



STAFF REPORT

DATE: May 8, 2023

TO: Mayor Robinson and Members of the City Council

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SUBJECT: Public Hearing on an Ordinance imposing an Interim Official Control (IOC) to increase the Downtown floor area ratio (FAR) exemption and expand flexibility in development standards in the Downtown Perimeter Overlay Districts in exchange for affordable housing and allowing broader FAR utilization in the Downtown Perimeter Overlay Districts.

I. BACKGROUND

On July 5, 2022, in building upon the 2017 Affordable Housing Strategy, the City Council prioritized a set of "Next Right Work" actions to further increase housing production and affordable housing opportunities within the City. On December 12, 2022, the Council directed staff to begin work to allow a higher Floor Area Ratio (FAR) for certain residential uses to incentivize residential over commercial developments. The IOC is the first phase to allow higher FAR for residential and is intended to encourage residential development by allowing additional residential FAR in the Downtown Land Use Districts in exchange for affordable housing.

The intent of the IOC is to 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. The current 1.0 FAR exemption for affordable housing in Part 20.25A LUC has not been well utilized.

II. Proposed IOC

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 in East Main, 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 focused on an area adjacent to Downtown. The East Main Economic Analysis was utilized as a baseline tool to calculate the ratio of affordable housing to market-rate housing for this IOC to allow staff to present specific recommendations to stakeholder groups for input. Additionally, the proposed IOC will add flexibility in FAR utilization in the Perimeter Overlay.

IOC Components:

- Exempt up to 50% 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% AMI (i.e., 1:4 affordable to market-rate square footage ratio, 20% of the additional units as affordable)
- No minimum parking is required for affordable housing units
- Projects that provide a minimum of 0.5 FAR of exempt floor area are eligible for:
 - 5% 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)
 - 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 IOC allows land use permit 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 the IOC is in effect to vest to the provisions of the IOC. Additionally, the provisions of the IOC will apply to land use permit applications that vest pursuant to the terms of LUC 20.40.500 between the effective date of this IOC and the expiration of the IOC.

The proposed form and parking relaxations serve to encourage the development of affordable housing by providing benefits 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 the allowed FAR in the Land Use District.

The proposed 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 be improved.

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% 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.

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 (6) 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.

III. REVIEW PROCESS

City Council held a Study Session on the proposed IOC on April 17. At the study session, staff presented background information on the IOC and a draft IOC Ordinance for Council to review. At the study session, the Council raised questions related to upper-level stepbacks and public outreach. The Council directed staff to prepare and schedule the IOC for a Public Hearing and asked for additional information to be presented at that time.

Notice and a public hearing are not necessary prior to adoption of an IOC to allow for the regulations to be put in place quickly. However, the Council has directed that a public hearing be scheduled prior to adoption of this IOC. 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 Staff Report provides information about the proposed IOC so that the public may comment and the City Council may consider the entirety of the IOC. Following the public hearing, the Council will be asked to take action on this IOC.

IV. STATE ENVIRONMENTAL POLICY ACT

The application for SEPA review was noticed together with the notice of public hearing for the proposed IOC on April 20, 2023. The environmental review indicates no probability of

significant adverse environmental impacts occurring as a result of the LUCA. The Environmental Coordinator for the City of Bellevue has issued a Determination of Non-Significance (DNS) for this IOC pursuant to the threshold determination requirements in WAC 197-11-340.

V. PUBLIC ENGAGEMENT

Required Public Notice

Notice of the IOC application and Public Hearing scheduled for May 8, and availability of this staff report, was published in the Weekly Permit Bulletin on April 20, 2023, and in the Seattle Times on May 1, 2023.

Enhanced Public Engagement

On December 12, 2022, the Council directed staff to provide draft provisions for the IOC which includes stakeholder input. Staff provided an overview of the current Downtown zoning and proposed IOC to the Eastside Housing Roundtable, Eastside Affordable Housing Coalition, Bellevue Chamber PLUSH, Bellevue Downtown Association (BDA), and NAIOP in January, February, and March.

VI. RECOMMENDATION

Staff recommends the adoption of the proposed IOC to encourage housing and affordable housing development within Downtown Bellevue. This recommendation is consistent with the need for housing and affordable housing as documented in several City planning documents, including the Comprehensive Plan, Affordable Housing Strategy, and 2022 Housing Needs Assessment.

ATTACHMENTS

Attachment A – Proposed IOC