



# MEMORANDUM

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DATE: January 18, 2012

TO: Chair Turner and Members of the Planning Commission

FROM: Paul Inghram, AICP, Comprehensive Planning Manager, Planning & Community Development, 452-4070  
Liz Stead, Urban Design Planning Manager, Development Services Department, 452-2728

SUBJECT: Neighborhood Business (NB) District LUCA, File No. 11-125521 AD

To support the opportunity to re-lease vacant tenant space at the Newport Hills Shopping Center and to encourage the overall revitalization of shopping centers in Bellevue, the City Council initiated phase one of a two-part process to amend the Land Use Code related to the Neighborhood Business (NB) zoning district. The process is being led with a limited, “surgical” amendment that would aid in the leasing of existing space, and would be followed by a second, broader amendment that would support long-term redevelopment and reinvestment in these sites.

A staff report and recommendation for the first NB Land Use Code Amendment (LUCA) was issued on November 18, 2011, and a public hearing held on December 14. At the December 14 meeting, the Planning Commission heard an array of comments on the proposal and had a number of questions. Some commissioners suggested that the issues facing Newport Hills would be better addressed through a single comprehensive planning process rather than the current two-step process.

This memo provides a brief recap of comments from the public hearing and a summary of discussions since then. At this time, staff is continuing to talk with property owners and community members about the interests in future use of the shopping center and options for the code amendment. The property owner of the Newport Hills Shopping Center has communicated that there is now less urgency than when the amendment was first initiated. Further discussions with the owner were planned for the week of January 16, but were disrupted by the weather. At the meeting on January 25, staff will provide an update on any additional information available. Until further information is received by staff it may not be appropriate to take action on this issue. As staff further explores the issues, there may be a need to refine the work plan and seek additional guidance from the City Council.

## **BACKGROUND**

Over the past three years, the Newport Hills shopping center has been impacted by the vacancy of its primary anchor, the Red Apple Market, followed by its drug store and Bank of America. The vacancies at Newport Hills have not been unique circumstances, however, as the city has seen Lake Hills and Kelsey Creek shopping centers also struggle for a number of years before redevelopment occurred.

In response to the declining economic condition of the Newport Hills shopping center and concerns about the continued viability of other neighborhood shopping centers, and a recent request from the Newport Hills shopping center owner to accommodate a new childcare use, on October 17, the Council initiated phase 1 of the Land Use Code Amendments to the NB zoning district. Council directed the Planning Commission and staff to review the use and size limitations and consider amendments that would provide additional opportunity while remaining consistent with the intended neighborhood orientation of the NB District. The amendment was directed to sites exceeding three acres in size and Council requested outreach to all three of the affected Neighborhood Business shopping centers. A second phase would address more complex issues dealing with mixed use development, dimensional standards, and potentially a more significant expansion of allowed uses.

### **Public Hearing Testimony**

At the public hearing on the amendment on December 14 the Commission heard from a number of citizens regarding the draft Land Use Code Amendment.

Michelle Hilhorst (Immediate Past President of the Newport Hills Community Association), Lisa Viereck (President of the Newport Hills Community Association) and Kurt Springman (Vice President of the Newport Hills Community Association) spoke in favor of the amendment. They noted the wonderful qualities of the Newport Hills community and indicated support for efforts to revitalize the shopping center. Newport Hills predates annexation to the city and is unique in many ways to other NB zoned areas. It is the largest NB district in the city; it borders Professional Office (PO) and multifamily districts; and it lacks high volume arterial traffic. Currently, the shopping center is about half vacant and the community feels that something needs to happen. While they noted their support for the proposed amendment, they advocated for a vision that goes beyond this specific amendment and considers innovative ways to attract redevelopment and new businesses.

A letter of support for the amendment was submitted by the Newport Hills shopping center property owner, Rainier Northwest – University LLC. Gerry Forrell, a real estate broker who works with the Newport Hills shopping center and other commercial areas, spoke asking for greater latitude. He noted the difficulty of leasing one large space, like the 20,000 square foot Red Apple space, to four different tenants, as is required under today's size limitation. He advocated for a 20,000 square foot limit applicable for any use.

Dick and Diana Thompson spoke, opposed to changes that would affect the Northtowne center. They noted how different Northtowne is from Newport Hills and asked to have the amendment only apply to larger NB districts. Ms. Thompson also noted that 10,000 square feet is not "small scale" and therefore would not be consistent with the NB zoning district.

Others spoke in support of something happening to help the situation without directly indicated support or opposition to the proposed amendment.

### **Additional Outreach**

Following the hearing, staff spoke with David Hsiao, the representative for Rainier Northwest – University LLC, the Newport Hills shopping center property owner. Mr. Hsiao supports a two-

phase approach beginning with an increase to a 10,000 square foot size limit for retail, service, and recreation use categories, and also has interest in a larger size limit. He supports a second phase of planning work that would address the ability to redevelop the site with a project that might include residential or senior housing. Mr. Hsiao recently indicated that there is now less urgency in addressing the particular need of the potential childcare use.

In addition to hearing from Mr. Hsiao, staff contacted the representative of the property owner of the Stod's site. Eric Hansen expressed support for increasing use flexibility through larger size limits, but also recommended a broader, more comprehensive review of the NB zoning district. He raised the issue that if the size limit amendment addresses the immediate need, it may reduce interest in proceeding with the more comprehensive changes that he feels are really needed. He also identified concern that if there is uncertainty as to whether code changes and redevelopment will occur, tenants may be unwilling to sign long-term leases and property owners will be hesitant to make investments into their buildings.

## **STATUS**

With regard to the Newport Hills Center, the three-way partnership between the city, property owner and community continues with shared interests regarding the potential for broader redevelopment planning that builds off of the market research and the community's work in 2010 and 2011. All parties recognize the need for change and for a long-term solution that addresses a number of components. Changes to the Land Use Code are only one part of the solution, a solution that ultimately hinges on attracting the investment capital needed for significant reinvestment. The city also continues to work with the community and neighborhood on park planning, street and landscape enhancements, and art improvements integrated with the bus shelters, which elements will improve the physical environment near the center. The landscaping and art improvements are anticipated to be installed later this year.

With the uncertainty of the global economy, full-scale redevelopment may take years to break ground, which is why the recommended surgical approach was proposed as an initial step. This first phase is an effort to be more nimble and responsive to current conditions and to avoid missed opportunities. As identified by Council, this initial amendment would be followed by a second phase planning effort and code amendment that would address a broader set of NB changes.

Additionally, while it may be appropriate to tailor the initial amendment to Newport Hills, there is value in evaluating how NB works throughout the city so as to consider changes that help maintain the health of all NB districts.