

NE 85th St Station Area Plan



Planning Commission Study Session – Affordable Housing

City of Kirkland

April 27, 2023



April 27 Study Session: Agenda

Intro/Process Recap

Briefing: Affordable Housing Recommendation and Background Analysis
(City Staff/ARCH Staff/Consultant Team)

Miscellaneous Code Amendment Addition: Rooftop Appurtenances
(City Staff)

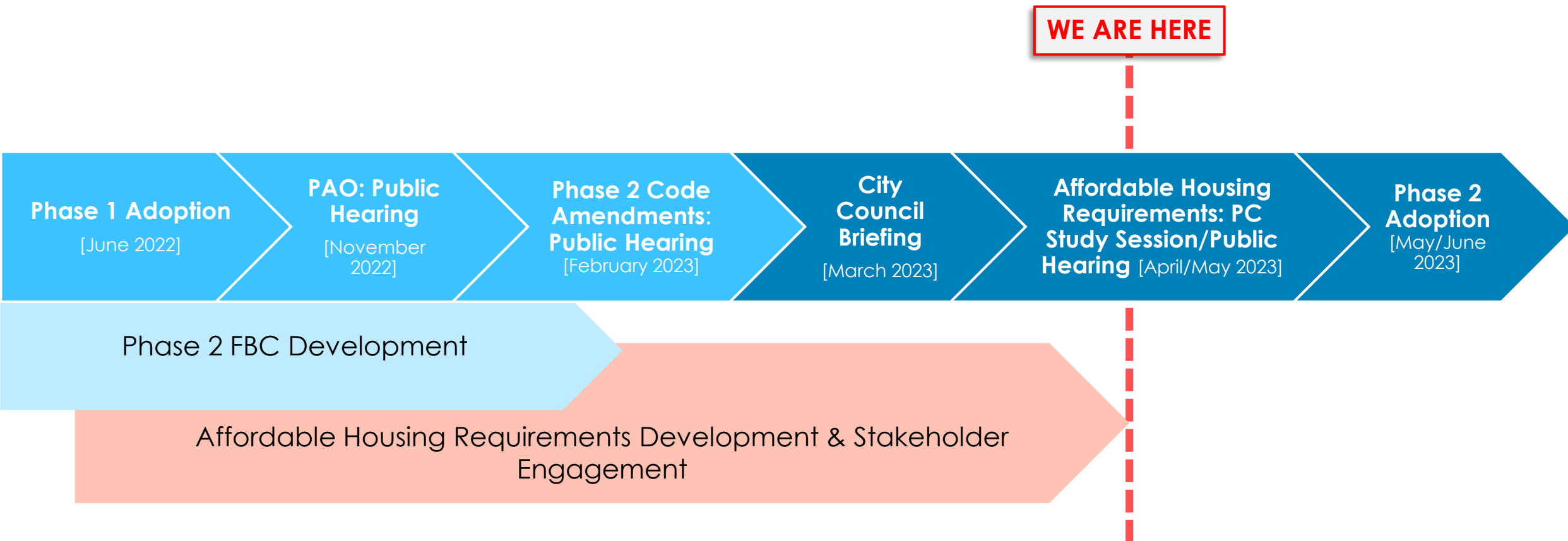
Next Steps (City Staff)



The Station Area is a thriving, transit-oriented new walkable district with high tech and family wage jobs, plentiful affordable housing, sustainable buildings, park amenities, and commercial and retail services.

—Station Area Vision

Station Area Phase 2 - Process



- Planning Commission has deliberated and reached a recommendation to City Council on all Phase 2 code amendments (Feb. 2023) except Affordable Housing Requirements and new staff addition to Station Area miscellaneous code amendments
- Planning Commission will hold one more public hearing to collect public testimony on remaining code amendments

ADOPTED STATION AREA HOUSING GOALS

Goal SA-11:

Plan for and achieve housing production to achieve regional planning objectives and maximize opportunities for affordable housing provision in the Subarea.

Goal SA-12:

Preserve, improve and expand housing stock to provide for a range of affordable, accessible, healthy, and safe housing choices to every resident.

Goal SA-13:

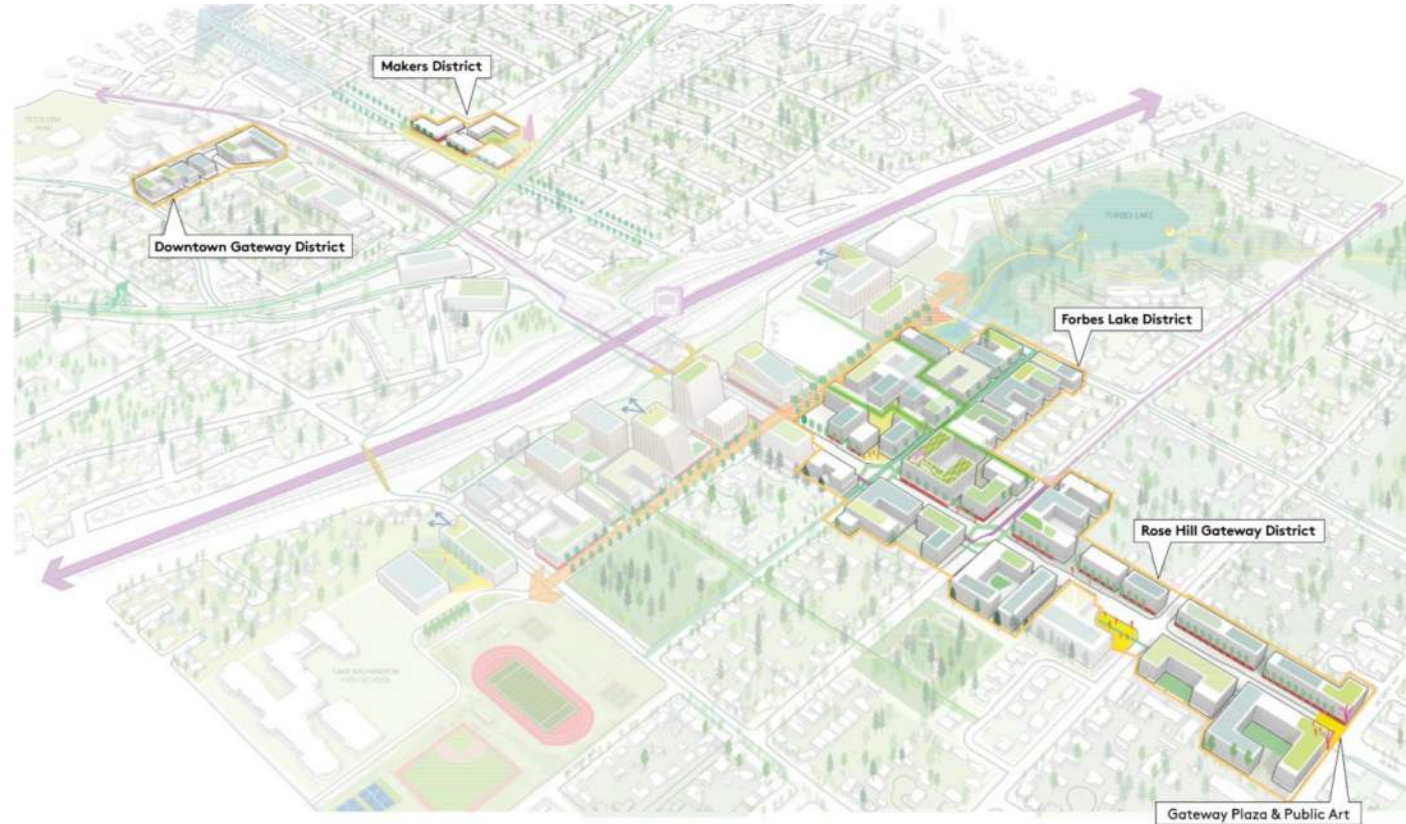
Increase affordable housing by developing strategies and incentives to increase the amount of affordable housing within the Station Area at various income levels, especially at lower income levels.

Goal SA-14:

Provide a mix of housing that is attainable for a range of existing and new jobs in the district – and also accessible/connected via regional transit.

Goal SA-15:

Increase resident access to opportunity, including employment and education opportunities and amenities in neighborhoods.



ADOPTED STATION AREA HOUSING POLICIES

Policy SA-16:

Create density bonuses that [prioritize affordable housing](#), particularly units available at [deeper levels of affordability](#).

Policy SA-17:

[Leverage regional partnerships](#) (e.g., A Regional Coalition for Housing (ARCH), King County Housing Authority and other nonprofit housing developers/providers) to add affordable housing opportunities in the Station Area.

Policy SA-18:

Create and periodically adjust effective implementation strategies for addressing housing targets and goals in the Station Area Plan.

Policy SA-19:

Reduce the risk of residential displacement through a variety of anti-displacement strategies, including [leveraging growth opportunities to provide new affordable units](#) and preserving existing affordable housing.

Policy SA-20:

Encourage coordination with housing organizations and community groups to address issues of homelessness, fair housing, anti-displacement, etc. Partnering with housing program and service providers can [promote more equitable housing opportunities](#) within the Station Area.

Policy SA-21:

Expand housing capacity for moderate income households (e.g., missing middle housing) through [flexible form-based code standards](#).

Policy SA-22:

Explore innovative funding strategies to [encourage and enable housing production, particularly affordable units](#), such as methods for commercial development to contribute to affordable housing funds (e.g., nexus fees), and Tax Increment Financing to provide City infrastructure to accommodate new, more compact housing development.

INCENTIVES FOR STATION AREA DEVELOPMENT

Incentives Adopted or Pending Adoption

- Significant increases in development capacity
- Lower minimum parking requirements
- Form-based Code to streamline project design
- Planned Action Ordinance eliminates need for individual development to go through SEPA process
- Code encourages development agreements for catalyst projects

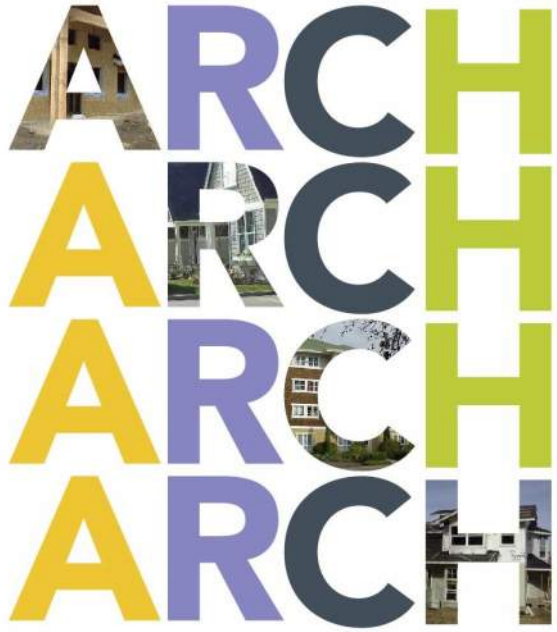
Additional Incentives (for future consideration)

- Permit review streamlining/expediting
- Impact fee waivers
- Building Code amendments to allow different/less expensive construction types (e.g., more floors of wood-frame construction over podiums)

STAFF RECOMMENDATION: AFFORDABLE HOUSING REQUIREMENTS

	Renter-occupancy		Owner-occupancy	
	Set-aside	Affordability Level	Set-aside	Affordability Level
Urban Flex zones and Neighborhood Mixed-Use zones with maximum heights <u>less than 65 feet</u>				
Mandatory (eligible for 8-year MFTE)	10%	50% of median income	10%	80% of median income
Optional (eligible for 12-year MFTE):	10% plus 10%	50% of median income 80% of median income	10% plus 10%	80% of median income 110% of median income

Neighborhood Mixed-Use zones with maximum heights <u>65 feet or greater</u>				
Mandatory (eligible for 8-year MFTE)	15%	50% of median income	15%	80% of median income
Optional (eligible for 12-year MFTE):	10% plus 10%	50% of median income 60% of median income	10% plus 10%	80% of median income 100% of median income



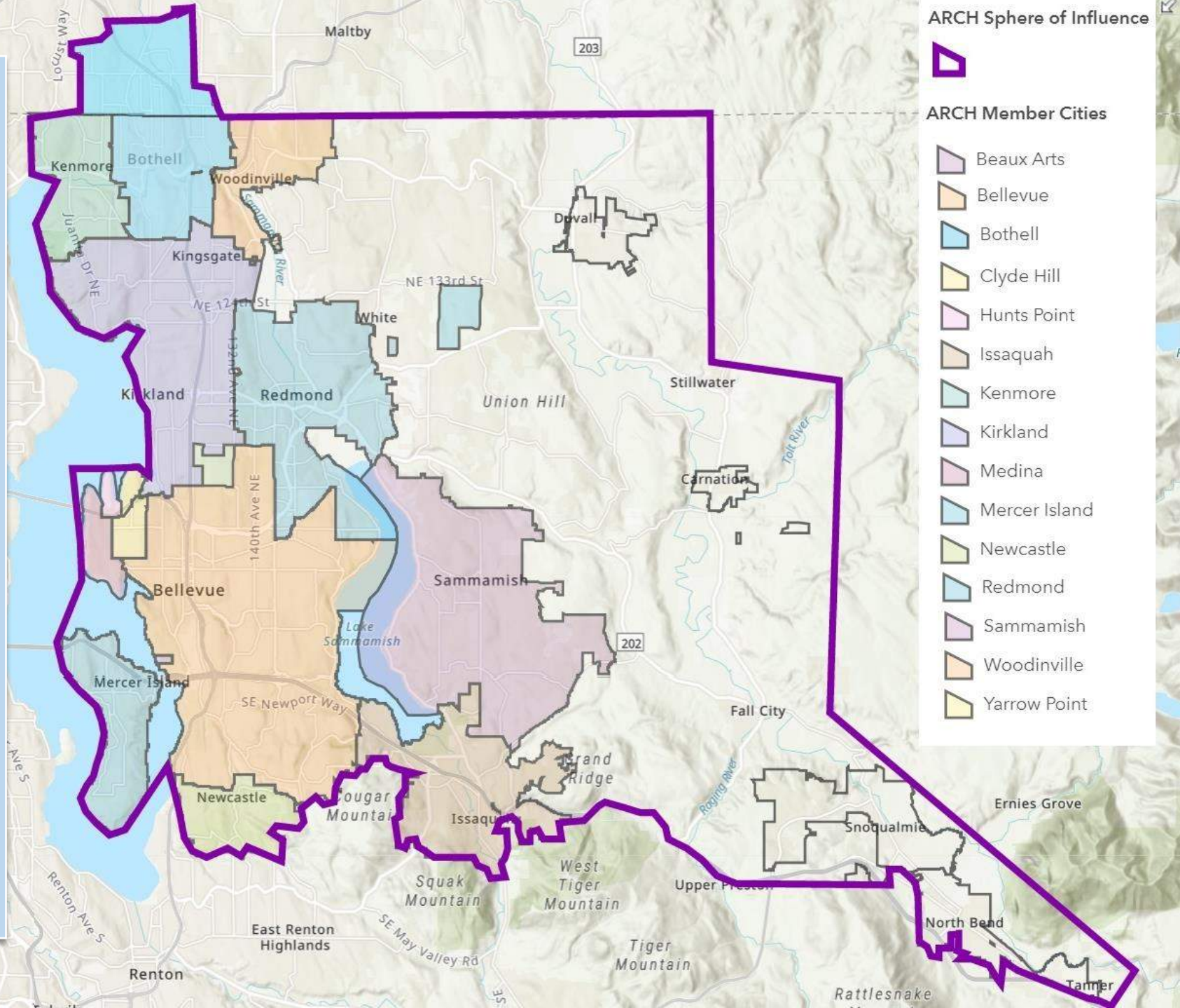
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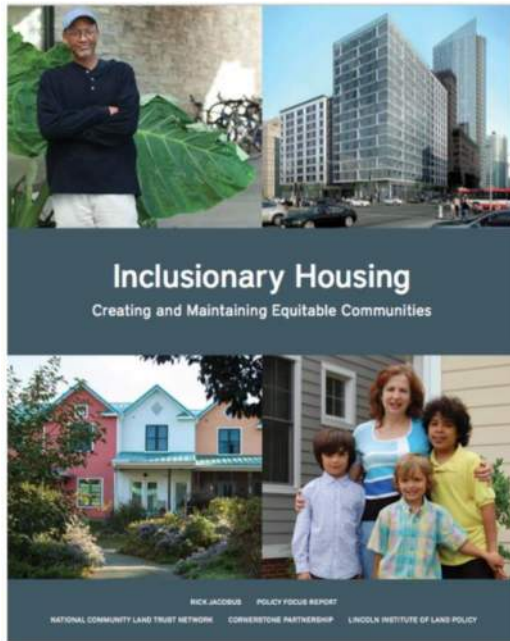
NE 85th St Station Area Plan, Phase 2

Kirkland Planning Commission, 4/27/23

A Regional Coalition for Housing (ARCH)

- Voluntary partnership of local governments in east King Co.
- Nearly 10,000 affordable units created or preserved through investment, incentive and inclusionary programs
- Shared “housing staff” for members:
 - Long-range planning, strategies.
 - ***Program development and administration.***
 - Pooled funding (“trust fund”) for land acquisition and construction.
 - Outreach and public information.



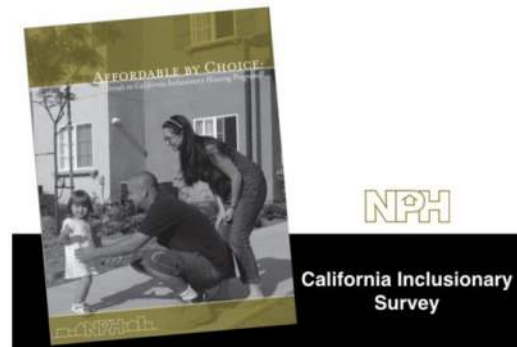
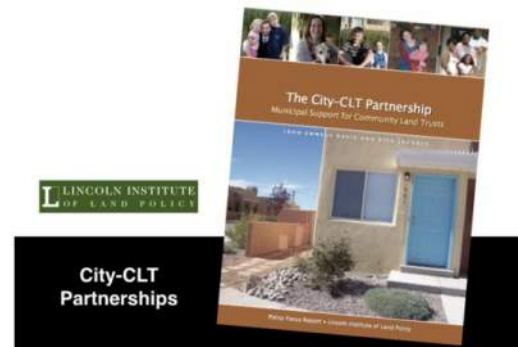


Rick Jacobus
Street Level Advisors

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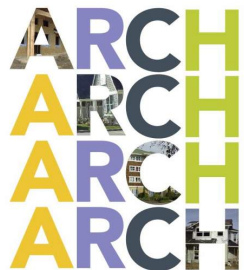
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Areas of expertise include market and financial feasibility analysis, affordable housing policy analysis, public-private partnerships, economic and fiscal impacts, cultural districts, and parks and open space feasibility studies.



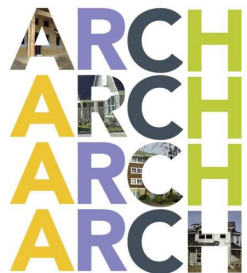
Staff in Portland, San Francisco, Sacramento, Los Angeles, New York, Atlanta, and Washington D.C. Certified MBE/DBE/SBE.



Land use & tax exemption programs

	Land Use		MFTE exemption	MFTE affordability	
Bellevue	Voluntary	80 AMI	12 years (2015)	12 yrs	80 AMI
Bothell	Mandatory	60 – 80 AMI	8 or 12 years (2021)	Life	50 – 60 AMI
Issaquah	Split vol & mandatory	50 – 80 AMI	Pilot project (2018)		
Kenmore	Mandatory	50 AMI	12 years (2010)	Life	50 AMI
Kirkland	Mandatory	50 – 100 AMI	8 or 12 years (2010)	Life	50 - 80 AMI
Mercer Island	Voluntary	60 – 90 AMI	None		
Newcastle	Mandatory	50 – 80 AMI	None		
Redmond	Mandatory	50 or 80 AMI	8 or 12 years (2017)	Life	60 AMI*
Sammamish	Combo vol & mandatory	80 AMI	None		

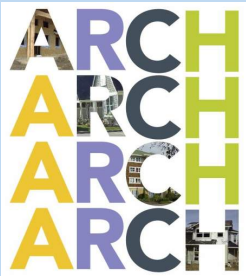
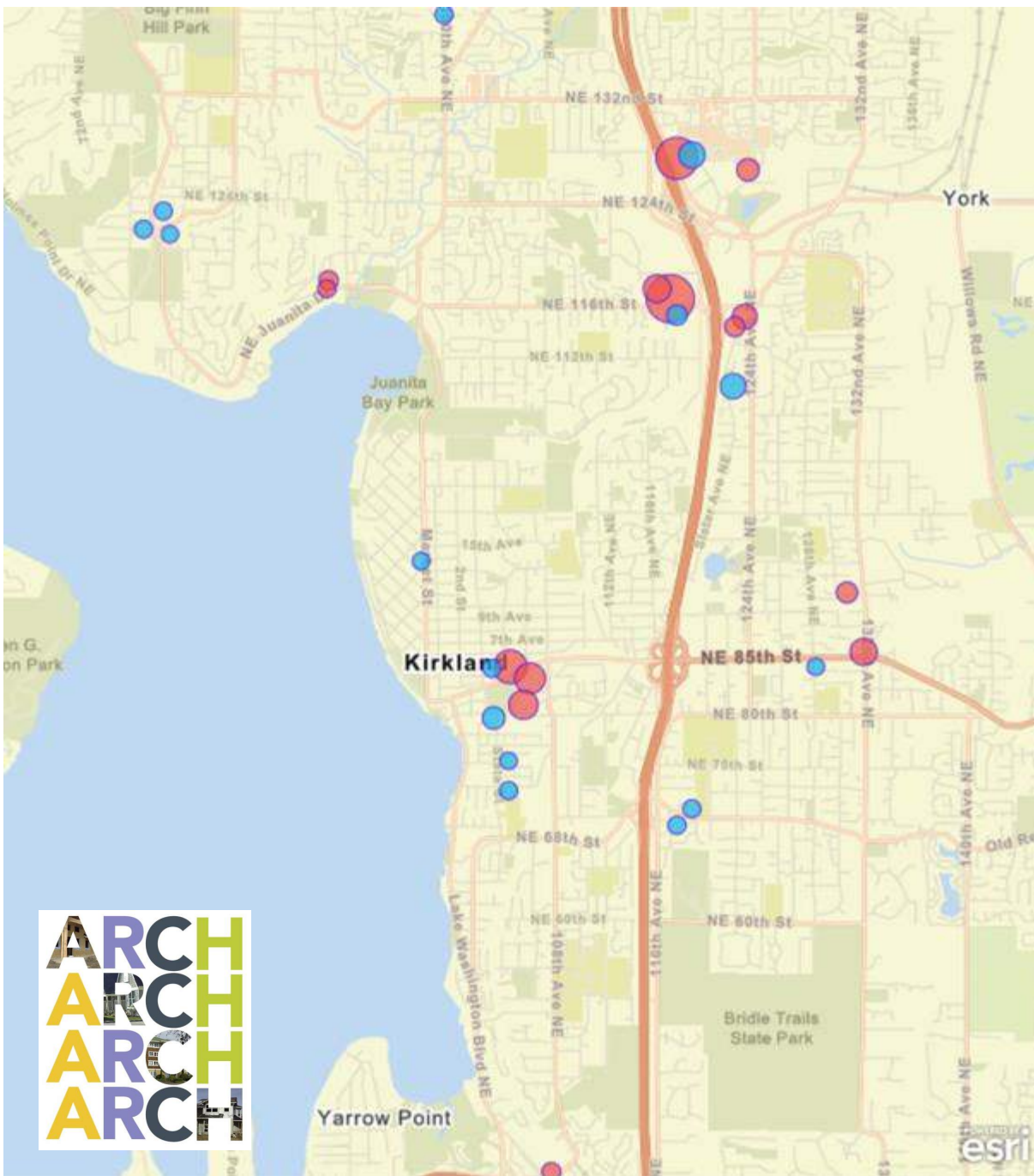
800 homeownership and 2,000 rental units (plus 900 in pipeline)



What “affordability” means (2022)

	Household Income Limits				Housing Expense Limits			
Pct of AMI	1 person	2 people	3 people	4 people	Studio	1-bedrm	2-bedrm	3-bedrm
80%	\$75,376	\$86,144	\$96,912	\$107,680	\$1,884	\$2,019	\$2,423	\$2,800
50%	\$47,110	\$53,840	\$60,570	\$67,300	\$1,178	\$1,262	\$1,514	\$1,750
30%	\$28,266	\$32,304	\$36,342	\$40,380	\$707	\$757	\$909	\$1,050

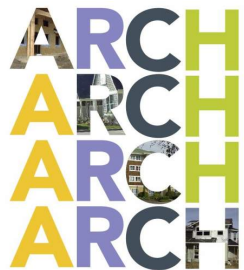
All derived from U.S. Housing and Urban Development’s 4-person median family income of \$134,600.



Housing Units in Recorded Agreements from Land Use or MFTE Programs

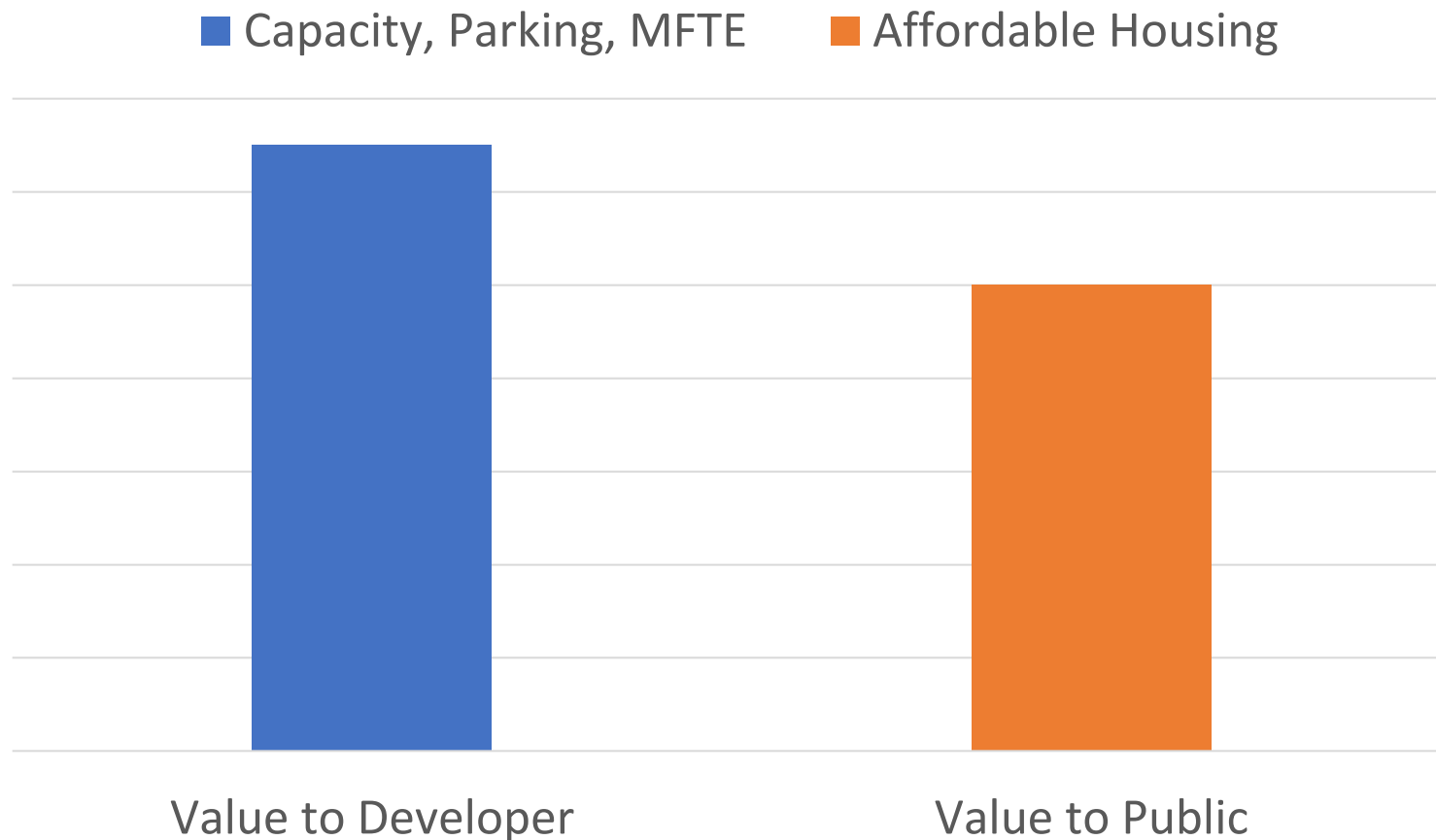
Project Status	<=50 AMI	51 - 80 AMI	81 - 100 AMI	Total
<input checked="" type="checkbox"/> Projects in development	14		5	19
Homeownership			5	5
Rental	14			14
<input checked="" type="checkbox"/> Completed projects	110	119	11	240
Homeownership		46	11	57
Rental	110	73		183
Total	124	119	16	259

- 29 projects.
- 72% of these affordable units from mandatory program.
- Red = renter-occupied.
- Blue = owner-occupied.



Benefits analysis; “land value capture”

- Measures the economic impacts of up-zone.
- Compares the value created per affordable unit to the value of each affordable unit; result is a “benefit ratio.”
- Recommended range between 1.2 – 2.0.





Initial policy considerations

- Building on existing inclusionary program: Mandatory 10% at 50 AMI.
- Cannot increase the affordability requirement later without giving more value.
- Planning for current and future affordable housing needs.

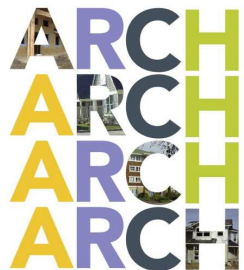
Affordable Housing Supply & Needs, Kirkland

	Growth Target	<30 AMI non-PSH	<30 PSH PSH	>30-50 AMI	>50-80 AMI	>80-100 AMI	>100-120 AMI	>120 AMI	Emergency
2019 est. supply		1,126		2,517	5,136	30,534			n/a
2044 add'l need	13,200	4,842	2,546	3,052	1,022	228	259	1,251	2,522

Sources:

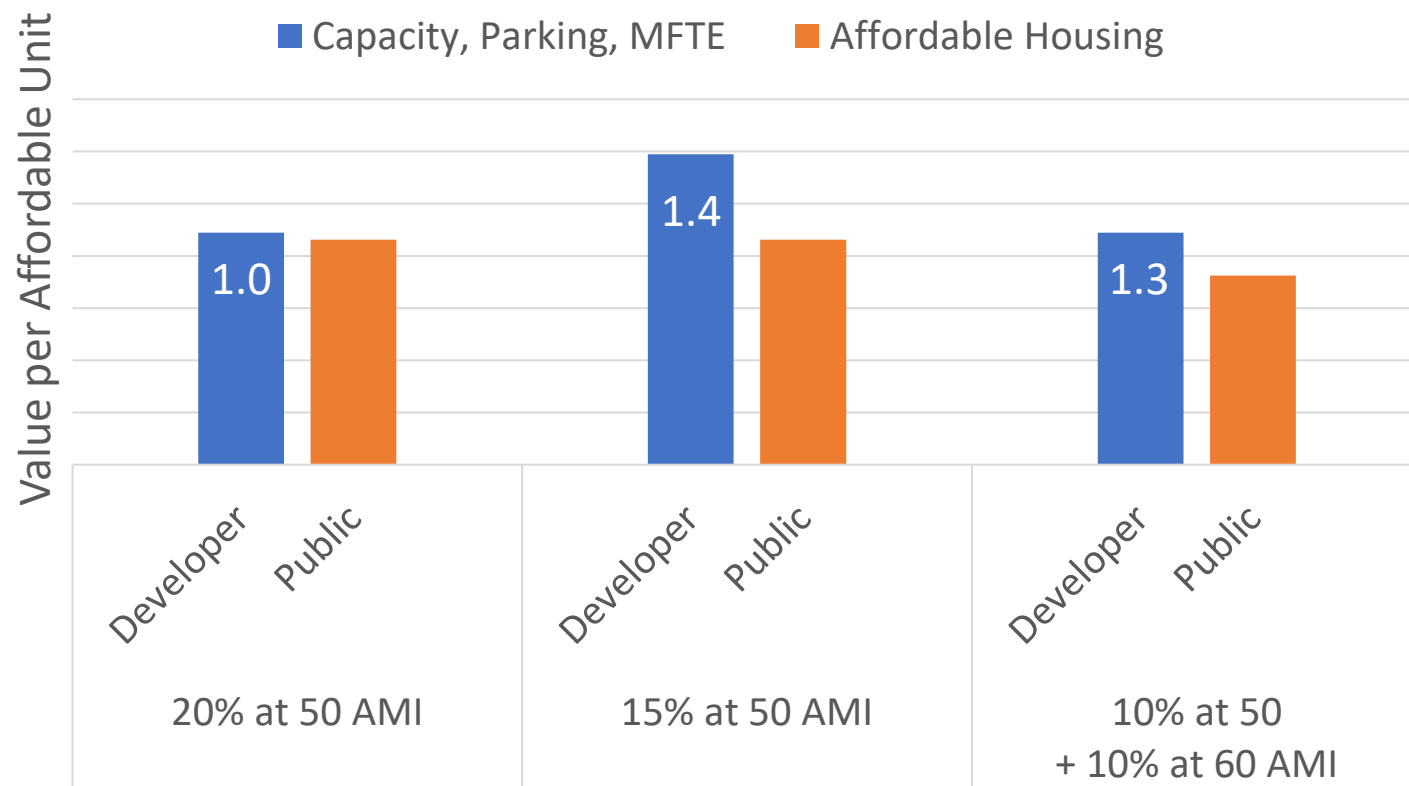
2019 supply – Washington Office of Financial Management.

2044 need – King County Countywide Planning Policies (proposed).



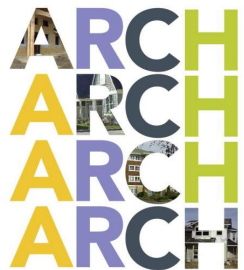
Benefit analysis results

Neighborhood Mixed-Use, 65' – 85'

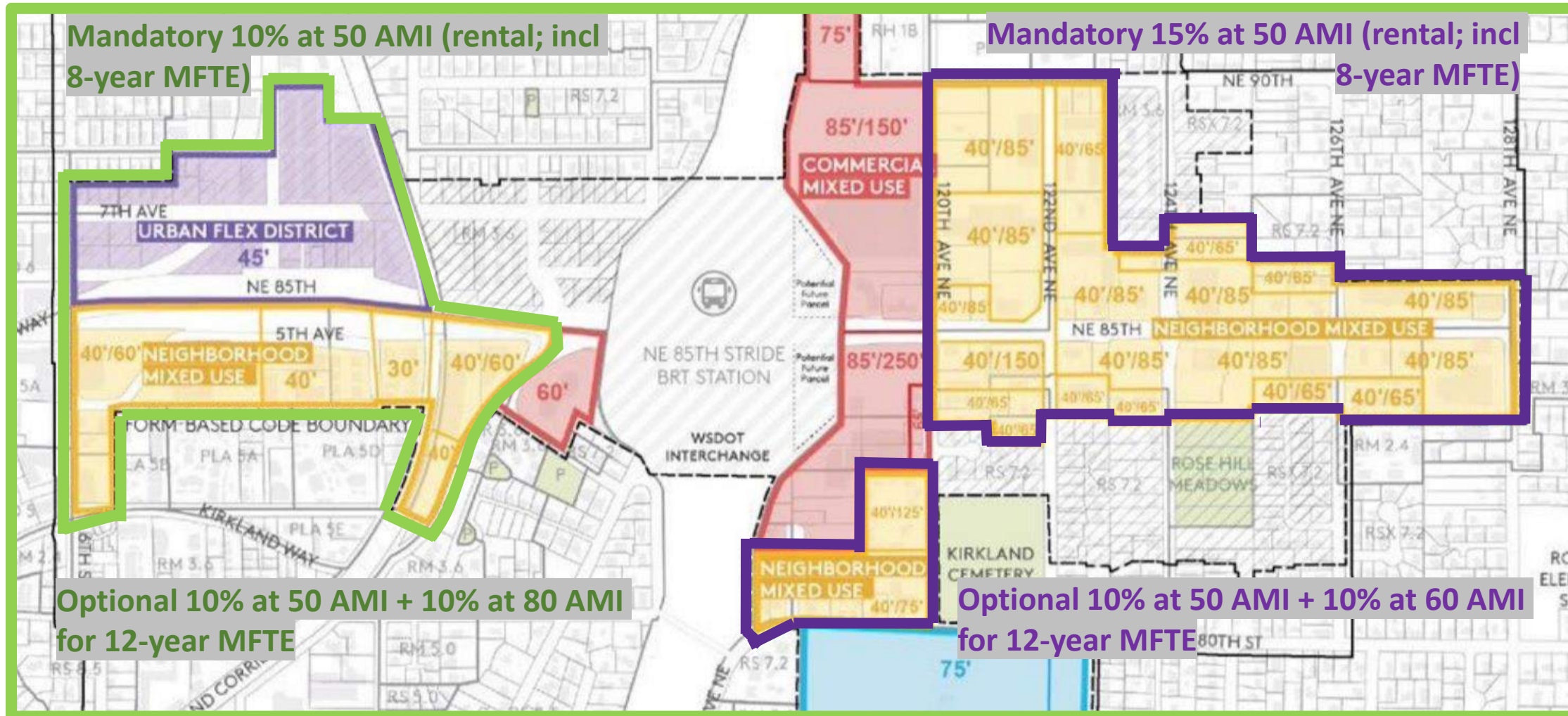


Updated Assumptions

- Avg market rent: \$2,748 (\$3.50 per sq ft, 102% AMI).
- Avg unit size: 785 sq ft.
- Parking savings: \$50,000 per stall.
- 4.75% cap rate.
- Improvement value = \$420,000 per unit
- 5.75% discount rate.



Recommendations





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FINANCIAL FEASIBILITY ANALYSIS
NE 85TH STREET STATION AREA PLAN

City of Kirkland

April 27, 2023

ANALYSIS METHODOLOGY

- **Review Baseline ARCH Financial Analysis**
 - Assess relationship of affordable housing requirements and City incentives
 - ARCH concluded Kirkland Specific Plan offers more incentives than the cost of higher inclusionary percentage
 - ARCH model does not assess financial feasibility of residential development
- **BAE/Street Level Advisors Team Created Financial Feasibility Assessment**
 - Updated market conditions
 - Assess relative impact of incentives and affordable requirements
 - Determine financial feasibility of various affordable housing scenarios from perspective of developer

FINANCIAL FEASIBILITY ANALYSIS

CRITICAL ASSUMPTIONS

- **City Incentives:**
 - Density Increase
 - Parking Requirement Reduction
- **Development Cost Assumptions:**
 - Land Cost: \$6 Million per Acre
 - Total Cost: \$500,000 to \$567,000 per Unit
- **Operating Revenues:**
 - Market-Rate Rents: \$3.50 to \$4.25 per SF
 - Other Revenue (i.e., parking, laundry, etc.): \$280 per unit
 - Operating Costs: 28% of Gross Revenue
- **Investor Return Requirements:**
 - 5.75% Yield on Cost (stabilized)

FINANCIAL FEASIBILITY ANALYSIS

MODEL RESULTS

Project Characteristics	Baseline Project	Alternative Inclusionary Ordinance Scenarios (with Density Bonus and Parking Reductions)		
	10% of Units at 50% AMI	15% of Units at 50% AMI	20% of Units at 50% AMI	10% at 50% AMI; 10% at 60% AMI
Total Units	300	600	600	600
<i>Units/Acre</i>	88	175	175	175
Total Parking Spaces	423	645	645	645
<i>Spaces/Unit</i>	1.4	1.1	1.1	1.1
Moderate Rent (\$3.50/SF)				
Project Yield on Cost	4.4%	4.7%	4.6%	4.7%
Current Feasibility	Unlikely	Unlikely	Unlikely	Unlikely
<i>Improved Feasibility</i>	n.a.	Yes	Yes	Yes
High Rent (\$4.25/SF)				
Project Yield on Cost	5.3%	5.6%	5.5%	5.5%
Current Feasibility	Unlikely	Borderline	Unlikely	Unlikely
<i>Improved Feasibility</i>	n.a.	Yes	Yes	Yes

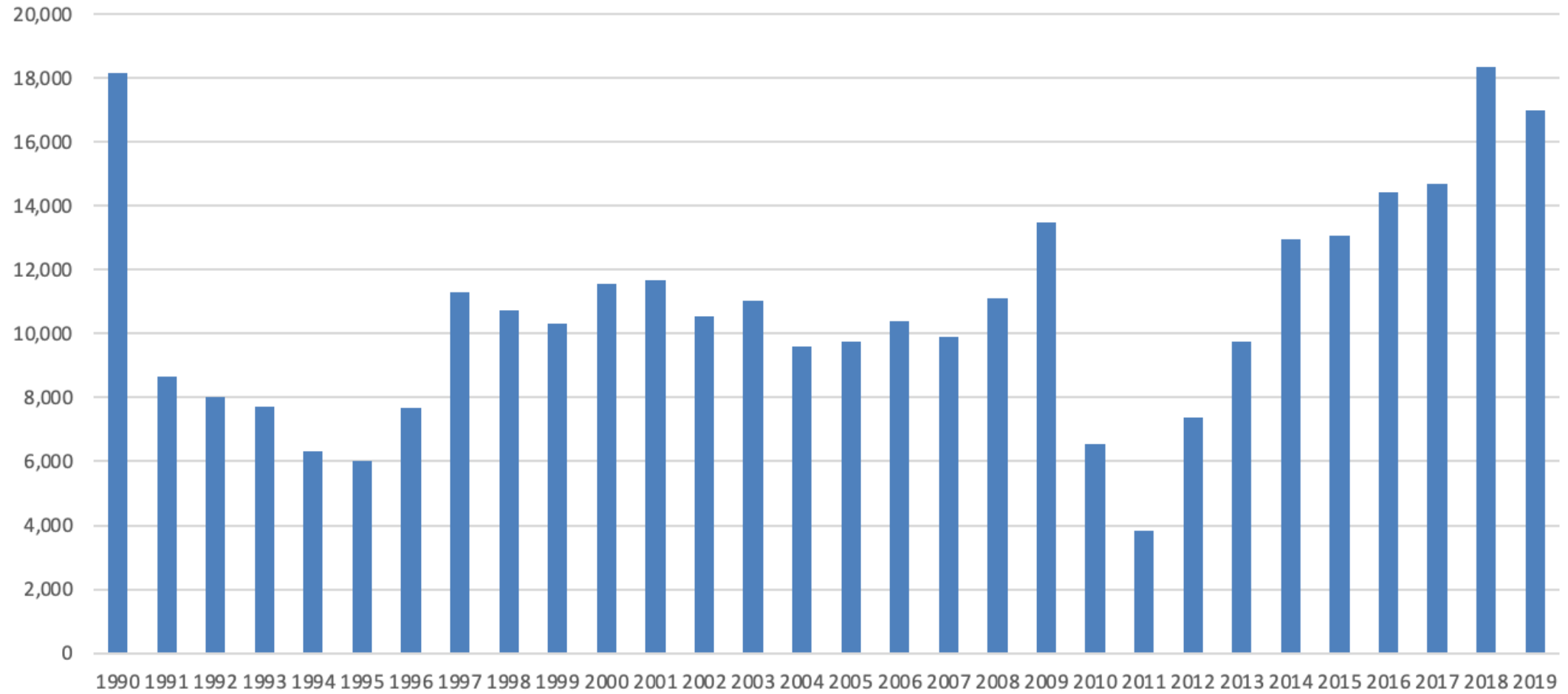
FINANCIAL FEASIBILITY ANALYSIS

CRITICAL FINDINGS

- Current market conditions show development feasibility is challenging under all scenarios
- Feasibility of the Prototype under new Specific Plan zoning improves with proposed increased affordability requirements
- Significant value generated by added density
 - Due to current market conditions, the value of additional market-rate units is less impactful than under strong market conditions
- Significant cost savings from reduced parking requirements

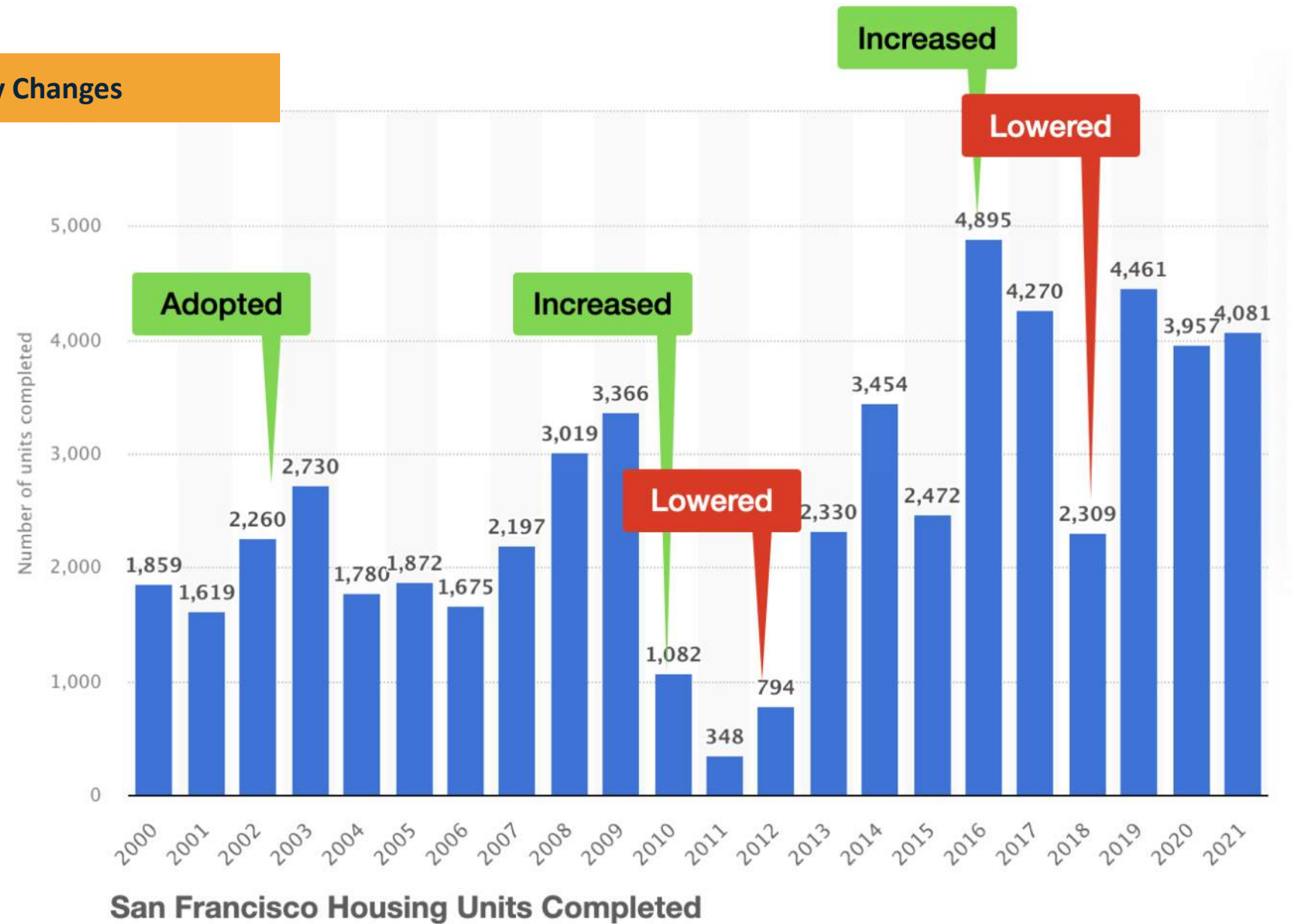
How do we set affordable housing requirements when development has **slowed down?**

King County Housing Production

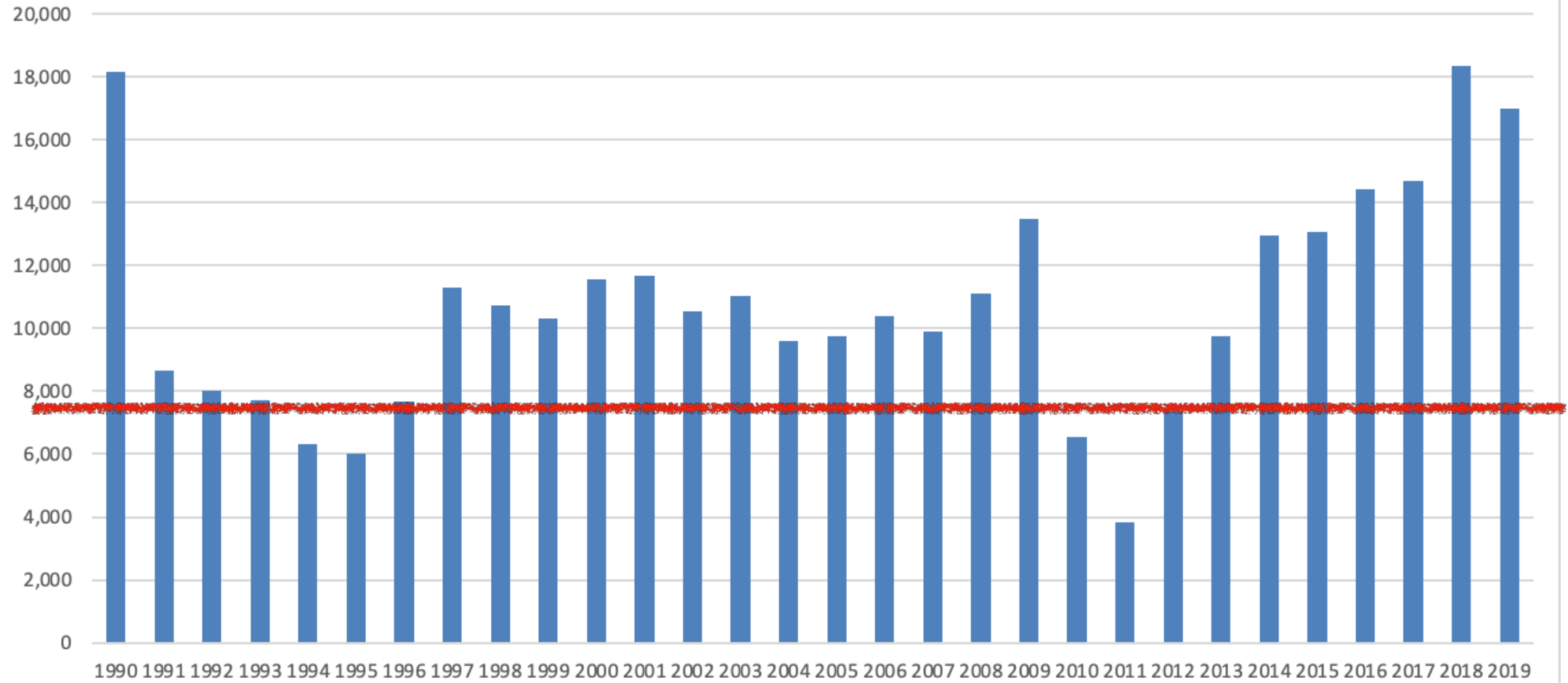


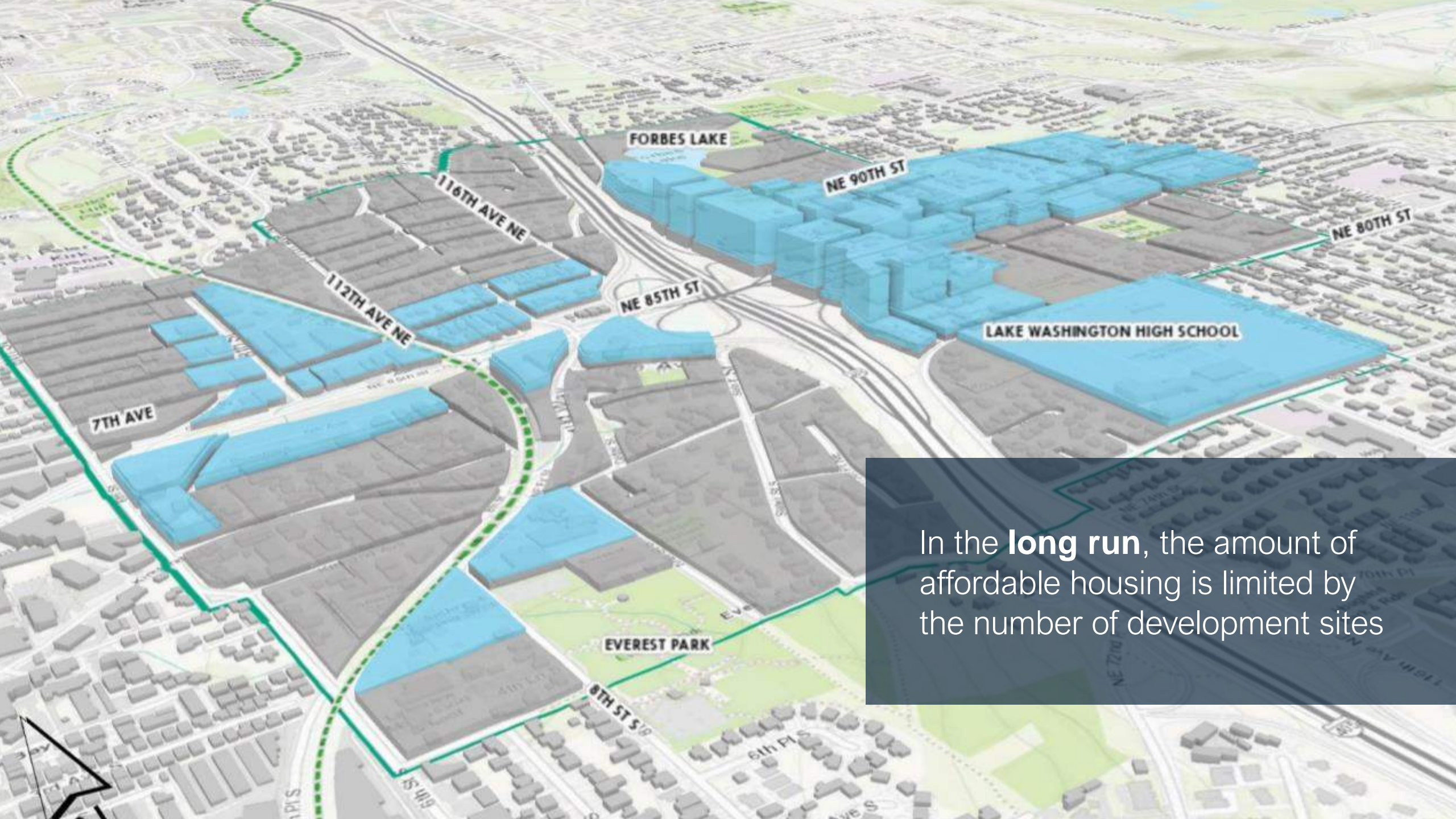
San Francisco Inclusionary Policy Changes

Government
moves too slowly to
time the market

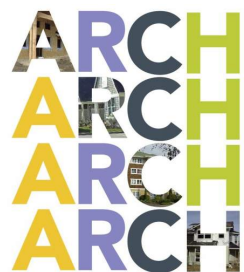


King County Housing Production





In the **long run**, the amount of affordable housing is limited by the number of development sites



Opportunity

	Growth Target	<30 AMI non-PSH	<30 PSH PSH	>30-50 AMI	>50-80 AMI	>80-100 AMI	>100-120 AMI	>120 AMI	Emergency
2044 add'l need	13,200	4,842	2,546	3,052	1,022	228	259	1,251	2,522

- 85th Street Station Subarea – consultants' prototypes would create 6,243 units (net).
- 15% affordable = 936 units at 50 AMI.
=30% of Kirkland's 2044 planning requirement for 30 – 50 AMI.

Discussion questions

- Clarification of information in presentations?
- Alignment with the city's adopted goals and policies?
- Any changes desired?
- “Phasing” or “catalyst” provision?
- Need additional information before public hearing?

