

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Status of the Affordable Housing Strategy project and remaining work program and schedule.

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POLICY ISSUES

The purpose of the 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

DIRECTION

INFORMATION ONLY

Staff is providing an update on project status and seeking direction from Council on the next phase of public engagement. Specifically, Council is being asked to provide guidance on the type or focus of feedback that Council would like to garner from specific stakeholders and the general public on the different actions being considered. Staff is not seeking direction on any of the actions at this time because additional analysis, more review by the technical advisory group and

the next phase of public engagement is needed before Council will be asked to consider action on a draft strategy.

BACKGROUND/ANALYSIS

Among the Council's adopted two-year priorities is to "develop an affordable housing plan for the needs of our diverse population." Attachment A provides a project timeline listing activities by month since March of 2016. At that time the Council affirmed a set of principles to guide development of the affordable housing strategy (Attachment B) and moved forward on selecting a technical advisory group (TAG) of experts to work with staff and consultants on evaluating actions and developing a strategy.

Last March, the Council received the *Housing Needs Assessment* that described the breadth and depth of the challenges facing people trying to find housing they can afford in Bellevue. Attachment C is an information piece from the Community Education Forum conducted in June that succinctly depicts the gap between what some people earn and what they can realistically afford in Bellevue. That gap is widening as housing costs are increasing faster than incomes. The *Housing Needs Assessment* also highlighted the lack of available housing for people with low and very low incomes. There are over 9,000 households in Bellevue that make less than 50% of the area median income (AMI) for King County (e.g. the hotel worker depicted in Attachment C) that are competing for only 3,000 housing units in Bellevue affordable to that income group. Over time that deficit will widen if older, more affordable housing is replaced by newer, more expensive housing.

Bellevue has been actively working to address affordable housing issues for many years. Attachment D describes the range of Bellevue programs and actions and their effectiveness over a recent 20-year period. This information is useful to the development of the affordable housing strategy in that it provides:

- A baseline of what the city is doing currently to increase affordable housing
- General information on existing affordable housing programs
- A review of the effectiveness of existing affordable housing programs

During the 20-year period from 1993 to 2013, Bellevue's efforts produced about 3,000 affordable units. Approximately one-third were affordable for people earning less than 50% of AMI with the remainder affordable to people earning between 50% and 80% of AMI. Unfortunately, the rate at which the units were produced, especially those affordable to less than 50% AMI, has not kept pace with the need. Cities are limited in what actions they can take to effectuate the production of affordable housing and Bellevue currently uses many of the tools available. The affordable housing strategy is evaluating the current actions to determine how to increase their effectiveness. Additional actions are also being explored to expand the City's tools for creating more opportunities for affordable housing.

For the past several months staff have been working with a consultant team and the TAG on evaluating the efficacy of a list of potential actions approved for evaluation by the Council in September (Attachment E). The list was grouped into three categories (preservation, direct and indirect public support, city regulations and incentives) for evaluation of similar or related actions. A fourth category (legislative actions) identified potential changes to state legislation and funding that would enable more tools for cities to use on affordable housing. The fifth category included all of the other actions identified to date that would be held in reserve but not evaluated at this time.

The purpose of the evaluation is to provide sufficient information for the City Council to assess the relative effectiveness when choosing which actions to include in the overall affordable housing strategy. 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.

Almost all of the actions have received a level of evaluation that provides an indication of the potential and what is necessary for the next round of analysis. The type and amount of additional work varies by action but generally includes more in-depth analysis of such factors as economic feasibility, policy considerations, and external implications. Further discussion and vetting with the TAG will continue as the additional analysis is conducted. One of the benefits of the TAG model has been the ability to use subgroups for their particular expertise. For example, when the consultants were setting up the model to test the feasibility of different types of buildings using construction cost assumptions, a subgroup of the TAG was formed to review and adjust the assumptions based on their expertise and experience with development projects in this market. Additional subgroups are anticipated with a focus on other topics such as city regulations. The full TAG will continue to discuss all of the actions for purposes of the overall strategy and any work of subgroups is shared with the entire TAG.

At its first meeting in May, the TAG “established an ambitious goal” (Council Guiding Principle #4) of producing 2,500 more units affordable at less than 50% of AMI and another 2,000 units affordable between 50% and 80% of AMI within the next ten years (see Attachment G). For the TAG, this goal is an initial benchmark for purposes of measuring the impact of the actions being evaluated. It recognizes the greater need for low and very low income housing and the importance to setting a goal above the historical production levels. This sets a production pace that more closely matches need and begins making up the deficit of affordable low income housing.

Rather than focus simply on the individual actions within the previously established categories (i.e. preservation, direct and indirect public support, city regulations and incentives), the TAG has begun to focus on higher-level strategies that could be critical to take advantage of this opportunity for *bold actions that will have an impact*. One of the higher-level strategies discussed by the TAG is to increase the City’s financial capacity for funding affordable housing. The additional capacity could take several forms and be used across multiple actions to leverage greater production and preservation of affordable housing through direct support and in partnership with housing providers.

The TAG discussions have been robust and insightful and inform the next round of analysis. Attachment G is an overview of the evaluation to date using the previous three categories with examples of the actions included in each category. The estimates of potential housing production in the table for Attachment G are preliminary with only initial review by the TAG. The estimates will be revised with additional analysis and to include the full set of actions being considered. The estimates provide an early indication of which income levels and demographic groups (e.g. seniors, young professionals, families, and people with special needs) can be served. The estimates also indicate that the level of effort will involve multiple actions across one or more strategies sustained over time. Each category of actions references one or more higher-level strategies discussed so far by the TAG as being critical to success:

- Increase Bellevue’s capacity to provide more direct support to produce and preserve affordable housing
- Update City regulations to leverage more affordable market developments
- Assist City partners with developing more affordable housing

Based on the preliminary estimates, the TAG’s initial goal of 2,500 housing units affordable to people earning less than 50% AMI is going to be difficult to reach and it will require more in terms of direct and indirect public support. Production of moderate income housing appears to have greater potential to achieve the initial TAG goal. Some of the moderate income units could be further subsidized to make them affordable at the lower income levels. It is important to note that all of the actions approved for evaluation by City Council in September are still being considered.

The project is progressing toward a complete draft strategy for City Council consideration by the end of first quarter 2017. The next phase of the project involves additional analysis by the consultant team, more review and guidance from the TAG, and another phase of public engagement to share the analysis of the actions and strategies as they are more fully developed. Attachment A lists the types of steps that will be carried out during the first quarter of 2017 to engage the general public and specific stakeholders. Attachment H is a description of several actions that are anticipated to generate significant discussion due to their complexity or sensitivity. The table lists the potential issues and concerns associated with specific actions as well as the stakeholders identified to date. Staff is seeking guidance from City Council on what information or feedback the City Council would like solicited from these and other stakeholders and the general public during the next phase of engagement on the project.

ALTERNATIVES

N/A

RECOMMENDATION

N/A

ATTACHMENTS

- A. Project Timeline
- B. Council Guiding Principles
- C. Housing Needs Handout
- D. Existing Programs Summary
- E. Potential Action List – approved by Council 9/6/2016
- F. Initial TAG housing goals
- G. Potential Productivity of Strategies
- H. Actions Needing Additional Public Engagement

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

Housing Needs Assessment – March 2016