

CITY COUNCIL STUDY SESSION

Public hearing and action on Ordinance amending Chapter 4.52 of the Bellevue City Code – the Multifamily Housing Property Tax Exemption; correcting typographical errors; revising definitions; designating a single Residential Targeted Area; expanding project eligibility criteria; revising affordability requirements; clarifying distribution of units; adding new sections related to rent stabilization (BCC 4.52.095) and parking (BCC 4.52.097); providing for severability; and establishing an effective date.

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EXECUTIVE SUMMARY

The purpose of the public hearing is to solicit input on the proposed alterations to the City's Multifamily Tax Exemption (MFTE) program, including updates to the Residential Targeted Areas (RTAs) in which the program may be utilized, updates to the applicable affordability levels, alternatives to the family-sized requirements, introduction of a new rent stabilization program, introduction of a new parking discount for MFTE tenants outside Downtown, and other clean-up amendments. A public hearing, with respect to changes to RTAs, is required by state law (RCW 84.14.040) and local code (BCC 4.52.030). After the public hearing, Council may adopt Ordinance No. 6582 to formally amend chapter 4.52 BCC.

RECOMMENDATION

Move to adopt Ordinance No. 6582.

BACKGROUND & ANALYSIS

The City's existing MFTE program was initially adopted in 2015 and amended in 2018. Based on state law (Chapter 84.14 RCW), the program allows developers building multifamily housing to gain a 12-year property tax exemption on the multifamily improvements in exchange for providing 20 percent of the total number of housing units in the project at affordable rates for a period of 12 years. The current RTAs where MFTE may be used include the Bellevue growth corridor (Downtown, BelRed, Wilburton) and mixed-use centers of Eastgate and Crossroads. The affordability levels currently required in these areas range from 50 percent Area Median Income (AMI) to 70 percent AMI. A deeper affordability level of 45 percent AMI is required for units under 300 square feet in any of these areas.

On May 24, the City Council provided direction to prepare for a public hearing on a package of updates to the MFTE program. These can be summarized as follows:

- Expand the RTAs to all areas zoned to allow multifamily use within the City.
- Combine the above areas into a single RTA with a baseline affordability level of 80 percent AMI.

- Allow overlapping/layering with other Land Use Code incentives, but require deeper affordability (65 percent AMI baseline) for any units that are overlapped/layered (simultaneously used to satisfy both programs).
- Offer a choice of alternate pathways for projects unable to meet the eligibility requirement that 15 percent of the project's units be 2-bedroom units or larger. Offer a choice between:
 - Deeper affordability (10 percent deeper affordability, meaning 70 percent AMI for typical MFTE units) or
 - Higher quantity of affordable units (25 percent of the project's units, instead of the standard 20 percent of units).
- Do not include parking rental costs in the affordable rent calculations. Outside of Downtown, require that rental of parking stalls be offered at a 30 percent discount to MFTE tenants.
- Require a 3 percent cap on annual rent increase for MFTE tenants remaining in the same-sized MFTE unit in the same project.

These changes are reflected in the proposed code amendments for BCC 4.52 outlined in Attachment A. In addition, a number of clean-up items have been included as described in the annotations (comments shown in grey boxes at the start of each section of the code). Attachment B includes a clean copy of the proposed code.

Previous Council Discussions

Council initiated work to update the MFTE program on October 5, 2020. The stated goal was to increase utilization of the program in order to increase the availability of affordable housing throughout Bellevue.

[10/5/2020 Program Update Launch Materials](#)

On March 15, staff presented initial outreach findings and a series of potential approaches for updating the program. Council directed staff on expansion of the geographic areas, baseline affordability levels, and alternates to the family-sized unit requirement.

[3/15/2021 Study Session #1 Materials](#)

Council discussed a number of additional program elements for consideration on April 19. Council subsequently directed staff on the affordability levels for overlapping the program with Land Use Code incentives, parking approach, and the introduction of a rent stabilization element to the program.

[4/19/2021 Study Session #2 Materials](#)

On May 24, staff presented the cohesive package of elements resulting in the combination of March and April direction from Council. Council directed staff to bring this package of updates forward for a Public Hearing.

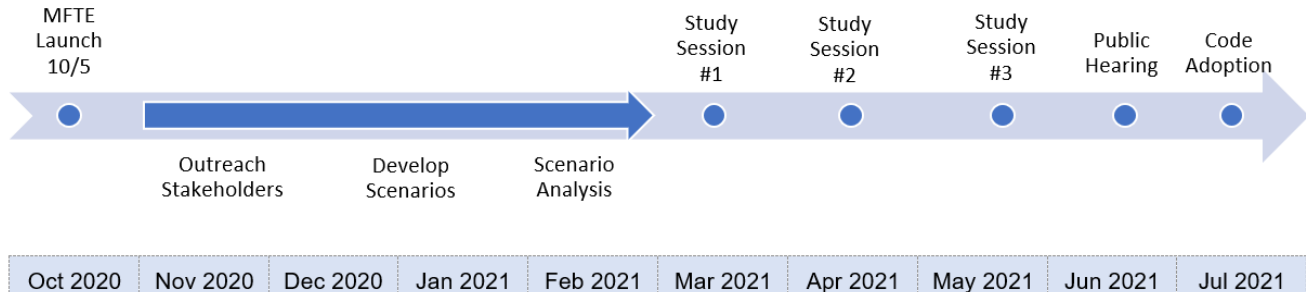
[5/24/2021 Study Session #3 Materials](#)

On June 7, Council adopted Resolution No. 9951 to schedule a public hearing on June 28 on the updates to the MFTE program.

[6/7/2021 Resolution Materials](#)

Notice of Hearing

Staff published notice of the hearing consistent with RCW 84.14.040. The notice was published on June 11 and June 18, 2021, in the Seattle Times. This notice is included as Attachment C.



Consistent with previous Council discussions, the strike draft (Attachment A), and the materials referenced in the Public Hearing Notice (Attachment C), including the materials published on the City’s website and repeated within this memo, staff has prepared Ordinance No. 6582 to facilitate the proposed alterations to the MFTE program discussed herein. Ordinance No. 6582 incorporates two non-substantive edits that are not reflected in Attachment A: (1) “Department” was capitalized in BCC 4.52.025(A), and (2) the singular “Unit” was used in the last paragraph of the proposed new section BCC 4.52.095, but otherwise match the public hearing materials.

Following the public hearing, assuming Council is comfortable with the language in the proposed Ordinance, or includes only minor changes within the scope of this effort, staff requests adoption of Ordinance No. 6582 as drafted or as the Council may move to amend.

If Council directs substantial changes to the Ordinance, staff will return to a future meeting and seek final adoption.

POLICY & FISCAL IMPACTS

Policy Impact

RCW 84.14.040 requires a public hearing to be held to consider changes to RTA(s) designated by a jurisdiction utilizing MFTE. Adoption of the proposed amendments would likely result in a different quantity and affordability level of units produced through the program, as outlined in previous study session materials.

Fiscal Impact

There is no fiscal impact associated with this public hearing. Adoption of the proposed amendments would likely result in an increased number of tax exemptions. The fiscal impact of these tax exemptions was outlined in previous study session materials. Additional administrative costs may be associated with these changes.

OPTIONS

1. Hold the Public Hearing and adopt the Ordinance amending Chapter 4.52 of the Bellevue City Code – the Multifamily Housing Property Tax Exemption; correcting typographical errors; revising

definitions; designating a single Residential Targeted Area; expanding project eligibility criteria; revising affordability requirements; clarifying distribution of units; adding new sections related to rent stabilization (BCC 4.52.095) and parking (BCC 4.52.097); providing for severability; and establishing an effective date.

2. Hold the Public Hearing, move to amend the Ordinance to reflect minor changes within the scope of this effort, and adopt the Ordinance as amended.
3. Hold the Public Hearing, do not adopt the Ordinance, and direct staff to bring back a revised Ordinance to amend Chapter 4.52 of the Bellevue City Code consistent with Council direction.
4. Provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

- A. Proposed Chapter 4.52, Strike-draft and annotated
 - B. Proposed Chapter 4.52, Clean
 - C. Public Hearing Notice
- Proposed Ordinance No. 6582

AVAILABLE IN COUNCIL LIBRARY

N/A