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MEMORANDUM

To: Skagit County Planning Commission
From: Planning & Development Services Staff
Date: November 18, 2010
Re: Master Planned Resort proposed code amendments

This memo highlights suggested changes to the Master Planned Resort (MPR) code (SCC 14.20) and their rationale.

Statutory Requirements

MPRs were envisioned by the Legislature as one means of rural economic development. They are, in effect, an exception to the general rule under the GMA that urban uses are not allowed in rural areas. As such they are one of the most powerful economic development tools available to rural counties planning under the GMA.

RCW 36.70A.360(1) states: *"A master planned resort means a self-contained and fully integrated planned unit development, in a setting of significant natural amenities, with primary focus on destination resort facilities consisting of short-term visitor accommodations associated with a range of developed on-site indoor or outdoor recreational facilities"*. MPRs are meant to attract tourists and not focus on accommodating permanent residential population that would require long term commitment of publicly funded services and facilities (that is the more proper role of urban growth areas under the GMA). The legislative intent is to promote rural tourism opportunities by encouraging construction of *"short-term visitor accommodations"*, not, for example, new retirement communities. Planned unit developments (PUDs) are typically master planned projects that due to their unique size, scope or location may deviate from adopted development regulations (such as bulk and dimensional standards) subject to discretionary approval and mitigation. MPRs differ from more traditional planned unit developments in that the short-term visitor accommodations must be *"associated with a range of developed on-site or outdoor recreational facilities"*. This part of the statute intends to recognize the breadth of potential resort development that may be allowed under the Act—ranging from indoor to outdoor recreational activities.

MPRs are typically designed as cabins, lodges, inns or resort hotels sited in relatively secluded rural areas in the mountains or along scenic shorelines with associated recreational activities available that take advantage of the natural amenities of the place. Associated recreational activities can run the gamut from golf courses to ski areas and fishing, hiking, boating, swimming, wildlife watching,

beachcombing, etc. As such, the law recognizes the flexibility needed by MPR developers and by counties to both accommodate these uses to promote meaningful rural tourism development while ensuring protection of the very rural setting and natural environment that provide their draw. Examples of MPRs in our region located in "settings of significant natural amenities" include the Semiahmoo Resort on Semiahmoo Bay (198 rooms) and the Sun Mountain Lodge near Winthrop (99 rooms). Both these resorts are located in really spectacular natural settings in relatively remote rural areas. Their "draw" is directly related to and a function of the significant natural amenities in which they are located. The Legislature clearly did not intend the MPR designation to be used, for example, to build new amusement parks in rural areas. Rather that the setting of significant natural amenities, together with the recreational activities and uses associated with that setting, must be the primary attraction for visitors and guests to the resort.

The range of uses allowed in MPRs is left for counties to determine. RCW 36.70A.360-362 specifically recognizes that MPRs may constitute urban development in rural areas. This is an important distinction not only for determining the allowable range and intensity of uses within an MPR but also for evaluating how MPRs are treated by other related regulatory mechanisms (such as SEPA and the Shoreline Management Act). It also means that MPRs (and their implementing regulations) must face close scrutiny to ensure compliance with both the letter and intent of the enabling statutes. The criteria in RCW 36.70A.360-362 must be met before a county may approve MPR development. Generally, a county may not permit an MPR if the development interferes with adjacent rural or resource lands, adversely impacts critical areas, or promotes related urban intensity development on nearby rural or resource lands.

The Legislature also recognized the flexibility needed by developers to create sustainable resorts (from both a market and operational perspective). In so doing, RCW 36.70A.360(3) stipulates that "*[a] master planned resort may include other residential uses within its boundaries, but only if the residential uses are integrated into and support the on-site recreational nature of the resort.*" This provision has been interpreted to allow seasonal or second home construction—and even occupancy by permanent residents—but not as a major focus or component of the MPR. Resort development can be very capital intensive and developers will often use the proceeds of one phase to finance development of the next. Residential construction—whether for short-term rental or permanent occupancy—is often the most feasible and in-market-demand type of development. As such it is often utilized as a component of larger scale phased development. Most counties who have implemented the MPR provisions establish a minimum percentage or ratio of short-term visitor accommodations that must be maintained in an MPR.

MPRs are envisioned as mixed use developments insofar as the statute defines them as "*self contained and fully integrated*" meaning essentially that the services and uses typically required by *"short-term visitors"* should be available within the MPR itself but also should focus on serving those visitors and not focus (with any significance) on attracting customers from outside the resort. The concept of self-sufficient and inclusive resorts is reinforced by the definition that an MPR be located "*… in a setting of significant natural amenities, with primary focus on destination resort facilities"*. Most jurisdictions achieve this aim by limiting the size and scope of commercial retail development allowed within the MPR in an attempt to "internalize" those uses to primarily serve the resort's short-term visitors. Nevertheless MPRs still allow for significantly more intensive development than that authorized for "small-scale recreational and tourist uses" in rural areas under

the "Limited Area of More Intensive Rural Development" (or LAMIRD) provisions of RCW 36.70A.070(5)(d)(ii).

To ensure protection of surrounding rural and resource lands, the enabling statutes also call for strict limitations on MPR development. Three provisions of the statute address these issues in particular. First is RCW 36.70A.360 (4)(b) which requires that *"[t]he comprehensive plan and development regulations include restrictions that preclude new urban or suburban land uses in the vicinity of the master planned resort, except in areas otherwise designated for urban growth…"*. In other words the statute views MPRs as distinct islands of potential urban growth "*in a setting of significant natural amenities"* that must not contribute to low density sprawl or promotion of urban uses in rural or resource areas outside of the master planned resort. Secondly, RCW 36.70A.360 (4) (c) states that *"[t]he county includes a finding as a part of the approval process that the land is better suited, and has more long-term importance, for the master planned resort than for the commercial harvesting of timber or agricultural production, if located on land that otherwise would be designated as forest land or agricultural land…"*. This is an important provision that requires consideration of the "*long-term*" market viability for an MPR and that evaluation of costs and benefits of the proposed MPR must be weighed against the impacts to forest and agricultural resource lands. Finally, RCW 36.70A.360 (4) (d) requires counties to ensure that *"…the resort plan is consistent with the development regulations established for critical areas"*. This provision ensures that, regardless of the flexibility intended by the Legislature to recognize the unique circumstances of MPRs, consistency with the County's GMA compliant Critical Areas Ordinances must be maintained.

The *"self contained"* concept does not, however, necessarily apply to the provision of capital facilities, utilities and public services to MPRs. RCW 36.70A.360(2) indicates that MPRs may be served by a range of urban services (including sanitary sewer) provided by "*outside service providers*" so long as "*all costs associated with service extensions and capacity increases directly attributable to the master planned resort are fully borne by the resort"*. However, sewer extensions, for example, must generally only serve the resort and not any intervening rural areas, with some limited exceptions.

Background of Skagit County MPR Code Revisions (SCC 14.20)

The implementing regulations for MPRs in Skagit County are found in SCC 14.20. These provisions were originally developed in 2004 with the participation of a local advisory group. The first MPR application subsequently received by the county was from the existing 1000 Trails RV Park and Campground, located adjacent to I-5 and the Skagit River Resort & Casino on Bow Hill. That MPR application proposed construction of up to 800 new accommodation units that would transform the campground into a major resort. That application was ultimately denied by the Board of County Commissioners for a variety of reasons, most notably the massive size of the proposed resort and its potential for adverse impacts to the rural character of the Alger area, the lack of a coherent "master plan" for the resort from which to evaluate potential impacts and a finding that the proposed resort was not located in a setting of significant natural amenities. That experience led the county to conclude that revisions to SCC 14.20 were needed to better define the size, scale, characteristics and requirements for MPRs that best fit Skagit County.

Significant Proposed Revisions

Most of the proposed MPR code changes are focused on defining minimum standards (i.e., expectations) for MPRs, including:

- Increasing the minimum ratio of "short-term" visitor accommodations allowed in MPRs from 55% to 80% of the total number of units allowed in an MPR

- Establishing a maximum size limit of 300 total units in any MPR (There is no maximum unit limit in the current code; there is no min./max. MPR acreage size limit proposed)

- Locational criteria that supports the placement and context of MPRs in settings of significant natural amenities (e.g., not located along the I-5 corridor and that the setting of significant natural amenities together with the recreational activities and uses proposed for the MPR must be the primary attraction for visitors and guests to the resort)

- Enhanced consideration of the compatibility of a proposed MPR with adjacent rural and/or natural resource lands; and

- Identifying clearer requirements for what constitutes a "resort master plan" needed to review and evaluate MPR proposals, including requirements for an economic impact and feasibility analysis of the proposed resort; identification of open space and appropriate buffers between the resort and adjoining lands; transportation impacts and roadway improvement needs; design and development standards; and capital facility needs, costs and funding sources.