



Bellevue Planning Commission

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PLANNING COMMISSION AGENDA ITEM

SUBJECT

Affordable Housing Strategy Overview

STAFF CONTACTS

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POLICY ISSUES

Staff will present an overview of the City's Affordable Housing Strategy in order to provide background information to inform upcoming conversations on topics that intersect with the Strategy, such as the ongoing Comprehensive Plan Periodic Update. No specific policy issues will be presented, allowing this informational session to describe the broader affordable housing framework that informs future policy issues that may be brought to the Commission.

DIRECTION NEEDED FROM THE PLANNING COMMISSION

ACTION

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DIRECTION

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INFORMATION ONLY

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No direction is requested at this time. Staff will present an overview of the history of the 2017 Affordable Housing Strategy, highlight several recent actions, and list upcoming work items on the topic.

BACKGROUND:

In recognition of the importance of planning for the needs of our diverse population, the City Council has focused an increased amount of staff effort on tackling the need for affordable housing in recent years. On June 5, 2017, the City Council adopted Resolution 9274, approving the City's Affordable Housing Strategy. This Strategy was created through more than a year of work with a consultant team, a technical advisory group (TAG), stakeholders, and the public. The purpose of the evaluation was to provide sufficient information to assess the relative effectiveness based on the following outputs for each action or group of actions:

- an estimate of affordable units produced or preserved;
- income level and identified need that could be served by those units;
- anticipated time frame for units to be available and for what length of time;
- rough order-of-magnitude cost to the city; and
- whether costs would be borne by public or private sector or both.

The final report includes a letter from the TAG, an introduction about the context of the project, and five sections that describe the Strategy itself, the housing need in Bellevue, existing housing programs in the City, a summary of the process for developing the strategy, and an approach for monitoring progress.

The Strategy itself consists of five interrelated strategies and a set of actions for each that are designed to address key aspects of this complex issue. These are listed in full in Attachment 1 and summarized here:

- A. **Help people stay in their affordable housing** through actions such as preserving existing affordable housing and promoting utility and tax relief for income-eligible residents.
- B. **Create a variety of housing choices** through actions such as encouraging micro-units near light rail stations and promoting universal design.
- C. **Create more affordable housing** through actions such as allowing increased housing density on faith-based, public surplus, and non-profit parcels (C-1) and offering zoning incentives for affordable housing in areas such as East Main and Wilburton.
- D. **Unlock housing supply by making it easier to build** through actions such as streamlining the process for building multifamily housing and changing the multifamily density calculation approach.
- E. **Prioritize state, county, and local funding for affordable housing** through actions such as increasing funding for affordable housing and partnering to create affordable housing.

The Strategy set a goal of achieving 2500 new affordable housing units through the above actions over a 10-year period. This goal was based on anticipated success in unit creation through these actions, not the housing need at the time.

Affordable Housing Units Achieved and Pipeline Projects

The following tables itemize the affordable housing units that have been added or are in the development pipeline since the adoption of the affordable housing strategy.

Affordable Units Added/Funded	Date	Units	Affordability (% AMI)		
			<30/Sec 8	31-60	61-80+
<i>LIV, Hyde Square- BelRed FAR</i>	Since 2015	89			
	2015-2016 subtotal	89			
<i>KCHA Highland Village, preservation</i>	2017Q2	76			76
<i>ADUs permitted 2017</i>	2017	12			12
<i>Park East, Downtown incentive</i>	2017Q4	1			1
	2017 subtotal	89			
<i>888 Bellevue Tower, MFTE</i>	2018Q1	8			8
<i>888 Bellevue Tower, Downtown incentive</i>	2018Q1	24			24
<i>Cerasa, MFTE</i>	2018Q3	31			31
<i>ADUs permitted 2018</i>	2018	13			13
	2018 subtotal	76			
<i>30Bellevue, direct subsidy</i>	2019Q2	62	40	22	
<i>KCHA Kendall Ridge, preservation</i>	2019Q3	240			240
<i>Brio, Downtown incentive</i>	2019Q4	20			20

<i>ADUs permitted 2019</i>	2019	8			8
	2019 subtotal	330			
<i>KCHA Hampton Greens, preservation</i>	2020Q1	326			326
<i>Eastgate Men's Shelter (100 beds), direct subsidy</i>	2020Q2	100	100		
<i>Inland Polaris at Eastgate, direct subsidy</i>	2020Q2	360		360	
<i>ADUs permitted 2020</i>	2020	10			10
	2020 subtotal	796			
<i>Illahee Apartments, preservation</i>	2021Q3	36	36		
<i>Plymouth Housing Group/Eastgate Permanent Supportive Housing, direct subsidy</i>	2021Q3	95	95		
<i>Mary's Place (98 rooms)</i>	2021 Q4	90	90		
<i>ADUs permitted 2021</i>		16			16
	2021 subtotal	237			
Units/beds since Affordable Housing Strategy		1,528	361	382	785
Total Units/beds including early BelRed FAR		1,617			874

Affordable Units Pipeline (unit # estimate)	Date	Units	Affordability (% AMI)		
			<30/Sec 8	31-60	61-80+
<i>Pipeline land use incentive units estimate for BelRed and Downtown</i>	2022+	~50			~50
<i>Pipeline MFTE units estimate</i>	2022+	~150			~150
<i>HB 1590 Funding (LifeWire HSH)</i>	2022	25	20	5	
<i>Eastgate single adult apartments</i>	2022+	~80	~80		
<i>OMFE TOD, including Council Spur property donation</i>	2023+	~250	~26	~112	~112
<i>130th Station TOD for affordable housing</i>	2023+	~150	~16	~67	~67
Pipeline Total		~705	~142	~184	~379

For Actions that have been implemented to date, performance has been consistent with the expected yield for preservation of existing affordable housing, direct subsidy, and land use incentives in BelRed and Downtown. Mid-2022 marks the midway point of the 10-year timespan of the Affordable Housing Strategy. At 1528 units/beds achieved, the City is on target to meet or exceed the original 2500 unit goal for the actions described in the 2017 Strategy.

Recent Affordable Housing Completed Actions

Throughout the last five years, the City has completed many of the actions within the Affordable Housing Strategy. The following examples have been pulled from work completed over the last year.

- The City has contributed to the Eastgate Master Development coordinated by Congregations for the Homeless (CFH). The Master Development is comprised of three projects; the Eastside men's shelter, permanent supportive housing, and workforce housing. Following previous contributions individually and through both a state legislative appropriation and the ARCH Trust Fund process, the City contributed an additional \$ 4.0 million dollars in 2021 towards the men's shelter (\$3.6 million) and permanent supportive housing (\$400,000).
- \$4 million was allocated to the King County Housing Authority for preservation of the 36-unit Illahee Apartments on July 19, 2021. This funding award advances City policy objectives, including: preservation of affordable housing; preventing displacement of existing residents; providing immediate housing opportunities for homeless families in the community; leveraging private philanthropic support; and creating permanently affordable housing that will serve very low-income residents well into the future.
- Several Land Use Code Amendments that were brought through the Planning Commission process were adopted in 2021, including those related to reduced minimum parking requirements near transit, unit lot subdivisions, and accessory dwelling unit three-year rule.
- The City adopted updated regulations for the MFTE program in July 2021. This program provides a property tax exemption in exchange for inclusionary affordability for a period of twelve years. Among other details, the update to the program expanded the eligible geographic area to the whole city, simplified the affordability requirements and raised them to 80 percent of the Area Median Income (AMI) to encourage additional participation, and introduced rent stabilization for tenants participating in the program.
- Two Request for Proposals (RFPs) were issued in 2021 for applications for uses of House Bill 1590 funds. Funding comes from the collection of a tenth of 1 percent sales and use tax authorized by the City Council in October 2020 for housing and related services, including mental/behavioral health services, in Bellevue. With House Bill 1590, the state Legislature allowed the tax collection. The two RFPs resulted in direction to distribute over \$3 million towards housing and related services.
- On December 6, 2021, the council adopted Ordinance 6626 to establish a density bonus and additional modifications to other standards and requirements for affordable housing developments on certain public, nonprofit, or religious organization-owned properties. Under the new code, eligible affordable housing development may receive a 50 percent density bonus. This has been referenced as the "C-1" initiative due to its connection to action C-1 in the Affordable Housing Strategy and was brought through the Planning Commission both through the earlier Comprehensive Plan Amendment and later Land Use Code Amendment process.

Upcoming Affordable Housing Actions

Staff are currently working on several initiatives to support the Affordable Housing Strategy and related issues. They include:

- Following adoption of the C-1 initiative, the Council directed staff to scope and prepare for initiation a second phase of work on a Comprehensive Plan Amendment and rezone for certain faith-owned properties. This phase will target faith-owned properties in single family land use districts with characteristics that could support additional housing beyond what will be possible with the new density bonus. These characteristics could include access to transit, location on an arterial street and adjacency to multifamily land use districts.
- The Council have identified a need to select upcoming actions for staff to implement. Some actions remain incomplete from the 2017 Strategy and may be considered (e.g. micro-units). In addition to these actions, staff presented to Council in October 2021 a list of actions that were suggested by the 2017 TAG but not ultimately included in the Strategy. Council will direct staff at a future meeting regarding the next actions to prioritize.
- The City periodically assesses the current stock of housing and how it relates to various affordability levels across the city's residents and potential residents. The last Housing Needs Assessment occurred in 2016 in order to inform the 2017 Affordable Housing Strategy. As the city ramps up the 2024 Periodic Update to the Comprehensive Plan, an updated Housing Needs Assessment will be essential to shape its overall housing strategy and growth management approach. This housing needs assessment will take place over the coming months, with results to be presented to the Planning Commission over the Summer.
- Staff recently provided an overview of the Comprehensive Plan Periodic Update to the Planning Commission. This effort was initiated by Council on February 28 and will result in updates to the Comprehensive Plan to be adopted by 2024. The Housing Element is one of the areas of focus, with Countywide requirements around housing targets, affordability distribution and types across the City, and other key areas related to the affordability of housing.

Bellevue Housing Need

While the City's housing need will be identified in detail in the upcoming Housing Needs Assessment, staff have included data here regarding the need identified in the last assessment as well as that which has been collected since. This data reflects the residents of Bellevue today, but the upcoming Housing Needs Assessment will also delve into the needs of those who work in Bellevue today and in the future but do not yet live in the City.

Over 16,000 Bellevue households were cost-burdened or severely cost-burdened by their housing costs between 2013 and 2017, meaning that they spend more than 30 percent of their income on housing. This distribution is outlined in Attachment 2 alongside the definitions of Area Median Income (AMI) for each household type.

Attachment 3 lists some of the professions that often fall into each of these AMI brackets. The highest percentage of cost-burdened households falls within the 31-50 percent AMI bracket, while the 50-80 percent AMI bracket holds the next largest percentage of cost-burdened households. Many non-profit partnerships target the 31-50 percent AMI households, while City code incentives such as density bonuses target the 50-80 percent AMI households.

To put the concept of AMI in context, staff have added information regarding the existing housing supply. For those looking to purchase a home in Bellevue, the average value of a home (condo or single-family, removing outlying prices) sold in Bellevue today is over \$1.4 million. For those in Bellevue's rental market, units less than ten years old in larger multifamily buildings are affordable for households

between around 100 percent AMI and 140 percent AMI on average, depending on unit size, location, and project specifics. This reflects a recovery in the rental market since the COVID-19-induced depression in the rental market, with a low in the fourth quarter of 2020. Today's rental costs have since increased and are around 20 percent higher than a year ago, well surpassing pre-pandemic rents. This rapid increase in rental prices, combined with the impacts of the pandemic, has increased the demand for existing affordable housing across the City.

Missing Middle Housing Need

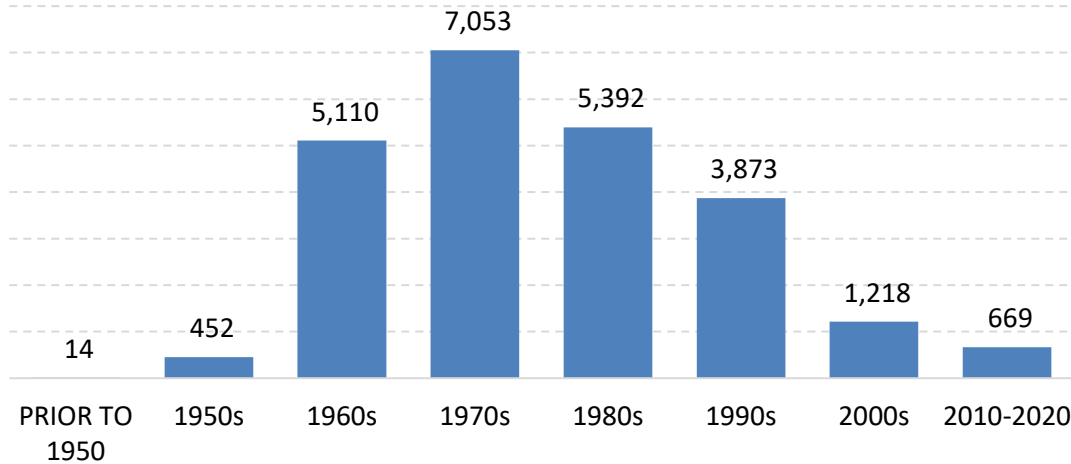
Housing needs across the City are often defined as number of units at each affordability level, but it is also important to consider the types and sizes of units that are needed and where those are available across the City. Attachment 4 highlights many infographics used by the City, including several that relate to the types of housing available today and how those have changed over time. In particular, the two charts in the middle of the page describe the sizes of housing units that have been built in single family and multifamily areas in each of the last eight decades and before within Bellevue.

Single family home development today generally does not add new housing units but instead replaces older ones, resulting in little to no increase in the number of family-sized housing units being added to Bellevue's housing stock. The multifamily development of the last several decades has steadily decreased in unit size, with far more studio and one-bedroom units being constructed than larger units. This means that the housing unit growth of the last several decades has primarily been in smaller units. Existing older homes are often larger but are not growing in number. This has left a gap between the larger homes both old and new and the newer studios and one-bedroom units being constructed today.

This "missing middle" housing is a phenomenon seen across the country, as housing trends have shifted from a more diverse set of typologies found in mid-century America to the more limited set commonly permitted today. Unit types that are denser than single family housing but not as dense as our mixed-use nodes of four or more stories have not been commonly built in recent decades and often restricted by local zoning regulations. These homes appeal to those who either cannot afford or do not need a larger single-family house but desire more than one bedroom and a smaller scale of development around their home than many denser areas may offer. They are generally found in walkable and transit-accessible areas and allow a compromise between urban and suburban living, with both access to urban amenities and a less dense "neighborhood feel." These types of units offer options for people throughout their lives, from a family with children just starting out to an empty-nester couple looking to downsize while staying in their neighborhood.

Bellevue has many older housing developments of this scale that are often naturally more affordable due to both their age and their increased efficiency over less dense typologies. These are typically located along arterials across the City and are mostly two- to three-story small scale apartment buildings. The construction trends of missing middle housing in Bellevue are shown in the decade built chart below. These constitute about a third of the City's total housing stock but are decreasing in percentage each year as other typologies have become more common.

MISSING MIDDLE HOUSING BY DECADE BUILT



Very few recent developments fill this need, though there are several townhome developments that fall within the missing middle category. Many cities across the Country have identified typologies that could meet this need gap. These sometimes include accessory dwelling units but generally range in scale from multiplexes through cottage style housing, duplexes and townhomes up to small apartment buildings like those mentioned above as common across Bellevue's earlier growth. These housing types provide options for families that are often difficult to find in today's market. Their smaller size and more efficient use of property generally mean they are more affordable than the single family alternative for households needing multiple bedrooms.

Bellevue is growing and needs a variety of housing options for new residents. The City can no longer expand outward, so additional housing will generally only be achieved by replacing existing buildings. In order to plan for growth, this means providing alternatives to the limited single family home selection for households with children, multiple generations, or other needs that vary across Bellevue's diverse population. This will be an important piece of the Comprehensive Plan Periodic Update and a key consideration for upcoming work on housing affordability.

Next Steps

Tonight's session will provide an overview of the Affordable Housing Strategy. This information will help inform the Commission's discussions on future efforts, particularly the Comprehensive Plan Periodic Update and upcoming actions from the Affordable Housing Strategy.

ATTACHMENTS

- A. Affordable Housing Strategies and Actions at a Glance
- B. Affordable Housing Need, Affordable Income and Rent
- C. Affordable Housing Need, AMI Levels by Profession
- D. Missing Middle Infographic