

**CITY COUNCIL STUDY SESSION**

Affordable Housing Strategy Implementation Update

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**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 and implementation of actions. The briefing will also include a review of upcoming affordable housing actions from the current Strategy and potential future housing work. This progress report occurs twice per year.

**RECOMMENDATION**

N/A

**BACKGROUND & ANALYSIS****Affordable Housing Strategy Implementation**

This is Council's fifth biannual progress report on the Affordable Housing Strategy since its adoption in June 2017. Going into four years of implementation, significant progress has been made towards the strategy's target of achieving 2,500 units over 10 years.

- A total of 1,354 affordable housing units and 100 shelter beds have been funded or built since adoption of the Affordable Housing Strategy (see tables below).
- Pipeline affordable housing (estimated at 772 units) includes affordable units on public land in BelRed at the Sound Transit Operations and Maintenance Base Transit-Oriented Development site and 130<sup>th</sup> Avenue Station, affordable units in Eastgate, pipeline affordable units using the City's Multifamily Tax Exemption (MFTE) program and use of the Downtown and BelRed land use incentive programs.
- Affordable units achieved to date (1,354 units) plus current pipeline (772 units) indicates that the 10-year goal of 2,500 units can be achieved, assuming continued growth at the same level as the last few years.

**Affordable Housing Units Achieved and Pipeline Projects**

The following tables itemize the affordable housing units that have been added or are in the development pipeline since the adoption of the affordable housing strategy.



<b>Affordable Units Pipeline (unit # estimate)</b>	<b>Date</b>	<b>Units</b>	<b>Affordability (% AMI)</b>		
			<b>&lt;30/Sec 8</b>	<b>31-60</b>	<b>61-80+</b>
<i>Pipeline land use incentive units estimate for BelRed and Downtown</i>	2021+	~92			~92
<i>Pipeline MFTE units estimate</i>	2021+	~200			~200
<i>Eastgate single adult apartments</i>	2022+	~80	~80		
<i>OMFE TOD, including Council Spur property donation</i>	2021+	~250	~26	~112	~112
<i>130th Station TOD for affordable housing</i>	2023+	~150	~16	~67	~67
<b><i>Pipeline Total</i></b>		<b>~772</b>	<b>~122</b>	<b>~179</b>	<b>~471</b>

### **Effectiveness of Programs**

A comparison of the housing achieved (as shown above) to the expected yield in the City's Affordable Housing Strategy is found in Attachment A. For Actions that have been implemented to date, performance has been consistent with the expected yield for preservation of existing affordable housing, direct subsidy, and land use incentives in BelRed and Downtown.

### **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.

Work that was completed since the last biannual update in March includes the following:

- On April 26 (Ordinance No. 6575) and July 19 (Ordinance No. 6589), the City Council adopted Ordinances to amend the Land Use Code to establish lower minimum residential parking requirements for certain housing developments in areas with frequent transit service, including specific lowered requirements for affordable housing units in these areas.
- The City Council approved Ordinance No. 6582 updating the City's MFTE program on June 28. Since that date, staff have received significant interest from developers planning to use the updated program.
- On August 2, Council awarded \$1.66 million in 2021 funds to 19 agencies for housing-related human services funding based on recommendations from the City's Human Services Commission.
- Capital funding allocation by Council in July for Eastside Men's Shelter supplemental funding (\$3.6 million), Eastgate Supportive Housing supplemental funding (\$400,000), and Illahee Apartments preservation partnership (\$4.0 million).
- Staff released an initial Request for Proposal (RFP) for projects seeking House Bill 1590 funds for capital projects. The application window closed at the end of September.

Staff are also continuing work on the following ongoing projects:

- Staff are working with Council to complete the East Main Land Use Code Amendment, which includes an affordable housing component.
- Staff are working in partnership to develop affordable housing on suitable public lands in proximity to transit hubs (OMFE TOD, 130th Station).
- Staff are working towards providing up to a 50 percent density bonus for affordable housing developments on certain public, non-profit, or religious organization-owned properties, consistent with State law and recently adopted Comprehensive Plan policies. Staff will also be recommending City-initiated map amendments to evaluate properties owned by religious and non-profit entities meeting certain criteria (e.g. near arterials with frequent transit service).
- Staff will review the House Bill 1590 applications and form recommendations for Council consideration. Staff will also be exploring the potential to bond a portion of future House Bill 1590 revenues to allow for greater near-term investment.
- Staff are continuing work to adopt permanent legislation meeting the new State requirements (in Senate Bill 5235) to allow Permanent Supportive Housing and Transitional Housing in all Land Use Districts where residential dwellings and hotels/motels are allowed, and to allow Emergency Housing and Emergency Shelter in all Land Use Districts where hotels/motels are allowed.
- Staff are reviewing supportive housing best practices relating to community outreach/engagement and staffing/support levels for the housing facilities.
- Staff are continuing work to adopt permanent legislation amending the Land Use Code to remove residential occupancy limits as required by State law, amended under Senate Bill 5235.
- Staff will begin work on updates to the City's Housing Needs Assessment which was last updated in 2015 and was a key input to the 2017 Affordable Housing Strategy. This will provide a more current representation of the affordable housing need within the City and assist with future affordable housing actions and informing the scope for the update of the City's Land Use and Housing Elements as part of the periodic Comprehensive Plan update.
- Staff will also begin review of Comprehensive Plan Amendments for the 2022 annual work program.
- Staff continues to pursue funding partnerships with employers, financial institutions, foundations, and others.
- Staff are developing pre-launch materials for the Wilburton Vision implementation which may occur following completion of the East Main Land Use Code Amendment.

Progress on actions that have been implemented or launched to date is as follows. Many of the original actions outlined in the 2017 Affordable Housing Strategy have been either partially or fully completed.

<b>Status</b>	<b>Affordable Housing Strategy Actions: Complete and Ongoing</b>
<i>Work continues</i>	<b>Action A-1:</b> 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. Recent partnering to purchase Illahee Apartments furthers this action.
✓	<b>Action A-6:</b> Review and extension of utility rate relief and utility tax relief programs.
✓	<b>Action B-2:</b> Update accessory dwelling units standards: LUCA to amend Accessory Dwelling Unit 3-year rule and off-street parking requirement.
<i>Council initiated 2020 and work continues</i>	<b>Action C-1:</b> Affordable Housing Incentive for faith-owned, surplus public and non-profit housing property. Planning Commission public hearing and recommendation is scheduled for September with anticipated Council review and decision in Q4.
<i>Work continues</i>	<b>Action C-2:</b> Transit-Oriented Development (TOD) at the Operations Maintenance Facility Eastside and 130th Station: Develop affordable housing on suitable surplus public lands in proximity to transit hubs.
✓	<b>Action C-2:</b> Funding for Eastgate Men's Shelter and Eastgate Supportive Housing furthers this action on what was originally surplus County land.
✓	<b>Action C-3:</b> Update and expansion of the Multifamily Tax Exemption program.
✓	<b>Action C-4:</b> Eastgate and Downtown Livability LUCAs including incentive for affordable housing
<i>East Main work continues; Wilburton to follow</i>	<b>Action C-4:</b> East Main and Wilburton LUCAs including affordable housing incentives.
✓	<b>Action C-5:</b> Reduce costs to build affordable housing by reducing minimum parking requirements near transit stations.
✓	<b>Action D-1:</b> Revise codes to reduce costs and process time for building multifamily housing: LUCAs for zero lot line townhome regulations and multifamily parking requirements near transit.
✓	<b>Action D-2:</b> Amendments to State condominium statutes to increase condominium development.
✓	<b>Action E-1:</b> Increase funding for affordable housing: <ul style="list-style-type: none"> <li>• \$412,000 per year general fund support for affordable housing, consistent with past budgets</li> <li>• \$19 million CIP contingency funds for affordable housing through 2027</li> <li>• \$625,000 estimated per year from Council authorization of HB 1406 local sales tax option for affordable housing</li> </ul> \$9 million estimated per year from Council authorization of HB 1590 local sales tax option for affordable housing and mental and behavioral health services
<i>Work continues</i>	<b>Action E-2:</b> Pursue funding partnerships with employers, financial institutions, foundations, and others.

## **Community Conversations on Affordable Housing**

On September 23, the City held an on-line neighborhood forum entitled “Affordable Housing: Planning Today for Tomorrow”. The event had over 105 participants and featured presentations by Bellevue staff and Mayor Robinson on affordability in Bellevue, updates on major planning initiatives that address housing affordability and recently funded affordable housing projects. There was also opportunity for participants to share their priorities regarding affordable housing and questions and answers with the presenters.

Key themes that emerged from the dialogue with the community include the following:

- Diversity of housing options (duplex, triplexes, townhomes) for various income levels including the need for permanent supportive housing;
- Allowing for detached accessory dwelling units in single-family neighborhoods;
- Senior housing and opportunities for aging in place; and
- Addressing issues of neighborhood scale with mega mansions replacing older homes.

## **Bellevue Housing Trends**

Over 16,000 Bellevue households are cost-burdened or severely cost-burdened by their housing costs, meaning that they spend more than 30 percent of their income on housing. This distribution is outlined in Attachment C alongside the definitions of Area Median Income (AMI) for each household type.

Attachment D lists some of the professions that often fall into each of these AMI brackets. The highest percentage of cost-burdened households falls within the 31-50 percent AMI bracket, while the 50-80 percent AMI bracket holds the next largest percentage of cost-burdened households. Many non-profit partnerships target the 31-50 percent AMI households, while City code incentives such as density bonuses target the 50-80 percent AMI households.

To put the concept of AMI in context, staff have added information regarding the existing housing supply. For those looking to purchase a home in Bellevue, the average value of a home (condo or single-family, removing outlying prices) sold in Bellevue today is over \$1.2 million. For those in Bellevue’s rental market, units less than ten years old in larger multifamily buildings are affordable for households between around 100 percent AMI and 140 percent AMI on average, depending on unit size, location, and project specifics. This reflects a recovery in the rental market since the COVID-19-induced depression in the rental market, with a low in the fourth quarter of 2020. Today’s rental costs have since increased and are 12 to 18 percent higher than a year ago, surpassing pre-pandemic rents by 7 to 15 percent. This rapid increase in rental prices, combined with the impacts of the pandemic, has increased the demand for existing affordable housing across the City.

Leading into our Major Comprehensive Plan Update to launch in 2022, there’s been recent discussion of the jobs/housing imbalance found in the City. As of 2021, Bellevue is home to approximately 153,000 jobs and 64,000 homes. This is a ratio of approximately 2.4 jobs for every housing unit. Future growth targets through 2044 anticipate a 2:1 jobs to housing ratio for the growth increment of 70,000 new jobs and 35,000 new housing units. With the expected housing growth, strong demand for low and very-low income housing will be present as historical shortfalls are overcome.

## **Future Affordable Housing Work**

The City has made considerable progress with implementation of the 2017 Affordable Housing Strategy resulting in the creation and preservation of 1,354 units since its adoption. However, in that time the need for affordable housing has changed and deepened considerably. Also, both the Council and community have expressed the need for additional, more “bold” actions. Staff plans to return to Council with items for consideration in early 2022, along with an updated needs assessment in order to further the work to provide affordable housing in the City. Staff has organized a process which will include stakeholder meetings with a variety of interests; many of whom have already commented in different forums on this important work. These include small business interests, large employer’s needs and potential funding, non-profit developers and affordable housing advocates, neighborhood leaders, and parties interested in advancing affordable housing on the eastside. Many of the interests expressed by the wide ranging breadth of stakeholders align and are complimentary. Staff will be coordinating these various interests and bringing to the Council. This will include the various ideas, opportunities and options, after convening these stakeholders. Staff has identified the following areas for future discussion with Council:

### Actions from the current Affordable Housing Strategy

- Encourage micro-apartments around light rail stations through actions such as reduced parking requirements;
- Update accessory dwelling unit standards and allow detached units in self-selected neighborhoods;
- Promote design in affordable units that ensures accessibility for all ages and abilities (e.g. “universal design”);
- Increase funding and expand eligibility for the City’s home repair and weatherization programs; and
- Promote energy efficiency in design and construction of affordable units to reduce costs for residents.

### Other ideas for potential consideration

Council has shown previous interest in what future affordable housing discussions might include beyond the current strategy. The general list of ideas, shown below, are from the Council Strategic Plan last year, previous technical work and community/stakeholder discussions. Following the study session tonight, staff would engage the community and external stakeholders regarding these ideas, as described above. They would require staff analysis and Council discussion/prioritization at a future date for any of them to move forward. Staff’s intent is to prepare Council for future discussion later this year, and into 2022 once the updated housing needs assessment is completed, community/stakeholder engagement occurs, and a number of the current affordable housing work initiatives are wrapped up. As mentioned above, these ideas listed below come from Council Strategic Plan, previous Technical Advisory Group (TAG) work on the Affordable Housing Strategy (2017), and/or interested expressed to the City in the past forums on this topic.

- Evaluating range of housing ownership models, housing typologies and creating additional opportunities and incentives.
- Evaluating potential for rezones instead of Comprehensive Plan amendments for affordable housing.
- Evaluating formal land acquisition strategy.
- Evaluating framework for minimum housing requirements in Bellevue growth areas.
- Evaluating mandatory affordable housing units in new development.
- Evaluating potential new revenue sources (e.g. linkage fees for new commercial development, housing levy).

## 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: Encourage a variety of housing choices within the City. After transportation, cost is consistently cited as one of the greatest challenges for business in Bellevue, especially cost of housing for workers. A sustainable economy requires workers at all income levels, but rapid population growth in Bellevue and the region has made housing unaffordable for many residents and workers at lower income levels. Bellevue, the Eastside, and the larger Puget Sound continue to need more housing choices for diverse income levels throughout the City.*

### 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.

## OPTIONS

N/A

## ATTACHMENTS & AVAILABLE DOCUMENTS

- Effectiveness of Affordable Housing Programs
- Affordable Housing Strategies and Actions at a Glance
- Affordable Housing Need, Affordable Income and Rent
- Affordable Housing Need, AMI Levels by Profession



**AVAILABLE IN COUNCIL LIBRARY**

Bellevue Affordable Housing Strategy, June 5, 2017