

CITY OF BELLEVUE
BELLEVUE PLANNING COMMISSION
STUDY SESSION MINUTES

February 13, 2008
7:00 p.m.

Bellevue City Hall
City Council Conference Room 1E-113

COMMISSIONERS PRESENT: Chair Robertson, Commissioners Ferris, Lai, Orrico,
Sheffels

COMMISSIONERS ABSENT: Vice-Chair Bach, Commissioner Mathews

STAFF PRESENT: Paul Inghram, Janet Lewine, Dan Stroh, Department of
Planning and Community Development; Arthur Sullivan,
ARCH

GUEST SPEAKERS: None

RECORDING SECRETARY: Gerry Lindsay

1. CALL TO ORDER

The meeting was called to order at 7:09 p.m. by Chair Robertson who presided.

2. ROLL CALL

Upon the call of the roll, all Commissioners were present with the exception of Commissioners Bach and Mathews, both of whom were excused.

3. APPROVAL OF AGENDA

The agenda was approved by consensus.

4. STAFF REPORTS

Comprehensive Planning Manager Paul Inghram provided the Commissioners with copies of written comments from the public.

5. PUBLIC COMMENT – None

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

7. REPORTS FROM COMMISSIONERS – None

8. STUDY SESSION

A. Bel-Red Workforce / Affordable Housing Workshop

Mr. Inghram briefly reviewed the comments offered by the housing panel on February 6, which included the need for amenities to support families, ideas about providing infrastructure that supports housing, and comments about the market economics of encouraging affordable housing.

Mr. Inghram recognized that housing is an issue that stands on its own but is also an integrated part of the Bel-Red vision. The proposal is to include housing as part of different mixed use zones along with office or retail uses. The focus has been on developing an incentive system to encourage housing.

Staff sought from the Commission preliminary direction regarding the housing issues, including the housing policies in the draft subarea plan.

Planning Director Dan Stroh said one of the messages picked up from the Commission and housing panel discussion on February 6 was the concept of thinking about housing in the context of building a complete set of neighborhoods in Bel-Red. He said that approach matches staff's thinking as well. He suggested it would be very helpful for the Commission to have some principles to be used in fully explaining the rationale for arriving at particular conclusions and noted that a draft set of principles to build on had been included in the Commission packets.

Commissioner Sheffels asked if the principles are supposed to be focused only on the Bel-Red area or if they are to be applicable citywide. Mr. Stroh said the steering committee struggled with the fact that it was being asked to focus on housing principles for one part of the city that ultimately could be applied to the whole city. Staff took the matter to the City Council in the fall and argued to get going with the Bel-Red piece in advance of taking a citywide view. The direction received at that time was to think about Bel-Red in the context of the rest of the city, but to craft a strategy that makes sense for the Bel-Red corridor. There will be a second phase to the affordable housing study that will focus on the city as a whole.

Mr. Inghram said he spoke with Commissioner Mathews on the phone earlier in the day. In the conversation Commissioner Mathews indicated that he would like to see housing incentives given how important housing will be in the corridor as it redevelops.

Mr. Inghram said he also called several different Bel-Red property owners to gain their input. He noted that representatives from Wright Runstad, Coca Cola and Cresentview were present in the audience, adding that none of them has yet brought forward specific comments on the housing strategies.

Mr. Inghram said the representative from Wright Runstad told him the company sees housing as important in being able to create neighborhoods in the corridor, and that the mix of housing and office uses tend to be the most supportive of mass transit. The main concern of Wright Runstad is that the city will come up with an approach that is overly prescriptive, such as a requirement that forces housing and office to be integrated into the same building. They want flexibility in order to meet a variety of different objectives.

Turning to the draft principles in the Commission packet, Mr. Stroh allowed that the first one, jump starting the housing market, was not in the initial five questions posed; the issue came to staff as a result of the housing panel discussion. In the early 1990s jump starting housing in downtown was a very big issue; the vision called for mixed uses and the benefits of having housing and employment close to each other. In many ways, Bel-Red has more challenges than the downtown had because it has a light industrial legacy that will persist for years to come.

The Bel-Red corridor is 900-plus acres that essentially is devoid of housing currently, and the question is how to get housing started in an area where it has not previously existed. It is fortunate that there are two areas for which housing has been proposed: the portion of the Coca Cola sight purchased by Wright Runstad, and the Cresentview site in the far eastern portion of

the corridor. The vision from the steering committee has housing distributed for the most part throughout the entire corridor.

The question is whether or not the city should take any action beyond rezoning in order to get the housing ball rolling.

Commissioner Ferris suggested that if the area were part of a master development, it is unlikely that all 900 acres would be put out with housing earmarked to occur just here and there. Instead, there would be a plan for redeveloping the area from west to east or from north to south, then the infrastructure would be constructed ahead of the redevelopment so the amenities would be in place to attract the development. The sales from the first phase would be used to help fund the second phase. He suggested one way to think about it all would be to designate a place to start and a place to finish so there can be a logical sequencing. Having a plan will make the overall redevelopment of the area more attractive, it will reassure buyers and investors.

Commissioner Sheffels commented that NE 16th Street will be vital to the redevelopment of the area. Getting the needed right-of-way should be done as soon as possible. She agreed that at least the visible infrastructure should be put in place as soon as possible so everyone can see where things are to go and so the nodes can be located.

Chair Robertson referred to the reference to direct funding assistance for catalyst projects and asked for more information. Mr. Stroh said the city was struggling in the early 1990s trying to get the housing market going in the downtown. The first units went in in about 1994; the subarea plan was put in place in 1979, so the lag was significant. One of the things the city did was put \$2 million into funding two projects, Pacific Inn and Ashwood Court. The idea was to use the public funds, which were earmarked for affordable housing, to help jump start the market more broadly. The program met with some success as a catalyst. At the same time, private sector projects can also serve as catalysts if put in the right place and done in a way that shows the potential for an area.

Chair Robertson allowed that while affordable housing can play a key role in bringing pioneer residents to an area, the fact is affordable housing often needs more amenities such as access to transit, grocery stores and parks. Mr. Stroh said it can easily be argued that better transit services are needed to support affordable housing; people in need of affordable housing often have fewer transportation options available to them. Sometimes lower parking ratios are deliberately tied to affordable housing for that very reason.

ARCH Program Manager Arthur Sullivan commented that the affordable housing developed along 152nd Avenue NE in Redmond's Overlake area has excellent access to day-to-day amenities such as schools, open space, transit service and shopping. He said often it is not just where housing is located that makes it a pioneer but also the type of housing. It is always risky for the first developer in new markets. Various financing structures can help offset the marginal cost differences and bring in the units at 80 percent of median income.

Commissioner Orrico said she is struggling with the notion of zone it and they will come, noting that at least two developers have land and are proceeding with their projects. She asked why the city would not want to just seek to work in partnership with them with an approach that resembles a planned development. Mr. Stroh said the city will continue to try to get input from the development community, especially those that are contemplating housing projects. He said the two developments at either end of the corridor likely will go forward, but more effort will be needed to get anything going in the rest of the area.

Commissioner Orrico suggested that surely there are other communities across the county who have already built areas earmarked for redevelopment. She asked if there is any indication that having bookend projects will trigger redevelopment between them. Mr. Stroh said there are a lot of factors that play into the zone of influence. There are examples where the bookends were it for many years, and there are other examples where the first developments triggered a flood of redevelopment proposals. The issue with Bel-Red is that the linear length of the corridor is impressive and the two planned bookend projects are very far apart.

Commissioner Orrico said she really likes the idea of putting together partnerships with developers and collaborating with them in putting together incentives. Mr. Sullivan said that is the approach that was taken with The Village at Overlake. When Redmond was getting to the regulations stage, developers who were looking at the property were invited to come in and talk to the city about what would make it work for them. The city found that very helpful.

Commissioner Lai suggested focusing on a particular development around a node area to set the tone for the kind of neighborhood the city wants Bel-Red to become. With that approach, the vision could ripple out from the node area to the boundary areas. He allowed that development in the node areas will be more expensive given the higher density and suggested the difficulty with that approach might be finding a developer who is willing to be a pioneer.

Commissioner Ferris said his development company focuses on projects in economic development transition areas. He said he has not specifically looked at anything in the Bel-Red corridor. He noted, however, that from a developer's perspective, the corridor is a very attractive location. It is well positioned between the downtown and the Microsoft campus; it is very close in; and the needed rental rates are already there in the marketplace, particularly in the zones that will allow heights up to 60 or 70 feet. The area may not be ready for highrise concrete and steel residential with rents matching those of the downtown, but the area will support the upper end of workforce housing. So what it comes down to is setting the character of what the development should look like, and that gets back to sequencing the work. The area around Highland Park is a very desirable location for housing; it has all the pieces in place. If it were zoned correctly and the land was available, quite a lot of development would happen there all by itself. The Wright Runstad development will serve as a catalyst as well. The city should not have to invest money in a specific project, other than in possibly public amenity projects, to encourage private development.

Commissioner Sheffels pointed out that the nodes will have highrise housing which likely will come along later. She suggested focusing first on the areas outside the nodes where housing can be developed. It will be necessary to first designate exactly where NE 16th Street will go.

Mr. Stroh commented that the cutoff for wood frame construction is 75 feet; above that height concrete and steel becomes necessary, but below that less expensive wood frame construction can be utilized. Quite a few structures that are four or five wood frame stories over a concrete base have been built in the downtown, and that can be done at FARs even higher than what is expected in the nodes in Bel-Red. It can be anticipated that there will be a mix in time of concrete and steel structures alongside wood frame projects. A good quality of character and finish can be obtained with either development technique.

Commissioner Ferris observed that developers often save the lots at the top of hills until the last because what they build there will bring the highest premium. He suggested that the highrise structures will capture that same premium market. Mr. Sullivan agreed but said there could be some backlash from the community if the higher density or affordable housing goes in after several years of constructing only lower density and higher cost housing. In Columbia,

Maryland, that was a very big concern. They had neighborhood nodes that they constructed first. If higher density or affordable housing are to be part of the overall strategy, the city should take steps initially to avoid creating opposition to them when they are ready to go.

Mr. Stroh turned next to the second issue, which was whether or not the city should set workforce and/or affordable housing targets for Bel-Red. He said setting numerical targets is not required, though it might be helpful to have them against which progress can be measured. The draft subarea plan does suggest numerical targets at the 80 percent and below level and at the 80 to 120 percent level.

Commissioner Orrico said she can see the benefit of having targets but is also cognizant of the fact that the targets can be used as a weapon against the city. Mr. Stroh explained that the Countywide Planning Policy targets are set at the countywide OFM affordability level and are focused on the population the county must accommodate; those targets are updated every ten years. The Countywide Planning Policies targets get into the subset of affordability issues. One option would be to take the Countywide Planning Policies numbers and apply them to Bel-Red, but that would be a very ambitious target to achieve. The city has not been sued with regard to the Countywide Planning Policies targets but has been sued over the housing density issue; that suit was not about affordable housing policies or even about production toward achieving the targets, but rather was focused on whether or not Bellevue zoning allowed lots that were too large to be considered an efficient use of urban land. A second option would be to choose any of the lower numbers proposed in the packet memo.

Mr. Inghram allowed that some additional calculation and review will be necessary before any actual targets are set. Within the lift that might be provided through the upzone, some portion could be attributed to supporting affordable housing. As it is seen how much lift is provided through the incentive system, there would be the opportunity to revise the targets either up or down.

Mr. Stroh added that as a broad policy target, it is not the intention of staff to have the number be the same as the development contribution. A broad policy target could be achieved through a range of strategies, including direct public funding or employer assistance.

Commissioner Sheffels said she started with the notion of being clear about who the city intends to attract to affordable housing. She said the focus should be on people who will live and work in the Bel-Red corridor. In some respects that will leave out the lowest levels of affordability. The 80 to 120 percent range is the best for giving the widest range of working people the opportunity to obtain affordable housing. She suggested using anywhere from a low of 70-some percent to a high of 100 percent.

Commissioner Ferris commented that if the vision of 5000 housing units coming to the corridor, there will be between 10,000 and 15,000 people living in the area once it is fully developed. That represents a significant percentage increase to the city's current population. There is also the thinking that Bel-Red should look like the rest of the city with a mix of housing appropriate to the population mix. If all of the units are targeted at higher incomes, people who could not afford to live there would be pushed into other areas of the city, or pushed out of the city altogether. Having targets to measure against would be a good idea, if for no other reason than as a measure of progress. Future Commissions and Councils can make tweaks to the package of incentives to encourage other types of development. The market will not be able to deliver units affordable below the 80 percent mark, so public funds through programs like ARCH will be needed.

Chair Robertson observed that those who are finding themselves priced out of housing in Bellevue include teachers, policemen and firefighters. They are in need of workforce housing. According to the current numbers, about fifty percent of Bellevue's population are above 120 percent of area median income. She agreed that it would be useful to have workforce housing target numbers in place. If the city allows payments in-lieu, the collected funds should be used for public projects funding under 80 percent units; workforce housing units can be comfortably mixed in with market rate units.

Commissioner Lai agreed with the need to incent developers to achieve the 80 to 120 percent range and use other means to achieve below 80 percent units.

Chair Robertson said her inclination would be to set the targets at 15 percent 80 percent and 15 percent 120 percent, which most closely reflects the current Bellevue population.

Mr. Sullivan suggested including targets that encompass the range from zero to 80 percent. He said when the Redmond Overlake plan was being developed, it was clear that they wanted units affordable to people who work at places like Sears, not necessarily to those who worked at Microsoft. To give the numbers some context, he explained that rent for a two-bedroom unit at 120 percent of median income could be as high as \$2000 per month, which might be higher than what market rents would be for rental housing. The vast majority of rental units that get built in the area likely would fall in the 80 to 120 range.

Commissioner Ferris agreed, pointing out that market two-bedroom units would go for about \$1800 per month in the area. He commented that much of the city's remaining housing capacity is in the downtown, and very few of those units are going to be affordable. There is very little single family land left, and there is not much multifamily land that can be developed affordably, so Bel-Red is the best opportunity the city has to achieve some workforce housing, and that should be the primary target. He suggested moving to the right of the scale and settle on 20 percent affordable at 80 percent, and 40 percent affordable at 120 percent.

Commissioner Lai proposed setting goals for the up to 80 percent level if in fact the market on its own will be supplying units at the 120 percent level. Mr. Inghram said the interest in having targets for the 120 percent range is in part tied to what has happened in the downtown area where once the pioneer projects were established the market has turned its focus almost exclusively to units well above the 120 percent level.

Chair Robertson clarified that the 50 percent and 80 percent figures on the graph included in the packet are intended to mean zero to 50 percent, and 51 to 80 percent. Mr. Stroh agreed but pointed out that most developers will shoot for the higher end of each range unless there are specific restrictions. Accordingly, it may be necessary to impose a finer screen.

Commissioner Ferris commented that the market will on its own achieve the 120 percent level for rental units, but not on the for sale side of the equation. There is also a need to specifically call out the one-bedroom, two-bedroom and three-bedroom categories because the biggest discount in price is in the larger units to avoid having the targets met only with studio and one-bedroom units.

Commissioner Lai asked if there are currently specific goals relative to the mix between for sale products and for rent products. Mr. Sullivan said the policies do not have explicit divisions. Some communities have called for an overall balance between ownership and rental units in general in the community.

Commissioner Lai asked if one type of product is more effective for the city to incent. Mr. Stroh said his experience in dealing with the policy issues is that the city is interested in both sides of the equation. The city wants to provide opportunities for rentals at achievable levels, but the same is true for ownership units; having both in the mix adds stability.

Mr. Sullivan said the historic approach relative to land use incentives has been to let the market decide if the units should be rental or ownership. In the direct assistance arena the city has more discretion, but the dilemma in using public funds is trying to meet the goals of all the public funders that put money into the pot. That has historically translated into more rental units than ownership units.

Commissioner Sheffels commented that there are a large number of people who for one reason or another need affordable rental units. It will be important to have both rental and ownership options at various levels available.

There was agreement to explore setting targets, provided the issue is first run by the City Attorney. There was also agreement to set the targets somewhere in the middle of the range.

Commissioner Lai suggested that regardless of what targets are ultimately selected, there should be a mechanism for adjusting and refining them over time. Commissioner Ferris concurred.

Mr. Stroh turned next to the third principle, which focused on whether development participation should be mandatory, voluntary, or some combination of the two. He reminded the Commissioners that the steering committee called for looking at a wide range of strategies and tools for trying to accomplish workforce/affordable housing in the corridor. They expected that some kind of development participation would need to be among the tools; they specifically mentioned exploring incentives and regulatory measures.

Mr. Stroh noted that the corridor is in line to undergo a significant change in zoning which will add a lot of additional development potential. In thinking about the incentives piece, consideration must be given not only to affordable housing but to all of the other things the city will want to promote and incentivize in the area. It is easy to get lost in the numbers, but essentially it is necessary to lay out a methodology that takes into account an approach that will permit the developer to make up the difference between what a market rate unit will bring in and what a targeted affordable unit will bring in. The gap can be addressed through additional developer rights in the form of additional density or height, or through some other mechanism.

The continuum of options has undifferentiated bonuses at one end and mandatory affordable housing at the other. Affordable housing is one thing the city wants to see accomplished in Bel-Red, but a determination will need to be made as to whether affordable housing is more important than other things the city wants to see accomplished in the corridor, and if so how much more important. When the inclusionary provisions were put in place in the early 1990s, there was no associated upzone, and that fact makes requiring affordable units in Bel-Red a much different animal.

With just a straight development bonus approach, affordable housing would be one of the incentives on the menu and it would have the same value as any other item on the menu; if it cost one dollar to provide the affordable housing benefit, the offset to the developer would be one dollar in the same way it would be one dollar for open space or anything else on the list. The prioritized bonus approach would give more of a return to the developer for affordable housing, say one dollar and ten cents.

The super bonus approach would prioritize affordable housing even further. Under that approach if the maximum achievable FAR were 2.0 for every other bonus, a maximum FAR of 2.5 could be allowed if the developer included affordable housing. That is the program in place for the Pedestrian Corridor.

The threshold bonus is a different idea. Under that approach there would be a base zoning, but in order to activate any of the bonuses, the threshold bonus for affordable housing must be activated first.

Commissioner Sheffels commented that the Bel-Red steering committee did not talk at great length about affordable housing; it was a topic that almost was added in at the end. The group decided early on that it wanted to see a certain number of housing units overall. When the issue of incentives came up, the committee believed that upgrading the riparian corridors and opening the undergrounded streams would be done by commercial development along the streams. Almost all of the incentives were aimed at open space, green building and the environment; there was very little talk about incentives for affordable housing. Mr. Stroh agreed. He said the steering committee had three opportunities to discuss affordable housing, including a presentation by Mr. Sullivan. They concluded that the topic is complex and would require some additional homework, but should be highlighted in some general principles, the details of which would have to be worked out during the implementation phase.

Chair Robertson said she likes to keep things flexible and would not be in favor of a completely mandatory approach. However, unless a higher level of importance is given to affordable housing in the bonus system, there will be no affordable housing developed. All of the other incentives on the list will in some way benefit the developments and the broader general public. Affordable housing has benefits but in a different way. She said she would favor the threshold bonus provided there is the flexibility to include payments in-lieu where it would be infeasible to construct units on site.

Chair Robertson suggested that in order to kick start housing, it may be necessary to incent housing in general in the corridor, though not at the same level as affordable housing.

Chair Robertson asked why childcare is on the list of incentives. Mr. Stroh said it was put on the list because it has become a central issue for many families who need to function in the workplace. It is not a foregone conclusion that it will make the final cut, but it is one item to consider. Mr. Inghram added that there is an incentive offered for child care in the downtown.

Commissioner Orrico agreed that unless affordable housing is incented, it will not happen. She indicated, however, that she would strongly oppose going in the direction of mandatory inclusion of affordable units. She said she could support the super bonus or threshold bonus approach.

Commissioner Lai said he felt affordable housing jumps out as being a much higher priority than any of the other items on the incentives list. He said if the threshold bonus approach can be made to work, it will be the optimal option. He added that if the threshold bonus option will not be sufficient to create the needed level of affordable housing, the mandatory approach should not be ruled out. The city should utilize the smallest stick possible and should always strive to work in partnership with the development community.

Commissioner Orrico suggested that the review and adjustment mechanism mentioned in relation to the affordable housing targets should be added to all of the incentives. Chair Robertson concurred.

Commissioner Sheffels pointed out that the Urban Land Institute (ULI) strongly recommends the mandatory approach for affordable housing for a variety of reasons. She added that ULI is strongly representative of the development community. She suggested, however, before ruling out mandatory serious consideration should be given to determining how successful other cities have been using an incentive approach.

Mr. Sullivan said Totem Lake in Kirkland uses an incentive system that is not unlike the threshold approach. He suggested that the threshold approach stands a good chance of being successful in the Bel-Red area.

Commissioner Ferris pointed out that commercial developments in the Bel-Red corridor will not efficiently deliver new housing units of any kind, let alone workforce housing. Commercial developments can and should contribute toward every other item on the incentive list. Housing developments should contribute to the inclusion of workforce housing. At the end of the day, the two should balance each other out.

Commissioner Ferris said if existing industrial-zoned land in the Bel-Red corridor is valued at \$20 per square foot, the upzone could lift the value of the land to as much as \$150 per square foot without any incentives. An affordable housing requirement may in fact mean the land value is no more than \$110 per square foot as a result of decreased sale or rental prices. Even with an affordable housing requirement, there would be a substantial gain. The city will need to assess other impact fees as well, and the task of staff will be to add everything up to make sure the property owner does not end up back where he started at \$20 per square foot. Absent a substantial increase in value, redevelopment cannot be expected to occur. The unique thing about Bel-Red is that there is a lot of room to work given the current low value of land in the area. He said he could support a mandatory requirement, but agreed that the threshold approach might be the way to go.

Mr. Sullivan said as he goes around to various cities that requirements for affordable housing should be tied to rezones, and that it should be made to happen. He said he generally favors a mandatory approach where rezones are concerned. Given all the factors in play in Bel-Red, however, the threshold approach should not be dismissed out of hand.

Commissioner Ferris suggested that whatever approach is chosen, it should be kept simple and consistent.

Chair Robertson asked if staff will be conducting a financial analysis of the incentive system. Mr. Stroh said a lot of technical work is being done to make sure that development will be feasible. A residual land value analysis is under way to look at the increase in the zoning potential. The cost of each potential bonus item is being determined to calibrate what it will take in development rights to make up for the costs. When the Council draws its conclusions about the package of financial requirements, there will be another round of review to make sure development will be in the black.

Commissioner Ferris pointed out that numbers are never static and there is nothing staff can do today that will accurately predict what the numbers will be three or four years out. Holding to the principles will be the most important along with making sure the incentives will result in development. They should not be sliced too thin; if the incentives represent only a slight increase, they will not be attractive.

The role of commercial development was the fourth principle discussed. The example options included applying affordable housing incentives to residential development only; making

affordable housing incentives voluntary for commercial development; tying the phasing of commercial development to housing; and linking approval of commercial developments to contributions to affordable housing.

Commissioner Sheffels said the steering committee held the view that commercial development should be responsible for providing infrastructure and amenities like parks. She said the first commercial developments to come in may in fact provide for all of the necessary infrastructure, and commercial development that comes in after that should not be let off the hook; they should be required to contribute to affordable housing in some way. Mr. Stroh said the magnitude of the vision that came from the Bel-Red steering committee is impressive; to fully realize every facet would take more money than there is in the entire development program through 2030. It is not likely that all of the potential amenities will be developed up front, leaving future commercial development nothing to add.

Commissioner Ferris reiterated his belief that commercial development should not be linked to the production of housing. The two do not follow the same cycle, and forcing a product that does not want to be there always results in a bad development. There is clearly a link between increasing jobs and the pressure that puts on the housing inventory, but the most efficient delivery system is when commercial delivers on infrastructure needs and housing supports affordable housing. He added that he would not preclude commercial development from contributing to housing if it wants to.

Mr. Sullivan commented that the future housing capacity in East King County is primarily in mixed use. More than fifty percent of all areas where housing growth is expected to occur is in mixed use zones; it is even higher in Bellevue. Absent a link between housing and commercial, it is possible more commercial than housing will be developed in those zones and the opportunity for housing will be lost.

Commissioner Lai asked what is the envisioned mechanism in a mixed use zoning district to get the right mix of commercial versus residential. He commented that incentives for commercial and residential may not be independent because of the tie between the two uses. If there is no requirement for affordable housing, and if developers find it less expensive to provide greenways and riparian corridors, it may be that more commercial will be developed than housing.

Commissioner Ferris stated that vibrant communities are those that have a balanced mix of retail, commercial, housing and amenities. That way when the office workers go home for the night, the street still has life. He agreed that some language may need to be included that will keep the balance from being tipped in one direction or another just because the market was not there at the right time.

Chair Robertson said that may entail incenting housing in general, not just affordable housing.

Mr. Sullivan said the plan for Redmond's Overlake dictated housing to be developed in certain locations. That was their method for making sure housing did not get overlooked. He agreed that the balance of mixes is imperative.

Chair Robertson voiced concern over coming to the point where more commercial will not be allowed until more housing is brought online. Under that scenario, the person who is last to develop would have far less flexibility, and that is not necessarily fair. The better approach would be to determine the desired mix and zone the land accordingly. Mr. Stroh said that is an interesting point. He suggested that it likely will be necessary to load the incentives for commercial differently from the incentives for affordable housing. If all the improvements

brought about through bonus incentives on the commercial side – such as open space, natural drainage and green buildings – increase the marketability of the area, the scales may be tipped away from the choice to do residential. It can be argued that affordable housing does little to make a housing development more marketable. The structure of the bonus system will need to be carefully drawn up so as to avoid tilting things one way or the other.

Commissioner Ferris said he assumed that there will be established street standards for every development that will include sidewalk widths, street trees and sustainable aspects, and that those standards will apply regardless of whether the adjacent development is commercial or residential. Where there should be parks or greenbelts should be made part of the master plan and clearly identified on the map; development will need to contribute in the form of impact fees that will go to building those amenities, with commercial paying more than residential. Mr. Stroh agreed that there will be straight development requirements, the details of which will need to be worked out. Park impact fees will be a financial mechanism discussed with the Council, though the approach will be a long shot. Staff is still mulling over how many of the amenities will need to be incentivized because there are no other mechanisms for getting there. The mix of bonuses could be set to encourage development to go beyond the threshold bonus for housing while still making it possible to contribute some of the other amenities that contribute to marketability and neighborhood flavor. On the commercial side, the developments could be asked to submit to a threshold bonus and provide a small amount of affordable housing to activate some of the other amenities.

With regard to commercial, Commissioner Orrico said she would prefer to see the bonuses undifferentiated. Chair Robertson concurred but suggested that they could achieve a height or density bonus by paying a fee in-lieu as one of the undifferentiated bonuses. If there is to be a threshold on the commercial side, it should be for something like parks.

Commissioner Ferris pointed out that a significant amount of the overall development capacity is centered on only two nodes in the corridor, and the only way to get the needed areawide infrastructure will be for development everywhere to pay into a central infrastructure fund. Otherwise infrastructure will be developed in the nodes but nowhere else. He suggested that the term infrastructure goes beyond just roads and utilities to include parks, riparian corridors and open space.

Mr. Stroh said the Council will be deciding on all financial mechanisms. He said a wide range of financial tools are being looked at. He agreed that a way will need to be found to fund all the incentives; they will not be provided solely through the incentive structure. One tool that could be used to finance park construction is the local improvement district; another is tax increment financing.

Commissioner Lai suggested that the list of amenities desired in the community can be applied to both residential and commercial, with the exception of affordable housing. The risk in attaching affordable housing requirements only to residential development is that it may serve as a disincentive to residential. While the bonus for affordable housing could be crafted differently for commercial and residential, it should apply to both.

It was agreed that affordable housing incentives should be voluntary for commercial development.

Mr. Stroh said staff is convinced that undifferentiated bonuses result in no bonus at all, that people will not choose to do housing from among a mix of options. Accordingly, it may be necessary to give housing more weight as a bonus.

Commissioner Orrico disagreed. She said she would prefer not to give housing more weight given that all of the incentives on the list are important. She agreed that a bonus for housing should be on the list of incentives offered to commercial.

Turning to the tools matrix of principle five, Chair Robertson asked why "co-locate housing with other uses" and "permit fee waivers" did not have an "x" in the Bel-Red column. Mr. Inghram suggested that in some ways each item on the list could be applicable in Bel-Red. He said in developing the matrix staff was trying to mark those items specific to Bel-Red. The assumption was that permit fee waivers would apply citywide, not just in Bel-Red. He added that the door is not closed for any of the items on the list.

Mr. Sullivan noted that while there may not currently be an opportunity for co-locating, the question is whether or not there should be a policy statement setting co-location as a tool to be considered as opportunities arise.

Commissioner Orrico asked what is meant by "areawide environmental assessment." Mr. Inghram explained that the idea is tied to conducting SEPA at a higher level; as projects come in, they would be covered by the SEPA done by the city. A programmatic EIS has been done for the plan, but new developments that occur will have to go through their own SEPA analysis. If the city were to do an EIS for a range of projects within the plan, then projects consistent with that analysis that come in would not have to do their own analysis.

Commissioner Orrico asked if the tools on the list have been identified as things that have proven to be effective in other jurisdictions. Mr. Sullivan said the tools are not necessarily aimed at affordability. He said there is a need to think outside the traditional box in order to address all forms of housing. When the YMCA was trying to site its Family Village, it wanted to go into Bellevue but found it could not because none of the zoning in Bellevue allowed the way they had configured their building. There may not be much of a need for SRO units, but they will not be allowed at all unless they are specifically permitted and an opportunity could be missed.

Chair Robertson asked whatever became of the recommendation of the Commission made a few years back to allow for some experimental housing types. Mr. Stroh said there is a Comprehensive Plan policy to that end that has not yet been pursued.

Commissioner Ferris noted that the cottage housing built by CamWest would not work in Bel-Red because the density contemplated by the vision is much higher; accessory dwelling units will not work there either because they are separate units on single family lots. SRO housing may be right for the corridor and should be allowed. Live/work housing would be an excellent fit for Bel-Red mixing commercial with residential.

Mr. Stroh asked the Commissioners to review the list for items that are either especially appropriate for Bel-Red or not appropriate at all for the corridor.

Commissioner Ferris commented that the housing emphasis area item could be used as a way to encourage housing development.

Commissioner Lai asked if there is anything that can be done to expedite application processing as an incentive tool for affordable housing or other amenities wanted by the city. Mr. Inghram said that is a request that comes up frequently by non-profits seeking to construct affordable housing, but is challenging to respond to. There are direct staff costs associated with permit

applications, and their salaries are supported completely by the permit fee system. If the fees were to be reduced, or if the process time were to be expedited, there would have to be some sort of adjustment made to the overall permit review system; additional staff might be needed which adds a work/process management elements into play. Commissioner Lai said he was actually thinking of an approach that would prioritize the processing of certain applications because of the amenities they involve. Mr. Inghram said the issue has been discussed with land use and their response was that it would be very challenging to manage a system having different types of ranking for different projects, especially where are multiple things a project could qualify for.

Commissioner Sheffels pointed out that under state law permit processing cannot drag on forever and must be accomplished within a set amount of time. Mr. Inghram informed the Commission that the 120-day state law sunsetted and no longer applies.

Mr. Stroh said there is no question that expedited permit review is of value to a development. Bellevue has worked over the years to fine tune its permit process and become more customer friendly. Because permit processing is a cost recovery function, additional staff cannot be brought on board to facilitate expediting. As a result, where one permit is expedited, another permit is put on hold temporarily, and that is contrary to the whole notion of offering good customer service.

Commissioner Ferris explained that a jurisdiction in Texas has initiated a new concept. The idea is that projects that conform with the established development goals, fits within the SEPA requirements and requires no exceptions to the design can be branded as smart development in exchange for being shepherded through the process much quicker.

Commissioner Ferris said Eastside communities often include a school impact fee on a per unit or per bedroom basis, even though the statistic show that people living in urban developments have fewer children. He suggested that it might be a good idea to look at impact fees that are levied that may not exactly be applicable. Mr. Inghram said the only impact fee Bellevue levies currently is for transportation; the Bellevue School District does not have an impact fee. Mr. Sullivan said the jurisdictions that do have school impact fees often waive them for affordable units.

Commissioner Ferris said there are a few building code changes that could be implemented to reduce the cost of construction in Bellevue. For instance, in Bellevue five levels of wood frame are allowed on a concrete base, but the fire department requires pressurized stairways and emergency generators before the fifth layer can be permitted; that requirement is unique to Bellevue and serves as a disincentive to building the fifth level.

Finally, with regard to the sixth principle, alternatives to on-site housing affordability, Mr. Stroh said the general wisdom is that it is preferable for a variety of reasons to get affordable housing on-site rather than off-site. The question to be answered is how easy or difficult it should be for the threshold bonus to be used on-site rather than off-site.

Commissioner Orrico agreed that commercial developments should be allowed to make payments in-lieu for off-site projects. Social services can be provided much more efficiently through partnerships with non-profit agencies.

Chair Robertson said she would like to see alternatives to on-site housing affordability done in a more flexible way. For workforce housing, the strong preference should be for on-site development. However, where a developer can show he can do something equally or more effective by partnering with a non-profit for an off-site project, he should be allowed to do so.

The off-site project should be within the corridor, however. Mr. Sullivan said Redmond requires the units to be constructed on-site, unless the developer can provide convincing evidence of a greater public benefit for an off-site project.

Commissioner Ferris commented that workforce housing at 80 percent and above is not generally going to require the provision of social services. The projects that will need those services will be for low-income and special needs and will not necessarily be embedded in market rate projects. For highrise condominium buildings, the fee in-lieu approach may be the best. In addition to the initial buy, there is a monthly homeowners fee that the residents must pay. An embedded 80 percent unit in such a project may be affordable as far as the initial buy is concerned, but not where the additional fees are concerned.

Commissioner Lai suggested the thing the city should avoid is having a premium section of Bel-Red but then another section that is all about affordable housing. The neighborhoods should be integrated with people of various means and lifestyles. He asked if there is a way to do that without requiring on-site construction of affordable units. Mr. Stroh explained that the example options continuum developed for the sixth principle was not set up to suggest there is a case-by-case, project-by-project negotiation. He stressed the need for predictability.

Mr. Sullivan said one way to do it is to be able to tell developers exactly what the on-site and off-site costs will be, and what any in-lieu payment will be, with the pricing for each set at different levels. Another approach would be to set up a system that favors on-site construction and a set of guidelines for considering off-site options. Redmond is considering taking the latter approach.

Commissioner Sheffels said her top preference would be to have the units provided in the Bel-Red corridor, whether they are constructed on-site or off-site.

B. Bel-Red Subarea Plan

Mr. Inghram pointed out that on February 27 there will be discussion from the other boards and commissions relative to the subarea plan policies. He reminded the Commission that it had come down somewhere in the middle with regard to policy F-2, and that there should be policy direction of support for both rental and ownership housing.

With regard to F-3, Chair Robertson noted that the Commission previously concluded there should be some monitoring of housing affordability, production, and all of the incentives.

Commissioner Sheffels said she would like to see more definition or clarification added to F-1 regarding other forms of housing.

C. 2008 Comprehensive Plan Amendments

Mr. Inghram said a time on a future agenda will be set aside for a study session on the package of applications. Later in the spring a public hearing will be held on threshold review.

Chair Robertson noted that the staff report regarding one of the amendments indicated that the Council declined to advance the application when submitted three years ago. She pointed out that the record should reflect that the Planning Commission had recommended not to initiate the amendment as proposed.

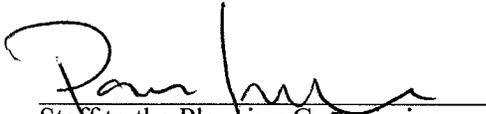
9. NEW BUSINESS – None

- 10. OLD BUSINESS – None
- 11. APPROVAL OF MINUTES
 - A. November 28, 2007

Motion to approve the minutes as submitted was made by Commissioner Orrico. Second was by Commissioner Ferris and the motion carried without dissent; Chair Robertson abstained from voting.

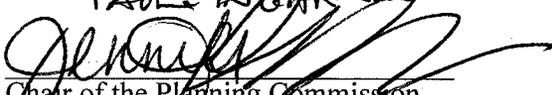
- 12. PUBLIC COMMENT – None
- 13. ADJOURNMENT

Chair Robertson adjourned the meeting at 10:40 p.m.



Staff to the Planning Commission

5/28/08
Date



Chair of the Planning Commission

7/2/08
Date

