

CITY OF BELLEVUE
AFFORDABLE HOUSING
TECHNICAL ADVISORY GROUP
MEETING MINUTES

May 23, 2016
9:00 A.m.

Bellevue City Hall
Room 1E-113

MEMBERS PRESENT: Chris Jowell, Kim Lovell Price, Hal Ferris, David Hoffman, Michael Orbino, James McEachran, Dwight Schrag, Rich Wagner, Jan Laskey, George Petrie, Eric Campbell, Andrea Sato, Katherine Jordan, Sharon Cunnington

MEMBERS ABSENT: Tim Walter

STAFF PRESENT: Mike Kattermann, Dan Stroh, Janet Lewine, Terry Cullen, Department of Planning and Community Development; Emily Leslie, Department of Parks and Community Services; Kate Berens, City Manager's Office; Arthur Sullivan, ARCH; Mayor John Stokes

RECORDING SECRETARY: Gerry Lindsay

1. MEETING PURPOSE & SELF INTRODUCTIONS

The meeting was called to order at 9:02 a.m. by Senior Planner and Project Manager Mike Kattermann.

Planning Director Dan Stroh thanked the members for their willingness to participate in the process. He said affordable housing is an important issue, not only from a human services point of view but also for employers, for transportation planners, and for many others. Mayor Stokes and the City Council have identified affordable housing as a priority.

What the Council is seeking from the affordable housing technical advisory group (TAG) is a strategy for action. The city has a solid Comprehensive Plan to build on; it includes policies that deal with a framework for dealing with affordable housing, but there is a need to identify specific thoughtful and pragmatic actions that will lead to making inroads. The actions will also need to be measurable so that progress and success can be tracked. Additionally, the Council wants an action strategy delivered to them by the end of the year.

Mr. Stroh said the role of the TAG is different from the citizen advisory committee approach that is often used in planning processes. The TAG members have been specifically selected because each has expertise to bring to the table. The group will serve as a technical resource for the effort of drafting an effective strategy. The TAG has not been tasked with pulling together an entire

plan, rather it is charged with serving as a sounding board providing technical insight and judgment to keep the effort grounded as it moves forward.

Mr. Kattermann asked the members to introduce themselves.

Katherine Jordan said she works with Congregations for the Homeless, an organization that operates a shelter for homeless men. Many in the program have stabilized and are ready to move on to permanent affordable housing, but finding affordable housing is a huge challenge.

Sharon Cunnington said she serves on the board of the Rental Housing Association, an organization representing some 5100 rental property owners in the state, most of whom are located in Pierce, Snohomish and King counties. The group provides resources for rental owners in the form of education and lobbying.

Rich Wagner with Baylis Architects said housing has been a big part of the work done by the organization over the last ten years, with about 3500 units in various phases of design and construction currently around the Puget Sound region. He said he has been involved with the affordable housing issue for about 15 years, having served on the board of Wellspring Family Services.

Hal Ferris with Spectrum Development Solutions said his focus is on developing mixed use, mixed income transit-oriented developments. He said the company also develops student housing and engages in community development work. He said he served on the Planning Commission for eight years and has been a long-term board member and activist with St. Andrews Housing Group and Imagine Housing. He said he also served as a member of the Housing Affordability and Livability Agenda (HALA) committee in Seattle, and is a member of the advisory board for the Urban Land Institute Terwilliger Center on Workforce Housing, a national organization that looks at what people across the nation are doing to address the topic of affordable housing.

Jim McEachran said he is the current chair of the Human Services Commission and serves as the senior pastor at St. Andrews Lutheran Church. He said the key to success is collaborative impact, not collective impact in which everyone does their own thing.

Chris Jowell said he is the executive director of Imagine Housing. He said he has been working on affordable housing for over 20 years around the state.

Dwight Schrag said he has lived in the downtown near Ashwood Park for ten years and has watched all the new construction going up. He said his interest in affordable housing was triggered by looking around the downtown area and seeing so many falling down places in which people live in the downtown. He said his background is in project management and has worked on development projects all over the United States and in various other countries. There are school-aged children living in cars with their parents in the downtown, and they need help.

Andrea Sato said she works as an attorney for the law firm of Kantor Taylor, a firm that does community development and affordable housing work. She said she works primarily with non-profits and housing authorities that are developing affordable housing using the low-income

housing tax credit and other sources of financing. She said as a Bellevue resident she is personally affected and concerned about changes in the community for those who are the most needy. Very few of the teachers in the Bellevue School District can afford to live in Bellevue.

Kim Lovell Price said she works with Downtown Action to Save Housing (DASH), an organization that owns about 800 units of affordable housing on the Eastside, 30 percent of which are in Bellevue. The organization was founded by the Bellevue Downtown Association in 1991. She said over the years the commute to Bellevue from affordable zip codes has gotten longer. She said at the time she was executive director of the Bellevue YMCA in 1996, none of her staff could afford to live in Bellevue. She said she left the YMCA to get into housing and became the first administrator of Avondale Park in 2001.

Mike Orbino said he is the managing broker with John L. Scott in downtown Bellevue and said he was tapped to serve on the TAG representing Seattle/King County Realtors where he is vice president of government affairs. He said the organization's focus is on all things housing, and affordability is a top issue. He said he also does a lot of work in Washington, D.C. on legislative issues, including affordable housing. When rental housing becomes unaffordable, it becomes impossible for renters to save enough money to make a down payment on a house. He said he served for several years on the Young Leaders Group of the Urban Land Institute and believes deeply that livability and sustainability are vital to healthy communities.

David Hoffman with the Master Builders Association said the 107-year-old organization is the oldest and largest local homebuilders association in the country. He said he has been with the organization for almost ten years. Housing affordability is needed to keep children from growing up and moving away.

Jan Laskey said she is a relationship manager for Bank of America but was not serving on the TAG as a representative of the bank. She said she has over 30 years experience working with affordable housing with for-profit and non-profit developers around the state and the country. She said her technical expertise will help to inform what works and what does not work. It is clear that the affordability gap in Bellevue has grown wider over the years and she said she was happy to see the interest in the topic expressed by the city.

George Petrie with Goodman Real Estate said he was honored to be asked to serve on the TAG. He said the organization serves as owner, investor and developer of real estate. To date the company has built some 5000 units for various income ranges, including some affordable units. Most recently the company finished up the Live project on Bel-Red Road that includes some 50 affordable units. At one point Goodman Real Estate owned 42,000 units of affordable housing in various income ranges; the company still has an interest in 16,000 units nationally, about a thousand of which are local.

2. PROJECT OVERVIEW

Mr. Kattermann informed the group that all of the TAG meetings will be open to the public, and that everything created as part of the process will become public records, including meeting

materials and emails. He urged the members to carefully read over the document titled “Preservation and Disclosure of Public Records” that was included in the packet.

Senior Planner Janet Lewine explained that the focus on developing affordable housing strategies follows on the heels of the work to update the Comprehensive Plan. Part of that process included the development of a housing needs assessment in concert with other cities in the region and with the help of A Regional Coalition for Housing (ARCH). The Council has included affordable housing on its two-year priorities work plan. The Housing Element in the Comprehensive Plan includes some 40 policies, some of which speak directly to establishing a strategic plan to ensure affordable housing opportunities in the downtown and throughout the city. The city’s economic development plan includes a focus on the need to expand workforce housing options by exploring a variety of tools.

Ms. Lewine said the Council established principles to guide the work of the TAG. The principles include recognizing the problem, identifying the need, focusing on action, setting ambitious goals, building on the city’s existing tools and partnerships, drawing on knowledgeable resources, considering a full suite of tools, tailoring approaches to different areas of the city, leveraging resources, monitoring results and making adjustments as needed, and ensuring robust public outreach and engagement.

The Human Services Needs Update is revised every two years. It includes a survey of Bellevue residents on human service needs in the community, and every time over the last 20 years the survey respondents have highlighted the need for affordable housing as the most important issue. In a survey of businesses in the city, affordable housing also was held up as the top issue, even over transportation.

Ms. Lewine called attention to data related to the percentage of Bellevue household incomes is needed to pay for housing. Households spending 30 percent or more of their incomes for housing, they are classified as burdened; those spending more than 50 percent are classified as severely cost burdened. Those in the latter category are on the edge and have difficulty paying for things like food, insurance, and emergencies.

Ms. Cunningham asked if the city has historical data on cost burdened households. Ms. Lewine said the data is calibrated with the American Community Survey census data that comes out every two or three years.

Ms. Lewine shared with the TAG a comparison of the housing supply with a breakdown of household incomes and the countywide need. She noted that 23 percent of all households countywide are in need of housing affordable to those earning less than 50 percent of the area median income; only six percent of Bellevue’s housing stock addresses that need. Additionally, 13 percent of all households fall into the category of needing housing affordable to those earning between 50 and 80 percent of the area median income. Fourteen percent of Bellevue households spend at least half of their income for housing. The annual production of subsidized housing has fallen off over the past ten years.

Traditionally median incomes and average rents have tracked together, but average rents are increasing at a faster rate than the median income. In some areas of Bellevue, rents are averaging \$2000 per month. Households earning 80 percent of the median income are having trouble finding even rental housing they can afford; families at 50 percent or lower are not finding rental apartments at all in the city.

Mr. Wagner commented that in many jurisdictions the threshold of spending 30 percent of income on housing is no longer considered to be the right percentage, and people are expecting to pay much more than that. Mr. Kattermann said the focus is on the HUD definition, which is 30 percent.

Ms. Lewine said the city is fortunate to have a robust economy that is adding many new jobs. The trend, however, is putting a lot of pressure on the housing market. There is a growing imbalance between housing and employment in the city. For a single person in King County, 50 percent of the median income is \$31,000 annually, or about \$15 per hour. Those who are in the category include bank tellers, baristas, hotel maids, grocery clerks and cooks. It takes an income of about \$20 per hour, or \$42,000 for a single person, to fit into the 60 percent of area median income category, and that includes customer service representatives, entry level teachers, medical assistants, bookkeepers and dental assistants.

Mr. Kattermann said the main tasks of the TAG are going to be to review and supplement the list of potential actions and offer input for narrowing it down; and developing and testing an evaluation tool to make sure the identified inputs will generate the desired outputs. It will be necessary to make sure that whatever the Council adopts will be things that can be tracked to show progress. Where the monitoring shows progress is not being made, it should be possible to understand why. The five specific outputs will be the number of affordable units generated; over what time period; for what income level; at what rough order of magnitude cost; and who would bear the burden of the cost, the public or the private sector. Each of the actions will be analyzed to determine how well they achieve the outputs. The results of the analysis will be brought back to the TAG for review, tweaking and feedback relative to pros and cons. The group is not charged with putting together a final recommendation, and there is no requirement for the group to reach consensus. What the Council is seeking is expert feedback about the good and bad points of each approach.

The role of the TAG does not include public engagement. A separate process will be kicked off to gain input from the community, beginning with a community forum aimed at educating the public about the need and the related issues. The forum is intended to start a dialog about what the public is interested in, what is important to them, and what they are most concerned about.

Mr. Kattermann said when the issue was presented to the Council in March, a goal of gaining 2500 units over ten years was proposed. The Councilmembers were mixed with regard to their readiness to go there. The Council directed staff to seek input from the TAG on what the right number is. Having a goal will make the process much more effective.

Mr. Ferris said HALA spent about two-thirds of its time trying to get its head around the problem, putting together a list and diving into great detail. Some of the tools that flowed from

that process are on the list for the TAG to review. Meaningful progress relative to solutions were not made until a unit goal was put forth, and until income thresholds were established. A huge subsidy is required to produce units affordable to those in the category of 50 percent or less of area median income; the private sector simply cannot go there alone because of the economic impact. The private sector can deliver units in the 50 percent and higher category with a combination of the right things. In addition to having a goal to aim for, the TAG will need to know exactly what the gap is currently, and will need to know how much confidence can be placed in the current funding sources for affordable housing, which have gone down over the last decade.

Mr. Kattermann said the relative impact of the different strategies will be up to the TAG to determine. In terms of where the need is, he reiterated that only six percent of Bellevue's housing stock is affordable to the very low-income category, but 17 percent of Bellevue's households need housing at that level. About 19 percent of the housing stock is affordable to the 50- to 80-percent category, and about nine percent of the household fall into that category. Things are fairly well balanced on the upper end. The clear need is at the lower end. There is also a need for single family homes that are affordable to purchase.

Ms. Lewine allowed that in order to address the lower end, the obvious tools are surplus land and direct subsidies. Most of the other tools address housing in the moderate income range.

Mr. Ferris point out that the facts shared about the needs of current Bellevue households does not take into account those who cannot afford to live in the city. That is certainly part of what the TAG will need to solve for in developing strategies. Mr. Kattermann agreed and said that is why the countywide need will need to be factored in.

Mr. Wagner agreed with the need to set an overall goal and to fully understand the current gap. He said even if the gap is never fully closed, it should be possible to at least make things better.

Mr. Kattermann reviewed with the TAG the major milestone timeline. He noted that in the May to June timeframe the group will be involved in developing and testing evaluation tools. The work to narrow potential actions will be addressed in June, and the narrowed list will be forwarded to the Council. During the September through October timeframe the TAG will review and provide feedback on actions based on the evaluation and the metrics. The TAG will wrap up its work by the end of the year.

3. TAG LINES

Mr. Kattermann encouraged the group members to express their perspectives and ideas about the issues, the project and the process.

Mr. Schrag said one of the things he has learned in doing projects that have involved change is that people resist change. Critical to success is taking the time to look at and disassemble the roadblocks. It is always better to know what the roadblocks are than it is to push people into change. Mr. Kattermann said that is part of what will be addressed as part of the public engagement process. Mr. Schrag said the roadblocks can be financial.

Mr. Wagner asked if the scope of work for the consultant has been defined. Mr. Kattermann said two consultants will be brought on board, and the scope of work for each has been determined. One will help with community engagement and the other will focus on the technical work of helping to develop the evaluation tool, to run the tool, and to analyze the actions.

Mr. Ferris said having a magic number will be just as important as breaking things down by the affordability levels. It will also be necessary to pull together all current sources of funding. For projects aimed at the 30 percent and under market, a nine percent tax credit is needed. It is possible to ramp up the number of units to be produced at 30 percent and under, but the only tax credit allocations will be those that are currently available. Increasing production at that level would in fact require a change in the federal tax credit allocations.

Mr. Hoffman said it was his understanding that Senator Cantwell currently has a bill in the Senate that is aimed at increasing the multifamily tax exemption.

4. WELCOME

Mayor Stokes said he was pleased to help kick off the work of the TAG. On behalf of the Council, he voiced his appreciation for the willingness of the group members to contribute their value time and expertise to the critically important project. The work of the TAG will help the city create an affordable housing strategy.

Affordable housing is not a new issue for Bellevue, but over the years the problem has become more serious. Much has been accomplished over the years by working with ARCH and other groups, as well as with area jurisdictions, but it is clear that ground is being lost. Talks with ARCH and the Human Services Commission led the Council to realizing that something more serious needs to be done.

Mayor Stokes said he and Councilmember Robinson have been working behind the scenes on the need to develop an affordable housing strategic action plan, with an emphasis on action. The work has led to the development of the TAG. There is already a strong policy base in the Comprehensive Plan, but there is a need to be action oriented in advancing additional tools and strategies that will produce results, and the Council wants to have something in place by the end of the year.

There is a need to consider a suite of tools in determining how to make significant changes to the city's strategies. While the outcome will be specific to Bellevue, it will draw work done in other jurisdictions and will be applicable in other places. The knowledge base of the TAG members will help to achieve the goal.

Bellevue is a charter member of ARCH and has over the years contributed significant funds for projects on the Eastside. In 2015 the Council adopted a multifamily tax exemption and applied it to areas of the city. There are bonus incentives on the books for affordable housing in the downtown and in the Bel-Red corridor, and a land use change was just approved that will allow Aegis Living to increase the number of assisted living units they construct in the Bel-Red

corridor in exchange for a fee in-lieu that will be earmarked for affordable housing. The city also contributes to Congregations for the Homeless, Sophia Way and others, and provide funding support for shelters and transitional housing.

Mayor Stokes said the affordable housing strategy will be focused on the next ten years, but the hope is that substantial progress will be seen in the next couple of years, both locally and regionally. The Council and staff are united in wanting to see the strategy work.

Assistant City Manager Kate Berens stressed that there is much desire and momentum on the part of the Council and the staff to see some change effected and measureable progress made for the community. She added her thanks to the TAG members for volunteering their time and energy to the effort.

Ms. Berens said she was told recently by someone from the Urban Land Institute that Bellevue has an embarrassment of riches. She said in reflecting on that comment she agreed that Bellevue does in fact have an embarrassment of riches in terms of opportunities, in terms of economic growth, and in the expertise of the citizens. It will not be possible to solve the big regional problems by acting alone, which is why it will be necessary to reach out to the community and to tap into all the resources that exist.

Mayor Stokes stressed that the work of the TAG will make a difference for the people of Bellevue.

****BREAK****

Having joined the meeting late, Eric Campbell took a moment to introduce himself to the group. He said he served on the board of Imagine Housing for nine years and is currently the CEO of Main Street Property Group that focuses on mixed use projects. He said he has had a long history with ARCH.

5. POTENTIAL ACTIONS LIST

ARCH Director Arthur Sullivan explained that the potential action list included items drawn from HALA, HDC, the PSRC and others. He said the list is intended to serve as a starting point. The specific items on the list were grouped into the categories of city regulations and incentives, direct and indirect financial support, Preservation of Existing Affordable Stock, assistance to residents/partnerships with agencies, and legislative actions/partnerships.

Mr. Sullivan allowed that it takes a lot of players to finance, build, manage and operate affordable housing. He said in talking to cities he tells them they can basically play a role in a couple of different ways: the kind of housing and level of diversity in housing type is allowed through the general permitting processes, and the use of land use powers to specifically drive a certain type of affordability pricing. One example of the second approach is to increase development capacity in exchange for having some portion of the units meet an explicit affordability level maintained over time.

Cities can provide financial assistance in a couple of ways, including incentives such as the multifamily tax exemption programs and credit enhancements, tools that can be used with both for-profit and non-profit developers. It is often necessary to combine approaches in order to get to the 50 percent level. Jurisdictions can also provide direct financial assistance in the form of land and/or cash; the approach most often involves non-profit developers and assumes other public funding sources will also be needed, the largest of which is usually the nine percent tax credit which in Washington state flows only through non-profits.

The preservation of existing affordable housing stock is in many ways is the most cost effective option. The provision of housing vouchers is a way to provide assistance to residents; that is accomplished primarily through partnerships with agencies that have access to federal funds. By right of geography and population, some 25 to 30 percent of the housing vouchers used in King County should flow to the Eastside, but in reality only about 15 percent of them do. Any success in increasing the number of vouchers available to Bellevue residents will improve the overall picture.

Legislative actions can go a long way toward creating more affordable housing. Cities can be involved by identifying specific legislative activities to support.

Mr. Orbino asked if the group draws any distinction between home ownership and rentals relative to the affordability issue. He allowed that realtors have an interest in and push home ownership, and said they see the 30-year mortgage as an effective rent control approach. Additionally, the most affordable rents where single family homes are concerned usually are associated with those who have had the same tenants for many years and want to see them stay on. In those cases, the homeowner is in fact subsidizing the tenant. Mr. Kattermann said the TAG project includes home ownership as one piece of the overall affordability issue. Long-term ownership of rental properties is not something included on the list but it could be. Mr. Orbino said one-bedroom homes selling for \$250,000 to \$300,000 were not considered affordable when interest rates were six or seven percent. With interest rates between three and a half to four percent, the mortgage on those units is only about \$1500 per month, which falls into the 50 to 80 percent category. However, for a number of reasons it is not always possible to take advantage of that, so one-bedroom apartments are being built and rented for \$2500 per month because that is what the market allows. A great opportunity to achieve a long-term solution is thus lost.

Ms. Price asked how homeowners association special assessments are factored into the affordability of condominium ownership. Mr. Orbino said the issue was much talked about in 2006 when it was discovered that in many situations the condominiums were not being properly funded and the next owner would come in and get stuck with a large special assessment. The legislature solved the problem to the point where special assessments have become rare.

Ms. Jordan said the issue of home ownership could in some ways be funded by subsidizing down payments. While many might be able to afford a \$1500 per month mortgage, coming up with a down payment can be far more difficult to do. Mr. Orbino said the down payment certainly has been a hurdle for many. The FHA loan program allows for a three and a half percent down payment, and veterans have a number of zero down options.

Mr. Sullivan said there are tools that are specifically focused on home ownership. He suggested adding a column indicating rental and ownership.

Mr. Ferris suggested it would be helpful to also include a column to indicate which solutions are geared to housing at 50 percent of area median income and below and housing at between 50 and 80 percent of area median income. He pointed out that many of the tools shown work better together than they do individually.

Mr. Wagner commented that transportation impacts should be part of the equation given that they hold hostage every project in the city. Every time a project is proposed, the local neighborhood and community come forward arguing that it will overload the streets and the schools. He suggested the TAG should act to isolate itself from those two questions.

Mr. McEachran called attention to the assistance to residents and partnerships with agency section and suggested it said it represents the human services component. He said the genius of the Imagine Housing model through the years has been its focus on providing services to those for whom a roof was provided over their head. Those services have enabled the residents to find sustainability and move on to live self-supporting lives. On every floor at Francis Village there is client resident services conversation room in which needs are matched with services. He suggested revising item 8 to read “Increase funding for tenant counseling and landlord education so they can work together to ensure sustainability.”

Mr. Schrag suggested the preservation of existing affordable stock represents a great opportunity. He noted that in his neighborhood people are living in structures that are falling down. Many of the buildings are in high-density areas but are only one- or two-stories tall. By repurposing to taller and denser buildings, much of the downtown affordable housing issue could be solved. The city should move fast before someone buys up those properties. Item 6 should include the notion of upgrading along with acquiring and preserving existing multifamily housing.

Ms. Cunnington said she would prefer to see the primary focus be on the outskirts rather than the downtown when it comes to preserving existing stock. There are fourplexes on the market for \$1.4 million, and at that price the properties simply do not cash flow. What is happening is outside investors, often from outside the country, are buying the properties. They raise the rents and the cycle is perpetuated. There should be an action included to subsidize existing owners so they can charge a lower market rate. Mr. Kattermann said the issue is touched on to some extent by item 7 under Legislative Actions and Partnerships. Ms. Cunnington noted that much had been said about building more units and increasing density. Even if that is done, the owner of the property will need to see an adequate cash flow. She suggested adding to the section on preserving existing stock addressing subsidies to existing owners to maintain affordability level.

Mr. Hoffman noted that item 2 under Legislative Actions and Partnerships also addresses the issue to some degree. He said there was a bill in the last session that directly addressed expanding the multifamily tax exemption. Ms. Cunnington said her concern with that was that it was dependent on the number of Section 8 tenants, and the buildings had to have five units or more. The majority of owners have buildings with four or fewer units.

Mr. Wager said much had been said about getting the price of housing to come down, but more should be said about getting the ability of the tenant or the homeowner to pay more by increasing their incomes. Education and a higher minimum wage are things that can help address housing affordability in that way, and they are within the realm of the city's jurisdiction. He said at Wellspring much of the work was focused on getting the clients into the program, educated and then out of the program. Mr. Kattermann proposed adding robust income enhancements under Assistance to Residents and Partnerships with Agencies.

Mr. Ferris called attention to item 2 under City Regulations and Incentives and suggested the wording could be made stronger by having it read "Increase zoning height, density and FAR in all multifamily zones." Item 15 in the same category could also be more strongly worded to say "Reduce or eliminate parking requirements for commercial and residential developments in areas well served by transit."

Mr. Wagner pointed out that there are a number of things in the building codes that drive up the cost of construction. The city has been good at just adopting the state regulations, but if the city were willing to put its weight behind getting the state regulations adjusted, housing could be made more affordable to build. Mr. Ferris said he is currently working with the city of Seattle on a follow-up on a HALA recommendation that seeks an increase in building height using Type 5 woodframe construction. The city is willing to allow a lift of one story, but the building code and the fire code do not allow it. Bellevue's building codes are slightly different in that regard, but it would be helpful to make sure they are consistent throughout.

Mr. Schrag commented that public acceptance of the potential could be bolstered by designating some showplace facilities. People often have an image in their minds of what affordable housing is, and showing that it looks and feels like any other form of housing could go a long way toward gaining support from the public.

Mr. Ferris suggested that if the affordable housing package is going to be rolled out by the end of the year, a well-planned strategy will need to be put together concurrently.

Mr. Petrie stated that a roll out package should in fact be part of the overall strategy. HALA failed in that regard by choosing to unveil first the plan for the single family neighborhoods. In Seattle, single family comprises two-thirds of all the land. Mr. Campbell added that in Bellevue that percentage is even higher.

Mr. Kattermann said one important piece of the community engagement element will be how to package the approaches in ways the people can understand it. It will be important to stress the need and how important it is to everyone to address the need. Showcasing successful project should certainly be part of the mix.

Mr. Campbell pointed out that the failure of four bond measures in the Lake Washington School District is what it took to wake them up. If the Council wants to get ahead, they should mimic the outreach efforts the district finally undertook that finally turned the tide; that effort clearly involved listening to the community.

Mr. Hoffman commented that while buildings are important, it is the stories of the people in them are even more important to the community. Their stories should be made a part of the community outreach.

Ms. Laskey stressed the importance of language. The issues should be phrased in ways that are deliberately respectful of the neighborhoods. That will be particularly helpful in regard to issues that get people upset, such as parking.

Mr. Kattermann asked the members to engage in a dot exercise to help identify priorities and narrow the list. He stressed that none of the items would be removed from the list as a result of the exercise. The list will hopefully be finalized at the June TAG meeting.

Mr. Ferris pointed out that the dot exercise outcomes might change if the group knew that the focus would be on housing affordable in the 50 to 80 percent range or in the 50 percent and under range.

Mr. Hoffman commented that unless a target is set, it will be difficult for the TAG to prioritize things in the correct way.

Mr. Petrie said when he builds units, he builds to match 100 percent of the real income of the specific neighborhood. There are in fact multiple targets based on location. Setting a target would be very difficult without defining the area median income for specific areas of Bellevue.

Mr. Sullivan urged the TAG to look beyond just those who live in Bellevue. There is a demand being created by the workforce, and for that contingency there is a great deal of data.

Mr. Campbell commented that there has been a lot of talk over the years about the need for workforce housing, but no incentive to build it has ever been offered. There has been a focus on 30 percent of median income. If people actually lived where they work, that percentage would go up because their transportation costs would go down. Transportation is a key component of housing affordability.

Mr. Harris said his research has indicated that between 55 and 65 percent of those earning between 80 and 100 percent of area median income is spent on housing and transportation combined. A single car costs between \$7000 and \$8000 per year to own and operate. If that could be converted to rent, it would make a huge difference. Clearly by reducing the cost per household by giving them access to transit will allow for lessening that combined burden. Attempts have been made to move the needle relative to allowing tenants to pay a higher percentage of their incomes for housing if they have access to transit. Unfortunately it costs more to develop in high-transit areas where structured parking is required and where land costs are high, and using any combination of federal funding or tax exemptions, all will be based on the established 30 percent of income threshold.

Mr. Kattermann said the data shows that transportation is the second highest percentage of household budgets after housing. The TAG, however, needs to stay within a certain workable set of parameters to allow for getting everything in the timeframe handed down by the Council.

There is good information in hand regarding 30 percent, 50 percent and 80 percent of the area median income countywide. He suggested moving ahead with the 30 percent of area median income designation.

Mr. Schrag said what he did before finishing his review of the materials was to look at a map and circle areas where development could potentially take place. He said that helped him think through all of the checklist items. He suggested that at some point the TAG would benefit from also seeing a marked map. Mr. Kattermann said the greatest potential for future growth currently lies in the downtown and in the Bel-Red corridor, though consideration is being given to the Eastgate corridor and the area around the East Main light rail station.

With regard to setting a target, Mr. Kattermann said what staff proposed to the Council was 2500 units over ten years. He said that number was determined based on Bellevue's portion of the projected countywide need. The target would not, of course, make up for any current deficit, but it is above the average supply over the last ten years on an annual basis.

Mr. McEachran said during the Council meeting at which the 2500 unit target was proposed, there were mentions made of needing more on the order of 6000 to meet the current deficit.

Mr. Ferris said the comment made by a Councilmember at that meeting about the cost of yielding that many units exceeding the city's capital budget over the same time period assumed that the city would be providing every dollar needed to build the units. The fact is there are other sources of funding. Some units can be solved with zoning, incentives, parking and other approaches with very little if any funding from the city.

Mr. Sullivan said as the region grows, it can be expected that low- and moderate-income households will be a portion of the growth. A large portion of the growth is being generated by Bellevue's workforce growth. About 24 percent of the growth will need to be affordable to low-income residents, and another 15 percent or so will need to be affordable in the moderate-income category. Since the 1980s, there has not been a huge shift in the proportion of households at different percents of area median income, though recently there has been some increase in the low-income category relative to the moderate-income category.

Ms. Jordan asked if there has been any conversation about investing in the city's current low-income housing that is possibly failing and in need of being refurbished. Mr. Kattermann said it is assumed that units that get preserved as affordable will count toward the goal.

Mr. Campbell asked if the multifamily tax exemption can be used in all areas of the city. Mr. Kattermann said they can only be used in certain areas. One of the actions will be to expand the areas in which the tool can be used.

Mr. Campbell commented that Bellevue has the opportunity because of the incredible growth in property tax evaluation due to all the growth that is happening to give tax exemptions to projects without killing the budget. He suggested that 2500 is not too ambitious a target, especially if all the right tools are put in place.

Mr. Stroh pointed out that there is data in the housing needs assessment document relative to past production, particularly with regard to the low-income units. He said it is clear that providing units affordable for the less than 50 percent of area median income category is challenging. The tools needed to address that target will need to be far different from the tools needed to address the 50 percent to 80 percent market, or the 80 percent and above market.

Mr. Sullivan said there has been a reduction in the number of units provided over the past few years. That is because while the funding has remained relatively flat, real estate prices have doubled.

Ms. Laskey commented that doing small projects instead of big ones can have an amazing impact, and costs can be spread out more. The numbers indicate a shortage of 6000 units on the under 50 percent category, but there is some additional capacity in the 50 percent to 80 percent category, so that will help make up some of the difference. She suggested the target should be 2500 units in the under 50 percent category and 2000 in the up to 80 percent category.

The group agreed to make that the target.

Mr. Kattermann distributed dots to the TAG members and asked them to place them on the actions they thought would generate the most affordable units.

7. NEXT STEPS

There was consensus to set the next TAG meeting for June 20 at 9:00 a.m.

8. ADJOURN

Mr. Kattermann adjourned the meeting at 11:52 a.m.