

CITY COUNCIL REGULAR SESSION

Ordinance amending the Land Use Code (LUC) to create a new Section LUC 20.20.537 Micro-Apartments to establish applicability, requirements and standards for Micro-Apartments; amending LUC 20.10.440 Land Use Charts, LUC 20.25A.050 Downtown Land Use Charts, LUC 20.25D.070 BelRed Land Use Charts, LUC 20.25P.050 Eastgate Land Use Charts, LUC 20.25Q.050 East Main Land Use Chart, and LUC 20.50.034 "M" Definitions for consistency with the new Section LUC 20.20.537; providing for severability; and establishing an effective date.

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EXECUTIVE SUMMARY

This Ordinance is a Land Use Code Amendment (LUCA) to establish applicability, requirements, and standards for Micro-Apartments. On April 24, after discussion in Study Session about the recommended Micro-Apartments LUCA, Council directed staff to bring back this Ordinance, along with information addressing Council comments and questions, for final adoption.

RECOMMENDATION

Move to adopt Ordinance No. 6742 and direct staff to update provisions relating to "Very Small Dwelling Units" in Chapter 4.52 Multifamily Housing Property Tax Exemption of the Bellevue City Code.

BACKGROUND/ANALYSIS

Background

On July 5, 2022, in building upon the Affordable Housing Strategy, Council prioritized a set of "Next Right Work" actions to further increase housing production, affordable housing production, and housing diversity within the City. Council directed staff to begin work on the following items:

- Remove barriers to micro-apartments
- Allow higher Floor Area Ratio for residential
- Reduce permit fees for affordable housing projects
- Encourage Detached Accessory Dwelling Units, Attached Accessory Dwelling Units, and duplex, triplex, quadplexes, including mechanism for separate ownership
- Simplify the permitting process and expedite permitting for affordable housing

This LUCA relates to the first action and will remove barriers to micro-apartments by reducing vehicle parking standards, increasing the allowable dwelling units per acre, increasing bicycle parking, and removing the multifamily play areas requirement within mixed-use areas of the City near transit. The LUCA will create a new Section LUC 20.20.537 Micro-Apartments to establish applicability, requirements and standards for Micro-Apartments; and will amend LUC 20.10.440 Land Use Charts, LUC 20.25A.050 Downtown Land Use Charts, LUC 20.25D.070 BelRed Land Use Charts, LUC 20.25P.050 Eastgate Land Use Charts, LUC 20.25Q.050 East Main Land Use Chart, and LUC

20.50.034 "M" Definitions for consistency with the new Section LUC 20.20.537. A final strike-draft of the recommended LUCA is provided as Attachment A.

Council considered the LUCA at the April 24 study session. During that meeting, Council reviewed the Planning Commission recommendation to adopt this LUCA without modification and concluded the LUCA complies with the decision criteria in LUC 20.30J.135. A more detailed discussion of the LUCA is in the memorandum for the April 24 study session.

During the April 24 study session, Council also requested that staff bring back information on the following topics to address:

1. The differences in size between the Multifamily Tax Exemption (MFTE) unit size for "very small dwelling units" and recommended size for Micro-Apartments
2. Affordable Housing Area Median Income (AMI) threshold for Micro-Apartment parking reduction
3. Access to open space for Micro-Apartments

Following deliberation, Council directed staff to finalize the Micro-Apartments LUCA for approval.

Responses to Council Questions and Comments

Below is a summary of Council questions and comments about the recommended LUCA and staff's responses.

1. *Direction to provide consistency between the recommended Micro-Apartments LUCA unit size limit and the MFTE "very small dwelling unit" size limit.*

Response: The proposed LUCA defines a micro-apartment as a dwelling unit of 320 square feet or less, whereas BCC 4.52.090 of the Multifamily Housing Property Tax Exemption code (MFTE code) defines a very small dwelling unit as 300 square feet or less. BCC 4.52.090 requires very small dwelling units to be affordable to those earning 45% AMI or less. In most cases, units larger than 300 square feet must be affordable to those earning 80% AMI or less. Therefore, under the recommended LUCA, and if a micro-apartment project is also participating in the MFTE program, micro-apartments between 301 and 320 square feet must be affordable to those earning 80% AMI or less. Additionally, the MFTE program requires that at least 15% of the units provided be two-bedroom or larger. As buildings which only include micro-apartments will not be able to meet this requirement, an additional 5% of units must be provided as affordable, or the units must be affordable to those earning 70% AMI or less.

The following options are available to address the unit size differences between the recommended Micro-Apartments LUCA and the MFTE code "very small dwelling units" definition.

Option A:

- Delay adoption of LUCA
- Direct staff to amend the "very small dwelling unit" size in the MFTE code for alignment
- Analyze and update the very small dwelling unit AMI level for MFTE eligibility
- Update the LUCA affordable housing parking reduction AMI level to match the AMI level established in the MFTE code
- Bring back the amended LUCA and recommended MFTE code changes at the end of the year;
or

Option B (recommended):

- Adopt LUCA as drafted
- Remove barriers to enable micro-apartment housing option immediately and allow developers to have certainty in designing and planning for the development of micro-apartments
- Provide opportunity to vest to current building code for micro-apartments prior to anticipated building code updates in the fall
- Allow staff time to analyze the very small dwelling unit size and AMI level within the MFTE code for alignment
- Bring back recommended MFTE code changes at the end of the year; or

Option C:

- Amend LUCA to reduce Micro-Apartment unit size from 320 to 300 square feet
- No change to the MFTE code.

Option A

Option A delays final action on the Micro-Apartments LUCA by approximately six months. This option allows the LUCA and future MFTE amendments to be reviewed by Council and, potentially, adopted simultaneously at the end of the year. This option provides time to analyze the "very small dwelling unit" size and the current 45% AMI level within the MFTE code for alignment before the LUCA is adopted. Included in Option A would be a modification to the proposed LUCA to align the required AMI threshold of a very small dwelling unit and the proposed parking reduction for affordable housing in the LUC.

Option B (recommended)

Staff recommends that Council adopt the recommended LUCA and direct staff to begin work on updating the provisions for very small dwelling units in the MFTE code over the next six months. Based on outreach for this LUCA, staff has concerns that the current 45% AMI threshold in the MFTE code for very small dwelling units is nonviable for micro-apartment projects and, therefore, the MFTE code will continue to be underutilized. Adopting the LUCA as drafted and directing staff to analyze the very small dwelling unit size and AMI level within the MFTE code would allow proper calibration to maximize both utilization of the MFTE code and affordable housing production while ensuring the LUCA is completed in a timely manner. Adopting the LUCA will remove barriers to enable this housing type in the City immediately and provide opportunity for projects to vest to current building codes for micro-apartments prior to the anticipated building code updates in the fall.

Option C

Option C would lower the square footage of a micro-apartment within the recommended LUCA from 320 to 300 square feet to be consistent with the current definition of very small dwelling unit in the MFTE code. This change would impose a smaller unit size limit for micro-apartments and would likely make constructing micro-apartments less desirable for developers. Additionally, based on outreach performed by staff, it is unlikely that accessible micro-apartment units could be constructed in a footprint less than 300 square feet. Accessible units are required in most multifamily buildings.

2. *Direction to lower the AMI level from 80% to 45% to receive a parking reduction for Micro-Apartments.*

Response: As proposed, the LUCA would remove the minimum parking requirements for those micro-apartments meeting the definition of Affordable Housing in LUC 20.50.010. The definition of Affordable

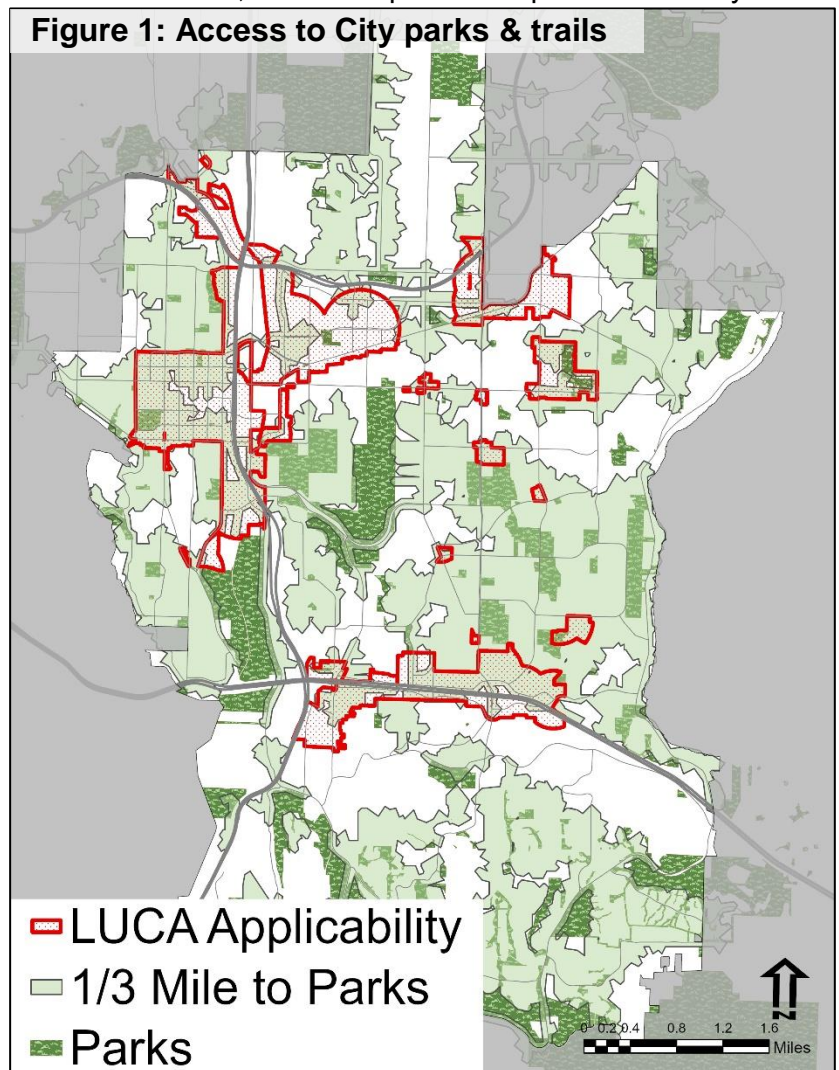
Housing in the LUC requires that units be both affordable to those earning 80% AMI or less and restricted to households meeting the median annual income, adjusted for household size. Additionally, an agreement requiring the affordable housing to remain for the life of the project must be recorded.

As micro-apartments generally rent for between 60-80% AMI, Council expressed concerns that all micro-apartment projects would naturally qualify for the minimum parking reduction and suggested setting the AMI level to 45%, which would be consistent with the MFTE code's requirement that very small dwelling units be affordable to those earning 45% AMI. This concern would be addressed by the proposed Option B discussed above. However, under the LUC and in contrast to the MFTE code, Affordable Housing units must be not only affordable to those earning 80% AMI but also *restricted* to individuals meeting the income qualifications, and the agreement to require affordable housing must remain for the life of the project. On the other hand, the MFTE code only requires units to be set at 45% AMI for 12 years.

Removing the minimum parking requirement in exchange for the unit meeting the definition of Affordable Housing in the LUC is an effective method of encouraging more income-restricted affordable housing units. Based on outreach completed for the LUCA, Seattle requires its equivalent of "very small dwelling units" to meet a 40% AMI level to qualify for MFTE; but developers report that the program in Seattle has not been well utilized for very small dwelling units, even in locations with no parking requirements. For each of these reasons, staff recommends that the current proposal utilizing the LUC definition of Affordable Housing be maintained to encourage the provision of affordable housing for the life of the structure.

3. Questions about open space provisions and open space access relative to where micro-apartments are encouraged by LUCA.

Response: The recommended LUCA will eliminate the multifamily play area requirement for micro-apartment units. The planning commission determined that this play area requirement is incompatible with micro-apartments as units tend to be occupied by single or married adults with no children residing in the unit. The recommended LUCA retains requirements for other open spaces, including public plazas,



landscaping, and setback requirements applicable in the various Land Use Districts.

Due to the smaller micro-apartment unit size, Council expressed a desire to ensure that micro-apartment residents have access to open spaces. To this end, staff analyzed areas within 1/3-mile walking distance of a park or trail access point and has found that almost all areas where micro-apartments are encouraged by the LUCA are proximate to public parks and trails. Figure 1 shows the areas where micro-apartments are encouraged by the LUCA, City parks and trails, and the 1/3-mile walking distance from the park or trail access points. Privately owned publicly accessible open spaces, such as urban plazas, are not included on the map. Additionally, open spaces provided on public school property are also not included on the map but provide additional open space areas. Based on the accessibility to City parks and trails shown in Figure 1, staff does not recommend adding other requirements for open space to the micro-apartments LUCA.

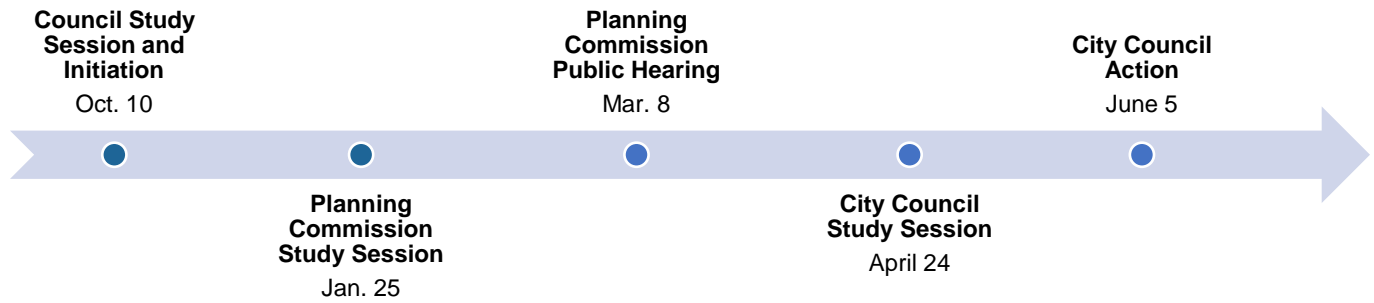
Public Engagement

Staff followed a public engagement plan with four modes of outreach and engagement to ensure the public, stakeholders, and interested parties had access to up-to-date project information and the opportunity 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 of the proposed LUCA January 12
 - Notice of Public Hearing and staff report with SEPA Determination of Non-Significance issued on February 16
 - Planning Commission public hearing on the proposed LUCA on March 8
2. Direct Engagement and Feedback: Interviews with developers, architects, and property managers familiar with micro-apartments.
3. Community Outreach:
 - Information on LUCA, contact information, webpage link, and study session date provided in the December 2022 Neighborhood Newsletter
 - Notice of community meeting in Weekly Permit Bulletin on January 12
 - Community Informational Session on January 19
4. Online Presence. City webpage to provide opportunities for the public to stay informed and to request additional information.

Review Process

The timeline identifies the review process for this LUCA.



POLICY & FISCAL IMPACTS

Policy Impact

The LUCA is consistent with the following policies included in the Affordable Housing Strategy and Comprehensive Plan:

- **AHS Action B-1.** Encourage micro-apartments around light rail stations through actions such as reduced parking requirements.
- **Comprehensive Plan Policy LU-3.** Promote a land use pattern and an integrated multimodal transportation system.
- **Comprehensive Plan Policy HO-11.** Encourage housing opportunities in mixed residential/commercial settings throughout the city.
- **Comprehensive Plan Policy HO-17.** Evaluate the housing cost and supply implications of proposed regulations and procedures.

Fiscal Impact

There is no fiscal impact associated with implementing these changes.

OPTIONS

1. Adopt Ordinance No. 6742 and direct staff to update provisions relating to “Very Small Dwelling Units” in Chapter 4.52 Multifamily Housing Property Tax Exemption of the Bellevue City Code.
2. Do not adopt the Ordinance and provide alternative direction to staff.

ATTACHMENTS

- A. LUCA Final Strike-Draft
Proposed Ordinance No. 6742

AVAILABLE IN COUNCIL LIBRARY

N/A