

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

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EXECUTIVE SUMMARY**INFORMATION
ONLY**

This is an informational briefing on the progress of the 2017 Affordable Housing Strategy, including effectiveness of programs, highlights of the current workplan, and an introduction to the process to update Bellevue's affordable housing target. This progress report occurs twice per year.

RECOMMENDATION

N/A

BACKGROUND/ANALYSIS**Affordable Housing Strategy Implementation**

The City's current Affordable Housing Strategy was adopted in June 2017. Entering the seventh year of implementation, significant progress has been made towards the strategy's target of achieving 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 2015, slightly before the Affordable Housing Strategy was adopted. Implementation progress includes:

- A total of 2,307 housing units and 100 shelter beds have been funded or built since the strategy was developed.
- Pipeline affordable housing (estimated at around 1,036 units) includes:
 - Affordable units on public land in BelRed at the Sound Transit Operations and Maintenance Facility East (OMFE) transit-oriented development site and 130th Avenue Station;
 - Pipeline units using the City's Multifamily Tax Exemption (MFTE) program; and
 - Use of the Downtown and BelRed land use incentive programs.
- Affordable units/beds achieved to date plus current pipeline indicates the 10-year goal of 2,500 units will be achieved.

As noted by Council previously, the 2017 affordable housing goal of 2,500 units over 10 years was a reasonable target at the time but needs updating. Based on the City's progress to date and the planning work that is ongoing, Bellevue's Comprehensive Plan Periodic Update presents an opportune time to establish a new affordable housing target. An introduction to establishing a new Bellevue affordable housing target is included later in this memo.

Implementation of Actions

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

- Two-thirds of the Eastgate Campus opened over the summer, including Plymouth Housing's 92 units of permanent supportive housing and Porchlight's (formerly Congregations for the Homeless) 100-bed men's shelter.
- In June, Council approved \$2,429,200 of Housing Trust Fund monies to seven projects recommended by the ARCH Executive Board. The Council also approved \$6,815,012 of Housing Stability Program monies to three recommended projects.
- The 2023 Housing Stability Program request for proposals (RFP) for capital, operations and maintenance, and services funding was published this summer and four proposals were received. City review and recommendations are aligned with the timing of the ARCH funding process. HSP recommendations will be presented to Council for review in early 2024.
- Engagement continues with projects eligible to use the MFTE program. The most recent tally showed 221 affordable MFTE units currently in the pipeline along with 54 units in the pipeline utilizing both MFTE and other incentives. In addition, developers have expressed interest in another 400 units. These pipeline figures and conversations indicate extensive use of the MFTE code amendments adopted in July 2021 in alignment with the City's expected program utilization. Under current state statutes, MFTE units will revert to market rate rents after 12 years, unless extended.

C-1 Phase 2 LUCA and Rezone: On June 26, Council adopted Phase 2 of Affordable Housing Strategy (AHS) Action C-1. The Land Use Code Amendment (LUCA) and rezone permit affordable multifamily housing on 36 sites located in single-family districts owned or controlled by religious organizations, resulting in a substantial physical capacity increase for affordable housing in the City. Staff have met with one religious organization to date and have identified three others that are interested in meeting.

Next Right Work: On July 5, 2022 and January 17 of this year, Council prioritized the following five "Next Right Work" actions to further increase housing production and affordable housing opportunities. Recent progress includes the following:

- **Remove barriers to the construction of micro-apartments.** On June 5, Council adopted a LUCA to remove barriers and encourage the construction of micro-apartments in mixed-use land use districts near transit. The LUCA established a new code section that defines these units as multifamily dwelling units containing a kitchen and bathroom with a maximum size of 320 gross square feet. The LUCA implements AHS Action B-1, which calls for encouraging

micro-apartments around light rail stations. Follow-up work is in progress to update the MFTE code to address provisions for very small dwelling units. Staff are planning to bring the MFTE consistency update to Council before the end of the year.

- **Allow higher FAR or density for certain residential uses to incentivize residential over commercial developments.** On December 12, 2022, Council initiated this item in two phases. Phase 1 included adoption of an Interim Official Control (IOC) focused on Downtown Land Use Districts. The IOC allows for a higher floor area ratio (FAR) when affordable units are provided in a project. The IOC will also provide greater development flexibility to projects meeting affordable housing thresholds. Four projects have taken advantage of the IOC since it was adopted on May 8. The IOC is set to expire on November 10 unless extended. Staff are scheduled to seek Council action to extend the IOC an additional six months on October 23.

Phase 2 will include a permanent LUCA for Downtown and targeted mixed-use land use districts within the City. Phase 2 will utilize the Environmental Impact Statement being completed with the Comprehensive Plan Periodic Update and will respond to Land Use Map designation and policy changes adopted through the Periodic Update. This LUCA is scheduled for completion shortly after the Comprehensive Plan is adopted next year.

- **Reduce permit review and inspection fees for affordable housing projects.** On July 17, Council adopted an Affordable Housing Permit Review and Inspection Fee Reduction Program. The program eliminates all review and inspection fees for projects that are 100 percent permanently affordable, including permanent supportive housing, emergency housing, and homeless services uses projects. The fee reduction program is available for use now. The program will be funded by an annual contribution from the general fund to a new Capital Investment Program (CIP) project. An amendment to the 2023-2029 CIP Plan will be requested during the mid-biennium budget review to include the new project for this program, which would increase the General CIP Fund appropriation by \$310,000 to execute the program during the 2023-2024 biennium.
- **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. Phase 1 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).
- **Simplify the permitting process and expedite permitting for affordable housing.** On January 17, Council initiated two categories for this item: internal process improvements; and code amendments. Internal process improvements are suited to expedite permitting for affordable housing projects and to use as pilots for future deployment. The Development Services Department is working internally to create programs to assist affordable housing providers through the permitting process to shorten the permitting time for affordable housing projects.

- On August 7, Council adopted an amendment to the Transportation Development Code to simplify the permitting process for Unit Lot Subdivisions to spur townhouse development.
- On September 25, Council adopted amendments to the City's Environmental Procedures Code to maximize State Environmental Policy Act (SEPA) categorical exemptions. This amendment is expected to shorten permit processing timelines, remove redundant processes, and decrease project delays from potential appeals.

Staff continue to work on the following projects:

- Bellevue's Comprehensive Plan Periodic Update is well underway, including work to implement the Wilburton Vision. Through this work, the City is exploring expanding the variety of housing types in Bellevue to meet the needs of households across all income bands and life stages. This and other projects are working to provide affordable housing, smaller units for students/single adults, more mid-sized options for families just starting out or for seniors looking to downsize while staying in their community.
- Pursuing partnerships to develop affordable housing on suitable public lands in proximity to transit hubs (OMFE transit-oriented development, 130th Avenue Station). Amazon recently announced a financial partnership at the OMFE site to create 235 units of affordable housing. The new apartments, funded through \$42.5 million in low-rate loans and grants from Amazon, are targeting residents who earn 30-80 percent area median income (AMI) and construction is anticipated to occur in 2024.
- Leading the development of the Kelly Site in a public/private partnership model with the affordable housing development community and potentially community organizations. The City will determine a site program for the parcel that outlines key development outcomes that meet policy and neighborhood goals. A procurement process to select an affordable housing developer(s) will be determined and implemented in 2024.
- The City continues to pursue funding partnerships with employers, financial institutions, foundations, and others.

Introduction to Establishing New Affordable Housing Target

Significant progress has been made towards the 2017 Affordable Housing Strategy target of 2,500 units over 10 years. As noted by Council previously, the affordable housing goal of 2,500 units set in 2017 was a reasonable target at the time. Based on the City's progress to date and the Comprehensive Plan Periodic Update that is ongoing, now is an opportune time to start discussing the process to establish a new Bellevue affordable housing target.

The following is an introduction to establishing a new affordable housing target. Staff will engage Council in spring 2024 to seek guidance in conjunction with the Comprehensive Plan Periodic Update. No direction is requested at this time.

Overall Approach

Staff will use Bellevue's December 2022 Housing Needs Assessment as a starting point to evaluate a new affordable housing target for the City. The report identifies existing and future housing needs

based on the socioeconomic characteristics of Bellevue residents, workers, and others who may wish to live in Bellevue. It includes need for more housing affordable to households earning less than 30 percent AMI and 30-50 percent AMI, including those that are cost-burdened (i.e., seniors living alone, moderate to low-income renters) as well as Bellevue’s local needs in other AMI brackets; need for a greater range of housing types; need for more family-sized units; and need for more homeownership options. Staff will take into account the effectiveness of current and potential future programs, strategies, and funding streams and the number of units they might deliver. The target would recognize that housing affordable to households earning 0-50 percent AMI would require significant subsidy.

Target Metrics

Based on the existing and future housing needs identified in Bellevue’s Housing Needs Assessment, and meeting requirements of state House Bill 1220, the following are metrics that staff is considering when establishing new affordable housing targets. Such metrics would help measure compliance with state House Bill 1220 and could be used to gauge the effectiveness of current affordable housing programs and identify resources to meet the target.

- Time period for unit production (e.g., five-year increments).
- Breakdown by AMI levels (e.g., 0-30 percent, 30-50 percent, etc.).
- Ownership versus rental units.
- Family-size units (3 bedrooms and larger).
- Geographic distribution of units across the City.

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

N/A

ATTACHMENT

A. Itemized List of Affordable Units added since 2015

AVAILABLE IN COUNCIL LIBRARY

Bellevue Affordable Housing Strategy, June 5, 2017