



Bellevue Planning Commission

March 8, 2023

PLANNING COMMISSION PUBLIC HEARING ITEM

SUBJECT

Public Hearing on a proposed Land Use Code Amendment (LUCA) to remove barriers to the construction of micro-apartments in all mixed-use land use districts that allow both multifamily and commercial development. File No. 23-100140-AD.

STAFF CONTACT(S)

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POLICY ISSUES

On July 5, in building upon the Affordable Housing Strategy (AHS), Council prioritized a set of “Next Right Work” actions to further increase housing production within the City. The proposed LUCA is part of the City’s Next Right Work to encourage additional housing production and diversity within the City. Council directed staff to begin work on the following items:

- Remove barriers to micro-apartments
- Allow higher FAR for residential (or unlimited FAR or DUs per acre)
- Reduce permit fees for affordable housing projects

The proposed LUCA relates to the first item – removing barriers to micro-apartments.

The AHS and Comprehensive Plan contains several polices that support the proposed LUCA, including:

- **AHS Action B-1.** Encourage micro-apartments around light rail stations through actions such as reduced parking requirements.
- **Comprehensive Plan Policy LU-3.** Promote a land use pattern and an integrated multimodal transportation system.
- **Comprehensive Plan Policy HO-11.** Encourage housing opportunities in mixed residential/commercial settings throughout the city.
- **Comprehensive Plan Policy HO-17.** Evaluate the housing cost and supply implications of proposed regulations and procedures.

DIRECTION NEEDED FROM THE PLANNING COMMISSION

ACTION



DIRECTION



INFORMATION ONLY



Staff request that the Planning Commission hold the Public Hearing on the proposed LUCA and, following the Public Hearing, recommend to the City Council approval of the proposed LUCA.

BACKGROUND

The proposed LUCA was reviewed and discussed at the Planning Commission study session on January 25. At the study session staff presented background information on micro-apartments, the geographic

scope to determine where micro-apartments would be eligible for LUC exceptions and alternative standards (e.g., locations where “barriers” are removed), and the LUCA strike-draft. A staff report describing the background, review process, and this LUCA’s compliance with the decision criteria, is included with this Memorandum as Attachment A.

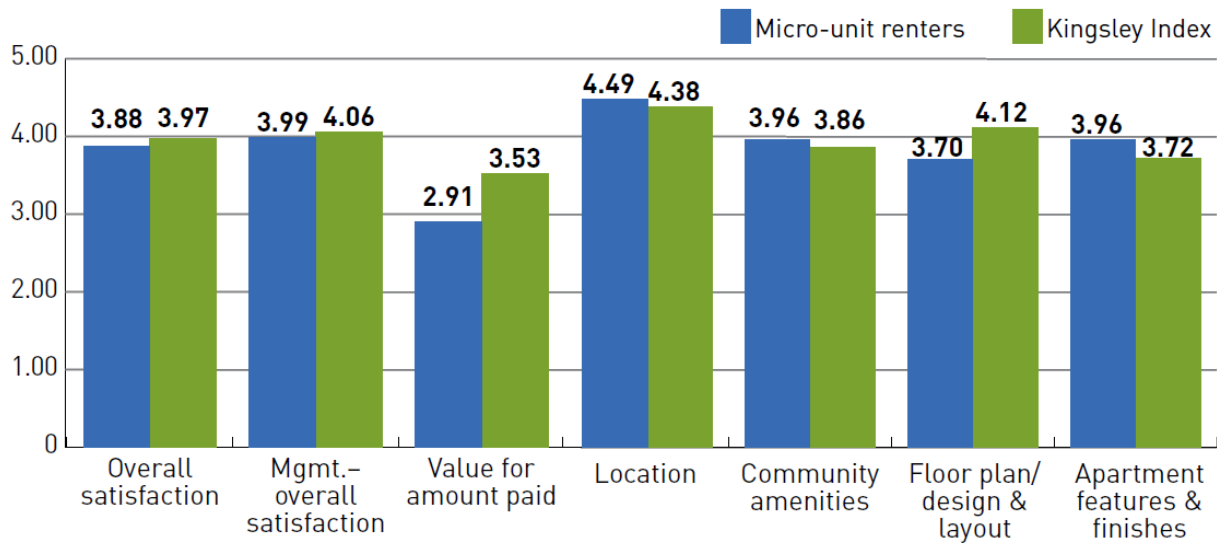
The proposed LUCA will apply to all mixed-use areas of the City and proposes to remove barriers to micro-apartments by reducing automobile parking standards, increasing the allowable dwelling units per acre, increasing bicycle parking, and removing the multi-family play areas requirement. A strike-draft of the proposed LUCA is provided as Attachment B.

At the study session, the Planning Commission raised questions related to unit livability, affordability, parking, and how to encourage micro-apartments in mixed-unit projects. The Planning Commission directed staff to prepare and schedule the LUCA for a Public Hearing and asked for additional information to be presented at that time. A summary of these questions and staff’s responses are provided below.

1. *As micro-apartments are defined as 320 square feet or less in size, how can we ensure these units are livable?*
 - While there is no singular or agreed upon metric for livability, building code does require a minimum square footage of 190 square feet for a micro-apartment to adequately protect public health, safety and welfare. Units that comply with the building code size requirements provide proper egress and are therefore livable.
 - The importance of flexibility in the regulations was noted by several of the parties interviewed by staff as one of the key factors in the economic viability of micro-apartments. Described as a “fun puzzle” by one of the interviewees, micro-apartment architects and developers stressed the importance of allowing freedom for the designers to determine the location and size of units and amenities to ensure that micro-apartments can be built within the City.
 - A survey performed by Kingsley Associates and published with the Urban Land Institute (ULI) in 2014 in a report titled [*The Macro View on Micro Units*](#) found that the top factors in renters choosing to rent a micro-apartment were location, price, proximity to work/school, and proximity to neighborhood amenities, in that order. The proposed LUCA encourages micro-apartments in mixed-use areas which are proximate to jobs and neighborhood amenities. Both assigned parking and common areas/amenities fell low on the priorities list for renter satisfaction, with 32% of renters stating they were a high priority in choosing to rent a micro-apartment.
 - The 2014 ULI report compares the satisfaction of micro-unit renters and conventional apartment renters based on six factors, referred to by the “Kingsley Index” in Figure 1. The survey found that micro-apartment residents’ overall satisfaction levels are similar to those of conventional apartments. It should be noted that the ULI report does not strictly define the square footage of a micro-unit.

Figure 1. Micro-Unit Renter Satisfaction Survey Results

Micro-Unit-Renter Satisfaction Scores



Source: ULI, *The Macro View on Micro Units, 2014, pg. 19*

- Based on the above factors staff believes the units perform similarly to larger studio apartments in terms of quality of life and the minimum size of the units as provided in the building code is suitable both for livability and public health, safety and welfare. Staff does not recommend additional code language to implement a larger minimum size or require amenity space for micro-apartments.
2. *As micro-apartments are not anticipated to be income-restricted Affordable Units, how does this LUCA relate to the City's Affordable Housing Strategy and Housing Needs Assessment?*
- There was discussion among Planning Commission members on the topic of affordability of the units, specifically focusing on rental cost per square foot. For clarity purposes, when referring to affordability, staff will refer to the method of determining rental affordability utilized by the City's Land Use Code and the United States Department of Housing and Urban Development (HUD) as the overall monthly rent. Staff will refer to rent efficiency when discussing rental cost per square foot.
 - Based on staff outreach, market-rate micro-apartments generally would be considered affordable for those making between 60-80% AMI as determined by HUD (Figure 2) and would be considered naturally occurring affordable housing as discussed in the [2022 City of Bellevue Housing Needs Assessment](#) (HNA) .

Figure 2. HUD AMI Income Levels and Maximum Affordable Gross Rent

Unit Size	50% AMI		80% AMI		120% AMI	
	Annual Income	Max Affordable Monthly Rent	Annual Income	Max Affordable Monthly Rent	Annual Income	Max Affordable Monthly Rent
Studio	\$45,400	\$1,135	\$72,600	\$1,815	\$108,800	\$2,720
1 Bedroom	\$48,600	\$1,215	\$77,700	\$1,943	\$116,500	\$2,913
2 Bedroom	\$58,300	\$1,458	\$93,200	\$2,330	\$139,800	\$3,495
3 Bedroom	\$67,300	\$1,683	\$107,600	\$2,690	\$161,500	\$4,038
4 Bedroom	\$75,100	\$1,878	\$120,200	\$3,005	\$180,200	\$4,505

Source: *City of Bellevue Housing Needs Assessment, 2022, pg. 70*

- The HNA projects that 11% of Bellevue’s housing in 2044 will need to be affordable for those with incomes the 50-80% AMI range. Currently, 8% of housing within the City is affordable at this income level. This LUCA will promote the housing construction within this AMI range.
- According to the HNA, 26% of Bellevue residents are single-person households, while 22% of units contain one or no bedrooms. This LUCA is targeted at single-person households and should provide an affordable option for these households, closing the gap between the number of units with one or no bedrooms in Bellevue and single individuals seeking housing.
- Regionally, many of these units have been built by market rate developers and then sold to non-profit entities to be preserved as perpetual affordable housing, often with prices falling between 30-80% AMI. In fact, in October 2022, it was [reported](#) that the City of Seattle and Amazon Housing Equity Fund provided funding support to purchase 354 micro-apartments across six apartment buildings to serve tenants ranging from 50-80% AMI.
- As noted by the Planning Commission, micro-apartments are less rent efficient than larger units as they generally rent for more per square foot when on the open market. According to a 2018 NYU Furman Center research report titled [21st Century SROs: Can Small Housing Units Help Meet the Need for Affordable Housing in New York City?](#), micro-apartments are both more expensive to construct and operate per unit than traditional studio apartments due to the increased requirements for fixtures and piping. Figure 3 shows that despite the higher operating and construction costs, the per unit cost of micro-apartments is less than that of traditional studio apartments due to the increase in the number of rentable units, decreasing the rents required to meet market net operating income targets. This makes micro-apartments more affordable than larger units but less rent efficient than larger apartments.

Figure 3. Total and Per Unit Costs of Different Apartment Types in New York City in 2018

	Small Studio	Micro Unit	Efficiency w/ Shared Kitchen	Efficiency w/ Shared Kitchen/Bath
Total Hard + Soft Costs/Building	\$27,117,900	\$28,800,450	\$30,437,530	\$23,290,470
Cost Compared to Small Studio	100%	106%	112%	86%
# Units	126	163	199	251
Total Hard + Soft Costs/Unit	\$215,220	\$176,690	\$152,960	\$92,800
Cost Compared to Small Studio	100%	82%	71%	43%

Source: 21st Century SROs: Can Small Housing Units Help Meet the Need for Affordable Housing in New York City?, Stern and Yager, 2018, pg. 12

- Evidence of the lower cost but lower rent efficiency is borne out in local data. According to the [2022 Seattle & Puget Sound Micro Report](#) by, Simon | Anderson Multifamily Team, average rents for units equivalent to the proposed definition of micro-apartments were \$1,331 per month or \$5.34 per square foot in Seattle. This compares to an average rent of \$1,685 per month for market-rate studios equating to \$3.86 per square foot. It is worth noting that congregate-style units had lower overall rents but higher costs per square foot than both studio apartments and micro-apartments.
 - A rent of \$1,331 equates to an average priced unit being affordable to those with incomes less than 60% AMI.
 - As micro-apartments are “naturally occurring” affordable housing, staff is not recommending any additional affordable housing requirements with this LUCA.
 - Exempting units preserved at 80% AMI for the life of the building from parking requirements should promote additional affordability.
3. *How can this LUCA encourage micro-apartments to be built within residential buildings with studio, one-, two- and three-bedroom units?*
 - A mix of micro-apartment units and larger studio, one-, two-, and three-bedroom units in a building is encouraged by this LUCA. Alternative standards and LUC exceptions would apply to all micro-apartment units in mixed-use land use districts, providing the flexibility to support the inclusion of micro-apartment units in a mixed-unit residential project.
 4. What parking utilization is available for Bellevue?
 - There is currently no comprehensive data on parking utilization across Bellevue. There are some limited data and anecdotal evidence on parking trends in Bellevue. As part of the [Right Size Parking](#) project, King County Metro created a Multi-Family Residential Parking Calculator which estimates that an average micro-apartment unit in Bellevue will produce 0.32 parked cars if parking costs \$100 per month. This estimate utilizes a sample of parcels taken from mixed use areas throughout the City. The 0.32 ratio would not reflect any changes to demand resulting from improved transit service after light rail begins service to Bellevue.
 - Investments in light rail should lower parking requirements in areas within walking distance of stations.

- Between anticipated parking generation, a proposed increase in required bicycle parking, and ongoing City and regional multi-modal efforts, the anticipated parking impact of the proposed 0.25 parking spaces per unit is minimal and should be easily accommodated by on-street parking within the mixed-use areas of the City.

Public Engagement

Staff followed a public engagement plan with four modes of outreach and engagement to ensure the public, stakeholders, and interested parties had access to up-to-date project information and the opportunity to provide comments.

1. Process IV Requirements. Process consistent with Chapter 20.35 LUC procedural requirements to provide opportunities for public comment, including:
 - Notice of Application of the proposed LUCA on January 12
 - Notice of Public Hearing and staff report on February 16
 - SEPA Determination of Non-Significance issued on February 16
 - Public hearing on the proposed LUCA on March 8
2. Direct Engagement and Feedback: Interviews with developers, architects, and property managers familiar with micro-apartments.
3. Community Outreach:
 - Information on LUCA, contact information, and study session date provided in the December 2022 Neighborhood Newsletter
 - Community Informational Session held January 19
4. Online Presence. City webpage to provide opportunities for the public to stay informed and to request additional information, including:
 - Staff contacts
 - Public information regarding LUCA progression

Anticipated Schedule

The Planning Commission will be asked to consider the proposed LUCA. The anticipated timeline for processing the LUCA is as follows:

- Planning Commission Study Sessions: January 25
- Planning Commission Public Hearing and Recommendation: March 8
- Planning Commission Recommendation: April 12 (if necessary)
- City Council Study Session: May (tentative)
- City Council Action: June (tentative)

ATTACHMENT(S)

- A. Staff Report
- B. Strike-Draft of Proposed LUCA
- C. Planning Commission Resolution