



# Bellevue Planning Commission

February 26, 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 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 act to implement the updated policies in the Comprehensive Plan and the Future Land Use Map (FLUM). The LUCA touches on many aspects of the Comprehensive Plan and will be consistent with the 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 work to 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 introduce the LUCA to the Planning Commission and gather feedback. Staff will outline the LUCA objectives, scope, and key components of the Housing Opportunities in Mixed Use Areas (HOMA) project.

### **BACKGROUND/ANALYSIS**

#### **Next Right Work Background**

In 2022, Council prioritized five "Next Right Work" actions that were intended to build on the City's 2017 Affordable Housing Strategy and further increase housing production and affordable housing opportunities in the City. The five actions are:

1. Remove barriers to micro-apartments (Adopted: June 2023)
2. Reduce permit review and inspection fees for affordable housing projects (Adopted: July 2023)
3. Incentivize residential over commercial development by allowing higher Floor Area Ratio (FAR) or density for residential uses

- Phase One: Downtown Interim Official Control (Adopted: May 8, 2023, extended twice and expired in September 2024)
  - Phase Two: Permanent regulations for Downtown and other mixed-use areas (currently underway)
4. Encourage middle housing types, such as duplex, triplex, quadplexes, and Detached Accessory Dwelling Units (DADU), Accessory Dwelling Units (ADU), including mechanism for separate ownership
    - Phase One: Attached ADU Reform LUCA (Adopted: July 2023)
    - Phase Two: DADU and middle housing LUCA (currently underway)
    - Phase Three: Pre-approved DADU design program (not yet launched)
  5. Simplify the permitting process and expedite permitting for affordable housing
    - Unit Lot Subdivision Transportation code amendments (Adopted: August 2023)
    - Expanded SEPA exemptions for residential (Adopted: September 2023)
    - Further expand SEPA exemptions for residential (currently underway)
    - Expedited permitting for affordable housing (Implemented: Quarter 3 2024)

This agenda will focus on Phase two of the third action on this list, HOMA, which aims to expand housing opportunities in mixed-use areas by allowing a higher FAR or density for residential uses.

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

Progress on HOMA initially advanced in December 2022 under the Phase One Downtown Interim Official Control (IOC), which was first adopted in May 2023. At that time, the office market was more competitive, often outcompeting residential development in areas like Downtown. However, significant changes have occurred since HOMA's inception:

- **Cooling Office Market:** The office market has softened considerably, reducing its dominance over residential development.
- **New Growth Targets:** The City adopted updated jobs and housing targets, and has identified an affordable housing target.
- **Comprehensive Plan Update:** In October, the City Council approved major updates to the Comprehensive Plan, refining the growth strategy and introducing new land use designations for geographic areas aligned with HOMA's focus, including Crossroads, Factoria, Newport, and other mixed-use areas throughout the City.

Based on these changes, staff returned to Council in December 2024 to provide an update on proposed changes to the scope. Council was supportive of the proposed scope updates, and noted the importance of affordable housing, preventing business displacement, and ensuring the voices of the community are heard through the HOMA process.

### **Components of the Proposed LUCA**

The LUCA focuses on promoting housing and affordable housing production in targeted mixed-use areas by minimizing or removing identified impediments to housing in the Land Use Code. Significant outreach with the development community, especially representatives of the areas affected by the LUCA, was performed by staff to identify impediments to housing production. Commonly identified impediments were form requirements, especially height and allowed densities; site requirements, especially

transition areas, lot coverage, setback, and multifamily play area requirements; parking requirements; and ground floor use requirements.

The proposed updates to the Land Use Code aim to increase consistency between the Land Use Code and the Comprehensive Plan, which emphasizes creating diverse housing opportunities citywide, expanding affordable housing, fostering vibrant, well-served neighborhoods, and enabling residents to live closer to work and shopping. Site-specific rezones are proposed to ensure consistency between the City's zoning map and Future Land Use Map (FLUM), a map of the proposed rezones has been provided as Attachment A.

#### *Geographic Scope*

The LUCA applies to all mixed-use districts which allow for both commercial and multifamily housing development outside of Wilburton, BelRed, and East Main. A map of the areas included in the LUCA has been provided as Attachment B. The districts included in HOMA are Office (O), Neighborhood Business (NB), Community Business (CB), Office and Limited Business (OLB), Office and Limited Business 2 (OLB 2), Neighborhood Mixed-Use (NMU) Factoria 1 (F1), 2 (F2), and 3 (F3), Eastgate Transit Oriented Development Land Use District (EG-TOD), and all Downtown Districts.

#### *Density/ Floor Area Ratio*

Several of the existing mixed-use districts limit residential density with relatively low dwelling units per acre (DU/A) allowances while commercial development controlled by FAR, placing residential at a disadvantage relative to commercial development. To encourage housing development in these areas the du/a restrictions will be replaced by FAR and increased to encourage residential over commercial in most locations other than downtown. This approach is consistent with the comprehensive plan and input from the development community regarding appropriate FARs to encourage housing in mixed-use areas.

#### *Affordable Housing*

The LUCA proposes a new affordable housing program which will apply to all of the mixed-use areas included in the HOMA project, other than Downtown which has an existing amenity incentive system. Two options for affordable housing, a mandatory and voluntary program, will be provided to the Planning Commission for review with the LUCA.

The mandatory affordable housing program would require for 10 percent of the units in any rental project greater than 10 units to be provided at a level affordable to those earning no more than 80 percent area median income (AMI), with lower set-aside requirements offered when deeper affordability is provided. For ownership projects, 10 percent of units would be required to be affordable to those earning no more than 100 percent AMI or 7 percent affordable to those earning no more than 80 percent AMI. Additionally, an affordable housing fee would be required for commercial square footage that is not exempt from FAR. A fee-in-lieu option would be provided with this program, and the City is completing a nexus and proportionality study and additional stakeholder outreach to determine an appropriate commercial fee and fee-in-lieu for the areas included in the LUCA.

The proposed voluntary option will be a bonus for the provision of affordable housing in the form of additional FAR and building height. This would entail lower FAR and building heights being allowed by

right than the mandatory option, pushing development to provide affordable housing in exchange for larger buildings.

Either affordable housing approach will offer an FAR exemption or bonus for affordable housing to better support a project's ability to deliver on-site affordable housing.

### *Parking*

Parking has been identified as an important issue both for the development community and residents of the areas included in HOMA. On the development side of the equation, high parking requirements bring high construction costs and can require large amounts of land to accommodate. These costs act to increase the price of both the housing and commercial space on site and can act to prevent the redevelopment of sites. Through outreach to the community, staff has received input that our parking requirements are both too high and too low, with the majority of the input expressing concerns over reductions to parking requirements. With these concerns in mind, the LUCA proposes maintaining the existing commercial parking requirements and reducing residential parking requirements to one required parking space per unit.

### *Ground Floor Uses*

Many of our mixed-use districts currently require the entire ground floor be dedicated to commercial uses. This requirement has been identified as an impediment to the redevelopment of these districts with additional housing as the reported demand for commercial uses is not sufficiently high.

Many of the areas included in HOMA serve an important function as a local commercial center that provide services and day-to-day needs to neighborhood residents. Input gathered demonstrated a clear desire to maintain commercial use requirements through the LUCA. This LUCA proposes requiring a percentage of the street frontage to be pedestrian-oriented commercial uses. The definition of this category of uses is still under development, but will aim to support residential development and flexibility, while creating a vibrant and interesting streetscape.

### *Building Height*

The Comprehensive Plan designates a set of building scales which will be used, in concert with input, to determine the appropriate building heights in the districts included in HOMA. The building scales recommended through the Comprehensive Plan are as follows:

#### *Lowrise 1 Mixed Use*

- Applies to the O, NB, and OLB districts, and some CB districts as shown on the FLUM.
- Includes many of the lower-density shopping centers such as Newport Hills and Northtowne.
- Proposed building heights range from three to six stories.
- HOMA will likely include height bonuses to get lower density districts to five stories when affordable housing is provided.

#### *Lowrise 2 Mixed Use*

- Applies to Kelsey Creek Shopping Center and Lake Hills Shopping Center.
- Requires a new Land Use District as shown in Attachment A.
- Building height is proposed to be seven stories.

#### Midrise Mixed Use

- Applies to the NMU, F2, and F3 districts and some CB districts within this Land Use Designation will be rezoned as shown in Attachment A.
- Building height is proposed to be ten stories.

#### Highrise Mixed Use

- Applies to EG-TOD, the Factoria Mall area, and a portion of the Crossroads Mall.
- Creates a new district for the central portion of the Crossroads Mall as shown in Attachment A.
- Building height is proposed to be up to sixteen stories.

#### Downtown

- Building heights will generally remain the same, other than within the perimeter areas.
- Explore changes to perimeter overlay to allow seven stories for residential uses in all districts.
- Input from both Council and the Community to ensure continuation of the “wedding cake” style building heights Downtown.

#### *Site Requirements*

Through outreach, several impediments to housing production were identified related to requirements the City places on the design or use of the building site. Many of the existing site requirements in areas affected by HOMA are intended for single-use properties, especially office parks and strip malls, which are not consistent with many of the newly adopted Comprehensive Plan policies.

This LUCA will evaluate the following changes to site requirements within districts included in the HOMA project:

- Building setback reductions to enable more housing
- Requirements for pedestrian-oriented ground floor uses
- Removal of lot coverage by structure limit and increases to impervious surface and hard surface coverage limits
- Residential FAR increases
- Removal of multifamily play area requirements
  - *Note: the City has ample parks, trails, and open spaces within walking distance of the majority of mixed-use areas to make this requirement unnecessary and detrimental to achieving the City’s goals related to housing. A map of areas within 1/3 of a mile of a public open space has been provided as Attachment C.*

#### *FAR Exemptions*

HOMA will propose FAR exemptions for certain uses to incentivize projects to include these uses. FAR Exemptions for the following uses has been identified:

- Grocery stores
- Childcare use
- Non-profit organizations
- Affordable commercial space
- Affordable Housing
- Open Space

Many of the existing shopping centers included in the scope of HOMA include grocery stores as a primary tenant. The Comprehensive Plan acknowledges the importance of these uses in preventing “food deserts” or areas without access to fresh food throughout the City. Access to fresh food is important both for the health and quality of life of residents throughout the City and encouraging grocery stores to remain as some of these shopping centers redevelop is important for ensuring a healthier, more walkable city.

Council has expressed interest in ways to encourage the retention of existing businesses as these sites redevelop. Staff has explored methods of promoting this goal through HOMA. Due to the time the redevelopment of a site can take, often several years, it is difficult to promote the retention of existing businesses without offering a financial package to support the business’s relocation back to the site after completion of construction. Financial incentives are addressed through City programs. These programs will be explored through the City’s Economic Development Plan update process, which is underway.

Through HOMA, a FAR exemption will be proposed for affordable commercial space with the goal of encouraging redevelopment to provide spaces that are affordable to local, small, or returning businesses when construction is completed.

Bonus FAR will be proposed for affordable housing. Through the IOC, developments were allowed to exempt four square feet of market rate development for every square foot of affordable housing square footage provided, which was effective in promoting the provision of affordable housing. A similar bonus will be proposed through HOMA.

Currently, the Land Use Code provides bonus FAR for open space exceeding 30 percent of the lot area in some multi-family residential districts. A similar bonus will be proposed with HOMA to encourage the provision of open space in mixed-use projects.

#### *Transition Area Design District*

The Land Use Code includes a Transition Overlay, which limits building height and placement, and requires specific site features for projects in mixed-use districts located within 150 feet of multifamily districts and 300 feet of single-family districts. The requirements reduce building heights, often to 30 feet, which can prevent redevelopment, particularly on shallower sites where large transition areas are required.

The Transition Overlay was originally designed to mediate between distinct multifamily, single-family, and commercial land use districts. However, this premise has evolved with the introduction of middle housing, which allows multifamily development in all residential districts, and with HOMA’s focus on increasing residential uses in mixed-use areas—traditionally developed as commercial due to existing Land Use Code requirements outlined in this memo.

Given these shifts, the relevance of the Transition Area Design District is being reconsidered, as current land use patterns no longer align with its original intent. To maintain a thoughtful transition between purely residential and mixed-use districts, HOMA incorporates a landscaped setback similar to existing requirements. However, building height restrictions within Transition Areas have been identified as a

key barrier to housing production. To address this, HOMA removes these height limitations, allowing the district's underlying height regulations to govern instead.

#### *Downtown*

Minor changes are proposed for the Downtown districts, primarily to the Perimeter Overlay areas related to residential building heights and FAR. Certain provisions of the IOC, including the bonus ratio for affordable housing and the ability to transfer unutilized FAR from the Perimeter Overlay have proven effective in promoting additional affordable housing Downtown and are proposed to be included in the LUCA.

#### **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.

1. Process IV Requirements. Process consistent with Chapter 20.35 LUC procedural requirements to provide opportunities for public comment, including:
  - Notice of Application
  - Public hearing on the proposed LUCA
  - Site specific noticing for rezones
2. Direct Engagement and Feedback. Information gathering about the barriers to redeveloping existing buildings and outreach to inform the public of the LUCA.
  - Discussions with development teams, including representatives from several teams interested in redevelopment throughout Bellevue
  - Two virtual information sessions and three in-person information sessions
  - Multiple meetings with development, affordable housing, and neighborhood groups
3. Online Presence. City webpage and StoryMap to provide opportunities for the public to stay informed and to request additional information, including:
  - Staff contact
  - Information on the LUCA and LUCA schedule
  - StoryMap webpage and questionnaire

#### **Anticipated LUCA Schedule**

The anticipated schedule for this LUCA is as follows:

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

	<ul style="list-style-type: none"> <li>• Provide Planning Commission recommendation to City Council on the LUCA</li> </ul>
<b>To Be Scheduled</b>	<b><u>City Council Study Session</u></b> <ul style="list-style-type: none"> <li>• Present Planning Commission recommendation to City Council</li> </ul>
<b>To Be Scheduled</b>	<b><u>City Council Action</u></b> <ul style="list-style-type: none"> <li>• Present ordinance to City Council for adoption</li> </ul>

**ATTACHMENT(S)**

- A. Map: HOMA Rezones
- B. Map: HOMA Scope
- C. Map: HOMA Access to Open Space