

Bel-Red Subarea

Tonight's Focus:

- 1) Zoning Incentive System
- 2) Plan & Code Issue Identification

Bellevue City Council

October 6, 2008

The logo for the Bel-Red Corridor Project. It features the words "BEL RED" in a bold, white, sans-serif font, with a thin orange swoosh underline that starts under "BEL" and ends under "RED". Below "BEL RED" is the phrase "corridor project" in a white, lowercase, serif font.

BEL RED
corridor project

Presentation Overview

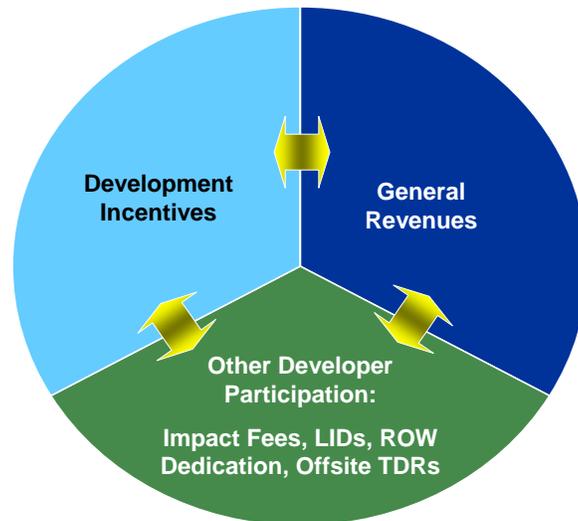
- Land Use Incentive System
 - Context & Background
 - ULI Panel Recommendations
 - Property Counselors Revised Modeling
 - Staff Response to ULI Non-Technical Recommendations
 - Details of Revised Incentive System
- Subarea Plan and Code Issue Identification
 - Review schedule for upcoming study sessions
 - 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

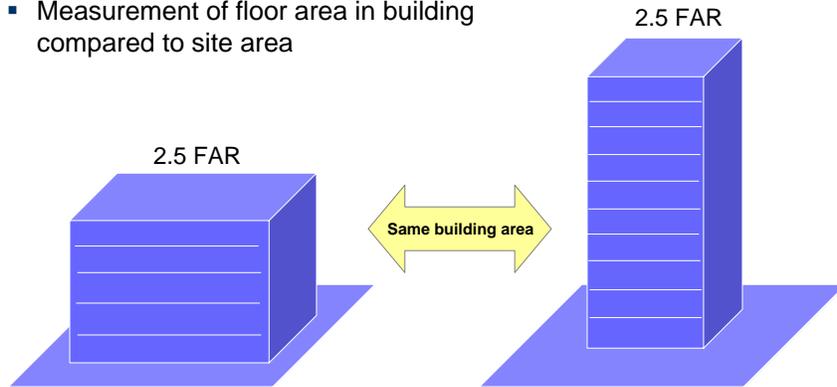


Incentive System

- 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



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:

- Some building area may be excluded from FAR calculation (structured parking, affordable housing)
- 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



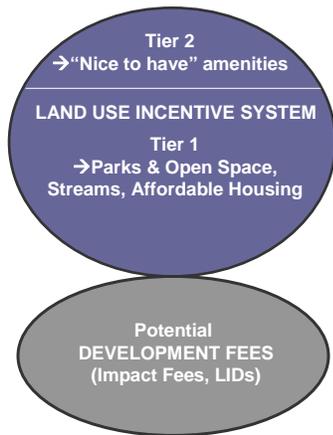
Washington Square
4.9 FAR
24 stories



Bellevue Towers
9.5 FAR
42/43 stories

Incentive System Framework

New Zoning



Current Zoning
(pre Bel-Red Plan)



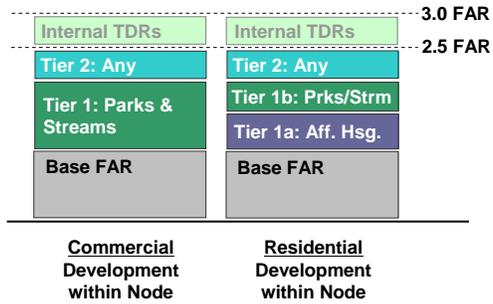
Lift in Land Value
The zoning lift has the potential to support the public infrastructure and amenities needed to transform the Bel-Red area.



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



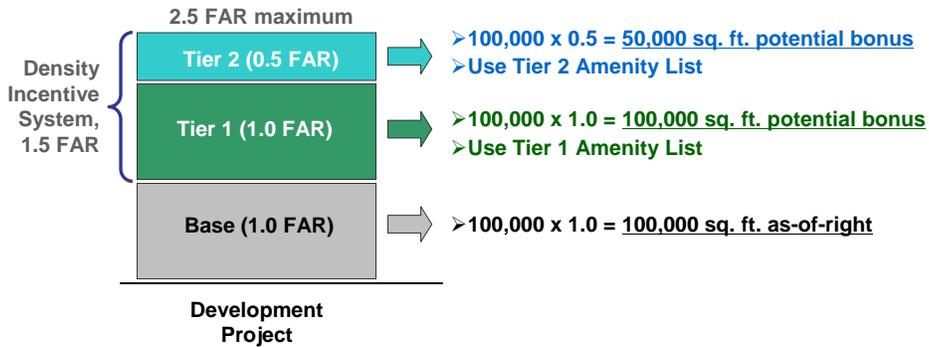
Example of Original Incentive Proposal, Using Generic Numbers

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



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*)

Staff Response to Non-Technical Recommendations

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

Higher FAR, Incorporating ULI Recommendations

Within Nodes

Max = 4.0 FAR	Max = 4.0 FAR
Tier 2: Any (0.5 FAR)	Tier 2: Any (0.5 FAR)
Tier 1: Parks & Streams (2.5 FAR)	Tier 1b: Parks & Streams (1.25 FAR)
	Tier 1a: Aff. Hsg. (1.25 FAR)
Base (1.0 FAR)	Base (1.0 FAR)
Commercial Development Within Nodes	Residential Development Within Nodes

Outside Nodes (R and CR Districts Only)

Max = 2.0 FAR	Max = 2.0 FAR
Tier 1: Parks & Streams (1.0 FAR)	1b: Parks, Str. (0.5)
	1a: Aff. Hsg. (0.5)
Base (1.0 FAR)	Base (1.0 FAR)
Commercial Development	Residential Development

Modified Bonus Rates, Based on \$15/sq. ft.

Bonus Amenity (each defined in the Land Use Code)	Bonus Rate
TIER 1	
Workforce / Affordable Housing – Rental at 80% AMI Bonus Rate (SF Market / SF Affordable)	4.6
Workforce / Affordable Housing – Ownership at 100% AMI Bonus Rate (SF Market / SF Affordable)	7.2
Parks Bonus Rate (SF Building Area / SF Feature)	5.7
Stream Restoration \$/ SF Building Area SF Building Area / \$1,000 of Feature	\$15.00 66.7
TIER 2	
Non-profit / Community Service Space (Subsidized Space) Bonus Rate (SF Building Area / SF Feature)	13.7
Public Restrooms Bonus Rate (SF Building Area / SF Feature)	16.7

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

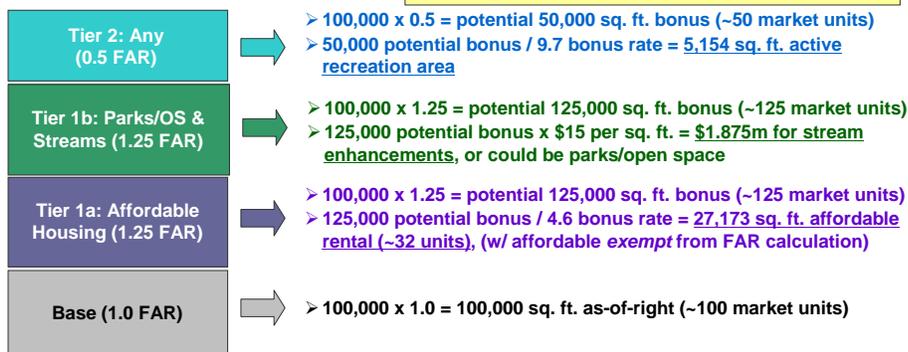
Example of Large Residential Apartment Development

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



Residential Development Within Node

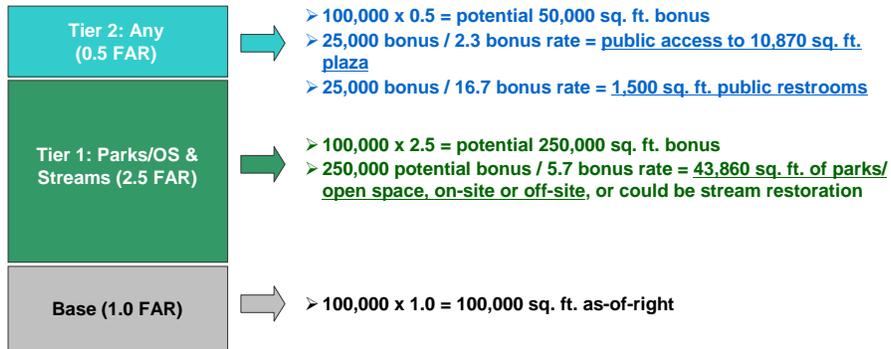
Example of Commercial/Office Project

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



**Commercial
Development
Within Node**



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
- **November 3** – Infrastructure implementation review
- **November 10** – Land use: plan & code

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

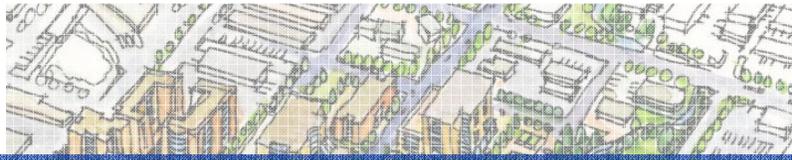
- **Other issues?**

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?

