

CITY COUNCIL STUDY SESSION

Initiate work on Affordable Housing Strategy Action C-1: *Increase development potential on suitable land owned by public, non-profit housing, and faith-based entities for affordable housing.*

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Community Development Department

DIRECTION NEEDED FROM COUNCIL

DIRECTION

Provide direction to initiate work on an incentive-based approach for increasing affordable housing potential on eligible land consistent with Affordable Housing Strategy Action C-1. The work program would include subsequent action by Council to initiate a Comprehensive Plan Amendment (CPA) as part of the 2020 annual CPA work program and associated Land Use Code Amendments. Review would occur by the Planning Commission, with final action taken by City Council on the CPA before the end of 2020 and the LUCA in 2021.

BACKGROUND & ANALYSIS

The strategy to implement Affordable Housing Action C-1 is to:

- Conduct staff analysis and public outreach for potential density increases on land owned by public, non-profit housing, and faith-based entities for affordable housing;
- Establish Comprehensive Plan policy direction as part of the 2020 annual amendment process;
- Develop Land Use Code provisions consistent with policy and recent state legislation (SHB 1377); and
- Avoid future parcel-by-parcel plan amendments and rezones as they are not an efficient or effective means to implement this action.

The City Council's June 5, 2017 approval of Bellevue's *Affordable Housing Strategy* established an "ambitious goal" of adding up to 2,500 affordable homes in Bellevue within 10 years of implementation. Action C-1: *Increase development potential on suitable land owned by public, non-profit housing, and faith-based entities for affordable housing*, can make a significant contribution to achieving this goal. It was estimated that between 200 and 1,000 affordable homes could be added to the City's housing stock by implementing Action C-1, with specific focus on households earning less than 50 percent of

the area median income (\$59,700 annually for a family of four). Census data shows a need in Bellevue for 5,500 homes affordable at 50 percent of area median income.¹

Achieving new housing affordable to these households typically relies on non-profit housing developers. However, non-profits struggle to buy land in Bellevue, relying instead on public-private partnerships with faith groups or government entities, or redeveloping property they already own.

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 30Bellevue 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.

A key objective of Action C-1 is to make the overall development process more efficient for these non-profits when seeking additional density to develop affordable housing. The staff recommended approach creates a more direct, predictable path for the creation of affordable housing on eligible properties. This approach also creates a bonus for affordable housing on these eligible properties to achieve additional density, saving non-profit developers the cost, timing issues and uncertainty of a Comprehensive Plan amendment and rezone.

Staff has been approached by a number of faith-based property owners and non-profit developers who have expressed a desire to develop affordable housing on portions of their property and/or surplus property or property that is being underutilized. The existing zoning and allowable density do not provide the potential for redevelopment to be economically feasible in order to accommodate affordable housing.

During development of the 2017 Affordable Housing Strategy, the affordable housing technical advisory group (TAG) indicated that 200 units to 1,000 units could be achieved through the development potential of affordable housing on suitable public, nonprofit, and faith-based properties while also providing for more housing for lower income levels.

Prior Council discussions on C-1 Strategy

On February 12, 2018, staff provided the Council with an introduction to an Action C-1 proposal which would allow an increased number of units to be developed within the same height, setback and lot coverage standards of eligible properties in multifamily and commercial zones. The proposal would have replaced the existing dwelling unit (DU) per acre density calculation with a floor area ratio calculation.

¹ The latest American Community Survey data from the Census Bureau (2012-2016) shows a 5,500-housing unit gap in Bellevue between the number of households earning less than 50 percent AMI and the number of units affordable to them here.

Councilmembers expressed concern with the proposal regarding the unpredictability of the floor area ratio calculation compared to the base zoning density calculation. Councilmembers were also concerned about faith-based properties in proximity to single family districts and the overall increase in density, resulting in suggested screening that excluded properties in and adjacent to many districts, excluding most of the properties where faith-based owners had expressed interest. Councilmembers also recommended deferring the discussion on the proposed C-1 strategy until the end of the legislative session since there was a bill being considered within the state legislature relating to public, non-profit housing, and faith-based entities.

Staff provided the Council with an update on the proposed approach for the C-1 strategy implementation on March 9, 2020 as part of the Affordable Housing strategy briefing and indicated that discussion of zoning for faith-based, nonprofit, and public surplus properties would come back to the Council as a separate item within 3-6 months.

State House Bill 1377

State House Bill 1377 (SHB 1377) requires cities planning under the Growth Management Act to provide an increased density bonus consistent with local needs for any affordable housing development for real property owned or controlled by a religious organization. This affordable housing must be part of a binding obligation that requires the development to be used exclusively for affordable housing purposes for at least 50 years, even if the the religious entity no longer owns the property. To address this legislative requirement, staff is proposing further analysis of a density incentive in multifamily, multifamily mixed use, and single-family areas. This approach consistent with SHB 1377 is described in Attachment A. .

SHB 1377 requires a density bonus “consistent with local needs” but allows local jurisdictions to define that need. In establishing that baseline need staff will:

- Look to Bellevue’s Housing Needs Assessment (2016), Affordable Housing Strategy (2017), Human Services Needs Update (2020), and Council Priorities for guidance; and
- Talk with faith groups and non-profit developers to gauge the amount of density that might be needed to achieve a viable project.

2020 C-1 Comprehensive Plan Amendment

Action C-1 is one of 21 actions identified under five strategy areas within the Affordable Housing Strategy plan adopted by City Council. Currently, the City’s Comprehensive Plan does not have specific policy language which directs guidance for implementation of density bonus incentives on public, non-profit housing, and faith-based entities for affordable housing. Therefore, staff recommends initiation of a Comprehensive Plan amendment as part of the 2020 annual process to add policy language in the Housing Element. This policy amendment would support the provisions of SHB 1377 and provide for implementation of density incentives on qualifying properties in the Land Use Code. This is comparable to the BelRed Subarea Plan policy that supports a floor area ratio land use incentive system (Policy S-BR-7).

2020/2021 C-1 Land Use Code Amendment

The C-1 density incentive staff is recommending for further analysis would add a section to Bellevue's existing affordable housing incentive (LUC 20.20.128). The existing provisions in this section provide an incentive of one additional unit for each affordable unit, capped at a 15 percent density increase above the base. Staff is proposing that this section would be retained, however, a new section could be added which would raise the 15 percent density increase for qualifying properties. Staff has not yet evaluated the applicable density increase and intends that the analysis would involve outreach and dialogue with non-profit housing developers and faith-based property owners to determine the appropriate metric which would result in affordable housing that is economically viable. Also, the existing density bonus incentives for affordable housing under LUC 20.20.128 do not apply in the Downtown, BelRed and Eastgate overlay districts, and this would remain unchanged with the proposed approach for C-1 strategy implementation.

Criteria for qualifying property

Attachment B shows a list of properties in Bellevue that would be examined as part of this effort. Staff will continue property analysis to gauge potential for redevelopment, recognizing that decisions by faith organizations to develop affordable housing may be mission driven rather than solely economic.

Qualifying faith, public surplus, and housing non-profit properties

- Public surplus property in multifamily and mixed-use residential districts
- Non-profit housing property in multifamily and mixed-use residential districts
- Faith-owned property in multifamily and mixed-use residential districts
- Faith-owned property in single family residential districts

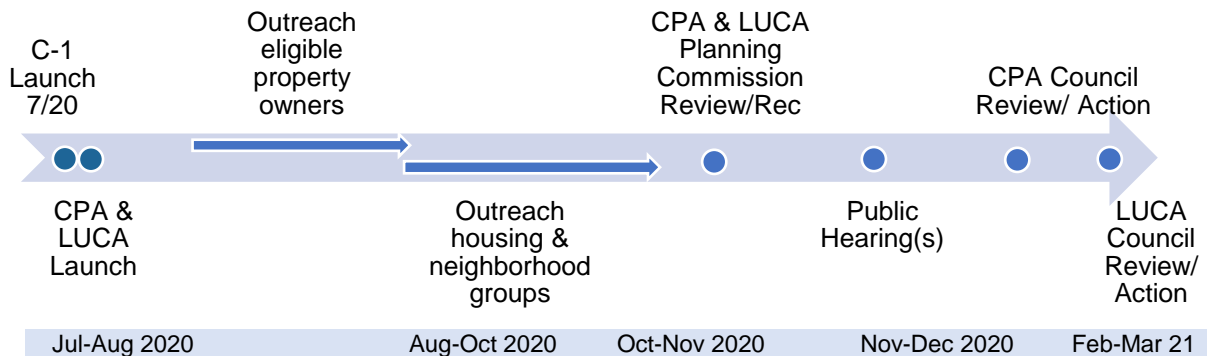
This list excludes property smaller than 0.2 acres, Parks & Community Services Department owned property and property owned by quasi-public utilities, e.g. PSE, except where vacant. LUC 20.20.128 does not apply to Downtown, BelRed, and Eastgate TOD Area. There are other affordable housing incentives that apply².

The code amendments proposed here would not apply to shelters in any zone in the City.

Attachment C maps these properties to show the distribution of properties by the four categories.

² Land use code sections for Bel-Red (20.25D.090), Downtown (20.25A.070), and Eastgate TOD (20.25P.060) have been updated to include voluntary affordable housing incentives that exceed 15 percent above base density. In Bel-Red the Tier 1 affordable housing bonus offers a 50 percent density increase above base outside of nodes, and a 125 percent density increase above base within nodes.

C-1 Timeline



C-1 Outreach

The proposed plan and code amendments will conduct public engagement through the annual Comprehensive Plan Amendment work program and Land Use Code amendment process, including Planning Commission meetings and public hearings. Additional notification and outreach will include owners of potentially suitable properties and to other housing and neighborhood stakeholders.

POLICY & FISCAL IMPACTS

Policy Impact

The Council approved the *Affordable Housing Strategy* in 2017 to address the affordable housing need in Bellevue. Action C-1 is critical to achieving the goal of creating 2,500 more affordable homes within 10 years of implementation and is consistent with the following City policies and initiatives:

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.

Diversity Advantage Plan Guiding Principle

Opportunity: Share prosperity by connecting residents, schools, businesses, faith and nonprofits to work together for the common good.

Fiscal Impact

There is no direct fiscal impact to revenues or costs associated with implementing this proposal. Implementation of the proposal would likely lead to an increase in funding requests to the City's affordable housing fund but is within the bounds of the established program.

OPTIONS

1. Direct staff to initiate work on an incentive-based approach for increasing affordable housing potential on eligible land consistent with Affordable Housing Strategy Action C-1. The work program would include subsequent action by Council to initiate a Comprehensive Plan Amendment (CPA) as part of the 2020 annual CPA work program and associated Land Use Code Amendments. Review

would occur by the Planning Commission, with final action taken by City Council on the CPA before the end of 2020 and the LUCA in 2021.

2. Provide alternate 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.

ATTACHMENTS & AVAILABLE DOCUMENTS

- A. SHB 1377 2019-2020, Affordable Housing Development on Religious Organization Property
- B. List of potentially qualifying faith, public surplus, and housing non-profit properties in Bellevue
- C. Map showing distribution of properties by the four categories

AVAILABLE IN COUNCIL LIBRARY

Bellevue Affordable Housing Strategy