

**CITY COUNCIL STUDY SESSION ITEM**

**SUBJECT**

Update on development of Bellevue’s Affordable Housing Strategy, including Council direction on which actions to move forward into the evaluation phase of the project.

**STAFF CONTACTS**

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**POLICY ISSUES**

The purpose of this project 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.

**Project Goal:** *Develop a three to five-year affordable housing strategy/action plan that meets the needs of the range of incomes of people living and working in Bellevue.*

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
- Discussion
- Information

Staff is providing Council with an update on a recent survey regarding affordable housing. No final decision on actions to include in the overall strategy is being asked tonight. Staff also is

seeking Council direction on a list actions (Attachment A) for the next phase of evaluation that appear to have the highest potential for producing affordable housing and warrant more in-depth evaluation. The direction being requested of Council could include:

1. affirming the list as suggested
2. modifying the potential action list by:
  - a. deleting potential actions that Council feels do not warrant additional evaluation, and/or
  - b. adding potential actions not currently on the list
3. providing alternative direction to staff regarding next steps

### **BACKGROUND/ANALYSIS**

Among the Council's adopted two-year priorities is to "develop an affordable housing plan for the needs of our diverse population." The next critical step in the project is to identify a priority list of actions to evaluate for effectiveness at producing affordable housing. Staff is seeking Council direction on the attached list (Attachment A). The evaluation will provide a relative comparison of the potential effectiveness of each action or group of actions. The goal is to provide sufficient information for the City Council to assess the relative effectiveness when choosing which actions to include in the affordable housing strategy. The expected outputs for each action or group of actions are:

- an estimate of affordable units produced or preserved;
- income level that could be served by those units;
- anticipated time frame for units to be available;
- rough order-of-magnitude per unit cost; and
- whether costs would be borne by public or private sector or both.

Staff is working with the consultant team of National Development Council and ECONorthwest that have experience in affordable housing programs and development analysis to develop the range of evaluation tools that will be needed to evaluate the different types of actions. For example, regulatory incentives and inclusionary zoning could involve economic pro forma models that analyze development costs and variables that affect the ability to provide affordable units. Actions involving development potential could include an inventory and capacity analysis of land in certain categories. Other actions that involve funding of programs could rely more on evaluation of effective practices in other jurisdictions.

Staff has been working with the Technical Advisory Group (TAG) and consultant to sift through a larger list of possible actions and identify those with the most potential. The TAG has met twice to date and spent time reviewing, amending and discussing the list at each meeting. At their meeting in July, the TAG was asked to sort through the potential list of actions and, based on their experience and area of expertise, place them in one of four boxes corresponding to high or low potential productivity versus high or low potential cost (i.e. monetary cost to public or private sector for implementation). The results indicated a range of possible actions and generated discussion about why some were placed in multiple boxes (Attachment B). This is provided for Council information. The focus of the discussion and the basis for Council direction is the list in Attachment A.

At this point in the project the TAG conducted a high-level screening of the potential actions in order to help focus the evaluation effort for the next phase. The result is a focused list of priority

actions that appear to have the highest potential or producing affordable housing and warrant additional evaluation. Attachment A retains all of the actions considered by the TAG to date, including those in Category 5 that are not suggested for additional evaluation at this time. The actions in Categories 1 through 4 identified for further evaluation include virtually all of the TAG's high productivity potential actions. Staff and consultant are suggesting the inclusion of several other potential actions because of their interrelationship with other actions, previous interest expressed by City Council, or where additional review will indicate whether more in-depth evaluation is warranted.

Staff culled through the full list of potential actions, giving particular weight to those that the TAG indicated had "high productivity" potential, and developed the attached list of actions for further evaluation. The list has been sorted into five categories corresponding to roughly the same categories in the full "potential action list" presented to City Council at the July 11, 2016 briefing. Categories 1 through 4 are recommended for the next phase of evaluation.

Category 1: Preservation – An important component of an overall strategy is preservation of existing affordable housing stock. Review includes evaluating expansion of existing programs as well as new approaches for preserving existing affordable housing.

Category 2: Direct & Indirect Public Support – Public support of affordable housing can take many forms. This group will look at the effectiveness of various public tools to leverage the production of affordable housing by private and public housing providers.

Category 3: City Regulations & Incentives – Increase capacity in certain zones to leverage market production of housing, including affordable units, primarily to households with incomes at greater than 60% AMI. Includes other potential changes to zoning regulations and/or processes intended to create greater flexibility of housing types as well as lower development costs.

Category 4: Pursuing Legislative Changes – The items in this category require changes to state legislation to expand the types of actions that Bellevue could consider as part of an overall affordable housing strategy.

Category 5: Do Not Evaluate – These actions will be held in reserve for future consideration including layering with other actions.

More than 30 actions are recommended for the next phase of evaluation. Each group is accompanied by a concise description explaining the basic approach that will be used in the evaluation phase. For Categories 1, 2 and 3 the emphasis is primarily on actions that could add units to the city's affordable housing stock. Category 4 items are recommended in order to expand the tools or revenue sources available to Bellevue in the future. For Category 5, staff is recommending that the actions in this list not be evaluated at this time, but remain on the list for future consideration. The "Notes and Next Steps" description provides a brief statement about why these actions are not recommended at this time.

### Community Survey

A survey was created to gauge public knowledge about affordable housing and reactions to a sampling of ideas on the types of actions on the potential action list. The survey was initially distributed in June at the Community Education Forum at listening posts, and at special stakeholder meetings. Paper copies of the survey in Russian, Spanish, Chinese and English were available at Mini-City Hall. In July, the survey was made available online (in multiple

languages) and promoted through the city's website and social media (Facebook, Twitter) in several languages. It was also promoted through Next Door and to the city's list of cultural contacts for broad distribution. The online survey was open from July 25 to August 21. As of late August, more than 900 responses were received with over 800 of those being completed online.

It is important to note that the survey is not a statistically valid sample and does not necessarily reflect the overall characteristics or views of the population or Bellevue voters. The survey does provide good information about the people that completed the survey and the overall response rate is unusually high for this type of survey. A summary of responses, including demographics and reactions to the types of actions is provided in Attachment C. Following is a sample of demographics and feedback from the survey:

- Age: 39% are 35-49, 15% are over 65
- Race/Ethnicity (online only): 64% White, 22% Asian/Pacific Islander, 4% Hispanic
- Income: 50% have household incomes over \$100,000
- Household Size: 39% have 1-2 people, 43% have 3-4 people
- Housing: 65% own a single family home, 15% rent apartments, 4 (<1%) responded they live in a tent, shelter, or RV
- Community Ties: 88% live in Bellevue, 40% work in Bellevue
- Time in Bellevue: 45% are less than 10 years, 30% are more than 20 years
- Affordable housing: 64% said "yes" to knowing someone or having personal experience with difficulty finding affordable housing in Bellevue in the past five years.

Respondents were asked to indicate their level of agreement or disagreement (i.e. strongly favor, somewhat favor, not sure, somewhat oppose, strongly oppose) with statements about four types of potential regulatory approaches and seven types of potential funding approaches. Respondents were also given space to provide additional comments and respond to open ended questions about what they would consider to be "affordable housing" and why they thought housing in Bellevue is expensive. Over 90 pages of comments, most from the online survey, have been compiled and are available in the document library and on the project website. Following are highlights of the responses to some of the types of actions described in the different approaches:

#### Potential Regulatory Approaches

- 59% somewhat or strongly favor and 33% somewhat or strongly oppose requiring affordable units with certain multi-family development
- 47% somewhat or strongly favor and 38% somewhat or strongly oppose granting additional development (i.e. incentives) for providing affordable units
- 38% somewhat or strongly favor and 44% somewhat or strongly oppose allowing greater flexibility for development in exchange for providing affordable units
- 56% somewhat or strongly favor and 31% somewhat or strongly oppose allowing smaller-scale housing as part of a neighborhood plan

#### Potential Funding Approaches

- 51% somewhat or strongly favor and 35% somewhat or strongly oppose use of surplus land for building of affordable housing
- 63% somewhat or strongly favor and 18% somewhat or strongly oppose investing in city infrastructure to reduce development costs for affordable housing

- 57% somewhat or strongly favor and 30% somewhat or strongly oppose increasing city funding to acquire and preserve existing affordable housing
- 79% somewhat or strongly favor and 9% somewhat or strongly oppose housing options and services that enable seniors to stay in their homes or neighborhoods
- 54% somewhat or strongly favor and 29% somewhat or strongly oppose increasing local subsidies that help people with low incomes stay in their homes
- 53% somewhat or strongly favor and 29% somewhat or strongly oppose increasing subsidies to help low income residents stay in their homes
- 57% somewhat or strongly favor and 27% somewhat or strongly oppose pursuing changes in state law to give cities more tools to support affordable housing

Outreach to stakeholders and the community will continue through the remainder of the project as information from the evaluation process becomes available, actions are refined, and a draft overall strategy is developed. This will include additional stakeholder meetings, community meetings and open houses, online information and feedback, and updated to City Council. In addition, the project website (<http://www.bellevuewa.gov/affordable-housing.htm>) will remain active throughout the project to provide updated information about meetings, materials and opportunities for public feedback.

### Next Steps

Tonight the Council is asked to affirm the priority list of actions to be evaluated in the next phase of the project. Next steps in the process include the following.

- Continue ongoing dialogue with stakeholders and the community about affordable housing and the types of actions being considered
- Evaluate actions on the Council approved list and review the results with the TAG
- Refine actions and/or perform additional evaluation as needed based on TAG review of results
- Conduct outreach to stakeholders and community on evaluation of action list
- Draft affordable housing strategy for public comment

### ALTERNATIVES

Option 1: Direct staff to proceed with evaluation of the potential actions listed in Categories 1 through 4, including any modifications by City Council.

Option 2: Provide alternative direction to staff.

### RECOMMENDATION

Option 1.

### ATTACHMENTS

- A. Potential actions for further evaluation
- B. TAG Potential Action List Screening
- C. Summary of Survey Responses

### AVAILABLE IN DOCUMENT LIBRARY

1. Online survey document
2. Compilation of Survey Comments