



Bellevue Planning Commission

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PLANNING COMMISSION AGENDA ITEM

SUBJECT

Overview of Bellevue Housing Economic Policy Analysis Phase 1 draft report findings

STAFF CONTACTS

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POLICY ISSUES

The City of Bellevue is conducting economic policy analysis to determine the impact of both voluntary and mandatory affordable housing programs on housing development. The consulting firm Community Attributes Inc. (CAI) have performed initial analysis and will present an overview of the Phase 1 findings which includes a draft existing conditions report and draft policy implications report.

Tonight's briefing is an opportunity for the Planning Commission to learn more about the findings from the study which informs the City's ongoing Comprehensive Plan Periodic Update and Wilburton Vision Implementation.

DIRECTION NEEDED FROM THE PLANNING COMMISSION

ACTION

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DIRECTION

☐

INFORMATION ONLY

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No direction is needed from the Commission at this time. Madalina Calen, Senior Economist from CAI, will present initial findings from the draft Housing Economic Policy Analysis – Phase 1.

BACKGROUND

The City is conducting economic policy analysis to determine the impact of both voluntary and mandatory affordable housing programs on housing development. This is a two-part effort and a draft has been completed for Phase 1 and is currently underway for Phase 2.

Study Overview

Phase 1 of the study includes:

- An **Existing Conditions Report** that discusses applicable state, regional, and local affordable housing policy requirements, and regulations, as well as real estate market conditions and affordable housing funding in Bellevue.
- A **Policy Implications Report** that examines and evaluates best practices and policy implications associated with three selected affordable housing policies: voluntary incentive zoning, mandatory inclusionary zoning with fee in-lieu, and commercial fee in-lieu through case studies and secondary research.

Phase 2 of the study will develop a scenario analysis tool that will test parameters of programs recommended in Phase 1 through a financial feasibility tool. Outputs will summarize financial feasibility and development typologies under three policy scenarios. Each scenario will include the program parameters, including floor area ratio (FAR) incentives or bonuses, as well as affordable housing requirements and income limits. Findings on the development feasibility impacts of each scenario as well as scenario parameters will be documented in a final report.

First drafts of the Existing Conditions and Policy Implications reports have been completed and the consultant team has been working with the City staff to develop preliminary recommendations on policy options for further study in Phase 2.

Findings from Draft Phase 1 Report

Existing Conditions Report

The purpose of the Existing Conditions report is to summarize existing housing policy requirements and programs in Bellevue and provide baseline information on market conditions and trends to inform the development of future housing goals, policies, and regulations.

- **Affordable Housing Need** – Bellevue’s housing need allocation includes 29,700 units affordable at less than 80% of Area Median Income (AMI) by 2044, including 18,200 affordable at less than 30% AMI¹.
- **Middle Housing** – With the passage of House Bill (HB) 1110, Bellevue needs to update its comprehensive plan and development code to allow up to four housing units per lot (six per lot within one-quarter mile walk of a major transit stop or when two units are affordable) in predominately residential areas.
- **Affordable Housing Incentive Programs** - Bellevue has seen more than 5,000 affordable units come online as a result of a range of housing programs. The existing conditions report focuses on Bellevue’s Citywide Density Bonus program and the Location Specific Density Bonus programs.
- **Affordable Housing Funds** - Since 2013, the City of Bellevue’s housing fund has received nearly \$53 million in revenues to put towards affordable housing, which excludes funding invested in Bellevue from a range of other sources. Three programs account for 93% of the funds: Housing & Related Sales Service Tax, HB 1406 Affordable Housing Sales Tax Credit, and Affordable Housing Contingency Capital Investment Program (CIP) Fund.

Policy Implications Report

For the policy implications report, case studies were built off a literature review of housing policies in cities in Washington and across the nation and interviews with staff from five cities (Kirkland, WA; Seattle, WA; Boulder, CO; San Jose, CA; and South San Francisco, CA) who developed, implemented, and/or monitor these programs. Key findings include:

- Many interviewed cities have **set their affordable housing criteria to what they believe to be the “bare minimum” standards** to ensure participation.

¹ As per the housing-related amendments to the 2021 King County Countywide Planning Policies (CPPs) prompted by House Bill 1220 changes to the Growth Management Act.

- Nearly all jurisdictions noted the **importance of engaging developers** throughout the process of drafting and implementing affordable housing programs.
- **No jurisdiction reported negative impacts on development activity** as a result of their programs, whether applicable to residential or non-residential projects. Instead, jurisdictions cited **general market downturns as having a greater effect** on housing or commercial space production.
- A couple of the interviewed cities (Seattle and Kirkland) for the case studies reported a **low utilization rate for their voluntary programs**, so they phased this out in favor of a mandatory program. In addition, some cities noted that **developers do not usually go beyond the required elements** of a particular housing policy.
- **Regular evaluation and review of affordable housing programs** are critical to ensure a program is serving the purpose it was created to serve, and that updates can be made if the program is found to be underachieving in providing the desired public benefit. **Tracking data on program performance** is an important element of program evaluation and can also help inform other cities wishing to undertake affordable housing programming.
- Some cities allow or encourage developers to **combine multiple housing incentives and programs**. However, multiple programs may make data collection and quantifying programs performance difficult.

Funding Gap Analysis

Washington State law (RCW 36.70A.070(2)(d)(ii)) requires that local jurisdictions document “gaps in local funding” in their list of programs and actions needed to achieve housing availability. A funding gap analysis was conducted based on the methodology recommended by the Washington State Department of Commerce in *Guidance for Updating Your Housing Element*.

It was estimated that Bellevue has a gap in annual affordable housing production of 1,054 housing units. Analyses indicate a range of funding needed to cover this gap between \$225 million to nearly \$615 million per year depending on cost assumptions.

Recommendations for Phase II Analysis

Based on findings from the case studies and research conducted for the policy implications report, the following policy options are recommended for further study in Phase 2:

- Incentive zoning (voluntary) program.
- Mandatory inclusionary zoning applicable to residential projects and with a provision for a fee in lieu, and a commercial fee in lieu program.
- A variation of the mandatory program above, to be further designed.

ATTACHMENT

- A. Draft City of Bellevue Housing Economic Policy Analysis – Phase 1