

**CITY COUNCIL AGENDA TOPIC****Affordable Housing Strategy Implementation Update**

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**EXECUTIVE SUMMARY****DIRECTION**

This study session includes two parts. The first part is a progress report on the 2017 Affordable Housing Strategy (AHS) including the effectiveness of programs and highlights of the current work plan. This progress report occurs twice per year. The second part is a discussion and Council direction on the process and approach to update Bellevue's affordable housing target.

**RECOMMENDATION**

Direct staff to proceed with developing an updated affordable housing target for the City based on staff's recommended process and approach.

**BACKGROUND/ANALYSIS****Affordable Housing Strategy Implementation**

The City's current Affordable Housing Strategy was adopted in June 2017. Nearing the end of the seventh year of implementation, significant progress has been made towards the strategy's target of preserving or developing 2,500 affordable units over 10 years (2017-2027).

The table in Attachment A itemizes the affordable housing units that have been added or are in the development pipeline since 2017. Implementation progress includes:

- A total of 2,750 affordable housing units built, funded, or approved for an incentive.
- Of these, 1,899 units and 190 shelter beds have been built since the strategy was developed.
- Another 661 affordable housing units have been funded or approved for an incentive and are considered in the pipeline. Pipeline affordable housing includes:
  1. Affordable units on public land;
  2. Preservation of existing housing and creation of new affordable units through the City's Housing Stability Program;
  3. Affordable units produced using the City's land use and tax incentive programs.

- Affordable units/beds achieved to date plus the current pipeline indicates the 10-year goal of 2,500 units will be achieved.

An introduction to establishing a new affordable housing target was provided at the October 2023 Affordable Housing Strategy implementation update to Council. Since that presentation, staff further developed information on a target based on the 2022 Bellevue Housing Needs Assessment (HNA) gap analysis discussed later in this memo.

## Implementation of Actions

Work completed since the last Council update in October 2023 and other noteworthy actions include the following:

- Occupancy of the final stage of Eastgate Campus – Polaris at Eastgate’s first phase of 138 units began move-ins at the end of March with the final phase of 222 units expected to receive a certificate of occupancy in May with move-ins beginning June 1. This development brings a total of 360 housing units affordable at 60 percent Area Median Income (AMI). This is the final stage of the Eastgate Campus that includes the 100-bed Porchlight Men’s Shelter and 92 apartments at Plymouth Crossing in the permanent supportive housing category – both projects housing people with incomes below 30 percent AMI.
- Affordable housing on suitable public lands – The City continues to pursue partnerships to develop affordable housing on suitable public lands in proximity to transit hubs. Pipeline projects include:
  1. 120th Spring District TOD site – Sound Transit maintenance base site being developed by BRIDGE Housing; all funding for this affordable housing development has been secured with construction set to start in the fall.
  2. 130th Avenue Station/Kelly parcels – City-owned parcels; ongoing efforts to refine the development program, schedule, and partnership strategy.
  3. Former Porsche site – A half-acre City-owned parcel in Wilburton; the City is preparing due diligence materials; anticipate releasing a request for proposals to identify a development partner by the end of 2024.
- Housing Stability Program (HSP) – In February, the Council approved \$14,221,579 in capital and \$838,004 in operation, maintenance, and service funds for three projects.

Applicant	Project	Units	Total HSP
BRIDGE Housing	ST Maintenance Base	234	\$985,851
Catholic Housing of Western Washington	Maurice Elbert House	50	\$234,691
Low Income Housing Institute	Aventine Apartments	66	\$13,839,041
	<b>Total</b>	<b>350</b>	<b>\$15,059,583</b>

- ARCH Housing Trust Fund – In February, the Council approved \$1,379,200 for Bellevue’s ARCH Housing Trust Fund contributions to support five projects recommended by the ARCH

Executive Board; projects will provide 690 units of affordable housing on the Eastside, of which 302 are in Bellevue.

- C-1 LUCA – The City continues to engage with faith-based organizations interested in utilizing the C-1 Land Use Code Amendment (LUCA) to develop affordable housing on their properties. Six potential projects are in different stages of entitlements - two sites are eligible for the C-1 Phase 1 density bonus and four are eligible for rezones through the C-1 Phase 2 LUCA. Staff are working on a possible funding option for projects that are utilizing the C-1 Land Use Code provisions to support faith-based organizations during the feasibility process.
- Very Small Dwelling Units in the Multi-Family Tax Exemption (MFTE) code – In November 2023, the Council unanimously passed an ordinance to adjust the MFTE code to align it with the Land Use Code definition of very small dwelling units from 300 square feet to 320 square feet and increased the eligibility threshold for very small dwelling units from 45 to 50 percent AMI.
- Next Right Work – Council has prioritized five “Next Right Work” actions to further increase housing production and affordable housing opportunities that staff continue to advance. The items below highlight progress since the last update.

**Allow higher floor area ratio (FAR) for residential uses to incentivize residential developments over commercial uses.** On December 12, 2022, Council initiated this item in two phases. Phase 1 involved the adoption of an Interim Official Control (IOC) focused on Downtown Land Use Districts. The IOC allows for a higher FAR for projects that include affordable units. The IOC also grants greater development flexibility to projects meeting affordable housing thresholds. Since its adoption on May 8, 2023, four projects have utilized the IOC. The IOC is set to expire in May 2024, unless extended.

Phase 2 work is underway and will include a permanent land use code amendment (LUCA) for Downtown and targeted mixed-use land use districts throughout Bellevue. This phase will utilize the recently completed Environmental Impact Statement for the Comprehensive Plan Periodic Update, as well as respond to Land Use Map designation and policy changes to be adopted through the Periodic Update. This LUCA will evaluate the effectiveness of three affordable housing programs alongside these upzones:

- Incentive zoning (voluntary);
- Mandatory zoning applicable to medium to high density residential projects in mixed use areas and with a provision for fee-in-lieu, and a commercial fee-in-lieu program; and
- An alternative mandatory zoning option in order to test deeper levels of affordability, applicable to medium to high density residential projects in mixed use areas with a fee-in-lieu option.

The LUCA and rezones are anticipated for Council consideration in the second quarter of 2025 after the adoption of the Comprehensive Plan Periodic Update this fall.

**Encourage Detached Accessory Dwelling Units (DADUs), Accessory Dwelling Units (ADUs), and duplex, triplex, quadplexes, including a mechanism for separate ownership.** On July 17, Council adopted Phase 1 of this action, which included a LUCA

removing barriers to attached ADU development and allowing for separate ownership. The remainder of this action will be considered with the Comprehensive Plan Periodic Update and implemented by subsequent LUCA(s) and rezone(s). The LUCA and rezones are scheduled for completion by the state deadline of June 30, 2025.

**Simplify the permitting process and expedite permitting for affordable housing.**

Council initiated two categories for this item: internal process improvements and code amendments. Code amendment work on transportation development and environment procedures code was completed in 2023.

The Development Services Department is actively working on internal process changes to support affordable housing providers through the permitting process and shorten the permitting time for affordable housing projects. These improvements may also serve as pilots for future deployment on other projects.

- *Comprehensive Plan Periodic Update & Wilburton Vision Implementation* – Draft policies are currently advancing through the Planning Commission, including work to implement the Wilburton Vision. This includes consideration of policies and Future Land Use Map amendments to increase the overall land capacity for housing across Bellevue with a focus in areas well-served by transit, include middle housing opportunities, increase ownership opportunities, and increase housing options for all segments of our population. Increases in the development capacity present a limited window of opportunity to leverage development of affordable housing.

As part of the Comprehensive Plan Update and Wilburton processes, the City is working with a consultant on technical analysis to support Council and Planning Commission discussion of potential approaches to leverage affordable housing when areas are upzoned. This includes a review of where mandatory programs and incentive-based programs, or some combination thereof, could be used to create affordable housing. The policy discussion and the City's desired approach will be important for the Wilburton LUCA and upzone and Comprehensive Plan Update implementation.

## **Establishing New Affordable Housing Target**

An introduction to establishing a new affordable housing target was given to Council in October 2023. Staff provided an overview of methodological approaches to establishing a new target. Also introduced were target metrics to gauge the progress towards meeting certain housing needs. Since that presentation, staff further developed a proposed approach for establishing a new affordable housing target based on the 2022 Bellevue Housing Needs Assessment gap analysis.

### *Background on Target Setting*

For purposes of the Affordable Housing strategy target, affordable housing is defined as income-restricted units or beds for households that earn up to 80 percent AMI, adjusted for household size.

The existing 10-year target of 2,500 units was established in 2017 to assist the City in gauging the effectiveness of implementing the 2017 Affordable Housing Strategy. The 2,500 units was more than the annual production rate at that time but considered a reasonable target based on the actions and

programs identified in the Affordable Housing Strategy. In seven years (2017-2023), 2,750 units have been funded, approved for an incentive, preserved, or constructed. With this in mind, Council has expressed an interest in establishing a new affordable housing target.

A new affordable housing target would assist the City as it continues to plan for affordable housing by:

- Identifying a new preservation/production goal the City would seek to achieve over time;
- Gauging the effectiveness of current affordable housing programs;
- Helping to identify resources to meet the target; and
- Assisting the City in implementation efforts related to the Comprehensive Plan Periodic Update and updates to the Affordable Housing Strategy.

Under House Bill (HB) 1220, housing needs are determined by income category and housing type for the entire county and then allocated to cities by the county based on guidelines established by the state Department of Commerce. Countywide policies recognize that cities are not responsible for producing housing, but cities are obligated to “plan for and accommodate” the allocation to the cities of the countywide need through the Comprehensive Plan Periodic Update and subsequent land use code amendments. It is important to note that the housing needs across all income levels allocated to the City are not considered “targets” like the population and growth targets. Allocations are for the 20-year planning horizon of the Comprehensive Plan and include income levels above 80 percent AMI.

**Staff is recommending that Bellevue’s new affordable housing target, or goal, be based on Bellevue’s 2022 Housing Needs Assessment (HNA), cover a 10-year period, and continue to focus on the need for housing at 80 percent AMI and below.** This approach allows Bellevue to set goals based on actions that are within the City’s authority, consistent with City affordable housing policies that will plan for and accommodate the housing need identified by the County. This approach will also provide a framework that will be implemented within the 10-year period to facilitate the production of affordable housing units at 80 percent AMI and below during that time. There is also a state requirement for a five-year “check-in” that allows the City to make adjustments at that time or as additional tools become available. Bellevue will also be meeting its obligation to plan for and accommodate the County need allocation through Comprehensive Plan land use and capacity policy decisions and to accommodate the housing types through the zoning and land use code. The affordable housing target will complement and support the City’s broader planning efforts and policy decisions to accommodate the affordable housing need allocated to Bellevue.

Recommended components of the target would include production of income-restricted units affordable to households making less than 80 percent AMI, with sub-targets for extremely low (0-30 percent AMI), very-low (30-50 percent AMI), and low-income (50-80 percent AMI) households. Additional metrics include:

- New construction and preservation;
- Tenure (rental and ownership);
- Emergency housing;
- Family-size units; and
- Geographic distribution.

### 2022 Housing Needs Assessment (HNA)

The 2022 Bellevue HNA is based on the City's overall growth target of 35,000 housing units between 2019-2044. The methodology identified existing and future housing needs based on the socioeconomic characteristics of Bellevue residents, workers, and others who may wish to live in Bellevue. These are represented by estimates of needed housing production affordable to income levels across several populations: those who live in Bellevue today, those who work in Bellevue today, and those who live across King County and may want to live in Bellevue.

The 2022 methodology first estimated the existing affordability gaps for current Bellevue residents. This was estimated by comparing the distribution of existing household incomes to the distribution of affordability of existing housing units. A deficit of housing units affordable to households under 50 percent AMI was identified and is illustrated in the Current Need column in Table 1.

The methodology distributes the remaining needs based on existing income distributions of Bellevue workers and King County residents. Half of the remaining need is distributed based on the income distribution of current Bellevue workers shown in the Bellevue Workers column in Table 1; half is distributed based on the distribution of current Bellevue residents shown in the Bellevue Residents column.

Table 1: 2022 Bellevue Housing Needs Assessment Gap Analysis (2019-2044)				
Income	Current Need	Bellevue Workers	King County Residents	Total Housing Need
0-30% AMI	4,070	682	2,068	6,820
30-50% AMI	935	994	1,717	3,646
50-80% AMI	-	2,238	1,648	3,887
80-100% AMI	-	1,579	1,456	3,035
100-120% AMI	-	1,536	1,649	3,185
>120% AMI	-	7,969	6,459	14,428
Total	5,005	14,998	14,997	35,000

### Proposed Approach for New Target

Staff have proceeded to further develop draft targets derived from the methodology utilized in the 2022 Bellevue HNA gap analysis. For the purposes of an affordable housing target, the staff have proceeded with a 10-year timeframe and continued to focus on the need at 80 percent AMI and below.

An initial 10-year affordable housing target was calculated using the income distribution estimated in the gap analysis. Units affordable to under 80 percent AMI account for 40 percent of total housing needs. Needed production is 5,700 units over 10 years or an average of 570 units a year. As with the current target, this is above the current average annual production rate. However, because of the adoption of the Affordable Housing Strategy and the implementation of many of the actions in that document, the City increased the overall production and is on track to exceed the target ahead of the 10-year timeframe. **Staff suggest that the 5,700 units over 10 years be used as a starting point for**

setting a target that could be adjusted this fall following adoption of Wilburton and the Comprehensive Plan. The ultimate policy decision for the Council is at what level to set the target.

Table 2 illustrates 10-year target figures for less than 80 percent AMI housing units by income band, based on the 2022 Bellevue HNA methodology.

Table 2: 10-Year Target, based on 2022 Bellevue HNA			
Area Median Income	10-Year Need	As Percentage of Total Need	As Percentage of <80% AMI Need
0-30% AMI	2,700	19%	47%
30-50% AMI	1,450	10%	26%
50-80% AMI	1,550	11%	27%
Total	5,700	40%	100%

#### Affordability Level

The previous target did not establish goals by level of affordability. If the new target incorporated goals by AMI level based on the 2022 Bellevue HNA methodology, roughly half of the <80 percent AMI goal would be assigned to the deepest levels of affordability (0-30 percent AMI).

Historically, the vast majority of affordable units produced within the City have been affordable at 50-80 percent AMI. Table 3 shows production by income level for the seven years between 2017-2023.

Table 3: Income Restricted Units by AMI (2017-2023)*				
	All <80% AMI Units	0-30% AMI*	30-50% AMI	50-80% AMI
In-Service	1,899	159	36	1,704
Pipeline	661	0	125	621
Total	2,560	159	161	2,405
*Figures do not include emergency housing beds				

Since 2017, our average annual rate of production based on in-service units has been 271 units. Table 4 shows the average annual production by income band, compared to the annual average to meet the proposed target.

Table 4: Average Annual Income Restricted Unit Production				
	0-30% AMI	30-50% AMI	50-80% AMI	All <80% AMI Units
In-Service Annual Average (2017-2023)*	23	5	243	271
Future Annual Average Needed	270	145	155	570
*Figures do not include emergency housing beds				

If advanced, this new target will require a 110 percent increase in production or preservation of housing over the rate of the previous seven years.

#### *New construction vs. preservation*

Preservation has been an effective tactic to produce affordable housing. Within the last seven years, approximately half of income-restricted units came online through preservation efforts.

Not only do preservation projects require lower investment per unit, but they are also able to bring units into service faster than a new construction project. Staff see continued opportunities to leverage preservation to increase the stock of affordable housing units in the future.

A reasonable goal to assign to this metric would be to anticipate half of the future target to be achieved from new construction and half from preservation.

#### *Tenure (rental vs. ownership)*

The majority of new affordable units constructed or funded are multi-family rental units. In the last seven years, 25 units were affordable homeownership. As part of the City's focus on equity and equitable outcomes, the City has identified affordable homeownership as an opportunity to support wealth building amongst those who would otherwise be excluded from Bellevue's market.

#### *Emergency housing*

Emergency housing units have historically been counted as part of the affordable housing target. Staff recommends new targets track emergency housing needs separately to better measure progress.

Housing needs allocated by King County count emergency housing separate from permanent housing, and therefore, in excess of the housing growth target. In Bellevue's case, the overall housing growth target is 35,000. Permanent housing needs by income band total to 35,000 units. Identified emergency housing needs are not counted as part of the 35,000 permanent housing units. See Table 5 for a breakdown of King County Housing Need Allocations.

Table 5: King County Housing Needs Allocation		
Type	Income	Count
Permanent Housing Needs	0-30% AMI	18,195
	30-50% AMI	8,780
	50-80% AMI	2,671
	80-100% AMI	703
	100-120% AMI	798
	>120% AMI	3,853
	Total	35,000
Temporary Housing Needs	Emergency Housing	6,688



Given emergency housing needs are counted more than the 35,000 needed permanent housing units, it is consistent to establish a separate emergency housing target from permanent housing needs.

The majority (88 percent) of the City’s 217 emergency housing units have been put into service in the last seven years. Currently, there are no emergency housing units in the pipeline. Historic average annual production of emergency housing is significantly behind production levels needed to meet the King County allocated need as illustrated in Table 6.

Table 6: Emergency Housing Units	
In-Service Annual Average (2017-2023)	27
Future Annual Average Needed	268

*Family-size units*

Data on the number of bedrooms for units is available for projects funded by the ARCH Housing Trust Fund. In the last five years, 15 percent of these units funded were family-sized units (i.e. three bedrooms or more). Family-size units serve those with larger, multi-generational, or nontraditional households. Staff have identified that new tools and approaches would be needed to increase the production of family-sized units.

*Geographic distribution*

Not considered in the previous affordable housing target are goals regarding distribution of affordability across the City. The distribution of affordable housing helps prevent concentrations of poverty and ensure equal access to opportunities.

Based on the City’s affordable housing inventory, in-service and pipeline units are distributed as follows: 32 percent in Downtown, 23 percent in BelRed; 10 percent in Eastgate; 6 percent in Crossroads, Lake Hills, and Northwest Bellevue; and 3 percent in Bridle Trails, Spring District, West Bellevue, and Woodridge.

**Next Steps**

Based on direction from Council, staff will refine the components of the draft target of 5,700 affordable units over 10 years. Staff will return to Council in the fall to see if adjustments should be made in light of the work on Wilburton and the Comprehensive Plan Periodic Update.

**POLICY & FISCAL IMPACTS**

**Policy Impact**

The purpose of the Affordable Housing Strategy Implementation Program is to improve affordable housing opportunities across the City. This is consistent with City Council Priorities and Comprehensive Plan Housing Policy.

Comprehensive Plan Policy HO-24: Develop and implement an effective strategy to ensure affordable housing opportunities are available in Downtown and throughout the City at a range of affordability

levels. Monitor quantity, types, and affordability of housing achieved for potential unintended consequences and to determine if the need is being met.

### **Fiscal Impact**

Sufficient budget authority has been approved for implementation of the Affordable Housing Strategy work program. Council requests for additional research, work items, or condensed schedule could require additional resources.

### **OPTIONS**

1. Direct staff to proceed with developing updated affordable housing target for the City based on staff's recommended process and approach.
2. Provide alternate direction to staff.

### **ATTACHMENTS**

- A. Accomplishments and Pipeline Units (2017-2023)

### **AVAILABLE IN COUNCIL LIBRARY**

Bellevue Affordable Housing Strategy, June 5, 2017