

CITY COUNCIL STUDY SESSION

Affordable Housing Tools Update

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DIRECTION NEEDED FROM COUNCIL**INFORMATION ONLY**

Information regarding inclusionary zoning for housing, and including commercial fee-in-lieu, for generating additional affordable housing. The intent is to build a common understanding of these affordable housing tools ahead of future Council consideration of individual planning efforts and code amendments, including “next right work” actions.

RECOMMENDATION

N/A

BACKGROUND & ANALYSIS**“Next Right Work”**

On July 5, Council received information on a list of 16 actions identified as potential “next right work” to increase affordable housing opportunities in the City. Council directed staff to move forward with three work items from the proposed list: remove barriers to micro-apartments; allow increased density or floor-area-ratio (FAR) for residential within the form/height limits; and reduce permit fees for affordable housing projects. Council also directed staff to do initial scoping for two items: encourage detached accessory dwelling units (DADUs), accessory dwelling units (ADUs), and duplex, triplex and fourplexes, including mechanism for separate ownership; and simplify the permitting process and expedite permitting for affordable housing projects. In addition, Council requested scoping for one other task not on the list, which was to conduct a capacity analysis to determine how to complete more “next right work” actions within the next 12 to 18 months, including the two additional actions named above. A commercial fee to go towards affordable housing was one of the items reviewed by Council on July 5 as part of the “next right work” but deferred for future discussion. This packet includes information on a commercial fee-in-lieu tool as it relates to incentive zoning.

Council initiated work on the first “next right work” item, to remove barriers for micro-apartments, on October 10. As additional “next right work” items are prepared for initiation over the next few months and as other planning and code amendment efforts are continuing to be processed, staff is taking the

opportunity to provide information about affordable housing tools to build a common understanding ahead of discussions for those individual work program tasks.

Affordable Housing Tools

The memo and staff presentation for this study session focus on inclusionary zoning for housing, including commercial fee-in-lieu, for generating additional affordable housing. These affordable housing tools are generating discussion, both pro and con, among local groups working on increasing Bellevue's housing stock, particularly housing affordable to people at a range of income levels. Also, the timing of whether and when to apply these affordable housing tools is critical, so a common understanding of how and when these tools can be applied is helpful. In addition to the information provided below, Attachment A provides examples of local affordable housing tools used by other cities. Attachment B outlines Bellevue's use of similar affordable housing tools. Attachment C is the timeline for the Comprehensive Plan Periodic Update and Wilburton Vision Implementation where housing affordability is an ongoing discussion point.

Inclusionary Zoning for Housing

Inclusionary zoning is a regulatory tool authorized by the Growth Management Act, RCW 36.70A.540 (GMA), that requires affordable housing units to be included within new residential development projects or requires payment for construction of such units elsewhere in the community. There are two types of inclusionary zoning: mandatory and voluntary. In addition to the inclusion of affordable housing units, inclusionary zoning may also include affordability level (often expressed as area median income or AMI), the duration for maintaining the affordable unit, and other provisions.

Per RCW 36.70A.540(3), the City may establish an affordable housing incentive zoning program in areas where the City is also increasing development capacity through "zoning changes, bonus densities, height and bulk increases, parking reductions, or other regulatory changes or other incentives." A mandatory inclusionary zoning program requires the construction of a minimum number of affordable housing units or fee-in-lieu payment for all development.

In contrast, a voluntary inclusionary zoning program uses incentives or bonuses to encourage developers to provide affordable housing units in their developments or to pay a fee-in-lieu of constructing units on site. The incentives or bonuses typically include additional height or bulk and/or additional density/Floor Area Ratio (FAR). For instance, a developer can choose to provide a certain amount of affordable housing units in exchange for receiving additional density to include in their project.

While Bellevue previously had a mandatory affordable housing system from 1991 to 1996, the City's current inclusionary zoning systems are now voluntary in nature. The City currently has voluntary inclusionary zoning programs in Downtown, BelRed, Eastgate, and East Main. These are included in the Land Use Code and are calibrated for each specific area. In addition, the City has a voluntary 15 percent density bonus available Citywide for the provision of affordable housing within a multifamily project, and a 50 percent density bonus for certain faith-based, non-profit, and public surplus properties that are built as 100 percent affordable housing projects.

The City also uses a voluntary Multifamily Housing Property Tax Exemption (MFTE) program that works along with the voluntary inclusionary zoning programs described above. The MFTE program provides a 12-year exemption from property taxes on the housing portion of qualifying projects in exchange for setting aside 20 percent of units for income-eligible households for a 12-year period. Per current City code, after the 12 years the MFTE affordable units may convert to charge market-rate rents.

Commercial Fee-in-Lieu

A commercial fee-in-lieu for affordable housing is an inclusionary zoning tool. This tool is applied to commercial development, including retail and office, where the developer chooses to make payment for construction of affordable housing units elsewhere in the community in exchange for receiving certain benefits, such as additional FAR or height/bulk. A commercial fee-in-lieu is part of an inclusionary zoning program; unlike the concept of a linkage fee, it is not aimed at addressing impacts caused by the development. In other words, a commercial fee-in-lieu is not a tax or impact fee.

The fee-in-lieu of providing affordable housing is calculated on a per square foot basis and calibrated through an economic analysis of market conditions, value of land, cost of development, the amount of additional capacity, and other factors. The fee is collected prior to final occupancy, and goes to a dedicated account for affordable housing.

The City has recently incorporated a commercial fee-in-lieu option for affordable housing in the East Main Transit Oriented Development Area. Projects within East Main may only exceed their base density/FAR or base building height by selecting from a list of amenities. For nonresidential buildings, a fee-in-lieu option is available to go towards affordable housing. The fee-in-lieu is currently \$30 per square foot of bonus building area.

POLICY & FISCAL IMPACTS

Policy Impact

The purpose of Bellevue's Affordable Housing Strategy is to improve affordable housing opportunities across the City. This is consistent with City Council Priorities, Comprehensive Plan Housing Policy, and the Economic Development Plan.

Fiscal Impact

This item is for information only and has no fiscal impact. The City Manager's Preliminary 2023-2024 Budget includes resources for continued work on affordable housing implementation.

OPTIONS

N/A

ATTACHMENTS

- A. Examples of Local Affordable Housing Tools
- B. Bellevue's Use of Similar Affordable Housing Tools
- C. Timeline: Comprehensive Plan Periodic Update + Wilburton Vision Implementation

AVAILABLE IN COUNCIL LIBRARY

N/A