

February 12, 2018

**CITY COUNCIL STUDY SESSION ITEM**

**SUBJECT**

Initial conversation regarding the *Affordable Housing Strategy* Action C-1, increasing development potential for affordable housing on suitable public, non-profit housing and faith-based owned properties.

**STAFF CONTACTS**

Mac Cummins, Director, 452-6191  
Terry Cullen, Comprehensive Planning Manager, 452-4070  
Michael Kattermann, Senior Planner, 452-2042  
Janet Lewine, Associate Planner, 452-4884  
*Planning and Community Development Department*

**POLICY ISSUES**

The Council approved the *Affordable Housing Strategy* to address the affordable housing need in Bellevue. Action C-1 is critical to achieving the goal of creating 2,500 more affordable homes over the next ten years and is consistent with the following City policies:

Comprehensive Plan Policy HO-7:

*Encourage the development of affordable housing through incentives and other tools consistent with state-enabling legislation.*

Comprehensive Plan Policy HO-26:

*Provide incentives and work in partnership with not-for-profit and for-profit developers and agencies to build permanent low - and moderate-income housing.*

Comprehensive Plan Policy HO-32:

*Evaluate surplus city land for use for affordable housing.*

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.*

**DIRECTION NEEDED FROM COUNCIL**

**ACTION**

**DIRECTION**

**INFORMATION ONLY**

Council is being asked to begin the conversation about approaches to implementing Action C-1 of the *Affordable Housing Strategy*. If Council would like to consider additional criteria or approaches to implementation of Action C-1, a second study session will be scheduled in March.

## **BACKGROUND/ANALYSIS**

Affordable housing is a critical need for Bellevue. Over one third of Bellevue renters are paying more than 30 percent of their income for housing costs and one in six are paying more than 50 percent of their income.

The high-cost of housing has many ramifications for Bellevue. An increasing share of young families face decreased housing stability, which has a demonstrated relationship to decreased academic performance in children. Many seniors are having difficulty staying in the community that has been their home for decades. Workers who cannot afford to live near their jobs face longer commutes, adding to regional and local congestion. Stakeholder input to Bellevue's Economic Development Plan identified lack of workforce housing as a primary challenge for Bellevue businesses.

On June 5, 2017, Council approved the *Affordable Housing Strategy*. City Council established a guiding principle for the Technical Advisory Group charged with creating the strategy to establish "ambitious goals". Implementation of the actions established in the *Affordable Housing Strategy* could add up to 2,500 affordable homes in Bellevue over the next 10 years.

Action C-1 in the *Affordable Housing Strategy* can make a significant contribution to achieving these units, particularly in creating homes affordable for people earning less than 50 percent of area median income (\$48,000 for a family of four). Analysis of Action C-1 in the *Affordable Housing Strategy* estimated the potential to add between 200 and 1,000 affordable apartments to the City's housing stock.

Public agencies, such as government, transit agencies and special districts, often own property that is no longer useful for its original purpose, or is ideally situated for co-location of uses. Faith-based organizations are often located on large parcels of land with room to accommodate housing. Similarly, many non-profit housing providers own land that may be suitable for additional housing if the development capacity existed.

The Technical Advisory Group identified this as a bold action, with the potential to increase affordable housing units substantially over the next 10 years. It is not economically feasible for private market incentives to create housing for people who earn less than 50 percent of the area median income. Government, faith-based and non-profit organizations are ideally suited to do so and this action could go a long way to help meet that need.

Staff has explored ways to implement Action C-1 with the objective of increasing development potential while ensuring compatibility with adjacent land uses. Two criteria, ownership and zoning adjacency, could be used as requirements to determine eligibility for different approaches.

(1) Ownership – Properties must be owned by public agencies, non-profit housing providers, or faith-based institutions, excluding:

- Improved parks, greenbelts and open-spaces
- School district sites
- Property owned by the State of Washington or cities other than Bellevue
- Quasi-public utilities, e.g. PSE, except where vacant

These excluded property categories are proposed because they do not include many properties suitable for multifamily housing. Most of the parks and school district sites are zoned single family, and many properties owned by utilities or other jurisdictions are not likely to be available for redevelopment, except very limited vacant utility property.

(2) Adjacency to similar zoning - Properties must share at least one border with a multifamily residential or commercial zone district. Properties with single family zoning or that are surrounded by single-family residential zoning (R-1, R-1.8, R-2.5, R-3.5, R-4, R-5, R-7.5) are not eligible.

Using the ownership screen without exclusions (parks, schools, etc.) identified over one thousand properties in a variety of different land use categories and zoning districts. Many of these properties would not be suitable for additional multi-family development due to single family zoning or other constraints that would limit the potential. The criteria would also require that the property be adjacent to a multi-family or commercial zoned property. Applying the ownership and adjacency criteria together reduces the number of potential properties to about 50. Many of the faith-based properties are excluded from eligibility because they are located in a single-family zoning district and/or surrounded by similarly zoned properties. The adjacency criterion in combination with existing development regulations, such as transition area requirements, also address land use compatibility concerns.

Staff evaluated several factors that could make development on eligible parcels unlikely. For example, properties that already included development valued at twice the value of the land (improvement-to-land value ratio greater than two) were considered unlikely to be redeveloped. Staff also evaluated which of the eligible parcels are likely to be constrained by environmental and geographic factors, small parcel size, low unit potential, irregular shape, or an insufficient amount of vacant and developable area on the site. Based on this additional evaluation, the number of eligible properties that would be more likely to use the bonus provision is estimated to be around 30. Of these parcels, 20 are less than three acres in size and only two are larger than five acres.

The traditional approach to increasing development capacity requires a comprehensive plan amendment and a rezone for each property like the process for Andrew's Glen at St. Margaret's Episcopal Church and 30 Bellevue at St. Luke's Lutheran Church. This parcel-by-parcel approach is not an efficient or effective means to implement this action because it could take several years to complete and does not provide predictability for the non-profit housing developers, neighborhoods or property owners. In the two examples cited, the projects required a comprehensive plan amendment and a rezone of the property, about a two-year process. The typical concerns raised about the projects were related to issues such as traffic, parking, building height and setbacks, etc. These issues are addressed through the project-specific development review and permit process.

The staff recommended approach creates a more direct, predictable path for the creation of affordable housing on eligible properties that meet the criteria of ownership and zoning adjacency described above. This approach creates a bonus for affordable housing on these eligible properties. Development that meets the required dimensional standards and allowed uses of the underlying zoning (e.g. setbacks, lot coverage, height or "building area") would be allowed to waive the dwelling units per acre provision as a bonus for providing affordable housing. This optimizes the already allowable building area and provides flexibility in unit size and type within that building area, comparable to how floor-area-ratio is currently applied to residential development in BelRed, Eastgate and Downtown. An analysis of the

eligible properties more likely to use this bonus provision estimates it could yield, on average, about twice the number of units allowed under current density limits. The bonus provision would only apply to eligible properties that meet the screening criteria and only to residential development where the affordability of all units meets an established affordability level requirement retained for the life of the project. The affordability levels will also be discussed with Council and established in conjunction with whatever approach is chosen.

Rather than individual, site-specific Comprehensive Plan land use map amendments and rezones, the recommended approach requires one-time amendments to the text and policies of the Comprehensive Plan and the affordable housing bonus provisions of the Land Use Code (LUC 20.20.128). These amendments will involve public engagement through the Comprehensive Plan amendment and Land Use Code amendment processes, including Planning Commission meetings and public hearings. There will be additional notification and outreach to owners of potentially eligible properties as well as neighborhoods and affordable housing providers.

It is important to note that this bonus provision would not apply to shelters and it would not alter the interim official control requirements for shelters passed by the Council last year. Additionally, property owners seeking a greater amount of development than allowed by this bonus provision could still pursue a site-specific Comprehensive Plan land use map amendment and rezone.

The impact of this proposed bonus provision is limited by two factors. First, the achievable bonus must meet the other site development requirements (e.g. height, setbacks, landscaping, parking). Density increases will vary by site and unit size, comparable to districts in the City that measure density by floor-area-ratio. The impacts of the density will be addressed through development review on a site-by-site basis as it is currently. Second, the bonus can only be applied to qualifying parcels. Less than 50 properties currently qualify for this bonus and only 30 of those are likely to redevelop. Only a few of those will opt to partner with a non-profit housing provider for an affordable housing project.

St. Margaret's Episcopal Church and Imagine Housing required a multi-year process to achieve additional density for affordable housing on their surplus church land. However, these partnerships are a valuable tool in Bellevue for the creation of affordable housing, especially for lower income residents who face the greatest challenges finding affordable housing in Bellevue. The proposed bonus allows a more direct, predictable development path for suitable projects. The increase in number of units will vary by site and unit type, but estimates on a range of parcels show that the proposed bonus could double the allowed affordable units on a site e.g. where 50 units are now permitted, 100 could be achieved using this bonus. This would encourage development by affordable providers. At one project a year, Bellevue could achieve 1,000 affordable units over 10 years.

Council is being asked to provide direction on the approach to implement Action C-1 of the *Affordable Housing Strategy*. If Council concurs with the recommended approach, staff will prepare draft Comprehensive Plan and Land Use Code amendments for Council initiation in March.

### **OPTIONS**

1. Direct staff to proceed with the recommended approach and prepare Comprehensive Plan and Land Use Code amendment proposals for initiation by Council in the 2018 amendment cycle.
2. Provide alternative direction to staff for implementing Action C-1.

3. Provide feedback to staff on additional information needed to continue discussion and schedule another study session.

**RECOMMENDATION**

Discuss approaches and next steps with Council. If Council is ready to move forward with the recommended approach, staff recommends option 1. However, if Council would like to have further discussion or information, staff recommends option 3.

**ATTACHMENTS**

N/A

**AVAILABLE IN COUNCIL DOCUMENT LIBRARY**

Bellevue Affordable Housing Strategy