

Bellevue Housing and Affordable Housing Strategies

Consultant Report to Staff and City Council

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Background

In 2017, the City Council adopted a strategy to create 2500 new affordable units over 10 years. While this number has been achieved in half that time, there is increased concern over the challenges of affordability in Bellevue for lower income (0-60% AMI) residents, for moderate income residents and even for upper middle-class families who are far from being able to afford the median home price of \$1.3M.

SkipStone was hired to do a quick engagement to highlight housing strategies that are can be effective at addressing this challenge and creating new affordable housing (0-60% AMI, workforce housing (60-140% AMI) and market rate housing, all of which have a role to play in addressing the affordability challenges that the City is facing.

Using the staff's list of "Next Right Work" as a starting point, the engagement looked at a broad range of strategies that have been most effective in other jurisdictions at growing the housing stock at different price points, and then sought community input on overall priorities and specific strategies.

This report aims to inform the City's decision-making in advancing "The Next Right Work" and other key strategies that are best implemented through the upcoming Comprehensive Plan Amendment and rezone work (Wilburton, Bel-Red, etc) and process changes.

Process and Outreach

In March 2022, the City hired SkipStone, a consultancy with deep experience working on housing with municipalities and transit, experience developing workforce and affordable housing and market rate housing, and a widely published expert on housing strategies. SkipStone worked with staff to develop an outreach plan which included two information gathering tools:



- A list of best practices for growing housing and affordable housing in urban areas, with a mechanism for participants to rate these strategies and comment on them (see attachments for supporting research on best practices).
- A worksheet that was used in workshops to ask open ended questions on existing housing challenges, priorities for increasing housing and affordable housing, and high-level policy direction.

By combining these two tools, SkipStone and staff were able to reach a wide variety of groups (with varying levels of policy expertise) and get both high-level input, personal stories and anecdotes and detailed policy suggestions from more technical participants.

Staff also sought Council feedback on key considerations in the analysis at the City Council meeting on Monday April 11th, 2022, and this also helped shape the evaluation of stakeholder feedback. Key considerations from Council included:

- Geographic distribution/expanded typologies
- Focus on both rental and ownership
- Expected unit production
- Affordability/AMI level
- Span of use, i.e. providing housing for people throughout life stages
- Speed of entitlement and construction
- Ability to attract capital and scale up
- Equity outcomes
- Opportunities for partnerships, including opportunity costs related to projects that are less likely to happen without government or nonprofit involvement
- Sustainability considerations (green building and on-site sustainability features/provisions have been mentioned)
- Needed code/policy work
- What other cities are doing and the effectiveness of those efforts

In late April and May 2022, staff convened several stakeholder workshops with the following groups:

- A Regional Coalition for Housing (ARCH)
- Eastside Housing Coalition
- Neighborhood Leaders
- People with lived experience of housing insecurity
- Bellevue Downtown Association (BDA)
- Bellevue Chamber of Commerce



- Master Builders Association of King and Snohomish Counties (MBAKS)

After collecting this input, we realized that some groups were still underrepresented, including:

- Market rate renters,
- Homeowners who were not city identified neighborhood leaders, and
- Renters of affordable housing

To have more representative input, we conducted four more workshops to reach out to these groups in late May 2022.

One group, the “Neighborhood Leaders” (with whom SkipStone and staff did a two-hour workshop) did express concerns that the outreach process was not long enough and didn’t have enough touchpoints. Staff and the consultant did make sure that the Neighborhood Leaders knew that this was an effort at high level prioritization using a variety of input mechanisms, and that further outreach would be conducted on any strategies that advanced to further policy or legislative work.

During the outreach period, staff and the consultant also received verbal and written input, which was included in the evaluation process.

Evaluation and Analysis

Several strategies were used to integrate and incorporate feedback received from all these sources:

- All qualitative worksheets and emails and notes from phone interviews were read over with notetaking.
- Open ended questions and emails were evaluated for common themes, including using Natural Language Processing to find common themes.
- In several cases, participants were contacted for additional clarity/input on specific recommendations or concerns.
- The worksheet of detailed policy solutions was evaluated to understand areas of where there was high-level consensus (or conversely polarization) around certain strategies, and whether the consensus was one of liking the strategy or disliking the strategy.
- The strategies that rose to the top had the following characteristics:
 - They had a high degree of support from a majority of stakeholders,
 - They were often cited in response to open ended questions,
 - There was a relatively high degree of consensus around them (limited polarization),
 - They had the potential to be highly impactful (based on experience in other jurisdictions and analysis of effectiveness done by third parties),
 - They showed high alignment with the “considerations” provided by council.



General Findings about Existing Challenges

There was a high degree of consensus on the severity of the challenge facing Bellevue relative to housing: Virtually all participants (except the “Neighborhood Leader” homeowners) rated the housing availability and affordability problem as “severe” or “very severe”. Among the Neighborhood Leaders the distribution was evenly spread between scores of 3 (“moderate”) and 7 (“very severe”) for both availability and affordability.

There was also a large amount of input about the human and environmental consequences of the shortage of housing and affordable housing. Here are a few oft-repeated themes:

- The environmental consequences of long commutes,
- The impact on families of long commutes,
- The interdependence between housing and childcare and the ability of women to remain in the workforce, and
- The impact of operational regulations and standard practices on the rental housing process which create challenges for renters and mom-and-pop landlords.

There was strong support overall for additional density around transit *and* infill within single family neighborhoods (duplex, quad-plex, ADU), with a consensus for adding about 75% of new capacity near transit (10-minute walkshed)¹. This balance is reflected in the detailed recommendations below. There was also strong support for administrative flexibility (or ability to say “yes” where something is not specifically proscribed) on things like setbacks and other design guidelines, especially where such flexibility is consistent with overall objectives for housing production and affordable housing production. There was also repeated comments about a sense of fear or caution about housing production on the part of the City, including the following illustrative examples:

- *“There is a fear-based culture around housing production”,* and
- *“Don’t treat housing development like it’s a problem that needs to be fended off”*

Finally, there were two big picture comments whose spirit was repeated innumerable times and that provide good guidance for the overall thinking on this work:

- *“The “missing middle” needs to be part of the overall housing plan”,* and
- *“To get more housing, you need to prioritize housing over other things”*

¹ Note that the area inside a ¼ mile circle is approximately 0.2 mi², while the area inside a ½ mile circle is approximately 0.8 mi², or 4 times larger. So rezones around fixed rail transit stations are typically done at least at a scale of at least a 10 minute walkshed (1/2 mile radius) in order to maximize the value of the transit investment



Specific Findings about Recommendations for Next Right Work and other work

The top strategies are listed here in memo format. Please see the chart on the following page for a more concise representation that cross-references the top strategies with the Council “considerations”.

In the list below, strategies that generate City funds for subsidized affordable housing are listed in green, and strategies that use these funds to generate subsidized affordable housing are listed in orange. The “∞” symbol indicates strategies that are TOD oriented, and the “⊗” indicates strategies for single family zones.

1. Increase the Affordable Housing Density Bonus (and make it so that *housing* is the priority way to “buy up”). This could be FAR based, or height based. Consider allowing this for fee in lieu as well as a way to generate funds for non-profits.
2. Housing Levy
3. Encourage townhouse/Rowhouse development ⊗
4. DADUs, ADUs and Duplex, Triplex, Quadplexes, including mechanism for separate ownership ⊗
5. Micro-apartments ∞
6. Allow higher FAR (or unlimited FAR or DU per acre) for residential within the form/height limits to incentivize residential ∞∞
7. Eliminate Parking Requirements for residential development (*note that this doesn't mean eliminating parking, but rather moving a demand-responsive model based on lender requirements*)
8. Increase ease of rezones through broader comp plan designations and create a process for contract rezones for projects that provide additional housing benefits² ∞
9. Simplify the Land Use Code
10. Simplify the permitting process and expedite permitting with specific time goals for processing
11. Commercial Linkage Fees
12. Expand home-ownership assistance programs
13. Increase the stock of not-for profit housing
14. Reduce permitting fees for affordable housing projects
15. Complete Planned Action SEPA review for up-zoned areas that allow for SEPA exemptions for projects up to 250 units ∞
16. Include large areas of 90-foot zoning (with a similar fire code to Seattle for 5-over-3 construction) ∞

² This is a great example of a “Public Private Partnership” for which there was also general support.



Note that in the (last column) these strategies were classified into different workplan “buckets” based on internal workflow considerations: the ones most appropriate for the “Next Right Work” are labelled in yellow. Others are more efficient to implement as part of upcoming rezone and Comprehensive Plan work and these are noted as well. Many of these strategies reflect inter-related work and/or priorities, and this report does not recommend partial implementation of any one strategy.





This short list is based on: stakeholder feedback about priorities, level of consensus, impact on affordable housing production and overall housing production, and needed code and policy work	Geographic distribution	Rental AND ownership	AMI level	Speed of entitlement and construction	Ability to attract capital and scale up	Equity Outcomes <i>(see attached summary table for explanations and references)</i>	Sustainability Outcomes <i>(see attached summary table for explanations and references)</i>	Mechanism to Implement
1. Increase the Affordable Housing Density Bonus (and make it so that housing is the priority way to “buy up”). • This could be FAR or height based (to make it compatible with strategy 6) • Consider allowing this for fee in lieu as well as a way to generate funds for non-profits.	TOD	Primarily rental	60-80% AMI		★	★	★	Wilburton (Q2-Q3 2024) and Bel-Red zoning (Q2-3 2024), could also increase downtown as NRW (extra 1FAR exemption with SEPA)
2. Enact a Housing Levy	all	Primarily rental	0-60% AMI			★		NRW
3. Encourage townhouse/rowhouse development	Transitional zones	ownership	100-200% AMI	★	★	★	★	COMP PLAN + possibly parts of Wilburton rezone and Bel-Red
4. Encourage DADUS, ADUS and Duplex, Triplex, Quad-plexes, including mechanism for separate ownership	SF zones	ownership	100-200% AMI	★	★	★	★	NRW (needs Comp Plan to be finalized)
5. Remove barriers to micro-apartments	TOD	rental	< 100% AMI			★	★	NRW
6. Allow higher FAR (or unlimited FAR or DU per acre) for residential within the form/height limits to incentivize residential over commercial	Within ½ mile of transit	Primarily rental	All AMIs		★			COMP PLAN and Wilburton and Bel-Red and NRW: Downtown MU, DU per acre limits
7. Eliminate Minimum Parking Requirements for residential development <i>(note that this doesn't mean eliminating parking, but rather moving a demand-responsive model based on lender requirements)</i>	all	all	All AMIs	★	★	★	★	NRW
8. Increase ease of rezones through broader comp plan designations and create a process for contract rezones for projects that provide additional housing benefits	all	Primarily rental	< 80% AMI	★	★	★	★	COMP PLAN → explain why this creates capacity/ responsiveness
9. Simplify the Land Use Code	all	all	All AMIs	★	★	★		Use this as a “lens” for other work.
10. Simplify the permitting process and expedite permitting with specific time goals for processing	all	all	All AMIs	★	★	★		NRW: Streamline permitting process ADR for housing, simplify the design guidelines and create flexibility to meet most but not all of them, several requests to process permits in parallel for lower density developments,
11. Implement commercial linkage fees (in exchange for larger floor plates)	all	Primarily rental	0-60% AMI			★		NRW
12. Expand home ownership assistance programs	All but primarily SF	ownership	80%-140% AMI			★		Tied to getting funds through levy or Com link fee or in lieu fees
13. Increase the stock of rent-restricted affordable housing	All, but primarily TOD	Rental	0-80% AMI			★	★	Tied to getting funds through levy or Com link fee or in lieu fees, or incentive systems
14. Reduce Permitting fees for affordable housing projects	all	Primarily rental	0-80% AMI			★		NRW (same bucket as 10)
15. Complete planned actions for upzones that allow for SEPA exemptions for projects up to 250 units	All/TOD	all	All AMIs	★	★	★	★	Consider as part of future rezones. Needs to be implemented as rezones being considered
16. Expand areas with zoning at 90' (not just high rise) in station areas, to allow for wood frame construction which lends itself to 80-140% AMI affordability even without subsidy	TOD	rental	80-140% AMI		★	★	★	Wilburton, edges of Downtown, Bel-Red and other re-zones

A Note on Mandatory Housing Affordability

One strategy that we considered that did not make this list is Mandatory Housing Affordability. It rated poorly in our stakeholder outreach as it got a modest average score, and a low degree of consensus (high polarization from respondents). The level of effort to implement is also very high (as illustrated by Seattle’s experience) as it needs to be tailored to every zoning area and type.

The only reason to consider it at this time (rather than recommendations that have more support and more consensus) is that for this mechanism to be legal under Washington State Law, it needs to be coupled with a rezone that confers some additional benefits to landowners so that it does not constitute a “taking”. (This also helps explain why detailed calibration needs to be done in each area where it is implemented.)

While this tool has been effective at creating affordable housing, there are also many instances (Portland and San Francisco) where the requirements of an MHA-type program have caused all housing production to grind to a trickle. In these cases where MHA puts the brakes on market production, it therefore produces no affordable units either. This is a significant risk that cannot be understated. Doing MHA right is an unfathomable amount of work, maybe more than most of the other 16 recommendations put together.

A better (and less difficult and less risky) option is to aggressively implement strategy #1 (incentive zoning with a performance requirement), which is related to incentive zoning. If this is implemented so that the density bonus for providing affordable housing is very powerful, then there is a strong incentive to build affordable housing as the primary way to get more height. If this strategy is tiered (e.g., low base, some affordable housing to get to the next tier, more affordable housing to get to the next tier, etc.), the market is incented to build the affordable up to a point where the project still pencils overall—and this happens without the risk that the spigot on production gets turned off completely. In other words, a strong incentive zoning program can be designed to be feasible under a variety of market conditions, without incurring most of the risks of MHA. This self-regulating characteristic will likely be especially important in the coming years with the onset of increased construction costs, overall inflation, an unstable lending environment and other types of increased market volatility.

Policy Framework and Impact

The strategies described in the table above represent a commitment to reviewing land use and process practices that are part of a legacy of exclusionary zoning in American cities, and that have contributed to skyrocketing housing prices over the past 30 years as the country has urbanized in major job



centers. This housing price growth has had winners and losers, generally concentrating wealth in the hands of older, whiter, and wealthier people who owned homes in the 1990s or who have earned high enough wages to acquire them in the past 30 years. Since for most American families, the major holding of wealth is in their home, rising house prices and housing scarcity have also tended to prevent lower income people, people of color and households headed by women from experiencing the wealth effects of home ownership.

Where home ownership opportunities have existed for middle class families, they have been moving farther out geographically (“drive until you qualify”), leading to time-burdens on middle income people, which deprive them of time with family, opportunities to cook healthy meals, and time for exercise and sleep.

Others who cannot buy at all because they cannot save enough for a down payment have become renters by necessity, and there is now widespread documentation of how rising rents are displacing renters from their community connections, and also pushing lower income people toward longer commutes. Longer-term, high rents further reduce their ability to become owners and build their own wealth and security.

Communities where housing prices have risen the most (like Bellevue) often face an outreach challenge in that the voices of the displaced are *no longer part of the community or the outreach*. In reaching out to “residents”, we inherently do not include people who can no longer afford to be residents, or people who would like to be residents but cannot afford to. This was borne out in the outreach for this project where additional efforts had to be made to find renters, people of color, recent first-time homebuyers, and younger people. This reflects an underlying challenge related to racial equity, gender equity and inter-generational equity.

Our region is undertaking an unprecedented commitment to grow mobility through transit investments and increase access to opportunity for people living across the region. With this comes a moral imperative to make the land around transit stations “work harder” to achieve community and civic goals related to adequate and equitable shelter and access to employment opportunities. In addition, there is an environmental imperative to leverage the considerable investments in fixed rail transit to reduce automobile travel and offset the emissions of building the system. The way to do this is by putting more transit-oriented development nearby, in close in mixed-use communities like Bellevue, where local trips can be done on foot, and regional trips have easy access to fast and reliable transit. At a city level (and particularly for a city benefitting from six light rail stations) this comes with a requirement to unloose the barriers to housing production of all types and affordability levels around



these mobility systems. This analysis related to housing strategies and the “Next Right Work” is a first step in identifying the highest leverage opportunities.

Fiscal Impact

The fiscal impact of these strategies will need to be evaluated as each of them is calibrated, codified, and implemented. However, it is worth noting that the list provided in this memo is a balanced list that includes sources and uses of funds for subsidized housing, and that additional development and zoning will lead to increased property tax revenue. Furthermore, compact patterns of development (such as infill in a close-in City like Bellevue) tend to have a lower cost to service than dispersed development patterns, leading to a better fiscal balance overall.

Conclusions

The recommendations in the blue table on page 7 are proven strategies used successfully in other cities to boost affordable housing and overall housing production. Both are necessary to solving the housing crisis, since housing at different price points is a substitute for other housing: if you make 200% AMI, there is no guarantee that you will rent an expensive market rate unit, and so this creates additional competition for reasonably priced units. This could be solved if government subsidized all the units that the market couldn't provide, and verified income on all of them, but there isn't enough money in all our wildest budgets to meet that need, with the development cost of each apartment unit now pushing \$500K.

These strategies increase the production of rent-restricted affordable units, and also of market rate units so that the whole continuum is addressed, and there is a chance of making a real dent in the problem.

Note that they are most effective cumulatively, so finding ways to do more of them will have more impact. Some strategies were not classified in the “Next Right Work” administrative bucket, because of staff feedback that they are a better fit/more synergistic with other areas of the upcoming work program (Comp Plan and Rezones, Strategies # 1, 3, 6, 8, 9, 12, 13, 15, 16). It will be important to not lose sight of those and integrate them into the appropriate work package as that work gets defined. This will be important to stakeholders who provided input into this process, and to achieving housing outcomes that support the City's equity, sustainability, and livability goals.

