



# MEMORANDUM

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Date: December 31, 2007

To: Parks & Community Services Board

From: Glenn Kost  
Parks & Community Services

Subject: Bel-Red Corridor  
(Board feedback requested)

At your January 8 meeting, the staff will provide the following information about the Bel-Red Corridor implementation effort. Feedback is requested (no action).

- Paul Inghram will briefly review the financial principles, strategies and potential tools that were presented to the City Council on December 10 for how the Bel-Red vision could be implemented. **A memo is included in your packet.** Discussion will occur throughout the first half of 2008 that is expected to result in a Council-adopted financial plan for Bel-Red.
- Kit Paulsen, project lead with the Utilities Department, will present a **power point** about the proposed "Great Streams" vision for the Bel-Red corridor. Consistent with Bel-Red's plan to restore the riparian corridors, this study looks at the ecological functions, visions, opportunities, constraints, and conceptual design elements for two key riparian corridors, which are expected to be the key building blocks for Bel-Red's park and open space system.
- The progress of each of the boards and commissions is presented in the **attached report** prepared by Paul Inghram.
- A **draft letter** from Chair Keeney has been prepared for the Board's review that attempts to capture the Board's action at the December meeting.

At your February meeting, the staff expects to review proposed projects and priorities for the corridor's park and open space system, and to distribute a draft Bel-Red Subarea Plan for Board review.



# MEMORANDUM

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Date: December 31, 2007

To: Parks & Community Services Board

From: Paul Inghram, AICP  
Department of Planning and Community Development

Subject: Bel-Red Corridor Financing Strategies

## **Introduction**

Redevelopment of the Bel-Red area in a manner that achieves the future vision for the area articulated by the project Steering Committee will require significant new investment in basic infrastructure and livability amenities. The Bel-Red Steering Committee recognized the importance of a fully developed implementation strategy and the need for a 'robust finance plan.' The Committee's work and the magnitude of the needed investment suggest that the City revisit its capital investment approach for the Bel-Red area.

In the charge to the commissions, the City Council retained responsibility for developing the financial strategy recognizing the interdepartmental approach that is required. On December 10, 2007, the Council conducted their first engagement on the financial strategy reviewing draft financing principles and a list of potential financing tools.

The fact that the City is preparing a capital Finance Plan concurrently with Comprehensive Plan and Land Use code amendments represents a significant departure from past practice. This approach will help ensure that development of this area will meet the land use vision advanced by the Steering Committee, and ensure that the development of this area represents a positive addition to the City.

## **BACKGROUND/ANALYSIS**

The vision for the Bel-Red area is that the land use pattern will change to reflect a more mixed use (housing/office/retail) area that supports the City's economic development and growth management strategy by establishing development opportunities not found elsewhere in Bellevue. This land use pattern will be supported by a robust multi-modal transportation system (including light rail), and would include parks, open space, and environmental amenities that the area currently lacks. The land use vision contemplates a new major employment center, housing that will meet the needs of varied income levels, a connected parks and open space system, environmental enhancements to restore ecological functions lost over the last 50 years, and major new transportation investments.

Unlike other developing areas of the City, Bel-Red was historically developed as a light industrial and general commercial area. It has significant transportation system constraints, and lacks general

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amenities. For it to redevelop in ways consistent with the proposed land use vision, road and transit infrastructure will need to be upgraded, parks established, and environmental restoration of urban streams will need to occur. Much of this will need to happen as development occurs, and cannot wait until the area is mature. This need for up-front investment creates infrastructure financing challenges not found elsewhere in the City.

The cost of the investment needed to support this land use vision is significant. While the detailed cost estimates are being developed, they are likely to exceed \$200 million. The investment strategy problem to be solved for Bel-Red has three parts:

1. Substantial new revenue will be needed to pay for the investments,
2. Mechanisms will have to be developed to ensure that needed facilities are built as development occurs, and
3. Financing mechanisms will be needed to pay for these improvements over time, likely utilizing City debt capacity.

Growth in the Bel-Red area will also affect delivery of basic City services. The growth assumptions embedded in the Bel-Red plan were included in the City's long-range operating and capital budget growth assumptions, and are a factor contributing to the need for growth in public safety, transportation, and other operational FTE's. Work is underway to determine whether the City costs for maintaining basic services and capital investment can be supported by growth in the Bel-Red tax base.

## Financial Strategy

Financing principles. Staff developed draft financing principles to guide development of the financial strategy for Bel-Red (See Attachment 1). These principles are based on the assumption that the basic infrastructure and amenities needed to support Bel-Red development will come from four basic sources. These sources include:

- Funding for or direct construction of infrastructure and critical livability investments by new development to support new development
- Amenities to support the overall Bel-Red redevelopment strategy through use of development incentives. Use of development incentives will be necessary for any new development to achieve the higher densities or building heights contemplated by the Bel-Red plan
- General City financial investment, where that investment provides citywide benefits
- State or federal funding, particularly important for the planned connection of 124<sup>th</sup> Avenue to SR 520

New development in the Bel-Red corridor will be the primary beneficiary of public infrastructure investment. In fact, new development will not be able to proceed without the necessary infrastructure in place or planned to be built. For this reason, staff views new development as the primary source of revenue to pay for the improvements. ***This represents a change in the City's capital funding philosophy and is embedded in the proposed financing principles.*** This funding philosophy will help ensure that Bel-Red funding does not compel the City to redirect funding anticipated for other areas of the City, but does potentially provide general City financial investment in Bel-Red as a supplemental source of funding for improvements with City-wide benefits, or as a means to bridge revenues generated from development to provide the infrastructure in a timely manner. This strategy is intended to apply only to the Bel-Red area. The Council may want to consider use of the Bel-Red financial tools elsewhere in the City, but that discussion is proposed to happen after the Bel-Red process is complete.

Financial tools. The City has retained a financial consultant to develop a financial plan to support the Bel-Red redevelopment. Their work includes input with regard to the finance principles, identification of potential financial tools, the development of a subset of the alternative financial tools, and case studies around the subset of financial alternatives.

It is clear that the current capital investment tools used by the City are not adequate to meet the requirements of the financing principles. This occurs for several reasons:

1. First, the tools are limited. The City collects revenue from new development only through transportation impact fees, or by direct construction of frontage improvements. Significant up-front investment will be required in Bel-Red, and the current tools used by the City cannot fully accomplish this objective.
2. The share of the cost of new infrastructure directly paid for by new development is currently low. The adopted 2007-2013 CIP includes \$2.6 million in impact fees to fund transportation improvements, compared to a City tax investment of \$42.2 million. This philosophy will need to be reconsidered if new development is to pay a larger share of the costs of new infrastructure.
3. The City relies heavily on sales tax, business and occupation tax, and real estate excise tax revenue to pay for capital investments. The City relies primarily on a 'pay-as-you-go' basis for financing infrastructure investment. The method does not take intergenerational equity into consideration. The infrastructure 'deficit' in Bel-Red requires significant up-front investment, and will need mechanisms to accomplish this. The development in Bel-Red will generate substantial new revenues that can provide a funding source to pay for needed capital investment. The City will need to consider the use of debt to deliver the necessary investment at the appropriate time to support new development.

Staff identified a list of alternative funding tools with the greatest potential for generating revenue from new development or to pay for investments with a City-wide benefit, from a longer list of potential financial tools developed by our consultant team. This subset of tools was selected for further analysis based on a number of criteria, including suitability to the types of development likely in the Bel-Red area, revenue generation potential, linkage to the type of investment, and ease of implementation. These tools include:

- GMA impact fees
- Transportation benefit district fees and taxes
- Commitment of area taxes to finance capital improvements
- Local improvement district (LID) assessments
- Latecomer agreements
- Tax abatement
- Developer financing of infrastructure
- Utility rate financing for open stream property acquisition, stream restoration, water quality or flood control improvements
- Water and sewer investment, recovered through connection charges
- General CIP investment for improvements having citywide benefit
- Grant revenue
- State and federal investment
- Partnership opportunities

## **Next Steps**

The financial plan work is in its early stages of development. Staff anticipates several City Council briefings over the next six months. These include:

- February 2008 – Council briefing on infrastructure costs and financial tools
- April 2008 – Council briefing on baseline revenue projections and revenue projections for the new tools
- May 2008 - preliminary financial plan, including allocation of costs and market feasibility of the plan
- June 2008 - final financial plan to be adopted with the Bel-Red Comprehensive plan and Land Use Code amendments

Staff anticipate two stakeholder involvement events. The first event, in February, will be focused on infrastructure costs and financial tools, and the second event, in May, will be focused on the preliminary financial plan. More information about the time and dates of these events will be forwarded to the commissions when it is determined.

## Attachment 1 Draft Bel-Red Finance Plan Principles

### Preamble

Redevelopment of the Bel Red area represents a unique, dramatic opportunity to shape the future of this corridor, strategically situated between Downtown Bellevue and the Microsoft campus, for the long-term benefit of the community. The scale and scope of redevelopment potential in this area is significant for Bellevue and the region, and represents an opportunity for the City to respond to market demand for office, limited retail, and residential development, and also redevelop the area in a more sustainable, environmentally-friendly manner. The area lacks critical infrastructure to support redevelopment and the overall vision articulated by the project steering committee. Current financing tools are inadequate to enable full potential for high value redevelopment and to leverage that value for amenities that will enhance the public good. For the area to achieve its full potential, all financing alternatives must be evaluated.

*The current list of funding strategies used by the City for public infrastructure should be refined and expanded to include a broader array of tools than currently used by the City, including but not limited to impact fees, transportation benefit districts, local improvement districts, density and other development incentives, dedicated general tax revenue from new development in the area, and state/federal grants. The consultant team is charged with developing a financing plan for the Bel Red area utilizing legally and financially viable financing techniques.*

### *Finance Plan Principles:*

1. The Finance Plan should take the long view, with the understanding that the basic infrastructure, livability investments, and amenities will occur as redevelopment takes place.
2. The Finance Plan should not compromise the City's Aaa bond rating. If City debt is used to finance Bel Red improvements, it should be supported by revenue generated in the area, or to pay for improvements having citywide benefit.
  - a. *City Councilmanic debt capacity is limited and the City must ensure that a sufficient amount of capacity is available for emergencies and citywide uses. Conservative revenue estimates should be built into revenue models developed for this purpose and any funding strategies should preserve the City's debt rating.*
3. Cost for the public infrastructure should be shared based on the relative impacts and benefits of development within the corridor.
  - a. *The planned development of the Bel Red Corridor is likely to result in significant long-term economic benefit to property in the area as well as citywide benefit in the form of an increased and diversified tax base and important through-traffic corridors within the area. New development in the Bel Red Corridor will be the primary beneficiary of public infrastructure improvements required to accommodate the development and, therefore, should be the primary source of*

*revenue to pay for the improvements. To the extent existing properties benefit from the development, they should be asked to contribute in amounts reasonably reflecting their benefit. A general City contribution may be required as a supplemental source of funding, directed to improvements with citywide benefits, or as a means to bridge revenues from development to provide the infrastructure in a timely manner*

4. The Finance Plan should enable the Bel Red vision to be fully realized
  - a. *The financing plan should be realistic.*
  - b. *The financial strategy is likely to acknowledge that there is limited capacity for the new development to pay for all required improvements and furthermore that revenues derived from such development may not be available when needed to finance the infrastructure. For those reasons, strategies that spread the cost of facilities over time and supplement and bridge revenues projected to be derived from the development will be critically important. Latecomer agreements or other developer-financing mechanisms should be considered.*
  - c. *This may mean that while new development will be the primary source of infrastructure funding, the practical limits and equity of such revenue streams in the market place need to be understood.*
5. The Finance Plan should be complimentary to the long-term economic development goals for Bellevue and the region.
  - a. *The financing plan should not inadvertently place new development and existing businesses at a competitive disadvantage to other areas in the City or in adjacent cities.*
  - b. *The overall strategy developed to fund Bel Red improvements should be designed to meet the particular challenges and opportunities of the Bel Red Corridor, though the City may elect to apply Bel Red funding mechanisms to other parts of the City.*
6. Public investments should be made strategically in order to leverage them for the greatest public good.
  - a. *Any general City contribution needs to be justified based on the extent to which the infrastructure provides benefit to the City as a whole.*



# MEMORANDUM

DATE: December 31, 2007

TO: Arts Commission, Transportation Commission, Environmental Services Commission, Parks and Community Services Board, and the Planning Commission

FROM: Paul Inghram, AICP  
Department of Planning and Community Development

SUBJECT: Bel-Red Subarea Plan Development

Five of the city's boards and commission began their review of the Bel-Red Steering Committee's recommendation and the process for implementing it on October 10, 2007. Since then, each board or commission has been further introduced to the Bel-Red planning project, reviewed specific issues, and discussed potential policy areas or direction. Below is a brief summary of the discussions each board and commission has had to date regarding Bel-Red.

### **Transportation Commission**

At their October 11 and 25, and November 15 meetings the Transportation Commission reviewed the changes that will be required to update the Comprehensive Plan and include a new Bel-Red Subarea Plan, including amendments to the Bel-Red/Overlake Transportation Facility Plan, the Bridle Trails, Bel-Red and Crossroads Transportation Facility Plan, the Eastside Transportation Program. Each of these facility plans includes projects in the Bel-Red area. The approach proposed is for the new Bel-Red Subarea Plan to include the projects specific to Bel-Red. Other projects will be located in either the Downtown Subarea Plan or in a citywide transportation facility plan. To accomplish this, those projects in the existing transportation facilities need to be sorted as either complete, appropriate to include in Bel-Red, or appropriate to include in a citywide plan.

The Transportation Commission reviewed the draft Bel-Red Subarea Plan at their December 13 meeting focusing on the transportation policy areas. Transportation policies are proposed to support developing a multi-modal transportation system; improving connections within Bel-Red and with other parts of the city and region; and incorporating natural drainage practices where desirable and feasible.

### **Arts Commission**

The Arts Commission reviewed the Steering Committee's Final Report description of a Cultural/Arts District at their November 13 meeting. Staff presented research on how art districts work in other cities. They discussed the need to be include an incentive or funding mechanism that would support arts uses and activities as the area develops. They also discussed questions, such as how do they envision the arts district and who are they trying to attract (which they also addressed as a homework assignment prior to their December meeting). It was acknowledged how Bel-Red might leverage the location of the Pacific NW Ballet school and yet that the area is

also different from Downtown Bellevue (where performance spaces, the museum, and the library are located).

At their December 4 meeting, staff summarized research findings on arts districts. The Commission discussed a range of ideas for implementing an arts district, including the potential for work/live and live/work uses, using arts uses as appropriate transitional uses, and the opportunity to connect art in the corridor with economics by encourage electronic arts. The Commission also identified the need for artistic design to be represented in the urban design of the new development in the Subarea.

### **Parks and Community Services Board**

The Parks and Community Service Board began review of parks policy issues at their November 7 meeting. At that meeting, the Board expressed interest in how regulations would provide stream protection and in setting an overall target for parks and open space throughout the corridor. Due to the lack of sufficient time, the Board scheduled a special meeting in December to focus on Bel-Red.

At their meeting on December 13, the Parks and Community Services Board reviewed the draft Bel-Red Subarea Plan outline and continued their review of the parks policy issues. The Board expressed specific interest in seeing park impact fees be included in a parks and open space funding strategy for the area. The Board also reiterated their interest in being involved in the review of the subarea plan and land use code to ensure that parks are properly planned for and implemented. The Board passed a motion to endorse the draft parks and open space policy direction, with a recommendation to include recognition of connections to regional parks and trails outside of the Bel-Red area (such the Lake-to-Lake Trail and Marymoor Park).

### **Environmental Services Commission**

The ESC received presentations on the draft Bel-Red Subarea Plan outline and on the stream recovery strategy (“living streams”) on December 6. Their review of the subarea plan outlined focused on the environment and parks and open space policy areas. The review of the stream initiative showed illustrative examples of restoration of sections of the West Tributary and Goff Creek, which demonstrate the potential for improved habitat conditions even while adjacent areas may experience greater urbanization and increased pedestrian access. The ESC had questions about the subarea plan, such as how “sustainability” is defined, and sought more information about the range of stream restoration benefits, including those beyond habitat improvement, that the city might enjoy. The ESC expressed general support for the direction of the policy areas shown in the outline.

### **Planning Commission**

At their November 14 and 28 meetings, the Planning Commission discussed the overall approach to creating a new Bel-Red Subarea Plan and the general schedule for developing and reviewing the draft plan. The Commission expressed interest in understanding how the phasing of the plan would be implemented as well as knowing more about the plans linkage to its financial strategy. At their December 9 meeting, the Planning Commission reviewed ARCH’s (A Regional Housing Coalition) Housing 101 housing strategy tool book and potential housing affordability strategies for Bel-Red.



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**DRAFT**

Date: December 31, 2007

To: Matt Terry, Director  
Department of Planning & Community Development

From: Merle Keeney, Chair  
Parks & Community Services Board

Subject: Bel-Red – General Policy Direction re Bel-Red Parks & Open Space System

At the Parks & Community Services Board meeting on December 13, 2007, the Parks & Community Services Board endorsed the general policy direction for the Bel-Red parks & open space system presented on the attached sheet. We appreciate the ability to participate in the process of shaping the plans for the Bel-Red Corridor, and look forward to the creation of a park and open space system in this area that reflects Bellevue's high standards. We believe that, if implemented, the policy direction presented will achieve this goal. Accordingly, the Parks & Community Services Board asks that:

- The Board is provided with the opportunity to remain involved in the Bel-Red implementation process throughout its development, and to review the Draft Bel-Red Subarea Plan;
- The Comprehensive Plan Policies and Land Use Code be amended to specifically provide for parks and open spaces in Bel-Red, and that the Parks & Community Services Board be provided with an opportunity to review the Draft Policy and Land Use Code;
- Financial strategies be developed to ensure that adequate funding is available to meet park and open space requirements, including park impact fees.

Thank you for the opportunity to participate in this exciting process. We look forward to continued involvement as the implementation process continues.

Attached: General Policy Direction/Bel-Red Parks and Open Space System

Cc: Patrick Foran  
Dan Stroh  
Paul Inghram  
Glenn Kost

## **General Policy Direction/Bel-Red Parks & Open Space System**

**Goal: Create a robust, aesthetically beautiful, and functional parks and open space system that serves the needs of Bel-Red and the broader community, and that connects and complements the larger Bellevue parks and open space system:**

- 1. Create a park system that serves the Bel-Red area, and that complements the broader community;**
  - a. Provide neighborhood parks and smaller “pocket” parks with convenient access to all neighborhoods.
  - b. Provide a community park, comparable in size and utility to the Highland Community Park, in the western portion of the study area. The site would be able to accommodate indoor and outdoor recreational facilities.
  - c. Locate neighborhood and community parks along the riparian corridors, linked through a series of trails and open space amenities..
  - d. Centrally locate a large civic plaza (public square) within the pedestrian-oriented 130<sup>th</sup> Avenue NE development node.
- 2. Consider Bel-Red a suitable area to locate a potential major recreational facility to meet identified citywide needs for both indoor and outdoor recreation and sports facilities.**
- 3. Manage the area’s natural resources in a sustainable manner to preserve and rehabilitate environmentally sensitive natural areas:**
  - a. Incorporate natural drainage practices into park development to provide community amenities and watershed benefits.
  - b. Integrate the park and open space system with the riparian corridors to achieve multiple benefits, including wider buffers, enhanced fish and wildlife habitat, improved stormwater management, the use of natural drainage practices, trail connections, passive recreation, and environmental education.
- 4. Provide an interconnected system of non-motorized trails for mobility within the study area, connected to the larger, regional trail system. The system will emphasize recreational use, but provide transportation benefits as well:**
  - a. Provide non-motorized trails along the stream corridors to connect parks and other land uses, and links to the trail systems along the BNSF Corridor and NE 16<sup>th</sup> Street. Initial emphasis will focus on the West Tributary and Goff Creek stream systems.
  - b. Provide a major east-west trail along the NE 15<sup>th</sup>/16<sup>th</sup> Street corridor. The corridor will include a generous right-of-way width to accommodate significant green infrastructure, and to create a high-quality pedestrian and bicycle environment and auto-free access between neighborhoods. It would connect to other local and regional trail systems and to light-rail stations, and provide opportunities to incorporate gateway features.
  - c. Support the development of a regional north-south multi-use trail along the BNSF Corridor, linking to the NE 16<sup>th</sup> regional trail and providing multiple access points to other local trails.
- 5. Promote the development of “Green Streets” throughout the corridor that would have an abundance of street trees and areas of landscaping to improve and reduce the amount of stormwater runoff, be aesthetically pleasing, and provide an attractive pedestrian experience.**
- 6. Support the creation of a Cultural Arts District in the vicinity of 136<sup>th</sup> Place NE that builds upon the adaptive reuse of existing buildings for arts classes, rehearsals, studios, small performances, and crafts opportunities.**
- 7. Implement the park and open space system through a mix of development regulations, incentives, and City investment.**