



# Bellevue Planning Commission

October 8, 2025

## PLANNING COMMISSION STUDY SESSION ITEM

### **SUBJECT**

Study Session on a Land Use Code Amendment to expand housing opportunities in mixed-use areas as part of the City's "Next Right Work" initiative to boost housing production and affordable housing in the City.

### **STAFF CONTACT(S)**

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### **POLICY ISSUES**

The City adopted an updated comprehensive plan in the fall of 2024. The Comprehensive Plan sets a goal of 35,000 new housing units and 75,000 new jobs by 2044 and emphasizes the creation of new housing opportunities throughout the City, increasing walkability and multimodal transportation options, and creating vibrant neighborhood centers. This Land Use Code Amendment (LUCA) will implement updated policies in the Comprehensive Plan and align development regulations with the land use designations in the Future Land Use Map (FLUM). The LUCA touches on many aspects of the Comprehensive Plan, especially the Housing, Land Use, and Urban Design Elements.

Additionally, the City has adopted a target to create 5,700 affordable housing units between 2026-2036. The LUCA will assist the City in achieving this goal by creating a new affordable housing program in the mixed-use areas covered by this LUCA scope.

### **DIRECTION NEEDED FROM THE PLANNING COMMISSION**

#### **ACTION**

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#### **DIRECTION**

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#### **INFORMATION ONLY**

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The goal of this study session is to provide information to the Planning Commission on the draft LUCA and gather feedback. Staff will provide an overview of the Land Use Code and zoning changes proposed through the Housing Opportunities in Mixed Use Areas (HOMA) project. After the study session, the Planning Commission will be asked to direct staff to schedule the required public hearing.

### **BACKGROUND/ANALYSIS**

#### **Housing Opportunities in Mixed-Use Areas (HOMA) Background**

The HOMA LUCA began in December 2022 as part of the Council's "Next Right Work" initiative to unlock more housing and affordable housing and address the imbalance between strong office demand and limited residential development in our mixed-use areas. In May 2023, the City adopted Phase One of this

project: Downtown Interim Official Control (IOC) to test regulatory flexibility in exchange for affordable housing. This included a larger FAR exemption with higher affordable unit requirements, parking reductions, reduced setbacks, flexible FAR transfers, and other form standard adjustments tied to affordable housing thresholds.

Since then, market conditions and policy priorities have evolved. The office market has cooled, reducing its competitive edge over housing. The City has set new jobs and housing growth targets, including affordable housing goals, and updated its Comprehensive Plan to refine growth strategies and expand mixed-use designations in areas such as Crossroads, Factoria, and Newport Hills. At a December 2024 check-in, Council supported revising HOMA's scope to reflect these changes, emphasizing affordable housing, minimizing business displacement, and ensuring robust community engagement throughout the LUCA process.

### **Planning Commission Feedback and Staff Response**

The Planning Commission held study sessions on February 26 and May 14 to discuss the components of the proposed HOMA LUCA. Planning Commission provided input relating to public safety, placemaking and identity, transitions between mixed-use areas and lower-density residential neighborhoods, mass timber construction, permit expediting, and livability. Planning Commission raised concerns over the proposed setbacks, transition areas, and building heights; noting the desire for "wedding cake" style development to apply to these mixed-use areas. Planning Commission also expressed a desire for staff to provide more accessible information and outreach to the public related to the LUCA.

Planning Commission held a subsequent third study session on September 22 to discuss the concerns raised in the previous meetings. At the meeting, staff presented an updated draft with changes proposed based on Commission input and an engagement report to detail the outreach process. Staff also shared that Development Services is working on updating the nonconforming code provisions in the Land Use Code (LUC) that address uses, sites, and structures that are nonconforming to current code. This work is happening at the request of Council. The Planning Commission provided input on the draft, requesting additional information about:

- Economics of the proposed affordable housing program
- Further reduced parking requirements
- Potential transition area provisions
- Encouraging third places, indoor bike parking, and stacked flats
- Ground-floor transparency requirements
- Downtown affordable housing approach

These items, and information about the proposed updates to the nonconforming code provisions are included below. The Option A strike-draft is included as Attachment A with the proposed nonconforming code updates is included as Attachment B. The [Option B strike-draft](#) has not been updated yet.

### **Economics of the Proposed Option A (Mandatory) Affordable Housing Program**

In August of 2024, staff, working with market-rate and affordable housing developers and stakeholders, completed an economic analysis to analyze the impacts of affordable housing requirements on development feasibility. This analysis was shared at the [September 10 study session](#). The analysis is supported by a tool that models how changes to costs or revenues related to development, including affordable housing requirements, parking, interest rates, and rents, affect the Residual Land Value (RLV).

RLV represents the difference between the cost of development and anticipated value of complete projects, excluding land acquisition. When RLV exceeds the cost to acquire land, development is considered generally feasible. Higher RLV indicates greater probability that land can be acquired while maintaining project feasibility. This is intended as a planning-level feasibility assessment. Individual project and site characteristics, as well as individual developers' required returns, can vary widely.

### Prototype Scenarios

The economic analysis evaluated three different mixed-use prototypes:

- Lowrise: 3 stories, 1 FAR
- Midrise: 7 stories, 4 FAR
- Highrise: 18 stories, 8 FAR

Each prototype was analyzed in low, medium, and high market areas. Low market areas yield the lowest relative rents, while high market areas yield the highest. Attachment B (Economic Analysis of Prototype Scenarios) includes four tables that model RLV and feasibility results for different scenarios. Table 1 shows the RLV for all three prototypes in the medium market areas. Lowrise development was the only prototype with a positive RLV, indicating favorable market conditions for this prototype but challenging conditions for all other prototypes in this current market. Positive conditions for lowrise development can almost entirely be attributed to its utilization of surface parking rather than structured parking. Parking accounts for about 1% of the overall development costs for lowrise development (Table 3) as opposed to 20% of the development cost in the midrise prototype which utilizes structured parking (Table 4). A detailed comparisons of parking costs on RLV is provided in the [Housing Economic Policy Analysis-II Financial Feasibility Analysis](#) pages 31-32.

### Affordable Housing Program Impacts

The Planning Commission requested more information on how HOMA's proposed affordable housing program affects project feasibility. The economic analysis shows that exempting four square feet of market-rate housing for every one square foot of affordable housing increases RLV compared to a project that provides no affordable housing. Projects submitted under the Downtown IOC also demonstrate that this bonus ratio effectively promotes both market-rate and affordable housing production.

However, this bonus relies on developments being able to utilize additional exempt FAR. This may not be feasible for all sites because of constraints such as lot size, critical areas, or restrictive development standards, including setbacks, stepbacks, landscaping, height limits, and design standards, which can limit the ability for developments to utilize the additional FAR. The bonus can also widen the gap between the RLV of a project with no affordable housing and Option A when the baseline RLV is negative. A comparison of RLV with no bonus provided is included below in Table 2. It also shows that, without a bonus, the provision of affordable housing negatively impacts RLV, but to a lesser degree than larger cost or revenue drivers such as parking or rent. A rent sensitivity analysis is provided on pages 28-29 of the economic analysis.

### **Further Reduced Parking Requirements**

Parking is a major factor affecting project feasibility. The midrise prototype is comprised of 250 residential units: 15 percent studio (38 units), 50 percent one-bedroom (125 units), 30 percent two-bedroom (75 units), and 5 percent three-bedroom (12 units). Recent parking changes under the Middle

Housing LUCA reduced the minimum required parking from 338 parking spaces to 250 spaces, a 26 percent decrease. This reduction lowers construction costs and helps offset the additional costs of providing affordable housing under Option A. Parking requirements will be reduced further due to recent state law (ESSB 5184) which, among other provisions, will cap parking at 0.5 spaces per unit (and no parking for units smaller than 1,200 square feet) and two spaces per 1000 square feet of commercial development. The City must update parking requirements to comply with ESSB 5184 by January 2027, which will further improve project viability over time. This state mandate will be implemented under a separate LUCA, scheduled to begin next year. A complete sensitivity analysis is provided on pages 28-34 of the [economic analysis](#).

### **Transition Areas and “Wedding Cake”**

At the September meeting, the Planning Commission raised concerns that the proposed 25-foot setback and 15-foot stepback for buildings over 80 feet adjacent to residential districts were not restrictive enough and could negatively impact neighboring properties. Additionally, the Planning Commission also questioned why the “wedding cake” concept used Downtown is not applied in all mixed-use areas.

### **Proposed Setbacks and Stepbacks**

HOMA proposes a 25-foot ground-level landscaped setback along all property lines abutting residential districts, plus an additional 15-foot upper-level stepback for any building facade over 80 feet tall that are within 50 feet of a residential district.

Staff believes this proposal strikes a balance between increasing housing supply while thoughtfully transitioning these areas to lower-density residential districts. Stakeholders have noted that townhomes and midrise development are currently the most feasible development types in Bellevue. Lowering the proposed height of the stepback below seven stories will significantly impact the feasibility of the midrise building type, especially on small or constrained lots.

Seven stories has been chosen as the stepback height for midrise buildings as it is currently the limit of wood-framed construction under the building code. As wood framing often relies on vertical wall elements being aligned, the addition of a stepback would likely push the entire building back the distance of the stepback. On smaller parcels or lots that abut residential districts on multiple sides this represents a significant reduction of unit yield. This reduction is especially impactful for 100% affordable projects that rely on higher unit yields to secure funding. Impacting midrise development could also shift development toward townhomes, which are more expensive and less diverse than midrise rental housing. Promoting midrise development is also consistent with the goals of HOMA and the Comprehensive Plan to encourage additional housing and housing diversity throughout the city.

Staff also believe the required 25-foot landscaped setback and tree retention requirements create sufficient physical and visual separation between taller structures and adjacent residential districts which have a maximum building height of 35 feet. The proposed setback for mixed-use areas combined with the setback required in residential districts means that mixed-use buildings would be located a minimum of 30 to 45 feet from any residential building on the adjacent lot. Additionally, any building facades over 80 feet tall would be set back at least 45 feet from adjacent residential buildings.

These transition areas are currently well-treed, with many trees that are taller than the allowed residential building heights. By including the setback and through the tree code, which emphasizes

retaining large trees, these trees are incentivized to be maintained to create a green buffer between the mixed-use areas and adjacent residential.

#### Why the “Wedding Cake” Doesn’t Fit Citywide

Staff does not believe the “wedding cake” development style utilized Downtown is appropriate to be required citywide through HOMA as many of the parcels included in the LUCA are small individual parcels which differ greatly from conditions in Downtown. Downtown is an approximately one square mile area which allows for a slower height build-up than other, less expansive areas in the city. This approach is taken in many areas which allow for additional space or have higher building heights such as Crossroads (Attachment C) and Factoria (Attachment D). To require a wedding cake design on a parcel-by-parcel basis would greatly limit feasibility of redevelopment and the effectiveness of HOMA in encouraging housing.

#### **Encouraging third places, indoor bike parking, and stacked flats**

Currently, HOMA proposes a FAR exemption for specific uses identified through the Comprehensive Plan and through the HOMA outreach process. These uses include affordable housing, childcare, grocery stores, non-profit business, affordable commercial space, and open space. The Planning Commission asked staff to explore encouraging three additional uses: third places, indoor bike parking, and stacked flats. Staff does not recommend expanding this list of exemptions. Adding more categories would dilute the program’s ability to effectively deliver on these key priorities identified through community.

#### Third Places

A third place is a location that is neither work nor home and in which people are freely able to come and go, such as libraries, cafes, bars, and parks. HOMA recognizes the importance of third places to the community, especially in neighborhood centers, and encourages them in several ways. Developments in several districts designed to be neighborhood centers require at least 50% of the street frontage to be “pedestrian-oriented uses” to encourage the provision of third places and other uses that people are able to freely walk into. These uses are required to be within 10 feet of the back of the sidewalk to ensure that they are accessible and visible to the passersby. HOMA also encourages developments to provide square footage for small and local businesses by providing a FAR exemption for affordable commercial space and encourages community space by providing a FAR exemption for non-profits.

Staff does not recommend adding a separate FAR exemption specifically for third places. The term is broad and difficult to define in a regulatory context, making it challenging to apply consistently during project review. In addition, existing requirements and exemptions already provide strong incentives to create these spaces without the need for a separate FAR category.

#### Indoor Bike Parking

HOMA proposes to add a requirement for indoor bicycle parking (Section 20.20.590 of Attachment A). The proposal requires bicycle spaces for residential, commercial, and hotel uses and calls for both long-term indoor bicycle parking and short-term outdoor parking. Outdoor parking would already not count towards floor area as it is on the exterior of the building and any indoor bicycle parking located in a parking structure would also be exempt from the FAR calculation as parking structures are exempt under the current Land Use Code. Staff believes these requirements and existing FAR exemptions are sufficient and therefore do not recommend a separate FAR category for bike parking.

### Stacked Flats

The development standards proposed through HOMA strongly support the construction of stacked flats in the same way they support other housing types. Stacked flats are typically lower in building height than other multi-unit buildings such as apartments and can help diversity housing options within neighborhoods. However, staff does not recommend adding further FAR exemptions or other incentives for stacked flats. Additional incentives would dilute the program's focus. Staff research indicates that the state building code, rather than the proposed LUCA, is the primary factor limiting stacked flat production. The city cannot be less restrictive than the state-adopted Building Code, and as such the state would need to modify the Building Code to remove these limitations rather than the city acting through the Land Use Code.

### **Ground floor transparency requirements**

The Planning Commission raised concerns over the amount of ground floor transparency required by HOMA in specific districts. Currently, the HOMA draft requires 50 percent of the first story of any building fronting a public right-of-way to provide transparency to pedestrians. This standard is included to ensure that no large, blank walls face the sidewalk which are generally considered detrimental to the pedestrian experience. To ensure a vibrant and pleasant pedestrian realm, consistent with the Comprehensive Plan, staff believes that the transparency is appropriate while not being overly burdensome. Through the outreach process, staff has had many conversations with developers and their representatives and have not heard concerns over this requirement.

### **Downtown Affordable Housing Incentive**

Significant public comment was received relating to the proposed changes to the proposed Downtown affordable housing incentive and amenity incentive changes. Planning Commission and stakeholders raised concerns with the addition of a requirement that the first 25 percent of amenity incentive points be allocated to affordable housing and changes to the affordable housing incentive that were included in the IOC and not in HOMA.

While staff and stakeholders generally agree the current proposal is calibrated correctly, both in relation to the four-to-one points ratio and \$13 fee-in-lieu, staff is proposing some changes to the Downtown-specific code to alleviate some concerns raised by stakeholders with the approach.

### Outdoor Plaza Requirement

Under the current code, to achieve building heights above the base height a development must provide at least 10% of the lot area as outdoor plaza. This outdoor plaza can be counted toward amenity incentive points and often can exceed the required amenity incentive points to reach the maximum FAR and building height. This renders the bonus for affordable housing as less of a bonus and more of a requirement. To mitigate this situation stakeholders have requested that the Wilburton open space requirement be adopted into Downtown to replace the 10% requirement with a 7% requirement. Staff agrees with this amendment and plans to include it in the next strike-draft.

### FAR Exemption

Planning Commission also recommended that developments be able to use the same square foot of affordable housing to count towards both the amenity incentive and FAR exemption. This change would give developments four amenity incentive points and four square feet of FAR-exempt market-rate

housing for every square foot of affordable housing provided—a significant increase to the previous bonus provided. Staff support this change and will include it in the next strike-draft.

Stakeholders have also requested that affordable housing be added to the amenity incentive system without the requirement that the first 25% of points be utilized for housing. Staff does not believe this change serves the goals of HOMA and believes the provided bonuses are more than sufficient to balance this requirement.

#### Perimeter Overlay District Flexibility

Stakeholders have requested that the threshold for additional development flexibility in the Perimeter Overlay Districts be set as it was through the IOC. The IOC required 0.5 FAR of exempt square footage to use the development flexibility. This essentially meant that developments could utilize the flexibility by providing 0.1 FAR of affordable housing and 0.4 FAR of exempt market-rate housing. HOMA originally proposed 0.5 FAR of affordable housing to use the development flexibility. Based on conversations with stakeholders and allowed FAR in the Perimeter Overlay Districts, staff proposes changing the requirement back to the one established in the IOC.

#### Additional Downtown Code Changes

Stakeholders have asked for additional form and technical changes to the Downtown code through HOMA, including floorplate and building height increases, commercial parking reductions, establishing a new development incentive program option, among others. Staff believe the appropriate time to discuss this list of proposed changes is through the Downtown Livability 2.0 LUCA, which will launch next year with City Council. This gives the stakeholders, staff, and other community members time to analyze and comment on the changes in a more robust and focused manner.

#### **Nonconforming Uses, Sites, and Structures**

In response to Council direction on June 17 as part of the Wilburton Vision Implementation LUCA adoption, staff is bringing forward proposed amendments to the City's nonconforming code provisions (Attachment B). Council's direction was to: consolidate the City's nonconforming code sections to the extent practicable, and ensure that future phases of a Master Development Plan (MDP) are not inadvertently or prematurely treated as nonconforming. Council also emphasized the need to avoid requiring unnecessary reinvestment in properties during interim phases, until such time as those phases are ready for redevelopment.

The Planning Commission may recall that, during the Wilburton LUCA process, staff undertook a comprehensive rewrite of the nonconforming code and established a new section LUC 20.20.561 to address Wilburton's specific needs while creating a template for future areas, including the forthcoming HOMA effort. More background on the approach to establishing LUC 20.20.561 can be found in the [Planning Commission agenda from December 11, 2024](#).

Building on this new code chapter, staff is proposing to continue updating LUC 20.20.561 as the City's primary framework for nonconforming provisions, with targeted updates to better address phased development and consolidate other nonconforming code provisions. This update is intended to simplify and standardize the treatment of nonconforming uses/sites/structures by merging seven existing nonconforming code sections into one cohesive chapter, improving clarity, reducing redundancy, and minimizing confusion for both applicants and staff.

### Public Engagement

Staff is implementing multiple modes of outreach to ensure the public, stakeholders, and interested parties have the opportunity to be informed and to provide comments. A detailed engagement report was provided at the [September 10 study session](#).

### Anticipated LUCA Schedule

The anticipated schedule for this LUCA is as follows:

Date	Topic Areas
Dec. 12, 2022	<b><u>City Council Initiation</u></b> <ul style="list-style-type: none"><li>• Introduction and direction to proceed with LUCA</li></ul>
Dec. 10, 2024	<b><u>City Council Scope Update:</u></b> <ul style="list-style-type: none"><li>• Affirmation from City Council on updated scope</li></ul>
Feb. 26	<b><u>Planning Commission Study Session:</u></b> <ul style="list-style-type: none"><li>• Introduction, key policy moves, and feedback</li></ul>
May. 14	<b><u>Planning Commission Study Session:</u></b> <ul style="list-style-type: none"><li>• LUCA review and feedback</li></ul>
Sept. 10	<b><u>Planning Commission Study Session:</u></b> <ul style="list-style-type: none"><li>• LUCA review and feedback</li></ul>
Oct. 8	<b><u>Planning Commission Study Session:</u></b> <ul style="list-style-type: none"><li>• LUCA review and feedback</li></ul>
To Be Scheduled	<b><u>Planning Commission Public Hearing:</u></b> <ul style="list-style-type: none"><li>• Hold public hearing</li><li>• Provide Planning Commission recommendation to City Council on the LUCA</li></ul>
To Be Scheduled	<b><u>City Council Study Session</u></b> <ul style="list-style-type: none"><li>• Present Planning Commission recommendation to City Council</li></ul>
To Be Scheduled	<b><u>City Council Action</u></b> <ul style="list-style-type: none"><li>• Present ordinance to City Council for adoption</li></ul>

### ATTACHMENTS

- A. Option A LUCA Strikedraft
- B. Non-Conforming Language Draft
- C. Economic Analysis of Prototype Scenarios
- D. Crossroads Proposed Building Heights
- E. Eastgate and Factoria Proposed Building Heights