Attachment C

Topic: Affordable Housing in Eastgate and Multi-Family Tax Exemption (MFTE)
July 24, 2017

Summary of Discussion to Date

The proposed Eastgate land use code amendments include a 1.0 floor area ratio (FAR) exemption in the Eastgate Transit Oriented Development (EG-TOD) and Neighborhood Mixed Use (NMU) zoning districts for affordable housing.

Council adopted the Affordable Housing Strategy in June 2016 and directed staff to incent the private sector to provide affordable housing. The 1.0 FAR exemption in EG-TOD and NMU is incented at a ratio of 2:1. That is, for every 1 affordable housing unit in the 1.0 FAR exemption, 2 market rate units would be permitted to be built.

Council held a study session on July 10, 2017 to discuss the Eastgate land use code amendments. The topic of Multi-Family Tax Exemption (MFTE) surfaced during the affordable housing discussion. Council had several issues for staff to follow-up and report back. Those issues included:

- How could the MFTE work together with the affordable housing land use FAR exemption? How could it work with differing affordability levels? Could the Trailers Inn RV site be incented at lower levels of affordability?
- There was a request to develop a hypothetical case example showing the impact of using the land use bonus incentive and then to layer in the MFTE program?
- What will happen to the low income residents already living at the Trailers Inn RVpark?

Analysis

Overall

The Affordable Housing Strategy includes Strategy C-3: Update existing tax exemption programs for affordable housing to increase participation by developers of new housing. The MFTE ordinance is being studied as part of the early implementing projects of the Affordable Housing Strategy. Part of that study will include examining how to increase developer participation. Staff has begun work on the MFTE update and work should be completed later this year. The discussion here is not intended to pre-empt the policy discussions Council will have later this year regarding the MFTE project.

A Brief Summary of the MFTE

The MFTE ordinance has 6 purposes identified:

A. The purposes of this chapter are to:

1. Encourage more multifamily housing opportunities within the city;
2. Stimulate the construction of new multifamily housing;
3. Encourage the creation of mixed-income housing that is affordable to households with a range of incomes in residential targeted areas;
4. Accomplish the planning goals required under the Growth Management Act, as implemented by the city’s comprehensive plan;

5. Promote community development and affordable housing in the city, especially residential targeted areas;
6. Encourage additional housing in certain areas to support investment in public transit projects.

Project eligibility is based on meeting nine (9) criteria. One of those criteria is that the project must be in a residentially targeted area.

The term 'residential targeted area' is used in two of the purposes listed above. "Residential targeted area" means an area within an urban center as defined by Chapter 84.14 RCW (now or as hereafter amended) and the city that has been designated by the city council under this chapter. (Ord. 6231§ 2, 2015.) The

The Eastgate Planning Area is identified as one of five residential targeted areas in the city. (The others are Bel-Red, Downtown, Crossroads Village and Wilburton Commercial Area.)

The current MFTE ordinance sets the exemption, duration and affordability limits and requirements. In the Downtown Bellevue, Eastgate Planning, Crossroads Village and Wilburton residential target areas a minimum of 20 percent of all the units in the project shall be affordable units with affordable rents and rented to tenants whose household annual income is as follows:

a. 10% of units are affordable units at or below 60% Area Median Income (AMI) ;
b. 10% of units are affordable units at or below 70% AMI; and
c. Any dwelling unit that is 300 square feet or less will be categorized as a very small dwelling unit and is required to have an affordable rent at or below 45% AMI.

How would the MFTE work together with the affordable housing land use FAR exemption? How could it work with differing affordability levels? Could the Trailers Inn RV site be incented at lower levels of affordability?

The land use floor area exemption and the MFTE are two different types of voluntary incentives. Each provides a developer an economic value for their proposed development. The land use bonus incentive requires that affordable units be maintained for the life cycle of the project. The MFTE incentive is limited to 12 years. Because of the differing lengths of affordability, when implementing these programs in the same project the approach has been to use two separate covenants, One that covers the 12 year period of the MFTE program, and a separate covenant for after the 12 year MFTE program.

In Table 1 below several scenarios are presented to illustrate different potential approaches to combining the land use floor area exemption and MFTE Program in the same project. Scenarios A and B provides the baseline of a project using only the land use floor area exemption. Scenario A is based on the current direction from Council of using a 2:1 ratio with affordability at 80% of median. Scenario B illustrates the impact of the City allowing less affordable units but at a greater level of affordability. The formula used in Scenario B results in a comparable economic impact to the developer as Scenario A.

The other scenarios take Scenario A and present different ways of layering on the MFTE program. When the MFTE program was initially designed only the Bel-Red area had special land use bonuses for affordable housing. Therefore it had special affordability requirements to account for the availability of the land use bonuses. The other areas did not include those types of provisions. Scenario A.1 reflects how the current MFTE program applies to Eastgate (and also Downtown). Now that the city is looking at creating special land use bonuses for affordable housing for those areas, it could be appropriate to consider provisions along the lines of Bel-Red. Scenarios A.2 and A.3 illustrate a couple options. The approach in Scenario A.3 is most similar to Bel-Red. However, it is noted that this was done more for illustrative purposes and if council is interested in exploring these approaches, staff would do a more thorough economic analysis as part of the overall MFTE Program update. It is also noted that for the 12 year MFTE program, at least 20% of the units must be affordable.

Staff request at this time is whether Council would want staff during the update to the MFTE Program to explore approaches such as those in Scenarios A.2 and A.3 for the Eastgate and Downtown areas.

TABLE 1

EASTGATE NMU SAMPLE PROJECT
LAND USE BONUS AND MFTE (Multifamily Tax Exemption) PROGRAM

Site Size	50,000	sqare feet
Base FAR	1.0	
Bonus FAR	1.0	
Average Net Unit Size	775	sqiuare feet
Bonus Ratio		
Affordable: 80% AM	2:1	(2 Market rate for every affordable unit)
Affordable: 70% AM	3:1	(3 Market rate for every affordable unit)

	Total Units	Affordable Units		Affordable Units: Mix of Affordability Levels								
		Total	Percent *	Years 1 - 12				Years 13 +				
				80% AMI	70% AMI	60% AMI	50% AMI	80% AMI	70% AMI	60% AMI	50% AMI
Scenario A: Land Use Bonus Only (80% Median)												
	104	17	16.3%	17				17			
Scenario B: Land Use Bonus Only (70% Median)												
	104	11	10.9%		11				11		
Scenario A.1: Bonus and MFTE: Current Eastgate/DT MFTE provisions: Overlap units, no special affordability												
	104	21	20%		10	11		17			
Scenario A.2 Bonus and MFTE: Separtate Affordable Units for Bonus and MFTEs												
	104	38	37%	17	10	11		17			
Scenario A.3: Bonus and MFTE: Overlap Affordable Units, increse affordability level												
	104	21	20%		10		11	17			

* Note: For 12 Year MFTE Program, minimim of 20% units must be affordable.

It is important to note that developments that use incentives that increase the number of residential units onsite must address infrastructure impacts consistent with current code requirements. In the case of the RV site, the SEPA analyses conducted over time were predicated on a 1.0 FAR maximum. Any increment above that maximum FAR will require mitigation of impacts to create an overall net impact equal to the original 1.0 FAR maximum. The Transportation Dept. is conducting an operational analysis of the Eastgate area and the results will be ready later this year. That may influence the present constraints of the SEPA analysis.

What will happen to the low income residents already living at the Trailers Inn RV Park?
The Washington State Department of Commerce website related to relocation assistance for manufactured/mobile homes states:

The Mobile and Manufactured Home Relocation Assistance Program provides financial assistance to displaced households when a mobile home park closes. Assistance is reimbursement-based and available to homeowners who live in their home at the time a closure notice is issued and meet income guidelines (less than 80% of the Area Median Income (AMI) for the county the home is located in). Owners of RVs and travel trailers are not eligible for assistance. Owners of park models as defined in RCW 59.20.030 are not eligible for assistance.

Code compliance states that the RV Park is strictly a recreational vehicle park for transient recreational camping. They do not allow vehicles used as homes or converted buses currently. Code Compliance has confirmed there is no history of land or nonconforming use compliance actions on the site.

That does not preclude the possibility that people may be residing permanently in a RV on an extended term occupancy basis. Human Services has indicated that the City does not have a funding relationship supporting housing on this site. The options for relocation in Bellevue are very limited, and some displaced people end up parking the RV in public right-of-way. Housing displacement is a challenging one that every community in the Sound region is facing. More research is required to further this issue. It is beyond the scope of the land use code amendments, however, it may be an interesting case study Council may wish to consider as part of the affordable housing implementation work program.