

CITY COUNCIL STUDY SESSION

Affordable Housing Strategy Implementation Briefing

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Community Development

DIRECTION NEEDED FROM COUNCIL

INFORMATION ONLY

No action is required; this is an informational briefing on the progress of the Affordable Housing Strategy including units achieved, effectiveness of programs, implementation of actions, interdepartmental coordination, and the City's affordable housing investment strategy.

RECOMMENDATION

N/A

BACKGROUND & ANALYSIS

This is Council's third progress report on the Affordable Housing Strategy since its adoption in June 2017. Staff will present updates twice a year.

Affordable housing units achieved

How many affordable housing units have either been added or are in the pipeline since the adoption of the Affordable Housing Strategy?

Affordable Units Added

Project	Housing Tool	Date	Units
<i>KCHA Highland Village</i>	<i>Direct subsidy</i>	<i>2017 Q2</i>	<i>76</i>
<i>Park East</i>	<i>DT affordable housing incentive</i>	<i>2017 Q4</i>	<i>1</i>
<i>ADUs</i>	<i>Increase housing diversity</i>	<i>2017</i>	<i>12</i>
		<i>2017 subtotal</i>	<i>89</i>
<i>888 Bellevue Tower Apts</i>	<i>DT MFTE</i>	<i>2018 Q1</i>	<i>8</i>
<i>888 Bellevue Tower Apts</i>	<i>DT affordable housing incentive</i>	<i>2018 Q1</i>	<i>24</i>
<i>Cerasa Apts</i>	<i>DT MFTE</i>	<i>2018 Q3</i>	<i>31</i>
<i>ADUs</i>	<i>Increase housing diversity</i>	<i>2018</i>	<i>12</i>
		<i>2018 subtotal</i>	<i>75</i>
<i>30Bellevue at St. Luke's</i>	<i>Direct subsidy</i>	<i>2019 Q2</i>	<i>62</i>
<i>KCHA Kendall Ridge</i>	<i>Preservation, private philanthropy</i>	<i>2019 Q3</i>	<i>240</i>
<i>Brio</i>	<i>DT Incentive</i>	<i>2019 Q4</i>	<i>20</i>
<i>ADUs</i>	<i>Increase housing diversity</i>	<i>2019</i>	<i>8</i>
		<i>2019 subtotal</i>	<i>330</i>

	Units since Affordable Housing Strategy		494
<i>LIV, Hyde Square</i>	<i>BelRed FAR incentive</i>	<i>since 2015</i>	<i>89</i>
	Units including BelRed FAR		583

Affordable Units in the Pipeline*

Project	Housing Tool	Date	Units
<i>Fall 2019 ARCH HTF: CHF Men's Shelter (100 beds) Polaris at Eastgate (298 affordable apartments)</i>	<i>Direct subsidy</i>	<i>2020 or later</i>	<i>~400</i>
<i>TOD at ST Operations Base: Spur property land donation ARCH \$4M set-aside KC \$10M TOD Bond ST 80-80-80 land donation</i>	<i>Direct subsidy, land donation</i>	<i>2021 or later</i>	<i>~200- 300</i>
<i>TOD at ST 130th Station</i>	<i>Direct subsidy, land donation</i>	<i>2022 or later</i>	<i>~150</i>
<i>Pipeline market development</i>	<i>DT affordable housing incentive</i>	<i>2020 or later</i>	<i>~25</i>
<i>Pipeline market development</i>	<i>DT MFTE</i>	<i>2020 or later</i>	<i>~40</i>
<i>Pipeline market development</i>	<i>Bel-Red affordable housing incentive</i>	<i>2020 or later</i>	<i>~20</i>
<i>Pipeline market development</i>	<i>Bel-Red MFTE</i>	<i>2020 or later</i>	<i>~60</i>
	Pipeline Total		~945

* Affordable unit count estimated

- 494 Bellevue affordable housing units have been added since adoption of the affordable housing strategy.
- Affordable units achieved in 2019 was substantially impacted by the release of \$60 million in Microsoft financing to King County Housing Authority (KCHA). One of the four KCHA acquisition properties was Kendall Ridge in Bellevue, preserving 240 low- and moderate-income homes.
- Historically, Bellevue has achieved about 50 affordable homes a year through funding and incentives. This number has increased substantially since Strategy adoption.
- The target goal for the Affordable Housing Strategy is 2,500 units over ten years. As the strategies are implemented, the City is getting closer to achieving the target goal.
- The pipeline of over 900 affordable units indicates that the ten-year goal can be achieved, assuming continued growth in the same level as the last few years.

Effectiveness of Programs

A comparison of affordable units achieved, and the Affordable Housing Strategy's expected yield can be found in Attachment A. Findings include:

- **Preservation of existing apartments** has resulted in 316 affordable units since plan adoption. Continued preservation potential is impacted by market opportunities, rising property values and competition with other investors.

- **Housing fund investment through ARCH and surplus property donations** for affordable housing has resulted in 62 affordable units since plan adoption and a pipeline of ~880 affordable units.
- **The Multifamily Tax Exemption program** has resulted in 39 affordable units and ~100 pipeline affordable units. Steady production is expected, with affordable units remaining affordable for 12 years under current Bellevue program.
- **Bel-Red FAR affordable housing incentive** has resulted in 89 affordable units and \$2,867,010 fee-in-lieu for affordable housing. There is an additional ~20 pipeline affordable units. Count includes Bel-Red units and fees since 2015. Fee-in-lieu revenues have potential to produce a significant number of affordable units in BelRed with leveraging of other funds.
- **Downtown affordable housing incentive** has resulted in 45 affordable units since plan adoption and ~25 pipeline affordable units.

Implementation of Actions

Affordable Housing Strategies and Actions at a Glance (Attachment B) lists the five interrelated strategies and 21 actions of the Affordable Housing Strategy. Actions implemented to date:

- **Action A-1** Partner with non-profit organizations and housing agencies to fund the purchase of existing, affordable multi-family housing to preserve it for the long term. *Work on this action continues as opportunities become available.*
- **Action A-5** Review and extension of utility rate relief and utility tax relief programs.
- **Action C-3** Update and extension of the Multifamily Tax Exemption program.
- **Action C-4** Eastgate Land Use Code including incentive for affordable housing.
- **Action C-4** Downtown Livability Land Use Code including incentive for affordable housing.
- **Action D-2** Amendments to state condominium statutes to increase condominium development
- **Action E-1** Increase funding for affordable housing.
 - **\$412,000** per year general fund support for affordable housing, consistent with past budgets
 - **\$15 million** CIP contingency funds for affordable housing through 2025
 - **\$625,000** estimated per year from Council authorization of HB 1406 local sales tax option for affordable housing

Many of the actions that forward the Affordable Housing Strategy will be implemented through cross department efforts. Actions in the 2020 work programs for Community Development or Development Services:

- **Zero Lot-Line Townhomes-** Revise codes to reduce costs and process time for building multifamily housing (Action D-1)
- **Accessory Dwelling Units-** Land Use Code Amendment limited in scope to removing 3-year requirement for new construction (Action B-2)
- **TOD at OMFE and 130th Station-** Develop affordable housing on suitable surplus public lands in proximity to transit hubs (Action C-2)

- **East Main Land Use Code Amendment including affordable housing incentives (Action C-4)**
- **Affordable Housing Incentive for faith-owned**, surplus public and non-profit housing property (Action C-1)
- **Wilburton Comp Plan Amendment** including affordable housing incentives (Action C-4)

Interdepartmental and Interjurisdictional Coordination for Housing with Services

Affordable housing investments increasingly include a service component because of the growing, critical need for shelter and stable housing for families and individuals dealing with mental health issues, disabilities, chemical dependencies, and homelessness. Community Development is working with Parks & Community Services and the City Manager’s Office to coordinate affordable housing and human services funds on projects like 30Bellevue and Congregations for the Homeless Men’s Shelter. These efforts include coordination with other jurisdictions who are committed to expanding shelter capacity for the region.

HB-1406 funds can be used for acquiring, rehabilitating or constructing affordable or supportive housing, or for funding the operations and maintenance costs of affordable or supportive housing. Staff is evaluating the best use of these funds, especially when coupled with other funds in the Housing Fund account.

Affordable Housing Investment Strategy

The Affordable Housing Investment Strategy (Attachment C) shows current Bellevue housing funds and projected input and output through 2024. Principles for the funding strategy include:

1. Twenty percent of funds are held in contingency for high value projects
2. Considers the pipeline of likely projects that will seek funding between 2021-2024
3. Continued support for ARCH projects
4. BelRed option for fees-in-lieu of affordable units continues
5. Potential to support Human Services housing stability needs with HB-1406 or other funds

Estimated funding for the expected pipeline could be addressed with available resources, but there are many variables that will determine level of investment. These include timing of funding applications, ability to leverage other funds, market opportunities for preservation, and additional projects proposed by nonprofit and faith community partners.

Regional Collaboration through ARCH

Bellevue is one of 15 ARCH member cities that utilize the ARCH Eastside Trust fund to allocate local housing dollars. This approach has allowed funds from ARCH cities to be pooled, then leveraged with multiple other public fund sources with the goals of maximizing the creation of affordable housing overall, and in each city. ARCH Trust Fund allocations are made annually based on a voluntary “parity contribution”. Distribution of the overall funding goal between member cities is based on population, housing growth target, and employment growth target. Cities can meet their parity level through direct funding or in-kind contributions such as land donations and fee waivers. Bellevue’s annual parity contribution is in the range of \$681,807 to \$1,054,164. Bellevue’s mid-range annual parity contribution

is \$868,000. In many funding rounds, cities elect to increase local investment for high priority projects within their jurisdiction.

Affordable housing project funding through ARCH has yielded tangible benefits for member cities, including:

- Maximum production and leverage of local dollars (approximately \$10 for every \$1 of local funding);
- Funding recommendations shaped by community perspectives and professional expertise on ARCH's Citizen Advisory Board, as well as staff from ARCH and member cities;
- Equitable distribution of affordable housing throughout the Eastside;
- Coordination of local priorities with county and state priorities that results in a strong voice for the Eastside; and
- Cross-jurisdiction support that credits all cities for joint investment and creates a collaborative process that supports high priority projects.

In addition to these policy benefits, ARCH provides dedicated staff for efficient administration of local funds, including:

- Intake and review of applications for funding including financial underwriting of development proposals;
- Coordinate with King County, Department of Commerce, State Housing Finance Commission, and other funders for availability of local and regional funds;
- Contract funding agreements and restrictive covenants;
- Execute legal documents with escrow and title insurance companies;
- Disburse funds at closing and through construction;
- Inspection of completed projects; and
- Monitoring for project compliance, loan repayments and sustainability over the life of the project.

ARCH has invested in over 3,600 affordable housing units, with over 1,000 of these in Bellevue. One project funded directly by the City of Bellevue was the preservation of Highland Village. While direct funding allowed the City to act quickly on a property that was under threat of market conversion, it also meant that other cities' funds were not leveraged, and there will be less resources to monitor the investment long-term. Several different funding sources for affordable housing are shown in Attachment C, Affordable Housing Investment Strategy. Funds such as BelRed developer fees and CIP contingency funds provide a more nimble funding source for Bellevue priority uses.

Affordable Housing Strategy E focuses on expanding the types and amounts of funding available to support affordable housing. These actions help to create housing for people with low incomes who have the greatest challenge finding housing they can afford in Bellevue. Market-based incentives like density increases can create housing affordable for people with incomes near the 80 percent level.

Funding to subsidize new or preserved affordable housing will help increase housing that serves people with incomes below 80 percent median income. Council has acted to substantially increase affordable housing funding in order to implement the Affordable Housing Strategy.

POLICY & FISCAL IMPACTS

Policy Impact

The purpose of the Affordable Housing Strategy Implementation Program is to improve affordable housing opportunities across the City. This is consistent with City Council Priorities, Comprehensive Plan Housing Policy, and Economic Development Plan Strategies.

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.*

Fiscal Impact

Sufficient budget authority has been approved for implementation of the Affordable Housing Strategy work program. Council request for additional research, work items, or condensed schedule could require additional resources. Council direction for affordable housing funding allocation and administration outside of ARCH could require additional resources.

OPTIONS

N/A

ATTACHMENTS & AVAILABLE DOCUMENTS

- A. Effectiveness of Programs
- B. Affordable Housing Strategies and Actions at a Glance
- C. Affordable Housing Investment Strategy

AVAILABLE IN COUNCIL LIBRARY

Affordable Housing Strategy, June 5, 2017