CITY OF ISSAQUAH
PLANNING POLICY COMMISSION
MINUTES

October 26, 2017

City Hall South
Council Chambers

135 E. Sunset Way
Issaquah, WA 98027

PPC MEMBERS PRESENT
Joan Probala, Chair
Ron Faul, Vice Chair
Victoria Hunt, Alt.
Joy Lewis
Troy Rahmig
Jon Stob
Carl Swedberg
Lindsey Walsh

STAFF PRESENT
Trish Heinonen, Long Range Planning Manager
Christen Leeson, Senior Planner
Keith Niven, Economic Dev. and Dev. Services Director

OTHERS PRESENT
Arthur Sullivan, Program Manager, ARCH

CALL TO ORDER
PROBALA, Chair, called the meeting to order at 6:32 PM.

APPROVAL OF MINUTES
MOVED BY WALSH, SECONDED BY RAHMIG, that minutes of the PPC meeting on September 28, 2017, be approved as presented. MOTION CARRIED UNANIMOUSLY.

PUBLIC HEARING: Proposed Amendments to Central Issaquah Development and Design Standards and Issaquah Municipal Code Regarding Inclusionary Zoning in Central Issaquah

Presentation: Heinonen began staff's presentation, beginning with some background on the development of the Housing Strategy, specifically *Strategy 6: Increase the developer-provided affordable housing in Central Issaquah*. She described the proposed amendments staff has developed in support of this strategy, and said they are intended to provide inclusionary zoning in the urban core. She described the proposed changes as shown in Table 4.4-A (page 9 of 18) and Table 4.4-B (page 10 of 18).

Sullivan continued the presentation with an explanation of how those changes were developed to help create more explicit housing affordability in the Urban Core zoning district. He described the options and variables that can be manipulated to provide more affordability, and gave examples from other communities. He continued, in thinking about making changes, you have to start with what you already have, and referred to Attachment A-2, A. Urban Core: Not Vertical Mixed Use Overlay, which shows current FAR (floor area ratio) code provisions and proposed FAR code revision options (page 14 of 18). He said the proposed FAR code revisions are intended to increase the amount of required affordable housing in the City's Urban Core zoning district, and explained the scenarios that were considered. He explained how the options of requiring 12.5 percent at 60 percent AMI (King County area median income) and 10 percent at 50 percent AMI were determined for the urban core outside the overlay area.

FAUL said it appears that by allowing an increase from the present allowance of a base FAR of 1.7, which results in a 69-unit maximum, to a FAR of 3.0 would result in 120 units, which is what is being proposed. In addition, a FAR of 5.0 would get us to 212 units. But to get to the 120 unit

number, the base height would have to be increased. Sullivan replied that is correct. He explained how the AMI (area median income) is calculated and how the bonus density provisions affect the total allowable units that could be built under the existing and proposed scenarios.

FAUL said under the proposed scenario, it looks like the rent for an individual earning less than 50 percent of the AMI would result in a lower-than-average rent than that individual could find elsewhere in King County. He asked wouldn't that result in a "backfire" because it would encourage individuals to live alone rather than with roommates or other family members. Sullivan said we are assuming that three people would live in a two-bedroom unit, on average, and explained other assumptions used in calculating density and rents. FAUL asked wouldn't that business model result in less density. Sullivan replied no; if anything it will make builders want to build smaller units. Builders lose more rent at the same affordability level by creating two-bedroom units than one-bedroom or studio units, he added. He continued to assure affordability over time, the builder would enter into a covenant with the City that addresses unit mix, long-term affordability, monitoring, and so on. It also speaks to size, condition, and quality of the unit with respect to the size, condition, and quality of units in the rest of the project, he said. FAUL asked with a smaller affordable unit with two occupants, would that be over-occupied. Sullivan replied that would be up to each property owner; rent isn't based on how many people occupy a unit, and referred to provisions in the Fair Standards Housing Act.

He continued his presentation of the current code provisions and the code revision options shown in Attachment A-2, B: Mixed Use (Outside the Urban Core) and Attachment A-1, C: Urban Core: Vertical Mixed Use Overlay (page 14 of 18). He noted that the mandates for affordable housing are different in different parts of the City because of differences in what is allowed for FAR.

PROBALA asked what else is the City doing to assist builders with this, and how would this impact costs to the other units in the development. Sullivan said the City already has a policy of waiving impact and building fees, and referred to where those regulations appear in the code. Another option for the City to consider is the multi-family tax exemption, he continued. He said he would argue that the other 90 percent of the units in the development are not affected. Basically, he continued, this represents a trade-off in density for more affordability. Once a builder starts building, he said, their costs do not impact what rents are charged for the units. Developers charge rents based on what people will pay, he stated, so the market dictates the economic return they will see. He gave examples from Redmond and elsewhere.

FAUL asked clarifying questions about how the code revision options for the vertical-mixed use overlay proposal compare with the code revision options for the a not-vertical-mixed use overlay, and how the proposed revisions compare with what exists today. Sullivan explained that the calculations include a base FAR and a maximum FAR. The proposed revisions do not change the maximums allowable; they only change the base FAR and some of the height maximums. Project like Atlas that have no affordable units would not be allowed under the proposed regulations, but instead would trigger affordability regulations, he clarified; all projects would have some level of affordability requirements. Only FARs and building heights would be affected, he added.

STOB asked is there a minimum height requirement. Leeson replied there is a minimum FAR but not a height minimum. Niven said it is helpful to think of a two-layer stacked cake. The first layer you can build without any affordable housing regulations; the second layer includes the density bonus option, which includes some obligation to provide affordable housing if a builder chooses that option. This proposal is an attempt to get affordable housing regulations in both layers, and in order to give the building community something in exchange, the FAR is increased in the bottom

layer. So we are proposing that builders can increase FAR, essentially result in bigger, squatter buildings, which will add more value to their buildings.

FAUL asked if this proposal produce bigger buildings, but not necessarily bigger units. Niven said the capacity does not change. Sullivan replied this proposal does not allow more capacity or additional height than what exists today. WALSH asked if a builder can choose to build under the 1.7 FAR, but also has the choice to build at 3.0 FAR with more affordable housing units in exchange for higher building heights. Sullivan replied that is correct, although they may choose not to, and gave examples from Redmond.

WALSH asked if a builder could still build at the base FAR of 1.7 and 69 total units, but if the City adopts the proposal, they could do a FAR of 3.0 with 12.5 percent affordable units at 60 percent AMI and chose a higher building height maximum. Sullivan noted different builders make different choices, and gave examples. WALSH said so instead of thinking about this in terms of "the City is going to get bigger buildings" perhaps we should be thinking in terms of getting builders who want to build more affordable units to build in Issaquah. Sullivan agreed. HUNT said her understanding is that the City is in favor of more density, not just bigger buildings. She continued that we should be comparing the "base" column with the proposed revisions column, not with the 5.0 FAR option, as it has not been well utilized. Sullivan agreed. Niven said to provide some perspective, the Gateway and Atlas projects together total 750 units, and under the 70 percent AMI proposed option, would have resulted in 56 affordable units, whereas the actual number of units produced for those two projects under current code provisions was zero.

LEWIS asked for more information about how this proposal will meet the existing demand for affordable housing. Sullivan said there is no single solution to the affordable housing situation. He said this kind of policy makes a pretty good dent in dealing with the more moderate-income needs resulting from growth. Heinonen noted there are nine housing strategies in Issaquah's newly adopted Housing Strategy Work Plan, and this is the first one we are considering for implementation. We are trying many ways to address the City's housing problem, she added. The Commission continued to discuss the scope of the affordable housing problem. LEWIS and WALSH both asked for more and better information on total population, affordable units available, need at different AMI levels, and how much of the problem each of the strategies is projected to address. RAHMIG said realizing there is no "silver bullet," it seems to him that providing options that address a mix of affordability levels is the best approach, and asked for Sullivan's perspective. Sullivan said the lower the income level, the greater the gap and needs are. So the gap between what exists and what is needed is greater at less than 50 percent AMI than at 70 or 80 percent AMI.

FAUL used an example of a builder who wanted to build a project and was given a maximum of 7,000 units by the City, and noted that under the new provisions the 7,000 maximum allowable unit number would not change, just the number of those units that would have to be affordable units. Sullivan said that is correct. FAUL said the proposal seems to target those at 60 and 70 percent AMI; what about those at 80, 90, and 100 percent of AMI. Sullivan replied these are rental scenarios; ownership scenarios are 10 percent higher. He said the most need exists at the lower AMI levels. Most renters are below 90 percent AMI, so cities tend to use incentives to provide housing for residents at the lower end of incomes, he added. He added older buildings exist that mostly meet the needs of 80 and 90 percent AMI levels. WALSH said her recollection is that the biggest gap was at the 50 percent range, not at the 80-90 percent range. Sullivan agreed. STOB asked how would these amendments affect or contribute to the other strategies in the overall Housing Strategy. Sullivan replied in his experience, the different strategies apply to different markets, and market factors seem to have the greatest effect on what builders choose to

do. He gave more explanation of how market forces have affected development of housing options in Redmond and Bellevue.

HUNT said thinking about long-term affordability, if a renter's income is stable but the AMI is increasing, how does an affordable unit remain affordable for them. Sullivan replied the provision is that a builder is allowed to increase the rent by whatever change has occurred in the AMI, but there are also provisions that they can only increase rents once a year. A renter's income can also rise a bit and they can remain in the unit, he added. The covenant is for the life of the building. HUNT referred to housing in the Bay area, where incomes have increased dramatically. What are the options for people once they get into the affordable unit so they aren't priced out, she asked. Sullivan said the AMI is based on the entire County, and the change in median income tends to be around three percent. If anything, he continued, incomes are rising a bit slower than they used to. He explained how rents and incomes have changed and fluctuated over the past few years on the Eastside, and said housing costs are at a historic high relative to income levels right now.

Public Hearing Comments
PROBALA opened the public hearing at 7:50 PM. Hearing no requests to speak, the public hearing was closed at 7:51 PM.

Deliberation
STOB noted there appears to be an error in Footnote 4 to Table 4.4-A. Niven agreed, and said staff will make the correction in the version that is presented to Council.

FAUL referred to a study he read about Santa Clara County's affordable housing efforts. He said Santa Clara County determined that housing strategies that don't have a targeted audience in mind aren't effective, he stated. He gave more details about Santa Clara County's experience, and said his concern is that the City could be creating affordable housing that would attract people who aren't City residents or work in Issaquah. So creating affordable housing without specifically identifying a targeted audience might not end up benefiting the people in Issaquah who we are seeking to help. He said the way the amendments have been presented is too general.

WALSH asked what do you mean by a targeted audience. FAUL said he was thinking of a larger vision for affordable housing that could result in adequate housing for the community's teachers, first responders, public safety employees, and others whose presence is a benefit to our community. Sullivan noted that Issaquah's demands for workforce housing is about 30 to 40 percent greater than its supply, which is true for all of King County. FAUL said his concern is how to protect people who work in the City so that they are the ones who can take advantage of affordable housing. He said Issaquah is perceived as a safe community with good schools, and one possibility of creating affordable housing is that people from other communities will want to move here. That means that people who already live and work here will have to compete for affordable housing, he stated.

Sullivan gave his perspective on the City's ability to target a specific demographic or group with affordable housing opportunities. He said it is not impossible, but is very complicated, and would require working with the City Attorney and other entities at the local, state, and federal levels. He gave additional details about why taking that approach is theoretically possible but would have practical difficulties. He described ways that realtors and others can use marketing to reach targeted audiences without involving City regulations. He also described the provisions the City would require of a builder who chose to build under one of the new options, including the need to tie any future rent increases to increases in the AMI.

PROBALA noted the opportunity to move into an affordable housing situation in Issaquah couldn't be limited to a specific job type; what would happen when those people moved to another job, for example.

LEWIS asked for any updates on addressing housing for homeless and those at very low income levels. Sullivan described current projects seeking funding on the Eastside for women and children's shelters, a men's shelter, leased group homes, and projects intended to reach people at 30, 50 and 60 percent of AMI. So there is a wide variety of approaches being taken, he added. LEWIS asked are there any updates for Issaquah, specifically. Sullivan noted the transit-oriented development (TOD) and housing authority projects are examples, and explained how the use of vouchers would work for those projects.

WALSH asked would the voucher approach require changes in City code, and if so, why was that not included as one of the strategies presented to PPC for consideration. Sullivan replied strategy #9 in the Housing Strategy specifically targets ways to create housing for the homeless and very low-income residents, including the use of vouchers.

FAUL said he is still concerned about how to best make sure we are serving people who live and work here with the housing model we are discussing tonight. Sullivan referred to the City's experience with affordable housing at the Issaquah Highlands. He said he understands the question but recommended more discussion with the City Attorney and others about the legal ramifications of limiting renters of affordable housing to specific audiences based on their vocation.

PROBALA said these amendments are not a 100-percent solution to all the affordable housing problems in the City, but are better than having no requirement to build affordable housing at all. She added she keeps hearing that "the market will decide" what kind of housing gets built and where, but she would also like to have the City decide what it wants builders to build. She spoke in favor of creating a model of where affordable housing should go in the urban core, and what it would look like. Until we get that, she said, we will have a hodge-podge of developments. We are at the point now where we need that model for central Issaquah, she concluded.

MOVED BY SWEDBERG, SECONDED BY WALSH that Amendment 1, Central Issaquah Development and Design Standards, Chapter 4.0 Zoning Districts, Uses and Standards Summary, and Amendment 2, Issaquah Municipal Code Chapter 18.21 Affordable Housing, be approved as presented, with the correction to Footnote 4 of Table 4.4-A as discussed at tonight's meeting. MOTION CARRIED BY MAJORITY VOTE OF ALL COMMISSIONERS PRESENT (FAUL voted in the minority).

OTHER/ADJOURN

Heinonen noted the next PPC meeting is scheduled for November 9. That meeting will be the first of two PPC discussions on District Visions; the second will be November 30, she noted. With no additional business to conduct, PROBALA adjourned the meeting at 8:29 PM.

Respectfully submitted,

Susan Lowe
Recording Secretary

(Note: Alternate Members did not vote at tonight's meeting as there was a quorum of Regular Members present.)