Bel-Red Subarea
Tonight’s Focus:
1) Zoning Incentive System
2) Plan & Code Issue Identification

Bellevue City Council
October 6, 2008

Presentation Overview

- Land Use Incentive System
  - Context & Background
  - ULI Panel Recommendations
  - Property Counselors Revised Modeling
  - Staff Response to ULI Non-Technical Recommendations
  - Details of Revised Incentive System

- Subarea Plan and Code Issue Identification
  - Review schedule for upcoming study sessions
  - Identify additional issues to explore in greater depth at future meetings
Schedule for Bel-Red Related Study Sessions

- **September 22** – Bel-Red Subarea Plan and Code: Planning Commission recommendation
- **October 6** – Incentive System and ULI and Property Counselors recommendations
  - Also, identify Subarea Plan and Code issues for additional follow up
- **October 13** – Long-range capital planning and financing strategy, including infrastructure needs for Bel-Red
- **October 20** – BROTS interlocal agreement with Redmond
- **November 3** – Infrastructure implementation review
- **November 10** – Land use: plan & code review
- **November (date tbd)** – NE 15th/16th Corridor design review
- **Fall** – Adoption of long range capital finance plan
- **December** – CIP and budget
- **January** – Action on Subarea Plan and Land Use Code
- **January** – Action on BROTS interlocal agreement
- **Winter/spring** – Implementation of financial tools

Zoning Incentive System
Overall Funding Strategy

Development Incentives

General Revenues

Other Developer Participation: Impact Fees, LID, ROW Dedication, Offsite TDRs

Incentive System

- Bel-Red committee emphasized use of incentives as a principal financial strategy
- Draft incentive system in the Land Use Code
- Intent is to provide additional development rights (FAR & height) that offset the cost of providing amenities
- Not an exact science:
  - Range of variation between projects (modeled 10 development scenarios)
  - Economic factors may change over time
  - Tracking and periodic reevaluation to occur
Definition of Floor-Area-Ratio

- Measurement of floor area in building compared to site area

2.5 FAR

5 floors at 20,000 sq. ft. each = 100,000 total sq. ft.
100,000 total sq. ft./40,000 sq. ft. site area = 2.5 FAR

10 floors at 10,000 sq. ft. each = 100,000 total sq. ft.
100,000 total sq. ft./40,000 sq. ft. site area = 2.5 FAR

Notes:
1) Some building area may be excluded from FAR calculation (structured parking, affordable housing)
2) Areas dedicated for open space or right-of-way may be retained in site area for FAR calculation

Office FAR Examples

- Group Health
  1.0 FAR
  5 stories

- Advanta Eastgate / Microsoft
  0.5 FAR
  7 stories

- 112th @ 12th
  2.7 FAR
  6 stories
Office FAR Examples

The Summit / PSE
3.6 FAR
13 stories

Tower 333
5.8 FAR
20 stories

Key Tower
6.9 FAR
28 stories

Residential FAR Examples

1200 Bellevue Way
0.72 FAR
3 story townhouses

Palazzo II
3.5 FAR
6 stories

Masin’s
2.3 FAR
5 stories
Residential FAR Examples

- Washington Square
  4.9 FAR
  24 stories

- Bellevue Towers
  9.5 FAR
  42/43 stories

Incentive System Framework

**New Zoning**

- Tier 2
  "Nice to have" amenities

**LAND USE INCENTIVE SYSTEM**

- Tier 1
  Parks & Open Space, Streams, Affordable Housing

**Potential DEVELOPMENT FEES**

- (Impact Fees, LIDs)

**Current Zoning**

- (pre Bel-Red Plan)

**Lift in Land Value**

The zoning lift has the potential to support the public infrastructure and amenities needed to transform the Bel-Red area.
Draft Amenity Incentive System (May 2008)

Tiered System Reflects Priorities

- Tier 1 most important – Funds parks, streams, and affordable housing first
- Most available bonus FAR is in Tier 1
- Remaining FAR is available in Tier 2 (art uses, child care, non-profit space, public restrooms, public art, plazas, etc.)

➢ Original May '08 proposal limited nodes to 2.5/3.0 FAR
➢ Areas outside nodes were limited to 1.0 FAR, and no incentive system was available

Example of Original Incentive Proposal, Using Generic Numbers

Example
➢ 100,000 sq. ft. site (2.3 acres)
➢ Assuming 2.5 FAR maximum

How is Bonus FAR Valued?
➢ Identify value of land / sq. ft. based on market return under higher zoning (residual land value)
➢ Value of land / sq. ft. divided by achievable FAR = $ / sq. ft. of bonus FAR

➢ 100,000 x 0.5 = 50,000 sq. ft. potential bonus
➢ Use Tier 2 Amenity List

➢ 100,000 x 1.0 = 100,000 sq. ft. potential bonus
➢ Use Tier 1 Amenity List

➢ 100,000 x 1.0 = 100,000 sq. ft. as-of-right
Urban Land Institute Review

- Comments received during public review that incentive zoning numbers threatened development feasibility
- ULI framework for technical assistance panels – multidisciplinary, unbiased expert advise about complex land use and development issues
- Council endorsed ULI Panel review, with group reporting directly to Council – recognizing that zoning incentive system closely tied to entire Bel-Red funding approach

ULI Technical Assistance Panel Charge

- ULI Panel asked to:
  - Comment on the methodology, assumptions and conclusions of the current Bel-Red economic modeling
  - Identify and apply other technical/analytical methodologies that “triangulate” on the question of Bel-Red development’s ability to pay for needed public infrastructure and amenities
  - Make recommendations for technical refinements to the draft incentive zoning system, with the objective that development helps fund Bel-Red infrastructure and amenities, while remaining feasible in the marketplace
ULI Panel Members

- **Patrick Callahan, Panel Chair**  
  Founder and CEO, Urban Renaissance Group
- **Matt Anderson, Panelist**  
  Senior Project Manager, Heartland
- **Sarah Rick Lewontin, Panelist**  
  Executive Director, Housing Resources Group
- **John Marasco, Panelist**  
  Managing Director of Development, Security Properties Inc.
- **Adrienne Quinn, Panelist**  
  Director, Seattle Office of Housing

- Additional technical assistance from  
  **Stephen Blank, ULI Senior Resident Fellow for Finance**

ULI Panel Approach

- Review of extensive Bel-Red documentation, in-depth briefing and tour
- Review of original Property Counselors economic modeling
- Independent review and modeling of financial feasibility for new projects
- Professional judgment and modeling to reach conclusions and recommendations related to development feasibility
ULI Panel Key Findings/Recommendations

- Overall approach of incentive system is sound public policy
- Raise capitalization rates and construction costs assumptions in scenarios
- Base FAR of 1.0 is appropriate throughout the corridor
- Increase amount of overall lift devoted to tier 1 amenities (parks, streams, affordable housing) – both inside and outside nodes
- Total incentive fees should not exceed $15 per sq. ft. of additional FAR
- Review system in 3 years – once critical mass reached, incentive fees could be increased

Property Counselors Initial Modeling

- Initial pro-forma modeling
  - Analyzed 10 development scenarios that varied by use and intensity, 6 within nodes and 4 outside nodes
  - Assumptions regarding cap rates, construction costs, rents and other revenues, etc.
  - Calculated value of the zoning lift using residual land value –  *the amount that a developer can afford to pay for a property and still achieve target return*
  - The difference between residual land value and base land value (current zoning) is amount that can contribute to infrastructure and amenities needed to support the higher zoning
  - Produced range of bonus rates for public review
Property Counselors Response to ULI

- Response to ULI Technical Recommendations:
  - Capitalization rates adjusted upward
  - Project development cost adjusted upward
  - Parking revenue eliminated in modeling

Conclusions:
- $15 per square foot value for additional development rights has been tested and is supportable given results of revised feasibility analysis
- Bonus rates for each amenity generally higher than those derived from the earlier economic analysis

Staff Response to Non-Technical Recommendations

- Areas of Agreement:
  - Set Base FAR at 1.0
  - Increase Tier 1 lift within nodes to 2.5 FAR; outside nodes to 1.0 FAR
  - Provide Tier 2 bonus within nodes of 0.5 FAR
  - Waive additional incentive fees for affordable housing
  - Consider transportation impact fees when balancing total incentive fees
  - Count privately financed public amenities
  - Recognize conveyance of land to public use
  - Encourage Transferable Development Rights (TDRs)
  - Framework for building bulk and scale
  - Minimum parking requirements should anticipate future transit-oriented neighborhoods
  - Review incentive system in 3 years (5 years is staff recommendation)
ULI Recommendations which raise Staff concerns:
- Do not apply FAR limit for residential
- Add underground parking to incentive list
- Eliminate phasing
- Lot coverage and setback modifications when property owner conveys land for right-of-way, or other public use
- No floor plate restrictions up to 100 feet of building height
- Expedited entitlement and construction activities
<table>
<thead>
<tr>
<th>Bonus Amenity (each defined in the Land Use Code)</th>
<th>Bonus Rate</th>
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<tbody>
<tr>
<td><strong>TIER 1</strong></td>
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<tr>
<td>Workforce / Affordable Housing – Rental at 80% AMI</td>
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<td>Bonus Rate (SF Market / SF Affordable)</td>
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<td>Workforce / Affordable Housing – Ownership at 100% AMI</td>
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<td>Bonus Rate (SF Market / SF Affordable)</td>
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<tr>
<td>Parks</td>
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<tr>
<td>Bonus Rate (SF Building Area / SF Feature)</td>
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<td>Stream Restoration</td>
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<td>$ / SF Building Area</td>
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<td>SF Building Area / $1,000 of Feature</td>
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<tr>
<td><strong>TIER 2</strong></td>
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<td>Nonprofit / Community Service Space (Subsidized Space)</td>
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<td>Bonus Rate (SF Building Area / SF Feature)</td>
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Full set of recommended bonus rates included in Council packet

**How are rates calculated?**

- Cost to provide amenity per sq. ft. / $15 value of sq. ft. of additional development.
- Example for park: $85 cost to develop sq. ft. of park / $15 = 5.67 bonus rate;
  
  *For every sq. ft. of park provided, 5.67 sq. ft. of additional development is earned*

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**Example of Large Residential Apartment Development**

**Example Residential Site**
- 100,000 sq. ft. site (2.3 acres)
- About 1 Bel-Red block (320' by 320')
- 4.0 FAR (max. within nodes)
- Two or three buildings

**Building Totals**
- 432 total units: 400 market units, 32 affordable rental units (affordable about 7.5% of total units)
- 5,154 sq. ft. active recreation area
- Maximized 4.0 FAR, with affordable housing FAR exempt

**Tier 2: Any (0.5 FAR)**
- 100,000 x 0.5 = potential 50,000 sq. ft. bonus (~50 market units)
- 50,000 potential bonus / 9.7 bonus rate = 5,154 sq. ft. active recreation area

**Tier 1b: Parks/OS & Streams (1.25 FAR)**
- 100,000 x 1.25 = potential 125,000 sq. ft. bonus (~125 market units)
- 125,000 potential bonus x $15 per sq. ft. = $1.875m for stream enhancements, or could be parks/open space

**Tier 1a: Affordable Housing (1.25 FAR)**
- 100,000 x 1.25 = potential 125,000 sq. ft. bonus (~125 market units)
- 125,000 potential bonus / 4.6 bonus rate = 27,173 sq. ft. affordable rental (~32 units), (w/ affordable exempt from FAR calculation)

**Base (1.0 FAR)**
- 100,000 x 1.0 = 100,000 sq. ft. as-of-right (~100 market units)
Example of Commercial/Office Project

Example Commercial/Office Site
- 100,000 sq. ft. site (2.3 acres)
- About 1 Bel-Red block (320’ by 320’)
- 4.0 FAR (max. within nodes)
- Multiple commercial/office buildings

Building Totals
- 400,000 sq. ft. commercial/office, maximized 4.0 FAR
- 43,860 sq. ft. parks/open space
- 10,870 sq. ft. public accessible plaza
- 1,500 sq. ft. public restrooms

Tier 2: Any (0.5 FAR)
- 100,000 x 0.5 = potential 50,000 sq. ft. bonus
- 25,000 bonus / 2.3 bonus rate = public access to 10,870 sq. ft. plaza
- 25,000 bonus / 16.7 bonus rate = 1,500 sq. ft. public restrooms

Tier 1: Parks/OS & Streams (2.5 FAR)
- 100,000 x 2.5 = potential 250,000 sq. ft. bonus
- 250,000 potential bonus / 5.7 bonus rate = 43,860 sq. ft. of parks/open space, on-site or off-site, or could be stream restoration

Base (1.0 FAR)
- 100,000 x 1.0 = 100,000 sq. ft. as-of-right

Comments/Questions?
Plan & Code Issue Identification

Upcoming Study Sessions

- **October 13** – Long-range capital planning and financing strategy, including infrastructure needs for Bel-Red
- **October 20** – BROTS interlocal agreement with Redmond
- **November (date tbd)** – NE 15th/16th corridor design review
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November 3 – Infrastructure

- Issues identified by Council to date:
  - The overall planned infrastructure system
    - Transportation
    - Parks and open space
    - Stream improvements
  - Coordination with state and regional transportation improvements
  - How the options for transit are addressed in the plan
  - Integration of the parks system as development occurs

- Other issues?

November 10 – Land Use: Plan & Code

- Issues identified by Council to date:
  - The 3 opportunity concepts presented on 9/22
  - The minimum residential requirement for the 122nd office/residential node area
  - The description of the medical office area
  - Tax implications of the up zone
  - Incentives to encourage the use of natural drainage practices
  - Regional transfer of development rights (TDR)

- Other technical revisions
  - Minor technical revisions identified through the staff review
  - Will incorporate incentive system bonus ratios following the October 6 Study Session and other revisions as directed by Council

- Other Issues?
Comments/Questions?