

## POTENTIAL PRODUCTIVITY OF STRATEGIES

The evaluation of each of the actions is intended to produce a set of outputs to provide a basis for comparing the efficacy of the actions. The expected outputs for each action or group of actions are:

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

As each action is being evaluated there is an estimate of potential productivity that is calculated based on past productivity and/or assumptions about how the actions will be implemented. The table below summarizes the estimated productivity of a number of actions reviewed by the TAG as preliminary. These are summarized by the original three categories of actions (i.e. preservation, direct and indirect public support, city regulations and incentives) for purposes of review at this time. Estimates for individual actions are still being revised and productivity has not yet been estimated for all of the actions. Based on the analysis and information at this point, however, there are some preliminary conclusions that can be noted:

- there are several actions that the TAG is focusing on due to the significant production potential
- estimates provide insights about the amount of production to serve the different income levels
- a sustained effort incorporating multiple actions is necessary to produce significant numbers affordable to the different income levels and demographic groups (e.g. seniors, young professionals, families, and people with special needs)
- producing housing affordable to low and very low income groups (<50% AMI) is a greater challenge and will require additional actions that are not yet included in the estimates as well more direct and indirect public support to achieve the initial TAG goal of 2,500 units within 10 years

### Implementation Strategies

Included under each category are *implementation strategies* that have been discussed by the TAG as major levers that could have the most impact on creating additional affordable housing in Bellevue. Each category of actions in the table references one or more of these *implementation strategies*:

- Update City regulations to leverage more affordable market developments
- Increase Bellevue's capacity to provide more direct support to produce and preserve affordable housing

**ATTACHMENT G**

- Assist City partners with developing more affordable housing

<b>POTENTIAL AFFORDABLE HOUSING PRODUCTION</b>						
<b>CATEGORY/Example Actions</b>	<b>Estimated Units over 10 years</b>		<b>Duration of affordability</b>	<b>Who Pays</b>	<b>City \$\$</b>	<b>Who's served?</b>
	<b>&lt;50% AMI</b>	<b>50-80%</b>				
<b>PRESERVATION</b>		540-1,040		public	TBD	families seniors, disabled
- Acquisition of existing market rate			Life of project			
- Major home repair/weatherization			Until home sold			
<b>Implementation Strategies:</b>						
- Partner with providers to acquire properties for preservation						
- Increase City's financial capacity to support acquisition and repair programs that help people remain in their homes.						
<b>DIRECT &amp; INDIRECT PUBLIC SUPPORT</b>	840 - 1,140	1,000-1,375	Life of project (12 yr MFTE)	public	TBD	families, seniors, young renters, workforce
- Surplus public & faith-based land						
- MFTE						
- Non-cash subsidies, credit enhancement						
- Property tax levy dedicated to affordable housing						
<b>Implementation Strategies:</b>						
- Partner with housing providers & land owners to optimize development of affordable housing on their properties						
- Increase City's capacity to contribute to affordable housing to "close funding gap," especially for low and very low income						
<b>CITY REGULATIONS &amp; INCENTIVES</b>		160-375	Life of project (not incl. housing types)	market	TBD	young renters, workforce, seniors
- Explore rezones where appropriate to increase potential for affordable housing						
- Use inclusionary zoning (incentives, mandatory) to increase amount of moderate income housing (i.e. 50% to 80% AMI)						
- Update regulations to reduce construction costs and allow a variety of housing types						
<b>Implementation Strategies:</b>						
- Use regulatory/incentive tools to leverage market production of moderate income housing						
<b>Estimated Production Range</b>	<b>840 - 1,140</b>	<b>1,700 - 2,790</b>				

*Updating the City's regulatory tools* would leverage private development to create housing that is affordable mostly at the upper end of the moderate income level (i.e. 50%

to 80% AMI). This includes use of incentives or requirements to increase production of income-targeted housing within market-rate developments. This strategy also includes rezones to increase zoned capacity for housing and code revisions that reduce the costs of development. As with the first strategy, the TAG is considering the full range of actions from the potential action list and continuing to evaluate their implications and productivity. The following examples illustrate ways in which the City could use its regulatory tools to leverage the production of affordable housing with market rate development.

Illustrative examples:

- In areas where the city is considering upzones implement incentive or mandatory approaches that create affordable units within market-rate developments. The approaches include: density bonuses, mandatory inclusionary zoning, multi-family tax exemptions (MFTE), fee waivers, and reduced parking requirements. BelRed's existing voluntary program illustrates how an incentive-based approach can generate affordable units. The newly-opened LIV project used the BelRed program to gain additional development capacity in exchange for creating affordable units. As a result, LIV contains 450 market-rate units and 54 units affordable at 80% of AMI.
- Revise code to promote housing choice flexibility and remove barriers to construction of less-expensive housing types. Smaller housing types like accessory dwelling units (ADUs) and eco-flats (e.g. efficiency studios, micro-units) provide additional housing choices for people at different life stages, including seniors and young adults. These types of units also tend to be more affordable. Code changes could expand opportunities for these types of units but with a limited approach that identifies appropriate areas (i.e. high-level transit service, neighborhood acceptance).
- Refine Bellevue's existing MFTE program in order to make participation more desirable. MFTE is a powerful incentive tool that provides a property tax exemption for a period of twelve years in exchange for the provision of income qualified housing. Bellevue's current MFTE program applies to a limited number of mixed-use areas in the City. MFTE can be used with other affordable housing tools. For example, in BelRed it can be layered with density incentives. In the 18 months since the program's adoption, it has not yet been used by developers. Additional analysis is exploring modifications to the program, such as tying affordability to unit size and tailoring affordability levels (~45% to 80% AMI) to specific areas of the City. MFTE has the potential to create a significant number of units that would be affordable for 12 years.

*Increasing the City's capacity to provide more direct support* would leverage more resources in support of affordable housing. The efficacy of this strategy requires actions that result in a higher level of direct support. City resources could take the form of land donations to reduce the cost of housing, guaranteeing loans for low and very low income housing to reduce the cost of financing, or direct financial contributions in the form of loans or grants to fill the "funding gap" that exists for projects serving income levels below 50% to 60% of area median income (AMI). The amount of land the City could offer for housing is very limited; however, additional opportunities are being explored with other public lands (e.g. Sound Transit, Metro) and properties owned by faith institutions. Guaranteeing loans has other implications for the city's debt capacity and is often less effective and less used when direct funding is available from other sources. Additional direct funding could support acquisition/preservation of existing stock as well as construction of new affordable units. Historically, Bellevue's direct funding of affordable housing has primarily been in the form of loans and those funds have been used to leverage other funds at a ratio of at least 5:1.

The TAG is considering the full range of actions from the potential action list (e.g. housing levy, bonds, loans/grants, credit enhancements, surplus land, and down payment assistance) for this strategy. All of these have different implications for the City that are still being evaluated. The following examples illustrate two ways in which additional City financial capacity could be used to increase the stock of affordable housing, particularly to low and very-low income households. For purposes of analysis and to illustrate these examples, the consultant assumed a levy rate of 0.10 per thousand dollars of assessed value resulting in approximately \$30 million over seven years that could be leveraged to generate two or three times that amount for affordable housing in Bellevue.

Illustrative examples:

- Use levy/other funds to partner with affordable housing providers to fund acquisition and preservation of existing units. Bellevue has a number of older multifamily properties that currently provide market-rate housing that is affordable at or below 80% of AMI. Like Highland Village, many of these properties are at risk of being redeveloped and removed from Bellevue's stock of existing affordable housing. One estimate is that 500-1,000 units in Bellevue could be candidates for acquisition to preserve these units as affordable in perpetuity. One potential use of additional City funds would be to contribute to acquisition of these existing units.
- Use levy/other funds to provide gap funding for development of new affordable housing. In the current Bellevue market, it is extremely difficult for housing providers to build new affordable housing for people making less than 60% of AMI. These developments typically require numerous sources of federal, state,

and local funding. Even with federal and state assistance recent projects with affordability between 30% and 50% of median income have had funding gaps of about \$30,000 to \$60,000 per unit. In other words, \$3 million to \$6 million would be needed to address the funding gap for about 100 new units at 30% of AMI, which is the income level with the greatest need for affordable housing in Bellevue.

*Proactively working with the City's public, private, and non-profit partners* could facilitate more production of affordable housing. Examples of the range of actions currently being evaluated by the TAG include use of the City's resources (Strategy 1) and regulatory power (Strategy 2) to help partners in their efforts to build and preserve affordable housing. There may also be opportunities for the City to facilitate partnerships of non-profit housing providers with employers to provide housing affordable to their workforce.

Illustrative examples:

- Partner with other agencies to provide affordable housing at Sound Transit surplus sites. The City of Bellevue has an existing agreement with Sound Transit for transit oriented development, including affordable housing, at the 130<sup>th</sup> Station area site. The City is also working with Sound Transit to incorporate affordable housing into the transit-oriented development associated with the OMFE site. These two Sound Transit TOD sites combined could produce between 200 and 400 affordable units at different income levels. With the passage of the ST3 package, Sound Transit is required to make a minimum of 80% of any suitable surplus land from its projects available for affordable housing. Additional sites could be identified in conjunction with Sound Transit as ST2 construction is wrapping up and as planning is underway for ST3 projects in Bellevue.
- Promote use of surplus public, charitable, or non-profit land for affordable housing. Public agencies, faith-based organizations, and other non-profits own vacant and/or redevelopable land in Bellevue that is capable of supporting infill housing. A preliminary analysis of public and faith institution owned land identified about six sites that could each accommodate a minimum of 20 units with a potential cumulative total of over 500 affordable units under current zoning. Several faith-based organizations have expressed interest in redeveloping their land for affordable housing; the City could support these efforts through funding actions identified in Strategy #1, targeted zoning changes, infrastructure investments, and coordination with non-profit affordable housing developers.