

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Council is asked to initiate the affordable housing strategy plan work program, and provide direction on scope, public engagement plan, and Council principles to guide the effort.

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POLICY ISSUES

The purpose of this plan is to improve affordable housing opportunities across the City, with a focus on action. This is consistent with City Council Priorities, Comprehensive Plan housing policy, and Economic Development Plan Strategies.

City Council priority:

Develop an affordable housing plan for the needs of our diverse population.

Comprehensive Plan Policy HO-24:

Develop and implement an effective strategy to ensure affordable housing opportunities are available in Downtown and throughout the city at a range of affordability levels. Monitor quantity, types, and affordability of housing achieved for potential unintended consequences and to determine if the need is being met.

Economic Development Plan Strategy E.1:

Develop a city-wide strategy to expand workforce housing options by exploring all manner of tools, including a multifamily tax exemption program, a revolving fund for transit-oriented development, zoning changes, and other options.

Stakeholder input to the Economic Development Plan identifies lack of workforce housing for employees as a primary challenge for Bellevue. The plan notes:

To support a thriving economy, there is a need for workers at all income levels; however, the limited range of housing options in Bellevue challenges the availability of a varied workforce. Bellevue needs a city-wide approach to housing options for different income levels- in different growth areas of the city.

DIRECTION NEEDED FROM COUNCIL

_____ Action

 X Discussion

 X Information

Council is being asked tonight to initiate the affordable housing strategy plan work program, and provide direction on scope, public engagement plan, and Council principles to guide the effort.

BACKGROUND/ANALYSIS

Among the Council's adopted two-year priorities is to "develop an affordable housing plan for the needs of our diverse population." Accordingly, during Council review of the planning work program (August/September 2015) the Council gave direction to proceed with development of a housing strategy plan in 2016. The Council tonight is asked to provide direction on the launch of this initiative.

Affordable housing is a critical need for Bellevue. Housing prices, which dropped during the recession, have returned to or are higher than pre-recession levels. The median single family home sale price in Bellevue is nearly \$800,000 (Fall 2015). Similarly, apartment rents have been climbing steadily, with average apartment rents in West Bellevue and Downtown at around \$2,000 monthly (West Bellevue \$1,971; Downtown \$2,042 avg. rents Fall 2015). Over one in three (34.4%) Bellevue renters are cost burdened, meaning housing costs exceed 30% of their income. This includes one in six (16.1%) Bellevue renters that are extremely cost burdened, with housing costs exceeding 50% of their income.

The challenge of housing affordability has many offshoots. An increasing share of young households and senior households are having a hard time staying in the community that has been their home. Moreover, workers who can't afford to live near their jobs endure increasingly long commutes, adding to regional and local congestion. Stakeholder input to Bellevue's Economic Development Plan identified lack of workforce housing as a primary challenge for Bellevue.

Bellevue has been taking action for many years to address affordable housing, in particular through active participation in the Eastside coalition ARCH, and consistent funding for the Housing Trust Fund to enable housing preservation and development. Recent actions include adoption of the multifamily tax exemption to promote private sector development of affordable housing, and the planned inclusion of affordable housing at transit-oriented nodes in BelRed. This new initiative will build off these ongoing and newer efforts, and develop additional effective tools.

1. Purpose

Improve affordable housing opportunities across the City, consistent with City Council Priorities, Economic Development Plan Strategies, and Comprehensive Plan housing policy.

2. Scope

- Develop clarity about Bellevue's housing need and what we are trying to accomplish.
- Assess tools currently in place, including those recently added (MFTE, BelRed TOD, BelRed FAR incentives, etc.)
- Review best practices/most effective tools being used elsewhere.
- Identify a focused set of revised and additional tools to employ in Bellevue.
- Review public funding resources and levels and whether/how to augment current public resources including: maximizing use of regional and federal dollars and updating the ARCH Housing Trust Fund goals.

- Integrate the above into an action plan, with clarity about what the City is working to achieve, tools to be utilized, and metrics to gauge performance.

3. Anticipated Product

The affordable housing strategy plan is proposed as a three to five year strategy/action plan that includes a clear set of actions and performance measures to track progress. The strategy/action plan will be monitored and adjusted periodically based on performance measures, new information and established review timelines. It is noted that newer tools will take time to demonstrate results.

4. Council Principles

As is typical for an initiative of this magnitude, staff anticipates that the Council will approve a set of principles to guide the entire effort. A draft set of Council principles is presented as Attachment A.

5. Steering Committee

Staff proposes Council appointment of a Steering Committee to oversee this initiative and make recommendations to the Council. Since this is a strategy/action plan, it is proposed that members have a particular expertise in housing needs assessment, preservation and development, in addition to being Bellevue residents and/or workers. Helpful professional training and experience would be in fields such as for-profit and non-profit housing development, human service providers, housing funding and finance, architecture and design, and residential building. This professional expertise would help the committee to understand what strategies and tools are likely to be most effective, and how best to tailor them for the local housing market. If Council concurs with this approach, we will return in **January** to constitute the Committee.

The Council would receive periodic check-ins on the work of the Committee, at key milestone stages of the project. Committee meetings would be open to the public and be part of the public engagement process.

6. Public Engagement

Public engagement is a key component of the housing strategy plan. Staff anticipates a high level of interest, and would engage interested parties/stakeholders through a series of interviews, panels and workshops. Attachment B outlines a draft public engagement plan.

Stakeholders and interested parties are likely to include the following:

- Low-income and vulnerable persons seeking affordable housing
- Affordable housing advocates
- Market and non-profit housing developers
- Local employers and business groups
- Financiers: private and other public funders
- Neighborhood leaders group
- City employees who work in areas with overlap (Human Services, Economic Development, Diversity, etc.)

7. Updating the ARCH Housing Trust Fund Goals

Initiating the housing strategy plan now puts the plan on a parallel track with efforts by ARCH members to evaluate the results of the ARCH Trust Fund and potentially update City public funding (Parity) goals. This work grew out of direction provided by member councils a number of years ago to evaluate ways to augment the Housing Trust Fund. ARCH member jurisdictions have established a “Parity” contribution level for each member city that has remained the same for 15 years and this has resulted in a trend downward in the amount of housing assisted annually. In developing a strategy for moving forward, the goal is to balance being responsive to increasing needs and housing costs, and maintaining reasonable leverage of local funds with other public and private funds. Potential ways identified by the Executive Board to grow the Trust Fund include:

- Increasing general fund contributions.
- Enabling one or more new ‘dedicated funding sources’ that each city would decide if and to what extent to use. Potential new sources include a demolition fee for existing housing, a new real estate excise tax (REET) for affordable housing, and a fee for conversion of rental housing to condominiums.
- Advocate for growth of other county/state/federal funding sources for affordable housing that would leverage local funds.
- Voter approved housing levy at either the local or countywide level.

The proposed process for proceeding is to first seek legislative authority during the upcoming session that would enable cities to use new funding tools. Seattle plans to seek legislation to enable a new REET for affordable housing. Then, toward the middle of the year, council representatives of ARCH members would reconvene to evaluate the results of the legislative session and assess updating the ARCH Trust Fund ‘Parity’ goals. Any adjustment to Parity goals would not affect the current flexibility for member cities to determine their actual level and method of participation. Each council would then through their budget and legislative process determine their level and source(s) for providing assistance for affordable housing. The proposal maintains the historic flexibility, but potentially provides more tools for cities to consider, as well as updated goals on level of participation.

8. Timeline -- Major Milestones

Following is a generalized timeline focused on developing the Housing Strategy Plan within the upcoming calendar year. This includes substantial engagement with a range of stakeholders and interested parties, with periodic check-ins and ultimate adoption by the Council.

- Council launch; direction on project scope December 2015
 - Guiding principles and public engagement plan
 - Specific Council interests and hopes for this project
- ARCH Consortium-wide outreach to stakeholders January-March 2016
- Technical evaluation of tools; best practices January-March

- Council appoints steering committee January
 - Council discusses ARCH proposal on legislative authorization for additional funding tools
- Community Survey (online) March
- Extensive public process, engagement on potential tools including input from regional stakeholders through ARCH Ongoing
- Steering Committee narrowing on most promising strategies April-May
 - Major public engagement
- Council check-in/direction on most promising tools June
 - Initial discussion of new funding tools post Legislative Session
- Draft Strategy Plan for public review September
- Public engagement on draft Strategy Plan October-November
- Council approves final Affordable Housing Strategy Plan November-December
 - Council direction on new funding tools affects 2016-17 budget

ALTERNATIVES

1. Initiate the affordable housing strategy plan, including direction on project scope, public engagement plan, and Council principles to guide the effort.
2. Provide alternative direction to staff.

RECOMMENDATION

Alternative 1. Initiate the affordable housing strategy plan, including direction on project scope, public engagement plan, and Council principles to guide the effort.

ATTACHMENTS

- A. Draft Council Principles for housing strategy plan
- B. Public engagement plan
- C. Local housing needs assessment – key points