

## CITY COUNCIL STUDY SESSION ITEM

### SUBJECT

Status Report on Bel-Red Housing.

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### POLICY ISSUES

Shall the City adopt strategies to encourage a share of housing developed under the new Bel-Red Subarea Plan to be available as workforce/affordable housing, as recommended by the Bel-Red Steering Committee? If so, what tools should the City use toward this end?

Tonight's Study Session is one in a series of ongoing Council briefings on the progress of work to implement the Bel-Red Steering Committee recommendations. Tonight's focus is on the Planning Commission's preliminary conclusions regarding housing implementation.

### DIRECTION NEEDED FROM COUNCIL

Action  
 Discussion  
 Information

The Planning Commission is scheduled to complete its initial drafting of a package of Comprehensive Plan and Land Use Code amendments later this month, for a Public Hearing anticipated for May 28. Any Council feedback tonight could be considered as the Commission completes this initial drafting.

### BACKGROUND/ANALYSIS

#### The Challenge of Workforce/Affordable Housing in Bellevue

The need for workforce and affordable housing in Bellevue and the Eastside is well documented. Since 1995, Bellevue residents have identified the lack of affordable housing as the top major or moderate problem in the community, in the biennial Human Service Needs update. Moreover, the shortage of affordable housing has implications beyond human services; for example, it affects the transportation system as workers are forced to drive farther out to find housing they can afford. It affects the community's economic development when local businesses can't attract employees because housing costs are not competitive. These affordable housing concerns have been addressed in a suite of

recent workshops and reports that span the above issues: the 2007 ARCH housing strategy workshops, the 2007 Urban Land Institute Workforce Housing Task Force Work Plan, the housing element of PSRC's Prosperity Partnership, Bellevue's 2007 Human Services Needs Update, and others.

Local efforts to intervene in affordable housing have been mixed. At one time, private sector, market-rate units were making a significant contribution to moderate income housing (units affordable to households earning 80% area median income or AMI). Between 1996 and 2002 more than 90 units per year of new market-rate rentals met the 80% AMI affordability level. However, since 2002 very few market-rate rentals have been affordable at this level, and none in the Downtown. Bellevue offers a voluntary incentive program available for development at 80% AMI, but in over a decade only one developer has used this incentive, resulting in just 5 affordable units.

Deeper affordability levels, at 60% AMI and below, require direct subsidies. As a founding member of ARCH for 15 years, Bellevue has subsidized affordable housing through the local trust fund administered by the Eastside consortium. The Trust Fund dollars are augmented by many other sources to reach significant affordability, including King County funding, the State housing trust fund, state tax credits, and local private funding. Using these sources, several non-profit organizations have been able to develop or preserve affordable housing locally. The King County Housing Authority has also developed or preserved affordable units in Bellevue. Despite these efforts, available funding and other intervention tools for low-income housing continue to fall far short of the identified need.

In summary, Bellevue's affordable housing challenges are significant. In recent years Bellevue has become less effective at meeting moderate income (50-80% AMI) housing targets, both as a result of market factors and a voluntary incentive program that is little used. The City faces a growing challenge of housing affordable in the range of 80-120% AMI, the middle range of "workforce housing." For housing affordable to low-income households, those earning 50% AMI and below, direct subsidies have almost always been required.

#### Current Work Program

With these issues in mind, in October 2007 the Council reviewed and endorsed an affordable housing work program. This included early consideration of a workforce/affordable housing strategy for Bel-Red. While recognizing the need to re-visit affordable housing implementation from a city-wide perspective, this work program recognized that intense work on Bel-Red implementation would be underway with staff and the commissions in the coming months. Consideration of affordable housing strategies needed to be part of this initial implementation package, to be considered as the city creates the capacity for 5,000 units of new residential development.

The Council agreed that work on Bel-Red should proceed in advance of the city-wide housing effort, but that any Bel-Red strategies should be considered in the context of the city as a whole. This is consistent with existing Comprehensive Plan policy that promotes dispersal of affordable housing citywide:

*Housing Element policy HO-25. Ensure that affordable housing opportunities are not concentrated, but rather are dispersed throughout the city.*

Accordingly, Bel-Red strategy is being addressed now, as part of the broader Bel-Red

implementation package, considering the role Bel-Red may play from a city-wide perspective. Under the phased work program, additional work on the city-wide strategy will occur next year.

The current work program also follows from the workforce/affordable housing principles adopted by the Bel-Red Steering Committee. The Committee grappled with the question of affordable housing, and concluded that it is an important part of the Bel-Red vision. They recognized that specific tools to implement affordable housing would need considerable additional work, and adopted a statement of principles to help guide further work (Attachment A).

The Planning Commission took these principles as a starting point for their work on housing implementation, and in recent months have held a series of work sessions on Bel-Red housing strategy, including:

- Background briefings on Bellevue’s existing programs, ARCH affordable housing data for the Bellevue and the Eastside (“Housing 101”), and other cities’ programs
- An “expert panel” discussion with housing developers
- Review of draft Subarea policies on workforce/affordable housing (Attachment B)
- Work on six key “housing issues” intended to refine direction on implementation.

#### Key Bel-Red Housing Issues and Commission’s Initial Conclusions

The remainder of this Memo focuses on the six key Bel-Red housing issues the Planning Commission has been discussing. While specific implementation tools are still under development, the initial Commission conclusions on these issues provides a sense of the Commission’s current thinking, and the direction now guiding the drafting of Code provisions. These issues are intended to frame the key considerations for a Bel-Red housing strategy. As a starting point for discussion, the Commission was presented a set of options for each issue, intended to provide the “book-ends” for a range of possible intervention strategies (Attachment C). The Commission’s thoughts are described here as “initial conclusions” because their deliberations are still underway; this summary includes Commission discussions through their Study Sessions to the current date.

#### **Issue 1: How to “jump start” housing?**

*Should specific strategies be employed to “jump start” housing in Bel-Red, an area that is currently light industrial and commercial, with few amenities?*

Staff Comment: This issue applies to any housing in Bel-Red, whether market-rate or below-market. Bel-Red is a large area that currently includes very little housing, and has few of the amenities normally expected in a residential area. Moreover, much of the area’s light industrial legacy creates major transition issues. By analogy, the issue of catalyzing the housing market was a major concern for Downtown Bellevue for years; it took almost two decades from the initial zoning for the Downtown housing market to really mature.

#### Planning Commission Initial Conclusions:

New urban residential neighborhoods will require public and private investment in order to support high quality, livable places and to develop a “critical mass” of housing. Simply rezoning the area without regard to these critical “livability” investments is inadequate. Public action to encourage pioneer housing development should focus on investment in amenities, such as development of parks and open space; and this public investment

should be sequenced with housing in mind. This conclusion has implications for the list of projects to be included in the Subarea Plan, the land use phasing strategy, and the Bel-Red financial strategy (this last item clearly outside the Commission's purview).

## **Issue 2: Housing Policy Targets**

*Should the Subarea Plan establish numerical workforce and/or affordable housing targets as goals for Bel-Red, under the rubric that "what gets measured is what gets done?" If so, for what income levels should these targets be established—workforce, moderate income, low income? What target numbers should be set?*

Staff comments: As noted above, Bellevue's housing challenge spans a wide range of incomes, from low income to levels of "workforce housing" beyond the range of direct subsidies. The idea of setting "policy targets" for various income levels has the intent of serving as a monitoring and feedback device, informing periodic, fact-based adjustments to strategies and tools. Notably, tools for meeting these "policy targets" are intended to include not just developer contributions, but also incentives, financial tools, direct subsidies, and creative efforts such as employer-assisted housing.

### Planning Commission Initial Conclusions:

Area-wide "housing policy targets" for Bel-Red should be established, to be accomplished not just through developer contributions but also through public subsidies, employer assistance and other mechanisms. The Commission is considering policy targets in the range of 15-20% of new housing affordable to families earning up to 80% of area median income (AMI); and a range of 15-40% of new housing affordable to families earning up to 120% of AMI. In response to comments from the Human Services Commission (Attachment D), the Planning Commission also concluded that another 10-20% of new Bel-Red housing should be affordable to low-income households (those at or below 50% AMI).

Targets should promote affordability for both rental and ownership housing. With incentives, the market may be able to deliver affordability in the 80-120% AMI range -- at the lower end of that range for rental units and toward the upper end of that range for ownership units. Affordability for households earning less than 80% of AMI will require additional tools, including direct subsidies in addition to any developer contributions. Monitoring should occur 3 to 5 years after plan adoption, and periodically thereafter. The implications are that as a result of the periodic monitoring, the City would have a factual basis to refine its implementation strategy as needed.

## **Issue 3: Mandatory + voluntary, or voluntary only?**

*Should the City establish a mandatory requirement for a portion of new housing to be affordable (perhaps off-set by density or height incentives), or should new development's contribution to affordable housing be accomplished solely through voluntary incentives?*

Staff comment: ARCH has developed a four-tiered sorting of other communities' approaches to affordable housing regulatory programs (mandatory requirements and/or incentives, Attachment E). A key factor is whether consideration of affordable housing accompanies an "upzone" or significant increase in residential zoning capacity, as is the case in Bel-Red. Some communities have made affordable housing mandatory following an upzone, under the logic that it is reasonable to require a share of the increase in

residential capacity to result in affordable units, and that putting this in place at the time of the rezone mitigates land speculation and reduces the burden to the developer.

Planning Commission Initial Conclusions:

The Planning Commission did not conclude that affordable housing should be a mandatory requirement for residential development in Bel-Red. Rather, affordable housing should be a “threshold bonus,” giving it the highest priority of all items in the land use incentive system. This means that any residential development beyond the base height/density would be required to include a percentage (to be identified) of affordable housing – before being able to activate any other amenity bonus. The details of this approach are under development, including what percentage of a development must be affordable, at what affordability levels, to qualify for the bonus. Further refinements address the combination of this powerful land use incentive with finance tools, such as the potential multifamily tax exemption. With direct subsidies used in combination with this land use bonus, it may be possible to bring some housing units down well below the 80% AMI level.

These conclusions have major implications for the land use incentive system currently under development as part of the Land Use Code package, and are a key factor in designing and calibrating this system. In addition, combining the “threshold bonus” with financial tools such as the multifamily tax exemption introduces another level of complexity. The Commission recognized that the Council itself is in the lead role in developing such financial tools, as part of the Bel-Red financial strategy.

**Issue 4: Role of Commercial Development?**

*If development contributions, either mandatory or wholly voluntary, play a role in a Bel-Red housing strategy, do commercial developments have the requirement or opportunity to participate; or will the housing “linkage” be made only to residential developments?*

Staff Comment: The issue of commercial development’s contribution to affordable housing has been a major policy debate in some parts of the country. Communities have addressed this issue differently, based on various conclusions about the relationship between employment and housing costs. Programs linking the two together are very rare in Washington state.

Planning Commission Initial Conclusions:

Housing development has a better opportunity to contribute to affordable housing, and commercial development has a better opportunity to contribute to other public infrastructure and amenities. The land use incentive system should be constructed to favor affordable housing for residential development, and to favor other types of amenities and infrastructure for nonresidential development. Commercial development should be allowed to contribute to affordable housing through the land use incentive system, but this should be a voluntary, undifferentiated (no special priority) bonus for commercial development. A fee in-lieu should be allowed if commercial chooses to use the affordable housing incentive.

**Issue 5: Tools**

*What are the most effective and appropriate implementation tools to utilize in a Bel-Red affordable housing strategy?*

Staff Comment: Effective affordable housing strategies typically employ a range of tools, which experience shows can complement one another by targeting different income levels, and can be used in combination to establish greater levels of affordability. Staff brought forward a range of tools for Commission discussion. Some of these are land use tools that could be part of the Commission's Land Use Code recommendations; some are financial tools outside the Commission's scope; others are creative tools that could be pursued by parties outside the City. The idea was simply to consider how these various tools could work together in a comprehensive Bel-Red strategy.

Planning Commission Initial Conclusions:

Multiple affordable housing strategies are needed – development incentives (height/density bonus), financial incentives (e.g. short term multifamily property tax exemption), and others. Include land use tools as part of the Land Use Code package (e.g. lowering minimum parking requirements for some types of affordable housing; allowing non-traditional forms of housing). Strategies used in combination will increase flexibility for developers and may reach lower affordability levels. The Chart included in Attachment C notes these other tools and suggests possible income levels where they might be targeted.

These conclusions have implications for the Land Use Code recommendations under development. They may also be helpful to the Council's consideration of financial tools.

**Issue 6: Alternatives to on-site affordability?**

*Should alternatives to affordable units on-site, such as paying in-lieu fees or partnering with an off-site development, be allowed in order to earn an affordable housing incentive? If alternatives are allowed, should they be limited to the Bel-Red area?*

Planning Commission Tentative Thoughts:

The Commission expressed a strong preference for work-force housing units that are developed on-site and integrated with market units. However, the program should allow flexibility for alternatives to on-site where partnerships can be as effective or more effective in producing affordable units. Integrated units may not work in some higher cost ownership properties where dues and assessment for higher end amenities may be unaffordable for moderate- and workforce-income residents. Development that provides affordable units off-site should provide those units in the Bel-Red subarea. Payment in-lieu should be discouraged, but may be appropriate in limited situations.

These conclusions will guide the details of the affordability bonus being developed as part of the Bel-Red Land Use Code package.

Next Steps

The above tentative Commission conclusions on affordable housing are helping to guide development and refinement of the draft Subarea Plan and Land Use Code package. A May 28 public hearing date is anticipated for this full package of Bel-Red amendments, after which the Commission will undertake additional refinements. Should the Council have any feedback for the Commission at this time, this could be considered as the Commission completes development of this public hearing draft.

Parallel work is underway on housing implementation related to the Bel-Red financial strategy, in particular, consideration of the multifamily property tax exemption. This is

occurring directly through the Council rather than the Commission. All of this work is in the context of the role Bel-Red may play from a city-wide housing perspective. Under the phased work program, additional work on affordable housing outside Bel-Red is anticipated to occur in 2009.

**ATTACHMENTS**

- A. Bel-Red Steering Committee's Recommended Principles for Workforce/Affordable Housing
- B. Draft Bel-Red Subarea Plan Housing Section, with Commission edits
- C. Summary of Six Key Housing Issues
- D. March 25, 2008 Memo from Bellevue Human Service Commission
- E. Affordable Housing Regulations in Other Communities—Four Tiers of Approaches

## Bel-Red Principles on Workforce/Affordable Housing

The preferred alternative envisions the creation of 5,000 additional housing units in the Bel-Red Corridor. Bellevue has not created this much new housing potential in decades. The committee recognized the importance of this, and also the importance of developing a thoughtful strategy for incorporating a wide range of housing types in this new supply. This issue of housing diversity was also important to many members of the public. The committee recognized the complexity of the issue, but felt the need to provide some perspective on how to realize its vision of creating a variety of housing types available to a wide range of households. Accordingly, the Steering Committee developed some preliminary principles on housing that are included as part of its recommendation. These principles are as follows:

- **Vision.** One element of the Bel-Red Steering Committee’s vision for Bel-Red is that the area “will contain a variety of housing types to meet the needs of a diverse population of varied income levels.” While Bel-Red will likely include some high end housing and a predominance of market rate prices, a deliberate strategy will be required to deliver on this vision of diversity in housing form and pricing.
- **Integration with larger City.** As Bellevue continues to experience the escalating housing prices of a very dynamic housing market, maintaining some housing options for low and moderate income workers and households on fixed incomes is a growing challenge for the City as a whole. The City also faces challenges in meeting the housing needs for a growing segment of our labor force who face can not afford the rising costs of housing in the Bellevue area. While no one area of the city will solve Bellevue’s affordable housing challenges, Bel-Red provides an opportunity to contribute to City-wide solutions. Housing affordability approaches here should be integrated with the City’s wider approach to the challenge of affordable housing.
- **Timing.** Bel-Red represents an extraordinary opportunity to develop new capacity for housing in Bellevue, with the potential of 5,000 housing units occurring in an area that today accommodates virtually no housing. The time to consider workforce/affordable housing strategies is up-front, as part of the zoning and land use strategy to create this new housing capacity.
- **Multi-pronged strategy.** Providing a range of housing choices requires a multi-faceted approach. Bel-Red implementation should consider a wide range of options for encouraging affordable housing, including incentives, tax policy, and regulatory measures.

## Housing

*The revisions to the Housing section reflect initial discussions of the Planning Commission*

**Goal:** to encourage Bel-Red redevelopment to result in a diversity of housing types and prices, including a significant share of “workforce housing.”

Housing policy has many linkages to a truly sustainable future, with economic, social and environmental dimensions. Having a close-in supply of housing of types and prices that match available jobs can contribute both to Bel-Red’s economic competitiveness and its potential to meet the needs of families who want to live on the Eastside. Establishing housing near Bel-Red’s jobs and services will also reduce trip lengths and allow for a higher share of trips by transit, bicycling and walking, with environmental benefits in energy conservation and air quality. This Plan’s intent to create the potential for 5,000 new housing units in an area that today has almost no housing is a remarkable opportunity to make progress in all three of these dimensions.

The above housing outcomes entail very significant challenges. New urban residential neighborhoods will require an array of public and private investments in open space and other amenities needed to support high quality, livable places. Providing for affordable and workforce housing may be an even bigger challenge.

Housing affordability is a citywide issue, and should be considered in a comprehensive strategy of which Bel-Red is a part. This Plan creates the potential for thousands of new housing units, and provides opportunities not found in other parts of the city to create entirely new residential and mixed use neighborhoods in close proximity to jobs, services and transit. It is critical to consider an approach to housing affordability up-front, at the time this new development potential is being created, or the opportunity for a coherent strategy may be lost. This Plan establishes a multi-faceted strategy to address housing creation and housing affordability through a mix of land use designations, development regulations and incentives, direct public investments, and other public and private approaches.

### Policies

**S-BR-F1** Encourage a diversity of housing types, from high density, multi-story housing in transit nodes, to medium density housing outside nodes, to ~~townhomes and~~ other innovative housing forms, such as live/work and work/live units ~~only rarely found elsewhere in Bellevue.~~

**S-BR-F2** Promote owner and rental affordability in Bel-Red’s new housing stock, with a target that a minimum of [15 to 20]% of new units be affordable to low and moderate income households, and another [15 to 40]% be affordable as “workforce housing,” for households earning up to 120% of median income. These targets will be addressed through a combination of development regulations and incentives, public investments, and other public and private strategies, such as employer-assisted housing.

**S-BR-F3**\_\_\_ Monitor the production and affordability of new housing in Bel-Red and make adjustments to implementation strategies, including development regulations and incentives, as needed to meet the identified targets. A review of housing affordability strategies should occur three to five years after the 2008 adoption of the Subarea Plan.

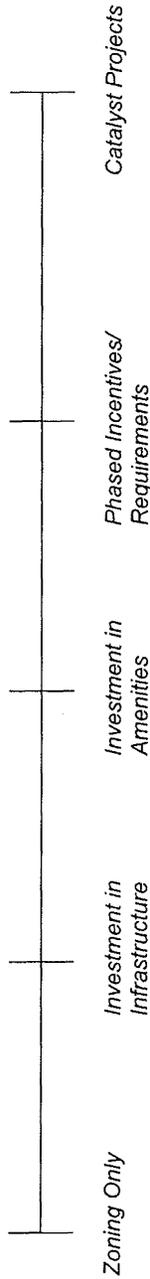
**S-BR-F4**\_\_\_ Integrate the strategy for promoting housing affordability in the Bel-Red area with the City-wide approach of which Bel-Red is a part.



**#1. "Jump Starting" the Housing Market**

**Questions:**  
How can the City get the housing market going in a transitioning area?

**Example Options Continuum:**



**Considerations:**

The Bel-Red area today includes almost no housing, and existing uses are predominantly commercial and light industrial. To achieve the Bel-Red vision for new housing will require pioneer housing development that proves the market success of housing in this area and begins to develop a "critical mass" that will attract other housing.

**Strengths**

- Close to Downtown Bellevue and Microsoft
- Planning process suggests 5,000 housing units
- Planned Transit improvements
- Other planned investments in infrastructure and amenities

**Weaknesses**

- Very little existing housing
- Legacy of light industrial
- Lack of amenities

**Potential "Starter" Principles:**

1. New urban residential neighborhoods will require a variety of public and private investments to support high quality, livable places.
2. Affordable housing could play a key role in bringing "pioneer" residents to this area. Young workers and families that might be attracted to a transitioning area generally need more affordable options, and may be more willing to live in a transitioning area.
3. "Jump starting" Bel-Red's transition to housing may involve strategies (requirements and/or incentives) to help ease the economics. For example, direct funding assistance for catalyst projects was used to help initiate downtown Bellevue housing.

## #2. Housing Policy Targets

### Question:

Should the Subarea Plan establish numerical workforce and/or affordable housing targets as goals for Bel-Red to achieve, under the rubric that "what gets measured is what gets done?"

### Example Options of Target Numbers:

Income Level	10%	15%	20%	24%
50% of median	10%	15%	20%	17%
80% of median	10%	15%	40%	30%
120% of median	20%	30%	60%	71%
<b>Total</b>				

Note: These are examples of income levels and percentages that could be considered as broad goals. Other income levels and percentages could be considered.

### Considerations:

	Households by % of Median Income Category			
	0 – 50%	51 – 80%	81 – 120%	120+
2000 Census, Bellevue	16%	15%	19%	50%
2000 Census, King Co.	21%	17%	22%	40%
CPP Afford. Housing Targets	24%	17%		

Census data adjusted to fit income categories

- 2006 "American Community Survey" Census update estimates that 4% of all Bellevue families were in poverty (30% median income level and below). Regarding housing cost burden, and about 36% of owners with mortgages and 42% of renters in Bellevue incurred housing costs above the affordability threshold of spending 30% or more of household income on housing.
- 4<sup>th</sup> example option (above) is consistent with affordable housing targets in the Countywide Planning Policies (CPPs).
- Housing at 120% of median income addresses a housing need for "workforce" wage earners. Job growth in Bel-Red is expected to increase this demand for "workforce" housing.
- Target options represent a range of attainability, from less aggressive/more easily attained to very aggressive and very challenging.
- Any initial target numbers will require further analysis and refinement, with consideration of an array of implementation tools.

### Potential "Starter" Principles:

1. Broad Bel-Red housing policy numerical targets are intended to clarify desired outcomes, help measure progress over time, and lead to identifying needed adjustments.
2. The policy target number is not intended to be the percent of affordable units achieved solely through developer contributions, but rather a goal for the subarea, achieved through a range of strategies. Potential public investments, non-profit and employer assistance, other incentives and developer contributions may all contribute to meeting the targets.

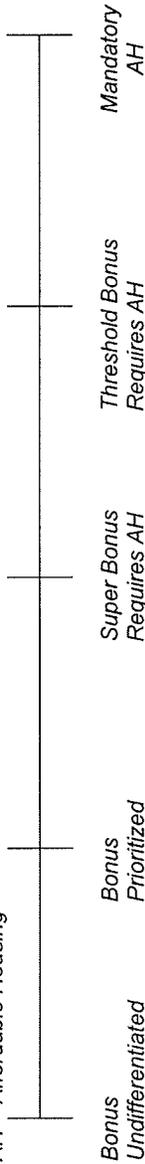
### #3. Development Participation: Mandatory + Voluntary, or Voluntary Only?

**Question:**

Should the City establish a mandatory requirement for a portion of new housing to be affordable (perhaps off-set by density or height incentives), or should new development's contribution to affordable housing be accomplished solely through voluntary incentives?

**Option Examples Continuum:**

AH = Affordable Housing



**Considerations:**

- Housing would be among the elements in a land use incentive or “bonus” system. (Now is not suggested as the time to work through the mechanics of the bonus system, but rather the concepts.)
- The complete Bel-Red bonus system may include the following (in no particular order):
  - Affordable Housing
  - Parks, open space and trails
  - Stream restoration
  - Natural drainage
  - Public arts/arts district
  - LEED/green building
  - Public restrooms, child care, community space
- In concept, the bonus system for all amenities is developed or “calibrated” as follows:
  1. ID developer costs (for housing, this is gap between market rate affordable rent/sales and affordable target levels)
  2. ID value in height or density needed to meet developer costs above; i.e. to make developer whole
  3. ID whether additional bonus above step 2 is desired, either to increase the power of the incentive, or to set a higher priority for a given amenity vs. others
  4. Develop first cut bonus ratios (expressed as given amount of added development rights per unit of amenity)
  5. Evaluate/refine ratios in context of overall financial strategy/developer costs, residual land values and upzone “lift”

**Potential “Starter” Principles:**

1. Affordable housing incentives need to be evaluated as part of the broader Bel-Red incentives package, with consideration of building complete neighborhoods and a complete community.
2. All Bel-Red land use incentives and requirements need to be understood in the context of their effect on development feasibility; they should not result in development becoming economically infeasible.

**Development Participation (contin.)**

**Legend:**

**1: Bonus Undifferentiated**

To reach maximum height/density for a property, builder would choose from a “menu” of amenities, which are calibrated based on cost alone. No special priority for housing.

**2: Bonus Prioritized**

As in #1, but prioritizes affordable housing to provide greater lift, relative to its cost.

**3: Super Bonus**

Affordable housing provides a special lift; is the only way to reach a site’s maximum height and/or density.

**4: Threshold Bonus**

Any project that develops beyond the base density would be required to include a percent of affordable housing; i.e. development must provide some housing affordability to activate any other amenity bonus.

**5: Mandatory**

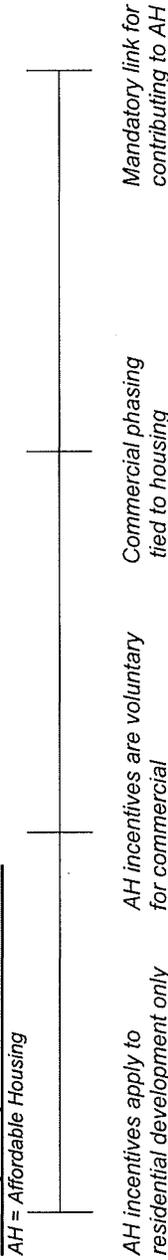
Any project must include a percent of affordable housing, even if the project does not develop beyond the base density; requirement’s cost may be off-set by density/height bonuses.

## #4. Role of Commercial Development

### Questions:

*If development contributions, either mandatory or voluntary, play a role in a Bel-Red housing strategy, do commercial developments have the opportunity to participate; or will the housing "linkage" be made only to residential developments?*

### Example Options Continuum:



### Considerations:

- There is a direct correlation between increased employment and housing costs; i.e., data shows that employment growth is typically accompanied by increasing housing costs.
- Commercial "linkage" programs, i.e., linking commercial development with housing, are unusual in WA state. Further legal research would be needed to clarify whether and in what manner commercial properties may be required to participate in affordable housing production.

### Potential "Starter" Principles:

1. Employers may struggle to find or keep workers when housing supply or housing cost does not match need.
2. Workers that cannot find housing they can afford near their workplace move farther out and endure long commutes. This has negative consequences for workers' families, employers, traffic and the environment.

### Legend

1. Affordable housing applies to residential development only: self-explanatory
2. Voluntary incentives for commercial: Commercial development may achieve height/density increases by providing payment into an affordable housing fund, or otherwise enabling affordable housing production.
3. Commercial phasing tied to housing: intent is to maintain a balance of housing close to new jobs being created, so development of some housing must occur with timing in sync with development of commercial uses.
4. Mandatory linkage for commercial: As in #2, but affordable housing contribution is mandatory. Further legal research needed if Commission is interested in this option.

## #5. Tools (updated 3/21/2008)

**Question:**

*What are the most effective and appropriate implementation tools to utilize in a Bel-Red workforce/affordable housing strategy?*

TOOLS	POPULATION SERVED				Applicable to Bel-Red Implementation
	Low 50%	Moderate 80%	Workforce 120%	Market	
<b>A. Land Use</b>					
1. Build neighborhood amenities to encourage housing					
2. Affordable housing height/density bonus (threshold bonus)					
3. Affordable housing height/density bonus (voluntary bonus)					
4. Lower minimum parking requirement for affordable housing & node housing					
5. Areawide environmental assessment					
6. "Housing/Commercial Use Mix" Monitor to see if mix of housing and other uses is being achieved (also AH), adjust if needed.					
7. Allow non-traditional forms of housing (e.g. 'SRO', loft, live-work)					
<b>B. Direct/Other Assistance</b>					
1. Short term MF property tax exemption					
2. Impact/Permit Fee waivers (e.g. Transportation Impact Fee)					
3. Special allocation of housing trust fund					
<b>C. More Creative Approaches</b>					
1. Make surplus land available for targeted types of housing					
2. Colocate housing with other uses (e.g. transit facility, libraries)					
3. Employer assisted housing programs					
4. Land Banking					

**Considerations:**

- As a policy choice, the above tools could be further focused on specific target markets.

**Potential "Starter" Principles:**

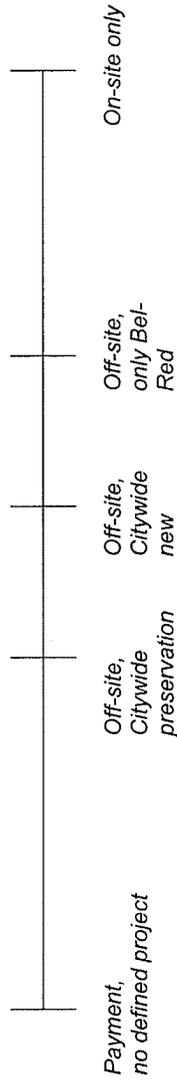
- Affordable housing tools may be designed to work independently or in tandem with other tools. Used in tandem, they may reach lower affordability levels.
- To reach low income (50% median) levels, the combination of tools needs to include some types of direct assistance.

## #6. Alternatives to On-Site Housing Affordability

### Questions:

Should development that contributes to affordable housing be allowed alternatives to providing the units on-site? Should alternatives be prioritized?

### Example Options Continuum:



### Considerations:

- The Bel-Red housing Vision says that the Subarea will contain a variety of housing types to meet the needs of a diverse population of varied income levels. The question is whether affordable housing units developed on-site help create more socially and economically integrated communities that are affordable to a wide range of families.
- Units developed on-site are built right along with market housing; avoids problems of finding off-site land, partners and funding.
- Some other cities' programs hold that off-site units can be allowed only when the developer can prove that construction of on-site affordable units is infeasible. Can also be limited to when a partnership project is identified.
- Allowing off-site affordable units makes the program more flexible. Provides an opportunity for market rate developers to partner with non-profits, which puts resources into projects where they can be used most effectively to leverage other funds and provide greater affordability.

### Legend

Payment, no defined project: in-lieu payment allowed into a housing trust fund; no specific project identified

Off-site, City-wide preservation: affordable units may be preservation of existing affordable units, anywhere in Bellevue

Off-site, city-wide new: affordable new units may be off-site anywhere in Bellevue

Off-site, only in Bel-Red: affordable new units may be off-site, but must be elsewhere in Bel-Red

On-site only: affordable new units must be integrated into the project on-site

**City of Bellevue**  
Parks & Community  
Services Department



# MEMORANDUM

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**Phone:** 425-452-6452

**Date:** March 25, 2008

**To:** Jennifer Robertson, Chair  
Planning Commission

**From:** Michael Yantis, Chair  
Human Services Commission

**Subject:** Bel-Red Housing Draft Subarea Plan and Affordable Housing Strategies

The Human Services Commission sincerely appreciates the two courtesy briefings received from Planning and Community Development staff on Bellevue's Workforce/Affordable Housing Work Program, on December 4, 2007, and most recently on March 4, 2008. They were very informative about the Planning Commission's initial discussions on housing affordability strategies for the Bel-Red redevelopment.

Since one of the Human Services Commission's roles is to "...provide recommendations to the City Council on emerging issues and concerns in the area of human services..." (Ordinance No. 3729), the Commission feels compelled to speak for the low and moderate income residents of Bellevue to ensure that their needs are being considered in the development of the Bel-Red housing strategies.

The Commission was pleased to note in the Bel-Red Principles on Workforce/Affordable Housing that the vision of the Bel-Red Steering Committee "is that the area will contain a variety of housing types to meet the needs of a diverse population of varied income levels." Further, the principles note the challenges faced by Bellevue to maintain housing options for low and moderate income workers and households on fixed incomes and "while no one area of the city will solve Bellevue's affordable housing challenges, Bel-Red provides an opportunity to contribute to City-wide solutions."

Affordable housing is defined as housing which costs residents no more than 30% of their household income. According to 2000 Census data, 39% of renters and 25% of homeowners in Bellevue paid more than 30% of their income for housing, and 3.8% of Bellevue families, 5.7% of individuals, and 31.8% of single female heads of households with children under age 5 live in poverty (defined as an income under \$17,500 for a family of four.) Also, since 1995, the lack of affordable housing has been rated as the top major or moderate problem in the community by Bellevue residents, according to phone surveys conducted every two years by the Human Services Division as part of its data collection for its biennial Needs Update. In 2007, 69% of respondents rated the lack of affordable housing as a major or moderate community problem, compared to 60% in 2005. In addition, in over half of the Community Conversations conducted in 2007 for the Needs Update, the overarching theme for human services needs was lack of affordable housing. A wide variety of population and age groups described their challenges finding housing they could afford.<sup>1</sup>

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<sup>1</sup> City of Bellevue. (2008). 2007-2008 Human Services Needs Update.

The Human Services Commission's specific comments on the draft policies related to housing in Bel-Red are as follows:

*S-BR-F2* \_\_\_ Promote owner and rental affordability in Bel-Red's new housing stock, with a target that a minimum of [15 to 20%] of new units be affordable to low and moderate income households, and another [15 to 40%] be affordable as "workforce housing," for households earning up to 120% of median income. These targets will be addressed through a combination of development regulations and incentives, public investments, and other public and private strategies, such as employer-assisted housing.

**Comments**

- Include Targets for Very Low and Low Income Households: While we acknowledge the challenges in developing affordable housing and the need to balance priorities, the redevelopment of Bel-Red provides a significant opportunity for the City of Bellevue to address the critical need for affordable housing for its very low income (30% of median), low (50% of median) and moderate income residents (80% of median). For reference, Attachment 1- 2008 HUD Income Guidelines, indicates that the median income is \$81,400 and 120% of median for a family of four is \$97,680. Based on these guidelines, a low-income family of four at 30% of median income can only afford to pay \$610 per month ( $\$24,400 / 12 * 30\%$ ) while the average rent for a 2-bedroom apartment in Bellevue is \$1,086.<sup>2</sup>

The Human Services Commission notes that the targets under consideration appear to be directed at moderate income households and higher, rather than to very low or low income households. Since the 2000 Census indicated that 39% of Bellevue households had incomes below \$50,000, and nearly one quarter of households had incomes under \$35,000, we encourage consideration of percentage targets which truly address the development of new housing units affordable to those households at 30% - 80% of median income. In addition, while we recognize that the composition of the workforce envisioned for Bel-Red in the future may be different from the light industrial workforce in the corridor now, any housing development should accommodate a diversity of incomes, regardless of the type of industry. We are also concerned that the housing developed be appropriate for both low-income and moderate income families as well as individuals.

*S-BR-F3* \_\_\_ Monitor the production and affordability of new housing in Bel-Red and make adjustments to implementation strategies, including development regulations and incentives, as needed to meet the identified targets. A review of housing affordability strategies should occur three to five years after the 2008 adoption of the Subarea Plan.

**Comments**

- Consider Stronger Incentives: As you are aware, Downtown Bellevue has seen an increase of 3,000 new housing units in the last 10 years with more than 3,000 units now under construction or in the pipeline. According to ARCH surveys, between 1996 and 2002, more than 90 units per year of downtown market rental units met 80% affordability levels. However, since 2002 new downtown market rentals at 80% affordability have been nearly non-existent. The city's

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<sup>2</sup> Dupre + Scott Apartment Vacancy Report. (2007).

affordable housing incentives have rarely been used since adoption in 1996.<sup>3</sup> The Human Services Commission is disappointed that voluntary incentives have not resulted in any affordable housing development in Downtown Bellevue and have had minimal success in other areas of the City. The Commission is hopeful either stronger incentives or mandatory requirements for affordable housing development in Bel-Red will have better results.

- Assess Strategies Every Three Years: Given the critical need for affordable housing in Bellevue and the lack of significant progress in the last several years, we encourage that the housing strategies be reviewed on a more frequent basis. This will allow for adjustments to address changes in demand, demographics, or economic conditions.

*S-BR-F4* \_\_\_ *Integrate the strategy for promoting housing affordability in the Bel-Red area with the City-wide approach of which Bel-Red is a part.*

### **Comments**

- The Human Services Commission supports this policy and does not believe that affordable housing development for very low, low, and moderate income residents should be limited to the Bel-Red area, but integrated throughout the City.

Thank you for your consideration of the Human Services Commission's input. We acknowledge the difficult choices before the Planning Commission as the Bel-Red implementation process continues and we look forward to our continued involvement.

cc: Planning Commission  
Bellevue City Council  
Human Services Commission  
Lise Northey, Acting Chair, Transportation Commission  
Roxanne Shepherd, Chair, Arts Commission  
John Rogers, Chair, Environmental Services Commission  
Merle Keeney, Chair, Parks & Community Services Board  
Dan Stroh, Planning and Community Development  
Paul Inghram, Planning and Community Development  
Janet Lewine, Planning and Community Development  
Jeanie Christenson, Planning and Community Development  
Mary Pat Byrne, Planning and Community Development  
Terry Smith, Parks & Community Services  
Nancy Harvey, Parks & Community Services  
Dave Cieri, Transportation  
Nav Ota, Utilities

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<sup>3</sup> City of Bellevue. (2007 July). GMPC Housing Survey.

**ATTACHMENT 1**

<b>2008 HUD INCOME GUIDELINES</b> <i>Median Family Income = \$81,400</i> Effective February 13, 2008			
<b>FAMILY SIZE</b>	<b>30% MEDIAN VERY LOW-INCOME</b>	<b>50% MEDIAN LOW- INCOME</b>	<b>80% MEDIAN MODERATE- INCOME</b>
1	\$17,100	\$28,500	\$43,050
2	\$19,500	\$32,550	\$49,200
3	\$21,950	\$36,650	\$55,350
4	\$24,400	\$40,700	\$61,500
5	\$26,350	\$43,950	\$66,400
6	\$28,300	\$47,200	\$71,350
7	\$30,250	\$50,450	\$76,250
8	\$32,200	\$53,700	\$81,200

**120% of Median for a family of four is \$97,680**

## Affordable Housing Regulatory Incentives “Four-Tier” Approaches

### 1<sup>st</sup> Tier: Voluntary Incentives

No area zoning change. Development or financial incentives are offered for providing some units as affordable. This approach is offered in multifamily districts in Bellevue and several other East King County cities. However, relatively few units have been produced.

#### Bellevue’s Voluntary Incentive Program

**Overview:** Adopted in 1996 after Bellevue’s mandatory affordable housing program was rescinded. Provides one bonus market rate unit for each affordable unit provided, up to 15% above the zoning district’s maximum density. Projects including affordable units can also earn increased lot coverage, and less parking and open space requirements. Bellevue defines affordable units as affordable at 80% of area median income and requires that affordable units remain affordable for the life of the project.

**Results:** Since 1996, few Bellevue projects have elected to include affordable units in exchange for density incentives. The Milano Apartments built in 2000 include 5 affordable units under Bellevue’s voluntary incentive program.



**Milano Apartments**  
Project includes 5 apartment units affordable at 80% of area median income.

### 2<sup>nd</sup> Tier: Voluntary Following Rezone

For a residential development to build to the maximum height or development potential created by a rezone, a percentage of the development’s housing units must be affordable to established income levels. This approach has been adopted in Kirkland’s Totem Lake Center, downtown Mercer Island, and some parts of Kenmore’s downtown.

#### Kirkland’s Totem Lake Center Program

**Overview:** The Totem Lake Center rezone and voluntary regulations for affordable housing were enacted late 2006. Depending on subzone, height increases of 15’ to 50’ provided if 10% of units are affordable (affordable at 60% median income for rental units, 80% for ownership).

**Results:** This rezone with incentives for affordable housing was recently adopted. A proposed project for 165 apartment units including 16 affordable units, and 15,895 sq. ft. of commercial is now in permit review.



**Totem Lake Apartments**  
Proposed development is for 165 apartment units including 16 affordable units, and 15,895 sq. ft. of commercial. Site on Slater Ave. is currently a parking lot.

## Downtown Seattle Program

**Overview:** A DT rezone and incentive zoning program for residential buildings was adopted in 2006. In the DT Mixed Commercial Zone, the following rules apply (similar programs exist in other DT zones): developers may build to 290'. Between 85' and 290', developers are able to acquire additional square footage by participating in a bonus program. They can also build higher than 290' (up to 400' maximum) by participating in a bonus program. For this bonus, developers must first commit to LEED Silver certification. Developers can then either build affordable housing on site or contribute to an affordable housing fund at a certain cost per square foot. Seattle also has a downtown incentive zoning program for commercial buildings, where bonus square footage is achieved by 1<sup>st</sup> meeting LEED Silver certification, and then through providing payment for affordable housing or childcare, and then through other bonus options such as open space and public amenities.



**New Belltown Condominiums**  
New Belltown residential can achieve additional height through incentive bonus programs that include affordable housing.

## 3<sup>rd</sup> Tier: Mandatory Following Rezone

A percentage of new housing units developed are required to be affordable, whether or not the project takes advantage of additional development potential resulting from an area rezone. This approach has been adopted in Redmond downtown, and in some parts of Kenmore's downtown. Several King County master planned developments (MPDs) adopted this approach, including Redmond Ridge, Talus and Issaquah Highlands. The proposed Sammamish Town Center Plan has a mandatory component, layered with voluntary.

## Redmond's Downtown Program

**Overview:** Downtown Redmond's rezone and mandatory regulations for affordable housing were enacted in 1993. All new multifamily development greater than 10 units are required to provide 10% affordable units. Affordable is defined as serving households with incomes at or below 80% median income. However, if affordable units serving lower-income households are provided (affordable at or below 50% median income), each lower-income unit counts as two affordable units. Development also receives a density bonus of one bonus market rate unit for each affordable unit provided, up to 15% above zoning density (up to 20% for lower-income units).

**Results:** Over 100 affordable Downtown units have been developed in since 1993, with an expectation of another 100 units in the next two years



**Frazer Court Condominiums**  
59 condominium units over ground floor commercial in DT Redmond. Built in 2001. Six units are affordable to households earning 80% or less of area median income.

### 4<sup>th</sup> Tier: Mandatory

A percentage of new housing units developed are required to be affordable. No zoning change or added development potential is provided. Many California cities have adopted a mandatory approach, and Bellevue had this approach in the mid-1990's.

#### Bellevue's mid-1990's Program

**Overview:** Bellevue's mandatory regulations for affordable housing were in effect from 1991 - 1996. All new multifamily development greater than 10 units was required to provide 10% affordable units. Following a less restrictive "phase in", affordable was defined as serving households with incomes at 80% of median income or less. However, if affordable units serving low income households were provided (affordable at 50% median income), each low-income unit counted as two affordable units. Development also received a density bonus of one bonus market rate unit for each affordable unit provided, up to 15% above zoning density.

**Results:** Over 100 affordable ownership units and nearly 100 affordable rental units, with other projects providing fee-in-lieu to the City's housing Trust fund.



**The McKee Condominiums**  
100 condominium units in Old Bellevue, built in 1994. Ten units are affordable to households earning 80% or less of area median income.

Program Type	City	Enacted	Results
<b>1<sup>st</sup> Tier Voluntary</b>	Bellevue	since 1996	One project to date, 5 affordable units
	Kirkland	since 2004	No affordable units to date.
	Woodinville	since 1999	~ 55 affordable units, most in the Greenbrier project.
<b>2<sup>nd</sup> Tier Voluntary w/ Rezone</b>	Mercer Island	since 2007	No affordable units to date
	Totem Lake	late 2006	One proposed project to date, 16 affordable units
	Seattle DT	since 2006	Results to date N/A; for a residential project built to maximum allowed in DMC zone, expect 15 affordable units or \$2 million to housing fund.
<b>3<sup>rd</sup> Tier Mandatory w/ Rezone</b>	Redmond	since 1993	Over 100 affordable DT unit built, expecting to double that number in the next 2 years.
	Denver	since 2002	3,395 affordable units built since 2002. Affordable units required for ownership, voluntary for rental.
	Kenmore DT	since 2003	Proposal includes 100 affordable units. Rezone from 48 to 72 du/acre; 25% affordable units required.
<b>4<sup>th</sup> Tier Mandatory</b>	Bellevue	1991-1996	Over 100 affordable ownership units and nearly 100 affordable rental units, with other projects providing fee-in-lieu to the City's housing Trust fund.
	San Francisco	since 1992	550 affordable units (2006), with additional 2,000 in pipeline
	Boston	since 1986	568 on-site affordable units through residential program; and commercial linkage fee program has generated \$81.5 million and more than 6,000 affordable units since 1986.