

**CITY COUNCIL STUDY SESSION**

City of Bellevue Housing Needs Assessment

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**DIRECTION NEEDED FROM COUNCIL****INFORMATION  
ONLY**

Staff will present key takeaways of the City's updated Housing Needs Assessment (HNA). The HNA describes the broader housing conditions that will inform City policy discussions as part of the ongoing Comprehensive Plan Periodic Update and Affordable Housing Next Right Work. No specific policy direction is sought during this information only session.

**RECOMMENDATION**

N/A

**BACKGROUND & ANALYSIS****Background**

In recognition of the importance of planning for the needs of our diverse population, Council has focused an increased amount of staff time, consultant resources, and financial contribution in recent years to address the need for affordable housing. Council launched the Affordable Housing Strategy (AHS) planning initiative in December 2015. A Housing Needs Assessment was completed in March 2016, which informed the development of the AHS. The AHS was ultimately adopted by Council in June 2017 with 21 targeted actions.

The 2022 update to the City's HNA comes at an opportune time. The City is currently on track to exceed the AHS 2017-2027 affordable housing target from 2017, and new actions are being pursued through Affordable Housing Next Right Work. The Comprehensive Plan Periodic Update is also underway with a focus on expanding housing options and affordability.

**Overview**

The City used the consulting firm Community Attributes, Inc. to undertake the 2022 HNA. The consultant followed Washington State Department of Commerce guidance when preparing the HNA, adding additional detail in some areas particular to Bellevue's housing situation and anticipated growth. They utilized data from many different sources, specifically the U.S. Decennial Census, American Community Survey (ACS), City housing records, CoStar multifamily rental data, and more. While a number of these data sources are available from the past year, some are available less frequently so may date back a few years. The 2016 HNA included similar data sources with some data from 2012 onward. The 2022 HNA provides a significantly updated view of current and future housing needs in Bellevue.

## Key Takeaways

The 2022 HNA analyzes topics such as housing affordability today, gaps in housing types, and distribution in conditions across the City's various neighborhoods. This information will guide the analysis of the range of growth scenarios being considered as part of the Comprehensive Plan Update. The analysis starts with the growth target of 35,000 new housing units by 2044 and considers scenarios to unlock additional capacity of up to 70,000 new housing units to provide greater flexibility in terms of the amount and types of new housing. Some key takeaways are critical to consider for ongoing and future work related to housing in Bellevue.

- While nearly two-thirds of Bellevue households fall above the Area Median Income (AMI) of \$134,600 for a household of four in the Seattle-Bellevue Metro Area, a quarter of Bellevue households earn less than 80 percent AMI.
- Large percentages of the workforce fall within office support, sales, or food preparation, each with typical incomes well within low-income ranges for all household sizes. About a quarter of those who work in Bellevue earn under \$37,000 a year as individuals.
- A small proportion of Bellevue workers (12 percent) also live in the City, likely due to both an overall housing shortage and a mismatch of available housing types and affordability.
- Housing costs have been rising significantly faster than typical incomes in Bellevue. Rental and ownership vacancy rates in Bellevue are extremely low, showing a low supply for those looking to move into or within the City, likely increasing overall housing costs.
- Seniors living alone, Black and Hispanic households, and lower income households are more likely to be cost-burdened (spend more than 30 percent of their income on housing).
- Black and Hispanic households in Bellevue are less likely to own their home than other groups, with White households more than twice as likely to own their home (59 percent) as Black households (24 percent).
- While just over half of Bellevue's housing units have three or more bedrooms, this percentage is shrinking significantly as smaller apartments have dominated residential construction in recent decades. Currently, many of these units are held by small households, since only 39 percent of Bellevue's households are larger than two persons, but the large home supply will be further limited if more large units are not produced in coming years.
- Very few larger units are income-restricted, but many low-income or cost-burdened families are larger.
- The City has a variety of naturally occurring affordable housing units (those without affordability covenants or other restrictions) sprinkled throughout the City. Many of these areas have higher displacement risk than other areas of the City, indicating a possible need for additional preservation in these areas to counteract future displacement of low-income residents.

Additionally, the 2022 HNA looks forward to 2044 alongside the ongoing work on the Comprehensive Plan Periodic Update. Some trends that have begun are likely to continue and should be considered in this and other long range planning work. Very little new single-family development has occurred over the last 20 years, as new single-family development generally replaces existing single-family homes; no net new increase is created. This means that, while the City's current housing stock is about half single-family units today, this percentage will only go down over time as more multifamily units are

constructed. Single-family homes make up the majority of the City's large units as well as its homeownership opportunities, so the City will be looking for ways to ensure alternative ways to fulfill these housing needs.

The City's population is also expected to continue changing over time. Bellevue matches much of the county in that the population is aging with the retirement of the Baby Boomer generation. This population will have unique needs as they age, with potential mobility challenges or shifts in physical housing needs.

Finally, the ethnic distribution amongst the population will likely continue the diversification that has marked the last several decades. The HNA calls out that "Statewide, the Asian and Hispanic populations are predicted to be among the fastest growing racial/ethnic group over the next couple of decades. These population groups have different housing needs and may need lower-cost renting and ownership opportunities for larger household sizes that may include multiple children and generations."

### **Housing by Income Needs**

In addition to general gap analyses regarding housing types and affordability, the HNA includes an analysis of potential future housing needs by income. This is achieved by starting with the existing gap and adding in some assumptions about who may be interested in moving to Bellevue over the next 20 years to fill the remaining new housing.

Council frequently describes or hears from families that would like to live in Bellevue but cannot afford to today, or who cannot find the type of housing they desire. In particular, Council has expressed a desire to ensure that those who live in Bellevue and provide essential services like teaching, nursing, or others should be able to find housing in the City. Conceptually, if Bellevue meets its housing needs, these families would be able to find housing in Bellevue. The total new housing need adds up to the City's adopted 2044 target of 35,000 additional housing units. These 35,000 new housing units are distributed in three areas as shown in the chart below and described here.

1. *Current Need: Approximately 5,000 Units*

When comparing the incomes of Bellevue households and the affordability of Bellevue's housing, there is a gap in both the 0-30 percent AMI and 31-50 percent AMI income brackets. There are approximately 5,000 more households earning under 50 percent AMI than there are housing units affordable to these income brackets. There is a surplus of housing in every other income bracket when compared to household incomes, but the gap below 50 percent AMI means that many income-restricted units at 51-80 percent AMI are held by lower income households unable to find housing affordable to them. As a result, the HNA assumes that approximately 5,000 of the 35,000 new units must be affordable below 50 percent AMI in order to provide more affordable housing to these households.

2. *Future Allocation for Bellevue workers: Approximately 15,000 Units*

Of the remaining 30,000 new housing units, the HNA assumes that about half (15,000 units) may be designed for Bellevue workers who do not live in Bellevue yet. It is common for the City to hear about low- or moderate-income families who work in Bellevue, such as teachers or nurses, who would like more affordable housing in Bellevue. The workers who may move to Bellevue in the HNA assumptions would represent the full range of households of current

Bellevue workers, meaning they would be distributed across the income spectrum in alignment with today's worker distribution.

3. *Future Allocation for other future residents: Approximately 15,000 Units*

The remaining units (15,000 units), also half of the 30,000 new units set aside for new residents, would be designed for a broad distribution of residents who may be interested in living in Bellevue. These are represented by the demographics of the broader King County population, which has a larger distribution of low-income households than Bellevue residents or workers, so this allows for a larger number of low-income households to move to Bellevue over the coming years.

Income Level	Current Need (Resident HH)	Future Allocation (Bellevue Worker 3-person HH)	Future Allocation (KC Residents)	Total Housing Need, 2044	% of Net Housing Need
0-30% AMI	4,070	682	2,068	6,820	19%
31-50% AMI	935	994	1,717	3,646	10%
51-80% AMI	-	2,238	1,648	3,887	11%
81-100% AMI	-	1,579	1,456	3,035	9%
101-120% AMI	-	1,536	1,649	3,185	9%
Above 120% AMI	-	7,969	6,459	14,428	41%
	<b>5,005</b>	<b>14,998</b>	<b>14,998</b>	<b>35,000</b>	<b>100%</b>

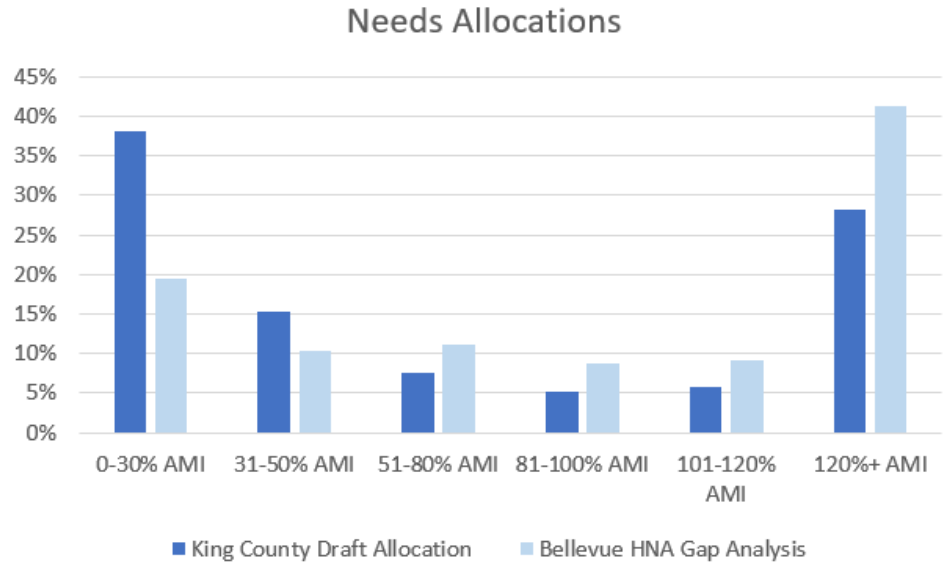
Source: HUD CHAS 5-year 2015-2019; AASHTO, CTPP Data, 2016; City of Bellevue, 2022; Community Attributes, 2022.

The HNA future need resulting from this approach defines very specific numbers of units in each income category, but these numbers are based on the percentages utilized in each of the above approaches. The critical element to consider is the overall resulting distribution of need as a percentage within each income bracket. If applied directly to the City's 35,000 new housing unit target, this approach means that 40 percent of the new housing would need to be affordable below 80 percent AMI, with a significant emphasis on the deepest affordability brackets. Nearly 20 percent of the new housing would be in the 80-120 percent AMI range, aiming at less expensive market rate options that may align with some denser missing middle typologies. This needs assessment assumes that the affordability brackets of existing housing would be retained. If existing housing becomes less affordable, the gap will increase. Preserving existing affordable housing will be critical to limiting the gap in housing needs.

### Ongoing Regional Needs Allocations

The above approach utilized in the 2022 HNA uses a typical analysis of existing local housing gaps combined with expectations about who is expected to want to move to Bellevue in the coming years. Simultaneous with the work on this approach, a regional process has been ongoing to implement the requirements of House Bill 1220 from the 2021 state legislative session. This legislation requires jurisdictions to plan for and accommodate regional housing need.

The process for defining this need starts at the state level and ultimately will result in needs defined for each jurisdiction. The state has released draft needs allocations for each county that are subject to change. The most recent draft numbers were released in December 2022 and are shown in the chart below. King County’s draft allocation as percentages of the total within each income bracket is shown below alongside the HNA gap analysis for Bellevue. Both needs allocation approaches highlight the importance of providing housing in the 0-30 percent AMI range as the highest need for affordable housing (below 80 percent AMI) across the county and within Bellevue. The King County draft allocation includes a higher percentage of need expressed in the deepest affordability ranges, particularly under 30 percent AMI, while it shows less need in all categories above 51 percent AMI, especially above 120 percent AMI, where market-rate units in Bellevue generally fall.



King County jurisdictions are participating in ongoing discussions regarding several draft approaches to allocating these needs across the various jurisdictions within King County, in alignment with each jurisdiction’s adopted overall target for housing growth by 2044. All approaches were determined by looking at overall County need and distributing that need across jurisdictions. These potential approaches therefore vary from the HNA approach, which starts with an assumption that existing residents remain in Bellevue and continues by making economic assumptions about who may move to Bellevue over the next 20 years. The regional process is ongoing and will result in needs allocations being determined in 2023 and adopted as part of the amendments to the King County Countywide Planning Policies (CPPs), which will be brought to individual jurisdictions (including Bellevue) in early 2024 for ratification. The current state of this process is summarized in Attachment B. The process will result in defined allocations of need across both income categories and special housing need types for each jurisdiction. This needs allocation, combined with the detailed information contained within this HNA, may be utilized in future discussions regarding local policy decisions as well as the potential definition of affordable housing targets.

### **Utilizing the Needs Assessment**

Neither the need defined by the 2022 Bellevue HNA nor the upcoming regional need allocations are targets for the City. Each describes a different approach to considering who may move to Bellevue over the coming years and how we may provide housing that is more affordable to them. Both approaches allocate needs in ways that would also provide more options to those who currently live in the City. Both approaches also emphasize the need for units at the deepest affordability levels as well as special housing types such as emergency housing or permanent supportive housing, both of which types rely almost entirely on financial subsidy. This emphasis will help inform City Council policy decisions over the coming years to determine where to focus the City's resources and how best to support development to help fill these gaps.

The HNA defines far more than gaps in housing within each income bracket. As described above, it identifies gaps in housing types, sizes, distribution, and more that can help inform future policy decisions. The City cannot define or direct who will move to Bellevue but can influence the market in a number of ways, such as:

- Encouraging particular types of units that fill gaps across the City;
- Equitably directing housing growth of various types and affordability levels to areas with gaps of that type or affordability level;
- Providing housing stability through targeted preservation of units, creating homeownership opportunities, and more;
- Incentivizing or requiring affordability to the point that is financially feasible within market-rate developments;
- Prioritizing affordable housing of types or locations identified as gaps;
- Funding affordable housing overall; and
- Prioritizing other innovative opportunities that help meet needs.

Additionally, Council has a significant role in establishing local affordable housing targets. Council receives updates on progress regarding the 2017 AHS twice per year, including progress toward the 2500-unit 10-year target. As described in the most recent (October 10, 2022) update, affordable housing unit production is currently surpassing this anticipated rate of production. This target was determined based on anticipated production utilizing the specific actions within the plan.

Since 2017, the City has invested significantly in affordable housing unit production and other related actions, including through the recent Next Right Work actions initiated by Council. During these conversations, Council has expressed an interest in eventually creating a new affordable housing target based on current need, so this housing needs assessment could provide the basis for those future discussions.

### **Next Steps**

Tonight's session provides an overview of the 2022 HNA. This information will inform Council's discussions on future efforts, particularly the Comprehensive Plan Periodic Update and upcoming actions from the Affordable Housing Strategy and Next Right Work. The report will be referenced in community engagement, stakeholder, board/commission, and Council discussions on a variety of topics related to housing in coming years.

Several ongoing projects relate directly to this topic. The City's Affordable Housing Next Right Work discussions have defined the following actions to pursue:

- Remove barriers to micro-apartments;
- Allow higher floor-area-ratio (FAR) or density for certain residential uses to incentivize residential over commercial developments;
- Reduce permit fees for affordable housing projects;
- Encourage middle housing typologies; and
- Simplify the permitting process and expedite permitting for affordable housing projects.

Additionally, the ongoing work on the Comprehensive Plan, including updates to Wilburton and BelRed, incorporates discussion around:

- Policies regarding types, qualities, or amenities for housing to be developed in the next 20 years;
- Potential code work on specific housing types;
- Distribution of housing types and affordability across the City; and
- New or altered affordability incentives or requirements.

These ongoing or upcoming projects in particular will benefit from the findings of the HNA. Staff will refer back to specific gaps identified in the HNA when discussing potential policy, code, or other changes with Council as housing work progresses.

## **POLICY & FISCAL IMPACTS**

### **Policy Impact**

No direct policy impact will result from this information-only briefing. The topics highlighted may be used to inform future policy discussions.

### **Fiscal Impact**

There is no fiscal impact associated with this information-only briefing. The topics highlighted may be used to inform future fiscal discussions.

## **OPTIONS**

N/A

## **ATTACHMENTS**

- A. City of Bellevue Housing Needs Assessment
- B. Regional Housing Need Allocation Process

## **AVAILABLE IN COUNCIL LIBRARY**

N/A