

Per requests from several Councilmembers at the March 15, 2021 study session on MFTE, staff have provided the following brief summary of the administrative practice employed by the City of Bellevue, and other ARCH cities, with respect to “parking” and the administration of the MFTE program.

Council also requested additional information regarding the repurposing of parking for new purposes in a potential future where fewer parking stalls are required. This discussion does not impact MFTE administration, as it pertains to the initial construction of parking stalls rather than how their monthly fees are paid. The City has at times heard owners express interest in pursuing potential future parking conversion, but they generally do not follow through on this interest due to increased costs of constructing convertible parking spaces. These costs include items such as creating flat-floor construction, the need to take desirable daylight spaces up with parking in the interim, and the ultimate cost of renovating a structure that is actively in use. The City is aware of these conversations and is open to developers pursuing such conversion if the right site, project type, and owner’s desire are brought forward.

MFTE Covenant

All ARCH cities, including Bellevue, execute an MFTE covenant with a project developer. To facilitate consistency within the region, ARCH cities use similar boilerplate in their MFTE covenants. These covenants list a number of details regarding the administration of the MFTE program, including affordability calculations, a condo-conversion clause, proportionate sizes of affordable units to market units, expenses included in affordable rents, annual certification procedures, fair distribution of units and other information.

Council requested additional information regarding the distribution of ADA accessible units. Buildings as a whole are required to include a certain percentage of ADA units, but these units are more expensive to construct than typical units and are often not desirable for those who do not need the additional clearances and other ADA elements. Currently, ARCH leaves the decision to owners whether to designate ADA units for affordability in order to best distribute the ADA units to those who want and need them.

Specific to parking, the MFTE covenant boilerplate used by ARCH Cities includes the following definition for “affordable rent”:

“Affordable Rent” means a monthly housing expense, including Utilities or an applicable Utility Allowance for tenant-paid utilities, parking for a minimum of one car, and any expenses required by the Owner as a condition of tenancy (including but not limited to renter’s insurance, pest control, and sewer system capacity charges), that is no greater than thirty percent (30%) of the monthly King County Median Income level for Eligible Households, as shown in the following table, adjusted for Household Size. If a tenant pays for Utilities separately from rent, the Affordable Rent will be reduced by the amount of the applicable Utility Allowance.

This definition is consistent with the US Department of Housing and Urban Development (HUD) definition of a cost-burdened household. Since the 1940s, affordable housing programs have set rent limits based on a percentage of household income. Households that pay more than 30% of their income on housing expenses have been considered “cost-burdened” by HUD since 1981. On-site parking was generally included in rent at the time and, therefore, this cost calculation.

MFTE affordable rent administration today

In practice in ARCH cities today, the aforementioned “affordable rent” definition has resulted in certain administrative procedures.

- “Affordable Rent” is the maximum monthly housing expense of an affordable unit, determined by the affordability level set in the covenant (as a percentage of the King County AMI), adjusted for the number of bedrooms or unit type, and must include the costs of a private residence, utilities, parking for one vehicle, renter’s insurance, and any expenses that the landlord would require in a lease.
- Not all covenants have in the past explicitly include “parking” in the definition of affordable rent, due to the common practice at the time of including parking as part of any rent agreement. These covenants were written before separate parking charges became common, and affordable units at these properties include one parking space.
- Properties that provide more total parking spaces than units have been required to include only one parking space in the affordable rent, despite the higher total parking ratio.
- Landlords are allowed to lease parking spaces to other tenants if not needed by affordable housing residents. The only condition is that as soon as an affordable housing resident needs the parking space the covenant entitles them to, the landlord must make one available as soon as possible.
- Affordable housing residents without vehicles and not using parking spaces have not received rent reductions.

In addition to the boilerplate agreement, unique circumstances have led to alterations to a number of projects’ agreements across ARCH. In Bellevue, the owner may provide the Community Development Director with evidence of unique circumstances that might warrant a decrease in or elimination of the cost of parking from the affordable rent totals. The Director has received these requests and considered a number of factors, such as proximity to transit, to reduce or eliminate the parking cost from the affordable rent totals on a number of occasions.

Possible Alternatives

As some ARCH cities, including Bellevue, have begun to permit development projects with fewer than one parking space per dwelling unit, ARCH recognizes the need to revise its covenants and its administrative practice with respect to parking. However, while ARCH understands and supports the laudable goals of sustainability and public transit, it also recognizes parking costs, unbundled from rent, may contribute to low- and moderate-income households becoming increasingly cost-burdened. Thus, ARCH cities are considering alternatives similar to those that will be discussed with Bellevue City Council in April:

- They are prepared to implement a transportation allowance for each affordable tenant. This removes the need to allocate parking spaces to affordable tenants. The allowance could be used to purchase a full-price parking stall or supplement transit costs, and it could be tied in quantity to the project’s parking ratio.
- An alternative would be to remove parking from affordable rent entirely and reducing the affordability level (percent of Area Median Income) by a comparable amount.