

CITY OF BELLEVUE
BELLEVUE PLANNING COMMISSION
STUDY SESSION MINUTES

April 23, 2008
6:30 p.m.

Bellevue City Hall
City Council Conference Room 1E-113

COMMISSIONERS PRESENT: Chair Robertson, Vice-Chair Bach, Commissioners Ferris, Lai, Mathews, Orrico, Sheffels

COMMISSIONERS ABSENT: None

STAFF PRESENT: Paul Inghram, Carol Helland, Emil King, Department of Planning and Community Development

GUEST SPEAKERS: Greg Easton, Property Counselors

RECORDING SECRETARY: Gerry Lindsay

1. CALL TO ORDER

The meeting was called to order at 6:31 p.m. by Chair Robertson who presided.

2. ROLL CALL

Upon the call of the roll, all Commissioners were present with the exception of Commissioner Lai, who arrived at 6:33 p.m., and Commissioner Bach, who arrived at 6:56 p.m.

3. APPROVAL OF AGENDA

The agenda was approved by consensus.

4. STAFF REPORTS

Comprehensive Planning Manager Paul Inghram reviewed the materials included in the Commission desk packets.

5. PUBLIC COMMENT

Ms. Paula Holmes, director of Children's Bellevue, updated the Commission with respect to the progress made to date regarding the Children's Ambulatory Care Center. She said Children's has embarked on a substantial design investment utilizing skillful talent and resources in order to expeditiously bring the model of pediatric ambulatory care to the Eastside. The focused effort is in anticipation of the DA-3/MI zoning adaptation in October. She stressed the importance of the city's ability to adhere to its schedule for that work. The current clinic at the Overlake campus is bursting at the seams and the families are eager for Children's to be able to offer a broader array of services on the Eastside. The building under design will compliment the MI district. She thanked the Commission for its work on behalf of Children's.

Mr. Leonard McGhee, Segment Manager for the Sound Transit East Link project, reminded the Commission that the Sound Transit Board is working to devise an alternate plan for ST-2. He said the Board is set to vote on April 24 on whether or not to submit a package for the voters to

view. Sound Transit is continuing with the EIS work for the East Link project and has a scheduled release date of fall 2008. As part of the representative alignment process includes a prototypical alignment to determine potential costs. The potential Comprehensive Plan and Land Use Code amendments for the Bel-Red corridor is integral to the process. The representative alignment in the corridor included three stations between Overlake Hospital and the Overlake transit center in Redmond. As Sound Transit launched into the EIS process, the Board added an additional station at 124th; that addition was made at the request of the city of Bellevue. Sound Transit has been researching ways to finance the additional station. It has taken into account the value to be added to the land through high-quality light rail transit investments and has found that such investments add about ten percent to land values within station areas. Sound Transit has scheduled a meeting with planning staff to share the results of the analysis.

Mr. Steve Cox with Mithune Architects said his firm was asked to review the draft zoning language for the Bel-Red subarea. He said he was struck initially by the fact that the base FAR is very low. The base FAR is actually consistent with the current development pattern in the area. In order to affect change it will be necessary to change some fundamental paradigms. The design guidelines are great, as are the goals and long-range vision. The idea of using incentives to bring about affordable housing, parks and stream improvements is also fantastic. The real issues are who should be responsible for paying for it all, and timing. By setting the base FAR too low and effectively taxing development to get to a level that encourages good behaviors, the city is asking for the tip before the dinner is served. The developers are being compelled to pay for value in the neighborhood way before there is a neighborhood that has any value to move into. In the downtown where there are higher FARs the land supports good behaviors, and developers want midblock connections because they want more frontage for their retail uses. The struggle in Bel-Red is the increment of time between when value is created and when amenities such as affordable housing and parks can be sensibly added to the equation. Starting with a higher base FAR will create enough value to incentivize under building parking, additional frontage and other amenities. Most developers would gladly include affordable housing if given an additional floor, if it did not count against the FAR calculation, and if no parking is required.

Mr. Chris Mooi, Chief Development Officer for Bel-Green Developments, owners of the former Angelo's Nursery site on 156th Avenue NE, said a letter in response to the proposed incentive plan for the Bel-Red corridor was sent to the Commission and City Council on April 18. He said the project for which Bel-Green is working toward approval consists of 150 senior rental units, 62 senior condominiums, and a 280-room hotel. The proposed base FAR of 0.5 to 1.0 and the associated incentive costs will triple the cost of the project. No new development will be able to follow the objectives set out under the proposal and projects will not get built. There are two specific areas of concern to Bel-Green: first, the definitions of affordability and the application of incentives toward the non-incentivized base FARs, and second the inherent assumptions made in establishing the incentives. He offered the Commission examples of the industry standards for costs associated with municipal contributions and how those examples could be applied to the Bel-Green site. Bel-Green builds into its project budgets development cost charges that are established with specific regard to the benefits a project brings to a community when the benefits of the project warrant it. For the senior and hotel uses, Bel-Green expects to pay between \$1500 and \$2500 per door in development cost charges; both uses have recognized community benefits. The proposed project has budgeted development cost charges ranging from \$738,000 and \$1.23 million. The amenity space to support the building should be exempted from the FAR calculation. Bel-Green has received considerable input from the marketing and real estate professionals in the Bellevue area regarding the Angelo's site. The market price for new residential condominiums in the area of 156th Avenue NE and NE 24th Street average about \$425 per square foot, based on wood-frame construction. The area will not compete in any way with downtown Bellevue, where the highrise condominium prices range from \$600 to \$1000 per

square foot. Land values in east Bellevue simply do not achieve the type of yield expectations the incentive program unveiled on April 16 envisions. Bel-Green is very concerned with the April 16 report and the taxing implications, and cannot stress strongly enough that if the approach is implemented the senior project for the Angelo's site will not proceed.

Mr. Greg Johnson with Wright Runstad noted that his firm also provided a detailed set of comments regarding the April 16 report. He underscored the fact that Wright Runstad has a huge stake in the Bel-Red corridor and is committed to working with the Commission and the staff to craft an approach that will result in the intended consequences rather than the unintended consequences. He stressed the company is very excited about the intended vision for the corridor.

Mr. Roger Perisotto, 4540 169th Avenue SE, said he views affordable housing from the perspective of getting older, or senior housing. He said the long-time Bellevue resident in her 80s who is widowed living alone in the family home of more than 20 years must care for herself, take out the garbage, mow the lawn, and struggle to make ends meet on her modest pension. She finds it necessary to rely more and more on outside help. Her older home is requiring more repairs but she cannot afford to have them done. Financially she will no longer be able to stay in her home. There are currently no homes for sale in Bellevue under \$300,000. There are 103 homes for sale between \$350,000 and \$500,000; 276 homes ranging up to \$750,000; and 900 homes between \$1 million and \$2 million. Her pension and government income total \$1800 per month. Her expenses, not including outside health, take all of her income; if she needs to buy something extra, she must dip into her savings of \$25,000. Her income is \$22,000 per year, but her home is an asset so she does not qualify for affordable housing by some definitions. Independent senior housing costing \$3500 per month is not affordable to her. Only by selling her home will she be able to afford independent senior housing. Such housing should be deemed affordable.

6. COMMUNICATIONS FROM CITY COUNCIL, COMMUNITY COUNCILS, BOARDS AND COMMISSIONS – None

7. REPORTS FROM COMMISSIONERS

Chair Robertson reported that she would be attending the Seattle Planning Commission meeting on April 24 along with the Planning Commission chairs from other jurisdictions. She also noted that she planned to attend the national planning conference in Las Vegas the week of April 28.

8. STUDY SESSION

A. Bel-Red Subarea Plan, Comprehensive Plan and Land Use Code Amendments

Mr. Inghram said staff understands the need to develop a program that will make Bel-Red work for the types of development that are envisioned. The overall objective is to assemble a draft suitable for public review; staff are not asking the Commission to make final recommendations just yet. The month of May will be spent conducting public outreach, including a business panel, a public hearing, and other engagement activities aimed at getting broad public input. An open house and presentation to the boards and commissions working on Bel-Red will be held near the end of the month.

Land Use Director Carol Helland explained that as much as possible the format used in other sections of the code are being followed in developing the Bel-Red documents. She said the sections included on pages 6 and 7 of the packet are intended to add the Bel-Red districts, and the

sections on pages 8 and 9 talk through the district descriptions that were presented to the Commission on April 16.

The interpretation section mentioned by Commissioner Sheffels on April 16 with regard to ensuring flexibility for existing uses is included on page 9 of the packet. She said she included a couple of amendments that describe the way the city handles the code interpretation process in practice. Uses are compared to the Standard Land Use Coding Manual, the Standard Industrial Classification Manual, and the North American Industry Classification System. It is often not necessary to go through a formal process to allow for flexibility; there is a weekly code interpretation meeting and staff can get back to customers with questions usually within a matter of days. The system has built-in flexibility in determining allowed uses, and the appeal process is only kicked in when absolutely necessary.

Attachment 3 beginning on page 11 of the packet describes the land use framework that will be applicable in Bel-Red. Ms. Helland said the section will be a part of the Land Use Code in Chapter 20.25. The 12 land use districts for Bel-Red are listed on pages 11 and 12.

The review required section of the code begins on page 12. Ms. Helland said staff contemplates the application of a group of standards, design guidelines, the overlay requirements in 20.25D, and the general requirements. Some general sections of the Land Use Code will be made specifically inapplicable in Bel-Red, such as the transition area requirements or the community retail design guidelines.

For complex sites, the anticipation is that master development plans will be required. The city typically requires master development plans for sites that will have more than one building, which provides the opportunities to look at proposals on site scale rather than a building-by-building scale.

Ms. Helland said the city will not be allowing for modification of the vesting provisions through master development plan approval in Bel-Red. The typical vesting provisions of 20.40 will apply which allows vesting for a period of two years provided there is an active building permit. Project limits will be allowed to cross streets, which is different from other parts of the city.

Design review will apply to individual buildings, which will have to demonstrate compliance with the master development plan. The approach will allow for some administrative dimensional deviations; in some instances a variance may be required. Procedural merger will allow for the combining of all administrative decisions to streamline the process.

Attachment 4 on page 14 has the minimum and maximum parking requirements. Ms. Helland said the uses listed are keyed directly to the anticipated uses for Bel-Red. The section preempts the general parking requirements from 20.20.590 and provides for specific incentives or tweaks in cases where off-site accessory parking can be used to meet some of the parking demand and where phased parking is allowed.

Commissioner Sheffels called attention to the requirement for vanpool and carpool facilities having to be adjacent to an entrance door and suggested that there should be a size determination as to whether such facilities are required. Ms. Helland said the minimum number requirements are part of the transportation code. She agreed to verify that and make a better reference to them. Commissioner Sheffels said at the very least what is meant by "adjacent to an entrance door" needs to be better defined.

Commissioner Sheffels said she has never understood why drive-through facilities are not

allowed. Uses such as banks and pharmacies use them, they offer convenience, and generally they should be permitted. Ms. Helland said in not allowing drive-through facilities staff was focusing on the principles of sustainability and designs that reduce the carbon footprint of development. Some states and some cities have outlawed drive-through facilities because of the air quality effects. There are some limitations on drive-up windows in the downtown as well. She allowed that there may be some uses for which reconsideration should be given, such as pharmacies. She offered to come back with a recommendation.

Commissioner Ferris supported not allowing drive-through facilities. They take up site space and do nothing to reduce the carbon footprint. Other communities in the area are disallowing drive-through facilities in pedestrian-oriented districts.

Chair Robertson agreed that drive-through facilities are very convenient, noting that on more than one occasion she has had a sick child in the car and used a drive-through window at a pharmacy. She said she would support allowing drive-through uses, especially outside of the nodes. Commissioner Orrico concurred.

Commissioner Orrico suggested that the wording of A(3) in Attachment 4 should be clarified. As written, it makes it appear as though the only way to exceed the parking minimum is to use tandem or stacked parking.

Commissioner Orrico asked what (D)(4)(c) on page 16 means by saying the ground floor of a parking structure must be faced with occupied space. Ms. Helland said the intent is to make sure the parking garage cannot be seen. She agreed some clarification would be in order.

Commissioner Orrico referred to (D)(4)(d) and asked why parking structures should have a horizontal appearance rather than a sloping appearance. Ms. Helland said that language appears in other places in the code. It is more pleasing to see a horizontal appearance than a parking ramp. With a horizontal design, the building could at some future time be converted to some other use.

Commissioner Ferris asked if tandem stalls can be used to meet the minimum parking requirement. Ms. Helland said as the provision is written, that would not be allowed. Tandem parking would only be allowed to go above the parking minimum. Commissioner Ferris questioned including the provision at all if tandem parking cannot be used to meet the minimum and the maximum parking requirements cannot be exceeded in any case. Ms. Helland said that staff would reconsider the use of alternative parking methods to achieve minimum parking requirements.

Commissioner Sheffels called attention to (D)(4)(e) and asked if parking on the roof of a structure would be permitted if screened. Ms. Helland said that is the intent and agreed the wording could be clearer.

Commissioner Sheffels referred to (I)(a)(2) and suggested that senior housing should not be required to provide for bicycle parking.

Commissioner Ferris pointed out that neighboring uses may object to an adjacent development having lights on a rooftop parking area. Ms. Helland said that provision will need to be clarified.

Ms. Helland said Attachment 5 beginning on page 19 of the packet addresses landscape development and fences for the Bel-Red subarea. She said the section is intended to supersede 20.20.520 to the extent there are conflicts. The provisions call for screening things like vehicular

access, parking areas, and outdoor storage. The fencing requirements parallel the rest of the code.

Attachment 6 on page 21 covers automobile sales, leasing and rental. The provisions require off-site loading and do not allow for outside on-site storage between the building front and the street. Mr. Inghram said that carries forward an existing policy that does not allow auto sales in the light industrial zone Bel-Red Road. The proposal is to allow auto sales through an administrative conditional use permit, but not with display areas facing Bel-Red Road.

Answering a question asked by Commissioner Sheffels, Ms. Helland said a Maserati/Ferrari dealer has expressed an interest in locating at 132nd Avenue NE and Bel-Red Road in an existing building, which would be allowed through an administrative conditional use permit. The part of that site that is currently landscaped would not be suitable for the display of automobiles, though it would be possible to park vehicles on the 132nd Avenue NE side of the building.

Ms. Helland explained that the existing conditions provisions are intended to serve as the surrogate for nonconforming use requirements in the Bel-Red subarea. As proposed, the general requirements associated with nonconforming uses do not apply in Bel-Red. There are two basic categories of existing conditions: uses, and development. Each is dealt with somewhat differently in the code. The proposal places some limits on expansion of uses within the node areas, allowing for expansion only to the limits of common ownership at the time the regulations went into place. The provisions regarding expansion outside the node areas are more lenient.

Commissioner Sheffels called attention to the provisions relating to intentional destruction. She suggested that if a renter or lessee intentionally destroys their part of a series of lots, the property owner should not be penalized by not being permitted to reestablish the existing use, especially if the existing use is integral to other existing uses in the complex. Ms. Helland agreed that language should be clarified.

Commissioner Orrico suggested the Commission should be very sure it wants to take the approach of eliminating the concept of nonconforming uses in the Bel-Red subarea. Ms. Helland pointed out that the existing nonconforming use regulations in play in Bellevue do not conform to the regulations imposed by any other jurisdiction in the region; only one other city in the entire state has similar nonconforming use regulations. Bellevue code allows nonconforming uses to be maintained and expanded. The proposed approach is not much different from the current approach but moves away from putting a nonconforming label on uses. Over time the market will determine when uses should move out of the area.

Chair Robertson said she would like to see a property owner be allowed to change the use in an existing building to some other allowed use for at least some period of time before redevelopment occurs. She suggested having a phase-in period during which changing uses would be allowed.

Chair Robertson also suggested that the provisions make the burden on the property owner too severe in that they talk about proving an existing use has been maintained over time. A better approach would be to require proof that a use existed at the time the new regulations took effect. The intent of the steering committee was to keep current property and business owners from being overburdened by the change and to allow them to go about their business until the market says the area is ready to redevelop.

Mr. Inghram said the comment of allowing new LI uses to be established in the district would represent a dramatic shift. An auto service use in the GC area probably would not be outzoned

and would probably still be a permitted use in the tables. In the nodes there are LI uses, and the establishment of a new LI use within a node would seem counterintuitive to the vision.

Ms. Helland agreed that a property owner may suffer the loss of a tenant with an existing use and may not within 12 months be able to replace the tenant with a similar use. However, under the proposal the list of permitted uses is much broader, and that should make it easier to find a new tenant and convert to a permitted use. Mr. Inghram added that many of the new permitted uses will be able to pay higher rents.

Ms. Helland shifted attention to the issue of home occupations and noted that they are a regulated permit type in the code. The existing code requirements would continue to apply in Bel-Red.

With regard to the Medical Institution requirements, Ms. Helland noted that following the March 26 Commission meeting there were a couple of areas of uncertainty. For the most part the regulations applicable to Overlake Medical Center and Group Health were expanded to include the site anticipated to be the home of Children's Hospital, with just a couple of notable changes to address site-specific conditions. She noted that the Overlake/Group Health site is completely surrounded by right-of-way with landscape requirements that transition to the right-of-way and the surrounding zones. The Children's site does not have those same conditions and therefore will need to have a side yard setback to provide transition between the Medical Institution district and the properties outside that district. That language will appear in the dimensional charts applicable to the area along the southern and northern property lines.

Floorplate size is one outstanding issue that was presented to the Commission on March 26. Staff had included a floorplate limit of 24,000 square feet and a height limit that varied between 75 feet and 100 feet pending a visual analysis.

Strategic Planning Manager Emil King highlighted the Children's site in the Medical Institution district on the map and specifically pointed out the portions of the site Children's is focused on for the Phase I and Phase II development programs. He noted that the site slopes some 50 feet between 116th Avenue NE and the BNSF corridor.

Mr. King presented the Commission with a height analysis for the Children's site starting with an existing elevation of 173 feet. He said five locations were chosen for the visual analysis: one south of the subject property on 116th Avenue NE looking toward the northeast; one on 116th Avenue NE looking toward the southeast; one on NE 24th Street in Bridle Trails where the SR-520 bike trails pops out; one on 120th Avenue NE near the Audi dealership; and one on the NE 12th Street bridge looking straight up the BNSF corridor.

The Commissioners were shown the visual analyses, each of which showed buildings at the 75-foot height limit and the 100-foot height limit. By way of comparison, it was noted that the Overlake campus rises to 135 feet.

Mr. King said based on the analysis, the recommendation of staff for purposes of the public hearing is to allow height up to 100 feet for the Children's site, provided that the height is measured from the 173 feet elevation mark. He further suggested that floorplate limitations should not be required for the site. There should be potential building setbacks and façade modulations, however.

Turning to the visual analysis done for the eastern portion of the subarea, Mr. King noted that 156th Avenue NE is the topographic high point from which the land slopes downward to Bel-Red Road. The steering committee felt it would be appropriate to have the current Office and

Community Business height limits apply to the new RC-3 and Commercial Residential zoning. Based on direction from the Commission, the visual analysis included building heights of between 70 and 75 feet.

Mr. King said the steering committee spent a fair amount of time talking about height for the area. There were some who wanted to limit height in the area, while others took more liberal views with regard to allowing more height. In the end, the recommendation was to apply the existing zoning height limits.

Mr. King said the recommendation of staff is to apply the base height of 45 feet to the triangular area, and to allow up to 70 feet starting 50 feet back from 156th Avenue NE. Any building taller than 30 feet will have the potential to block views so the more important thing to do will be to focus on the street character of 156th Avenue NE, which is why the potential setback of 50 feet was chosen. Other buildings going down the hill could also be permitted up to 75 feet, provided height is measured from average existing grade. Staff believes that 40 feet of separation between buildings as viewed from 156th Avenue NE should be required. A setback from NE 24th Street may also be appropriate.

Commissioner Ferris said achieving the allowable height has everything to do with FAR. Given that most areas have a maximum FAR of 1.0, buildings even close to 70 feet will not be achieved. Mr. Inghram said that statement is generally true. He pointed out, however, that the eastern area has a split zoning, so the northern half would have an FAR of 2.5 which could result in 70-foot buildings. On the southern part, the likelihood is that buildings will be in the range of 50 to 70 feet. The 70-foot limit is intended to be the maximum, not the idea.

Commissioner Ferris asked if the Commission could recommend a higher FAR than 1.0. Mr. Inghram said the Commission has the flexibility to make any recommendation it sees fit to make. He said it is true that certain assumptions were made in developing the EIS and that making significant departures from that, additional levels of environmental analysis will be needed. The staff recommendation is predicated on the findings of the steering committee and on the basic principle of trying to achieve density and intensity levels that are different from the downtown and other parts of the city. That is not to say, however, that the Commission is restricted from exploring other options.

Commissioner Ferris suggested that if there is going to be a discussion about moving in another direction, the discussion should precede the public hearing. As configured, outside the node areas the maximum FAR for the entire subarea is 1.0. Within the nodes, landowners with large properties that will have a lot of street dedications will get the benefit of calculating their FAR on the entire site; in that way they can gain opportunity to maximize their FAR because of the street dedication. The owner of a single property within a node area that will not be required to dedicate any right-of-way will not be able to leverage their FAR; the 2.5 FAR will result in a short building with a surface parking lot. Outside the nodes, the maximum FAR of 1.0 will result in single-story buildings with a surface parking lot. He said that is not what he thought the vision for the area is supposed to be. Even if underground parking is incented, it will not get built because the 1.0 FAR limit will not allow the developer to go up.

Commissioner Mathews pointed out that for many of the areas where the maximum FAR will be 1.0 the primary uses will be housing and retail. The steering committee did not have the expectation that there would be much difference as far as height is concerned outside the nodes. Commissioner Ferris said the FAR limit will yield townhome-style development. To combine retail on the ground floor with housing above will require a higher FAR; an FAR of 2.5 will allow for three levels of housing over one level of retail with underground parking.

Commissioner Mathews said the vision was to have that kind of development within the nodes, not outside the nodes, which is why the FAR limits are lower outside the nodes.

Mr. Inghram said the way the incentive system is structured, developers can gain FAR by providing parks and open space. If a property owner provides a portion of a site to open space requirements, it will not be possible to cover 100 percent of the site. So in effect an FAR of 2.5 might be the same as a 5.0 or 6.0 for the building envelope question.

Commissioner Ferris suggested it might be worthwhile to create some models to help everyone understand how the various areas could develop under the proposal. Chair Robertson thought that would be helpful for her and for the public. Commissioner Lai agreed it would be helpful to have some visual examples.

Turning to the design standards and the section on required ground floor uses, Chair Robertson asked if food is classified as merchandise. Ms. Helland said the proposal would allow for food and retail sales but with a size limitation.

Chair Robertson asked how the selection of financial services, real estate services, and insurance services was made as appropriate for ground floor commercial uses. Mr. King said they are in the FIRES category. He suggested that during the public hearing the public is likely to suggest additional commercial uses.

Mr. King allowed that NE 15th Street/NE 16th Street is a very important piece of the public infrastructure in the corridor. Key principles are providing the foundation, including multiple modes of travel, a connected green spine with a range of open spaces, land use interface, and how it works with the north/south streets. The character of the corridor within the nodes will be very urban, but the areas between the nodes will be more natural in character with fewer buildings. He shared with the Commission drawings of what the roadway might look like with a right-of-way width of roughly 197 feet within the node areas near stations.

Commissioner Ferris commented that the roadway cross section in the nodes near the stations is very focused on the automobile: the frontage road, throughway travel and parking. With SR-520 and Bel-Red Road, anyone wanting to travel east/west in the corridor will not need to use NE 15th Street/NE 16th Street. The only vehicle circulation needed in the nodes is parking and an access road. One or two of the travel lanes could be discarded and still provide all necessary vehicle functions and save a few trees.

Commissioner Orrico said she did not understand what the ped-bike route is connecting to. The pedestrians are going to want to be where the retail uses are. Mr. King said the ped-bike connection will offer a unique continuous connection that ultimately will connect with downtown Bellevue. The facility will connect key destinations on both ends as well as the nodes. One approach would be to have the ped-bike facility separated and landscaped with the look and feel of a green corridor; another approach would be the traditional five-foot-wide strip on the outer lanes of the roadway.

Commissioner Ferris pointed out that every foot of right-of-way will need to be purchased by the city in one way or another. He allowed that the proposed cross section would be a wonderful amenity but suggested there should be some constraint applied to keep the right-of-way from being too wide.

Commissioner Orrico said she is very reluctant to make property owners dedicate large amounts of right-of-way when the likelihood of the city being able to pay for all of the improvements

incorporated in the full vision is questionable. Mr. King said the overall financial picture has been presented to the City Council and they honed in on a few projects for which they wanted additional information; NE 15th Street/NE 16th Street was one of them. He said the comments offered by the Commission will be passed on to the Council when they next study the issue in mid-May.

Chair Robertson acknowledged the receipt of a letter from Transportation Commissioner Joel Glass expressing dismay that the park block concept developed by the steering committee is not being carried forward. She asked how important the park block concept was to the steering committee and if the right-of-way depicted in the drawings is what the steering committee had in mind. Commissioner Mathews pointed out that incorporating the park block concept would require an additional 100 feet of right-of-way. As currently envisioned, the areas between the nodes will be more open and green and will to some degree capture the park block concept. He added that the park block concept never was the vision for the length of the corridor, only in the nodes.

Commissioner Ferris said he would support narrowing the roadway cross section even if it meant losing the frontage road. Commissioner Lai concurred, adding that if anything the first thing he would eliminate would be the frontage road. He suggested that the on-street parking will provide plenty of buffer from the street for pedestrians and even for outdoor café seating areas. Commissioner Ferris said narrowing the roadway will also tend to slow traffic speeds, which would be in keeping with the pedestrian nature of the nodes. Anyone wanting to get through the area quickly would be likely to choose SR-520 or Bel-Red Road anyway.

Mr. Inghram said the intent is to provide a new east/west connection across the city comparable to Bel-Red Road and Northup Way. The new NE 15th Street/NE 16th Street is not intended to be a slow access street serving the local area only. The traffic modeling done shows that a three-lane configuration would result in unbearable intersection delays.

Commissioner Orrico asked how the idea of having a through roadway meshes with the notion of a retail, high-use corridor. Mr. Inghram said the conundrum is that there will be a high auto traffic demand alongside a high percentage of people who are walking, biking and using transit services. As growth in Overlake and the downtown continues, additional pressures will be brought to bear on all east/west routes through the corridor.

Commissioner Bach said he has ridden his bike on Bel-Red Road without mishap. The SR-520 bike lanes go all the way to Redmond, so additional bike lanes running through the corridor are not needed.

Commissioner Lai suggested that finding a place to park and then having to cross the frontage road, the eastbound lanes of traffic, the rail line, then the westbound lanes of traffic in order to get to a business on the other side would prove to be quite an adventure. One way to save some width would be to combine some of the landscaping areas. Aggregating them in certain areas would yield the same benefit.

Mr. King said based on the comments from the Commission along with those from the Transportation Commission and Parks and Community Services Board, staff will take forward to broader concept to the public hearing but frame it in the context of other cross section options.

Commissioner Orrico said she would be very concerned about taking the sketches showing the full cross section to the public. Commissioner Sheffels took the opposite view, suggesting that the extreme view should be given to the public to react to.

Commissioner Lai agreed with Commissioner Sheffels, noting that it would be easier to scale back after the public hearing than to try adding something that was not covered in the public hearing. If the public loves the full-width approach, the Commission should have that data point. Any alternatives should be clearly marked at considerations so the public will understand the Commission has not settled on any particular approach.

Turning to the topic of incentives, Mr. Inghram said the fundamental idea is how to fund the overall program. The steering committee suggests that implementation of the vision will require a robust funding strategy. New facilities will be needed along with a fairly high level of amenities such as parks, open space and plazas along with streets and a mix of housing to really make the new neighborhoods work. It will be expensive to transform an industrial area into a neighborhood, somewhere in the \$450 million range continuing on beyond 2030. Some key investments will need to be made, however, in the first 20-year period to make it all work.

Continuing, Mr. Inghram said the vision of the steering committee was to work with new development in having it fund the facilities needed to support growth and to contribute toward the development of parks and other amenities, capturing some of the value of the zoning change and utilizing new tax revenues generated by the economic development. What staff has heard from the Commission, from the City Council and from the public is that whatever approach is brought into play will need to work for everyone involved.

Chair Robertson asked if anyone has taken a look at the expected increase in property tax revenues to the city would be in the corridor as it redevelops. Mr. Inghram said staff has started to collect data and conduct revenue modeling. While there is no definitive answer yet, it is clear that there will be increased tax revenues. The revenue stream could also include traffic impact fees, possibly park impact fees, along with regional, state and federal grants. A menu of different mechanisms will need to be drawn up in order to make it all work.

Mr. Inghram said the vision anticipates an upzone bringing about an increase in density and height in the corridor. In exchange for those greater intensities through the uplift, the city envisions development helping to pay for the infrastructure and amenity needs. There is no anticipation that the incentive system alone will be asked to do it all. Ultimately the Council will need to make the judgment call regarding what percentage of the infrastructure and amenities should be paid for from general revenues and how much from incentives and other sources.

The city recognizes that development should not pay the total cost of infrastructure improvements given the fact that there are public benefits involved. Accordingly, a range of different values has been assigned to the incentive system. There will continue to be talks with stakeholders and others during the public outreach period about just where the numbers should fall and what tweaks may be necessary.

Mr. King said staff is recommending moving forward with the range of values for purposes of the public hearing. He noted that staff have not yet developed a bonus range for the areas outside the nodes.

Mr. King briefly reviewed the methodology used in determining the value ranges, starting with the residual land value methodology. He noted that a variety of data points were used in focusing on a host of different development types within the nodes. The residual land value data points ranged from a low of \$76 per square foot of land to a high of \$135 per square foot; the overall average came in at \$105 per square foot. The analysis done to date shows that developers would be willing to pay between \$20 and \$40 per square foot for the additional development rights.

Answering a question asked by Commissioner Sheffels, Mr. King said the analysis figures are in current dollars but are based on the income stream to be achieved over time.

Greg Easton with Property Counselors explained that the developer initiating a project right away under the new zoning would see the increment in residual value that the modeling shows. For projects initiated farther out in time, the increment would be escalated.

Commissioner Orrico asked if the residual value is based solely on projected income streams rather than on an increase in the value of land over time as the area develops. Mr. Easton said it is based on the ability of the land to generate an income stream, which is the primary determinant of land value over time.

Commissioner Orrico said it is intuitive that as the area redevelops, the value of the whole area will increase. She offered two scenarios, one in which a site redevelops but nothing else around it redevelops, and one in which an entire area redevelops. She suggested that the developer in the first scenario will not be able to charge the same rents as the developer in the second scenario, and the land value for the site in the first scenario will not be as high as the land value in the second scenario. She suggested that the residual land value for the property in the second scenario will be higher. Mr. Easton explained that the residual land value will go up under both scenarios based on the density allowed and improvements to infrastructure and public amenities, making the area more desirable. The residual land value calculations include assumptions regarding achievable rents.

Commissioner Lai asked exactly what is meant by additional value per additional square foot of development right. Mr. Easton answered the number represents the additional amount a developer could pay for land expressed on a per-square-foot-of-building basis predicated on the FAR.

Mr. Easton explained that residual land value is the amount a developer could afford to pay for the land in order to have a feasible project providing for a standard rate of return. The impact of differences in market conditions over time and differences in allowable density can be calculated against residual land value; the resulting number is what conceivably could be invested back into the project through incentive features or through contributions to infrastructure to make the overall plan achievable.

Mr. Easton said the residual land value analysis contemplates a variety of specific building types. For a midrise housing development within one of the nodes with wood frame construction and a maximum FAR of 2.5 on a 200,000 square foot property, the maximum gross building area would be 500,000 square feet. He said the model applies an efficiency factor of 85 percent given that not all of the building square footage will be rentable; that calculation yields 425,000 square feet of rentable area, or approximately 417 dwelling units. At 1.25 parking stalls per unit, 521 parking stalls would be required, and the assumption is that the parking would be above ground. The base value of the land before the increase in density allowed by the incentive system was calculated to be \$45 per square foot with a maximum FAR of 1.0. The model also takes into consideration the cost of site improvements, demolition of existing structures, other improvements, the cost of building the new structure, the cost of providing an interior street grid system, and the cost of above-ground structured parking. The total construction cost of \$75.5 million is in addition to \$9 million in land cost.

Commissioner Sheffels asked if land in the Bel-Red area has been selling for about \$45 per square foot. Mr. Easton said it has in fact been selling for more than that lately, no doubt in

anticipation of the upzone. Commissioner Sheffels suggested the fact that land is selling for more than \$45 per square foot should be taken into consideration. Mr. Easton said that would mean less of a residual land value increment available for developers to invest in amenities or infrastructure.

Commissioner Bach said he is currently has clients with a project in the Bel-Red corridor who are facing between \$45 and \$110 per square foot. Values of \$45 per square foot are based on industrial zoning and the upzone will certainly jack prices up.

Mr. King said the \$45 number is not atypical; the Wright Runstad purchase was in that range, and there have been other sales not far off of that. There are a lot of variables involved, including the size of parcels, with smaller parcels selling for more per square foot. Having usable buildings on the land also contributes to price.

Commissioner Ferris suggested that land values based on what is being paid for land in the corridor cannot be a true representation of the base value; the higher prices reflect speculation in many cases. The base land value should be predicated on what the current zoning would allow. He suggested the \$45 per square foot is high given the existing uses allowed.

Commissioner Lai commented that speculation or not, the steering committee started the ball rolling and land prices are being affected. He suggested that the residual land value approach is problematic because of the feedback loop associated with speculation. Mr. Inghram said staff recognizes that deciding what value to use is a judgment call and that there is no exact science involved. Some starting point will need to be chosen in order to demonstrate land value increases, and staff believes the \$45 per square foot is a reasonable approximation.

Chair Robertson suggested the exercise is a good one to go through but begs the question of what is going to be palatable in terms of incentives to get the amenities constructed. Commissioner Orrico agreed and said there should be conversations with the people who will do the developing. To some extent, the proposed approach makes the developers pay for something they created themselves for the good of the overall community. The vision for the area is wonderful, but at the end of the day it will be necessary to be realistic.

Commissioner Lai suggested the exercise could prove to be particularly difficult for the pioneer developers. Once there are some anchor tenants in place, the expectations and land prices will stabilize. The methodology may in fact be more appropriate for subsequent phases of development.

Commissioner Orrico said she could understand asking developers to pay for the additional value once it is there, but it is not there yet.

Mr. Easton argued that the methodology is sound. If the anticipation is that the pioneers will experience different market conditions from those who follow them, adjustments can be made in the model to reflect a lower rental rate for the pioneers. Once the character of the area is created, however, the model will be accurate with regard to what subsequent developers could afford to spend on amenities.

Returning to the model, Mr. Easton noted that in addition to the cost of land and hard construction costs, there are also soft costs for things like fees and permits, and for transportation impact fees and park impact fees which add up to about \$25 million, or 30-plus percent beyond the hard construction costs. To the extent the pioneer developers will have to face the risk of a longer lease-up period, they will incur higher soft costs.

Mr. Easton said the sum of the capital cost items is \$109 million, which is the cost of creating the revenue-producing asset. The value of the revenue-producing asset is based on revenues generated at \$24 per net square foot per year, or \$10 million per year. Subtracting a vacancy allowance and adding in net revenues from parking yields a net rental revenue of \$10.1 million per year. Subtracting out operating expenses at \$7.20 per net square foot, which is 30 percent of the operating revenue, gives a net annual operating income of \$7 million. To translate the annual income into a value a process called capitalization is used; the annual operating income is divided by a capitalization rate, which is assumed to be 5.5 percent. Generally an investor would look at a rental income stream of \$7 million per year and be willing to pay \$128 million for it.

The difference between the value of the completed asset and the capital investment to create it represents the developer profit or entrepreneurial return, which is roughly \$20 million. Taken as a percent of the investment, it is 17.9 percent. Typically, a standard return on costs falls in the range of 10 to 20 percent. The scenario modeled has a return rate in the upper end of that range.

With a residual value in hand, it is possible to reverse the process and determine what could afford to be paid while still achieving a minimal standard return of ten percent. It turns out that number of \$84.20. So rather than the \$45 assumed to be the base land price under the existing zoning, or under an FAR of 1.0, the scenario modeled could support a land price of \$84.20 per square foot.

Commissioner Ferris said the lowest cap of late was just under five, but 6.5 is more traditional. That would put the value at \$108 million rather than \$128 million, which would mean no profit at all. A rate of 5.5 is a low rate by any historic measure for an apartment building; banks are currently underwriting at a seven cap. Five or six years ago the average was 7.5, and traditionally apartments traded at 8.5 cap. The current conditions are unusual and it cannot be assumed that things will look like they do now in the future.

Mr. Inghram agreed that adjusting the cap rate will change the numbers, which in part is what the modeling run shows. The model is intended to serve as an illustration based on a certain set of assumptions.

Mr. Easton said the fact that property is trading at over \$100 a square foot in some parts of the corridor indicates that someone envisions development that will support returns commensurate with the modeling.

Chair Robertson asked what putting the return on investment at the high end does to the residual land value. Mr. Easton said the fact that the return as a percent of investment is 17.9 percent, assuming \$45 per square foot, at the 20 percent threshold the residual land value would be driven below \$45.

Commissioner Ferris said the fact is there will be some value created by upzoning the land. By creating the value, the city should expect to get some of that back in the form of infrastructure improvements. If those benefiting from the upzone are not required to contribute, the taxpayers of the city as a whole will have to pay for the improvements through raising taxes. The question is how to reach the right medium that will create a positive incentive for the developer while capturing some of the increase for reinvestment in infrastructure.

Commissioner Bach said he is not comfortable with the city taking the approach of deciding what the development community can pay. The city should not seek to gain back everything it will give out through the upzone. Mr. Inghram said that is the type of recommendation the

Commission will want to make to the Council. What is needed first is an incentive system for the public to react to.

Chair Robertson said it would be very helpful to know what other cities that have seen similar redevelopment, like the Pearl District in Portland, have found worked for them with regard to incentives, impact fees and the like. She said it would be good to have those figures given as a percentage of the development costs as well. She said she is not interested in all in determining residual land values and taking a percentage of that; the numbers are just too slippery and will lead the city down the wrong path.

Mr. Inghram said the City Council is not in the position of trying to figure out how much the city can get from the upzone, rather they are in the position of trying to figure out how to pay for the necessary infrastructure. There certainly will be discussions in the coming months about fine tuning the picture and reducing the overall costs. The Council will also have the final decision to make regarding how to fund the projects, what the proportionate share should be, and the degree to which incentives should be used.

Given the lateness of the hour, Mr. Inghram elected not to lead the Commission through a discussion on affordable housing. He said the goal is to have something out there to get public reaction to. There are some refinements and clarifications that could be made to the affordable housing policies before the public hearing. Staff recognizes that there is both interest and concern with regard to phasing, and that it would be helpful to include in the public outreach how incentive systems have worked in other cities in similar zones and under similar redevelopment scenarios.

Motion to extend the meeting to 10:30 p.m. was made by Commissioner Orrico. Second was by Commissioner Mathews and the motion carried 5-1; Commissioner Bach voted no and Chair Robertson abstained.

Commissioner Orrico said she could agree to sending the affordable housing policies as drafted to the public hearing. Chair Robertson concurred.

Mr. King shared with the Commission a public outreach display to be made available at the public hearing. He noted that the display walks through a prototype residential development with the full range of the tier system shown with affordable housing first, parks and streams second, and any three items from the list as tier three. The scenario anticipated 417 market units based on the affordable housing ranges for the apartment level of 3.2 to 1.0 up to 10.0 to 1.0, which results in somewhere between 2.5 and 8.1 percent of the whole project falling into the affordable housing category.

Commissioner Orrico asked what the development agreement with Wright Runstad addressed by the City Council on April 21 covered. Mr. Inghram said it covered an allocation of the amount commercial development capacity under the BROTS agreement to the Wright Runstad development.

The transportation phasing plan is intended to bring the different road pieces online coincident with land development. The concept is to put a limit on areas 1 and 2 that would be similar to what is allowed under the current zoning with densities of about 0.5 FAR; to go to a higher level, a plan and implementation mechanism would have to be in place for the initial infrastructure. Another option would be to limit the overall expansion of development until high-capacity transit is in place serving the area.

Staff believes it will be worthwhile to get broad public input for the concepts as outlined. One way it could be enhanced would be to be more explicit about the types of funding mechanisms that might be used and to provide more definition and greater clarity.

Commissioner Orrico allowed that the city will need to have some assurance that the infrastructure will get built and asked if staff has heard any suggestions for alternative approaches to assure that from the public. Mr. Inghram said specific suggestions have not been raised. Staff and Wright Runstad have talked in the past and are willing to continue seeking potential solutions.

Commissioner Ferris reminded staff that from the start the Commission was told it would not be involved in figuring out how to pay for the package of infrastructure improvements, yet a great deal of time has been spent on the topic to better understand what can be allowed from a planning standpoint. He suggested that the Council should make a decision first relative to how to pay for it and what resources will be available, then the Commission can better figure out what is going to fit.

Mr. Inghram said one possibility would be to not peg the incentives and decide just to provide the Council with a recommendation for how they should be phased in.

Commissioner Orrico asked why staff has asked the Commission to spend so much time valuing incentives when no one has any real idea of how it will all get funded. Unless the Council provides more guidance, the Commission will not be able to develop true numbers. Mr. Inghram said the Commission could advocate that position to the Council.

Commissioner Ferris said the worst scenario would be for the city to approve an upzone but limit development to 0.5 FAR and then see low-density development brought online ahead of a funding mechanism and transit serving the area. That would lock the area into low-density development for the next 50 years. The alternative would be to get the transit first then look at changing the land use based on the certainty of being able to serve the area. Mr. Inghram argued that the proposed approach does just that. The 0.5 FAR holds in place current density levels until such time as there is a funding mechanism identified. That minimum level of assurance will be needed before unleashing all the potential land use.

Chair Robertson said she would favor having some exceptions for higher development to get things rolling.

9. NEW BUSINESS – None

10. OLD BUSINESS – None

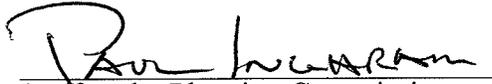
11. PETITIONS AND COMMUNICATIONS

Mr. Chris Mooi with Bel-Green commented that the base FAR has to be encouraging to a developer. By maintaining the existing FAR and status quo, very little by way of encouragement is offered. When trying to achieve the maximum FAR, there is a balance between the incentive costs and what they will yield for the developer. He noted that the value of the Angelo's site was established by a big box retailer wanting to buy the site and build it out at an FAR of 1.0; Bel-Green did not purchase the site based on speculating a 2.5 FAR. He said he was happy to hear that some of the assumptions on the incentives were based on cap rates and returns to developers that are simply not representative of the currently marketplace. Bel-Green expects 6.75 and 7.0 percent as the cap; typically financing at 70 or 75 percent is very difficult to obtain. A 10 percent

return to an investor in the current marketplace will not even go near a development; the minimum sought is 15 percent, but most target closer to 20 percent.

12. ADJOURNMENT

Chair Robertson adjourned the meeting at 10:21 p.m.


Staff to the Planning Commission

10/8/08 (approval
Date 7/23/08)


Chair of the Planning Commission

10/22/08
Date