

August 7, 2017

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Ordinance amending the Land Use Code and Bellevue City Code relating to zoning, planning and land use, amending portions of Title 20 (the Bellevue Land Use Code) of the Bellevue City Code to advance the Eastgate/I-90 Land Use and Transportation Project, improve clarity and usability, ensure consistency with State Law, and correct inaccuracies and outdated footnotes, which includes the following amendments: adding the Office/Limited Business 2 (OLB 2), Neighborhood Mixed Use (NMU), and Eastgate Transit Oriented Development (EG-TOD) as new districts; adding OLB 2 and NMU to the general use charts in LUC 20.10.440; amending the permitted uses and footnotes in the general use charts; adopting dimensional standards for the OLB 2 and NMU Districts; amending the landscape standards in LUC 20.20.520 to include OLB 2 and NMU; amending the Transitional Area Design District, (Part 20.25B) to include OLB 2 and NMU; amending Part 20.25C to include design standards for OLB 2; amending the Community Retail Design District (Part 20.25I) to include design guidelines for the NMU District; adding a new Part 20.25P to Title 20 that includes use charts, dimensional requirements, street standards and design guidelines for the EG-TOD.

FISCAL IMPACT

Development Services conducts discretionary permit review pursuant to requirements adopted into the Land Use Code. Cost for this service is recovered through a combination of permit fees and a general fund subsidy. The LUCA will result in the application of design guidelines to areas of the Eastgate/I-90 Corridor that are currently not the subject of design review approval. However, the LUCA is not expected to result in any significant new permit review obligations for Development Services that would impact either the rates charged for permit review services or the general fund subsidy.

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POLICY CONSIDERATION

Should the City Council adopt the Eastgate LUCA as modified to respond to Council direction received during the July 24 Study Session. Two items have changed since Council last reviewed the LUCA:

Affordable Housing Ratio – A 2.5:1 ratio has been included in the modified Eastgate LUCA. Refer to Attachment B for a copy of the redline and strike draft language. The proposed clean copy of the Eastgate LUCA is also provided for Council reference. The ratio recommended by staff at 2.5:1 is intended to incent affordable housing production by the private sector in the 1.0 Floor Area Ratio exemption in the Neighborhood Mixed Use (NMU) and Eastgate Transit Oriented Development (TOD) zoning districts.

Shelter Amendments – In response to feedback regarding homeless shelter-related issues, references to the shelter topic have been removed from the Eastgate LUCA to support Council consideration of a citywide approach to homeless shelter permitting. Two Interim Official Controls are proposed for Council consideration following discussion of the Eastgate LUCA topic. The first Interim Official Control responds to stakeholder interests received by the City Council in creating a more transparent Land Use Code approach to permitting and regulating the shelter use. The second Interim Official Control prohibits safe injection sites from being established anywhere in the City.

Council is in a position to adopt the final ordinance for the Eastgate LUCA this evening. The desired outcome for this agenda item is to conclude discussion of the proposed LUCA and take final action. There is a separate agenda memo and request for action on the proposed areawide legislative rezoning ordinance.

BACKGROUND

Council has conducted six (6) study sessions to-date related to the Eastgate LUCA. During four of those study sessions (September 19, 2016; March 20, 2017; July 10, 2017; and July 24, 2017) Council reviewed the LUCA recommended by the Planning Commission. Council conducted the two other study sessions (November 8, 2016 and March 6, 2017) to consider short term transportation improvements in the Eastgate/I-90 Corridor area in response to citizen concerns about traffic congestion during the code amendment process.

Council has directed staff to make several modifications to the proposed land use code amendments since the first study session held September 19, 2016. Those changes include:

- Phasing for the development in the EG-TOD zoning district as a mechanism to mitigate for potential transportation impacts over time.
- A 1.0 FAR exemption (NMU, EG-TOD) to be used to incent affordable housing at a ratio of 2.5:1, and to exclude use of the citywide 15 percent housing bonus in these districts.
- Flexibility in the NMU zoning district for the ground floor non-residential use requirement.
- Flexibility in the NMU zoning district to allow for 'auto retail' use on properties previously zoned GC (General Commercial).
- Application of adopted Low Impact Development (LID) standards for the three (3) new zoning districts as follows:
 - Neighborhood Business (NB) LID standards would apply to NMU; and
 - Office Limited Business (OLB) LID standards would apply to EG-TOD and OLB-2.
- Correction of errata to clarify that hospital uses are not permitted in the NMU or OLB-2 land use districts.

Modifications made since the Council last reviewed the Eastgate LUCA on July 24 are explained in greater detail below. Topics include the 2.5:1 ratio proposed to incent affordable housing production by the private sector in the 1.0 Floor Area Ratio exemption in the Neighborhood Mixed Use (NMU) and Eastgate Transit Oriented Development (TOD) zoning districts, and removal of the 'shelter' related code language from the Eastgate LUCA.

A. Affordable Housing Ratio

The Planning Commission recommended that the NMU and EG-TOD zoning districts include a 1.0 FAR exemption to be used for affordable housing (July 27, 2016). The Affordable Housing Strategy

was in process at that time and not expected to conclude in time for the Planning Commission to consider how that FAR exemption should be used for affordable housing.

City Council adopted the Affordable Housing Strategy on June 5. Council directed staff not to require inclusionary zoning but rather to incent affordable housing production. Staff responded by proposing to Council that the 1.0 FAR exemption in the NMU and EG-TOD zoning districts be incented by permitting additional market rate housing units to be built in exchange for building affordable housing units in the 1.0 FAR exemption. The amount is expressed as a ratio. Staff initially proposed a ratio of 2:1; that is, for every one (1) affordable housing unit at 80 percent AMI (areawide median income) two (2) market rate units could be built. That was presented to Council on July 24th.

Council discussed multiple scenarios, and asked staff to return with some further information. The ratio proposed by staff would affect a zoning district citywide (NMU) and the economic variables used in review are based on more than just the specific economic variables of one potential development scenario or one property owner.

Staff drew assumptions based on work done by consultants, such as Berk and Heartland, knowledge from working with the Technical Advisory Committee for the Affordable Housing Strategy, and expertise from the City's housing staff, Council Members and experiences from surrounding cities. Those assumptions included: market rent, operating cost, capitalization rates and land costs.

Staff reviewed the ratios using two (2) different methods to calculate the value of the incentive; that is the ratio of benefit received by the developer to the cost for the affordable housing. Both methods concluded that the 2.5:1 ratio offers a developer positive economic benefit.

Neighborhood Mixed Use is intended to be used to re-energize flagging neighborhood commercial centers, with housing as a secondary consideration. The greater the incentive to build housing (such as increasing the market rate to affordable housing ratio), the greater the pressure to replace the neighborhood commercial centers with predominantly residential uses.

There is a potential to lose affordable housing by going to higher ratios. Council has set an ambitious goal to create 2,500 units of affordable housing in 10 years. The areas where higher densities can be supported to incent the private sector to build affordable housing are limited. Council can always recalibrate a ratio higher over time but it's very difficult to go lower.

On a different but related note, there is interest to incent deeper levels of affordability, such as building affordable housing at 60 percent or 70 percent AMI. The Multi-Family Tax Exemption (MFTE) is a mechanism to consider it. The MFTE will be evaluated as one of the first tasks coming out of the Affordable Housing Strategy. That work will be completed later this year and scheduled for Council discussion and action.

In conclusion, staff recommends that Council set the market rate to affordable housing ratio for the FAR exemption in the NMU and EG-TOD zoning districts at 2.5 to 1 at 80 percent AMI.

B. Regulations Relating to Homeless Shelter Uses and Safe Injection Sites

As part of the work on the City Council's priority to establish a permanent men's shelter on the Eastside, Congregations for the Homeless (CFH) is proposing a permanent men's shelter in the EG-TOD district on property owned by King County. This work is referred to as the "Eastside Men's Shelter and Supportive Housing Project". The proposal to site the Men's Shelter and Supportive Housing Project in Eastgate came after the Planning Commission had completed its recommendation on the Eastgate LUCA, but before Council adopted the Eastgate LUCA.

Stakeholder feedback on the Eastside Men's Shelter raised a number of concerns and requests for certainty around the impacts of such a use, operational procedures, and public involvement. That feedback had implications for the Eastgate LUCA, as well as citywide provisions regulating shelter uses. In order to address this stakeholder feedback and keep the Eastgate LUCA moving forward to completion, the homeless shelter-related issues have been removed from the Eastgate LUCA.

In the near term, homeless shelter-related issues will be addressed citywide through an Interim Official Control. The City Council is scheduled on August 7 to consider and take action on two Interim Official Controls that address:

- The permit process for homeless shelters and the Land Use Districts where a shelter may be permitted.
- A citywide prohibition on Community Health Engagement Locations ("CHELs"), also known as safe injection sites.

Adoption of these Interim Official Controls in the short term would maintain the status quo and create additional transparency regarding the regulation of homeless shelter-related uses, while allowing the time necessary to prepare a holistic citywide approach to permanent homeless shelter regulations. For additional information, refer to the separate materials in the August 7 agenda packet that address the homeless shelter and safe injection site topics.

C. Eastgate Land Use Code Amendments (Attachments A, B, C)

The Eastgate LUCA is presented in three (3) attachments:

- Attachment A is a rezoning map.
- Attachment B is a marked up version of the proposed code with tracked changes directed by Council plus errata corrected by Staff.
- A final clean copy of the proposed ordinance is also provided for Council reference.

Council is in a position in which the proposed ordinance for the Eastgate LUCA is ready for final action tonight. The proposed areawide legislative rezoning ordinance is contained in a separate memo also scheduled for this evening's regular Council meeting.

EFFECTIVE DATE

If approved, the ordinance becomes effective on August 17, 2017.

OPTIONS

1. Adopt the Ordinance amending the Land Use Code and Bellevue City Code relating to zoning, planning and land use, amending portions of Title 20 (the Bellevue Land Use Code) of the Bellevue City Code to advance the Eastgate/I-90 Land Use and Transportation Project, improve

clarity and usability, ensure consistency with State Law, and correct inaccuracies and outdated footnotes, which includes the following amendments: adding the Office/Limited Business 2 (OLB 2), Neighborhood Mixed Use (NMU), and Eastgate Transit Oriented Development (EG-TOD) as new districts; adding OLB 2 and NMU to the general use charts in LUC 20.10.440; amending the permitted uses and footnotes in the general use charts; adopting dimensional standards for the OLB 2 and NMU Districts; amending the landscape standards in LUC 20.20.520 to include OLB 2 and NMU; amending the Transitional Area Design District, (Part 20.25B) to include OLB 2 and NMU; amending Part 20.25C to include design standards for OLB 2; amending the Community Retail Design District (Part 20.25I) to include design guidelines for the NMU District; adding a new Part 20.25P to Title 20 that includes use charts, dimensional requirements, street standards and design guidelines for the EG-TOD.

2. Do not adopt the Ordinance and provide alternative direction.

RECOMMENDATION

Option 1

MOTION

Move to adopt Ordinance No. 6366 amending the Land Use Code and Bellevue City Code relating to zoning, planning and land use, amending portions of Title 20 (the Bellevue Land Use Code) of the Bellevue City Code to advance the Eastgate/I-90 Land Use and Transportation Project, improve clarity and usability, ensure consistency with State Law, and correct inaccuracies and outdated footnotes, which includes the following amendments: adding the Office/Limited Business 2 (OLB 2), Neighborhood Mixed Use (NMU), and Eastgate Transit Oriented Development (EG-TOD) as new districts; adding OLB 2 and NMU to the general use charts in LUC 20.10.440; amending the permitted uses and footnotes in the general use charts; adopting dimensional standards for the OLB 2 and NMU Districts; amending the landscape standards in LUC 20.20.520 to include OLB 2 and NMU; amending the Transitional Area Design District, (Part 20.25B) to include OLB 2 and NMU; amending Part 20.25C to include design standards for OLB 2; amending the Community Retail Design District (Part 20.25I) to include design guidelines for the NMU District; adding a new Part 20.25P to Title 20 that includes use charts, dimensional requirements, street standards and design guidelines for the EG-TOD.

ATTACHMENTS

- A. Rezoning map
- B. Tracked changes of the proposed code based on Council's direction and staff corrected errata
Proposed ordinance No. 6366

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

N/A