

CITY COUNCIL AGENDA TOPIC

Land Use Code Amendment to expand housing opportunities in mixed-use areas as part of the City's "Next Right Work" initiative to boost housing production and affordable housing in the City.

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EXECUTIVE SUMMARY**INFORMATION
ONLY**

This study session provides an update on one of the five Next Right Work actions initiated by Council in 2022. This action proposes citywide residential Floor-Area-Ratio (FAR) increases in mixed-use land use districts and includes a Land Use Code Amendment (LUCA), with potential site rezones for existing mixed-use areas to align with the recently adopted Comprehensive Plan.

RECOMMENDATION

N/A

BACKGROUND/ANALYSIS**Next Right Work Background**

In 2022, Council prioritized five "Next Right Work" actions that were intended to build on the City's 2017 Affordable Housing Strategy and further increase housing production and affordable housing opportunities in the City. The five actions are:

1. Remove barriers to micro-apartments (Adopted: June 2023)
2. Reduce permit review and inspection fees for affordable housing projects (Adopted: July 2023)
3. Incentivize residential over commercial development by allowing higher FAR or density for residential uses
 - Phase One: Downtown Interim Official Control (Adopted: May 8, 2023, extended twice and expired in September 2024)
 - Phase Two: Permanent regulations for Downtown and other mixed-use areas (currently underway)
4. Encourage middle housing types, such as duplex, triplex, quadplexes, and Detached Accessory Dwelling Units (DADU), Accessory Dwelling Units (ADU), including mechanism for separate ownership
 - Phase One: Attached ADU Reform LUCA (Adopted: July 2023)
 - Phase Two: DADU and middle housing LUCA (currently underway)

- Phase Three: Pre-approved DADU design program (not yet launched)
- 5. Simplify the permitting process and expedite permitting for affordable housing
 - Unit Lot Subdivision Transportation code amendments (Adopted: August 2023)
 - Expanded SEPA exemptions for residential (Adopted: September 2023)
 - Further expand SEPA exemptions for residential (currently underway)
 - Expedited permitting for affordable housing (Implemented: Quarter 3 2024)

This agenda will focus on Phase two of the third action on this list, which aims to expand housing opportunities in mixed-use areas by allowing a higher FAR or density for residential uses.

Phase Two: Housing Opportunities in Mixed-Use Areas (HOMA) Background

As presented in December 2022, the Housing Opportunities in Mixed-Use Areas (HOMA) initiative has focused on incentivizing residential development in mixed-use zones by allowing higher Floor Area Ratios (FAR) or density for residential uses. This project aims to prioritize housing over commercial development in key areas of the city. At the project’s initiation, Staff sought Council’s input on the recommended project scope. The scope advanced with this meeting can be summarized into the following topics:

- Increase Residential FAR: Replacing the dwelling unit per acre density measurement with FAR and increasing the FAR limits in all areas that allow both residential and commercial development, except for Wilburton, East Main, and BelRed as these areas have separate dedicated projects that were recently completed or currently underway.
- Expand Affordable Housing: Leveraging FAR increases to create additional affordable housing opportunities.
- Refine Form Standards: Implementing minor adjustments to improve residential development feasibility.

Progress on HOMA initially advanced under the Phase One Downtown Interim Official Control (IOC), which was first adopted in May 2023. At that time, the office market was more competitive, often outcompeting residential development in areas like Downtown. However, significant changes have occurred since HOMA’s inception:

- Cooling Office Market: The office market has softened considerably, reducing its dominance over residential development.
- New Growth Targets: The City adopted updated jobs and housing targets, and has identified an affordable housing target.
- Comprehensive Plan Update: In October, the City Council approved major updates to the Comprehensive Plan, refining the growth strategy and introducing new land use designations for geographic areas aligned with HOMA’s focus, including Crossroads, Factoria, Newport Hills, and other mixed-use areas throughout the City.

Proposed HOMA Scope Adjustments

These developments since December 2022 necessitate a reassessment of HOMA’s scope. Updating HOMA provides a strategic opportunity to align with the newly adopted Comprehensive Plan policies and map changes, accelerating its implementation. By adapting HOMA to reflect current market

conditions, growth priorities, and Council-adopted changes, the City can position this initiative as a step toward addressing housing needs while advancing broader planning goals of providing vitality to our mixed-use areas of the City.

The proposed HOMA scope adjustments include the following objectives:

- **Aligning with the Recently Adopted Comprehensive Plan:** The Comprehensive Plan, adopted in October, emphasizes creating diverse housing opportunities citywide, expanding affordable housing, fostering vibrant, well-served neighborhoods, and enabling residents to live closer to work and shopping. The proposed geographic scope of the HOMA initiative has not changed and the map of areas included in HOMA is provided as Attachment A. However, achieving these goals requires more substantial changes to the land use code than initially scoped when HOMA was initiated in 2022, particularly within designated Neighborhood Centers (Attachment B).

Additionally, the Future Land Use Map (Attachment C) outlines significant land use changes for Factoria and Crossroads, identified as candidate Countywide Centers (Attachment D). To better align with the Comprehensive Plan and Future Land Use Map, and to advance housing goals, legislative rezones for some of the mixed-use areas are proposed. These areas' Comprehensive Plan designations support greater housing density and redevelopment capacity than current zoning allows and require new land use districts to be created to implement the Comprehensive Plan. Legislative rezones are proposed to be limited to those areas where new land use districts must be created, including areas designated Lowrise Mixed Use 2 (e.g., Kelsey Creek Shopping Center) and Highrise Mixed Use (e.g., Crossroads and Factoria Mall). Including these rezones in the project scope streamlines the Comprehensive Plan implementation timeline and avoids separate rezone processes, reducing duplicative administrative work.

Expanding the scope of the HOMA initiative to address these areas will more effectively advance its original objectives of increasing housing and affordable housing opportunities while ensuring greater alignment between the updated Comprehensive Plan and the Land Use Code.

- **Increase Residential FAR:** Replacing the dwelling unit per acre density measurement with FAR and increasing the FAR limits in all areas that allow both residential and commercial development. The FAR increases would align with the recently adopted land use designations and policies provided in the Comprehensive Plan. The FAR increases exclude Wilburton, East Main, and BelRed as these areas have separate dedicated projects that were recently completed or currently underway.
- **Expand Affordable Housing:** The Planning Commission will review two distinct options for addressing our affordable housing need in mixed-use areas, including review of a mandatory or voluntary approach for affordable housing. The completed economic analysis will be used to assist with the creation of the affordable housing program options.
- **Update Form Standards:** The Comprehensive Plan defines four general scales for mixed-use development: low, middle, high, and highest scale. These scales were analyzed in the Comprehensive Plan's Final Environmental Impact Statement.

Based on an economic analysis and extensive outreach to property owners and developers in

mixed-use Land Use Districts, two building heights—five and seven stories—have been identified as the most practical for residential development. This aligns with current building codes, which allow wood-frame construction up to these heights without requiring costly mitigation.

To better promote housing development, the HOMA initiative will prioritize building height increases in mixed-use areas currently restricted to less than five stories, consistent with the new land use designations and policies in the Comprehensive Plan. Key changes include introducing two new Land Use Districts to accommodate higher densities, such as enabling tower construction in areas like Crossroads and Factoria, and allowing up to seven-story buildings in selected mixed-use zones in areas like Kelsey Creek.

The adjusted scope will also evaluate and amend other form standards to increase housing and affordable housing production, such as lot coverage, residential parking, stepback and setback requirements, ground floor uses, and multifamily play area requirements.

The proposed scope adjustments ensure that the HOMA initiative remains relevant and impactful, aligning housing and mixed-use development with the City’s evolving vision and priorities.

Public Engagement Methods

Due to the broad geographic scope impacted by this project, and its importance to the community, staff are following an alternative approach to processing these code amendments and rezones to accommodate extended engagement. This approach will incorporate two major phases.

- **Phase One (Complete):** During this phase, outreach focused on listening to project stakeholders and the public and generating feedback on aspects of the proposed scope. This phase included dialogue and discussions with several property owners and developers within the mixed-use areas, discussions with affordable housing advocates, and meetings with the Bellevue Development Committee, which includes members from the development community and the general public.
- **Phase Two (In Progress):** Staff are developing code and rezone recommendations, incorporating feedback from phase one and recommending a scope adjustment for Council consideration to be responsive to this feedback. Phase two engagement will solicit feedback on proposed code amendments and rezones more broadly with the community and neighborhood associations.

Staff has developed a public engagement plan with six modes of outreach to ensure the public, stakeholders, and interested parties have the opportunity to be informed and to provide comments. These modes are employed across both phases of work, allowing members of the public to provide comment at key intervals and for staff to respond to feedback in developing recommendations.

- **Process IV Requirements.** Consistent with Chapter 20.35 LUC procedural requirements, public input will be solicited by a notice of application, notice of public hearing and the required public hearing.
- **Public Notice.** Staff will provide public notice within a 1,000-foot radius of any site proposed for a rezone. The typical citywide legislative rezone notice process does not require mailed public notice to nearby properties, but this proposal would include such notice to ensure nearby

residents are informed of any rezone proposal.

- **Public Information Sessions.** At least six public information sessions will be held to provide information on the project and solicit feedback from the general public. These sessions will be held in-person near mixed-use area under review for changes and a virtual session will also be provided.
- **Online Story Map.** An online story map will be published to inform the community of proposed changes both to zoning and land use code standards, and gather broad perspectives on project priorities, ideas, and concerns. The online story map went live in December and will be open for the duration of the project.
- **Direct Engagement and Feedback.** Dialogue with residents, developers, and affordable housing advocates.
- **Online Presence.** City webpage and online story map to provide the public information about the project, who to direct questions to, and how to submit comments.

Relationship to Neighborhood Area Planning

On November 17, the Council initiated Neighborhood Area Planning projects for two areas within the HOMA geographic scope: Newport Hills and Crossroads. These Comprehensive Planning efforts focus on public realm policies, specifically addressing urban design, neighborhood identity, public spaces, and connectivity. To maximize impact, the two project teams are closely coordinating to ensure these initiatives complement one another. Additionally, informational brochures about the HOMA project have been distributed at Neighborhood Area Planning outreach sessions, providing residents with essential details on related projects and clear contact information for further inquiries.

Next Steps

Since the project was initiated, staff have been working with a technical consultant to analyze the financial and development feasibility of projects within these mixed-use areas. This analysis will inform future code and rezone recommendations. The first of several Planning Commission study sessions to review staff recommendations will take place in Q1 2025, with City Council action on all code amendments anticipated in Q3 2025.

POLICY & FISCAL IMPACTS

Policy Impact

These code amendments are proposed to increase the consistency of the Land Use Code and the recently adopted Comprehensive Plan.

Fiscal Impact

N/A – Information only

OPTIONS

N/A

ATTACHMENTS

- A. HOMA Geographic Scope
- B. Neighborhood Centers Map
- C. Countywide Centers Map
- D. Future Land Use Map

AVAILABLE IN COUNCIL LIBRARY

N/A