

CITY OF BELLEVUE
BELLEVUE PLANNING COMMISSION
STUDY SESSION MINUTES

February 6, 2008
7:00 p.m.

Bellevue City Hall
City Council Conference Room 1E-113

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

COMMISSIONERS ABSENT: Commissioners Bach and Lai

STAFF PRESENT: Paul Inghram, Janet Lewine, Department of Planning and Community Development

GUEST SPEAKERS: None

RECORDING SECRETARY: Gerry Lindsay

1. CALL TO ORDER

The meeting was called to order at 7:04 p.m. by Commissioner Mathews who presided until the arrival of Chair Robertson.

2. ROLL CALL

Upon the call of the roll, all Commissioners were present with the exception of Chair Robertson, who arrived at 7:35 p.m., and Commissioners Bach and Lai, both of whom were excused.

3. APPROVAL OF AGENDA

The agenda was approved by consensus.

4. STAFF REPORTS

Comprehensive Planning Manager Paul Inghram said there was a very good turnout at the Bel-Red open house event; some 80 people signed in and there was a lot of good discussion.

Mr. Inghram reported that the Comprehensive Plan amendments have all made their way through study session review at the City Council level; they are now all set for action on February 19.

Mr. Inghram said the Commission is set to receive a briefing regarding the Shoreline Master Program at an upcoming meeting. The update process has been kicked off at the staff level.

5. PUBLIC COMMENT – None

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

7. REPORTS FROM COMMISSIONERS

Commissioner Mathews reported that the Light Rail Best Practices committee met on February 5

and reviewed the second set of topic areas. The group also debriefed regarding the tours of the San Jose and San Diego light rail systems. The committee is now moving toward developing recommendations for light rail best practices.

8. STUDY SESSION

A. Bel-Red Housing Panel Presentation

Associate Planner Janet Lewine reminded the Commissioners that their packet included a report that included an outline of five key issues relating to housing policies and strategies for the Bel-Red area. She briefly reviewed each of the issues.

Ms. Lewine introduced the panelists: Karen Anderson-Bittenbender, Deputy Director of the Low Income Housing Institute, (LIHI) a non-profit housing developer; Tori Laughlin-Taylor, who has extensive experience working with both non-profit and private for-profit housing development; and Dorothy Lengyel, Program Director for DASH, a non-profit housing developer. She also introduced Andrew Kidde to moderate the panel discussion.

Mr. Kidde explained that currently the Bel-Red area is primarily a light industrial zone. The vision for the area is to upzone the area to allow for mixed use developments with much higher density, with housing as a key element. He asked the panelists to comment on what the city should do to encourage the critical mass necessary to get it all going.

Ms. Laughlin-Taylor commented that from an urban development standpoint, the Bel-Red corridor is a blank slate. To see the vision realized, however, will require a number of things to take place. The focus should be on the mix, not just the housing component. The most critical thing will be getting the infrastructure in place, especially the infrastructure that will draw and support housing, which is primarily parks, open space and the basic framework of community. Affordable housing has consistently been the way to pioneer new areas; affordable housing is appealing to young people who are more comfortable with an edgier neighborhood.

Ms. Anderson-Bittenbender said in essence the city is looking to create a master planned community. From a marketing perspective, such communities sell better because they are more desirable in that they traditionally offer a variety of amenities. In setting the stage, the city should avoid taking any steps that will stifle creativity. There should be a variety of housing styles and types and colors. When the Belltown area of Seattle was redone with the idea of making it the residential portion of their downtown, they elected not to dictate a specific residential parking requirement. The one thing downtown Seattle wishes it had done differently was to create its downtown housing to be accommodating to families with young children. Bellevue should make sure it designs the Bel-Red area in a way that will welcome young families. There should be both rental and for sale affordable units made available. Focus groups should be formed to delve into the issues of barriers and how they can be overcome. At the end of the day, the Bel-Red corridor should be viewed as being clean and safe as well as eclectic and accommodating to a variety of people and incomes.

Commissioner Sheffels pointed out that there is no elementary school in the Bel-Red area and asked if that will be a problem. Ms. Anderson-Bittenbender suggested that issue should be looked at very carefully. She allowed that there does not necessarily have to be a school facility in the corridor provided there is good access via school bus and the like. River Trails in Redmond is a development that started out with 460 townhomes; there were initial questions about whether or not families would choose to live there, but it has become one of the biggest school bus stops for the school district. Clearly families have determined to stay there because of

the amenities offered for them.

Mr. Kidde said one of the things the city has been contemplating is whether or not it should use voluntary incentives or mandatory requirements, or some combination of both, in order to achieve the vision for the Bel-Red area. Ms. Anderson-Bittenbender said the reality is the city has the power of zoning. In upzoning the area, the city will be in a position to ask for something in return for allowing for greater density; whether that should take the form of mandates or incentives is difficult to say.

Ms. Lengyel said she worked for Seattle in the early 1980s when the TDR bonus incentive programs were designed. She said the development community initially claimed that being forced to provide this or that would amount to a taking by the city, so there was a lot of apprehension. At the time, DASH was adamantly opposed to an incentive approach. However, the things that make a great program include having very defined areas in which the incentive programs are in play, and zoning overlays that offer extra incentives. The city should strive to come to an understanding with the development community about where to start and then work from there in what will be a much more hospitable environment. Flexibility will be key. The city should make it very easy and desirable to start and should avoid micromanaging the developments as they come online.

Ms. Anderson-Bittenbender said zoning programs work well when starting with a blank slate. The city should lay out its vision clearly and concisely and then establish the package of development rules needed to get there. That way the issue of voluntary or not is moot. Commercial development will benefit directly from the parks, the linkages, daylighting the creeks and the like.

Commissioner Ferris allowed that the image of the Bel-Red corridor is one of an industrial area that is devoid of character and therefore needs some special consideration in order to kick start something. The area is uniquely located between the Microsoft campus and the downtown. There is transit available and the area does have some character already. He asked the panelists if they see the area as a viable location for private development to occur, possibly with some incentives, but not necessarily as an characterless industrial area.

Ms. Lengyel allowed that the corridor has a great deal of potential. The question is whether or not the quality of community wanted will come about absent incentives. Because the land is in multiple parcels with multiple owners, obtaining a cohesive redevelopment will require incentives, encouragements and overlays.

Ms. Laughlin-Taylor said the advantages inherent in the area because of its unique location is what accounts for the potential of the corridor.

Ms. Anderson-Bittenbender said it likely will not be possible, regardless of the incentive package, to develop affordable housing at the 80 percent level unless land costs can be removed from the equation. If a developer must buy the land first, they must seek four or five sources of incomes, including tax credits, in order to make it pencil out. Developers cannot produce 80 percent and under housing unless they have tremendous subsidies and additional height. As the city zones the land, it will have to think about all of the factors that make the construction of affordable housing realistic.

Ms. Lengyel said that approach presumes that the affordable housing units will all be created by new construction. The position of DASH in recent years has been to first preserve what exists before more is built. A payment in-lieu strategy might be the best way to assure that existing

housing is preserved. The Housing Resources Group in the early 1980s, by only using federal Block Grant dollars, acquired the Olive Tower in Seattle. They have been able to create internal financial return for the property, primarily because they did not get involved in a lot of intricate subsidies.

Mr. Kidde noted that part of the vision for the Bel-Red area is to achieve a range of housing types. While preserving existing housing is always a good idea, there is very little housing currently in the corridor.

Commissioner Mathews said actions to preserve existing housing do not add anything to the overall inventory of housing. One of the primary objectives for the Bel-Red corridor is to add new affordable housing units. There are programs in place aimed at preserving existing units, which is the right approach to take, but the focus for Bel-Red needs to be on developing new affordable housing units.

Ms. Lengyel pointed out that the city is currently losing a large number of existing affordable housing units through condominium conversions and the like. Concerted efforts to keep those units on the inventory roll will be a net gain for the city. She agreed that preservation cannot be the only tool used, but it should be one of the tools used.

Ms. Laughlin-Taylor said getting a full spectrum of housing in place will require a full spectrum of tools. One of the tools will have to be targeting the subsidies and resources that are available to those who produce housing units at the lower end of the affordability scale. The more units built as part of a bigger project, the faster the units will come online and the more efficiently they will get built. There are certain advantages available to market builders who provide for some affordability, but the comfort line has to be found.

Ms. Lengyel suggested that developers who do not want to produce units at 50 percent of median should not be asked to do so by the city. That will be better for the partnerships on the non-profit side. In addition, non-profits should not be asked to focus only on housing under the 50 percent mark. Non-profits have to be able to access flexible programs, and that means they need the flexibility to serve various income groups, not just the very low income groups.

Ms. Anderson-Bittenbender said the McKee project was produced with an inclusionary zoning requirement. She allowed that the units would not have been constructed at all had it not been for the requirement, and very few units have been achieved since the inclusionary requirement was repealed. If the city decides to once again take the inclusionary approach, possibly to address the 80 to 120 percent market, there will need to be some training to keep it from being too burdensome.

Ms. Lengyel said if the development community does not buy into the affordable housing mission, inclusionary requirements or strong incentive programs will be needed in order to gain any affordable housing units. However, developers that are engaged for other reasons will have a very different kind of relationship with the city.

Mr. Kidde asked if there could be a hybrid between a straight mandatory inclusionary requirement program, which will simply raise the average price of all the units, and an incentive program.

Ms. Anderson-Bittenbender said it all has to do with the market. If a developer believes they can get an extra ten dollars per square foot, regardless of whether there is inclusionary zoning or not, they will go after it.

Ms. Laughlin-Taylor suggested that the value of the land is the determining factor. It all comes down to what can be built and what the market will sustain in terms of income. The value of land will always rise to match the zoning. If the zoning says ten percent of the units must be affordable at 80 percent and under, the numbers will be run and the land value will be determined accordingly.

ARCH Program Manager Art Sullivan pointed out that during the time Bellevue had an inclusionary program in place, there was no rezoning going on. The city offered developers extra units if they could fit them in. The McKee project could not fit it all in, but some sites were able to use the bonuses. Some cities use a voluntary rezone scenario in which developers are offered extra height in exchange for affordable units. Redmond requires the inclusion of affordable units in the downtown projects, with the number of units required based on the overall size of the development.

Commissioner Mathews asked what the likelihood is of getting affordable units constructed under an incentive approach alone. Ms. Laughlin-Taylor said if the numbers work, the units will be created. She allowed that the hard part of tooling up a program is that the market can shift year to year, but said at the end of the day whatever will build revenue for the developer will be the enticing approach. The multifamily tax exemption is a true benefit that goes directly to the bottom line and thus is very attractive.

Commissioner Ferris asked how much leverage the multifamily tax exemption program brings to bear. Ms. Laughlin-Taylor said the tool is a very important one because of where it applies in the spectrum of affordability. If a market model can get the units in a project to pencil out at close to 100 percent of affordability, the multifamily tax exemption can achieve a reduction in rents of between ten and twenty percent. Most other subsidies for affordable housing top out at 60 percent. The exemption can entice market developers into providing some affordability.

Ms. Anderson-Bittenbender said the tax exemption program can also be applied to for-sale projects. She said LIHI is currently doing a project in Seattle that includes affordable townhomes at 80 percent and under. The 12-year property tax exemption really helps the affordability bottom line.

Ms. Lengyel said the tax exemption program effectively gives a new buyer \$200 to \$300 more per month to put toward their mortgage. If they are a household that has used its credit wisely, they will have quite a lot of additional purchasing power. Additional tools are needed to hit the 60 percent and above levels.

Answering a question asked by Commissioner Mathews, Ms. Anderson-Bittenbender said Seattle did not require a set amount of parking in the Belltown area, leaving the issue up to the developer and the market. The city also did not want to see a lot of commercial development, so for that side there were height restrictions and parking was required. Ms. Lengyel added that there is very different discussion going on currently in Seattle on the issue of parking and upzones because the lack of parking is becoming a major concern for some areas.

Ms. Anderson-Bittenbender said some of the higher density neighborhoods in Seattle, especially Belltown, are seeing residents electing not to own their own cars; many of them participate in the FlexCar program to give them mobility on the weekends, but rely on the bus to get them to and from work on a daily basis. Some projects are making provisions for a FlexCar in determining how much parking is needed.

Commissioner Ferris pointed out that at Village at Overlake in Redmond, which has units affordable at 30 to 60 percent, the actual parking demand is 0.7 stalls per unit. At Uwajimaya Village, the demand is 0.9 stalls per unit. Experience is showing that areas well served by transit have a much reduced demand for parking. Seattle is moving in its urban village areas toward reducing or eliminating the minimum parking requirements.

Ms. Lengyel said that is what the Seattle citizens are about to fight. The Mayor has made that proposal, but the communities outside the downtown core are not interested in supporting it. She suggested that Bellevue should take baby steps when it comes to parking.

Mr. Kidde asked if commercial development should in some way participate in affordable housing programs. Ms. Anderson-Bittenbender noted that in Los Angeles there is a per-square-foot fee charged developers for schools, including for commercial and office developments. That approach might work for Bellevue for schools and possibly for achieving affordable housing.

Commissioner Ferris commented that having housing included in a project would typically go into a housing project. So if there is some economic decrease as a result of including affordable units, it would apply to housing projects only. But other income will be required to support the infrastructure needed in Bel-Red, including parks, roads and riparian corridors, and that could come from commercial development with the housing contribution being in the form of affordable housing.

Mr. Sullivan said the market rate builder on the Coast Guard site on Avondale Road was required to pay an impact fee to be used for the construction of parks. He said instead of paying the fee, the developer actually constructed the adjacent neighborhood park. The city got what it wanted and more, and the developer got a facility that directly benefited his development.

Commissioner Ferris said the Bel-Red corridor as a whole will have a lot of things on the wish list as part of the overall vision, and there will need to be a variety of ways to pay for them. The contribution from the housing developers should be affordable units, while the contribution from the retail and commercial developers should be fees to support the infrastructure necessary to support their uses and the affordable housing units.

Commissioner Sheffels pointed out that there is already a great deal of commercial in the corridor and said it will evolve over time. The infrastructure needs, however, will likely be out in front of the new development.

Ms. Anderson-Bittenbender said the way to make a residential development welcoming and positive is not to have big wide roads, to use alleys for access and parking, and to provide for some retail opportunities that enlivens the street.

Ms. Lengyel agreed, adding that there is more to building a neighborhood than just building streets and houses. If the city has in place incentives and ways to stack them up, the developers will take advantage of them. Seattle is willing to subsidize down to 30 percent of median; they are willing to set up a housing trust fund to pay for the operating expenses of very low income units. Unless Bellevue adopts that kind of a mindset, it will be necessary to preserve a variety of strategies in order to be successful in the long run. The state is beginning to talk about workforce housing above 60 percent of median; Bellevue should be in there as part of the discussion in order to gain more flexibility.

The panelists were thanked for their willing participation and excellent insights. Mr. Inghram said the intent is to keep the panelists in the loop as things progress toward the crafting of

policies and strategies.

Mr. Inghram said the focus of the Commission meeting on February 13 will be on working through the issues one by one and on gaining some initial direction on the different issues. On March 3 staff will brief the Council and seek additional guidance. Then during March the Commission will begin the work of developing draft code language and looking at the overall incentive picture.

Mr. Sullivan said he is working on the economics of providing incentives for affordable housing. He said such programs must be fair and they must directly affect the bottom line. He said the market analysis must consider what the builder needs at a time in the future when they are building. The value of the incentives under discussion need to be understood. He said he will be providing the Commission with his findings in the coming weeks.

Commissioner Sheffels stressed the need to work directly with the builders in developing incentives and regulations. Unless the system works for the development community and the city alike, it will not get used, and the desired outcomes will not be realized.

Commissioner Orrico said the panel discussion was very helpful. She said it would be even more helpful to involve Todd Bennett and the owners of the largest parcels of property in Bellevue. It would also be helpful to be given a briefing on the history of the inclusionary housing requirements Bellevue had in place in the early 1990s, what drove the city to adopt the regulations, what the regulations were, and what pushed the city to repeal them.

Mr. Sullivan said he has been talking directly with the builders who are constructing the biggest projects currently in downtown Redmond. He said they are very interested in the Bellevue process and what will come out of it. He also noted that Ms. Anderson-Bittenbender was with the outfit that constructed the first housing units in downtown Bellevue and Redmond; she served as the manager for those projects. She has been a pioneer in doing workforce housing in new market areas and has a great deal of experience and expertise.

Commissioner Sheffels commented that the Wright Runstad property will have a lot of housing units associated with it, and the Amica project in the corridor will have a lot of senior housing. Both of those groups are fairly well along in their planning and she asked if the incentives will be in play in time to affect those projects. Mr. Inghram said the code requirements being developed will affect both of those projects.

Commissioner Sheffels asked if affordable housing units for senior developments can be required. Mr. Inghram said that issue has not been explored in any detail but is certainly a possibility.

Commissioner Ferris commented that within the corridor and the nodes there will be quite a few different building types. The solutions that might be applicable to a highrise building will not necessarily work for another type of building. Buildings with heights of between 60 and 70 feet will be more likely to include affordable units within the building, whereas those constructing concrete & steel buildings with greater height than that likely will prefer to make a payment in-lieu. The city will need to be able to understand the differences for each building type. He said his preference would be to encourage the units to be provided within each building, with payment in-lieu allowed as an exception.

There was consensus among the Commissioners that any fees in-lieu collected from within the corridor should be used for alternative compliance within the corridor.

Commissioner Sheffels asked if the city could require commercial redevelopment wanting to go from a single story structure to a multiple story structure to include housing on the upper couple of floors. Mr. Sullivan said that could be done, and one way to do it would be to allow for more FAR if housing is included in the mixed use structure. However, if the housing ends up being around ten percent of the overall project, the final mix is somewhat odd. San Francisco played around with requiring housing as part of commercial projects, and there were a few office buildings constructed with housing at the top level. The city has since evolved to requiring fees in-lieu or working with a non-profit. The commercial development community should be asked for their opinion about mixing those uses. The better approach likely will be to find a way for commercial to contribute to solutions in some creative way.

Commissioner Ferris said office and housing mix better if they are side-by-side rather than one on top of the other. The two uses are financed differently and there are other complications.

With regard to the property tax exemption and the statement in the staff report that says an up-front payment, such as an impact fee, might be needed to offset the loss of tax revenue. He said there is no loss of revenue because the property taxes for the existing underlying land value continue; the only thing exempted is the improvements. Of every dollar of property taxes that is collected for Bellevue properties, only 9.3 cents comes to the city. The state and the county, who get the lion's share of the property taxes, are willing to give up some of their share, but only if the local jurisdiction puts up its share. It is not likely that the city would be able to get around it by turning around and charging an impact fee to make up for the city's portion. Mr. Inghram agreed but added that the Bel-Red area will require significant investment which will have to flow from some financial mechanism, whether it be the new increment of tax revenue, impact fees or other tools.

Commissioner Ferris commented that every dollar of an impact fee goes to the city, whereas only 9.3 cents of every dollar collected in property taxes comes to the city. The program is a huge gift on the part of the state and the city should not hesitate to take advantage of it. Mr. Sullivan said the question being posed to the development community is whether or not they would prefer cash up front or cash financed over a longer period of time.

Answering a question asked by Commissioner Sheffels, Mr. Inghram said the property tax exemption flows to the developer in the case of rental properties, and to the buyer in the case of a condominium project. Mr. Sullivan said the exemption is more of a marketing tool for the condominium developer to use, whereas a waiver of fees would benefit the developer directly.

Mr. Inghram noted that the packet materials included examples of mandatory and voluntary approaches. With regard to the role of commercial development, he said at the meeting on land use the Commission talked about how to ensure the right mix of uses, and in the office nodes how to ensure there will be a sufficient mix of housing.

Mr. Inghram briefly reviewed with the Commissioners the highlights of the discussion regarding each of the topic areas and received confirmation with regard to the direction to take in flushing out each one.

Commissioner Ferris stressed the need to include parking as tool to be discussed. The housing trust fund and partnerships with non-profit agencies are tools to be used to achieve housing at 60 percent and under, not workforce housing. More tools targeted toward workforce housing will be needed.

Mr. Sullivan agreed that housing at 80 percent and above probably should be provided on-site. He added that the corridor may be an excellent location for some of the more affordable housing, so the question is whether it should be accomplished just using the housing trust fund or if good planning could create tools that will make it easier to do some of the more affordable units.

Commissioner Orrico expressed concern that the tools are only looking at affordable housing. Success will only come about when there are more than just affordable housing incentives; other tools will need to be utilized to bring about parks and other amenities that all of the housing will need to be attractive.

Commissioner Ferris suggested that waiving impact fees for affordable housing units would be a good thing, but may not be within the purview of the Commission to recommend. Mr. Inghram said the Commission is free to talk about whatever it wants and to make any recommendations it deems appropriate. He agreed, however, that the focus should be on land use-specific types of tools.

Commissioner Sheffels said it would be helpful to have information regarding what percentage of the total number of Bellevue households have incomes that qualify them for the various affordable housing percentage categories. Mr. Inghram said much of the information is in the ARCH handbook; he said he will pull out the relevant data for the Commission to review, and will add information regarding how some of the existing tools are addressing those percentages.

9. OLD BUSINESS – None

10. NEW BUSINESS

Mr. Inghram said the Bel-Red open house included boards highlighting the contents of the subarea plan. Those who attended were asked to fill out a questionnaire; the same questionnaire is posted online. There was a very good dialog between the attendees and staff; most who stopped by stayed for anywhere between 15 minutes and an hour and had a lot of very good questions. A summary of the comments will be provided to the Commissioners.

Mr. Inghram also shared with the Commissioners photos taken on the Light Rail Best Practices committee tour of facilities in San Jose and San Diego.

11. APPROVAL OF MINUTES

A. September 12, 2007

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

B. September 26, 2007

Commissioner Ferris referred to page 36 and noted that the comment attributed to him concerning the Courter CPA appears in the section regarding the St. Margaret's CPA; he asked to have the paragraph moved up.

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

C. October 10, 2007

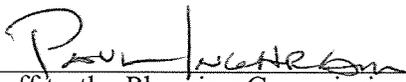
Chair Robertson pointed out a typo on page 39 regarding a misspelled word.

Motion to approve the minutes as submitted was made by Commissioner Orrico. Second was by Commissioner Mathews and the motion carried unanimously.

12. PUBLIC COMMENT – None

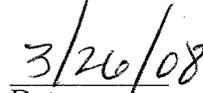
13. ADJOURNMENT

Chair Robertson adjourned the meeting at 9:25 p.m.


Staff to the Planning Commission


Date


Chair of the Planning Commission


Date