

CITY COUNCIL AGENDA TOPIC

Initiation of Affordable Housing Strategy Update

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EXECUTIVE SUMMARY

DIRECTION Provide direction to initiate an update to the Affordable Housing Strategy with the next set of affordable housing actions.

RECOMMENDATION

Direct staff to initiate an update to the Affordable Housing Strategy to develop the next set of affordable housing actions for the 2026-2032 timeframe.

BACKGROUND/ANALYSIS**2017 Affordable Housing Strategy Implementation**

The Bellevue City Council adopted its existing Affordable Housing Strategy (AHS) in 2017. The 2017 strategy includes five overarching strategies and 21 actions to expand affordable housing opportunities in Bellevue. In 2022, Council approved the Next Right Work to continue the affordable housing work plan in advance of a full update to the strategy. The Next Right Work includes five specific actions as selected by Council with various steps and phases. Most of the 2017 AHS and Next Right Work actions are either complete, have made significant progress, or have ongoing work.

Along with the 2017 strategy, the Council established a goal to build or preserve 2,500 affordable units over 10 years (2017-2027). The City is on track to exceed this goal, with 2,750 affordable housing units built, preserved, or in the development pipeline in Bellevue between 2017 and 2023. A detailed implementation summary of progress since 2017 is included as Attachment A.

Progress in 2024 notably includes the opening of six projects with affordable units:

| Table 1: Affordable Units In-Service in 2024 | | | | | | |
|--|------------------------------|----------------------------------|------------------|---------------------|--------------|-----------------|
| Project Name (Developer) | Project Type | Investment Type | Affordable Units | Affordability Level | Year Applied | Year In-Service |
| Aventine Apartments (LIHI) | Affordable preservation | Housing Stability Program (HSP) | 66 | 30-50% AMI | 2023 | 2024 |
| Broadstone Savoie (Broadstone LLC) | Market-rate new construction | Multifamily Tax Exemption (MFTE) | 38 | 50-80% AMI | 2021 | 2024 |
| Ellis at BelRed (Big1 LLC) | Market-rate new construction | BelRed Amenity Incentive System | 11 | 50-80% AMI | 2021 | 2024 |
| Ondina Apartments (Vulcan) | Market-rate new construction | MFTE | 50 | 50-80% AMI | 2021 | 2024 |
| Polaris at Eastgate (Inland) | Affordable new construction | ARCH Housing Trust Fund | 360 | 30-50% AMI | 2019 | 2024 |
| Vicino Apartments (Holland Partners Group) | Market-rate new construction | MFTE | 81 | 50-80% AMI | 2020 | 2024 |

These projects have been within the development pipeline for various amounts of time, but often there is a significant interval between the year in which a project applies for funding or an incentive, and when those units come into service.

Starting Point Affordable Housing Target

A starting point affordable housing target was presented to Council in April. Council’s direction affirmed the target as a starting point and directed staff to further engage with technical stakeholders.

The starting point target looks at affordable housing that is income-restricted to households earning up to 80 percent of the Area Median Income (AMI), adjusted for household size. The methodology to establish this new target is based on analysis conducted as part of the 2022 Bellevue Housing Needs Assessment (HNA) and the City’s 25-year overall housing growth target of 35,000 housing units.

The starting point target is based on a 10-year increment of growth or 14,000 total units. To estimate the need for affordable housing, staff utilized the distribution of need at different income bands as calculated in the Bellevue HNA. Units affordable to under 80 percent AMI account for 40 percent of total housing needs. 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 HNA | | |
|--|----------------------|-----------------------------|
| Area Median Income | 10-Year Need (Units) | As Percentage of Total Need |
| 0-30% AMI | 2,700 | 19% |
| 30-50% AMI | 1,450 | 10% |
| 50-80% AMI | 1,550 | 11% |
| <80% AMI Subtotal | 5,700 | 40% |
| >80% AMI | 8,300 | 60% |
| Total | 14,000 | |

Based on Council’s direction, staff further engaged technical stakeholders to vet the starting point target. Staff engaged with three stakeholder groups: the Bellevue Chamber’s Permitting, Land Use, Sustainability, and Housing (PLUSH) committee, the Bellevue Development Committee, and the Eastside Affordable Housing Coalition. Each group received a presentation on the starting point target and the opportunity to provide feedback and ask questions. Each group was asked to identify approximately three people to participate in a follow-up focus group in order to discuss feedback more in-depth.

A focus group of nine stakeholders was convened in August. Key takeaways from starting point target engagement include:

- Efforts should be focused on units affordable to households at or below 50 percent AMI; participants perceived it as highly unlikely that the City can achieve its 0-30 percent AMI starting point target under current conditions.
- Commitments and transparency are key to this process; the City should be honest and clear about needs, gaps, and impacts.
- Additional local funding is paramount and should be coupled with sustained and coordinated advocacy for additional state and federal revenue.
- In addition to funding constraints, 0-30 percent AMI units are impacted by limited development capacity and the challenges of successful long-term operations.
- Ongoing work on affordable housing programs informs likelihood of achieving the overall starting point target.
- Opportunities exist around public information campaigns and engaging and hearing from less prominent voices.

Staff propose to continue to engage stakeholders and use the starting point target and income sub-targets as the structure to guide the development of the Affordable Housing Strategy Update.

Affordable Housing Strategy Update

Objectives and Scope

The Affordable Housing Strategy is a short- to mid-term action plan that identifies and sequences steps the City can take to continue to address the need for affordable housing in the community. The City is

updating its existing 2017 Affordable Housing Strategy to implement new policy direction, reflect changing market conditions, and support the development and preservation of additional affordable housing units.

Updating the Affordable Housing Strategy will identify the next set of near- and mid- term actions to help the City achieve the new affordable housing target and meet other affordable housing priorities. Actions will be prioritized into a seven-year implementation and monitoring plan to ensure progress. The update will prioritize actions that focus on increasing the availability of income-restricted affordable housing but may also include actions to increase housing access and stability and the overall affordability of housing on the market.

The primary goal of the Affordable Housing Strategy Update is to provide a set of new actions to achieve the City's affordable housing target, which will be considered and recommended by City Council. In addition, the following process outcomes are desired:

- Fostering informed community members through educational opportunities and clear, accessible project materials to increase community capacity to participate in conversation on affordable housing.
- Equitable engagement that includes representative and diverse voices throughout the process by using a variety of outreach methods, with particular attention given to marginalized and underserved communities.
- Articulate goals for next set of actions (i.e., other priorities beyond meeting new target) that reflect the vision, values, and goals of the community.
- Develop an updated framework for regular monitoring and reporting.

A seven-year implementation plan (2026-2032) was chosen in order to allow for adequate time to see results of early implementation efforts while recognizing that market conditions and housing solutions require regular review. As such, it is often a best practice to periodically check-in and update implementation plans during the scope period, and a mid-cycle check-in may be incorporated into this process.

Work Program and Schedule

The AHS Update will include three core components:

- **Building on 2017 AHS Implementation** – The update process is intended to build on the progress to implement the 2017 AHS and Next Right Work. The City's Affordable Housing team presents biannual updates to Council on implementation and progress towards goals. Prior to project launch, staff will holistically document work to implement the 2017 AHS and Next Right Work actions and estimated impact (units, dollars contributed, and households served). This information will be used to identify any outstanding work items or areas of continuous improvements to be considered as possible next-set actions. The review of implementation progress will be included as an appendix to the updated 2025 Affordable Housing Strategy.
- **Implementing Policy Guidance** – The 2024 Comprehensive Plan Periodic Update (CPPU) defined the City's future vision and policy framework, including significant work to align the Bellevue Housing Element with state and regional guidance. The AHS update is an opportunity

to operationalize policies within the CPPU. The AHS update will review and catalogue policies and develop them into effective implementation actions.

- **Engaging Representative Voices** - The City has recently undertaken significant community engagement around the topic of housing in multiple projects. Part of the update process will be summarizing this engagement across projects in order to incorporate and build on this work. Initial outreach will be dedicated to informing the public on the City's efforts to implement the 2017 AHS and to provide education opportunities to learn about key housing concepts and issues. Additional outreach will include engaging marginalized and underserved communities and technical experts in order to set direction and prioritize actions. To ensure that representative voices are engaged in decision making, staff will convene a Representative Community Panel to deliberate on staff-developed action alternatives, as well as inputs from staff analysis, public engagement, and technical expertise.

Work has been divided into four phases that are anticipated to occur over the course of approximately a year.

1. **Launch:** Provide information and educational opportunities on affordable housing topics. Learn what community members need to learn. Timeline: November 2024 – March 2025
2. **Assess:** Work with technical stakeholders to refine the possible actions into fully developed strategies for potential inclusion in the update. Timeline: April – June 2025
3. **Refine:** Prioritize actions and draft the strategy. Timeline: July – September 2025
4. **Review:** The final draft strategy is reviewed and adopted by City Council. Timeline: October – November 2025

Community Engagement Strategy

As the City undertakes ambitious affordable housing goals, community members and other constituents should be educated, engaged, and invested in being part of the solution to ensure successful development and implementation of the AHS Update.

Engagement and outreach for the AHS Update has three overarching objectives.

1. **Provide information on affordable housing.** Everyone comes to the subject of affordable housing with their own level of knowledge and experience. This objective aims to provide a foundation of information for interested community members to engage in public dialogue.
2. **Create opportunities to inform the Strategy.** This project has a wide range of interested parties, with commonalities across identities or “affinities.” This objective aims to provide a range of opportunities for all voices to be heard in the process – community members, technical experts, and others – to ensure the AHS Update is informed by broad participation.
3. **Elevate diverse and representative voices in recommendation-making.** We recognize the need to elevate voices not typically heard, those with limited resources, or who have other barriers to participation. This engagement strategy aims to intentionally engage the Bellevue community and those marginalized or underserved in AHS Update recommendation processes.

These objectives are informed by the 2024 Comprehensive Plan Periodic Update, which included new policies on engagement and collaboration on housing planning.

As shown below, the phases follow the overall project schedule. A detailed Community Engagement Plan is included as Attachment B.

| Table 3: Summary AHS Update Engagement Table | | | | |
|---|-----------------------|--|--|--|
| TIME | PHASE | GOAL | OBJECTIVES | ENGAGEMENT ACTIVITIES |
| June – Dec 2024 | 0 – Pre Launch | Vet Starting Point Target | <ul style="list-style-type: none"> • To gain a broad understanding of barriers and opportunities related to the starting point target • Build community awareness of the Affordable Housing Strategy Update process • Identify areas for community education | <ul style="list-style-type: none"> • Presentations to and focus group with technical stakeholders • Council launch presentation • Engaging Bellevue website • Organization introductions and presentations to stakeholder groups |
| Jan – March 2025 | 1 – Launch | To Level Set & Build Audience | <ul style="list-style-type: none"> • Provide accessible and understandable information on affordable housing subject matter • Set expectations and clarify timeline for stakeholders • | <ul style="list-style-type: none"> • Continue organization introductions and presentations to stakeholder groups • Online informational content • Hybrid educational events (e.g. Lunch & Learns) |
| March – May 2025 | 2a – Assess | To Evaluate Tradeoffs and Understand Priorities | <ul style="list-style-type: none"> • Engage technical stakeholder to finalize list of possible actions • Work with technical stakeholders to understand tradeoffs and impacts • Connect with those with lived experience to identify user concerns and issues | <ul style="list-style-type: none"> • Focus groups with technical and lived experience stakeholders • Council briefing |
| May – July 2024 | 2b - Assess | | <ul style="list-style-type: none"> • Report out on community values and concerns • Engage community members to identify priorities given limited resources and other requirements • Develop action alternatives | <ul style="list-style-type: none"> • Online open house • Public Information and Q&A forums |

Table 3: Summary AHS Update Engagement Table

| TIME | PHASE | GOAL | OBJECTIVES | ENGAGEMENT ACTIVITIES |
|------------------|------------|-----------------------|---|--|
| July – Sept 2025 | 3 – Refine | To Prioritize Actions | <ul style="list-style-type: none"> • Provide information to Representative Community Panel to evaluate action alternatives against inputs (policy, analysis, engagement) • Ensure community members know how their input shaped the draft plan. | <ul style="list-style-type: none"> • Representative Community Panel • Public information session |
| Oct-Nov 2025 | 4 – Review | To Adopt the Strategy | <ul style="list-style-type: none"> • Ensure community members understand the adoption process and know how to share comments with City Council | <ul style="list-style-type: none"> • Review recommendation and adoption by City Council |

POLICY & FISCAL IMPACTS

Policy Impact

This planning initiative will result in an implementation plan for affordable housing actions, setting goals and objectives to achieve the City’s affordable housing target.

Fiscal Impact

There is no fiscal impact of updating the Affordable Housing Strategy at this time. Any additional fiscal impacts of implementing the strategy will be presented at a later date.

OPTIONS

1. Direct staff to initiate an update to the Affordable Housing Strategy to develop the next set of affordable housing actions for the 2026-2032 timeframe.
2. Do not direct staff to initiate an update to the Affordable Housing Strategy and provide alternate direction to staff.

ATTACHMENTS

- A. 2017 Affordable Housing Strategy Implementation Progress
- B. Community Engagement Plan Summary

AVAILABLE IN COUNCIL LIBRARY

2017 Affordable Housing Strategy