

CITY COUNCIL AGENDA TOPIC

Recommended 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

DIRECTION

Staff will introduce the recommended Housing Opportunities in Mixed-Use Areas (HOMA) Land Use Code Amendment (LUCA) and associated legislative rezones. Planning Commission Chair Khanloo will present the Planning Commission recommendation approving the LUCA. The Resolution documenting this recommendation is included as Attachment A.

Following discussion, staff is seeking Council direction to prepare the LUCA Ordinance and associated Rezone Ordinance for final action at a future meeting.

RECOMMENDATION

Direct staff to finalize the LUCA Ordinance and associated Rezone Ordinance for final action at a future meeting.

BACKGROUND/ANALYSIS

Housing Opportunities in Mixed-Use Areas Background

The HOMA LUCA was initiated in December 2022, following the Council's selection of this LUCA as part of the July 2022 "Next Right Work" initiative. At that time, the office market was more competitive, often outcompeting residential development in areas like Downtown.

To address this imbalance and encourage affordable housing production, the city adopted Phase One: Downtown Interim Official Control (IOC) in May 2023. The IOC tested offering developments regulatory flexibility in exchange for providing affordable housing.

Since HOMA's inception, evolving market conditions and city policy direction prompted a re-evaluation of the LUCA scope. At a Council check-in on December 10, 2024, staff presented an updated scope in response to the following shifts:

- Cooling Office Market: The office market softened considerably, reducing its economic advantage over residential development.
- New Growth Targets: The city adopted updated jobs and housing targets and identified an affordable housing target.
- New Future Land Use Designations: In October 2024, 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.

Council directed a revised HOMA scope, and emphasized the importance of affordable housing, minimizing business displacement, and ensuring the voices of the community are heard throughout the LUCA process.

Planning Commission Process

The Planning Commission began reviewing HOMA in February 2025, holding four study sessions prior to the public hearing and an additional study session after the public hearing.

Significant input was gathered from both the Planning Commission and stakeholders throughout the process to allow staff to better balance the concerns and priorities of the residents and development stakeholders related to the LUCA. After several drafts and significant changes to the LUCA, the Planning Commission held a public hearing on December 10, 2025. At the public hearing, the Planning Commission requested that staff evaluate over 40 requests from stakeholders and the Planning Commission relating to Downtown, and other items outside of Downtown, including impervious surfaces, and ground floor use requirements, and nonconforming code.

Staff returned for a fifth study session on January 28, addressing a majority of the commission and stakeholder requests. After discussion, Planning Commission unanimously recommended that Council adopt HOMA including the mandatory affordable housing provisions in mixed-use areas outside of Downtown with minor changes as follows:

- Increased building height in the proposed Mixed Use: 7 Story (now Mixed Use: 8 Story) district
- Allow grocery stores which utilize the FAR exemption to transition to other exempt uses or pay the affordable housing fee-in-lieu for the square footage
- Allow an increase to floor plate size for projects Downtown that use the affordable housing amenity incentive

Components of the Recommended LUCA

Extensive changes are proposed to the Land Use Code through the recommended LUCA and a complete strike-draft of the changes is included as Attachment B. The LUCA has gone through several rounds of updates based on public and Planning Commission comments after its initial release in March 2025, and the current proposal is the seventh draft of the LUCA.

Dimensional Standards

To encourage additional housing in the mixed-use areas, building height and floor area ratio (FAR) increases are proposed for several of the districts included in HOMA. For consistency with the Future Land Use Map, two new Land Use Districts, Mixed-Use: 8 Story (MU8) and Mixed-Use: 16 Story (MU16), are proposed. Dwelling unit per acre limits are proposed to be removed and replaced with FAR

for all mixed-use districts to promote residential development and density. Neighborhood centers are proposed to allow between 60 and 85-foot-tall buildings. Transit oriented districts, including Factoria and Crossroads, are proposed to allow between 160 and 170-foot-tall buildings.

Setbacks and general site landscaping requirements are proposed to be eliminated in mixed-use areas unless abutting a residential district, in which case HOMA proposes a 25-foot setback and stepbacks for buildings over 60 feet in height.

To ensure the projects can utilize the additional FAR, the LUCA was updated to increase the impervious surface limit from 60 to 65 percent to 85 to 95 percent. The hard surface limit is proposed to be increased to 95 to 100. Sites will continue to be required to meet the tree code standards as well as local and state stormwater management regulations. Additionally, staff coordinated with the Utilities Department to ensure these changes will not adversely affect the city's ability to manage stormwater and runoff from private property.

The intent of the updated dimensional standards is to create more vibrant mixed-use areas which provide points of interest and interaction for pedestrians at the street level while promoting additional housing through increased building height and FAR.

Affordable Housing

Residential:

The LUCA requires that in all land use districts included in HOMA, except for Downtown, 10% of units must be provided to households earning 80% of the area median income (AMI), 7% at 60% AMI, or 5% at 50% AMI. This requirement applies to projects with 10 or more dwelling units. A \$13 per square foot fee in-lieu option is available to residential projects in the higher density HOMA districts and a \$10 per square foot fee is available in the lower density HOMA districts. A land transfer option, as adopted through the Wilburton LUCA, is also available.

Commercial:

A commercial fee in-lieu or on-site performance option is also proposed with this LUCA for all land use districts included in HOMA, except for Downtown. A single \$16.50 per square foot fee in-lieu is proposed for commercial development in all HOMA districts.

Additional updates:

For ease of use for both the public and staff reviewers, all affordable housing sections contained in the Land Use Code have been consolidated into a new Land Use Code Chapter (20.15). This allows for easier navigation and better organization of the existing affordable housing code.

Multifamily Tax Exemption (MFTE):

Consistent with Council direction during the January 13 MFTE study session, the Office of Housing has coordinated with Development Services to conduct additional MFTE analysis related to HOMA. In particular, staff evaluated whether the Wilburton Supercharger is necessary to offset the costs associated with mandatory HOMA requirements and whether any other HOMA provisions uniquely warrant modifications to the existing MFTE program. Based on this analysis, staff concludes that the Supercharger is not necessary as an additional offsetting incentive and is not aligned with HOMA's

development goals to the same degree as in Wilburton. The detailed analysis is provided in Attachment C.

The existing 12-year MFTE program will remain available to all projects proposed under the HOMA amendments. Additionally, the newly adopted 8-year MFTE program will be available in areas where a mandatory affordable housing approach is implemented, providing a strong incentive towards the production of 50% and 60% AMI units. A mandatory affordable housing approach is recommended in all mixed-use areas addressed under HOMA, except for Downtown Bellevue, where a voluntary approach is proposed to continue.

Parking

The LUCA includes minor reductions to residential parking minimums, and no changes to commercial parking requirements are proposed. Currently, residential parking minimums for market-rate units can range from 1.2 to 1.8 spaces per unit, depending on number of bedrooms. The LUCA proposes a minimum parking requirement of one space per unit for all unit sizes outside of Downtown. Minimum parking requirements for affordable and market-rate housing in parking areas are also proposed to be slightly reduced. The Council initiated the Parking Reform LUCA earlier this year and this LUCA is intended to make further changes to parking requirements for these same mixed areas through that LUCA process.

Downtown

Changes are proposed to Downtown, specifically related to the Perimeter Overlay areas, affordable housing, and parking.

Several aspects of the Downtown IOC related to the Perimeter Overlay areas have been included as permanent aspects of the code through HOMA, including:

- Within a single project, unutilized FAR from the Perimeter Overlay may be utilized in the DT-MU district as long as the maximum FAR for the entire site is not exceeded.
- If providing 0.5 FAR of exempt square footage, sites in the Perimeter Overlay may:
 - Increase lot coverage by 5%
 - Reduce the setback by up to 15 feet
 - Increase building heights by 25 feet
 - Be exempt from maximum floor plate requirements if the building is less than 85 feet tall

Currently, the Downtown amenity incentive system does not include provisions for affordable housing, as it is encouraged through a separate FAR exemption. HOMA proposes adding affordable housing to the amenity incentive system, requiring that the first 25% of amenity incentive points a project must earn be earned through the provision of affordable housing. By utilizing this incentive, projects can unlock additional FAR above the base FAR at a ratio of four square feet of market rate for every one square foot of affordable housing provided. The affordable housing amenity can also be provided through the payment of a fee-in-lieu of \$13 per amenity incentive point. If participating in the program, non-residential projects are proposed to be granted a 3% maximum floor plate square footage increase. Downtown areas are not proposed to be included in any mandatory affordable housing requirements through HOMA. Developments are also able to exempt four feet of market-rate housing for every one square foot of affordable housing provided, up to a maximum of 50% of the base FAR in the district the

building is located in, which amounts to an additional 1.6 to 2.25 FAR in exchange for providing affordable housing.

Additional updates to Downtown:

Several targeted updates are proposed to improve development feasibility while maintaining public benefits in Downtown:

- Outdoor plaza requirement: The minimum outdoor plaza size required to exceed the trigger height would be reduced from 10% to 7% of lot area. This change addresses a finding that the 10% requirement caused projects to exceed their amenity incentive points, limiting their ability to use additional FAR from affordable housing. The adjustment allows taller buildings while still providing meaningful public open space.
- Parking minimums: Residential parking requirements are reduced from one space per unit to 0.5 spaces per unit. The LUCA would also allow up to 65% compact stalls without an administrative departure.
- Green factor calculation: Required vehicular access and parking areas would be excluded from the lot area used to calculate the Downtown green and sustainability factor, which aligns with the approach in the Wilburton TOD area.
- Rezone: The area along the west side of Bellevue Way between NE 4th and 8th Streets, which is the current eastern entrance to the Bellevue Square mall, is proposed to be rezoned to a new Downtown Office 2 West (DT-O-2 West) land use district. The proposed standards for the new land use district are identical to the current DT-O-2 South district.

Staff coordinated these revisions with the development community to maintain project feasibility and plans a broader Downtown code update after HOMA to address additional concerns from residents and stakeholders.

Community Mixed-Use Design District

Design standards specific to the HOMA districts that are not located in parts of Factoria, Eastgate, or Downtown have been consolidated into the renamed Community Mixed-Use Design District (formerly Community Retail Design District). This section incorporates existing site design standards related to residential building entries, pedestrian connectivity, connections to adjacent open space, loading and storage areas, and parking structures.

Input received through public outreach emphasized that the retail component of the neighborhood centers is important to the residents of adjacent areas and neighborhood identity. Based on this input, new requirements related to street-frontage uses are proposed to require between 50-66% ground floor “pedestrian oriented uses” along designated streets.

Through outreach for HOMA and the Comprehensive Plan, several uses have been identified as especially important to encourage in our mixed-use areas. HOMA proposes to exempt the following uses from FAR to encourage their location or retention on site:

- Grocery stores
- Childcare
- Non-profits

- Affordable commercial space
- Open space provided for over 30% of the total lot area may earn up to 0.25 additional FAR

Transition Areas

Setbacks and landscaping requirements associated with transition areas have been included in the updated Community Mixed-Use Design Districts requirements. Under the recommended LUCA, developments directly abutting a residential district would be required to provide a 25-foot setback and landscaping between the abutting property line if there are non-residential uses within 150 feet of the property line. This would maintain a separation and buffer between commercial and neighboring residential uses in these areas. Additionally, a 45-degree plane is proposed for buildings over 60 feet tall, requiring the building to stepback further from the property line if taller.

Non-Conforming Requirements

City Council, through the Wilburton LUCA adoption, directed staff to standardize the city’s non-conforming Land Use Code approach across the city and to better accommodate multi-phased projects. An updated version of the non-conforming language adopted through the Wilburton LUCA is being provided through the HOMA LUCA to implement this Council direction.

Vesting

Stakeholders have requested the ability for projects, particularly in the Downtown, to have a choice whether to opt in or opt out of the HOMA LUCA for their projects. In general, applications deemed complete before the effective date of the HOMA ordinance would continue under the prior Land Use Code, while preserving any vested rights established under existing law or the Downtown FAR IOC. Council may consider providing a voluntary, time-limited option for applicants with pending design review applications and no complete building permit to elect review under the new Land Use Code HOMA provisions, without otherwise changing procedural review requirements.

Rezoning

Several parcels are proposed to be rezoned through the HOMA process to ensure the Land Use Code is consistent with the Future Land Use Map adopted through the Comprehensive Plan. Additionally, a small area of Downtown is proposed to be rezoned as detailed in the “Downtown” section of this Agenda Memo. A map of the proposed rezones is included as Attachment D.

Project Timeline

The anticipated schedule for this LUCA is as follows:

- Council Initiation: December 12, 2022
- Council Scope Update: December 10, 2024
- PC Study Session 1: February 26, 2025
- PC Study Session 2: May 14, 2025
- PC Study Session 3: September 10, 2025
- PC Study Session 4: October 8, 2025
- PC Public Hearing: December 10, 2025
- PC Study Session 5: January 28
- City Council Study Session: February 24
- City Council Action: (to be scheduled)

Public Engagement

Staff have implemented multiple modes of outreach to ensure the public, stakeholders, and interested parties have the opportunity to be informed and to provide comments. A detailed engagement report is provided as Attachment E.

1. Process IV Requirements. Process consistent with Chapter 20.35 LUC procedural requirements to provide opportunities for public comment.
2. Direct Engagement and Feedback. Information gathering about the barriers to redeveloping existing buildings and outreach to inform the public of the LUCA.
3. Online Presence. City webpage and StoryMap to provide opportunities for the public to stay informed and to request additional information.

POLICY & FISCAL IMPACTS

Policy Impact

The proposed LUCA is consistent with the land use, housing, neighborhoods, transportation, economic development, and urban design elements of the Comprehensive Plan and Affordable Housing Strategy.

Fiscal Impact

The LUCA should have a positive fiscal impact by encouraging redevelopment of parcels into denser, higher value uses, increasing tax revenues from the redeveloped parcels.

OPTIONS

1. Direct staff to finalize the Land Use Code Amendment and Rezone Ordinances for final action at a future meeting.
2. Provide alternative direction to staff.

ATTACHMENTS

- A. Planning Commission Resolution
- B. LUCA Strike-draft
- C. MFTE and HOMA Analysis
- D. Map of Proposed Rezones
- E. Engagement Report

AVAILABLE IN COUNCIL LIBRARY

N/A