to accommodate outdoor space). If a provider rented a single-family home in Washington County, they could expect to pay an average of \$2,650 per month in rent for a 1,600 square foot home.

Recent Development Projects from Other Geographies

In 2022, ECONorthwest completed a study for the State of Oregon on co-locating affordable housing development with ECE facilities. The report includes case studies that, while outside of Washington County, highlight important considerations and renovation costs for day care facilities in mixed-use development, as well as one stand-alone day care facility adjacent to a housing development. A few of those case studies are outlined in Exhibit 8.

Exhibit 8: Recent ECE Center Development Case Studies

Source: *Co-Locating Early Care and Education Facilities with Affordable Housing in Oregon*, Low Income Investment Fund and ECONorthwest, 2022

Project	Location	Scenario	Estimated Monthly Rent	Square Feet	Cost to Renovate Space
Beatrice Morrow	Portland	Tenant Improvement Required Mixed-use Building	\$5,100	3,400	\$750,000
Leander Court	Portland	New Construction Mixed Use Building Home-based care units with commercial space	N/A ECE Tenants must income-qualify for units	Home-based units: 1,105 sq. ft + 600 sq. ft of classroom space Commercial space: 1,214 (not including home-based care units)	\$75,000
Castle Rock Apartments	Boardman	New Stand-Alone Structure	N/A Site is owned by Oregon Child Development Coalition Migrant Head Start	8,000	\$3.5 million

¹⁶ The square footage maximum is based on the size of homes observed in the FCCO dataset.

Appendix A: Childcare Rules and Spatial Requirements

Early childcare and education (ECE) facilities can be complex, nuanced, and expensive construction projects that include regulations that are challenging to navigate, particularly for an under-resourced sector that typically operates under a patchwork of public and private funding streams.

The Oregon Department of Education’s Early Learning Division (ELD)¹⁷ administers state licensing requirements and childcare rules for the State of Oregon. This means that most childcare facility requirements are mandated at the state level, so providers must comply with both state and local regulations when opening and operating a childcare facility, whether it’s center-based or home-based. This section provides an overview of key state-level rules and requirements for three types of licensed childcare facilities, focusing on rules that can create complexity and drive up the cost for new projects.

Primary Types of Licensed Childcare and Spatial Requirements

The requirements that apply to an ECE provider depend on the number of children they intend to serve and the type of space they will occupy. In Oregon, there are two primary types of licensed childcare: childcare centers and family childcare homes. A Certified Center (CC) is usually a larger business with multiple employees operating in a commercial building. Family childcare homes serve fewer children and are typically located in the primary residence of providers, with care and business operations occurring within an individual’s home. ELD issues two types of family childcare home-based licenses, Registered Family (RF) and Certified Family (CF), that influence how many children can be served and various space requirements.¹⁸

Exhibit 9 identifies requirements relevant to each type of license that providers must factor in to leasing, purchasing, or developing a new facility.

Exhibit 9: Childcare Rules, Childcare Centers and Family Homes

Source: OR Department of Education Early Learning Division

	Childcare Center (CC)	Certified Family (CF)	Registered Family (RF)
Typical Location	Commercial	Primary residence of provider Must be constructed as a single-family dwelling or townhome With ELD approval, may use a non-primary residence.	Primary residence of provider Any type of residence

¹⁷ Currently within the Oregon Department of Education; per House Bill 3073 (2021), a new agency named the Department of Early Learning and Care (DELIC) will be established by July 1, 2023. The Employment Related Day Care program (ERDC), currently housed in the Oregon Department of Human Services (ODHS), will also move to the DELIC by July 1, 2023.

¹⁸ <https://oregonearlylearning.com/childcare-rules/>

Capacity	Serves 13 or more children or Serves 12 or fewer and located in building other than single-family dwelling Max capacity dependent upon available indoor/outdoor square footage and number of toilets	16 (max. 10 ages 0-5)	10 (max. 6 ages 0-5)
Indoor Space	35 SF per child	35 sq. ft. per child (if fewer than 12 children); 50 sq. ft. per child (if 12-16 children)	No square footage requirement
Outdoor Space	75 SF per child (if using the area at one time ¹⁹) Space must be fenced Waivers may be available if there is a park or green space nearby, but space must be fenced	75 sq. ft. per child using the area at one time; Space must be fenced Waivers may be available if park or green space nearby	No square footage requirement “Outdoor Opportunities” required, but can use shared spaces No fence requirements
Fire and Exits	Depends on fire and building codes. Best practice is an external exit in every classroom. Rooms used for childcare shall not be located above or below the ground floor	Must have at least one “usable exit” to outdoors; All rooms used by children must have two exits	Must have at least one “usable exit” to outdoors; All rooms used by children must have two exits
Plumbing	Required ratios: - 1 toilet per 15 children older than 36 months - 1 toilet per 10 toddlers (must be in or adjacent to the classroom) - 2 sinks per 1 toilet	At least 1 toilet and 1 sink (if 12 or fewer children) Additional toilet required if more than 15 children	At least 1 toilet and 1 sink

Square Footage Considerations

Although base licensing requirements set absolute minimums for which ECE facilities must be designed, best practice is to provide more square footage per child to allow for developmentally appropriate environments conducive to caring for young children.

¹⁹ In centers where groups of children are scheduled at different times for outdoor play, there shall be 75 square feet times one-third of the center’s capacity, if permitted by local zoning regulations.

It is important to consider total building square footage needed per child. Exhibit 10 shows industry standards and best practices for indoor spaces from the LIIF and BRIDGE Housing’s Handbook.²⁰ The table offers guidance for preschool classrooms, but more primary activity space is needed in classrooms serving infants and toddlers (typically around 85 sq ft/child for infants and 60-70 sq ft/child for toddlers).

Exhibit 10: Best Practice in Building Size for ECE Facilities Serving 3–5 Year Old Children

Source: LIIF and BRIDGE Housing’s Handbook

	Primary Activity Space	Secondary Activity Space	Common Space	General Circulation Space	Total Square Footage
Minimum	35 sq ft/child	20 sq ft/child	15 sq ft/child	17.5 sq ft/child	88 sq ft/child
Adequate	42 sq ft/child	20 sq ft/child	18 sq ft/child	20 sq ft/child	100 sq ft/child
Better	46 sq ft/child	20 sq ft/child	22 sq ft/child	26 sq ft/child	115 sq ft/child
Best	50 sq ft/child	22 sq ft/child	24 sq ft/child	29 sq ft/child	125 sq ft/child

Local Observations

ECONorthwest gathered observations from existing and differing types of day care centers to help better understand gross facility sizes and corresponding capacities. Examples are provided below.²¹

Stand Alone Centers

- **Oregon Child Development Coalition, Boardman (Center).** The ECE facility is an 8,000 gross square feet modular construction building. The facility can accommodate 65-80 children depending on the ages of children served, which would range 100-123 square feet of interior space per child. The building was designed to offer convertible classrooms that feature two large preschool rooms with partitions to create up to 4 separate rooms to allow the space to adjust based on the age of the children registered for the program.
- **Baby Bees Childcare Center, Beaverton (Center).** The ECE center is located in the unincorporated community of Aloha. The center has capacity for 25 children. According to the Washington County assessor, it has a classroom area of approximately 3,800 square feet, which is about 150 square feet per child.

Home-Based

The home-based examples of square footage per child are based on the gross square footage of each residence since we do not have access to data showing exact square footages of the home used for the daycare. However, the range helps us understand licensed capacity relative to the size of homes operating childcare facilities.

²⁰ <https://www.liifund.org/wp-content/uploads/2011/03/30-BRIDGE-Child-Care-Handbook.pdf>.

²¹ Examples do not include outdoor space.

Using Washington County assessor data to find the gross square footage of 10 residences and using Find Child Care Oregon (FCCO) active license data to find licensed capacity, the daycares averaged about 159 square feet per child. The median square footage was about 145 square feet per child. Generally, as licensed capacity increased, the square footage per child decreased.

The observations of ECE facilities in Washington County indicate that providers may be generally following adequate to best practices (100-160 square feet) for square footage per child when establishing care facilities.

Designing and Developing New Child Care Facilities

Creating high-quality ECE facilities often involves more than just meeting minimum licensing requirements. Childcare centers, in particular, may require the expertise of an architect, general contractor, and ECE consultant, resulting in significant consultant fees. Despite the investment required to form a consultant team, it can help expedite the licensing and development process, ultimately reducing costs associated with lengthy timelines.

Appendix B: Reported Permit Review Timelines

The timelines reported in Exhibit 11 are a combination of estimates based on staff experience and target turnaround times. They do not reflect current and/or typical permit review timelines, which can vary greatly depending on current development activity, staff capacity, and the quality of an applicant’s submittal package. The timelines also do not reflect applicant response times between city reviews, which may take 2–3 weeks depending on the applicant’s capacity and ability to respond to the comments received.

Exhibit 11: Permit Timelines in Beaverton, Hillsboro, Tigard, and Washington County

	Land Use/ Site Plan Approval	Building Permits
Beaverton	12 weeks	8-12 weeks
Hillsboro	Type II (staff level): 4–8 weeks Type III (public hearings): 12–16 weeks	
Tigard		1 st Review: 6–8 weeks 2 nd Review: 2 weeks
Washington County		Residential: 6–8 weeks for issuance (without applicant response times and additional reviews) Commercial: 4–6 weeks for issuance (without applicant response times and additional reviews)

Appendix C: Zoning Tables

ECONorthwest conducted a review of local zoning codes to understand where and under what circumstances ECE facilities are allowed, and whether the jurisdiction needs to update regulations to reflect state law. Exhibits 12–15 identify where ECE facilities are allowed uses and whether they’re subject to special or conditional reviews for Beaverton, Hillsboro, Tigard, and Washington County.

Exhibit 12: Washington County ECE Permitted Uses

Source: ECONorthwest; Washington County

Use Categories	Residential				Commercial				Industrial
	R-5 & R-6	R-9	R-15 & R-24	R-25+	NC	OC	CBD	GC	IND
Daycare Facility ²²	II -Accessory Use	II -Accessory Use	II -Accessory Use	II -Accessory Use	II	II	II	II -Accessory Use	II - Accessory Use

²² A facility operated by an agency, organization or individual providing care for six or more children or adults during a part of the 24 hours of a day. Excluding family day care.

Exhibit 13: City of Tigard ECE Permitted Uses

Source: ECONorthwest; City of Tigard

Use Categories	Residential	Commercial				Industrial
	All Zones	All Zones	C-N, C-C, C-G, & C-P	MU-CBD	MUC-1, MUC, MUE 1&2, & MUR 1&2	All Zones
Residential Use ²³	Allowed Outright		Allowed with restrictions (Prohibited in C-P)	Allowed Outright	Allowed Outright	Restricted
Family Day Care ²⁴	Allowed Outright	Allowed Outright				Allowed Outright
Day care ²⁵	Conditional	Allowed Outright, except conditional MUR 1 & 2				Allowed, but restricted ²⁶

²³ ORS 329A.440 (2)(a): A family childcare home is considered a residential use of property for zoning purposes. A family childcare home is a permitted use in all areas zoned for residential or commercial purposes, including areas zoned for single-family dwellings

²⁴ "Family day care": A facility authorized under ORS 329A to provide childcare, often referred to as "Registered Family Child Care Homes" or "Certified Family Child Care Homes"

²⁵ Assumed to be considered a center.

²⁶ All other day cares are subject to additional land use restrictions in Subsection 18.130.040.A. in all industrial zones

Exhibit 14: City of Beaverton ECE Permitted Uses

Source: ECONorthwest; City of Beaverton

Use Categories	Residential	Commercial		Employment/Industrial				Multiple Uses		
	All Zones	All Zones	NS	All Zones	OI	OI-NC	IND	All Zones	OI-WS	SC-E 1&3
Care Facilities (Home-based, not more than 5 children)	Allowed Outright	Allowed Outright								
Childcare Facilities (undefined)	Conditional	Allowed Outright, except in NS	Conditional	Allowed Outright, except as accessory use in OI-NC ²⁷				Allowed Outright with size/use restrictions by zone		

²⁷ The use is permitted as an ancillary use to serve the employees and/or support the primary permitted use of the site. The ancillary use is intended to provide flexibility for and complement the operation of the primary use of the site. The ancillary use is not intended for the use by the general public.

Exhibit 15: Hillsboro ECE Permitted Uses

Source: ECONorthwest; City of Hillsboro

Use Categories	Residential		Commercial			Mixed-Use and Urban Center Zones		Industrial ²⁸	
	All Zones	SCR-OTC, SCR-DNC, SCR-MD, & SCR-HD	All Zones	SCR-MD ²⁹ , SCR-HD, C-N, SCC-DT, SCC-SC, SCC-MM	C-N ³⁰ & C-G	All Zones	UC-RM & UC-RP	All Zones	I-G & SSID
Household Living ³¹	Allowed Outright		Allowed Outright			Allowed Outright			
Retail Products and Services ³²		Permitted with Limitations		Permitted with Limitations	Allowed Conditionally	Permitted with Limitations	Not permitted	Permitted with Limitations	Not Permitted

²⁸ House Bill 3109 that became effective on January 1, 2022, required cities to allow childcare centers as a permitted use in all areas zoned for commercial or industrial use without additional land use regulations, special fees, or conditions, except areas specifically designated by the local government for heavy industrial use. According to staff, the City has not yet updated the CDC to match this legislation and is implementing by ORS. C

²⁹ Permitted in single-story commercial buildings with a footprint of less than 10,000 square feet at the intersection of two Arterial streets or at the intersection of an Arterial and Collector Street.

³⁰ Larger multi-story commercial buildings or mixed-use commercial/residential buildings with a footprint up to 20,000 square feet are permitted with Conditional Use approval

³¹ Accommodates Family Child Care - Serving no more than 16 children

³² Child day care (childcare centers) falls under the "Retail Products and Services" use category per Community Development Code (CDC) Section 12.10.245

Appendix D: Analysis of Vacant and Publicly Owned Land

ECONorthwest conducted a high-level vacant lands analysis to characterize the amount of vacant, publicly owned land available throughout Washington County (see Exhibit 4 above and Exhibits 16–17 below). The analysis focused on residential, commercial, industrial, and public facilities lands where ECE facilities may be an allowed use. The analysis does not include federal or state land, or lands owned by utility districts, but it does include lands owned by school districts, cities, Washington County, parks districts, and other public agencies. This analysis is not meant to be comprehensive, but rather provide a sense of how much publicly owned vacant land could be available to ECE facility expansion or other uses that serve as a public benefit. In addition, not all identified land is necessarily buildable.

Exhibit 16: Vacant, Publicly Owned Lands in Washington County, by Land Use Designation

Source: Washington County Assessor; ECONorthwest

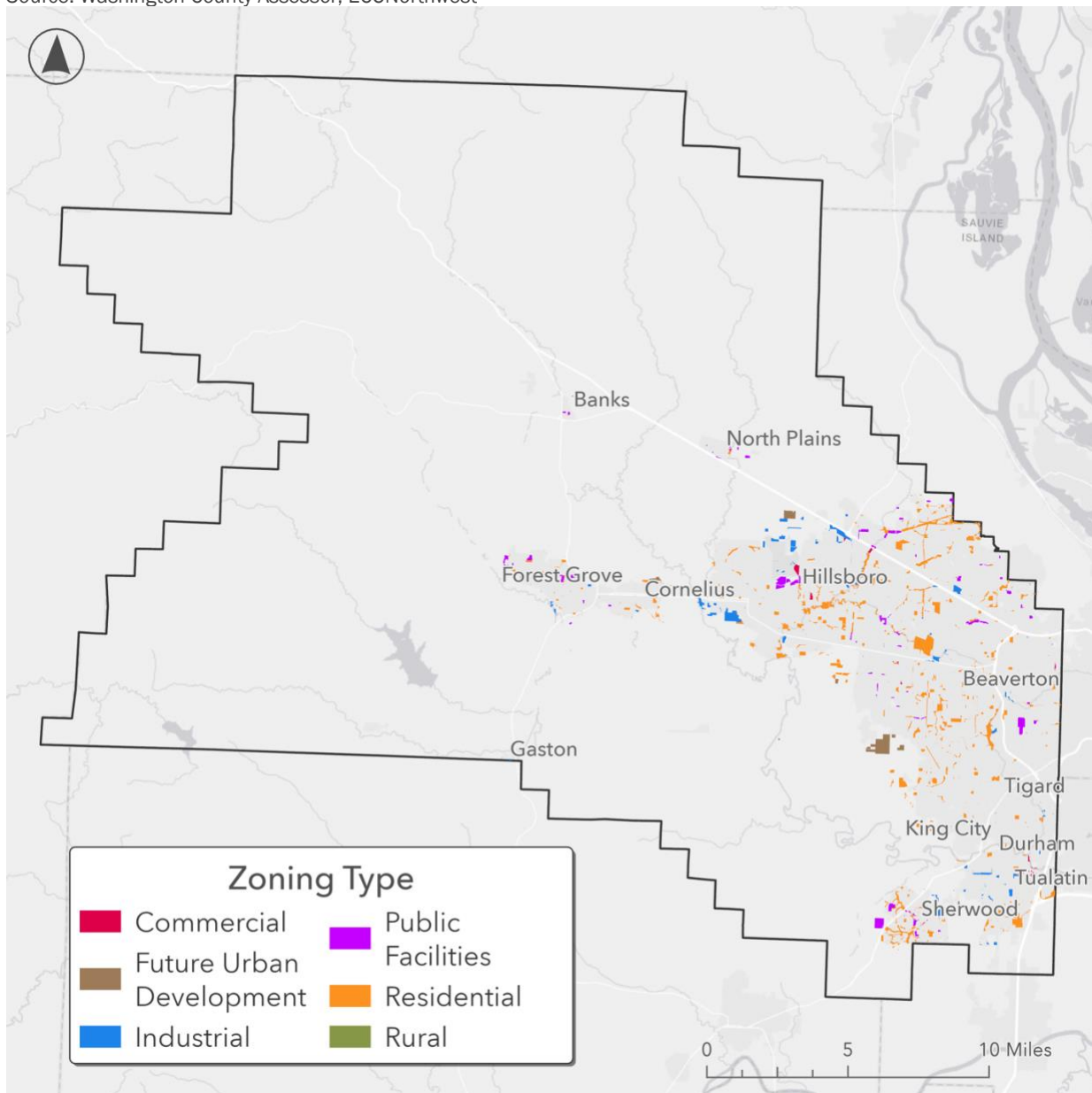


Exhibit 17: Vacant, Publicly Owned Lands in Washington County, by Land Use Designation (Detail)

Source: Washington County Assessor; ECONorthwest

