

# NE 85<sup>th</sup> St Station Area Plan



## Planning Commission Study Session – Affordable Housing

City of Kirkland

May 31, 2023



# BIG PICTURE POINTS

1. No one knows precisely what is the “optimal” inclusionary percentage requirement in the Station Area
2. Staff’s recommendation is based on economic analysis and reasonable expectations about the future, but we expect experts to disagree on the details
3. It’s easier to reduce rather than increase inclusionary requirements in the future
4. An incentive such as parking reductions may have \$0 value to one developer but significant value to another
5. Even in an environment where a 10% set-aside at 50% AMI doesn’t “pencil,” many projects are moving forward that are subject to this requirement (e.g., Bridle Trails project; about 5,800 multi-family units in development pipeline)
6. Additional incentives (e.g., impact fee waivers, permit streamlining, housing grants) would entail significant resources and need to be discussed in the context of other City-wide budget priorities
7. The “bookends” based on previous Planning Commission discussion seem to be between a 10%-15% set-aside at 50% AMI



# April 27 Study Session: Agenda

Intro/Process Recap

Station Area Background

Housing Context

Regional Case Studies

Staff Recommendations  
and Alternative Options

Next Steps

*\*At conclusion of meeting,  
PC should provide direction  
that will allow staff to  
complete the draft code  
amendments for purpose of  
holding a public hearing and  
collecting public testimony*

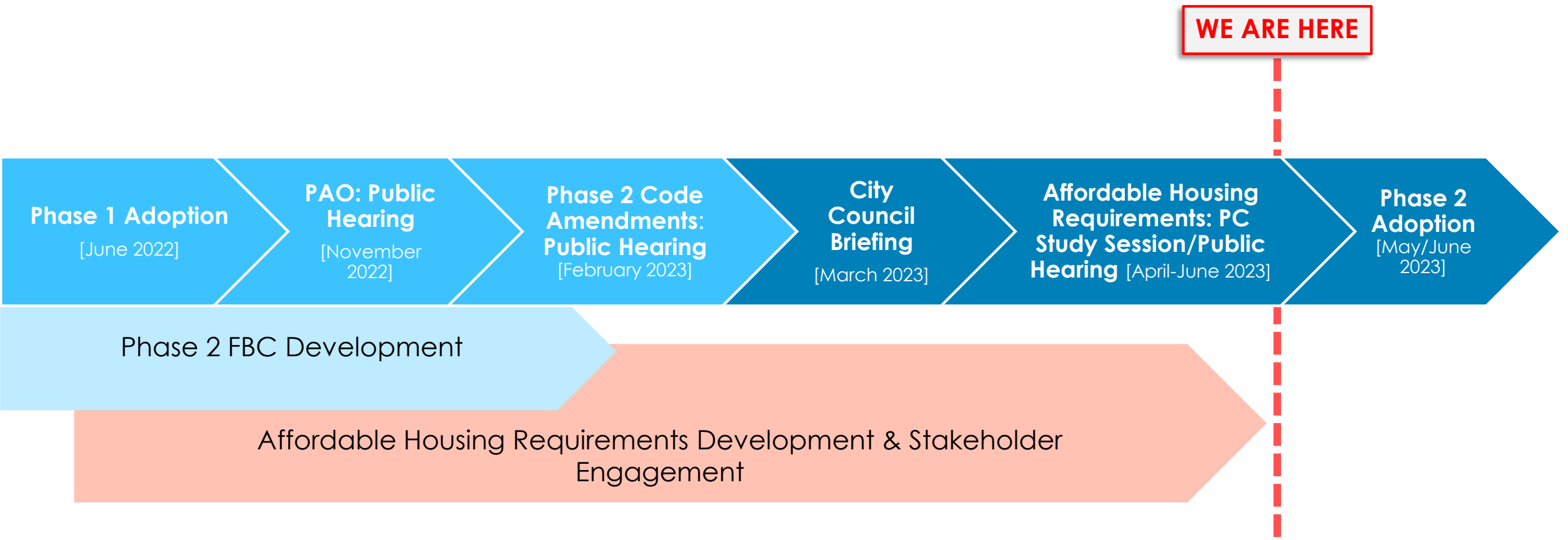


*The Station Area is a thriving, transit-oriented  
new walkable district with high tech and family  
wage jobs, plentiful affordable housing,  
sustainable buildings, park amenities, and  
commercial and retail services.*

*—Station Area Vision*



# Station Area Phase 2 - Process

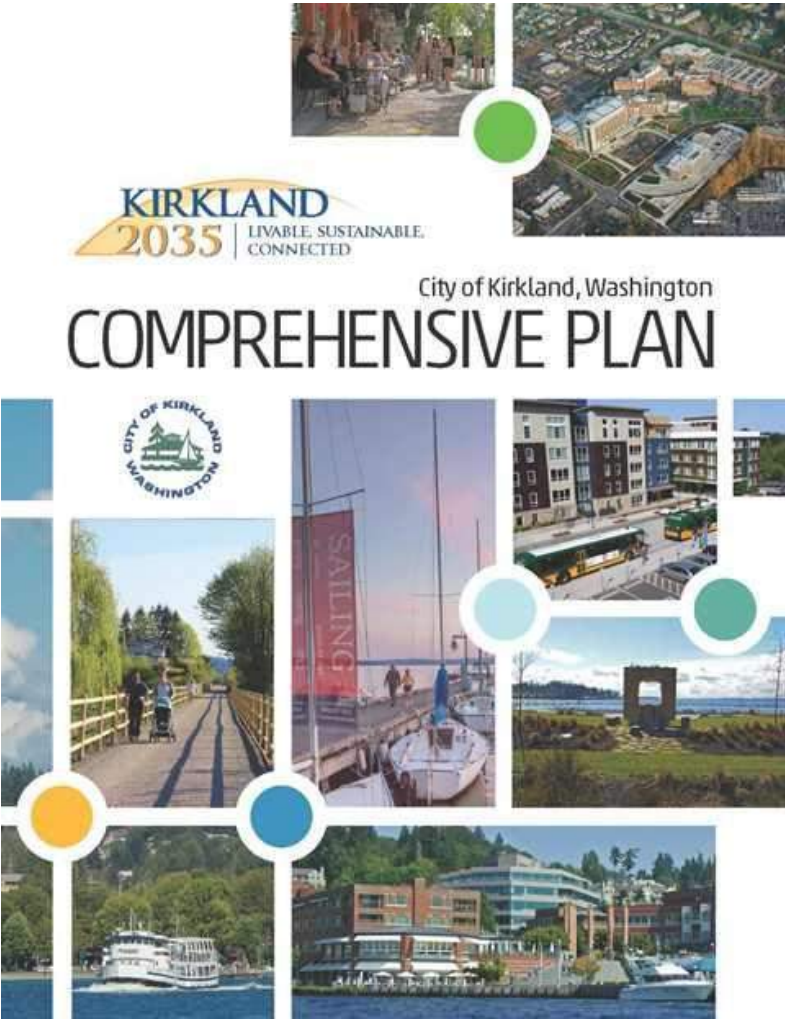


- Planning Commission has deliberated and reached a recommendation to City Council on all Phase 2 code amendments (Feb. 2023) except Affordable Housing Requirements and new staff addition to Station Area miscellaneous code amendments
- Planning Commission will hold one more public hearing on **June 8, 2023** to collect public testimony on remaining code amendments

# Adopted Comprehensive Plan

## Chapter: Station Area Growth Capacity

2044 Growth Capacity	
Total Households	<b>8,152</b> (6,243 above existing)
Total Employment (Jobs)	<b>22,751</b> (17,943 above existing)



# 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:

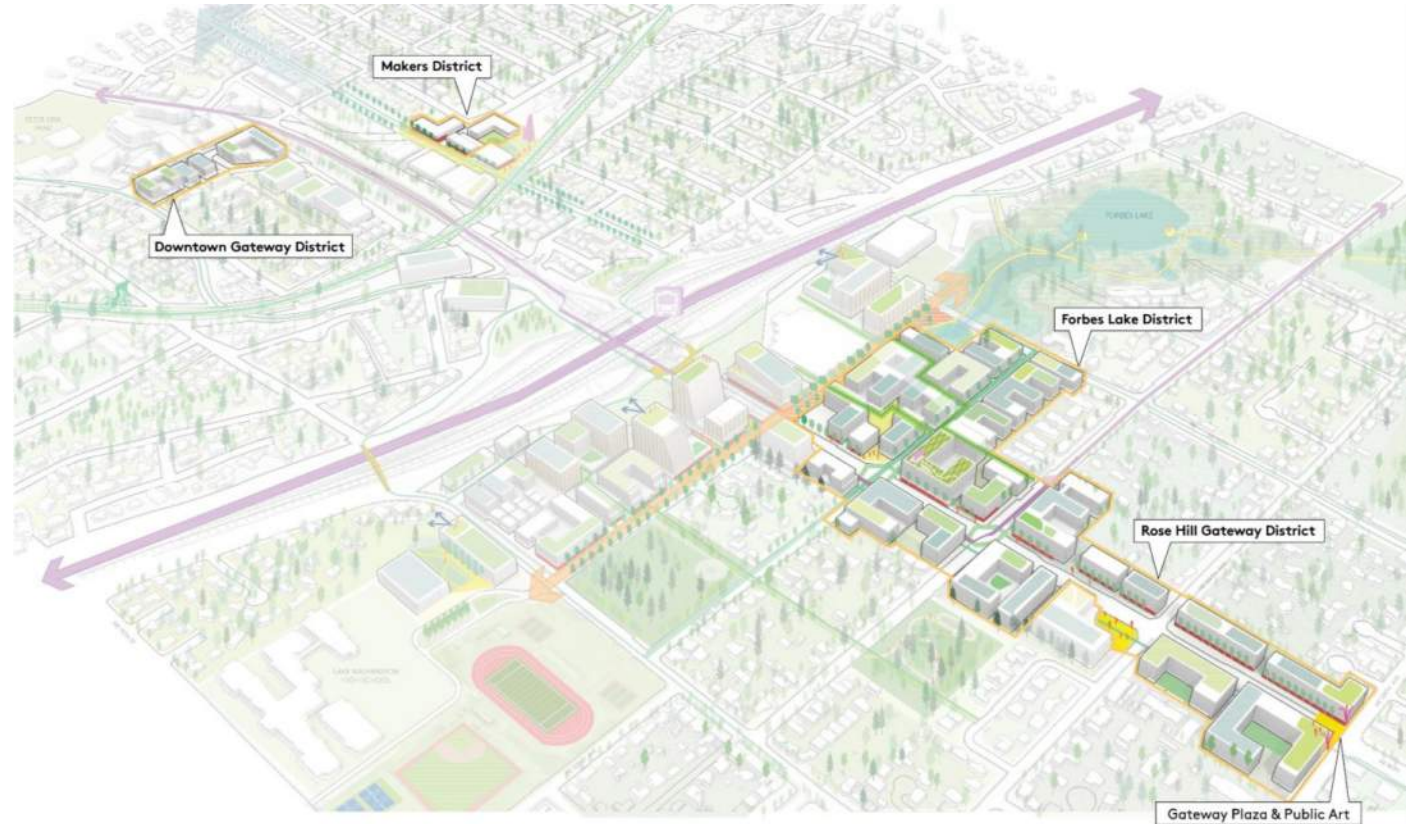
**Increase affordable housing by developing strategies and incentives to increase the amount of affordable housing within the Station Area at various income levels, especially at lower income levels.**

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)
- Housing grants and/or subsidies



# WHAT DOES “AFFORDABILITY” MEAN?

Pct of AMI	Annual Household Income Limits				Housing Expense Limits (per month)			
	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

The difference between rent affordable to households making no more than 50% AMI v. 80% AMI is **\$909** per month.\*

All derived from U.S. Housing and Urban Development's 4-person median family income of \$134,600 (2022 dollars).

\*Example uses housing expense limits for a 2-bedroom unit.

# KIRKLAND'S HOUSING NEEDS

## 2019-2044 Comp Plan Housing Needs Allocation (net new units)

Household Income (% AMI)	New Units	% of Total Allocated
0-30% Non-PSH*	4,842	37%
0-30% PSH	2,546	19%
31-50%	3,052	23%
51-80%	1,022	8%
81-100%	228	2%
101-120%	259	2%
121+%	1,251	9%
<b>13,200</b> Total 2044 Net New Unit Allocation		

% of total allocated carries across allocation tables

## Station Area Housing Capacity Distribution by Allocated Household Income

Household Income (% AMI)	New Units	% of Total Allocated (from above)
0-30% Non-PSH*	2,310	37%
0-30% PSH	1,186	19%
31-50%	1,436	23%
51-80%	499	8%
81-100%	125	2%
101-120%	125	2%
121+%	562	9%
<b>6,243</b> Total Additional Station Area Housing Capacity		

AMI = Area Median Income; PSH = Permanent Supportive Housing

# STAFF RECOMMENDATION: FIXED 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

Does the PC want to retain the existing requirements, or increase the affordable housing requirements in the Station Area by adopting staff's recommendation or a different affordable housing set aside?



# STAFF RECOMMENDATION: FLEXIBILITY OPTIONS

*Does the PC want to include an option for flexible requirements in the form of the recommended sliding scale?*

Affordability Level	Set-aside
60% of median income	18%
50% of median income	9%
70% of median income	plus 9%

\*Note, the above provisions could be included in the Zoning Code as an option for alternative compliance, or could be considered by the PC as an alternative fixed requirement.

# STAFF RECOMMENDATION: PIONEER/CATALYST PROVISION OPTIONS

Option A	
Total Units	Pioneer Requirement
Up to 624 units	10% at 50% AMI
All subsequent units	15% at 50% AMI

Option B	
Total Units	Pioneer Requirement
First 312 units	10% at 50% AMI
Second 312 units	15% at 60% AMI
All subsequent units	15% at 50% AMI

Option C	
Total Units	Pioneer Requirement
Up to 624 units	10% at 50% AMI, plus a fee in lieu of 5% at 50% AMI
All subsequent units	15% at 50% AMI

*Note- 624 units is 10%, and 312 units is 5% of the total net new housing in the Station Area.*

*Does the PC want to include pioneer, or catalyst, provisions as a strategy to phase in implementation of increased affordable housing requirements? Which option is preferred?*

# **Response to Comments from MainStreet Property Group (May 30, 2023) and Developer Consortium (May 31, 2023)**

1. Basing housing policies on recommendations that don't work in today's market "is not a sound approach"
2. Other tools (impact fee waivers, permit streamlining, housing vouchers) should be explored
3. Disagreement with staff model due to "overinflated value of parking reductions which already exists within the code"
4. 15% set-aside at 50% AMI only works where there are significant density bonuses; 10% set-aside at 80% AMI generates more units
5. Households making 50% AMI could "stretch" to afford units priced at 80% AMI
6. Establish an inclusionary program only for catalyst projects (10% at 50% AMI or 20% at 80% AMI for 1,558 units); evaluate requirements for rest of Station Area development within a "set time period"
7. Adopt standard 10% set-aside at 50% AMI; study other options in Comprehensive Plan



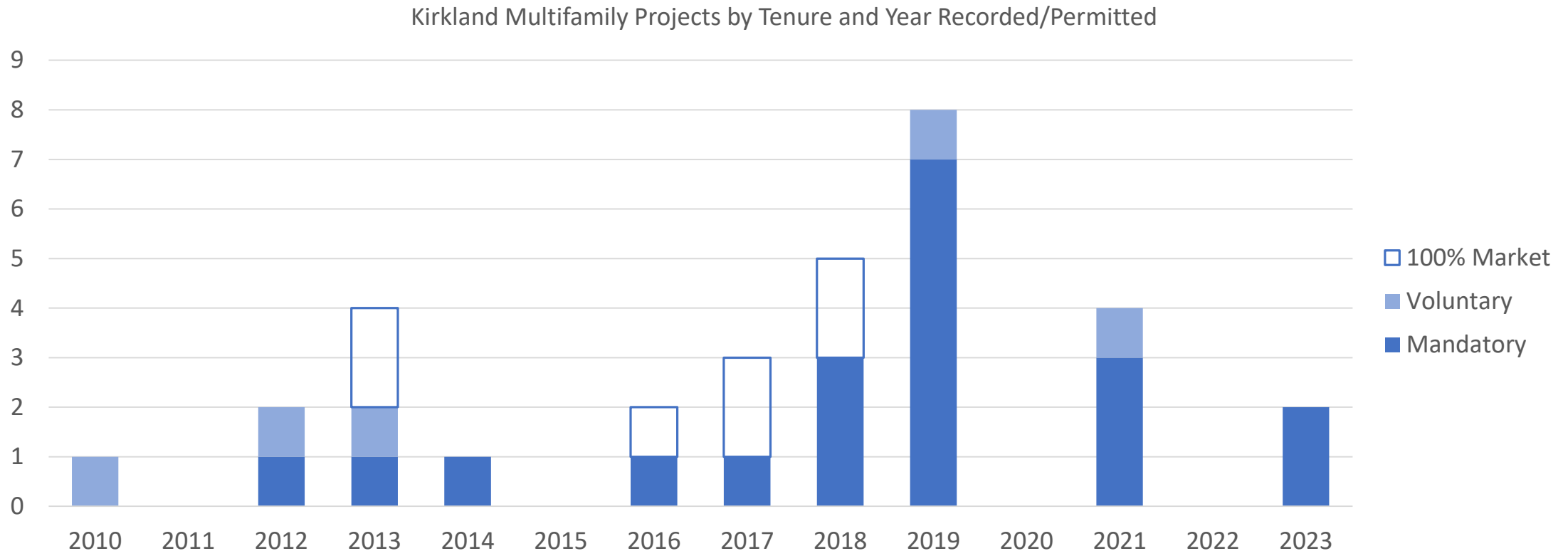
# PC questions & staff responses

- Housing subsidies.
- Progressive affordability: recommended only as a possible pioneer provision.
- Case studies:
  - Seattle data provided.
  - Other U.S. examples and links to research provided.
  - *ARCH data follows.*
- Alternative compliance: sliding scale provided.
- *Pioneer provisions: 3 options.*

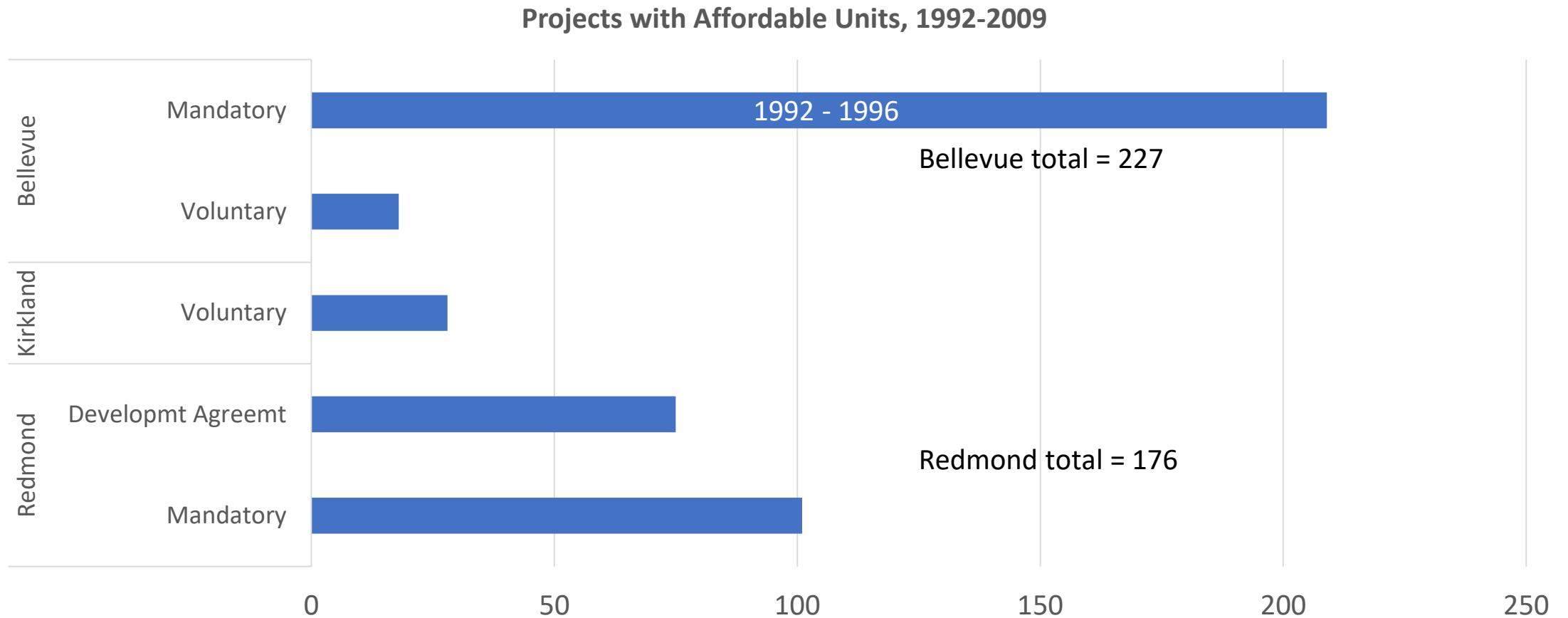
# Inclusionary Zoning Effect on Development

Has Kirkland's mandatory affordability affected projects with inclusionary zoning different from projects without it?

- Timing of "market" projects (no affordability) was the same as projects with affordable housing.



# Comparisons with Other Cities

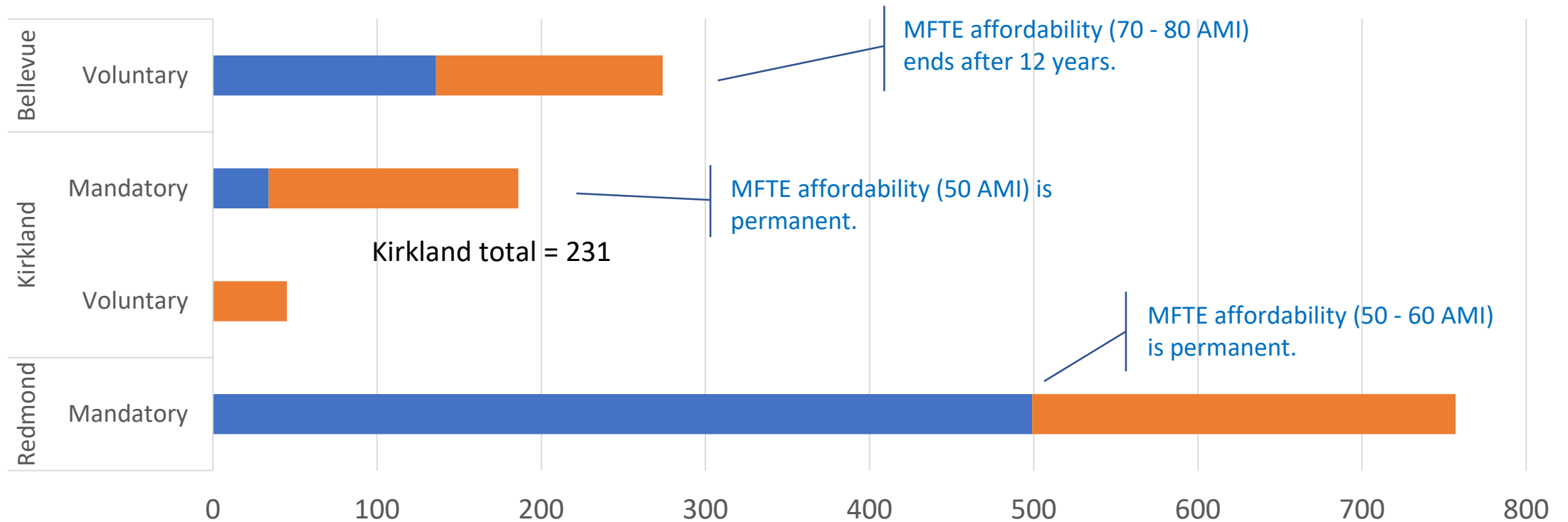




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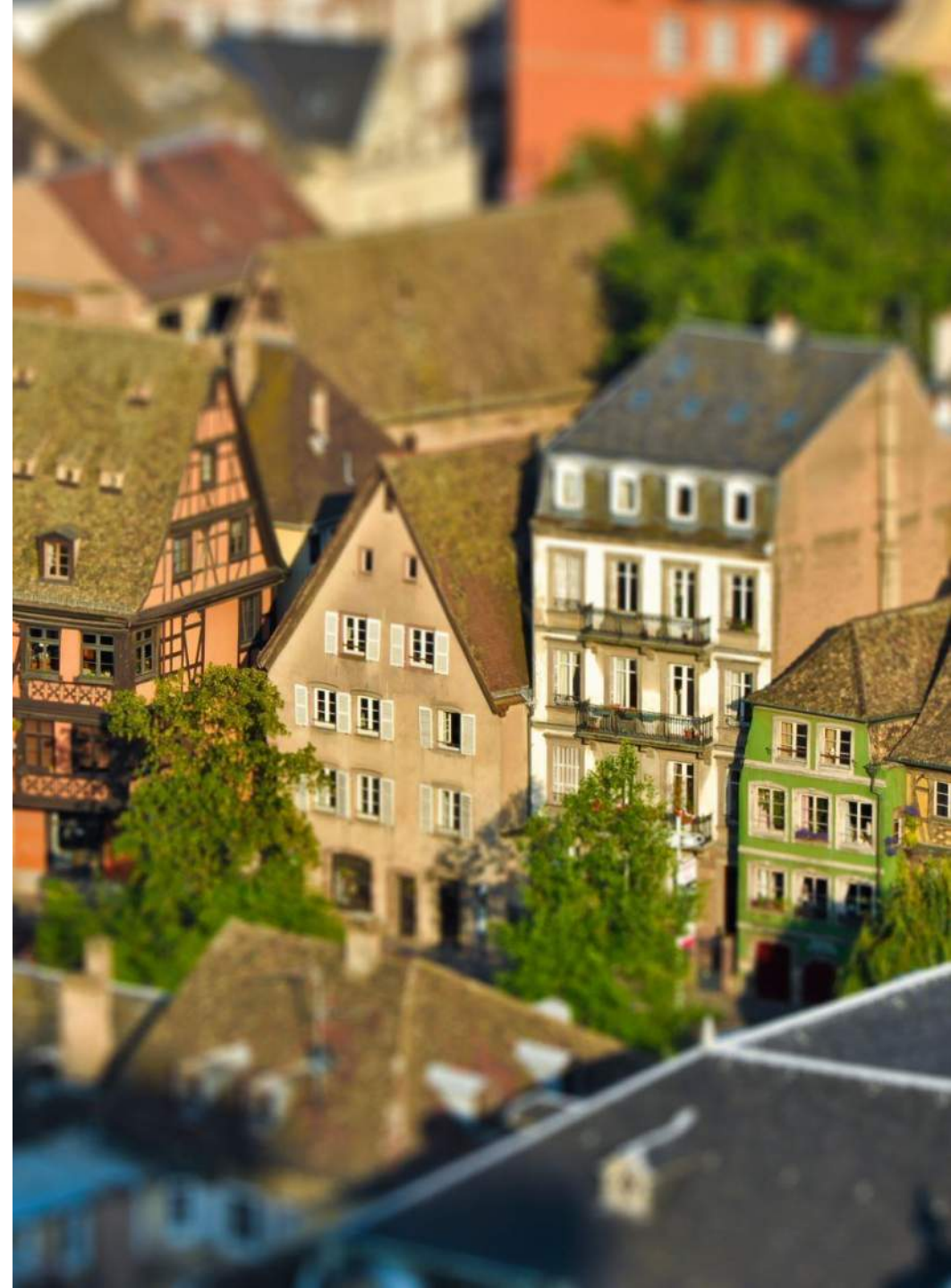
Projects with Affordable Units, 2010-present

■ No MFTE ■ MFTE



Why recommend more affordability now, when current market conditions make development so difficult?

- The recommended regulations improve feasibility under current market conditions.
- No guarantee of development during low points but supports development for majority of building cycle.
- Options given to help mitigate short-term challenges.
- Without requiring additional affordability, the value of up-zoning goes to landowners, not the public or land buyers.
- Kirkland and Redmond histories show that cities who are patient while market recover are rewarded with more affordable housing.



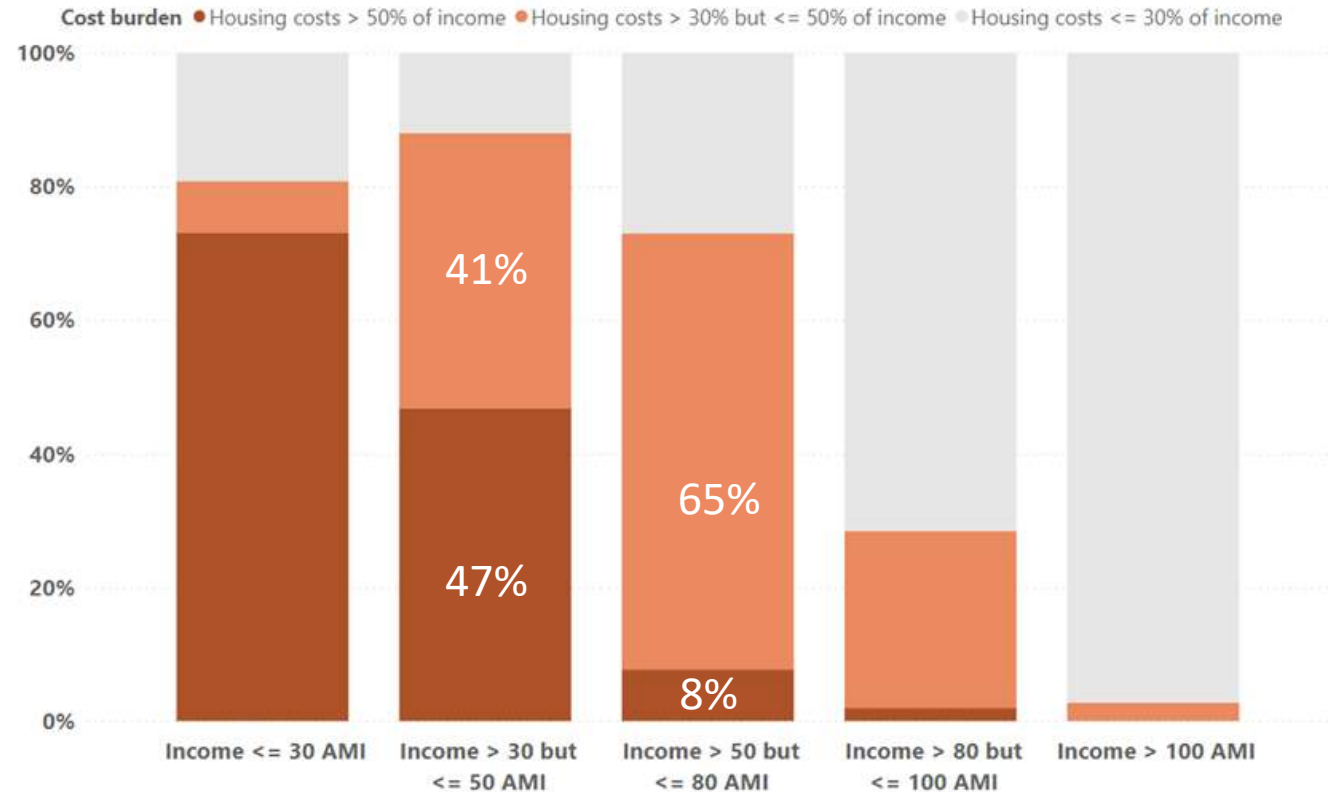
# Long-range planning and housing needs

Capacity to show in Comprehensive Plan:

Household Income	New Housing Units
<30 AMI, non-PSH	4,842
<30 AMI, PSH	2,546
31 – 50 AMI	3,052
51 – 80 AMI	1,022
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101 – 120 AMI	259
>120 AMI	1,251
<b>Total</b>	<b>13,200</b>

“AMI” means Area Median Income.

“PSH” means Permanent Supportive Housing.



Kirkland residents only; excludes households with members who work in Kirkland.



## Next Steps

*Staff will use direction from tonight's study session to prepare final draft code amendments for affordable housing in order to hold a public hearing and collect public testimony.*

**June 8, 2023:** PC Public Hearing on Affordable Housing Requirements

**July 2023:** City Council Phase 2 Adoption

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