

CITY COUNCIL STUDY SESSION

City Council discussion of Phase 1 Next Right Work proposal to increase the residential floor area ratio (FAR) in Downtown through a temporary and interim official control (IOC) that will increase the FAR exemption and allow development flexibility in exchange for affordable housing. The IOC will also provide flexibility in utilizing FAR in the Downtown Perimeter Overlay Districts in order to encourage residential development. File No. 23-100141-AD.

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DIRECTION NEEDED FROM COUNCIL

DIRECTION

Tonight is the first study session for Council to consider a temporary Interim Official Control increasing the FAR exemption and expanding flexibility in development standards within the Downtown Land Use District in exchange for affordable housing and allowing broader FAR utilization in the Downtown Perimeter Overlay Districts in order to encourage residential development.

RECOMMENDATION

Direct staff to bring back the IOC Ordinance as drafted for final action at a future meeting.

BACKGROUND/ANALYSIS

Next Right Work Background

Subsequent to the adoption of the Affordable Housing Strategy (AHS) in June 2017, the City has made significant progress towards achieving the goal of adding 2,500 affordable housing units over 10 years. On July 5, in building upon the AHS, Council prioritized three “Next Right Work” actions to further increase housing production and affordable housing opportunities in the City. In addition, Council directed staff to perform a capacity analysis to determine how the City can accelerate additional Next Right Work items. In January, as a result of the capacity analysis, Council directed staff to deploy certain added resources and efficiencies to accelerate select components of two additional Next Right Work actions in coordination with other ongoing City projects. Altogether, five Next Right Work items were selected.

1. Remove barriers to micro-apartments.
2. Allow higher FAR or density for certain residential uses to incentivize residential over commercial development.
 - Phase 1: Downtown IOC
 - Phase 2: Targeted Mixed-Use Areas LUCA
3. Reduce permit fees for affordable housing projects.
4. Encourage Detached Accessory Dwelling Units (DADUs), Accessory Dwelling Units (ADUs), and duplex, triplex, quadplexes, including mechanism for separate ownership.

- Phase 1: ADU Reform Land Use Code Amendment (LUCA)
- Phase 2: Prepare LUCA for Middle-Scale Housing (DADUs, Duplexes, Triplexes, and Quadplexes)

5. Simplify the permitting process and expedite permitting for affordable housing.

This agenda item focuses on the second Next Right Work item and provides a proposal to advance the Phase 1 temporary IOC to allow higher FAR for certain residential uses in order to incentive residential over commercial development in Downtown. This IOC is not intended to be permanent development regulations for Downtown or permanently replace the regulations in Part 20.25A LUC and is instead designed to be a temporary allowance to encourage affordable housing and residential development in Downtown during a six-month interim time period. Following expiration of the IOC, any affected regulations in Part 20.25A LUC will again control, unless the Phase 2 permanent LUCA amending those regulations has been developed and adopted by the City.

Phase 2 will include a permanent LUCA for Downtown and other mixed-use districts within the City. The Phase 2 LUCA will be informed by the Environment Impact Statement (EIS) that is currently being completed in connection with the Comprehensive Plan Periodic Update. The Phase 2 LUCA process is anticipated to begin after the Final EIS is released in the summer and is scheduled for completion in early 2024.

Phase 1 Downtown IOC

This Next Right Work action is proposed to be completed in two phases, the first phase, which is before Council tonight, provides a temporary IOC that is focused on Downtown Land Use Districts. The intent of the IOC is to incentivize and increase the production of both residential units and affordable housing in Downtown by adjusting the existing Downtown FAR exemption to allow more residential FAR to be exempt in a project when affordable housing is provided. "Floor area ratio" or FAR is a measure of development intensity equal to building square footage divided by the property square footage on which a project is constructed. The IOC will also provide greater development flexibility throughout Downtown for projects meeting affordable housing thresholds.

Additionally, the IOC proposes language to allow flexibility in FAR usage to projects located within the perimeter overlay to allow certain application-ready mixed-use and residential projects to move forward. This IOC is designed to be a 6-month, temporary and interim measure to incentivize affordable housing and encourage residential uses in Downtown while the Phase 2 permanent LUCA is developed. The provisions of this IOC will be available to development applications deemed complete under the provisions of the Downtown Code (Part 20.25A LUC) and LUC 20.35.030.C during the time period that this IOC is in effect. In addition, the provisions of this IOC will be available to applications that vest pursuant to the terms of LUC 20.40.500 between the effective date of this IOC and the expiration of this IOC. Land use permits and approvals that have been issued by the City prior to the effective date of this IOC and any development application that does not vest pursuant to the provisions of this IOC will not receive the benefits of this IOC and will be reviewed under the provisions of Part 20.25A LUC.

To assist in Council's consideration of the IOC components, staff conferred with the previous Next Right Work consultant, SkipStone Consulting, to determine the effectiveness of the proposed changes in creating market rate and affordable housing. Staff also sought and received input from various

stakeholders on the proposed temporary changes to Part 20.25A LUC. The below discussion provides information and analysis regarding the existing zoning and staff recommendation, and information and analysis on stakeholder requests are also provided.

Existing Zoning

Downtown utilizes an incentive zoning program to allow projects to exceed the base allowed FAR up to a maximum FAR in exchange for providing public benefits, mainly relating to open space and the public realm. Part 20.25A LUC also allows Downtown projects to build above the maximum FAR by providing affordable housing that is exempt or not counted in the FAR equation. Developers choosing to provide affordable housing may exempt up to 1.0 FAR in a project if one (1) square foot of affordable housing at 80 percent AMI is provided for every 2.5 square feet of market rate housing within that exempt area (i.e., 1:2.5 affordable to market-rate square footage ratio).

To further encourage affordable housing in Downtown, existing LUC regulations allow the minimum parking requirement to be reduced to 0.5 parking spaces per affordable unit. In addition, the following development flexibility is provided when a minimum of 0.5 FAR of exempt floor area is provided:

- Maximum lot coverage is increased by five percent in Perimeter Overlay Districts A-1, A-2, A-3, B-1, and B-2; and
- Upper-level setbacks are decreased by a maximum of five feet in the Perimeter Overlay along Main Street, 103rd Avenue NE, 102nd Avenue NE, 100th Avenue NE, and NE 12th Street.

Proposed IOC

As a temporary measure, the IOC proposes to increase the amount of exempt floor area in exchange for affordable housing, adjust the square footage ratio of affordable housing to market rate housing to align with recent economic analysis completed for the East Main LUCA, eliminate minimum parking requirements for affordable housing units, decrease setbacks, and increase building heights in the Perimeter Overlay when a minimum of 0.5 FAR of exempt floor area is provided. The East Main Economic Analysis has been used as it was completed relatively recently (December 2020) and focuses on an area adjacent to Downtown. The East Main Economic Analysis provides a baseline tool to calculate the ratio of affordable housing to market rate housing for this IOC and informed the specific recommendations provided to stakeholder groups for input. In addition to the affordable housing component, the proposed IOC will add flexibility in FAR utilization in the Perimeter Overlay.

A summary of the temporary measures and components of this IOC is as follows:

- Exempt up to 50 percent of the base FAR (between 1.35 and 4.5 FAR exemption).
- 4.0 square feet of bonus building is proposed to be allowed per one square foot of affordable housing at 80 percent AMI (i.e., 1:4 affordable to market-rate square footage ratio, 20 percent of the additional units as affordable).
- No minimum parking required for affordable housing units.
- Projects that provide a minimum of 0.5 FAR of exempt floor area are eligible for:
 - 5 percent increase in lot coverage in the Perimeter Overlay,
 - 25-foot increase in building height and building height with mechanical screening in Perimeter Overlay (except B-2 overlay), and

- Up to a 15-foot stepback reduction (entire stepback) for buildings less than 100 feet in height in the Perimeter Overlay along Main Street, 103rd Avenue NE, 102nd Avenue NE, 100th Avenue NE, and NE 12th Street.
- For single project limits in the Perimeter Overlay and in DT-MU, unutilized FAR from the Perimeter Overlay may be utilized in the DT-MU within the same project limit.

The proposed form and parking relaxations serve to encourage development of affordable housing by providing benefit to those developers meeting the minimum 0.5 FAR threshold. This development flexibility is especially important in the perimeter overlay in which the form restrictions, especially height requirements, can limit projects from maximizing allowed FAR in the Land Use District.

The proposed temporary changes intend to encourage residential development by significantly increasing the amount of exempt FAR for residential projects in conjunction with relaxing development standards as compared to commercial projects when projects take advantage of the affordable housing FAR exemption. By increasing the exempt FAR, it is anticipated that the profitability of residential development, which has traditionally lagged behind commercial development, will improve.

The current 1.0 FAR exemption for affordable housing has not been well utilized by developers in Downtown, and it is anticipated that the proposed increase in the amount of exempt square footage and the increased ratio of market rate square footage may result in increased participation in the affordable housing program for Downtown. It is anticipated that the proposed 1:4 ratio (20 percent affordable housing) will increase utilization of the program, encouraging both residential and affordable housing development Downtown. If the program sees higher take-up than the current exemption, the amount of both market rate and affordable housing in Downtown is expected to increase, despite the lower ratio of affordable housing as compared to the existing LUC provisions.

The following chart shows the range of options that are provided for discussion after public outreach with stakeholders regarding the staff proposal. Each line item is predicated upon a test case scenario for a project located in the Downtown Mixed-Use Land Use District with an assumed FAR of 7.25. The chart illustrates the varying degrees of affordable units which could potentially be provided given the requests that staff received from our two major stakeholders in this conversation, Bellevue Chamber of Commerce (PLUSH) and the Eastside Affordable Housing Coalition (EAHC). The scenarios below assume the maximum FAR exemption is utilized for the project. The staff recommendation is noted as the proposed IOC in the middle column of the chart.

EAHC	Proposed IOC	Chamber PLUSH
(527 total units)	(527 total units)	(527 total units)
3:1 Market Rate to Affordable SF	4:1 Market Rate to Affordable SF	6:1 Market Rate to Affordable SF
75% 25% Market Rate Affordable	80% 20% Market Rate Affordable	86% 14% Market Rate Affordable
123 Exempt Market Rate Units	131 Exempt Market Rate Units	141 Exempt Market Rate Units
41 Exempt Affordable Units	33 Exempt Affordable Units	23 Exempt Affordable Units

Potential utilization of FAR exemption

← Lower **Higher →**

EAHC (Eastside Affordable Housing Coalition) Request

The EAHC requests decreasing the amount of market rate housing given in exchange for affordable housing from the staff proposed ratio of 1:4 to 1:3. The requested ratio is higher than the current 1:2.5 ratio and would provide approximately 25 percent of the exempt FAR as affordable housing. The proposed exemption of 50 percent of the base FAR provides for an exemption range of 1.35 to 4.5 FAR depending on the Land Use District, and with a ratio of 3:1 could create a range of about 0.34 to 1.13 FAR of affordable housing if maximized. Based on input from Skipstone Consulting and staff’s analysis, there are concerns that the 1:3 ratio may not provide enough of an incentive to promote residential development and utilization of the program may be minimized.

The EAHC supports the development flexibility provided by the IOC. EAHC noted that the threshold for projects to access this development flexibility and receive a lot coverage increase, additional building height, and stepback reduction might be too low under the revised market-rate-to-affordable housing ratio, thereby requiring fewer affordable units to be built to take advantage of the development flexibility provided.

Bellevue Chamber PLUSH (Permitting, Land Use, Sustainability, and Housing) Committee Request

The Bellevue Chamber PLUSH requests increasing the amount of market rate housing given in exchange for affordable housing from 1:4 to 1:6. The requested ratio is significantly higher than the current 1:2.5 ratio and would provide approximately 14 percent of the exempt FAR as affordable housing. This ratio would provide the largest benefit to market rate developers and would be a larger incentive towards overall housing production. The total affordable FAR required by this ratio would range from about 0.19 to 0.63 and would require significant additional uptake of the program to produce the amount of affordable housing proposed in the staff recommendation. There is concern that the 6:1

ratio, while encouraging additional market-rate and affordable housing development in the near term, would result in fewer affordable units in each project Downtown.

The Bellevue Chamber PLUSH supports the development flexibility provided by the IOC but is advocating for expanding the allowance for connected floorplates to buildings that are less than 85 feet in height from the current LUC standard of buildings less than 70 feet in height. Increasing allowances for higher connected floor plates would allow for larger, continuous street-facing walls, potentially negatively impacting aesthetics and natural light to the public realm. This request would require additional analysis, which could be completed as an element of the permanent development regulations developed during Phase 2 of the FAR increase, if Council would like to add this stakeholder request to the scope of that permanent LUCA.

Outreach

Staff provided an overview of the current Downtown zoning and proposed IOC to the Eastside Housing Roundtable, EAHC, Bellevue Chamber PLUSH, Bellevue Downtown Association (BDA), and NAIOP in January, February, and March. Requests from the EAHC and Bellevue Chamber PLUSH are provided above and comments submitted by stakeholders have been forwarded to Council.

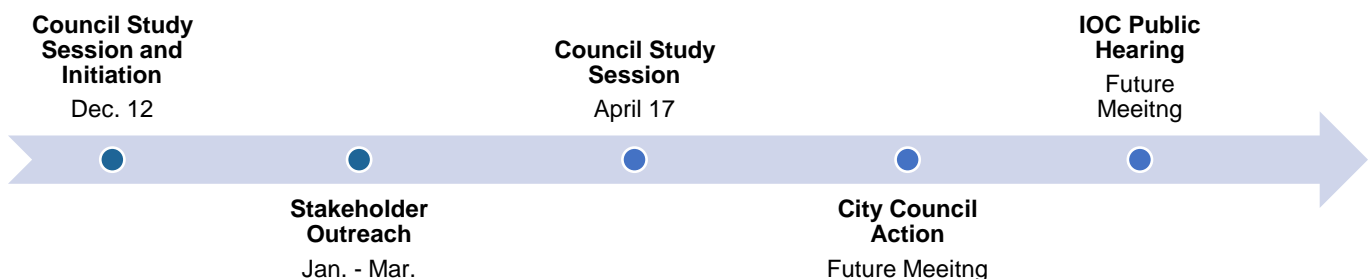
Interim Official Control

Notice and a public hearing are not necessary prior to adoption of an IOC or temporary land use control measure of this nature in order to allow for the interim control to be put in place quickly. However, the proposed IOC is now available for public comment and additional public input may be provided prior to adoption of the IOC. A public hearing may be held in connection with final Council action on this IOC, and must be held within 60 days of its adoption. In addition, the Growth Management Act, RCW 36.70A.390, states that this IOC may be effective for six months, and if necessary, may be renewed for one or more six-month periods if a subsequent public hearing is held and findings of fact are made prior to each successive renewal.

This IOC is not intended to be a permanent development regulation or to adversely affect the City Council’s ability to adopt permanent development regulations that differ from the IOC in connection with the Phase 2 permanent LUCA. It is anticipated that this temporary IOC will remain effective for six months, and following expiration of the IOC, any affected regulations in Part 20.25A LUC will again control, unless the Phase 2 permanent LUCA amending those regulations has been developed and adopted by the City.

Review Process

The timeline identifies the review process for this IOC.



POLICY & FISCAL IMPACTS

Policy Impact

This temporary IOC is consistent with the Comprehensive Plan, including the Downtown Chapter of the Comprehensive Plan, the Affordable Housing Strategy, and stated goals of the City to increase housing and affordable housing. As this is an IOC and temporary measure, a public hearing will be required within 60 days of the enactment of this Ordinance for the IOC to remain in effect. In addition, the Growth Management Act, RCW 36.70A.390, states that this interim official control may be effective for six months, and if necessary, may be renewed for one or more six-month periods if a subsequent public hearing is held and findings of fact are made prior to each successive renewal.

The IOC is consistent with the following Comprehensive Plan policies:

1. LU-15: Provide, through land use regulation, the potential for a broad range of housing choices to meet the changing needs of the community.
2. LU-20: Support Downtown's development as a regional growth center, with the density, mix of uses and amenities, and infrastructure that maintain it as the financial, retail, transportation, and business hub of the Eastside.
3. LU-22: Monitor trends in Bellevue's job centers and consider land use changes, if needed, to maintain the vitality of these centers.
4. LU-28.4: Consider a land use incentive system that offers additional floor area in exchange for infrastructure and amenities that contribute to the public good.
5. HO-7 & HO-23: Encourage the development of affordable housing through incentives and other tools consistent with state enabling legislation.
6. HO-11: Encourage housing opportunities in mixed residential/commercial settings throughout the city.
7. HO-12: Provide incentives to encourage residential development for a range of household types and income levels in multifamily and mixed-use commercial zones.
8. 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.
9. S-DT-9: Provide bonus incentives (related to permitted density, height, etc.) for private developments to accomplish the public objectives outlined in this Plan.
10. S-DT-24: Provide density incentives to encourage urban residential development throughout Downtown.
11. S-DT-24.1: Encourage the development of housing within the Downtown including units targeted to workers who are expected to fill jobs created in the Downtown.

Fiscal Impact

There is no fiscal impact associated with implementing the IOC.

OPTIONS

1. Direct staff to bring back the IOC Ordinance as drafted for final action at a future meeting.
2. Provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

- A. Draft Temporary and Interim Official Control Ordinance

AVAILABLE IN COUNCIL LIBRARY

N/A