

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

September 6, 2016
6:00 p.m.

Council Conference Room
Bellevue, Washington

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

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:09 p.m., with Mayor Stokes presiding. There was no Executive Session.

2. Study Session

(a) Update on development of Bellevue's Affordable Housing Strategy

City Manager Brad Miyake introduced staff's update on the development of the City's Affordable Housing Strategy, noting that the most recent discussion of the topic was in July. He said staff is seeking Council direction to choose which items on the potential action list should be studied first. He noted that studying an item does not necessarily mean it will end up in the final strategic plan.

Planning Director Dan Stroh led the Council through a discussion of Attachment A, Potential Action List for further evaluation. He said staff's review will study how actions would be implemented, the pros and cons of each item, the number of affordable housing units that would be created, and other factors. He suggested discussing each of the five categories as staff moved through the presentation. He said that identifying the key items for initial evaluation will help focus resources.

Mike Kattermann, Senior Planner, recalled the Council principles adopted in December including a focus on action, building upon ongoing and existing tools and partnerships, considering a full range of tools, tailoring approaches to specific areas of the community, and looking for opportunities to leverage resources.

Mr. Kattermann introduced the five categories of potential action items: 1) preservation of existing affordable housing, 2) direct and indirect public support, 3) City regulations and

incentives, 4) legislative changes, and 5) do not evaluate items. Mr. Kattermann said the Technical Advisory Group (TAG) has met twice with the purpose of providing an overview of the objectives and issues and obtaining feedback and suggestions based on their expertise. However, they will not provide formal recommendations.

Mr. Kattermann said Category 1, Preservation, includes the expansion of existing programs (i.e., home repair, weatherization), identifying opportunities for acquisitions, and surveying the number of existing projects with four or fewer units.

Councilmember Lee said he wants to be sure that staff is coordinating its efforts with A Regional Coalition for housing (ARCH). Mr. Kattermann confirmed that ARCH is involved in the development of the affordable housing strategy and the consideration of tools and projects. In further response, he said it might be worth focusing a strategy on housing of four or fewer units, depending on how many there are in the community.

Mr. Lee said he does not want to see regulations that would be burdensome on smaller housing configurations. Mr. Kattermann said the City is not necessarily looking at regulations. He said it is likely that instances of four or fewer units are already more affordable than other housing options.

Continuing, Mr. Kattermann said Category 2, Public Support, could take many forms including: 1) the potential reuse and redevelopment of larger sites/structures (e.g., schools, churches, surplus public land, existing affordable housing); 2) expansion in the use of funding tools (i.e., multifamily tax exemption, bonds, revolving funds, housing levy and down payment assistance); 3) partnerships with employers; and 4) partnerships with other agencies to provide affordable housing in conjunction with transit-oriented development (TOD). Mr. Kattermann said certain employers (e.g., Bellevue School District) have expressed an interest in being involved in identifying solutions.

Councilmember Robinson said she is interested in more details related to the use of City-owned surplus property, colocation of housing with social services, and ways that the City might be able to provide assistance to nonprofit organizations to obtain low-interest loans for creating affordable housing (e.g., use of a revolving loan or co-signing to achieve a lower interest rate).

Councilmember Wallace noted potential action item C.7.b: "Inventory existing affordable non-income and rent-restricted housing." He suggested taking a step back to define the problem. He questioned whether an inventory has been conducted to identify the number of units available for certain income ranges. Mr. Kattermann said the housing needs assessment completed at the beginning of this process identified different income levels and the housing available to serve those levels.

Mr. Wallace questioned the goals of the affordable housing strategy and whether it refers to affordable rental units and/or home ownership. He questioned whether the City is looking for a certain number of units for different income levels, including senior housing. He suggested a linkage between actions to be implemented and how they are anticipated to solve the problem.

Mr. Kattermann said the idea is to come up with five outputs that could be compared to assist the Council in reaching decisions regarding the potential tools or action items : 1) number of affordable units that would be produced, 2) income levels served, 3) timeframe for providing units, 4) a rough order of magnitude of the costs, and 5) whether public and/or private entities would cover the costs.

Mr. Wallace referred to the requirement that Sound Transit must dedicate 80 percent of its surplus property for affordable housing. He said this should be looked at as one potential tool for delivering affordable housing. Mr. Kattermann confirmed that that issue is part of items A.6 and B.4 under Category 2, Public Support.

Mayor Stokes said it is helpful to understand the outputs that staff has in mind for comparing potential actions. Mr. Kattermann said there could be additional outputs, and staff will reiterate the outputs in future discussions.

Councilmember Robinson concurred with Councilmember Wallace, noting that there are two key issues: the affordable housing needs assessment conducted every seven years and evaluating the tools to be implemented. She suggested an approach of setting and revising goals and strategies every four years based on current needs at the time. Mayor Stokes said the action plan is anticipated to include performance measures.

Councilmember Wallace agreed, noting it would be helpful to identify boundaries around the goals the City is trying to achieve. Continuing his comments on Sound Transit, he said the agency is in a unique position of being directed by the state legislature to provide affordable housing with surplus property. Mr. Wallace said this should be a specific, separate line item in the potential actions list. He said it will be helpful to know how many units of affordable housing Sound Transit will provide in determining the City's targets for affordable housing.

Mr. Kattermann referred to page 2, Item D5, of the potential actions list. While it does not specifically reference Sound Transit, it does refer to providing affordable housing around transit, including light rail stations. Mr. Wallace said the TAG should be familiar with the state law adopted regarding Sound Transit's obligations around affordable housing.

Councilmember Robertson concurred with the need to define the problem and the targets for achieving affordable housing. She said she understands that this step is to identify what to study first. However, in a future discussion, she would like staff to address the numbers and types of units needed (e.g., senior, disabled individuals, families, etc.).

Ms. Robertson expressed concern about the City's financial support and about placing requirements on private property owners. She would like a legal opinion on those issues. She said the state constitution prevents the City from gifting public funds or extending credit. However, there are exceptions that should be understood before moving forward.

Ms. Robertson referred to Item A.6 under Category 2, Public Support, regarding the flexible reuse of larger sites (e.g., school or church properties). She noted that organizations have been involved in Comprehensive Plan Amendments (CPAs) to develop housing at church sites. That is usually a two-year process under the City's existing codes. If staff is considering different options, she wants to be sure the City is not engaging in spot zoning. If an expedited process is under consideration, she said it is important to understand the impacts.

Responding to Mayor Stokes, Ms. Robertson said she wants to understand how affordable housing strategies will fit with the existing Comprehensive Plan Amendment (CPA) process. Mayor Stokes agreed with the importance of understanding how tools would actually be implemented and their impacts.

Mr. Kattermann said that, after staff receives direction from the Council, staff will discuss how to evaluate the potential action items and will work with the TAG to refine the proposed tools.

Councilmember Robertson said she wants a future analysis to study the economic impacts of any regulations, including whether and how the creation of affordable housing could affect market housing prices.

Mayor Stokes observed that it will be appropriate to address more details in the next step of the process, beyond the initial evaluation of potential action items.

Councilmember Slatter said she is pleased with the TAG's contribution. She would like to consider all potential tools and performance metrics. She said the community continues to grow and change in terms of demographics, transportation needs, and the types of jobs. For example, an increase in service sector jobs drives the need for affordable housing. She said she is trying to understand how all of the tools will be evaluated within the context of Bellevue's unique economic and demographic changes as well as housing needs. She is interested in understanding which tool will be triggered based on a specific change in the community. She suggested that the metrics look at more than income levels to identify the most effective tool for populations (e.g., young millennials, students, senior adults, single mother households, etc.). As an example, how might the strategy address student housing needs related to Bellevue College and GIX?

Mayor Stokes said that, at this stage, the Council is asked to identify the first items to be evaluated for potential further consideration. He observed that more specific implementation issues will be addressed later in the process. Ms. Slatter clarified that her comments are intended as an overall statement of how she would like to view the tools following staff's evaluation.

Responding to Mayor Stokes, Mr. Kattermann said he is hearing interest from a number of Councilmembers in how staff and the consultant intend to evaluate the potential action items. With regard to Ms. Slatter's comments, Mr. Kattermann said he was not sure that staff will be able to conduct the in-depth analysis she might envision as part of the next evaluation phase. He said staff will look for opportunities to create linkages between different factors that will guide the development of the overall affordable housing strategy.

Mayor Stokes said he would like to complete the development of the affordable housing strategy and plan by the end of the year.

Councilmember Lee questioned what information staff anticipates bringing back to the Council for the next discussion. If new issues or tools are identified, he wants to know what those are. He wants to be sure that all tools meet Councilmember Robertson's concerns about the legality of certain tools. Mr. Lee said he will want to know the costs and benefits of potential tools. He noted that Hong Kong has one of the best affordable housing programs in the world.

Referring to Category 2 items, Mayor Stokes said staff had not initially recommended further evaluation of a linkage fee for commercial development. This was based on a preliminary review by the City Attorney's Office, which indicated a clear statutory authority to enact such a fee. He said this is a major discussion item within the region and a key element of Seattle's Housing Affordability and Livability Agenda (HALA). Mr. Stokes said certain TAG members indicated that it is important to provide a balance with inclusionary zoning by not placing the fee only on housing development. Mayor Stokes suggested including an evaluation of a fee to allow for a transparent legal and financial review of the potential for producing affordable units and the implications for development.

Councilmember Robertson said she opposes adding that item to the evaluation. She said there is a serious question about whether imposing the fee is legal. She cautioned that a linkage fee would be likely to generate opposition to an affordable housing plan. She does not want to use any resources to study this issue unless and until the City Attorney's Office reaches a clear legal opinion that the City has the authority to impose a linkage fee.

Deputy Mayor Chelminiak concurred that there is a strong question about whether the City could legally adopt a linkage fee. However, he suggested that the TAG consider the concept of a linkage fee, how it might work, and whether it would provide a significant benefit. He said he is not ready for staff or the consultant to study the issue. He said a key factor of affordable housing is the economic benefit. He suggested it would be helpful to request an opinion from the TAG about whether a linkage fee should be pursued, and where it might fit into the overall affordable housing strategy. Mr. Chelminiak said the focus of evaluating all tools should be identifying those that will result in the highest productivity of housing.

Councilmember Slatter concurred with the suggestion to have the TAG address the issue of a linkage fee. She questioned whether there is any precedent in the use of a linkage fee.

Mayor Stokes said it would be helpful to determine whether a linkage fee would be legal and viable.

Councilmember Wallace said he does not support studying any tools that are clearly not legal. He suggested that the City of Seattle's recent implementation of a linkage fee will be overturned by the courts. He said it is philosophically wrong to tax individuals when there is not an impact to legally justify the fee. He said this is a narrow and unfair solution for addressing the broad and

complex issue of affordable housing. Mr. Wallace said he prefers to avoid the controversy that would result by introducing a discussion of a linkage fee.

Councilmember Lee said he is generally open minded to considering all alternatives. However, he concurred with Councilmember Wallace to eliminate consideration of a linkage fee, given the philosophical and legal issues. Mr. Lee said there are many tools to consider and a heavy workload for staff. He suggested focusing on the action items anticipated to have the greatest benefit and highest return in producing affordable housing.

Deputy Mayor Chelminiak observed that at least three Councilmembers are opposed to moving forward with evaluating the linkage fee concept. He supports putting the issue aside, at least for now. Mayor Stokes agreed with eliminating it from evaluation.

Moving on, Mr. Chelminiak referred to items A.9 and A.9.a under Category 5, Do Not Evaluate: “Maintain a family-friendly housing focus when implementing other housing actions (e.g., promote family-sized units through the MFTE program),” and “Encourage affordable housing project partnerships between private and non-for-profit developers.” He suggested moving those into the list of items to be evaluated. Mr. Chelminiak observed that there is some disagreement about what state law requires of Sound Transit related to affordable housing and surplus property. Councilmember Robertson expressed support for the suggestion.

Responding to Mayor Stokes, the Council indicated agreement with Mr. Chelminiak’s suggestion to add A.9 and A.9.a to the initial evaluation phase.

Responding to Ms. Slatter, Mr. Kattermann confirmed that the items may overlap with other items. Part of the evaluation process will be refining and streamlining the action items.

Councilmember Wallace suggested moving B.3 from Category 5 to Category 3: “Encourage use of multiple incentives with goal of creating more units or increasing affordability.” Mr. Kattermann said the item reflects a broader policy approach and that it could be incorporated into a number of other elements as staff and the TAG refine the list. Responding to Mr. Wallace, Mr. Kattermann said there will be later discussion about how the study will result in identifying and considering incentives.

Councilmember Robinson suggested moving A.16 regarding universal design and A.17 regarding energy efficiency out of Category 5, Do Not Evaluate. She would like affordable housing to include efforts to minimize utilities costs.

Mayor Stokes observed that the items are more in the realm of policy statements. He is open to exploring universal design and energy efficiency. However, a full-scale evaluation would take some time. Mr. Kattermann said those items might be most appropriate as part of the housing preservation strategy. He said staff put them in Category 5 because they do not increase the number of housing units. Ms. Robinson said she would like to keep both items on the list as the process goes forward. Mr. Kattermann concurred that maintaining lower utility bills would contribute to affordability.

Mayor Stokes reminded the Council that this first step is to identify items for initial evaluation. The implementation of the final affordable housing plan will be discussed later in the process.

Councilmember Robertson observed that one way to enable universal design and energy efficiency to be implemented is for the City to require those features for any projects involving City funds. She sees universal design and energy efficiency as potential tools that should not require significant code amendments. She said the City's Energy Code already has a number of requirements related to energy efficiency.

Councilmember Lee concurred with Councilmember Robinson's suggestion. He noted that the language refers to promoting universal design and encouraging energy efficiency, rather than requiring certain elements. Mayor Stokes said it would be helpful for staff to provide additional information on these elements because they tie into other programs already in place.

Councilmember Wallace agreed that energy conservation is beneficial in terms of affordability. However, he suggested that universal design will make housing more costly. He noted existing ADA (Americans with Disabilities Act) requirements as well as standards established under the Fair Housing Act (FHA) and other legislation. He said he is willing to learn more about universal design. However, it is not a high priority for him and he is not likely to support it due to the costs.

Continuing, Mr. Kattermann highlighted items in Category 3, City Regulations and Incentives including upzones with requirements and incentives for affordable units, flexibility in housing types in certain areas of the city, and code revisions to reduce costs and address changes in development type. The latter could include revisions to review time, parking standards, and to new construction materials and techniques.

Councilmember Robertson referred to her earlier request that an economic analysis address impacts on housing prices. She also would like to see what impact, if any, there would be on the production rate of housing.

Referring to Category 3, Item A.4, Ms. Robertson expressed concern about how the City's legal definition of family would relate to micro-units. She noted public testimony to the Council in recent months about a family of 10 living in a one-bedroom apartment. She wondered how the definition of family might apply, from a legal perspective, to micro-units. She expressed concern that too many residents create unsafe conditions. Ms. Robertson would want an evaluation of whether the City could limit micro-units to one or two individuals per unit.

Ms. Robertson referred to item A.11 regarding expedited permitting for projects with affordable housing. She would like the TAG to consider the equity of such an approach.

Ms. Robertson expressed concern regarding item A.15 about reducing or eliminating parking requirements. She said the construction in Seattle of new housing without any parking is causing problems in a number of neighborhoods. She would like the evaluation to consider the impacts to

both residents of the apartments and neighboring residents. She said Downtown Bellevue residents are experiencing similar problems as well.

Councilmember Robertson noted A.18 which suggests implementing building and fire codes that reduce construction costs. She believes that the City cannot adopt codes that are less strict than the State building codes.

Councilmember Robinson said she would like the TAG to explore ways to help older adults to downsize and stay in Bellevue. Mr. Kattermann confirmed that many seniors stay in their homes because there are no affordable options that would allow them to stay in the community.

Councilmember Lee referred to the Silver Glen senior housing community and suggested there should be more of this type of development. Mr. Kattermann referred to the bottom of page 2 of the potential action list, noting that items A.5 and A.8 relate to different housing types, including those suited to senior adults and individuals with special needs.

Councilmember Slatter said she does not see references to students or young professionals. She noted the need for housing for college students and other young workers.

Responding to Councilmember Wallace, Associate Planner Janet Lewine said there is currently an impact fee exemption for development that includes a certain amount of affordable units.

Moving to Category 4, Pursuing Legislative Changes, Mr. Kattermann acknowledged that the statutory authority does not currently exist for a number of tools. However, he said there is the potential for additional tools and/or revenue sources in the future. He noted that the Condominium Act is stifling the development of condominiums statewide.

[Mr. Lee left the room temporarily.]

Councilmember Robertson said she would like the TAG to consider potential changes and to provide input. However, rather than addressing legislative changes as part of the affordable housing strategy, she suggested addressing Category 4 items as part of the Council's legislative agenda discussions early next year. Mr. Kattermann said staff anticipates that an initial evaluation would determine which tools might provide the highest potential benefit. Ms. Robertson said that would be very helpful information.

Councilmember Slatter observed that it would be valuable to keep the legislative category in the list of items to be evaluated, in order to reflect a thorough inventory of the issues.

Councilmember Wallace said he would not support item C.5: "Limit conversion of rental housing to condominiums." He also would not support, under item E.1, the option for the City to increase the real estate excise tax (REET).

Councilmember Wallace suggested exempting developers from the construction sales tax, and potentially the B&O tax, to encourage affordable housing. He said the construction sales tax equates to millions of dollars.

[Mr. Lee returned to the table. Ms. Robertson temporarily left the room.]

Mr. Kattermann said the Do Not Evaluate list was drafted by staff. The TAG did not want to remove any items from evaluation, and therefore staff suggests retaining the list for future reference.

Mayor Stokes said this is a big undertaking. Responding to the Mayor, Mr. Kattermann said the next steps are to meet with the consultant to determine how to evaluate the items and to later review and refine the options with the TAG for feedback on the feasibility of the tools under consideration. There will be ongoing public engagement as staff develops its draft affordable housing strategy, followed by Council deliberation and action.

[Ms. Robertson returned to the table.]

Responding to Councilmember Slatter, Ms. Irwine said there is currently some support for rental and operating subsidies through the City's Human Services Fund. Ms. Slatter said it would be helpful to have metrics on the impact of rent subsidies. Mr. Kattermann said he would follow up with Human Services staff for more information.

Mayor Stokes said the final affordable housing strategy will be an action plan. He observed that this is a complex topic, and part of the Council's task is to determine a manageable approach and plan.

Mayor Stokes thanked the TAG members for their work and noted member Hal Ferris present in the audience.

(b) East Link Update

City Manager Miyake introduced Maher Welaye, East Link Engineering Manager; Nancy LaCombe, Regional Transportation Project Manager; Marie Jensen, East Link Outreach and Community Relations Lead; and John Murphy, Associate Planner for Neighborhood Traffic Safety Services.

Ms. LaCombe said the request for proposals (RFP) for Sound Transit's Operations and Maintenance Facility East (OMF East) was issued on September 2 to three firms: Hansel Phelps, The Walsh Group, and Kiewit. Proposals are due January 10, 2017, and Sound Transit anticipates issuing its Notice to Proceed next June. At that time, staff will return to the Council with an update on the Sound Transit Board's decision and project schedule.

Mr. Welaye presented an update on the East Link project. The groundbreaking for the Downtown tunnel was April 22, and the project is moving forward with demolition and grading

work. Mr. Welaye highlighted the major components of the project: South Bellevue, Downtown Tunnel, Central Bellevue, BelRed light rail alignment, Sound Transit's Operations and Maintenance Facility East (OMF East) in the BelRed corridor, and the Overlake area. Puget Sound Energy is currently working to relocate utilities. The South Bellevue Park and Ride will close early next year. Mr. Welaye said all components/construction packages will be under construction by next year.

Mr. Welaye described the City's projects that are coordinated with Sound Transit's East Link project: 1) 120th Avenue NE between NE 12th Street and NE 16th Street; 2) Teledesic demolition on 120th Avenue NE; 3) 124th Avenue NE from Spring Boulevard to Ichigo Way; and 4) Spring Boulevard Zone 1B between 116th Avenue NE and 120th Avenue NE. Mr. Welaye described Schedule 74 projects to underground Puget Sound Energy's lines along Bellevue Way SE and to relocate lines along 124th Avenue NE. Under the Amended Memorandum of Understanding between Sound Transit and the City, Sound Transit will reimburse the City for the actual costs incurred for the Bellevue Way utilities relocations.

Mr. Murphy said the Neighborhood Traffic Mitigation Committee was established to address neighborhood concerns about the traffic impacts of construction on Bellevue Way SE and 112th Avenue SE (e.g., cut-through traffic). The committee's work began in April with a public kick-off event, and four subsequent meetings have been held. Mr. Murphy said the committee includes representatives from the Enatai, Bellecrest, Surrey Downs, and Beaux Arts Village neighborhoods. The committee developed a draft concept plan and map of recommended traffic and roadway modifications to minimize impacts. Staff and the committee will continue public outreach and anticipate that the committee will finalize the plan by the end of October. The City will coordinate the implementation of adopted elements with Sound Transit before construction begins.

Mr. Murphy said the South Bellevue Park and Ride is expected to close in January, resulting in the loss of more than 500 parking stalls. Neighbors are concerned about the potential for spillover parking into the Enatai area, and a residential parking zone (RPZ) has been proposed as one way to address that issue. Mr. Murphy said the typical process to implement a RPZ occurs after a parking problem develops. However, staff is seeking Council direction to establish the RPZ proactively to avoid future problems.

Responding to Mayor Stokes, Mr. Murphy said staff is seeking a general consensus of the Council to move forward with establishing the RPZ.

Deputy Mayor Chelminiak spoke in favor of this approach, given the situation, and encouraged continued involvement of the neighborhood. Responding to Mr. Chelminiak, Mr. Murphy said the measures proposed in the concept plan will be monitored on an ongoing basis and adjusted as appropriate. Mr. Chelminiak expressed concern that drivers will ignore the restrictions.

Councilmember Robertson expressed support for proceeding with the plan. She said it is important to involve residents and to provide the flexibility to modify the plan. She said she wants drivers to expect that the restrictions will be enforced.

Responding to Councilmember Robinson, Mr. Murphy said the committee did not discuss impacts to bicyclists. However, he will introduce the issue.

Councilmember Wallace questioned the road mitigation plan for Bellevue Way SE. Mr. Welaye said lane modifications will begin early next year, and there will be some weekend closures. During the week, there will be a reversible lane to provide two lanes in the peak traffic direction during the morning and evening commutes. In further response, Mr. Welaye said Sound Transit will begin its public outreach regarding the Park and Ride closure 60 days before the lot is closed.

Ms. Jensen said the City's "Open for Business" campaign will complement Sound Transit's outreach efforts. The draft public relations plan will be reviewed by multiple City departments, the Bellevue Downtown Association (BDA), and Meydenbauer Center. The plan's goals include being proactive while East Link is under construction, coordinating communications within the City and with community partners, providing current project and traffic information, and encouraging transportation options.

Ms. Jensen said the plan will be finalized over the next month. Proposed expenses for 2016 total \$17,000 to \$26,000 for business outreach, citywide mailer, advertising, and graphic design support.

Ms. Jensen said an article on the project and the South Bellevue Park and Ride impacts will be published in the October issue of *It's Your City*. An online survey will be conducted during October and November to assess how the public prefers to receive information about East Link construction, and a meeting with community partners is anticipated in November to discuss upcoming projects and activities beginning next year.

Mayor Stokes reiterated Council direction to proceed with the RPZ permit process for the Enatai neighborhood.

At 8:05 p.m., Mayor Stokes declared recess to the Regular Session.

Kyle Stannert, CMC
City Clerk

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