

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

March 21, 2016
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Stokes, Deputy Mayor Chelminiak, and Councilmembers Lee, Robertson¹, Robinson, Slatter, and Wallace

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:06 p.m., with Mayor Stokes presiding. There was no Executive Session.

2. Study Session

(a) Bellevue Affordable Housing Strategy

City Manager Brad Miyake recalled that work on the affordable housing priority was initiated in December. Staff is seeking approval of the proposed Affordable Housing Strategy Problem Statement and Goals as well as authorization to spend up to \$75,000 from the City's Housing Trust Fund for consultant assistance.

Dan Stroh, Planning Director, introduced staff's presentation regarding the development of the proposed Affordable Housing Strategy.

Mike Kattermann, Senior Planner, recalled discussion in December and during the Council Retreat earlier this year regarding the Council's affordable housing priority. Comprehensive Plan Policy HO-24 addresses developing and implementing an effective strategy to ensure affordable housing opportunities in the Downtown and throughout Bellevue. Also, the Economic Development Strategy references the objective to develop a citywide strategy to expand workforce housing options.

¹ Councilmember Robertson joined the meeting at 6:19 p.m.

Mr. Kattermann said the Council approved a list of principles during its December meeting to guide the work of City staff and the project's Technical Advisory Group. He said the list of those 11 principles is provided in the meeting packet as Attachment A.

Staff's research into Bellevue's affordable housing needs included a review of the 2015 Human Services Needs Update and the 2015 survey of businesses. For the Human Services Needs Update in 2015, 68 percent of survey respondents rated the lack of affordable housing as the top community problem, compared to 51 percent in 2013. As part of the business survey, all business sectors provided low ratings on Bellevue's affordable housing options, and 41 percent of businesses indicated they have difficulty in finding qualified staff due to housing costs.

Mr. Kattermann referenced the Comprehensive Plan needs assessment that was conducted within the past few years, which is provided as Attachment B in the meeting packet. Almost one-third of all Bellevue households spend more than 30 percent of their income on housing. Also, 16 percent of all renters and nearly one-third of senior adult renters spend 50 percent or more of their income on housing. Approximately 17 percent of Bellevue households earn less than 50 percent of the area median income (AMI), and 74 percent earn 80 percent or higher of the AMI. Throughout King County, 64 percent of households earn 80 percent or higher of the AMI.

While the cost of housing has increased, the supply of subsidized housing is decreasing. Rents in Bellevue average \$2,000 in some areas, and high home prices make it difficult to own a home at a cost that does not exceed 30 percent of household income. Affordable rents for low and very low income households range from \$450 to \$1,000. The median single-family home sales price of \$777,500 requires a household income of \$160,000 to be affordable.

Mr. Kattermann said Bellevue's growth targets for 2031 are 53,000 new jobs and 17,290 new housing units. While Bellevue's job-housing ratio is the highest in the area, the ratios are relatively high for King County and Seattle as well. Mr. Kattermann highlighted examples of jobs at specific salary levels.

Mr. Kattermann noted the Problem Statement drafted by staff: The cost of renting or owning housing has been increasing at a faster rate than income for many households in the region, especially in Bellevue. As a result, housing is not affordable to a significant portion of the population. It is critically important to provide a safe, healthy and affordable place to live for people of all income levels in order to sustain Bellevue's livability and economic vitality.

Mr. Kattermann said the development and implementation of the Affordable Housing Strategy will identify what is needed to have a healthy housing market that: 1) provides affordability across the range of incomes reflected by the population and the workforce, and 2) preserves the integrity of single-family areas while considering housing that can accommodate a wider spectrum of needs and foster ongoing investments by homeowners.

The project goal is to add 2,500 affordable units over the next 10 years. Mr. Kattermann said that 36 percent of King County households earn less than 80 percent of the AMI.

Responding to Mayor Stokes, Mr. Kattermann said the 2,500 housing units would meet the community's future needs over 10 years. However, it would not make up for the current deficit of 6,000 affordable housing units.

Responding to Councilmember Lee, Mr. Kattermann said this project is addressing future needs. The City is working separately to address the current deficit of affordable housing. He acknowledged it would be appropriate to discuss both issues and strategies in the future.

Responding to Councilmember Slatter, Mr. Kattermann said staff recommends establishing a Technical Advisory Group to provide expertise in the areas of real estate, finance, for-profit housing development and construction, nonprofit development, land development associations, legal considerations, the faith community, and other community interests.

Responding to Ms. Slatter, Arthur Sullivan, Program Manager for A Regional Coalition for Housing (ARCH), noted the need for flexibility in developing housing based on available funding and project partners.

Mr. Kattermann recalled that the Council suggested setting ambitious goals. The City's average growth in affordable housing over the past 10 years has been approximately 100 units per year. The highest year produced 240 units.

Responding to Councilmember Wallace, Mr. Sullivan said the units range in type and affordability, but all providing housing for households earning less than 80 percent AMI. Mr. Wallace questioned whether that includes aging stock with lower rental rates. Mr. Sullivan said the data reflects overall supply at different rent levels.

Responding to Mr. Wallace, Mr. Kattermann said low and very low income household units are nearly always subsidized.

Councilmember Robinson noted that the Draft Housing Needs Assessment itemizes the types of housing, when they were built, and who they serve.

Councilmember Wallace observed that additional factors should be considered in this discussion beyond targeting housing for specific AMI levels, including the private sector, aging housing stock, zoning, and barriers to producing affordable units.

Mr. Sullivan acknowledged that multiple solutions are needed. For example, one developer on the Eastside is building very small efficiency units, and cities can facilitate that development by modifying its permitting rules. Bellevue has approved the multifamily tax exemption (MFTE) for specific areas, as well as other incentives. A third tool is to provide housing through direct assistance (e.g., Housing Trust Fund).

Councilmember Wallace estimated that 250 units annually would cost a minimum of \$200,000 per unit to produce, which totals \$50 million. He said that is more than the City receives in annual property taxes.

Mayor Stokes noted the current deficit of 6,000 affordable housing units and the proposed goal of adding 2,500 units over 10 years. He observed that the objective was to do better than that. He suggested identifying the target number of units after conducting additional study. He said tonight's issue is whether to approve the Problem Statement and funding for consultant assistance.

Mr. Stokes concurred with Councilmember Wallace that 2,500 new units sounds challenging. However, Mr. Stokes suggested further study before agreeing on a specific goal. However, 2,500 units could be referenced as a benchmark at this point. Mr. Kattermann said it is helpful for staff to have a preliminary target to guide the project's next steps.

Councilmember Robinson referred to the summary of business and human services needs surveys and highlighted the number of affordable units created or preserved as follows: 240 units in 2007, 192 units in 2008, 167 units in 2014, and 151 units in 2015. She observed that 250 units per year is an ambitious, but not impossible, goal. Ms. Robinson said Appendix A of the Draft Housing Needs Assessment itemizes the types of affordable housing that have been created. Referring to the table in Appendix A, Mr. Sullivan said existing units are counted if they become affordable within the defined income levels.

Mr. Wallace expressed concern that certain cities have suggested unrealistic goals. He would prefer a careful analysis of the need and the opportunities to address the issue before setting specific goals.

Continuing, Mr. Kattermann described the process for moving forward. The Technical Advisory Group's role is separate from typical stakeholder and public engagement. The TAG is intended to provide expert advice to staff and will not develop recommendations for the Council. Staff will prepare a menu of actions, descriptions of the positive and negative impacts of each option, and the related community input.

Councilmember Robertson said she wants to be sure that the TAG meetings are open to the public and that they will accept public comment. She concurred with Councilmember Wallace's concern about the appropriate timing for setting the affordable housing goal. She suggested that the TAG address what would be a feasible and realistic goal.

Mayor Stokes reiterated the Council's commitment to pursuing an ambitious goal. However, he agreed with deferring the setting of a particular number of housing units at this point.

Councilmember Slatter concurred with Ms. Robertson's interest in ensuring that the TAG's work is a transparent public process. Ms. Slatter said transit-oriented development (TOD) is anticipated to add some affordable housing units. She agrees with requesting that the TAG study the appropriate housing target.

Councilmember Robinson said TOD housing is not necessarily affordable and sometimes becomes very expensive because of the convenience. She wants to ensure that the City looks for ways to include affordable housing units in future TOD.

Mayor Stokes observed that the project is the development of a strategic action plan, and the Council wants to keep it moving forward.

Mr. Kattermann said the TAG is intended to be composed of technical experts. It is not a citizen advisory committee and the group is not likely to have a regular meeting schedule. However, the meetings will be noticed for the public. The TAG's role is primarily to provide technical expertise versus public outreach. Mr. Kattermann said there will be a number of other opportunities and methods for public involvement.

The broader public engagement process will involve a number of stakeholders including market-rate and nonprofit housing providers, real estate and development professionals, financial professionals, local employers and business groups, affordable housing advocates, human services providers, other government agencies, and the general public. Mr. Kattermann said staff plans to produce a video to demonstrate the need for affordable housing and to utilize printed material, websites, social media, expert speakers/panels, and group discussions. The City will go through the public engagement process before preparing a draft plan for Council consideration.

Councilmember Robertson expressed support for staff's broad outreach plan. She suggested also using email lists to distribute information, including to individuals who signed up for updates during the recent Comprehensive Plan Update. She suggested reaching out to housing agencies, the Master Builders Association, realtors, and business groups. Responding to Ms. Robertson, Mr. Kattermann said outreach will be conducted in foreign languages as well. Staff is working on selecting the languages and determining how to conduct that outreach.

Councilmember Slatter suggested working with the Bellevue School District for possible partnerships and for opportunities to educate the public and solicit community involvement. Mr. Kattermann said the City will look at ways to partner with the District and other groups to leverage efforts and resources. Ms. Slatter indicated that staff should let the Council know how it might be able to help.

Responding to Councilmember Robertson, Mr. Kattermann said the City will involve Bellevue College as well as students and others in need of affordable housing.

Mr. Sullivan said ARCH held a workshop on affordable housing last year. The organization has been reaching out to those participants on strategies and input as part of the preliminary work in this process. ARCH has been interviewing both private and nonprofit housing providers.

Mr. Sullivan provided a brief update on the ARCH Trust Fund, which began in 1993 and has generated funding for more than 3,000 units and \$44 million in funding and other types of donations. The total cost of projects was more than \$440 million, with the majority coming from

other public and private sources. From 2003-2013, the average cost per unit was \$210,022, and ARCH's cost per unit was \$21,949.

Mr. Sullivan said the parity program was developed in 1998 as a way for each city to identify a goal based on a range rather than on a specific funding level. It is an advisory program, and there is not mandate to provide assistance. Each city's range is based on current population, projected housing growth, and projected job growth. Bellevue's original goal was to raise \$1 million annually, based on funding during ARCH's first five years. Mr. Sullivan said the Council acknowledged the increasing need in 1998 by identifying a maximum goal of \$2 million annually. He said most assistance is direct funding. However, in-kind donations (e.g., land) and indirect monetary assistance (e.g., fee waivers) have been used as well.

Mr. Sullivan said that discussion about the Trust Fund last year explored ways to augment ARCH's ongoing efforts. Next steps identified by the group were to pursue state authority for certain types of fees, assess the results of the state legislative session, and to consider updates to the ARCH parity goals.

Mr. Kattermann highlighted the anticipated timeline for developing the Affordable Housing Strategy. Staff plans to come back to the Council in July with an update on the evaluation tool and to request approval of potential actions. Public review of the draft strategy is planned for the fall, with Council adoption of the Affordable Housing Strategy scheduled for November or December.

Mr. Kattermann requested Council action to affirm the problem statement and project goal and to authorize up to \$75,000 from the City Housing Fund for consultant assistance.

Mayor Stokes referred the Council to page 4 of the agenda memo in the meeting packet to consider the problem statement and project goal.

Councilmember Robinson suggested revising the last bullet item under the problem statement as follows: "Emphasizes housing preservation in our existing single-family and multifamily neighborhoods that will accommodate a spectrum of income levels and is compatible with the existing character of the neighborhood."

Councilmember Slatter observed that Ms. Robinson's proposed language is more clear than the current language (i.e., "Preserves integrity of single-family areas..."). Councilmember Robinson said the original language implies that the City will work with the neighborhoods to make changes. She believes the intent is to preserve affordable housing where it exists.

Responding to Mayor Stokes, Ms. Robinson said staff's language implies that new types of housing will be introduced and/or considered (e.g., boarding houses).

Mayor Stokes said the Council has discussed its interest in preserving single-family areas while acknowledging that changes are taking place. The neighborhood planning process provides the opportunity for residents to explore different ways to achieve affordable housing. Mr. Stokes

said he was unclear about the purpose of Ms. Robinson's revised language. She said she prefers "...preservation in our existing single-family and multifamily neighborhoods" over "Preserves integrity of single-family areas..." She questioned the usage of "integrity" in staff's proposed statement.

Deputy Mayor Chelminiak observed that all aspects of affordable housing tend to be simplified by discussions about income levels. He suggested identifying a solution statement rather than a problem statement. He said it is difficult to find a home listing for less than \$600,000 in Bellevue. He suggested finding ways to make home ownership more affordable. However, he said it is challenging to find solutions for households earning 30 percent to 50 percent of the median income.

Mr. Chelminiak suggested starting with the last line of the problem statement as a solution statement: "It is critically important to provide a safe, healthy, and affordable place to live for people of all income levels in order to sustain Bellevue's livability and economic vitality." He suggested then identifying the actions needed to achieve that objective.

Mr. Chelminiak questioned the dollar amount needed from the City to achieve that goal. He suggested that more taxpayers' money will be needed to achieve the goal. Councilmember Robinson disagreed with that observation and commented that subsidized housing is one of several ways for providing affordable housing.

Mr. Chelminiak observed that some type of subsidy will be necessary to add 250 affordable housing units annually. He cautioned against adopting a circular problem statement. He would like to see realistic action from the initiative.

Mayor Stokes concurred with the concept of a solution statement. He suggested it would be appropriate for the TAG to address the broad range of issues before further discussion and decisions by the Council. He would like the work of the TAG and the City's consultants to lead to recommendations and proposals for detailed solutions. Mr. Stokes said the Council requested a strategic action plan, and staff has identified a process to develop a plan.

Councilmember Robertson suggested removing the term "problem statement," which she sees as essentially the articulation of project goals. She said staff is requesting Council direction regarding the project goals and the authorization of up to \$75,000 for consultant assistance.

With regard to the revised language proposed by Councilmember Robinson, Ms. Robertson said her interpretation of staff's language is that single neighborhoods do not need to worry about the Council increasing density through this process.

Councilmember Robertson observed that the alternate language discourages investments in existing housing in order to keep it affordable. She does not want to prevent property owners from investing in improvements in order to maintain affordability. She said the issues raised by Ms. Robinson and others can be addressed by the TAG.

Councilmember Wallace said he supports the problem/solution statements and bullet points as drafted. He expressed strong support for the statement calling for a variety of affordable housing choices for college students and young persons entering the job market, first-time homebuyers, and the aging population. He said that discussions about affordable housing tend to focus on subsidized multifamily apartments. He noted the need for single-family, middle-density housing for young professionals. He said condo liability laws need to be revised to facilitate the development of affordable condominiums. He said that type of housing is no longer being produced due to state laws. Mr. Wallace said senior adult housing involves a number of issues that need to be addressed as well.

Mr. Wallace said it is important to look at the barriers to home construction and high home prices. For example, \$20,000 of a \$200,000 home is sales tax. He said there are many other barriers as well.

Councilmember Lee said the best way to address the need for housing is to allow individuals to make choices in a free market. He concurred with Mr. Wallace's comments about removing barriers to housing development. Mr. Lee cautioned against being overly prescriptive, which could have unintended consequences, and against limiting the solutions. He said housing development should be as flexible as possible.

Mayor Stokes said it is important to move forward with staff's process before starting to make decisions. He concurred with Deputy Mayor Chelminiak's identification of the solution statement as: "It is critically important to provide a safe, healthy, and affordable place to live for people of all income levels in order to sustain Bellevue's livability and economic vitality." Mr. Stokes said the City needs to proceed with additional study to identify the ways to meet that goal.

Councilmember Robinson expressed support for Mr. Wallace's suggestion to pursue state legislation that will help the City to achieve its goals.

Ms. Slatter said she is hearing that resources and financing should be a component of the affordable housing discussion. She noted that the agenda memo lists mechanisms already adopted by the City including the multifamily tax exemption (MFTE), REDI Fund (Regional Equitable Development Initiative), transit-oriented development (TOD) planning, and participation with ARCH.

Mayor Stokes noted the need to provide direction to staff regarding the request for \$75,000.

- Councilmember Lee moved to approve the expenditure of up to \$75,000 for consultant assistance in developing the Affordable Housing Strategy, and Councilmember Robertson seconded the motion.
- The motion carried by a vote of 7-0.

(b) Public View Corridor of Mount Rainier

City Manager Brad Miyake recalled discussion during the Council's January 11 meeting regarding the East Main Station area planning effort. At that time, the topic of the Mt. Rainier view corridor from City Hall was raised as well.

Dan Stroh, Planning Director, introduced staff's presentation of the view corridor issues.

Scott MacDonald, Associate Planner, presented photos and conceptual drawings depicting the view of Mt. Rainier from the City Hall concourse, balcony and Council Chambers. He described additional photos and drawings depicting the impact of maintaining the view corridor on nearby development and/or redevelopment. He provided the maximum building heights for the Sheraton, Red Lion, Hilton, and Bellevue Club sites.

Mr. MacDonald described a massing study of the Sheraton site. The diagrams demonstrate the level of redevelopment possible, preserving the view corridor, under existing zoning and under zoning changes recommended by the Downtown Livability Citizen Advisory Committee (CAC). He presented the results of a massing study for the Red Lion site, as well as a site design concept submitted by the property owners of that site.

Mr. Stroh said staff is seeking Council direction regarding whether to endorse the importance of protecting the Mt. Rainier view corridor from City Hall within the context of the Downtown Livability Initiative recommendations and the East Main Station area planning process. He said the maximum buildout of the sites under current zoning retains the view corridor. However, the issue surfaced in discussions considering whether to allow higher zoning densities at 112th Avenue and Main Street. Mr. Stroh noted the option of retaining a narrowed view corridor as well.

Mayor Stokes expressed an interest in discussions about the view corridor between City staff and property owners/developers.

Mr. Stroh said the view corridor is addressed during the design review process. However, it is appropriate to address the topic now as the Council considers whether to allow increased zoning densities. He said the City does not want to preclude the opportunity for redeveloping existing sites as the East Main Station is constructed.

Councilmember Robertson said she reviewed the minutes of the previous Council discussion, and a few questions asked at that time have not been answered. One is the history of the view corridor. She acknowledged that there are two Comprehensive Plan policies. However, she is not aware of any Land Use Code provisions addressing the view corridor.

Responding to Ms. Robertson, Strategic Planning Manager Emil King said there have been 322 events over a 26-month period in the City Hall concourse and Council Chambers. The number of attendees and length of events (e.g., one day, multiple days) varies. Ms. Robertson requested data, if available, on events held during daylight and when the mountain is visible.

Councilmember Robertson said the City is encouraging redevelopment and transit-oriented development (TOD) for a number of reasons. She wants to ensure that maintaining the view corridor does not conflict with the City's broader vision for the Downtown. She observed that the massing study for the Sheraton site depicts floorplates that are too large to be suitable for residential development.

Ms. Robertson said she is aware that the Sheraton property recently sold. She wants to have input from all property owners before she would be ready to make a decision on the view corridor.

Councilmember Lee said he did not recall discussion before this year about the specific view corridor from City Hall. He observed that the particular spot on the City Hall balcony used to define the view corridor is somewhat arbitrary. He said he is not ready to take action on the issue. Mr. King said staff placed a marker on the balcony for anyone who wants to experience the view from the defined point.

Councilmember Wallace said it is interesting that other Councilmembers have commented that they have no recollection of a discussion about this view corridor policy. His recollection of the Simpson housing project was that they were required to change their design. Mr. Wallace said he was not aware of any language about the view corridor restriction on the titles of the affected properties.

Mr. Stroh said that, when the property across the street was developed, it was an administrative application subject to the policy and direction provided in the Code through the design review process. The developer was able to achieve the entire building mass on the site.

Mr. Stroh said the view corridor issue has been raised by staff more recently due to the request for a rezone that would potentially affect properties. He said the Sheraton site can develop to the full 90-foot building heights without violating the view corridor.

Councilmember Wallace referred to page 320 of the Comprehensive Plan and noted a policy that addresses identifying and preserving views of water, mountains, skylines and other unique landmarks from public places as valuable civic assets. He said this could be applied to many other views as well, including the Cascade Mountains, skyline, and water. Mr. Wallace said a developer or property owner could not be expected to find that policy and/or to conclude that it might apply to a specific private development.

Mr. Wallace said discussions by the Planning Commission, Downtown Livability CAC, and East Main Station CAC identify potential building heights of 200 feet. He questioned the rationale for preserving the view corridor while adjacent development would be allowed the taller building heights. Councilmember Wallace opined that the City should not move forward with preserving the view corridor and should take advantage of the opportunity for increased density adjacent to the light rail station. He expressed concern about the potential for the deprivation of property rights without compensation.

Mr. Chelminiak said there is no property right to something that is not allowed under current zoning. He said the existing zoning of the area around the future light rail East Main Station is consistent with TOD. He would like to find ways to increase the density and to improve the properties adjacent to the station. Mr. Chelminiak said Mt. Rainier was the fifth national park and is an iconic regional view. He spoke in favor of continuing to preserve the view corridor.

Mayor Stokes said there will be more discussion on this topic in the future.

Mr. Stroh said staff will engage in further discussions with property owners as requested.

At 8:03 p.m., Mayor Stokes declared recess to the Regular Session.

Kyle Stannert
City Clerk

/kaw