

CITY OF BELLEVUE
AFFORDABLE HOUSING
TECHNICAL ADVISORY GROUP
MEETING MINUTES

February 23, 2017
1:00 p.m.

Bellevue City Hall
Room 1E-120

MEMBERS PRESENT: Sibyl Glasby, Kim Loveall Price, Hal Ferris, Tim Walter, David Hoffman, Michael Orbino, James McEachran, Dwight Schrag, Rich Wagner, Eric Campbell, Andrea Sato, Katherine Jordan, Sean Martin

MEMBERS ABSENT: Jan Laskey, George Petrie

STAFF PRESENT: Mike Kattermann, Janet Lewine, Terry Cullen, Deborah Munkberg, Planning and Community Development Department; Arthur Sullivan, ARCH; Kate MacFarlane, ECONorthwest; Melissa Lafayette, National Development Council

RECORDING SECRETARY: Gerry Lindsay

1. CALL TO ORDER

The meeting was called to order at 1:04 p.m. by Senior Planner Mike Kattermann.

Mr. Kattermann said the first two stakeholder meetings are slated for February 27, and a general public meeting is planned for March 21.

Mr. Kattermann asked if there were any questions about the materials. Mr. Ferris noted that he was still waiting to see hard numbers. He said the hard copy provided to the Committee members did not reflect his thinking. The goal set by the TAG was to have 2500 units at 60 percent of area median income and below, and 2500 units above that threshold. The amount needed to make up the difference between what the tax credits provide for the units at 60 percent and below equates to 2500 times \$70,000 per unit. The multifamily tax exemption and incentive zoning might help make the numbers work for the projects that are above the 60 percent threshold, but tools are needed to address the gap for units below that threshold. For each tool identified, the number of dollars they will generate needs to be identified.

Associate Planner Janet Lewine said numbers can be attached to all the actions. However, the materials prepared to take out for public discussion do not include numbers both in order to avoid double counting and to show how each is part of the overall strategy.

Mr. Kattermann said staff and the consultants were still struggling with some of the numbers. He said part of the discussion would focus on what information is needed to take to the public, and what the TAG needs to finish its work.

2a. REVIEW DRAFT EFFECTIVE PRACTICES REPORT

Melissa Lafayette with National Development Council called attention to the draft Effective Practices Report in the TAG packet and said its purpose was to provide examples of what other jurisdictions are doing to address affordable housing. She stressed that it was intended to serve only as a reference rather than a comprehensive analysis of each strategy. She briefly outlined the contents of the report.

Ms. Lafayette said the biggest takeaway from doing the research was that there is no silver bullet for solving the affordable housing puzzle. Most jurisdictions take a comprehensive approach that involves using different policies and funding resources and combining them. Another takeaway is that no city has completely solved its affordable housing crisis; cities are all looking at other cities to determine their effective practices, even the cities that have been identified as having been fairly effective. The research did not uncover any strategies that have not already been talked about by the TAG. While every community is different, most of them are asking the same questions. There are many difficult questions and few easy answers.

Many communities are looking at inclusionary zoning programs. Portland recently approved an inclusionary policy, and Boulder has one in place as well. Communities without inclusionary zoning policies typically have more incentive-based voluntary programs that include density bonuses and multifamily tax exemptions. Many jurisdictions are looking at ways to add density to single family neighborhoods without necessarily upzoning. Portland has been intentional about allowing accessory dwelling units and no longer charges a connection fee for them. The city of Santa Cruz provides a hundred dollar grant toward professional design assistance for accessory dwelling units. Some cities have sought to remove barriers to housing in general to increase the production of units as a way of increasing affordability generally. The steps they have taken have included reducing lengthy permitting processes and some building permit fees.

Many cities are looking for new funding sources for affordable housing. Some of the most common dedicated revenue sources are developer impact fees, inclusionary zoning in-lieu fees, and property taxes. Cities are becoming more creative; Portland, Nashville and Oakland have introduced taxes on short-term rentals like Airbnb. Jurisdictions are using various funding partnerships, including having individual investors pool their money to invest in affordable housing; one such example is the Bellwether Housing Seattle Futures Fund. Some cities are working in partnership with local employers, usually anchor institutions such as universities, medical centers and other large employers, though the scalability of the approach is somewhat limited given the increasingly mobile workforce. Other cities have formed partnerships with local school districts to develop housing for teachers and school staff on vacant school district land, or by using school district bonding; examples of that approach can be found in Los Angeles and Santa Clara.

Mr. Wagner asked if the research included areas outside the United States, or if the politics and economics make that infeasible. Ms. Lafayette said she did not look outside the country but would welcome suggestions. Mr. Wagner said New Zealand is currently taking some interesting approaches. Mr. Kattermann said in conversations with Councilmember Lee, Hong Kong has been mentioned. The problem, however, is that their political and financial systems are so different that it is difficult to draw any comparisons.

Mr. Ferris noted his appreciation for the research. Some of the approaches used by other cities will not be applicable to Bellevue, such as the use of tax increment financing. There are, however, approaches highlighted that could be put in play in Bellevue, and they should be shown at the top of the list to help the Council clearly see the options.

Mr. McEachran noted that political will, especially during election years, will be a mitigating factor. What is needed is a clear summary of effective practices that have been shown to work in neighborhoods, because what works in neighborhoods may create a robust collaborative impact.

Mr. Ferris suggested that whatever the Council approves will need to be revisited regularly as the economy and real estate market changes. The Council should recognize that fact up front.

Mr. Schrag observed that it is difficult to focus attention on the things the TAG is thinking about in a simple read through the effective practices report. He suggested implementing a color-coding scheme to highlight the items to be carried forward. New and likely to be impactful items should be shown in bold print.

Ms. Lafayette invited the TAG members to follow-up by email with additional comments and suggestions for the report.

Mr. Kattermann said the report was intended to show that the TAG has not missed something another jurisdiction is doing. The report confirms that nothing big has been missed and that jurisdictions everywhere are grappling with many of the same questions and issues.

2b. REVIEW DRAFT STRATEGIES

Mr. Kattermann explained that the five strategies are for the most part interrelated, and he stressed it cannot be assumed that doing just one of them will make a difference. He noted that each of the strategies begins with a short statement followed by a brief explanation sentence. Each strategy includes a list of actions pulled from the full list of 40 actions. The phrasing of the actions reflect rewording for clarity and to eliminate some of the jargon, but Mr. Kattermann said each of the 40 actions was reflected in some form in the strategies. Some of the actions are repeated given that they impact more than one strategy, though the numbers associated with them were not counted more than once. Each strategy also included background statements to set context for both the strategy and the actions. Mr. Kattermann said the key issues questions associated with each strategy are in need of answers from the stakeholders and the general public. The stakeholders will see them first, then the public and then the City Council.

Mr. Wagner stressed the need for the final report to be more than just charts and data. He said one of the most compelling handouts provided to the TAG was the one with pictures and narratives about people. Graphics of that sort included on every page would make every page real and would put a face to the issues. Mr. Kattermann allowed that for those who have not been engaged in the TAG discussions, the graphics may not have meaning or context. Mr. Wagner suggested creating a cover page with the five pictures at the bottom, and Mr. Kattermann said that could be done.

Ms. MacFarlane said there will be a key for each sheet explaining the graphics. That would be a good place to tie in the profiles of people and the populations served at the different area median income levels. The four populations identified by the Council as in need of being served included young people, families, new homeowners and seniors.

Mr. Schrag suggested that if there is a policy or a bold idea associated with each strategy that would change the dynamics, it should be highlighted in some way.

Ms. Sato said there is so much data that it will be difficult to discern what actions will produce the biggest bang for the buck. Even though the strategies and actions have been narrowed down from a much larger list, it will still be hard to focus in on what will be the most effective. When so many things are put out in an equal manner, it will be easy for people to go off on the wrong path and get attached to particular ideas. For instance, the effective practices report holds up Portland as a leader in the arena of accessory dwelling units, but in fact the hard numbers are really small. The TAG should narrow in on what it believes will move the needle the most.

Mr. Hoffman stressed that it will take all of the strategies and actions combined to move the needle. Each approach needs to be engineered out, but steps will need to be taken to avoid having the community or the Council conclude that latching onto just a few of the strategies will get the city most of the way to the overall goal, and that the other strategies will not need to be adopted.

Mr. Kattermann agreed that the actions that will move the needle the most should be shown in bold in the final report. Those strategies will certainly be the ones in need of the most discussion, particularly where they might be contentious.

Mr. Walter said he would like to have some context in the form of unit estimates attached to each action to help gauge their effectiveness. He suggested in its draft form, the documentation does not include enough information to make heads or tails of it. At the bottom of each strategy, the specific populations to be served should be shown rather than letting the reader guess.

Mr. Ferris concurred. He suggested that if specific unit counts are not included, a scoring number should be. He said he would give a 9 or a 10 on a scale of 1-10 to the actions of acquiring existing multifamily housing to preserve its long-term affordability, and supporting state legislation to extend the tax exemption to existing multifamily properties in exchange for providing affordability; he said he would rank the other actions much lower, with a 1 or a 2.

Ms. MacFarlane said the team did discuss adding a second sheet or back page to each of the strategies to provide additional details. Mr. McEachran suggested less would be more. Ms. MacFarlane agreed there would need to be agreement with regard to what information is most meaningful and important to show without distracting from the conversation.

Answering a question asked by Ms. Loveall Price, Mr. Kattermann said there are meetings scheduled with two stakeholder groups on February 27. One group will be comprised of for-profit and non-profit developers as well as small businesses and employers. The second group will include housing advocates, faith-based organizations, and residents either seeking or currently in affordable housing. Staff will attend only to answer questions as needed and to facilitate the discussions.

Mr. Walter called attention to the explanation sentence for the first strategy and asked if the intent is to “reduce housing expenses for residents” and asked if in fact the focus is on mitigating rising housing costs. As drafted, the sentence could be interpreted as an action to keep someone in their home at a rate they can afford, or it could mean actually reducing the amount of rent they pay. Mr. Kattermann said the intent is to keep affordable housing that is currently affordable, and to do other things that will help reduce their other expenses, such as utilities. Mr. Walter said in that context, the strategy will not actually reduce costs, rather it will slow or otherwise mitigate rising costs.

Mr. Sullivan proposed exchanging the word “stabilize” for “reduce.” His suggestion was accepted.

With regard to the statement that the annual rate of creating affordable units has been significantly reduced from what it was in the 1990s,” Mr. Walter said the issue is that housing costs have outpaced income growth exponentially since the 1990s. The result has been less affordable housing. The change has not been one of production, rather the change has been one of economics.

Mr. Walter also suggested the statement that almost one-third of Bellevue households spend more than 30 percent of their income on housing-related expenses could be clarified by adding that the average two-bedroom rent in an existing apartment is \$1700 per month, which requires an income of \$70,000 per year in order to be considered affordable, and that the average new construction two-bedroom unit rents for \$2800 per month, requiring an income of \$120,000 per year. Showing what the hourly wage needs to be would also be helpful. He also commented that the key issues appear to be ranked from least important to most important and proposed reversing their order.

Mr. Ferris noted that accessory dwelling units show up in three of the five strategies and suggested that given the option will be a relatively small contributor, it should not be highlighted quite so often.

Mr. Wagner pointed out words such as “promote” and “support” are fairly benign when used in what are purported to be action statements. He also said at the end of the process it would be good to have a single-page of action items to have in hand when talking to legislators.

Mr. Orbino suggested the overall relativity of some of the numbers and the issues should be included. For instance, it should be indicated what is healthy, normal and historical relative to statements such as one-third of all Bellevue households spend more than 30 percent of their income on housing-related expenses. As drafted, nothing suggests that things are at crisis levels. Nothing indicates why anyone should be concerned.

Mr. McEachran pointed out that beyond the issue of what is needed in order to build or retain affordable housing units is the matter of providing the human services the residents need.

Mr. Walter also pointed out that nothing is said about the consequences of doing nothing. Where currently one-third of all Bellevue households spend more than 30 percent of their incomes for housing-related expenses, what will happen to that figure in another five years given the current trend? It could mean that one-third will become half, or it could mean that if still at one-third, 10,000 current Bellevue residents will have to move out of the city.

Mr. Orbino said the natural instinct in trying to sell an idea or a product is to lay the groundwork building to a conclusion. Boeing and others use something called a BLUF report, which stands for “bottom line up front.” In lobbying policymakers, they should be given the bottom line up front before the details are unpacked; it is a far more effective approach.

Ms. Glasby asked if there is any way of knowing how many of the residents forced to move out of Bellevue in search of lower cost housing will still drive to their lower-wage jobs in the city. Mr. Kattermann said that would be difficult to quantify. Ms. Lewine added that the numbers are there to some extent relative to the information regarding who can afford to live in Bellevue given wages earned compared to the affordability of the housing stock. Wages are staying relatively flat while housing costs are rising, and the result clearly is that many who work in Bellevue cannot afford to live in Bellevue.

Ms. Sato commented that as arranged on the page, the key issues section is a big portion of what the reader is drawn to. The question is who the issues are key to, and the answer is to policy makers and the like. If the idea is to use the document to inform an audience, it should be considered who the audience is before laying out what the key issues are.

Mr. Hoffman said it would be better to house the key issues section as community questions.

Mr. Walter said the issue is there is a large percentage of people who are paying more for housing than they can afford. The issue is that if nothing is done, the problem will grow. The issue is also that employers benefit when their employees can live nearby.

Mr. Kattermann agreed but said the concern is how to frame those questions in a way that is not overly open ended but which will generate meaningful feedback.

Mr. Hoffman suggested the opening statements above the key issues section could be framed as the challenges. The statement that one-third of Bellevue households spend more than 30 percent of their income on housing-related expenses could probably also be said of Issaquah, Redmond

and almost any other city in the region. Mr. Martin agreed and pointed out that a household earning \$200,000 spending \$65,000 to \$70,000 a year on housing-related expenses would fall into the same statement, except that that household would not be negatively impacted. He said he would like to see the statement better conceptualized.

Ms. MacFarlane stated that the document is intended to serve as an education piece. She suggested the group may be trying to do too much relative to educating and provoking conversation. Mr. Kattermann said the intent is primarily to provoke conversation and generate feedback on the actions. A fair amount of context is needed in order to make it clear what the actions really mean.

Ms. Loveall Price suggested a summary page outlining why affordable housing is needed and why it even matters. Mr. McEachran agreed that would be helpful.

Mr. Schrag said one of the things that struck him initially and got him interested in the issue of affordable housing was the huge number of people who are on waiting lists for affordable housing. The roads are clogged daily with people who drive an hour or more to get to work in Bellevue. If workers cannot afford to live in the city and cannot get to the city because the roads are all jammed, it will be the employers who will feel the impact. Providing the context up front makes sense.

Mr. Wagner commented that 19 percent of the students in the Bellevue Downtown school district are eligible for the federal free or reduced lunch program.

Mr. Campbell pointed out that that figure is actually one of the lowest in the state. He cautioned against using hyperbole instead of being factually correct. Affordable housing has been an issue for more than 40 years. The National Association of Homeowners wrote a great editorial in which it was stated the biggest problem about affordable housing is the person who is paying property taxes. Mr. Campbell commented that in Bellevue there are more homeowners than renters; the opposite is true in Seattle. Renters do not necessarily see tax increases associated with their rents going up. Property owners, however, are far more concerned about what they will pay in property taxes. The information will strike chords in different ways for different audiences; stakeholders will see things far different from the way the general public will. Having a single document to present to both will be difficult. Some will call for building affordable units whatever it takes, and others will call for building more roadway capacity to facilitate getting workers from where housing is less expensive to where the jobs are.

Ms. Glasby asked if it would be helpful to include a comparison of Bellevue's dollar per value tax rate with other parts of the state. Other cities may be addressing the issue through their higher tax rates per dollar of value.

Mr. Hoffman noted that other school districts in the state have higher rates of students eligible for free or reduced lunch. Because of Bellevue's jobs and property values, however, the amount of revenue produced is astronomically higher. The average Bellevue property owner probably does not care about that. What they really care about is how things will affect them personally.

Mr. Ferris commented that to some extent poverty, homelessness and lack of affordable housing in Bellevue is more invisible. People see the issue affecting Seattle because they see the tents that have been erected, but they do not believe there is much of a problem in Bellevue. The fact, however, is that there is an issue in Bellevue, proved to a large degree by the truth that one in every five Bellevue School District students is eligible for the free and reduced lunch program.

Mr. Walter said one disconnect is that the students eligible for the free and reduced lunch program are from families that are earning 40 percent or less of the area median income. The TAG has not really been addressing housing affordability below the 50 percent threshold.

Mr. Kattermann stressed the need to touch on each of the strategies and the key issues to make sure the right ones are identified. He said with regard to the stakeholders, their feedback will be sought on the actions as they relate to their perspectives and experiences. For the public, reactions will be sought regarding what it all means to them personally and what their concerns are. The input will be presented to the TAG at its next meeting and used to foster a discussion on the policy tradeoffs the Council will need to consider. That is the value the TAG will bring to the final report and recommendation to the Council.

Mr. Ferris said one example of a tradeoff is reduced parking requirements around transit areas. Mr. Kattermann agreed and suggested that upzones could be another example.

Mr. Wagner called attention to the symbol for “when” at the bottom of the page. He said he understood the zero, meaning that the city needs to act right away. He said he feared however, that including a range of five to ten years could evoke the thought that the need to worry about it can be put off for a time. Mr. Campbell said that issue could be erased by including on the cover page an outline of how long it would take for policies enacted in the short term to be fully instituted. Ms. MacFarlane said the intention was to indicate the soonest unit deliveries could be seen. She agreed that could be clarified on the cover page.

Mr. Kattermann called attention to the second strategy and noted that one of the suggestions the TAG previously made was to provide real-life examples of how the strategy would be implemented. That will be done on the back of each one at least for the Council.

Mr. Kattermann clarified that eco-flats and micro-units are essentially the same and are small units. He also noted that Section 8 vouchers are the housing vouchers referenced in the last action item; while they do not add units, they deepen the affordability of units.

Mr. Ferris stated Section 8 vouchers are already available and he asked how they would be tied to the notion of a density bonus. Mr. Walter said nothing in the strategies address affordability at 30 percent of area median income. Many may not on their own be interested in working with households at that income level, but the demographic is important and needs to be served. To the extent the housing authority is able to make vouchers available, where someone elects to accept a density bonus, the idea is that they would talk with the housing authority to ensure receiving a contract rent equal to the 50 or 80 percent. Mr. Kattermann clarified that the city could tie a certain amount of the bonus to a guarantee from the developer to participate in the Section 8 program.

Ms. Glasby said the multifamily tax exemption can take units to 80 percent. The developer could then come to the housing authority for vouchers to go to 30 percent. Mr. Walter agreed and said the approach could be tied to receiving a density bonus and could run with the life of the development. The tie could be voluntary or required.

Mr. Campbell said the red flag for him was the notion of making density bonuses contingent on accepting Section 8 housing vouchers. Mr. Walter said he did not see any issue with that given that the vouchers are rent neutral as far as the property owner is concerned. Mr. Campbell pointed out that where vouchers are accepted there are additional obligations and reporting requirements.

Mr. Ferris suggested the density bonus should be tied to getting rents to the 80 percent level. Once that is achieved, accepting housing vouchers can get the rents to the 50 percent level. That way even if there are no certificates available, the developer will still get the density bonus. Mr. Campbell said that approach makes more sense and reiterated that he would not want to see density bonuses contingent on accepting housing vouchers.

Mr. Kattermann said the way he saw it working was that there would be an additional bonus given in exchange for going deeper in the rents. He said the staff and consultant team would take a closer look at the issue.

Mr. Schrag suggested the second strategy would be a good one to start with. The topic likely will generate enough discussion to promote understanding for the more complex strategies.

Mr. Wagner called attention to the third key issue and asked who the “other partners” would be and if they could be named in the paragraph. Mr. Kattermann said they most likely would be non-profits. Mr. Wagner said he read it as referring to the private sector. He noted that the group had tossed around the idea of getting teacher housing funded by teacher union funds, putting unions right up there with employers.

Mr. Campbell said he would not go there. The issue of teacher housing has been around for a long time.

Mr. Schrag asked if the Bellwether Seattle’s Future Fund is an example of something that could work in Bellevue. Mr. Sullivan said social investment programs are coming around, and there are people who are working on them. The question is whether or not the city should be in the middle of the approach, or if it should be left to groups wanting to make direct investments. There are, of course, things the city could do to help facilitate the strategy, but it probably should be left to a different discussion. Ms. MacFarlane said the option would fall under the fourth strategy, which is focused on funding and what the city’s role should be.

Mr. Ferris said the Bellwether Seattle’s Future Fund has been involved in two projects to date. They raised \$1.8 million for one project and \$1.7 million for the other. The funds have come in the form of five-year loans backed by the assets of Bellwether rather than the real estate. The loans can be extended twice and they receive a lower interest rate of two to three percent.

Mr. Orbino said he was not sure everyone would immediately understand what is meant by “walkable neighborhoods.” It could refer to dense areas that are within walking distance of jobs, like Factoria and the downtown, but it could be equated with places like Newport Hills, Lake Hills and Woodridge where people feel safe walking their dogs. Mr. Kattermann said as used, the term is intended to mean walking proximity to goods and services as well as employment.

There was agreement to delete the second action item relating to accessory dwelling units.

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Mr. Kattermann said while the strategies may be reordered, he had not heard anything to indicate there are major issues with the five strategies.

Mr. Walter wanted to know if the desired discussion will be around the key issues or the actions. Mr. Kattermann said in engaging people, the desire is to get feedback on the actions. The key issues are intended to draw out discussion on the actions. The actions are the subject of the discussion, the issues are the vehicle to spur the discussion. Mr. Walter suggested that as drafted, the eye naturally and quickly goes to the key issues rather than the actions. He said the two could be switched.

Mr. Ferris asked how the third strategy differs from the fifth strategy. Mr. Kattermann said the fifth strategy is about market-rate housing and creating more supply overall. Strategy 3 is specifically about affordable housing. He agreed the two could be strengthened to make the point more clearly.

Mr. Wagner observed that Strategy 1 uses the term “housing stock” whereas Strategy 3 refers to “units.” He proposed using “homes” throughout. Mr. Kattermann asked if the public might misconstrue what is meant by “homes” and “multifamily units.” Mr. Wagner said he read the term “housing stock” as used in Strategy 1 to mean any kind of housing. In Strategy 3, however, the term “units” really refers to high-density multifamily, which typically are apartments.

Mr. Ferris said the public likely will equate “homes” to single family houses. Mr. Kattermann said he would pay more attention to the use of the terms throughout the document.

Mr. Kattermann allowed that the key issues for Strategy 3 could be fairly contentious. Mr. Ferris agreed, noting that the second item is about mandatory versus incentives. The city has tried going the incentive route, but the production has not been great.

Ms. Glasby suggested breaking the second key issue into two separate issues. Mr. Ferris said there could be an approach that required a lower percentage and incentivized a higher percentage. That is essentially what Seattle has done.

Mr. Campbell commented that the jurisdictions in which the developers have offered the least resistance to inclusionary zoning are those in which there have been significant upzones. He said his concern with the second key issue was that the nuance was not clearly stated.

Mr. Ferris said in the Bel-Red corridor there is a low base FAR, and unlocking the process to allow up to an FAR of 5.0 requires developing affordable housing units. He added that under state law there can be no mandatory requirement to include affordable units without an associated upzone.

Mr. McEachran cautioned against using jargon such as “upzone” and “MFTE” that may not be easily understood by the general public.

Mr. Ferris asked if the city can act to upzone a single property in exchange for affordable housing. Mr. Kattermann said he did not believe the city could do that for a single property, but if there were a policy in place that applied equally to all similar properties around the city, it could be applied on a case-by-case basis. Mr. Ferris added that the approach would not create a huge land value increase that would motivate the property owner to sell it.

Mr. Wagner commented that most churches in residential neighborhoods are there under a conditional use permit. If applying the policy to upzone those sites for affordable housing includes having to obtain a conditional use permit, things will grind to a halt.

Returning to the issue of mandatory versus voluntary, Mr. Kattermann allowed that the two approaches would not necessarily be mutually exclusive. The question may be whether or not the upzone is the right approach as far as the public is concerned. There is the question about what factors should be considered for upzoning for affordable housing, but that is really more about the faith-based and existing non-profit sites as opposed to the more general upzone that is tied to affordable housing.

Mr. Ferris said if Bellevue could show that the goal to be put forward can be achieved through uses of the site that are noncontroversial, the concern of the public regarding upzones could be largely alleviated.

Mr. Campbell said he would not shy away from the faith-based locations, even if a conditional use permit might be required. Most of the sites are served by at least one major arterial. The faith-based sites are largely dispersed throughout the community and that would avoid concerns about concentrations of affordable housing units.

Mr. Wagner called attention to the third action item under the third strategy and asked if the intent is to zone the areas around transit hubs to allow for the creation of more affordable housing. Ms. Lewine said the sample sites pulled out involved opportunities around surplus lands associated with the light rail project.

Mr. Hoffman suggested the action item should be reworded to convey the notion of utilizing publicly owned lands around transit hubs for affordable housing.

Ms. Sato asked how the action is something the city can do if the sites are not owned by the city. Ms. Lewine explained that in the past the city has had opportunity to acquire the surplus properties. Once the city has control of the sites, the action can be applied. Mr. Kattermann said

the two main examples in Bel-Red are the operations and maintenance facility site where the city has an agreement with Sound Transit under which they will make available land on which to develop affordable housing, and the 130th station where Sound Transit will turn the property over to the city once they are done with it, and the city will work with a developer to get affordable housing built on the site. Where Sound Transit will have other surplus land, the city will work with them to identify which are appropriate for housing.

Mr. Wagner said as drafted, the action seems to take in all properties around transit hubs, not just those owned by Sound Transit. Mr. Kattermann said the intent of the action item was specific to Sound Transit properties. The notion of looking for opportunities in the nodes around the hubs is captured elsewhere.

Mr. Kattermann stressed that the presentation to the Council and the public should not be all about needing more money. The TAG has been very clear about that, and the same was shared with the Council during their last update. Additional revenues will be needed to make it happen, and Strategy 4 is about that fact as well as making use of what already exists. There have been internal discussions about how to account for units in the different actions and strategies. What has not been accounted for is the additional capacity to be created through upzoning actions. One reason for that is they are all tied back to the issue of funding. Double-counting should be avoided, but at the same time nothing should be left out. One question is whether or not there is a ceiling for the additional capacity and opportunity created for development because of the funding that is available. Creating capacity alone will be meaningless unless there is also funding available.

Mr. Sullivan said he has been analyzing funding availability through the cities for the last two or three years. The fact is there is only so much nine percent credit, state money and county funds. There is also only so much four percent credit and the ceilings are being hit. Once Bellevue uses up its share of the outside funding sources, additional development of affordable units will require Bellevue dollars and the analysis will turn to how much debt a unit at 50 percent or 60 percent can absorb versus the cost, making the per-unit costs jump. To date, there has only been one church site donated; the others have all been paid for. From a financing point of view, property is needed regardless of the source. Where land can be obtained at a discount, the discount can contribute toward the cash amount. Land can be looked at as place to lend money, and it can also be a way to contribute toward the gap. He said work is under way to develop a chart that accounts for how much public land and land from faith-based organizations and others there might be, and the degree to which it might be discounted to contribute toward an overall economic number for getting so many units done with a financing model. He said he would welcome having some of the TAG members work with him in walking through the assumptions behind the chart.

Mr. Ferris said having a chart showing the maximum capacity given the existing sources of funding, it would be possible to show how many units at 60 percent and under could be produced. The first step then would be to identify what Bellevue can do to at least make sure enough funding will be provided to hit that mark. Then the focus can expand to identify what can be accomplished by working together with faith-based and non-profit organizations to utilize

land they control. After that, the city will be on its own. That is the point where it can be said how much more locally will be needed to make the goal achievable.

Mr. Kattermann suggested Mr. Ferris, Ms. Glasby, Ms. Loveall Price, Mr. Walter and Mr. Wagner would be the right TAG members to work with Mr. Sullivan to review the chart assumptions.

Mr. Wagner suggested the county should be specifically called out along with the state and local entities in the Strategy 4 statement. Mr. Kattermann said he could make that change.

Mr. Ferris called attention to the second key issue paragraph and commented that Seattle and Renton have their own library systems, so when the King County Library System puts a levy on the ballot, it excludes those jurisdictions. He said he assumed that if the county were to put a housing levy on the ballot, Seattle would be excluded because it has its own. The likelihood of the county passing a housing levy is an unknown, and as such it might not be a good idea to include the second key issue question. Mr. Kattermann said the county is planning to seek renewal of the veterans and human services levy, and they might include affordable housing. The question seeks to understand how likely Bellevue voters would be to support a Bellevue housing levy if the county has already passed something.

Mr. Walter said the second key issue question could backfire given that it highlights a potential problem the city does not want to see come about. A King County levy benefitting affordable housing would need to pass, but even so that would be unlikely to move the needle much in Bellevue. There are in fact many parts of the county that would be unlikely to vote to approve a levy having anything to do with housing, including Auburn and Federal Way. The issue may in fact take away from the bolder considerations that need to be kept on the radar.

There was agreement to delete the paragraph.

Mr. Orbino asked if the county is even considering affordable housing as an upper tier priority. He said in the meetings he has attended at the county level, the top issue has been land conservancy, and the primary source of funding under consideration is the REET. The express purpose of acquiring land is to prevent it from ever being developed. It is hard to wrap one's head around the fact that the county is willing to tax in order to buy land that developers would otherwise compete for. Their map of high-value conservation land is almost identical to the TAG's high-value land for the development of affordable housing. It is somewhat disingenuous for the county to be saying it wants to preserve land for the millennial generation when in fact few of the millennial generation can actually afford to live here. Affordable housing is clearly a regional issue, and the city should keep a close eye on what the county is doing that may be contrary to the city's goals.

Mr. Kattermann said he and Ms. Lewine recently provided the Bellevue Downtown Association with an update and noted several in that group voiced the opinion that the problem will not be solved. While that may be true, there are things that can be done to improve the situation, and that is what the city needs to be focused on.

Mr. Walter said the previous conversation regarding the REET involved numbers that will in fact move the needle. At the state level, tapping into the REET resources would require legislative action. Local jurisdictions, however, have the capacity to add some level of basis points to the existing REET, which would not require going back to the state for action.

Mr. Orbino pointed out that the real estate voices would likely object. He said the REET is one of the most regressive taxes. In the case where a young man with a condominium meets a young woman with a condominium and they decide to combine their households, they could take their respective equities and use them to purchase a new home. That one couple will by that time have been exposed to the REET three times. By comparison, the high-networked individual who has lived in Hunts Point for the last 50 years will never see the REET, even though that is where the money is, because the property will likely be transferred through a trust or some other vehicle. On the commercial side of things, often those who buy large buildings do not transfer the real estate, they only purchase the holding company or the corporation that owns the building, avoiding the REET. It is more often than not the entry level residents and seniors who are trying to build their network who get hammered by the REET the most. The current Bellevue REET is 50 basis points, which is 2.5 percent of the entire amount of the sale price, not just the equity in the property.

Mr. Sullivan said local jurisdictions can increase the REET up to .25. Mr. Kattermann said he would look into whether that is even a possibility for Bellevue.

Mr. Kattermann noted that Strategy 5 seeks to increase the housing stock overall. Because the strategy would not add any affordable housing, no specific numbers were shown for the strategy.

Mr. Hoffman suggested there should be some coordination between the strategy and the capacity numbers. Mr. Campbell agreed that there should be some real numbers associated with the strategy. Implementation of the actions will yield some affordable housing. Mr. Sullivan said there is another item that will involve a unit count that will include naturally occurring market-rate units. Given where pricing has been over the last couple of years, the only product that fits the profile is the Pantley product in Redmond and Kirkland, and when the numbers are done a number for that will be included. Every new multifamily property is surveyed when it is built, and no new product has been coming online at 80 percent of area median income, other than the Pantley product.

Mr. Campbell said if it is made easier to build housing, and if there is an inclusionary policy, more units will get built. Unless the policies are adopted, the city may not see new units built at all. That makes zero an inappropriate number. Mr. Kattermann said those units are captured elsewhere.

Mr. Ferris noted that affordable projects are limited on how much rent they can charge. The gap is based on how much debt it can carry and the costs that must be covered. To reduce the amount of parking required would reduce the cost, and it would take fewer dollars to close the gap. Allowing six levels of wood frame instead of five over a base would also reduce cost. Allowing units to be smaller would also reduce cost. Reducing building costs reduces the amount of money that has to come from somewhere else.

Mr. Hoffman pointed out that if it were possible to suddenly drop 50,000 units in King County, there would be an overall effect on the market. Every iterative increase in the number of units that can be produced at market rate will have an effect on the market. The 10,000 to 15,000 for-rent units of multifamily that will come online in 2016 in Seattle will have an effect, though they will not cause rents to come down.

Mr. Ferris pointed out that the supply and demand theory does not always work because lenders get in the way and they stop lending money. People stop investing when they cannot get the rents that they need. Mr. Hoffman said that has been his argument relative to the buildable lands report and the Growth Management Act for the last four years. Mr. Ferris allowed that it would be very difficult to make most of the changes addressed in Strategy 5 and limit them only to affordability. As the allowable number of units increases through more FAR and reduced parking, land costs will be driven up, which is a flip side that will need to be taken into consideration. That is why linking the strategies makes the most sense, such as allowing upzones only where affordable units are involved. The associated code changes to reduce costs would also contribute to affordability.

Mr. Wagner stressed the need to advance the concept of engaging with the employers. It is in fact the jobs in Bellevue that is driving much of the need.

Ms. Lewine shared with the TAG that ARCH believes it can leverage about 270 affordable units per year at about \$50,000 of public money per unit, with a third of those units in Bellevue. Council will need to have a discussion about how to add to the public money pot. Another \$30 million or \$40 million raised would not all go toward \$50,000 per unit because the leveraging is maxed out at some point. Once the leveraging is maxed out, the public subsidy will be about \$200,000 per unit, thus the estimate for what can be achieved is not that high. Creating the opportunity to preserve existing units or the upzone of church properties will create units only if dollars can be raised, so indicating a unit count would in effect be double counting. The chart that is in development will break out items to better tell the story of the money.

Mr. Kattermann added that the numbers will only be shared with the TAG. He stressed that they represent best guesses that are both realistic and conservative. Once populated, the numbers will indicate where things stand relative to meeting the targets. He added that so far the numbers are not there for the 50 percent and below category.

Mr. Kattermann informed the group that Bellevue has been averaging 700 units annually in multifamily projects that have 20 units or more between 2006 and 2015.

4. NEXT STEPS

Mr. Kattermann said one or two more TAG meetings would be needed in order to wrap up all the work.

Mr. Kattermann adjourned the meeting at 4:01 p.m.