



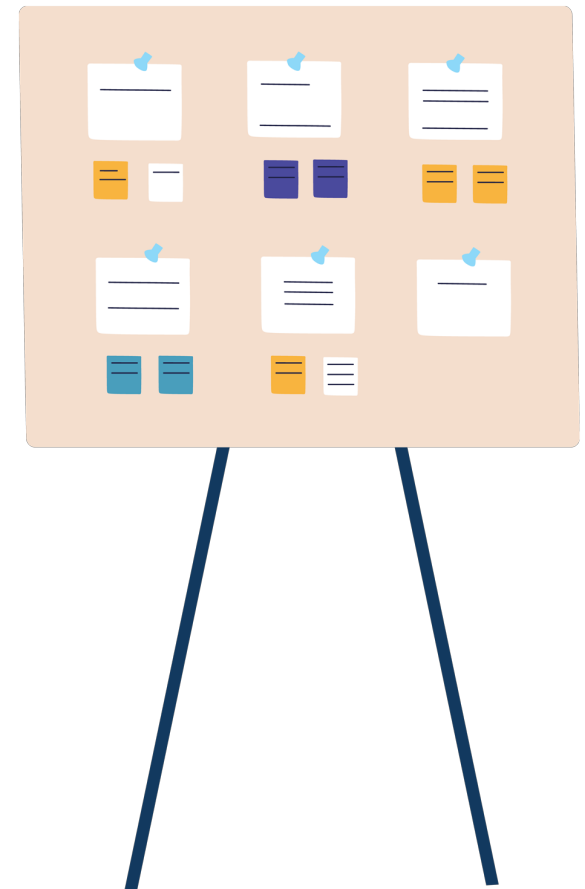
Housing Economic Policy Analysis Phase 1

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BELLEVUE
COMPREHENSIVE PLAN
2044

Agenda

1. Background
2. Phase 1 Scope
3. Existing Conditions Report
4. Policy Implications Report
5. Recommendations
6. Next Steps



BACKGROUND

Timeline Update





Background

- Planning Commission discussion of affordability tools during Draft EIS
- Interest in understanding benefits of mandatory inclusionary versus an incentive approach
- Affordable options in every neighborhood
- Affordable housing incentives and funding mechanisms
- Allowing and encouraging middle-scale housing
- Increase ownership opportunities



Scope of Analysis

Phase I:

1. Existing Conditions report:

- Applicable state, regional, and local housing policy requirements and regulations
- Real estate market conditions
- Affordable housing funding

2. Policy Implications report and best practices:

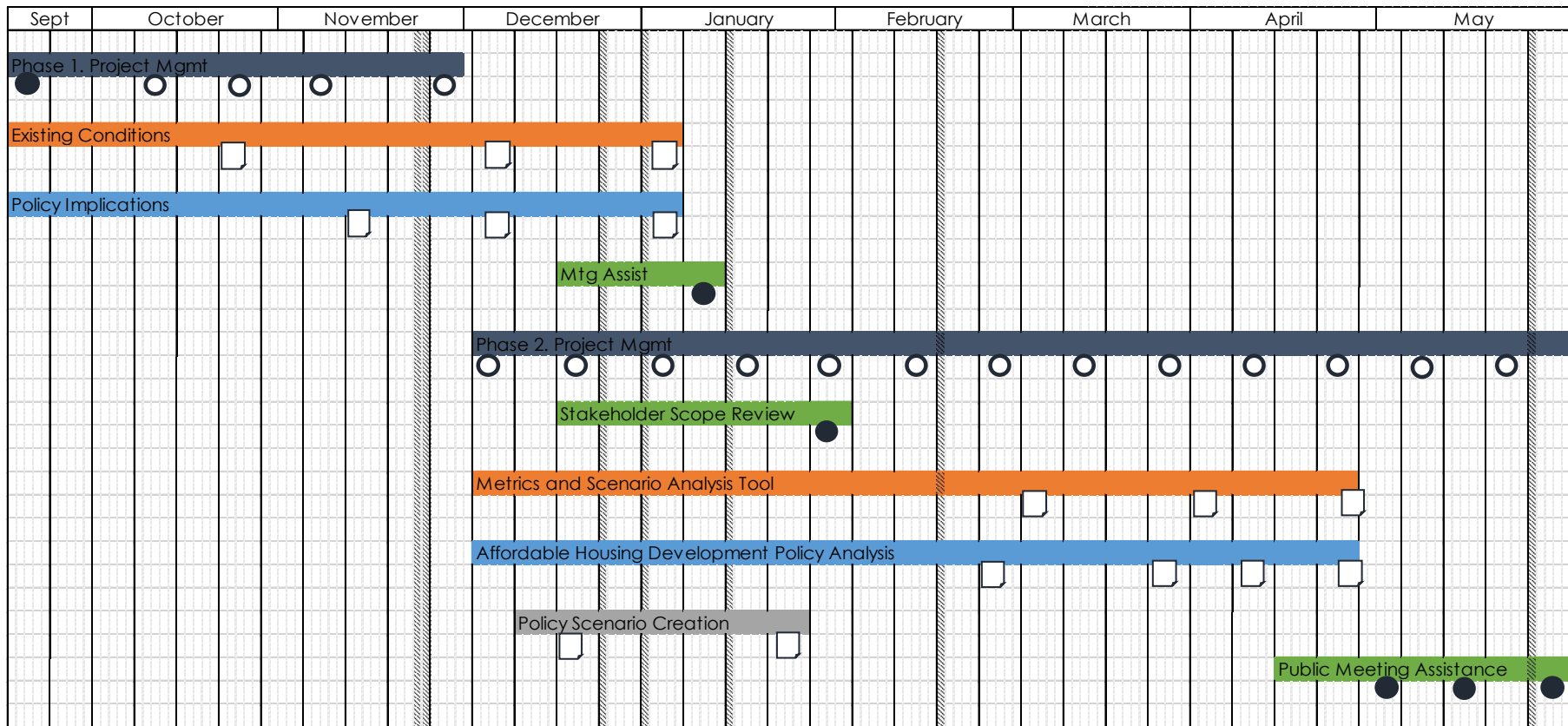
- Voluntary incentive zoning
- Mandatory inclusionary zoning with fee in-lieu
- Commercial fee in-lieu

Phase II:

1. Develop a financial feasibility scenario analysis tool to test parameters of programs recommended in Phase I
2. Outputs will summarize financial feasibility and development typologies under three policy scenarios.
3. Outputs will be utilized to inform future LUCA focusing on increasing housing and affordable housing development in mixed-use areas



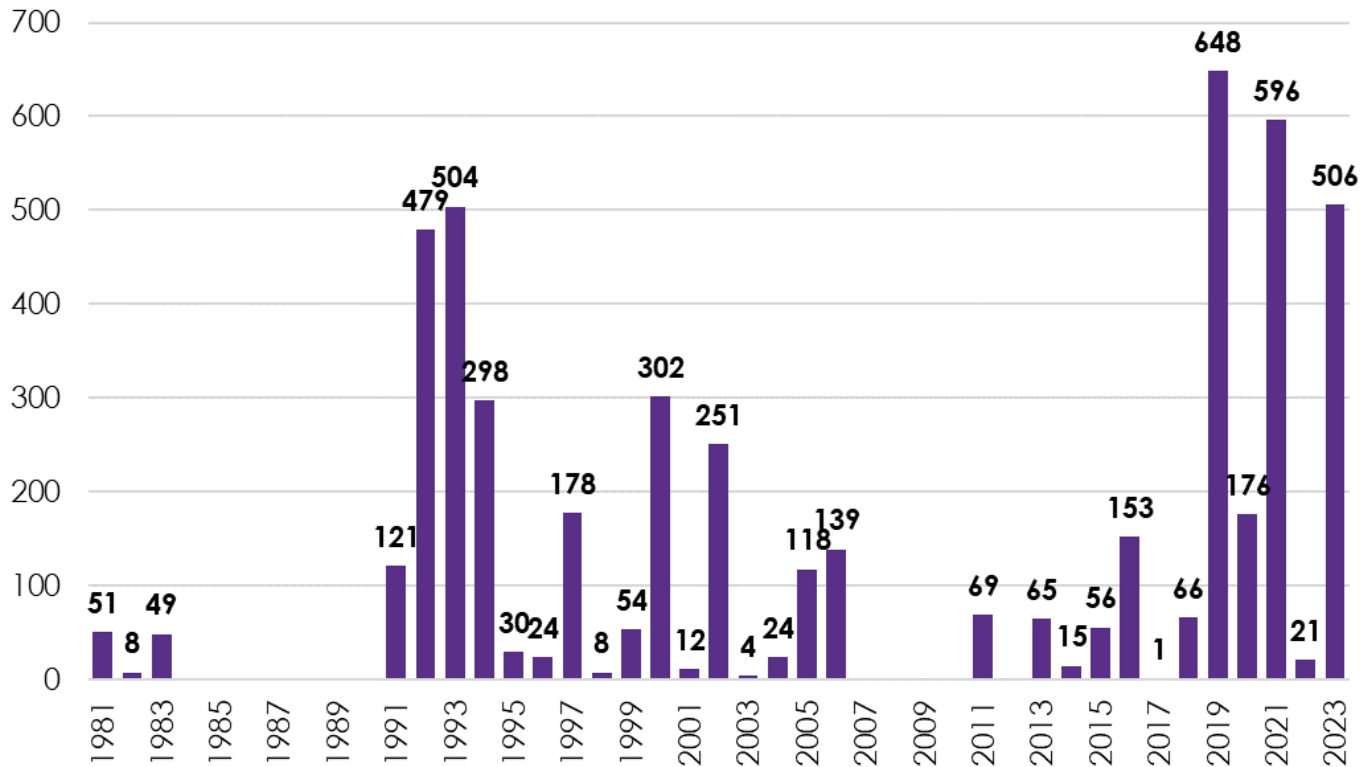
Schedule





Existing Conditions Report

Number of Affordable Housing Units in Service by Year, 1981-2023



Sources: City of Bellevue, 2023; Community Attributes, 2023.
Note: Includes units produced through Bellevue's affordable housing incentive programs and other income-restricted units.



Existing Conditions Report

Housing Policy Requirements and Regulations Reviewed

- HB 1220: Planning for and Accommodating Housing Needs
- HB 1110 “Middle Housing”
- HB 1337 “Accessory Dwelling Units”
- Countywide Planning Policies
- City of Bellevue Programs
 - Citywide Density Bonus
 - Mandatory Inclusionary Zoning (1991-1996)
 - Location Specific Density Bonuses
 - Multifamily Housing Property Tax Exemption





Existing Conditions Report

City of Bellevue Affordable Housing Incentive Programs

Program	Type	City Code Reference	Fee in-lieu	Geography	Program Start	Income – Restricted Units Produced
Density Bonus: Current program	Voluntary	LUC 20.20.128	No	Citywide	1996	95 units
Density Bonus: Inclusionary Zoning (1991-1996)	Mandatory	N/A	No	Citywide	1991	170 units
Location Specific Density Bonuses (FAR and Amenity Incentives)	Voluntary	LUC 20.25D.090.C	Yes (\$7.6 mil generated)	BelRed	2009	181 units (includes pipeline)
	Voluntary	LUC 20.25A.070.c.2	No	Downtown	2017	24 units
	Voluntary	LUC 20.25P.060.B.2.a/ LUC 20.20.010 (note 49)	No	Eastgate TOD/ Neighborhood Mixed Use District	2017	None to date
	Voluntary	LUC 20.25Q.070	Yes, commercial	East Main District	2021	None to date
Multi-Family Housing Tax Exemption (MFTE)	Voluntary	Chapter 4.52 BCC	No	Citywide	2015	84 units

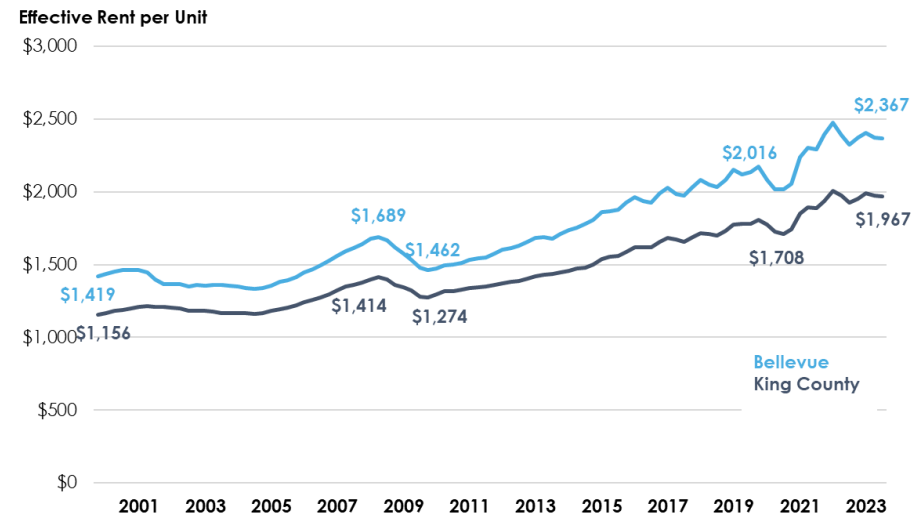


Existing Conditions Report

Real Estate Market Conditions

- In 2023, **half of Bellevue's housing stock was multi-family residences**, up from 41% in 2000.
- Over the past two decades, Bellevue **has almost exclusively produced multi-family housing** at a steady but cyclical rate. **Absorption has typically been positive**, keeping up with unit deliveries.
- As of 2023, the **median effective rent per unit** in Bellevue is roughly **\$2,400**, a **67% increase from 2000** and about \$400 higher than the median rent for King County.
- **Multifamily vacancy rates** in Bellevue have fluctuated between roughly 3.5% and 8% since 2000 and are **near 5% in 2023**.

Median Multifamily Rents, Bellevue and King County, 2000 – 2023



Sources: CoStar, 2023; Community Attributes Inc., 2023.



Existing Conditions Report

Affordable Housing Funding Analysis

- Since 2013, the City's affordable housing fund has received nearly **\$57 million**
- **Three programs account for 93%** of the funds:
 - Housing & Related Sales Service Tax (HB-1590)
 - Housing Fees-in-Lieu
 - Affordable Housing Contingency Capital Investment Program (CIP) Fund.
- Excludes funding such as:
 - Community Development Block Grants

- HOME Investment Partnerships Program
- Low Income Housing Tax Credit

City of Bellevue Housing Fund, 2013-2023

Source of Funds	Total Since 2013
Housing & Related Services Sales Tax (HB-1590)	\$26,161,525
Housing Fees-in-Lieu	\$11,690,390
Affordable Housing Contingency CIP Fund	\$11,000,000
General Fund	\$3,354,000
Affordable and Supportive Housing Sales Tax (HB-1406)	\$2,429,318
Private Contributions	\$2,000,000
Retail Sales/Use Tax	\$1,050,000
Total	\$57,685,233

Sources: City of Bellevue, 2023; Community Attributes Inc., 2023.



Policy Implications Report

Best Practices Case Studies

Jurisdiction	Program	Description	Adoption Year	Units Produced/ Fees Collected
Seattle	Incentive Zoning (Voluntary)	Developers provide or pay for specific amenities (affordable housing, child care, open spaces, TDP/TDR, RDC) in exchange for extra floor area or height beyond the base amount allowed by the code.	2008	410 units/ \$78 mill
	Inclusionary Zoning - MHA-R (Mandatory)	Developers must include affordable housing units within new development (performance option) or must pay into a fund that will support the development of affordable housing (payment option).	2017	89 units/ \$246.1 mill
Kirkland	Inclusionary Zoning (Mandatory)	The standard requirement is that all developments creating four or more new dwelling units shall provide at least 10% of the units as affordable housing.	2010	231 units
Boulder	Commercial Linkage Fee	New commercial development pays a fee per square foot for the provision of affordable housing. Fee ranges from \$10 to \$31 depending on use.	2016	\$12 mill
San José	Commercial Linkage Fee	New and existing non-residential projects that either add gross floor area or change the existing building use pay a one-time impact fee. Fee ranges from \$3 to \$17 depending on use and city subarea.	2020	\$0.9 mill*
South San Francisco	Incentive Zoning (Voluntary)	Any housing development that proposes five or more units and incorporates at least one of the program requirements for a period of 55 years is eligible for a density bonus.	1979	Not Available



Policy Implications Report

Best Practices Case Studies

- Many interviewed cities have **set their affordable housing criteria to what they believe to be the 'bare minimum' standards** to ensure participation.
- Nearly all jurisdictions noted the **importance of engaging developers** throughout design and implementation of affordable housing programs.
- **No jurisdiction reported negative impacts on development activity** because of their programs.
- A couple of the interviewed cities (Seattle and Kirkland) reported a **low utilization rate for their voluntary programs**.
- **Regular evaluation and review of affordable housing programs** are critical to ensure a program is serving the purpose for which it was created.
- **Tracking data on program performance** is an important element of program evaluation.
- Some cities allow or encourage developers to **combine multiple housing incentives and programs**.



Policy Implications Report

Funding Gap Analysis

- *State law* requires local jurisdictions to document “gaps in local funding” in their list of programs and actions needed to achieve housing availability
- Methodology is recommended by the Washington State Department of Commerce in the *Guidance for Updating Your Housing Element* and using a range of cost per unit assumptions.
- Funding gap of between **\$225 million to nearly \$615 million per year** depending on cost assumptions to cover the estimated gap of 1,054 in annual affordable housing unit production.

Funding Gap Based on average cost per unit (\$583k) for ARCH projects

	Annual Average Net New Units, 2019-2044	Annual Average Production, 2019-2023	Annual Average Units Gap	Annual Average Funding Gap
30% and below	728	6	722	\$420,519,996
31%-50%	352	20	332	\$193,453,185
51%-80%	107	254	(147)	\$0
Total	1,186	279	1,054	\$613,973,181

Sources: King County, GMPC Motion 23-1, 2023; City of Bellevue, 2023; Washington State Department of Commerce, 2023; Community Attributes Inc., 2023



Recommendations for Phase 2

Policy recommendations for further study in Phase II:

- 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



Next Steps

- CAI and Bellevue staff meet with a stakeholders to review the Phase II scope of work and solicit input on feasibility model, inputs, and assumptions
- Finalize policy scenarios for analysis in Phase II
- Define up to four (4) development typologies for modeling
- Build spreadsheet pro forma model

Questions?

