

CITY COUNCIL STUDY SESSION

Affordable Housing Strategy Implementation Update

Emil A. King, AICP, Planning Director, 452-7223
Linda Abe, Affordable Housing Manager, 452-4853
Community Development Department

DIRECTION NEEDED FROM COUNCIL**INFORMATION
ONLY**

No action is required. This is an informational briefing on the progress of the Affordable Housing Strategy, including units achieved, effectiveness of programs, and implementation of actions including the “Next Right Work”. This progress report occurs twice per year.

RECOMMENDATION

N/A

BACKGROUND & ANALYSIS**Affordable Housing Strategy Implementation**

This is Council’s seventh biannual progress report on the Affordable Housing Strategy since its adoption in June 2017. Going into five years of implementation, significant progress has been made towards the strategy’s target of achieving 2,500 units over 10 years.

A total of 1,972 affordable housing units and 100 shelter beds have been funded or built since adoption of the Affordable Housing Strategy.

- Pipeline affordable housing (estimated at around 806 units) includes affordable units on public land in BelRed at the Sound Transit Operations and Maintenance Base Transit-Oriented Development site and 130th Avenue Station, planned affordable units in Eastgate, pipeline affordable units using the City’s Multifamily Tax Exemption (MFTE) program, and use of the Downtown and BelRed land use incentive programs.
- Affordable units/beds achieved to date (2,161 units) plus current pipeline (806 units) indicates that the 10-year goal of 2,500 units will be achieved within the next five years.

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			
2015-16 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>Pinewood Village, preservation</i>	2020	108			108
<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		904			
<i>Illahee Apartments, preservation</i>	2021Q3	36	36		
<i>Mary's Place (90 rooms)</i>	2021 Q4	90	90		
<i>KCHA Carrington Apartments, preservation</i>	2021 Q4	108			108
<i>Surrey Downs, preservation</i>	2021	122			122
<i>Sandpiper East, preservation</i>	2021	224			224
<i>Borgata, preservation</i>	2021	17			17
<i>Aventine, preservation</i>	2021	35			35
<i>ADUs permitted 2021</i>		16			16
2021 subtotal		648			
<i>LifeWire HSP, preservation</i>	2022	25	20	5	
2022 subtotal		25			
Units/beds since Affordable Housing Strategy		2,072	286	387	1,399
Total Units/beds including early BelRed FAR		2,161			

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+	~92			~92
<i>Pipeline MFTE units estimate</i>	2022+	~147			~147
<i>Eastgate Housing (Eastgate PSH)</i>	2022+	~92	~92		
<i>OMFE TOD, including Council Spur property donation</i>	2023+	~233		~183	~50
<i>130th Station TOD for affordable housing, including Kelly Site (partly MFTE)</i>	2028+	~242		~155	~87
Pipeline Total		~806	~92	~338	~376

Effectiveness of Programs

A comparison of the housing achieved (as shown above) to the expected yield in the City's Affordable Housing Strategy is found in Attachment A. 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. These actions have resulted in the preservation of 1,317 units and 696 new units/beds added to the affordable housing supply since 2017.

Implementation of Actions

Affordable Housing Strategies and Actions at a Glance (Attachment B) lists the five interrelated strategies and 21 actions of the Affordable Housing Strategy.

Work that was completed since the last biannual update in April and other noteworthy actions include the following:

- On July 25 Council adopted permanent legislation to respond to recent amendments in RCW 35A.21.430 to allow Permanent Supportive Housing and Transitional Housing in all Land Use Districts where residential dwellings and hotels/motels are allowed, and to allow Emergency Housing and Emergency Shelter in all Land Use Districts where hotels/motels are allowed.
- Staff is moving forward with the implementation of Bellevue's Housing Stability Program (HSP) consistent with the framework approved by Council on July 5. ARCH and staff held several pre-application meetings in August with affordable housing and behavioral health providers interested in applying for available HSP funding. Staff will be reviewing HSP applications for both capital and supportive services for 2023 funding in mid-September.
- Staff continued outreach to projects eligible for the MFTE program. The most recent tally showed 147 affordable MFTE units currently in the pipeline in addition to 43 units in the pipeline utilizing both MFTE and other incentives. Additional applicants of potential projects, totaling nearly 300 affordable units, expressed plans to utilize the MFTE program. These pipeline figures and conversations indicated extensive use of the new MFTE code amendments adopted in July 2021 in alignment with staff's expected program utilization.

Staff are also continuing work on the following ongoing projects:

- Staff are working in partnership to develop affordable housing on suitable public lands in proximity to transit hubs (OMFE transit-oriented development, 130th Station). Amazon recently announced a financial partnership at the OMFE site to create 235 units of affordable housing. The new apartments, funded through \$42.5 million in low-rate loans and grants from Amazon, are targeting residents who earn 30-80 percent area median income and construction is anticipated to occur in 2024.
- The City Council will consider the Affordable Housing Strategy Action C-1, Phase 2, Comprehensive Plan Amendment (CPA) this November, which proposes map and policy amendments for properties owned or controlled by religious organizations meeting certain criteria (e.g., near arterials with frequent transit service and in close proximity to existing multifamily or commercial land use districts). The Land Use Code amendment (LUCA) process will follow and is anticipated to be before Council during the first half of 2023.
- In August, staff fielded interest from two religious organizations exploring the potential of adding affordable housing to their properties. The City currently allows up to a 50 percent density bonus for affordable housing developments on qualifying religious organization-owned properties.
- Staff are finalizing a community engagement guide for supportive housing developers to use. This is based on the supportive housing best practices work in 2021.
- The City has started work on updates to the City's Housing Needs Assessment, which was last updated in 2016 and was a key input to the 2017 Affordable Housing Strategy. The updated Housing Needs Assessment will provide a more current representation of the housing need within the City, assist with future affordable housing actions, and inform the scope for the update of the City's Land Use and Housing Elements as part of the Comprehensive Plan Periodic Update (CPPU). This needs assessment will work hand in hand with the anticipated affordable housing targets from King County, allowing staff to have a more detailed understanding of Bellevue's individual needs now and looking into the future. This work will also inform future Council discussions about whether to increase targets for the Affordable Housing Strategy.
- Bellevue's CPPU is currently underway, including work to implement the Wilburton Vision. The City is exploring expanding housing typologies to increase housing throughout Bellevue consistent with the housing targets ratified by Council through Resolution 10080 and in order to meet the needs of households across all income bands and life stages. This and other projects targeting quick action on affordable housing are working to provide deeply affordable housing, micro-units for students/single adults, more mid-sized options for families just starting out or for seniors looking to downsize while staying in their community.
- The City continues to pursue funding partnerships with employers, financial institutions, foundations, and others.
- Per Council direction from the July 5 meeting on the Next Right Work, staff are readying to launch the selected actions prior to the end of 2022 to supplement ongoing housing and planning work. These include:

- Removing barriers to micro-apartments;
- Allowing higher floor-area-ratio (FAR) for residential (or unlimited FAR or dwelling units per acre) within form/height limits; and
- Reducing permit fees for affordable housing projects.

Consistent with Council direction, the City is also analyzing the following: (1) ways to streamline the permit process and expedite permitting for affordable housing projects; (2) ways to allow detached accessory dwelling units (DADUs), attached accessory dwelling units (ADUs), and duplexes, triplexes and quadplexes, with a mechanism for separate ownership; and (3) a “capacity analysis” to examine how additional actions on the Affordable Housing Next Right Work list, including the scoping items above could be accomplished during the next 12-18 month period.

- Council deferred action on other recommended Next Right Work actions, including commercial linkage fees or commercial fee-in-lieu. However, this type of fee, along with mandatory inclusionary zoning and an incentive-based system (e.g., BelRed), will need to be considered in the context of the Wilburton Vision and the CPPU.

Progress on actions that have been implemented or launched to date are described below. Many of the original actions outlined in the 2017 Affordable Housing Strategy have been either partially or fully completed. Future actions will more closely examine environmental sustainability in the planning and development of affordable housing.

Status	Affordable Housing Strategy Actions: Complete and Ongoing
<i>Work continues</i>	Action A-1: Partner with non-profit organizations and housing agencies to fund the purchase of existing, affordable multi-family housing to preserve it for the long term. Recent partnering to purchase Illahee Apartments furthers this action.
✓	Action A-5: Review and extension of utility rate relief and utility tax relief programs.
<i>Next Right Work Initiation 10/10</i>	Action B-1: Eliminate barriers to constructing micro-apartments in the Land Use Code
✓	Action B-2: Update accessory dwelling units standards: LUCA to amend Accessory Dwelling Unit 3-year rule and off-street parking requirement.
<i>Phase 1 complete; Phase 2 ongoing</i>	Action C-1: Affordable Housing Incentive for faith-owned, surplus public and non-profit housing property.
<i>Work continues</i>	Action C-2: Transit-Oriented Development (TOD) at the Operations Maintenance Facility Eastside and 130th Light Rail Station: Develop affordable housing on suitable surplus public lands in proximity to transit hubs.
✓	Action C-2: Funding for Eastgate Men’s Shelter and Eastgate Supportive Housing furthers this action on what was originally surplus County land.
✓	Action C-3: Update and expansion of the Multifamily Tax Exemption program.
✓	Action C-4: Eastgate and Downtown Livability LUCAs including incentive for affordable housing

Status	Affordable Housing Strategy Actions: Complete and Ongoing
<i>East Main adopted; Wilburton launched in 2022</i>	Action C-4: East Main and Wilburton LUCAs including affordable housing incentives.
<i>Lowering permit fees included in Next Right Work</i>	Action C-5: Reduce costs to build affordable housing by lowering permit fees and reducing minimum parking requirements near transit stations.
✓	Action D-1: Revise codes to reduce costs and process time for building multifamily housing: LUCAs for zero lot line townhome regulations and multifamily parking requirements near transit.
✓	Action D-2: Amendments to State condominium statutes to increase condominium development.
<i>Funds being allocated through various processes; Estimated ~\$13.7 million collected by end of 2022</i>	Action E-1: Increase funding for affordable housing: <ul style="list-style-type: none"> • \$412,000 per year general fund support for affordable housing, consistent with past budgets • \$2 million per year capital investment contingency funds for affordable housing through 2027 • Estimated \$784,000 per year from Council authorization of HB 1406 local sales tax option for affordable housing • Estimated \$10,587,000 per year from Council authorization of HB 1590 local sales tax option for affordable housing and mental and behavioral health services.
<i>Work continues</i>	Action E-2: Pursue funding partnerships with employers, financial institutions, foundations, and others.

POLICY & FISCAL IMPACTS

Policy Impact

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

Comprehensive Plan Policy HO-24: Develop and implement an effective strategy to ensure affordable housing opportunities are available in Downtown and throughout the City at a range of affordability levels. Monitor quantity, types, and affordability of housing achieved for potential unintended consequences and to determine if the need is being met.

Economic Development Plan Strategy E.1: Develop a City-wide strategy to expand workforce housing options by exploring all manner of tools, including a multifamily tax exemption program, a revolving fund for transit-oriented development, zoning changes, and other options.

Fiscal Impact

Sufficient budget authority has been approved for implementation of the Affordable Housing Strategy work program. Council request for additional research, work items, or condensed schedule could

require additional resources. The preliminary 2023-2024 City Budget includes an additional \$300,000 per year for affordable housing. These additional funds could be used to accelerate or add tasks in the Next Right Work list of actions as part of the capacity analysis. Staff will also assess other potential uses to maximize the effectiveness of these funds. More information will be presented at the next update on affordable housing.

OPTIONS

N/A

ATTACHMENTS

- A. Effectiveness of Affordable Housing Programs
- B. Affordable Housing Strategies and Actions at a Glance

AVAILABLE IN COUNCIL LIBRARY

Bellevue Affordable Housing Strategy, June 5, 2017