Bel-Red Corridor

Economic and Market Demand Summary

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The City of Bellevue

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Introduction

The City of Bellevue has embarked on an ambitious planning effort for the Bel-Red area, for which the goals include increasing employment, creating high capacity transit and improving the natural environment. This effort will create a long-term vision that will likely take form in new plans, zoning codes, uses, and activities in this area.

As part of this effort, the City hired Leland Consulting Group (LCG) to assess market demand for various land uses, and to recommend an implementation strategy that will help turn these plans into reality.

The first section of this report, "Bel-Red Today," examines existing conditions in the area, including the large holdings of industrial and retail development, typical building ages, and the amount of build out in various areas. The second section on "Bel-Red Tomorrow" describes the potential for more intense development of various uses, including offices, housing, retail space, and hotels. This section also describes various strategies for positioning this development. The third section recommends a number of strategies and tools for successfully implementing a new plan and approach to the area.

The appendices provide more detail and a fuller discussion of market demand, as well as examples of innovative campus-style and transit-related development in other areas of the Pacific Northwest and the U.S. There is great potential for developing a new mix of uses in Bel-Red and to create a place for residents from throughout the city to live, work, shop, and relax.

Bel-Red Today: Development Patterns and Demand

Bel-Red is a place defined by the roads that run through and around it. The name carries a connotation that this is a place in between Bellevue and Redmond, a place of convenience, but not necessarily a place to dwell. For the most part, Bel-Red is a place to work or shop, but not to live. It is a landscape of stores and warehouses, of parking lots and office buildings, and of cars driving by. The opportunity and the challenge are to make Bel-Red more of a place, a destination that people will want to come to and stay.

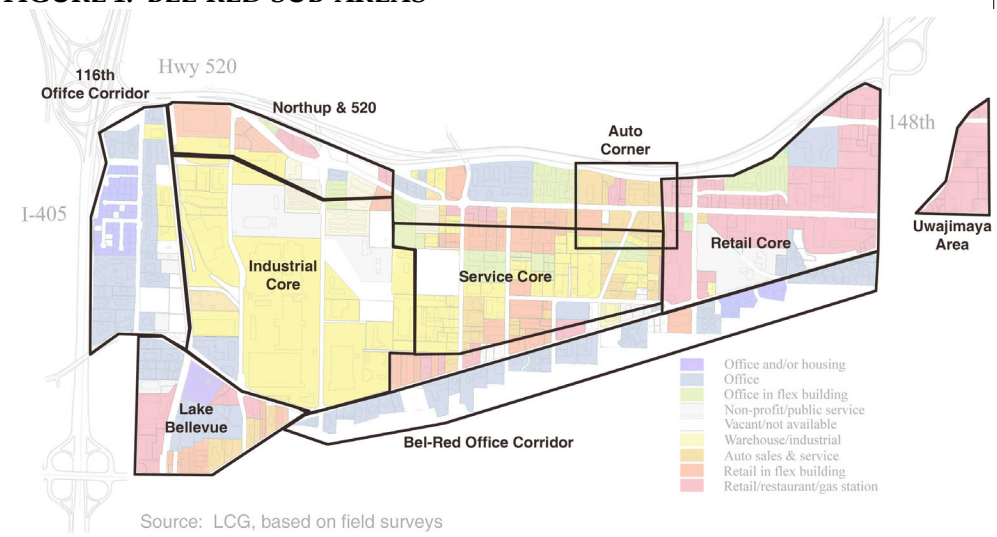
Land Uses

Figure 2 on the following page shows how the area is now developed, with industrial sites in yellow, offices in blue, and retail and service sites in red. Hybrid or flex uses are shown as a blending of colors, with combined retail and industrial uses in orange, and combined office and industrial uses in green. The three small concentrations of residential development, on the northwest, southwest, and southeast borders are shown in purple.

Sub-Areas

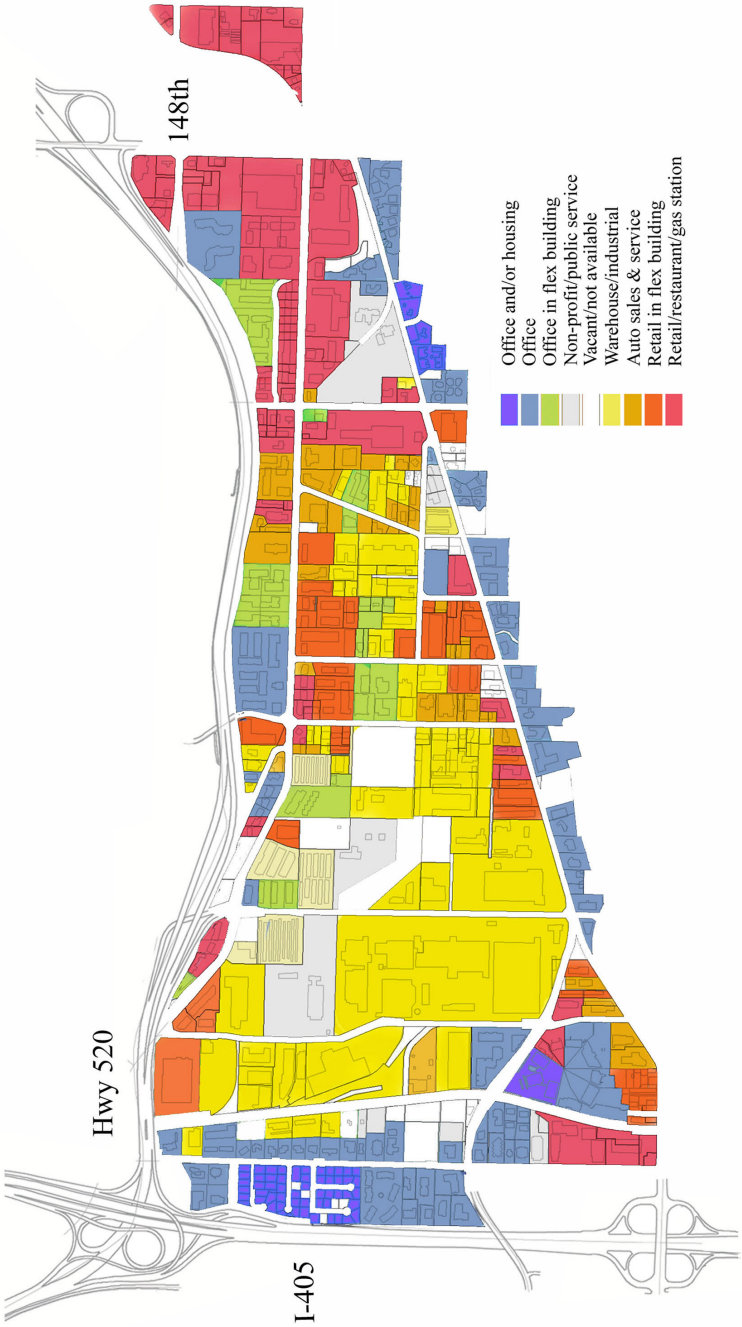
There are no precise divisions between land uses in this area, particularly since some landowners have been quite ingenious in skirting restrictive zoning, but certain clusters of uses do emerge, as shown in Figure 1 below. The "Service Core," for example, has a variety of small repair and sales offices largely operating out of flex buildings, while the "Industrial Core" includes larger, corporate manufacturing and distribution. The commercial strips along Northup and Bel-Red Road defy easy categorizing, for showrooms, offices and storage yards mix in these areas.

FIGURE 1. BEL-RED SUB-AREAS



Source: Leland Consulting Group.

FIGURE 2: LAND USES



Source: Leland Consulting Group, based on field surveys.

- **Lake Bellevue.** This area includes medical offices east of Overlake Hospital, the Whole Foods store and car dealerships east of 116th on N.E. 8th and the offices, restaurant and apartments that surround this tiny lake. While Overlake Hospital gives this area much of its energy and identity, the Whole Foods grocery is already a well-known landmark that will increasingly shape the area's character. The central geographic feature of this area is the lake, but as currently developed, this feature is almost invisible to passing traffic. This area has very high potential for redevelopment, both because it is centrally located and because many of the properties are underdeveloped.

- **The 116th Office Corridor.** This corridor stretches north of the hospital along 116th, and is mostly medical office space for half the distance north from Bel-Red Road to Highway 520. There is an older subdivision of small, single-family houses in this area, but half or more of these houses have already been converted to office or day care use. On the east side of 116th, behind office buildings fronting the street, and between this street and the railroad tracks, there are also a number of flex buildings that have a combination of office and warehouse space.

- **The Industrial Core.** This is the center of warehousing and distribution in Bellevue, and focuses on the flat land to the east of the north-south railroad line that runs through the area. This area is bounded to the west by the railroad, by 130th on the east, by Bel-Red Road on the south, and by Northup on the north. Properties to the west are larger and generally in corporate ownership, and include Safeway, Coca Cola and Weyerhaeuser. Those to the east are smaller and held by more local owners. Much of this area is greatly underdeveloped relative to current market potential, with uses such as a concrete plant, a composting yard, bus parking, and a solid waste transfer facility.

- **The Bel-Red Office Corridor.** This sub-area includes the one and two-story "woody walk-up" office buildings that run along the south side of Bel-Red Road the entire east-west length of the study area. This area includes a limited number of apartments and single-family homes on the south side of Bel-Red Road. Small professional services firms occupy most of the office buildings.

- **The Service Core.** This area between 132nd and 140th, and north of Bel-Red Road and south of Northup, includes a dense concentration of warehouses and flex buildings. While many of these properties have a high coverage ratio, sometimes of 50 percent or more, their values are lower than what open-market development might dictate. The area includes a large number of auto repair shops, equipment rental businesses, and similar firms. This is also one of the highest concentrations of skilled blue-collar work on the Eastside, and is in many ways an industrial sanctuary for small businesses that need a central location and low rents. If the zoning for this area were changed, rising rents for higher economic uses would also certainly drive out many of these users.

- **Auto Corner.** Focused on the intersection of Northup and 136th Place, this is not to be confused with Auto Row on 116th Avenue N.E. near the current City Hall. This area includes one of the largest concentrations of upscale dealerships on the West Coast, including brands such as BMW and Rolls Royce. Not only does this location enjoy good exposure to the high traffic on Northup, but is also conveniently close to the large concentration of wealthy employees working at Microsoft.

- **The Retail Core.** While the Overlake Shopping Center on the east side of 148th is legally part of Redmond, this and the surrounding areas serve as a unified retail destination. Other significant retailers include Fred Meyer and Safeway. This area,

running from 140th to 148th, is robustly retail. Flex buildings and warehouses with service uses run behind this retail on the side streets. Some of the few non-commercial uses in the project area are located here, including the YMCA, the Highland community center and a church.

- **The Uwajimaya Area.** Several different property owners hold this island of development east of the main project area. Uwajimaya is a major landmark and retail destination that has attracted a number of Japanese and Asian organizations nearby, but the company does not actually own its buildings. Angelo's Garden Center, immediately south of Uwajimaya, is one of the larger, mostly undeveloped properties in the area.

- **Northup and 520.** This label describes the northwest corner of the project area where I-405 and Highway 520 meet. Freeway ramps provide access to and from the west, but not the east, forcing much of the Redmond-bound traffic to use the ramps on 148th. Nonetheless, this area is attractive to stores that have a regional clientele, i.e., companies such as Lowe's, Tap Plastic, and Smith and Hawken. This area also has a large amount of mini-storage space, which stays leased at high levels because the location is so easy to find.

Major Holdings

Figure 3 shows the holdings of the area's 20 largest landowners. Safeway is the largest, but plans to sell off at least 40 acres. With about 45 acres, the second largest owner is Barrier Motors, which has land concentrated around the "Auto Corner" and just east of Whole Foods. The City of Bellevue, King County (Metro) and Coca Cola each own 20 to 25 acres of land. City holdings include a centrally located parcel north of Bel-Red Road between N.E. 116th and the railroad, as well as wetlands between King County and Safeway's east parcels, a practice yard for the Fire Department and the Highland Park Community Center. The City might make any of these part of a larger redevelopment project. Other significant holdings include: Shurgard mini storage, adjacent to 520, with one large site near the entrance to Highway 520 and another to the east on Northup; Cadman Concrete on 130th, with 9.5 acres; and the 10.3-acre site on 120th south of Northup used by Weyerhaeuser to store pallets.

Improvement Ratios

Figure 4 shows the ratio of the value of improvements to total assessed values on individual parcels. Much of the land is relatively under-developed. In most places, a site in its "highest and best use" typically has a building-to-total-value ratio of 75 percent or greater. Using a very conservative analysis that assumes that the land is valued at only $15 per square foot, LCG finds that this ratio is 60 percent or less for more than 80 percent of the parcels. These parcels are very likely to be redeveloped if the zoning code is changed.

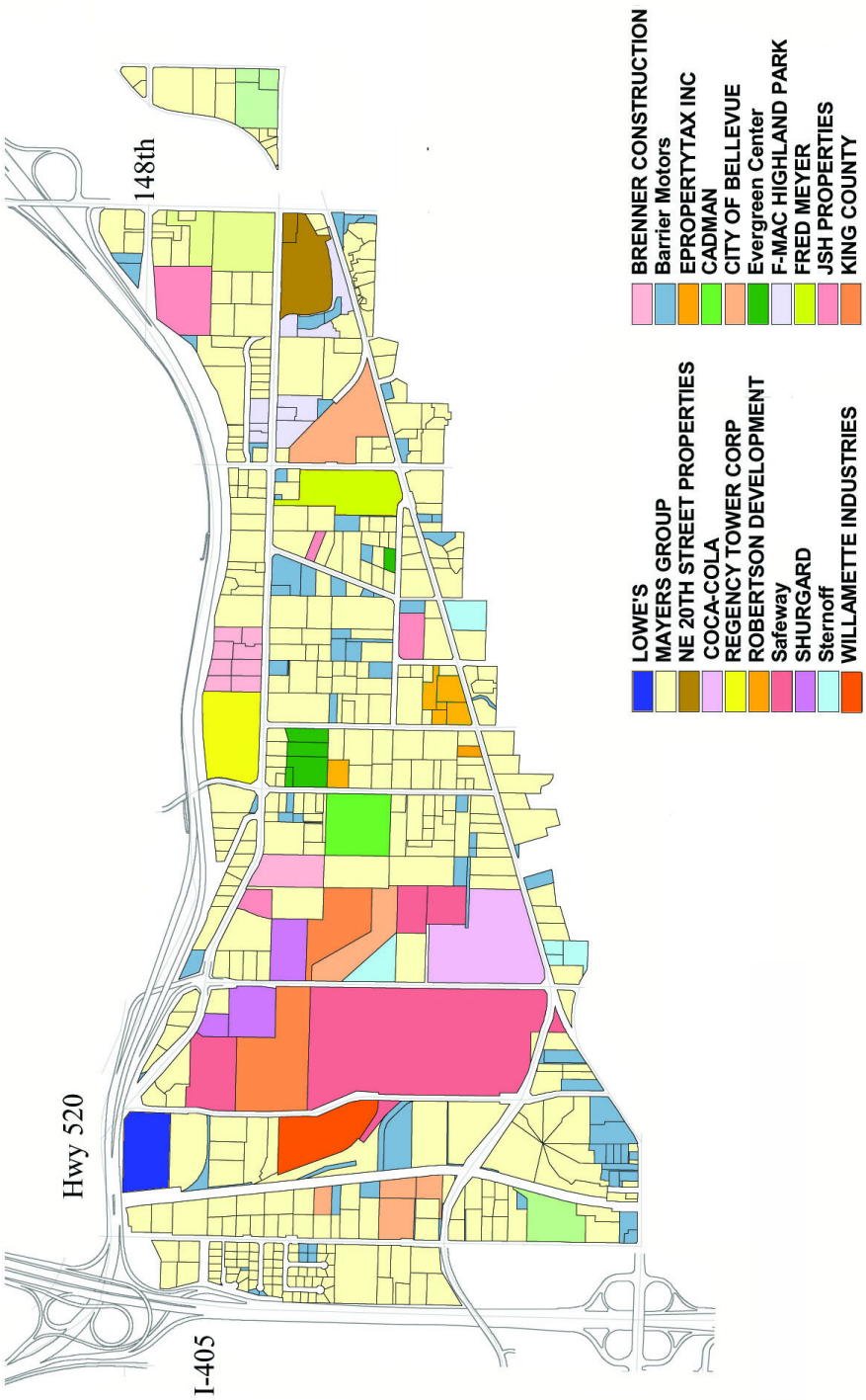
Floor Area Ratio (FAR)

Figure 5 shows this ratio for individual parcels, based on assessor data. The density of development as expressed in floor area ratios is relatively low. Only five percent of the total project area is built with an FAR of .6 percent or higher. The most densely developed area is the "Service Core," where warehouses cover much of the site.

Building Age

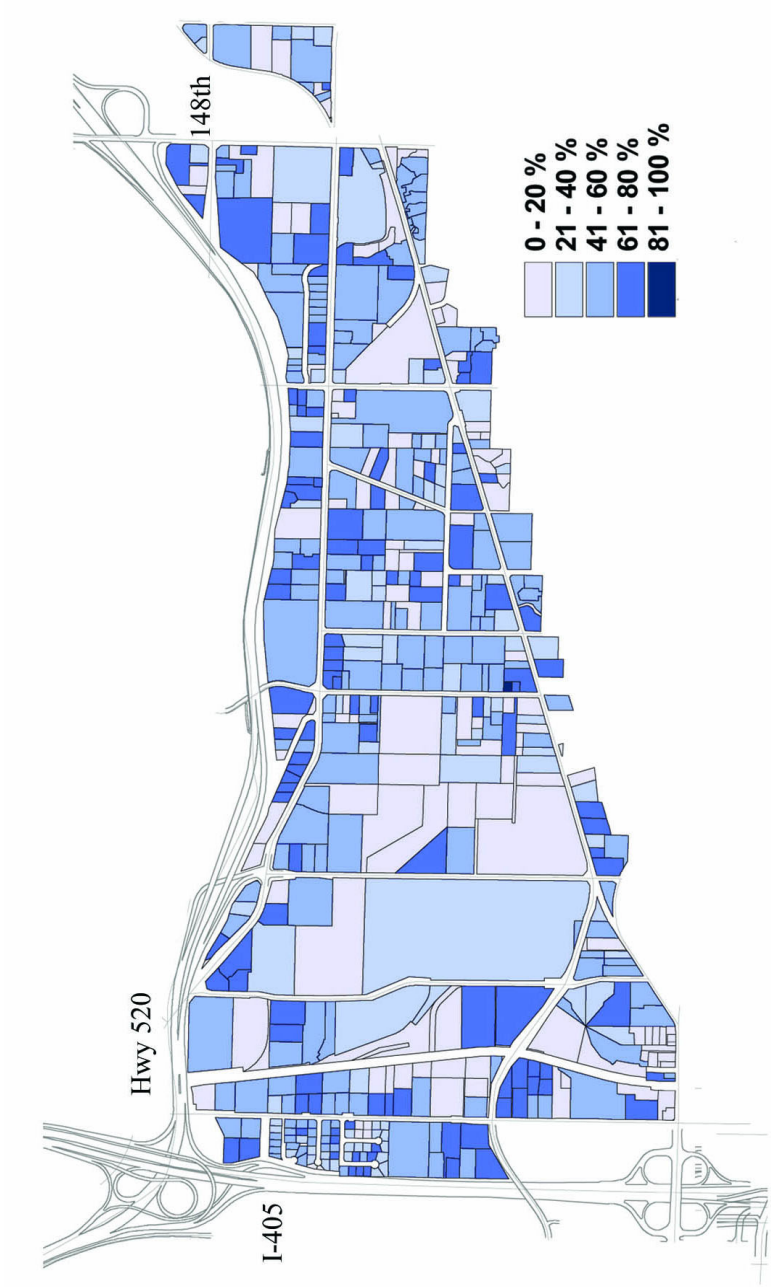
Figure 6 shows the date of development, based on assessor data. Most of this area was built out 30 to 40 years ago. According to tax records, all but 98 percent of the developed parcels in the area were first built before 1990. About 12 percent of the land remains undeveloped, largely because of wetlands issues.

FIGURE 3: MAJOR HOLDINGS



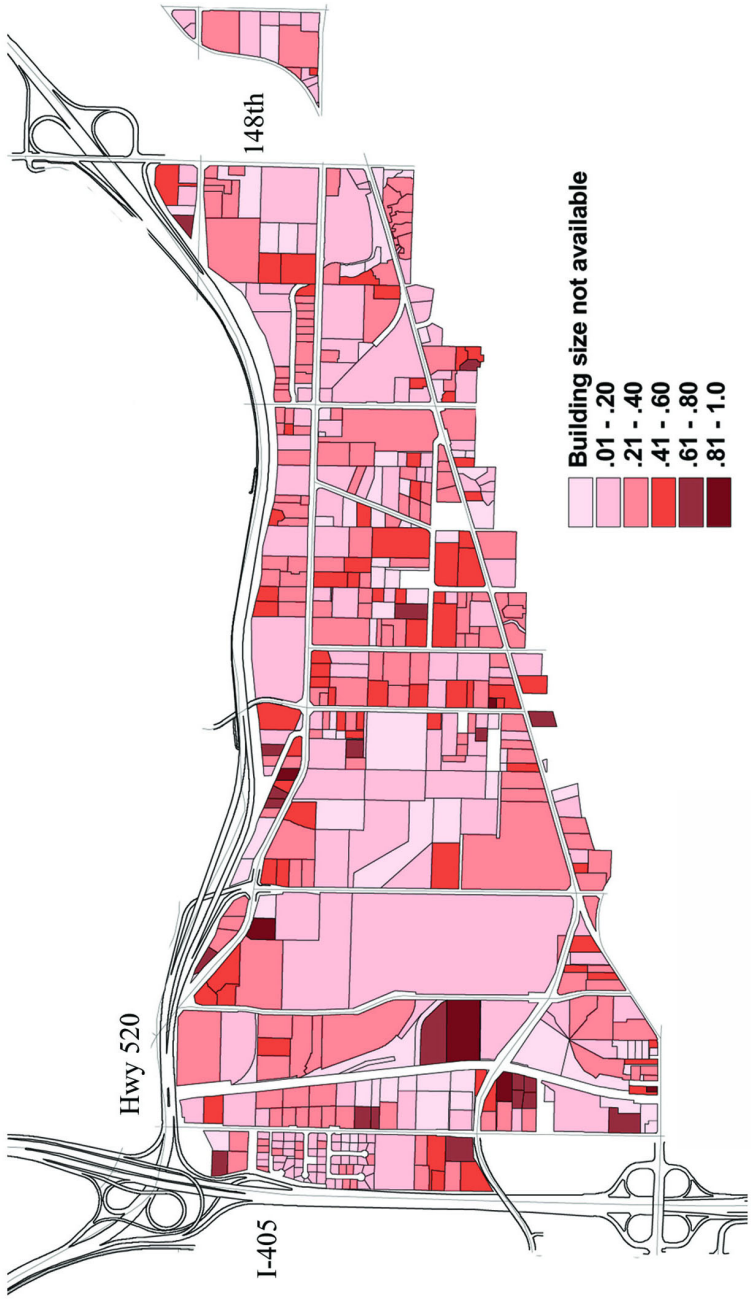
Source: King County Tax Assessor data.

FIGURE 4: IMPROVEMENT RATIOS



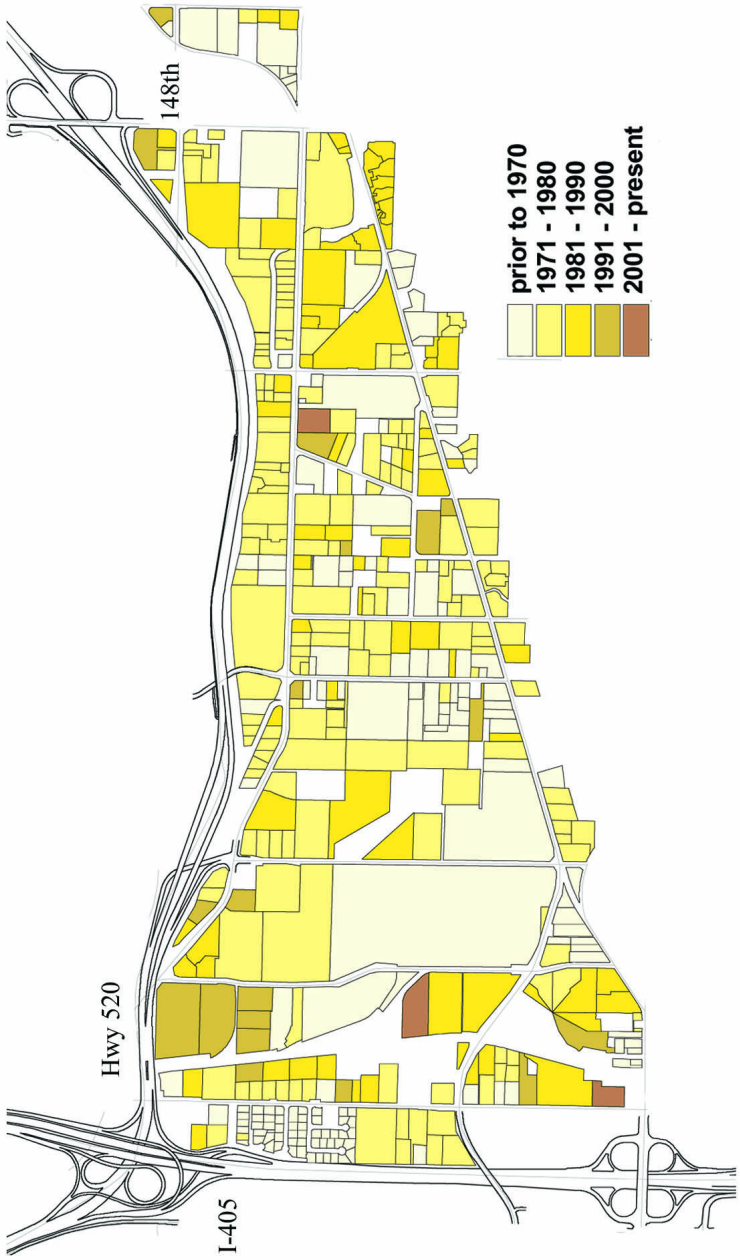
Source: Based on King County Tax Assessor data, based on actual values for improvements and assumption of land values of $15 per square foot.

FIGURE 5: FLOOR AREA RATIO



Source: LCG, based on assessor data, with assumption that all land is valued at $15 per square foot.

FIGURE 6: YEAR BUILT



Source: King County Tax Assessor data.

Bel-Red Tomorrow: Development Opportunities

Bel-Red is a place with a tremendous central location. Under good driving conditions, almost every major destination on the Eastside is less than a 15-minute drive away. It sits at the economic heart of the Eastside, and with ever-increasing demand for office space, housing, hotel rooms, and places to dine, Bel-Red could be shaped to create virtually any kind of place that the City might want or need. There are a variety of traffic and infrastructure challenges that need to be solved to open the way to new investment and development, but these are surmountable and largely a question of designing and financing these improvements to serve a new vision of the area.

Market Demand

Table 1 shows LCG's forecast of potential absorption in this area for 2005 through 2030. These forecasts are based on market studies and reviews of demographic forecasts prepared by the Puget Sound Regional Council.

There is potential to develop a significant amount of office space and a significant number of new housing units. The two uses need not be exclusive; for in fact, a mixing of these uses will make this a more interesting place to live and work. Office development in Bel-Red can complement rather than compete with office development downtown. Housing development can help meet a critical regional need, and improve people's quality of life by reducing their commute times.

The demand for housing is the more predictable and certain of the two, for the ratio of jobs to housing in this area is already tight and will only grow worse over the next 25 years. This is a good location for office development, but the demand levels are by no means certain, for increasing freeway congestion may drive new development farther away from the center of the Eastside unless there is better transit.

Although there is strong demand for housing, this will be an extremely challenging area to develop in, for there are very, very few of the amenities required of a livable neighborhood. Achieving the kind of absorption numbers shown here will require detailed planning, extensive development agreements between the public and private sectors and creative financing.

TABLE 1: POTENTIAL MARKET DEMAND IN BEL-RED, BY USE

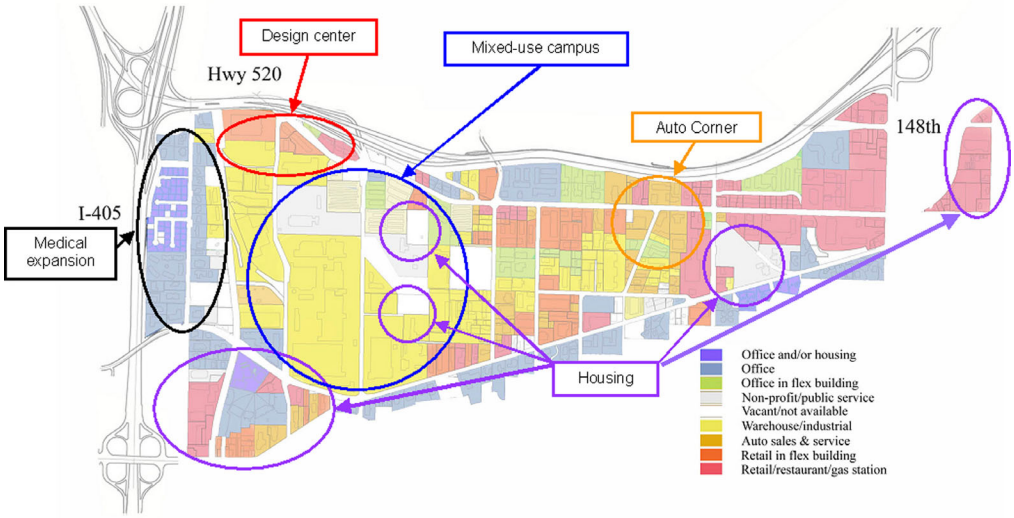
Use	Amount	Target Market	Configuration	Planning Considerations
Offices	2.5-3.9 million sf	Larger companies in software, engineering, environmental, biotech & financial services.	• Campus and amenities. • Low- or mid-rise buildings. • 20,000 sf or larger per floor. • Surface and structured parking.	• Improved area image. • Good freeway access and transit. • Restaurants & shopping nearby.
Hotels	200-300 rooms	Business travelers, particularly those visiting companies in nearby office buildings.	• Smaller, limited service two- & three-star chain hotels of 100 to 200 rooms each. • Low- to mid-rise. • Similar to Marriott Courtyard or Silver Cloud.	• Located near new office buildings. • Close to restaurants & take-out locations. • As close to freeways & off-ramps as possible. • Good exposure on or near major arterials.
Retail	200-400,000 sf	Local residents, employees & business travelers.	• 100-200,000 square feet of space for local residents. • +100,000 sf of "design" space. • 25-50,000 sf of stores & restaurants located in "business support locations." • 50-75,000 sf health club space.	• New local retail near transit. • "Design" space near freeways. • "Business service" retail & space for health club near major office buildings & hotels create a destination of restaurants, copy stores, etc.
Housing	2,500-5,000 units	Small households. Microsoft employees. Overlake Hospital staff, seniors, assisted care.	• Mid-rise buildings of 50 to 100 units. • Clustered in "villages."	• See detailed discussion in text. • Locate near transit, YMCA and green spaces.
Auto	1-2 dealerships	Upscale brands.	• Showroom on major arterials. • Same-company service in lower value locations.	• Locate close to "Auto Corner."

Source: Leland Consulting Group

Development Opportunities

Figure 7 highlights development opportunities in this area. There are opportunities for new development and revitalization throughout the area, but this map shows the highest and most immediate potential for redevelopment. The retail areas to the east are relatively strong and the buildings there still have many years of useful life. The properties in the middle of the study area are older and in many cases outdated, but the relatively small size of the holdings there make assembly and redevelopment difficult, and there are still significant public issues to be decided about whether this stays as an industrial sanctuary for small industrial companies.

FIGURE 7: DEVELOPMENT OPPORTUNITIES



Source: Leland Consulting Group.

- **Mixed Use Campuses**. There is immediate opportunity to redevelop the industrial core, which includes the large warehouses, truck parking, compost piles, and concrete plant in the center and western end of the study area. This area could house corporate offices, it could become a new residential neighborhood, or, more interestingly, it could become a hybrid of the two. Trails along the wetlands could become a place to walk during or after work, while neighborhood centers with restaurants, athletic clubs, copy stores and other support retail would make the area both more livable and more workable.

- **Housing**. The area around Lake Bellevue could become a transit village, with more retail space or hospital-related uses, such as hotels for patient families to stay in. Areas around the YMCA and Highland Park community center are obvious locations for new housing. The Uwajimaya triangle is also a good location for a transit village, particularly since housing over retail can work there.

- **Medical Expansion**. Overlake Hospital would probably prefer to expand east rather than north, but LCG feels that the Lake Bellevue area is better used for housing and recommends that hospital-related uses such as outpatient clinics and back-offices be located to the north. This area will require "destination" uses such as these, since it is isolated by topography, the railroad and the freeway.

- **Design Center.** This area has good freeway access and the nucleus of a group of regional home supply stores, including Lowe's and Smith and Hawken.

- **Auto Corner.** With high-income employment at Microsoft set to rise sharply, there is good potential to help dealers here increase sales (and sales taxes). This would involve rezoning land for back-of-the-lot operations to increase sales on the major streets.

Development Themes and Planning Approaches

Although this map and the market studies speak in terms of land uses, planning should start with a vision that goes beyond these technical, delineating terms. Great planning is about place-making, and great places bring different people and different activities together. The planning for Bel-Red should start with a vision of what this place, or series of places will be like. Like the marketing concept for a new product, this vision should describe what will draw people there, and why they will want to live, work or shop there instead of other places. Rather than focusing on a division of the larger map into separate uses, the traditional "zoning" approach to planning, this vision should be focusing on the core selling propositions, the descriptions that will make people want to go there.

The Industrial Core, for example, might be redeveloped as "a series of low-rise corporate campuses that are connected by trails and parklands to nearby housing." Alternatively, this could become "a collection of mid-rise neighborhoods, focused on a public square or running along wetlands." Or it could be a hybrid of the two, such as "housing and offices built on either side of parks and wetlands, coming together with places to eat out or work out." The important point is to think about the activities first, and to then plan how these come together. The following ideas provide a guide to this thinking.

1. Create a New Identity for the Western Half of the Bel-Red Area

Each neighborhood and place in the city should have a distinct name and sense of place that gives it a unique role in Bellevue. Bel-Red takes its name from the road that connects the two cities—a passageway or corridor between destinations. For most city residents this remains a place "between," a place to shop, to have something repaired, to work out, but not to dwell. Bel-Red will gain significant value to both residents and investors alike if it becomes more a destination with a stronger identity as a place to both live and work. In part, this requires re-branding the area such that it is no longer a place in-between, but rather, a true destination in its own right.

This area may be too large for a single vision. LCG recommends the City work with the community and business interests to give the western half of the study area a new and distinct identity to reflect its new role and place in the city. This is part of the marketing of any revitalized area. Belltown in Seattle, the Pearl District in Portland, LoDo in Denver – all are relatively new names that civic leaders designed to give definitions to areas that previously had little identity or public awareness. The very name of an area can create excitement and expectation about the future, provided the future has indeed been defined.

The western half of the project area has the greatest potential for change and reinvestment, at least in the near term, due to low improvement ratios, large parcels and either the stated sale or near-term availability of centrally located properties. This is the area deserving of a new name that reflects the area's potential for redevelopment. In almost all of the other cities that have seen exciting redevelopment, the focus of change

has been on a given street or intersection. In the western area of Bel-Red, this focus is probably near N.E. 12th and 124th Avenues.

A name is not enough to simply spark development. There must also be a vision of what the area will likely be, champions and backers of these plans, consistency in their administration, and economic incentive. This incentive must be great enough to justify the time and expense that any new development requires. A new name will help generate public interest. The opportunity for significant new profits will generate private investment. The two combined will help generate new projects.

2. Compete for Corporations

There are stated concerns that new office development in Bel-Red might compete with downtown Bellevue. Rather than competing with downtown, Bel-Red can complement downtown by providing a place for companies that might otherwise leave or not consider locating in the city. Currently, many of the larger, more institutional office users locate in places such as Factoria and Redmond Town Center, where floor plates are larger and the parking is less expensive. Bel-Red could become the place that helps Bellevue attract these larger users, to campus-like settings less than a five-minute drive from downtown. There is a need for "incubator" space for companies to "grow up" in. There is also a need for space for larger companies to "grow into" where they can consolidate on a few floors in larger buildings, and that place can be Bel-Red.

Other cities on the West Coast have also seen these large corporate users move to other cities, and have created places to attract and keep those important tenants. Vancouver, B.C. has planned for larger campus users on Great Northern West east of False Creek. Seattle is now competing with South Lake Union. Portland, following the loss of Columbia Sportswear to its suburbs, has created corporate sites on both sides of the Willamette River. And San Francisco has created settings for these users in both the Presidio with the Letterman Digital Arts complex, and at Mission Bay near Fourth and Townsend. The latter part of this memo describes some of these new in-town campuses.

Larger office users want well landscaped surroundings, however, these campuses need not have the sterile, closed-off atmosphere of typical corporate business parks. The Letterman Center, for example, is open to the community and is anchored by a large park. In many cities, the traditional separation of "residential" and "office" uses and zones is breaking down, due in part to workplace changes wrought during the dot com era. The best business places are people places, places where people can work, eat, walk, and relax from early in the morning until late at night. These mixed-use environments generally generate higher values than properties in conventional business parks. A mixed-use campus in Bel-Red might include not only offices and restaurants, but also a hotel, health clubs and even housing.

3. Build More Housing

In most redeveloping areas, the first housing to sell without subsidies is typically located next to a park. In Bel-Red, the first new housing to be developed might be located next to the Highland Community Center and the YMCA, on or around Lake Bellevue, or along the edges of the wetlands between 120th and 124th. The advantage of starting the new housing near Lake Bellevue or near the YMCA is that these are established locations with amenities already in place. Lake Bellevue may be a small body of water, but it is very close to Whole Foods, and this convenience would help attract housing there.

The area along the wetlands in the "Industrial Core" might be redeveloped with housing if this is part of a larger campus development. In this case, the landscaping for the offices can do double duty as an amenity for the housing. This open space and landscaping would be particularly important in making this a place where people want to live. Mixing the offices and housing would be challenging, but this can be accomplished with careful site planning and phasing. Parking synergies are but one benefit of bringing these uses together.

4. Treat the Wetlands and Riparian Corridors as an Amenity

Landowners have long seen the wetlands and stream corridors that run through this area as a regulatory liability that reduces value. And yet these environmental features can become an asset and green space for new development. It can reasonably be argued that rents in the Bellefield office park would be lower if those buildings were not surrounded by the amenity of a wetland. There is also an opportunity to use trails along the wetlands and stream corridors to link the Bel-Red area with the Crossroads, Wilberton and Bridal Trails neighborhoods. If residents of these areas begin to use a new trail system, they will begin to see this as a neighborhood and a place in its own right.

These green features might also be included as part of the creation of a business park or mixed-use center with a sustainability theme. The Prosperity Partnership has identified "clean technology," software development and life sciences as industries. Companies in these industries might be especially drawn to green projects here that provide more outdoor space for employees.

5. Establish Transit Villages

The Bel-Red Corridor contains several areas with high potential for development as transit villages that vertically mix housing, offices, shops, and restaurants. These include around Lake Bellevue, portions of the Safeway site and adjoining lands, land near or surrounding the YMCA, and the large triangle of land anchored by Uwajimaya. The Lake Bellevue area can attract those who work downtown or at the Overlake Hospital. The Uwajimaya triangle is more likely to attract people working at Microsoft and other institutional employers nearby.

Of course, creating a transit village requires transit with frequent headways and reliable service. Sound Transit is presently analyzing high capacity transit routes through the area connecting Downtown Bellevue with Overlake. Good, high capacity service is key to attracting the critical mass of new development needed to make this project work.

6. Align Transit to Encourage New Development

While one obvious transit route runs from Overlake Hospital and the Lake Bellevue area along Bel-Red Road, another, less obvious route is to bring high capacity transit north along 116th to the westerly alignment of N.E. 15th or N.E. 16th, and to run east from there to Bel-Red Road, continuing on northwest past Uwajimaya.

A route through the middle of the area would involve purchasing right-of-way. This alignment puts transit closer to the middle of the area, where more development could be created around each station.

7. Create a Health Care Corridor North on 116th

N.E. 116th from N.E. 12th all the way north to 21st Street or beyond could be rezoned as a health care corridor for medical office buildings, laboratories, outpatient clinics, and even various forms of assisted housing. Medical professionals already occupy much of the office space in this area, but an up-zoning of the area would further strengthen this location as a medical center for the Eastside. In particular, the City should consider rezoning existing subdivisions between N.E. 19th and 21st Streets for more intense office uses. Much of the subdivision in which these houses are located has already been converted to offices or day care centers.

8. Expand "Auto Corner"

Stakeholder interviews indicate that some dealerships on N.E. 116th are likely to close and be redeveloped with other uses over the next five to ten years. The City may be able to replace some of this lost revenue by encouraging auto sales near N.E. 20th and 138th Place, a de facto "Auto Corner." Rezoning land near this corner could encourage other dealerships to locate there, and would probably increase sales at existing dealerships.

This is one opportunity for niche retailing where the City might "prune back" the amount of auto-related or retail zoning in other areas to encourage more intense development at this pulse point.

Other cities have successfully boosted auto sales tax revenue while reducing the blight associated with many used car lots. One technique requires full service new car dealerships, which usually requires substantial good design, lighting, landscaping, and other features that contribute to good "Place Making."

The "No Build Alternative"

LCG believes that much of the real estate in this area will stagnate without new planning and zoning. Some stakeholders said that they have reduced the amount they are spending to re-tenant warehouses and stores, since allowed uses pay considerably less than potential, market-based uses. Some of these owners expect the City to up-zone their property, an expectation that may cause them to sign shorter leases. Brokers indicate that land prices reflect these up-zoning expectations, and that values do not make new industrial development financially feasible.

This area will need new investment in infrastructure and amenities to attract a more intense level of development, including offices and housing. This investment may involve improving pedestrian crossings and trails through the area, upgrading the electrical grid, or adding more local streets to create smaller scale blocks. The area has already changed from what the original zoning intended, and now many of the older warehouses are now used as offices, stores, restaurants, health clubs, and even a dance studio. The colored maps of land uses demonstrate that much of this area is already a mosaic of activity. Simply making this area work for the existing mix of uses will require some new public investment, even if there is no significant change in the land use plan. The public will realize a greater return on this investment if new development reflects the changing patterns of how people now live, work and shop.

Implementation Strategies and Tools

Coordinating implementation of the new plan will require active project management by the City. Many plans sit on the shelf because they fail to recognize the importance of vision and leadership. Creating great places involves building both the private and the public realm. The following principles should guide the City's approach to making long-term change here.

1. Ignite Leadership

Any bold effort will require champions who will use their political capital to move the project forward. These champions will be the people who will help define success for the entire community, who will actively communicate the vision and the goals of the effort to the community. These are the people who will see the opportunities and who will help to overcome obstacles.

The City's advisory committee brings together a skilled and politically adept advisory group that will help shepherd and direct this planning effort. Now this group needs to take ownership of both the process and the final product so the political will of the community will align with planning efforts.

Strategies and Tools

- **Educate the press** about the issues and accomplishments. Many reporters are new to complex urban planning and real estate issues, and they may not understand the challenges associated with redevelopment and revitalization. Helping them understand the stories behind the scenes will lead to more interesting and consistent coverage, and will reward with publicity those who have fought to make these changes.

- **Hire a long-term development manager.** The process needs someone responsible for implementation and for supporting the political leadership. This manager's duties will likely include business recruitment, retention and relocation. This person should be a high level professional with management experience who can work across departmental lines. One of the most important lessons learned in the Rosslyn-Ballston Corridor of Washington D.C. (profiled in the appendix) is that a steady, consistent vision creates the underlying conditions necessary for successful redevelopment. Good long-term leadership, supported by staff that is dedicated to realizing the vision, will help keep the community on track for realizing its revitalization goals. This person becomes the hero and champion of the project, who becomes recognized as its "godparent."

2. Start with a Bold Vision

Unless they understand what it will mean for them, some city residents will see change here as threatening, particularly if new development generates traffic. Planning for this area needs to be based on a bold vision that will make the city as a whole a better place to live. This vision needs to be big, bold and simple, describing how the place will be better, newer and different from what it was before. Most importantly, this vision needs to be expressed in everyday terms, not jargon, describing what the experience of place will be like.

Strategies and Tools

- **Define the key features that set this place apart.** The vision needs to communicate the major features of the place, and how people will use and enjoy them. Rather than speaking in terms of land uses and concepts, the vision needs to state what the place will be like and why people will want to go there.

- **Market the vision.** Marketing is all about communication, helping people understand the benefit they will receive from a product, service or place. People need to know and understand what changes are coming, and why they should care about what changes are taking place. Marketing today requires cutting through the clutter of competing mail and messages with a story that will excite people. Planning and revitalization of the Bel-Red area should be like a product, branded with logos, illustrated with bird-eye renderings, and given a sense of urgency about its creation so that people anticipate and expect a new and better place to go. This includes creating a clear understanding of the steps involved in achieving this. This communication strategy could include an easy-to-find web site, with its own name and found separately from other city projects, and a newsletter that updates people on the progress being made.

3. Create a Sense of Place

Something here should bring people back on a regular basis so this place becomes a part of their lives. There is also financial value in good Place Making. Good places often require more money to build, and are often longer to lease-up, but they hold their value better over the long term and in recessions lease better than conventional competitors.

Strategies and Tools

- **Focus on creating local streets, blocks and the linkages between.** Good Place Making is a series of small things done well. This requires an investment in both good design and good presentations, for citizens need to know what the place will be like. New rendering programs, such as Sketch Up, help transfer more of the design power back to the community, helping laymen understand what a place will be like when viewed from different angles. Breaking down the scale of a project means getting more people involved in its planning, getting more developers involved in its implementation, and getting more people from different backgrounds using it, for more types of activities as it is built out.

- **Mix things up.** This includes mixing retail, housing and employment together, and creating a public realm so that no one firm or activity dominates others. Our most

sterile urban environments, including certain areas of Bel-Red, are those places of very limited uses, which are quiet "after hours." Mixing up the uses makes for livelier, more interesting places.

4. Many Projects, Many People

This makes for a more interesting place and diversifies the implementation risks. The City should not be dependent on the actions of a single firm or individual to implement its vision. Creating more development opportunities will also tap a wider pool of talent and capital.

Strategies and Tools

- **Take the role of master developer.** Many cities in California do this when they create specific area plans for local areas. These plans not only provide a higher level of planning detail, but also expedite the environmental review process. Plans that comply with these detailed plans get expedited approval. Turning master planning over to a private developer usually puts many design decisions in a very few hands. If the public sector takes this role, it can consult and involve more people, and put its own goals first.

- **Break down the scale of the place.** This will create opportunities for more small firms to build, and these smaller firms are more likely to experiment with new markets, new uses, and new design approaches. Smaller block sizes will create greater diversity, and in the long term, greater diversity will make the economic activity in the area healthier and more sustainable.

- **Assume that the owners of large parcels may be the last to act.** The most interesting areas in Vancouver, B.C. are not those along the waterfront, where giant developers have rolled out blocks and blocks of the same type of development, but those farther back from the water, in neighborhoods with street grids, where entrepreneurial developers and business owners have created the unexpected.

- **Define "projects" to include more than brick and mortar construction.** Redevelopment and revitalization is a complex process involving many steps, including planning, new infrastructure, financing commitments, leasing, construction, management, and ongoing marketing and promotion. The completion of each of these should be celebrated as a victory along the way to a new future.

5. Private Investment Follows Public Commitment

A frequent saying in the development community is that "pioneers get arrows." Few developers want to be the first to test new planning codes and procedures. No investor wants to put up an expensive new building unless he is sure that the eyesore down the block will not be there five years from now. Public investment assures the private investor that the community is committed to change in an area. It provides the assurance that this public commitment is more than just words.

This public investment can take many forms, and goes beyond spending on bricks and mortar. The City has already committed to spending a significant sum on planning. Funding follow-through and implementation will be a further commitment. Changing the review process may be another.

The zoning code itself will show this commitment to change, for these code changes need to be more than just marginal. (In other words, "make no small plans.") To attract significant new investment, the profit potential needs to be big enough to compensate for the time the developer will spend in entitlements, the income they will lose during reconstruction, and the risk they will run in re-leasing. The "delta" or difference between the financial opportunities in the old code and the new should be big enough to compensate for these. The City should test its plans both for feasibility and relative financial attractiveness.

Strategies and Tools

- **Performance-based codes** that control noise, traffic or parking, rather than specific uses.
- **Density bonuses** for preferred uses.
- **Adjusted service levels** for specific locations, such as narrower streets that lower development costs.
- **Parking districts,** overlay zones and other administrative devices that coordinate adjoining properties.
- **Streamlined development processes** so good projects get expedited approvals. These put good projects first in the review process, rewarding those that best meet public goals.
- **Public infrastructure funding** that provides a de-facto subsidy for specific areas or projects. These investments can take the form of upgraded streets, publicly provided transit stops, parks, plazas and even extension of off-site improvements. In some areas the City might elect to cluster and develop public services, funding the "off-sites" to an area that might otherwise be able to afford new utilities.
- **Creative financing techniques,** including local improvement districts, bond guarantees, land swaps, and de facto tax increment financing. The City of Vancouver, Washington has used this technique to finance new development downtown.
- **De facto public-private partnerships** for promotion of the area, whether this partnership is formally recognized or not. For its part, government wants an assurance of quality and commitment to the public vision over the long term. The private sector wants speed, flexibility and predictability.

6. Anticipate Evolution

This principle has two meanings. The first is that change takes time. The second is to expect the unexpected, the serendipitous.

Strategies and Tools

- **Assume some uses will stay and plan for change around them.** Plans for a sub-area should not depend on a large landowner redeveloping its property. Sometimes these large landholdings are the last to be developed. The redevelopment strategy for each area should assume that change happens incrementally, and no "keystone" property can hold back the area's revitalization. The issue of scale is particularly important in addressing these issues, for a plan

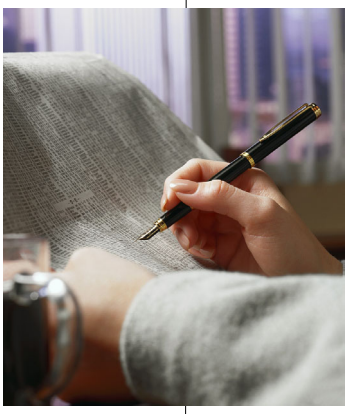
that enables many small changes may ultimately create conditions for changing some of the largest properties. The Mission Bay case study, described in the Appendix, is but one example of this.

- **Create codes that allow for new uses.** Few people anticipated 20 years ago that many people would now want to live and work in the same neighborhood, the same building or even the same unit. We do not know how people will live or work in the future. Planning and zoning codes need to allow for evolution in how people live day-to-day, and for the serendipitous new use or business that may be the wave of the future.

- **Plan to revise the plan.** Although the public needs to be committed to a long-term vision, experience with actual developments will show where the codes and processes need to be revised along the way.

- **Create the power to say "yes."** Too often, codes are written to say "no," and the developer is better off compromising the quality of a project to speed up entitlements. Within reason, government officials need to be given the power to say "yes" if an unusual project does not meet specific minor requirements, but will more than help build the community. As in other areas, codes need to be tested to allow for creative solutions.

7. A Plan is More than a Picture



Realizing the vision requires just as much focus on the "who," "when" and "how" as on the "what." Revitalization is about getting ready for development, about actively managing change.

Strategies and Tools

- **Create an implementation plan.** The plan itself can read like a business plan, with specific goals, responsibilities and target dates. Most importantly, the plan should include a capital budget that leads to a specific request for funding. The plan should be a management tool that helps the project manager set daily, monthly and quarterly goals.

- **Be specific about first steps and track progress.** Too many plans contain a laundry list of actions. The plan should prioritize both the goals and steps, focusing on the actions that will catalyze more change.

Next Steps

Great places evolve over time, but they still require a strong and compelling vision to guide them. Great places are about more than "land uses"; they are about the activities that go on there, and the experiences and memories that people create there.

Like the positioning statement for a new consumer product, this vision needs to convey why people will want to go there, and why they will choose this place over and above all of the other choices available. It is easy to create long, rambling vision statements, and hard to form the kind of short, crisp statement that will get the attention of the public, and the people who will want to invest here. The vision statements need to convey a specific sense of place. Sense of place is what distinguishes real cities from common sprawl.

There is no real, long-lasting vision without leadership. It is no accident that the more interesting places described in the case studies were built by visionary corporate leaders, people with specific real estate needs who realized that they needed to create different kinds of places to fully realize the creative potential of their employees, and to get these people to work together. Bel-Red needs a similar kind of visionary leadership, to both envision and communicate how this "study area" can be turned into a collection of places that people will want to go to all hours of the day. There are significant challenges to developing in this area, and also enormous opportunities.

Appendix 1: Summary of Stakeholder Interviews

LCG conducted a series of stakeholder meetings to learn more about development conditions in Bel-Red Corridor. Participants included developers, brokers, non-profit managers, and business leaders knowledgeable about the area. Their candid comments provide important information about the history of the area, current activities and trends, opportunities for change, and barriers to development.

Summary of Interview Comments

Many of these discussions focused on the future of light industrial uses, how best to develop housing in this area, traffic and congestion, and the proper mix and placement of retail. Several participants focused on the history of the area's relationship with Downtown Bellevue and Microsoft. Key discussion themes included:

- **Traffic myth and reality.** Poor bus service and slow freeways make it increasingly difficult for employees to reach this area. The perception of bad congestion inside Bel-Red may be worse than the reality, although back-ups and blocking of the intersections on 148th create a physical barrier to east-west travel during afternoon commute hours.

- **The political clout of downtown interests and the neighborhoods.** A number of people said the City has historically restricted retail development here to encourage more retail development downtown. Some said that Bel-Red's development potential is politically limited by no-growth interests in Wilburton and Bridal Trails.

- **Changes in the approach to the zoning code.** Developers and brokers said that the current zoning code is too proscriptive. They said the code should focus on preventing specific nuisances instead of limiting broad categories of uses.

- **Where and how to create mixed-use development.** Participants voiced strong support for mixed-use development, although many were uncertain about the details of how this will work and where it should be planned.

- **The role and importance of Microsoft.** Few people saw much potential for drawing Microsoft back into the area or for attracting new businesses started up by former Microsoft employees. On the other hand, participants said that spending by Microsoft employees supports many of the shops and restaurants in this area, and that there is potential to develop additional retail and restaurant space to capture more of this spending. Many employees now go to Redmond to shop or eat lunch because the businesses there are easier to reach, there are parks to work out in, and many Microsoft employees live there.

- **Light industry.** Participants disagreed about the need to keep part of this area as an industrial sanctuary for small service businesses. Some say that there needs to be a place in every city for small service companies. Others said that the land should be up-zoned to reflect market demand for higher rent uses.

- **Auto Row.** Several knowledgeable participants said that most dealers on Auto Row would close in the next five to ten years, if not sooner. Dealers in Bel-Red who own their own property and have upscale brands are doing well and will continue to expand, but those with mid-priced franchises and those who do not control their real estate will be forced out by rising land values. The large, upscale dealers voiced little need for the numerous independent auto repair shops that surround and largely compete with them for service business.

- **Where and how to develop housing.** Participants voiced a surprising degree of support for bringing housing into this area. The big questions are where and how, since the area lacks amenities and the street scene is forbidding to pedestrians.

- **Obstacles to office development.** Participants said a host of issues would need to be addressed to encourage office development, including better transit, more reliable electrical power, and more places to eat out.

Access and Congestion

Almost across the board, participants said traffic on both freeways and local streets is a major development issue. Morning delays northbound I-405 add an extra 10 to 15 minutes for the trip from I-90 to Bel-Red, making other areas closer to Seattle, such as Factoria, more attractive to employers. The area lacks enough on-ramps and exits from Highway 520, and back-ups on 148th create a virtual wall of cars that hinders east-west traffic. Many participants said that problems of travel within the area are overstated, and that local traffic has not kept businesses from locating there.

The Office Market

Most participants voiced support for denser uses, but few spoke specifically of immediate opportunities for new office development, perhaps because the general market has been so soft the last five years. One participant moved his large firm here at the height of the dot com boom when he could not find office space nearby. Another moved here afterwards when he leased space at a bargain rent.

Obstacles to Office Development

Developers, brokers and users described the following obstacles:

- Poor transit service
- Lack of parking
- Unreliable power
- Limited restaurant choice
- After-hours security
- Streets and intersections that are not safe for pedestrians.

The Industrial Market

Participants were sharply divided on the role and importance of the many small service companies that operate here, many in older, dilapidated warehouses. One participant said, “There needs to be a place to sharpen your chain saw blade.” Another participant, unprompted and in a different session, said, “Why repair your chain saw blade when you can go out and buy another one?” One developer commented that industrial rents have risen so high that some firms are now locating as far south as Centralia to find inexpensive land.

A good number said that Bel-Red is not incubating many new businesses. Some owners of industrial parks would like to redevelop their property, but have held off making major investments until the City rezones the area. One developer said that incubator space costs more per square foot to develop and operate than buildings for larger tenants with better credit.

Barriers to Industrial Development

Participants said that ownership of much of the area is so fragmented that it may be difficult to assemble large enough properties to redevelop. A few suggested that the City might need to help in this assembly. One participant spoke of the need for "concurrency," making infrastructure improvements before new development makes problems worse and drives up the acquisition cost of land.

Microsoft's Presence

The history of Microsoft locating to Redmond remains fresh in the minds of some participants. Some said that the city needs to get beyond "trying to get Microsoft back" and recognize that Microsoft wants to stay on its current campus.

Others said they see little potential in trying to build office campuses for companies that are Microsoft spin-offs, since most of these start in the home or inexpensive work places. They said that many of these companies exploit opportunities overlooked by Microsoft, and that they do not want to become too visible or the giant will try to put them out of business. Microsoft has obviously drawn its suppliers to locate in neighboring areas. Several real estate developers and brokers said that these affiliated firms, such as temp agencies and telecom firms, now occupy close to one million square feet of office space, mostly in Redmond.

The Retail Market

Many participants would like to have the opportunity to develop more retail space in this area. While a number said that this is an ideal area for "big box" retail, there was no clear agreement on the depth of this demand, since most of the major retail chains already have a presence nearby. Other participants said that the services in the area should go upscale, just as the stores have.

Participants agreed that the spending of tens of thousands of Microsoft employees supports stores and services here. These employees shop before, during and after work, at all hours of the day. One person said much of this spending goes to Redmond, "running down hill like water." Many employees do not leave the campus and eat at their desk or in a company cafeteria.

Retail managers and developers said that Overlook was once a regional destination, but is now much more of a local draw. For example, Sears gets much of its sales from the Crossroads area. Participants said this would be a good location for a Wal-Mart store that draws shoppers weekly rather than monthly or quarterly.

Home Décor

A few real estate investors said they began leasing to home décor stores when these were the only leasing prospects allowed by the zoning code. (Home stores now in the area include Lowe's, Schoenfeld's, Seattle Lighting, Smith and Hawken, and Pratt and Larsen tile.) Participants said that it makes sense to plan for more of these auto-

dependent stores in the northwest corner of the area because of good freeway access there.

Barriers to Retail Development

A number of people said that the zoning code has prevented more retail development, and has onerous parking requirements for new restaurants. They said that the lack of population has also made it difficult to attract more restaurants. Many participants said Bellevue needs to take a new approach to zoning, controlling nuisances rather than specific uses. They believe that lists of permitted and prohibited uses are bound to become out of date. Others said that zoning should use bonus density to encourage new uses. These comments reflected a confident and upbeat attitude that "no one knows what the future will bring."

Auto Dealers

These discussions focused on the relationship between Bellevue's traditional "Auto Row" and the concentration of newer, more upscale dealerships in Bel-Red. Several people said that much of Auto Row would close in the next five years because the property there will be redeveloped for more intense uses. Most, if not all, of the upscale dealers in Bel-Red own their own property and have made long-term investments in this. The disappearance of Auto Row will eliminate an important source of sales tax revenue for the city.

Major dealers in Bel-Red say they do not need the large number of auto repair businesses that surround them, since they provide most of these services in-house. These dealers have moved many of their "back lot" storage and service operations to less expensive locations away from the major boulevards. While there may be an opportunity to make the Safeway property the new Auto Row, almost all of the profitable, upscale brands are already sold in the Bel-Red area.

Housing Needs

Across the board, participants voiced support for new housing in this area. Some see housing as a profitable development opportunity. Others see a citywide need for it.

Participants also voiced surprising support for mixed-use development anchored by housing. They believe this development will probably require incentives and investment from the City, both to finance amenities and to encourage pioneering projects. Some said these projects should be located near the YMCA and Highland Park Community Center, but certainly not on redeveloped athletic fields, since this open space is in short supply. Others suggested that new projects be built around Lake Bellevue. One discussion focused on opportunities to develop east of 148th, in places such as Unigard Park.

Obstacles to Housing Development

Participants identified noisy streets, long blocks, poor bus service, and a lack of amenities as major barriers. "There is no place to walk to" they said, and getting anywhere on foot is unpleasant.

Hospital Needs

A representative from Overlake Hospital said that it might need another 500,000 square feet of nearby office space for specialty physicians beyond what is now planned. The

hospital would move administrative departments back across the freeway if more land is available. The hospital might attract one or more new senior housing project.

Hotels

A participant from the hospitality industry said that this area lacks the visibility and access that most hotel developers want. A campus setting would provide help to compensate for this.

Political Challenges

Some participants said that Bel-Red has become a political stepchild to downtown interests, particularly when this concerns retail and office development. Others said that Bel-Red is politically caught between Bridal Trails and Wilburton, whose residents oppose growth. Several business people said that the City in general is not friendly to business and that companies only locate here because of the central location. They said that in the future the City would need to actively recruit new companies. Participants were divided in their opinions about the permit process. Some said that this process was too slow. Others said it is no worse than in other cities. A few people voiced support for senior development staff.

Appendix 2: Case Studies

Transit related development on the West Coast has a relatively short history, and most of the better-known projects are less than 15 years old. A majority of these are housing, and many required significant public subsidy. It is one thing to craft a single housing project with many millions of dollars and man-years in public investment, and quite another to facilitate multiple projects with multiple uses.

Perhaps the most relevant project for the Bel-Red area is located on the East Coast, in the Rosslyn-Ballston corridor of Arlington County, Virginia, outside of Washington, D.C. Fueled by the expansion of the D.C. office market and the suburbanization of federal office employment, this corridor has seen massive redevelopment. What was once a deteriorating strip of commercial development running along a four-lane arterial is now a mixed-use, transit-oriented corridor with more than 10,000 residents and 16 million square feet of office space, 100 restaurants, and close to one million square feet of retail space. Offices in this area rent for a premium over most other locations in northern Virginia, and development stayed strong here even as recessions slowed other locations. Zoning rules sometimes require that housing development precede offices. The area is now built out at about 60 to 70 percent of its zoned density.

This corridor is about three miles long and includes five stations on the Metro spaced about .6 to .8 miles apart. This puts most stations at less than a 15-minute walk from housing or offices. Fully 47 percent of residents in the corridor commute by transit, and more people walk to the stations than by any other means, followed next by buses. One apartment owner estimates that his units generate only one commute trip for every six units.

Writers note that institutional consistency and memory account for much of the success of the area's redevelopment. For more than 25 years, residents, government officials and developers have largely shared a single vision. Buyers know what regulatory requirements to expect when they buy a piece of land, and bonus densities give them an incentive to build what the public wants.

Innovative Campus Development

Much of the proposed strategy focuses on creating mixed-use campuses that will attract larger corporate users with housing, supportive retail and open space nearby. For most of the last 50 years, suburban business parks have been largely single use. The following case studies provide West Coast examples of innovative mixed-use corporate business centers that have been integrated with surrounding neighborhoods, and how these centrally located sites have attracted modern, cutting-edge employers in high growth industries.

In each case, these companies are part of an industry cluster that is strong in their region. The Bay Area case studies involve the University of California-San Francisco medical center, in health care, and Pixar and Lucasfilm companies in animation. In Portland, Adidas is a key company in that city's athletic apparel and equipment cluster. In Seattle, a Bel-Red corporate campus might attract a software firm such as Google or pull in a successful and expanding biotech firm.

These innovative, high skill industries need creative teamwork with a competitive advantage, and they have sought these locations to pull their work forces together in one

campus location. A high-rise building, with smaller floors and many trips by elevator, often does not foster the same kind of interaction.

Some of these developments better integrate with their surroundings than others. The most innovative projects, such as the Letterman Digital Arts Center in San Francisco and Adidas Village in Portland, built parks and open space available to neighborhood residents. Projects that tried to wall themselves off, such as Pixar in Emeryville, have aroused opposition, and are now learning how to live with their neighbors.

These projects could not have been developed without progressive leadership and collaboration between the public and private sectors. In each case, both the private and public sectors had a strong sense of the city as a place that brings people and different land uses together.

It is this "mixing" that makes these projects particularly innovative. The modern high tech companies profiled here are choosing between competing goals. On the one hand, they want locations where they can tap a larger work force, bring these people together day-to-day, and energize them with urban energy and proximity to good restaurants, large public parks and interesting shopping. On the other hand, they want to protect their trade secrets and protect themselves from poaching by headhunters. These firms are learning how to live with the open nature of the city. Lucasfilm and Adidas are corporate pioneers in opening their perimeters. Pixar, by city mandate, is learning that this is a condition of being located in a vibrant place.

Adidas Village, Portland

This project reused the buildings and grounds of Bess Kaiser Hospital, a small acute care hospital about 2.5 miles north of downtown Portland. Few private developers could figure out what to do with this site, but developer Jim Winkler, experienced with both housing and office development, saw an opportunity to attract headquarters companies that would otherwise move to the suburbs for more space. Winkler bought the campus for a relatively low price before having Adidas under contract, and then persuaded the company to consolidate its U.S. operations there.

Adidas is a German company, but its major operations are based in Portland, principally because it had lured key executives away from Nike. Prior to the move, Adidas' marketing and production offices were scattered between Portland, Beaverton, Boston, and South Carolina. In a little less than ten years, Adidas' Portland workforce had grown from ten employees to more than 1,000 people.

The company wanted a location where employees could work together, and it chose the name "village" to note the importance it placed on being part of the community. The project involved rebuilding 215,000 square feet of existing hospital buildings and adding 118,000 square feet of new space. The campus is divided across a major arterial, Greeley Avenue, and it built the new sports center on that street to bring people together. Besides the sports center, on-site amenities include a soccer field, tennis courts and conference center.

Adidas Village is a model of neighborhood interaction and sustainability. Adidas re-landscaped an adjoining city park and the site includes more than two acres of plazas with public paths. The street has been improved with new bike paths and a new pedestrian overpass. Adidas is also a major supporter of local social service agencies such as the Boys and Girls Clubs. There is a lesson here that an employer brings both new jobs to a neighborhood and amenities that enhance neighborhood life. Adidas Village has helped spark reinvestment in the surrounding neighborhood.

Even though this is an "urban" location with bus service past the site, the parking ratio is still about one space per employee. Almost all of these case studies have similar parking ratios, a testament to the fact that well-paid, high-value employees largely drive to work.

Letterman Digital Arts Center, San Francisco

The Letterman Digital Arts Center is the showcase private component of the Presidio redevelopment between the Marina District and the Golden Gate Bridge. The Letterman Center is named after the Veterans Administration hospital that occupied this site; an old building that was surrounded by a sea of parking located on some of the world's most valuable real estate. The Letterman Center is owned and occupied by Lucasfilm Ltd., parent company to Industrial Light and Magic, which animated the Star Wars series.

Like many companies, Industrial Light and Magic started out and expanded in warehouses scattered around San Rafael in Marin County. The company then moved to the bucolic but isolated campus, Skywalker Ranch, in the hills of Marin. Many employees faced a long commute driving there, coming from as far as the Peninsula and the lower East Bay. The new Letterman location brought them together in a more central location, in state-of-the-art buildings, in a dynamic city, with great views of San Francisco Bay.

Even though the project has 865,000 square feet of space, these buildings take up only six acres. The balance of 17 acres is park. About 1,500 parking spaces are buried underground. Lawrence Halprin designed the landscape. Halprin is also famous for designing Ghirardelli Square, Levi's Square, the Embarcadero fountain next to the Hyatt Regency, two fountains in downtown Portland, and Freeway Park in Seattle.

Amenities include a dining commons, fitness center, childcare for 100, a large lake, a "growing garden," and a 300-seat theater. The buildings have state-of-the-art wiring, with fiber optic connections to every desk, and the largest computer network in the entertainment industry. The buildings are LEED Gold standard, with an energy efficiency rating one-third higher than conventional structures. More than 80 percent of the material in the old hospital building was recycled on site, including concrete that was crushed and reused with concrete manufactured on site.

George Lucas is a well-recognized and respected figure in the Bay Area, and his commitment to quality helped push forward the private development of the Presidio in what is a very difficult city to develop in. The fact that the project involved "state of the art" software and design also appealed to Bay Area sensibilities. One lesson here is that the character of the key user, and public approval of that user, can play a large role in fostering public acceptance of public/private ventures.

Pixar, Emeryville

Emeryville has been remaking itself for more than 25 years. Before 1980, this was largely a trucking and industrial center, a place of warehouses and truck loading docks at the confluence of East Bay freeways and arterials. With a population of only 7,000 residents, Emeryville has long had more jobs than housing, and the tension of how to develop the city for these competing uses continues to this day.

Pixar, the animation company, started about 18 years ago in Richmond, a poor city with low rent space at the north end of the East Bay. In 1997, the company purchased an old Del Monte building in Emeryville, and in 1999 moved there with 500 employees. The company is Hollywood's most successful and trendsetting animation firm and has plans to grow to about 2,000 employees here. Like its competitor Lucasfilm across the Bay, Pixar is a leader in the Bay Area industry cluster of firms with combined expertise in design and

software. Employees include "set designers" who draw the backgrounds. Like Lucasfilm, the company has a large "render farm" of networked computers.

The company wanted the loft atmosphere typical of the dot com era, but according to chief executive officer Steve Jobs (also CEO of Apple Computer), the company wanted a big, old brick building and "couldn't find one so we built it." Jobs noted that Pixar wanted employees together to "create a lot of arbitrary collisions of people."

Neighbors, however, have complained about the fences that surround the campus. This resentment temporarily held up Pixar's expansion plans to add more than 350,000 square feet of office space. Local community organizations have argued that this land should be used for housing rather than jobs, since East Bay prices are already among the highest in the nation. It may be that if Pixar had a more open campus, neighbors would have taken a different view.

One of the key lessons here is that just bringing corporate jobs to a city or neighborhood is not enough for more established neighborhoods. Until ten years ago, Emeryville could recruit companies and development without worrying about the kind of political acceptance that is so important in neighboring Berkeley. Now that surrounding neighborhoods have gentrified, these neighbors want companies to be true corporate "neighbors," and not to gate themselves off. Emeryville council members ultimately voted to let the company expand, but they will undoubtedly ask for civic concessions in any future land use decision regarding this campus.

Mission Bay, San Francisco

The four-mile long Third Street Rail project will ultimately run to the San Mateo County line, and will run through sections of the city's "Dogpatch," or Central Waterfront, and past two of the city's lowest income projects – Bayview Terrace and Hunter's Point. Expectations run high that this project will have a transformative effect on these neighborhoods, including, for better or worse, gentrification. Ultimately, the redevelopment along this line could add close to 11,000 new housing units and five million square feet of office space. One keystone project 20 years in the making, and now open, is the 300-acre Mission Bay project owned by Catellus.

A former rail yard at the terminus of lines running down the Peninsula, the land at Mission Bay was first owned by the Southern Pacific Railroad and then owned by the development company when this subsidiary was spun off to shareholders. This project will be anchored by UCSF Medical Center, which is creating a satellite campus here for biotech research. The project will also include close to 50 acres of parks, more than 6,000 housing units, a hotel, biotech space, and a grocery store, all on a new street grid. The project is located south of Market near the new baseball stadium.

Like many large, redevelopment projects owned by institutions, the very scale of the Mission Bay project has slowed it down, and it has passed through many managers, many controversies and many plans. Even though Catellus was spun off from a Fortune 500 parent, it is still an institutional real estate owner and operator, and its projects have sometimes lacked the entrepreneurial management that drove forward projects such as Adidas Village and Pixar.

In contrast, nearby China Basin moved quickly from being a depressed waterfront location in the mid 1980s to a stylist center for design and software companies by the mid 1990s. China Basin was smaller scale and involved many people and many projects. The development of China Basin was incremental in nature and did not involve moving both large institutions and large quantities of dirt. It is a great challenge to make large-scale, quasi-institutional developments into interesting places. The east side of Cambridge,

Massachusetts illustrates this, where high tech companies have been building next to M.I.T. for the last 20 years. This area has world-class research and development, but after hours or on a weekend, most of the area is not a place to walk alone. Simply being "urban" and in the heart of an industrial area is no guarantee that the place will draw people other than for work.

Appendix 3: Market Demand

LCG analyzed demand for various types of development, including offices, industrial space, hotels, and housing. LCG has made these projections based on historical absorption levels, demographic projections made by the Puget Sound Regional Council, and field surveys of area development trends.

There is always much debate and uncertainty about what and whose projections to use. Should we second-guess the official projections as overly cautious or too optimistic? For this analysis, LCG has based its demand projections on the official demographic and employment growth projections made by the Puget Sound Regional Council (PSRC). Not only is there strong modeling expertise in this agency, but the agency has also reconciled the projections for Bellevue with those of other cities. It is important to note that estimates are based on current city policies. A change in policies covering a significant area of land could affect these projections.

These projections provide a reasonable estimate of future employment and population levels on a regional and city basis. LCG has combined these projections with historical real estate data to analyze demand for office, industrial, hotel, and residential development.

LCG has used PSRC population projections to estimate future spending potential within a three-mile radius of the center of the study area. Although downtown Bellevue's population may increase significantly over the next 25 years, most of the other areas in Bellevue are largely built-out and will probably see little change in the actual number of housing units.

Population and Employment Growth

It used to be that population growth followed jobs. Today, jobs often follow housing, as employers move out from the center to attract a skilled labor force. East, north and south of Seattle, bedroom communities are turning into full-fledged cities with complete offerings of offices, "town centers," and performing arts centers. Younger cities to the east and north, such as Issaquah and Woodinville, are already competing for companies that would have likely located to Bellevue 20 years ago. Like the deal for Cingular/ATT Wireless, Redmond will increasingly compete with Bellevue and Kirkland as the administrative center of the Eastside. With so much growth projected on the Plateau, the population center of the Eastside could move eastward.

The PSRC also estimates that Bellevue will add 62,000 jobs by 2030, most of these in downtown Bellevue, and that Redmond will add 37,000 by the same year. During this period, Issaquah and the Sammamish Plateau will add 20,000 jobs, the latter an 80 percent increase over current levels. Cities on the Plateau will seek to anchor their town centers with office jobs, just as downtown Bellevue has. PSRC estimates show that while Bellevue will attract more of the high-paying white-collar jobs, these, too, will move outward. For example, while forecasts for Bellevue estimate 39,000 new finance and real estate jobs by 2030, these same forecasts estimate Redmond will add 26,000 jobs, and that the number of jobs in Issaquah/Sammamish will increase by 15,000. This last would be a 200 percent increase over current levels. Title companies and engineering firms that

are now in downtown Bellevue may move to new centers in places such as downtown Redmond or even up in places such as Issaquah Highlands.

The PSRC estimates that manufacturing employment will begin to level out, with Bellevue likely to lose only about 1,500 manufacturing jobs over the next 30 years. Redmond may lose more, 3,300 jobs, as firms in places such as the Willows industrial area find that rising rents drive them out. The remaining blue-collar work may likely be in service jobs such as auto repair or perhaps in customized manufacturing and walk-in services such as computer repair.

Traffic congestion will likely continue to grow worse. The projected ratio of jobs to population in Bellevue will increase from 1.20:1 to 1.40:1, a ratio that would be twice as high as the King County average today. For each and every job, this implies that there will be more people commuting into the city. This will likely make Bellevue's housing costs even more expensive than its neighbors. Companies that offer middle or lower-middle back office jobs may have difficulty locating in the city, unless there is good public transportation that lowers both the time and cost of commuting. Cities and locations with good public transit will be at a relative advantage.

One implication of this rising jobs-to-housing factor is that transit connections to the east, north and south may become more important, particularly since much of the regional population increase will likely occur in places such as the Sammamish Plateau, Snohomish County, and an urbanized Kent Valley. There will have to be some kind of transit solution, probably involving park and ride lots, to get workers into central Bellevue, or else gridlock on I-405 and Highway 520 will drive office employers elsewhere. The rail line already running north and south through the Bel-Red area could become an important transit connection for the area.

Eastside Office Inventory and Absorption

About 27.5 million square feet, or three-quarters of the total amount of for-rent Eastside office space, is located in Bellevue and Redmond. The Bellevue CBD is the largest sub-market on the Eastside, with only about 17 percent of the total Eastside total. Redmond (not including Microsoft, which like other owner-occupied space, is not tracked by data sources) has about 14 percent of the market.

Over the last 10 years, Eastside office absorption averaged about 750,000 square feet per year. This is about equal to that of the Seattle CBD. The dot com boom caused much over-building on the Eastside, and over the last five years there has been almost no net absorption (although the market is growing again now). LCG anticipates that future absorption levels will meet or slightly exceed the average annual levels for the last ten years. There was a boom in office demand during the late 1990s, but like so many cycles before, including the late 1960s, 1970s, and 1980s, this boom period was followed first by a period of contraction, then of lease-up, and now, again, of growth. LCG has used the 10-year history of office absorption on the Eastside as a way to look beyond boom and bust periods to longer-term average annual absorption. PSRC studies of its population and employment forecasts revealed that its projections were frequently biased by relatively recent short-term trends of five years or less, and that longer-term averages provided a better basis for long-term projections. The projections here are based on these longer-term averages, although, in point of fact, the demand for space in a given place is dependent not only on market averages and market trends, but on conditions in the surrounding area, on the ability of given landlords and developers to produce and lease competitive products, and on continuing economic health and the absence of major recessions like that which occurred in the early and mid 1980s.

Leasing figures for individual sub-markets show the emergence of new locations such as Factoria and the Redmond Town Center. These figures show that from 1995 to 2005, these sub-markets averaged the following annual absorption:

- Bellevue CBD 173,500 S.F.
- 520 Corridor 133,000 S.F.
- Suburban Bellevue 56,000 S.F.
- I-90 Corridor 238,000 S.F.
- Redmond 165,000 S.F.

Most of the absorption shown for the 520 Corridor has been in office buildings immediately north and west of Microsoft. Suburban Bellevue includes the Bel-Red area south of Northup, including a relatively large inventory of space east of I-405 and north and south of Main Street. (There is very little inventory in Bel-Red that is included in the "520 Corridor" statistics.) Most of the space measured in the I-90 corridor is in or immediately east of Factoria. The figures for Redmond include the Redmond Town Center and small projects in downtown Redmond.

Leasing in the I-90 Corridor and in Redmond has been strong partly because these areas provide large, efficient buildings with low parking costs suitable for giant telecom companies such as Cingular and T- Mobile. Employers who move to Factoria also want locations that will have shorter travel times for their Seattle employees.

According to COSTAR, one of the real estate industry's most complete data bases, there is about 3.0 million square feet of office space in the Bel-Red study area, most of which is counted in the "Suburban Bellevue" sub-market. Much of this space is "Grade C" inventory in older industrial buildings that have been converted from warehouse use.

In fact, the amount of office space that is located close to the intersection of I-405 and Highway 520 is even greater. If the Bel-Red inventory is added to that of office space located to the northeast, northwest and southwest of the intersection, then the total inventory near this important freeway crossing reaches 4.8 million square feet. This total is about three-quarters of the CBD inventory. Most of the space in this expanded inventory area is also in older, smaller Class B and Class C buildings.

Projected Office Absorption

LCG projects that average annual office absorption for combined sub-markets in the greater Bellevue and Redmond area will be 750,000 square feet per year from 2000 to 2010, rising to more than 800,000 square feet per year by the year 2030. If Bel-Red was rezoned to allow more office development, demand could average 100,000 to 150,000 square feet per year in this area from 2000 to 2020, dropping to 90,000 to 135,000 square feet per year from 2020 to 2030 as the overall employment growth of this area slows.

Total incremental demand for new office space in Bel-Red through 2030 could range from 2.4 to 3.9 million square feet, including potential demand from Overlake Hospital. This equates to a market share of 13 to 17 percent of the combined Bellevue and Redmond sub-markets for this area. The projected potential demand equates to an average increase of three to four percent per year on the existing inventory of space near the I-405/Highway 520 intersection.

It is important to note that Bel-Red is one sub-market on the Eastside that competes with other sub-markets such as Redmond and the I-90 corridor for an overall share of the entire Eastside market. Each of these sub-markets represents a niche of the overall market, and each niche competes on different attributes. Bel-Red and the various office areas around the I-405/Highway 520 intersection compete largely on the basis of their centrality, while the CBD competes based on partly on centrality and also on image and amenities. Different users are likely to be drawn to the Bel-Red area than to the CBD. The next memo on strategy will discuss how the Bel-Red area might be positioned to attract office users who might not otherwise find a location in the central part of the city.

Retail Demand

Shoppers in most stores, restaurants and retail service businesses typically live within a three-mile radius of their shopping destination. From the center of Bel-Red, the three-mile population is now about 97,000 people. This population is projected to increase by about 18 percent from 2000 to 2020, an anemic annual increase of only 0.8 percent, since most of the area is developed.

The Bel-Red area has 2.5 times as much retail space per capita as the countywide average. Based on the projected population increase, the total demand for new retail in the three-mile radius will increase by about 470,000 square feet from 2000 and 2020. Downtown Bellevue will likely capture much of this growth due to its central location and existing variety of retail offerings. If Bel-Red attracts one-quarter to one-third of total incremental demand in the three-mile radius area, this demand would support about 120,000 to 160,000 square feet of new retail space, a relatively minor amount (equivalent to a small grocery anchored strip center or a single Target). On the other hand, if only five percent of the existing Bel-Red inventory is redeveloped, this will create an opportunity to build a total of 225,000 to 250,000 square feet of new and replacement retail space here. Except for additional restaurants, LCG projects little incremental demand for retail space resulting from additional office development.

Industrial Demand

The Eastside warehouse and flex inventory is about nine percent of the King County total, and Bel-Red is about 25 percent of that total. Flex space (combining office and warehousing space) accounts for almost 40 percent of the Eastside inventory, but in Bel-Red, this space makes up only 17 percent of the inventory. Thus, Bel-Red has a disproportionately low share of flex buildings, which is the dominant industrial product today.

The Eastside absorbed an average of about 615,000 square feet of industrial space per year over the last ten years. However, Bel-Red lost space during this timeframe, not including jobs losses at the local Safeway operation. Across the Eastside, industrial users are moving to cheaper locations east, north and south. There would be strong demand for industrial space in Bel-Red, but land values make new development financially infeasible. Brokers told LCG that values are already so high on land zoned for warehouse development that rents do not justify construction of new warehouses or flex buildings. In essence, the market has already begun to speculate that this land will be rezoned for uses that generate higher rents.

Residential Demand

Of all the potential uses in Bel-Red, there is the most clear-cut and strongest demand for new housing. The PSRC projects that by the year 2030, Bellevue will need 17,000 new housing units. Bellevue will likely face a challenge in finding places to build these new

units, particularly since most of the city is built out with single-family neighborhoods. For a variety of reasons, it has proved difficult to redevelop such neighborhoods.

Suffice it to say that these challenges involve: 1) creating a place that people will want to come home to (requiring a better setting, more walkable streets and a better retail offering than the area now has); and 2) making this housing affordable.

The surrounding areas now have a high component of multifamily housing, and the introduction of new housing in Bel-Red will not be entirely out of character for this area of Bellevue. Bringing new housing into the Bel-Red area can be seen as a step towards bringing various sections of this city together, for this is now one of the only areas of the city with almost no housing.

The surrounding areas have a much higher percentage of their populations living in multifamily housing than is commonly perceived. Large areas of the Bridal Trails area east of I-405 and north of Highway 520 are indeed in low density. For the census tracts north and northeast of the Bel-Red area, however, multifamily housing accounts for over two-thirds of the total housing units. Much of this housing is concentrated west of the Microsoft campus.

Hotel Demand

LCG has projected future demand based on this current inventory and the projected growth in use from business travelers and visitors to local residents.

There are about 4,000 conventional hotel rooms in Bellevue and Redmond, with an average of 80 percent of their room nights sold to business travelers. The average annual occupancy rate is about 70 to 75 percent, which is about five to seven percentage points above national averages.

LCG forecasts demand for about 1,900 new rooms for all of the greater Bellevue/ Redmond area between the years 2000 and 2030. Downtown Bellevue will probably attract at least one third of this incremental demand, and one third to one half will locate in outlying locations such as the Plateau. Bel-Red might attract 200 to 400 rooms if these are properly positioned and developed in a quality setting.

Information Sources

- Population and employment projections are from the Puget Sound Regional Council. LCG interpreted the implications of the data.

- Total inventory figures for office and industrial are taken from COSTAR, a commercial database for real estate information. The Bellevue and Seattle offices of Colliers International generously provided data on absorption.

- Total inventory figures for office and industrial are taken from COSTAR, a commercial database for real estate information. The Bellevue and Seattle offices of Colliers International generously provided data on absorption. Projections are based on PSRC employment data, trends in office employment and qualitative judgments about market share.

Appendix 4: Data Tables

Table 2.1
Projected Population and Employment

	Total				Period Increase				Percentage Increase			
	2000	2010	2020	2030	'00-'10	'11-20	'21-'30	Total	'00-'10	'11-20	'21-'30	Total
Population												
Bellevue	104,033	109,827	119,125	129,315	5,794	9,298	10,190	25,282	6%	8%	9%	24%
Issaquah/E Sammamish	61,043	72,830	83,934	92,986	11,787	11,104	9,052	31,943	19%	15%	11%	52%
Kirkland Area	44,009	48,058	53,890	59,117	4,049	5,832	5,227	15,108	9%	12%	10%	34%
Redmond Area	71,726	88,588	101,647	111,411	16,862	13,059	9,764	39,685	24%	15%	10%	55%
Balance of Eastside	150,041	157,910	167,461	172,788	7,869	9,551	5,327	22,747	5%	6%	3%	15%
Eastside Total	430,852	477,213	526,057	565,617	46,361	48,844	39,560	134,765	11%	10%	8%	31%
Seattle & Balance of King Co.	1,306,182	1,392,266	1,513,423	1,636,749	86,084	121,157	123,326	330,567	7%	9%	8%	25%
King Co. Total	1,737,034	1,869,479	2,039,480	2,202,366	132,445	170,001	162,886	465,332	8%	9%	8%	27%
Households												
Bellevue	43,779	47,771	53,688	60,851	3,992	5,917	7,163	17,072	9%	12%	13%	39%
Issaquah/E Sammamish	21,648	26,071	30,327	33,891	4,423	4,256	3,564	12,243	20%	16%	12%	57%
Kirkland Area	19,658	21,969	25,026	27,827	2,311	3,057	2,801	8,169	12%	14%	11%	42%
Redmond Area	27,917	35,133	40,984	45,615	7,216	5,851	4,631	17,698	26%	17%	11%	63%
Balance of Eastside	56,894	61,148	65,986	69,395	4,254	4,838	3,409	12,501	7%	8%	5%	22%
Eastside Total	169,896	192,092	216,011	237,579	22,196	23,919	21,568	67,683	13%	12%	10%	40%
Seattle & Balance of King Co.	541,020	589,978	653,429	721,928	48,958	63,451	68,499	180,908	9%	11%	10%	33%
King Co. Total	710,916	782,070	869,440	959,507	71,154	87,370	90,067	248,591	10%	11%	10%	35%
Employment												
Bellevue	125,128	144,111	167,847	187,232	18,983	23,736	19,385	62,104	15%	16%	12%	50%
Issaquah/E Sammamish	22,840	30,512	38,580	43,025	7,672	8,068	4,445	20,185	34%	26%	12%	88%
Kirkland Area	38,437	41,825	46,853	51,880	3,388	5,028	5,027	13,443	9%	12%	11%	35%
Redmond Area	73,478	85,306	100,077	110,855	11,828	14,771	10,778	37,377	16%	17%	11%	51%
Balance of Eastside	44,976	48,839	55,069	63,526	3,863	6,230	8,457	18,550	9%	13%	15%	41%
Eastside Total	304,859	350,593	408,426	456,518	45,734	57,833	48,092	151,659	15%	16%	12%	50%
Seattle & Balance of King Co.	883,718	1,000,627	1,108,472	1,214,275	116,909	107,845	105,803	330,557	13%	11%	10%	37%
King Co. Total	1,188,577	1,351,220	1,516,898	1,670,793	162,643	165,678	153,895	482,216	14%	12%	10%	41%
Jobs/Housing Ratio												
Bellevue	120%	131%	141%	145%								
Issaquah/E Sammamish	37%	42%	46%	46%								
Kirkland Area	87%	87%	87%	88%								
Redmond Area	102%	96%	98%	100%								
Balance of Eastside												
Eastside Total	71%	73%	78%	81%								
Seattle & Balance of King Co.	68%	72%	73%	74%								
King Co. Total	68%	72%	74%	76%								

Source: Puget Sound Regional Council data & projections

Table 2.2
Demographic Characteristics of Surrounding Neighborhoods

	King Co.	Bellevue	N. of Downtown	Bridal Trails	Overlake	Crossroads	N. & E. of Bel-Red	South
Population and Households								
Total population	1,737,034	109,569	6,915	11,737	4,164	9,463	8,125	8,948
Total households	710,916	45,836	3,298	5,403	1,741	4,261	2,877	4,116
Housing Type								
Pct single-family dwellings	57	54	56	33	25	21	97	28
Pct multifamily	40	46	44	67	75	79	3	72
Home Value and Income								
Median value owner occupied.	$ 236,900	$ 299,400	$ 347,700	$ 463,009	$ 342,700	$ 244,321	$ 269,799	$ 298,221
Median 1999 household income	$ 53,157	$ 62,338	$ 60,560	$ 57,643	$ 73,864	$ 44,196	$ 76,835	$ 51,888
Per capita 1998 income	$ 29,521	$ 36,905	$ 40,255	$ 39,919	$ 39,628	$ 25,568	$ 40,183	$ 29,260
Pct. Owner-occupied housing	60	62	62	48	32	33	89	42
Education and Occupation								
Pct 25+ w. Bach. degree	40	54	56	59	60	40	50	52
Pct. Mgt. & Professional	43	53	53	56	68	46	52	52
Transit Use	10	7	8	7	5	9	3	12
Racial and Ethnic Background								
Pct. Foreign born	15	25	19	27	29	41	23	33
Pct. Minority	27	28	18	32	34	42	23	36
Household Type and Size								
Pct. Families with children	28	28	22	23	28	23	34	21
Pct. Singles	31	28	37	35	35	36	14	36
Census tracts			240		228.03	232.02+ 231.01	229.01+ 230	236.01+ 236.03

Source: U.S. Census data provided by City of Bellevue

Table 3
Eastside Office Inventory and Absorption

	2005 Inventory	Percent of Total	Occupancy Rate	Net Occupied Space	Average Annual Absorption '95-05
Eastside					
Bellevue and Redmond					
Bellevue CBD	6,636,673	6%	86%	5,721,197	173,592
520 Corridor	4,233,876	4%	92%	3,889,825	132,939
Suburban Bellevue	6,196,170	6%	89%	5,509,623	55,618
I-90 Corridor	5,280,124	5%	92%	4,870,002	237,949
Redmond	5,185,277	5%	89%	4,604,619	164,573
Total	27,532,120	20%		19,990,647	764,672
Other Eastside					
Kirkland	4,135,908	4%	88%	3,632,265	
Bothell/ Kenmore	3,888,869	3%	85%	3,305,975	
Coal Creek/ Issaquah	2,055,398	2%	98%	2,014,113	
Mill Creek/ Woodinville	789,423	1%	95%	747,680	
Total	10,869,598	10%		9,700,033	260,413
Total Eastside	38,401,718	19%		29,690,680	1,025,085
Seattle CBD	24,688,215	22%	86%	21,287,323	993,981
Mercer Island	654,316	1%	99%	647,770	
Renton/ Tukwila	7,239,760	6%	77%	5,551,728	
Other King Co.	68,229,845	61%	89.5%	61,076,820	
Total	111,681,734	100%	88.0%	98,263,674	

Source: Inventory numbers from COSTAR and absorption numbers from Colliers International.

Table 4
Inventory of Office Space in
Combined Bel-Red I-405/Hwy 520

	Total Space	Mix	Occupancy Rate	Net Occupied Space
Bel-Red Area				
Class A	54,000	2%	100%	54,000
Class B	1,860,791	61%	86%	1,597,192
Class C	1,118,313	37%	84%	938,767
Total	3,033,104	100%	85%	2,589,959
520/405 Intersection				
Class A	313,241	18%	83%	261,542
Class B	1,395,989	80%	79%	1,098,475
Class C	34,927	2%	96%	33,535
Total	1,744,157	100%	80%	1,393,552
Total Bel-Red & 520/405				
Class A	367,241	8%	86%	315,542
Class B	3,256,780	68%	83%	2,695,667
Class C	1,153,240	24%	84%	972,302
Total	4,777,261	100%	83%	3,983,511

Table 5
Projected Bel-Red Office Absorption

	1995-2005	2005-2010	2011-2020	2021-2020	Total
Average Annual Absorption					
Bellevue CBD	173,592	160,000	170,000	160,000	
520 Corridor	132,939	125,000	130,000	130,000	
Suburban Bellevue	55,618	50,000	50,000	50,000	
I-90 Corridor	237,949	240,000	250,000	260,000	
Redmond	164,573	175,000	185,000	200,000	
Total	764,672	750,000	785,000	800,000	
Bel-Red Central Eastside Market Share					
Low		13%	13%	11%	
Medium		17%	16%	14%	
High		20%	19%	17%	
Projected Avg Annl. Increase on Base					
Low		3%	3%	2%	
Medium		3%	3%	3%	
High		4%	4%	3%	
Projected Bel-Red Average Annual Absorption					
Low		100,000	100,000	90,000	
Medium		125,000	125,000	112,500	
High		150,000	150,000	135,000	
Projected Bel-Red Absorption per Decade					
Low		1,000,000	1,000,000	900,000	2,900,000
Medium		1,250,000	1,250,000	1,125,000	3,625,000
High		1,500,000	1,500,000	1,350,000	4,350,000

Table 6
Industrial Inventory and Absorption

	Warehouse			Flex			Total			10-Yr.
	Total	Occupancy Rate	Net Occupied	Total	Occupancy Rate	Net Occupied	Total	Occupancy Rate	Net Occupied	Absorption
Seattle	60,318,056	95.2%	57,447,848	6,689,721	98.0%	6,553,361	67,007,777	95.5%	64,001,209	
East Side										
520 Corridor	928,717	99.0%	919,012	794,881	82.0%	652,142	1,723,598	91.2%	1,571,154	
Bellevue industrial	3,165,160	96.8%	3,062,819	638,245	90.3%	576,417	3,803,405	95.7%	3,639,236	
subtotal	4,093,877		3,981,831	638,245	90.3%	576,417	4,732,122	96.3%	4,558,248	*(10,769)*
Bothell/ Kenmore	2,151,425	83.5%	1,795,556	3,137,362	76.1%	2,387,054	5,288,787	79.1%	4,182,610	490,951
Kirkland industrial	1,770,015	81.1%	1,435,133	1,157,846	85.7%	991,726	2,927,861	82.9%	2,426,859	730,779
Newport/ Issaquah	1,770,015	81.1%	1,435,133	464,270	98.8%	458,725	2,234,285	84.8%	1,893,858	648,149
Redmond Industrial	3,980,013	92.7%	3,688,717	4,084,029	70.3%	2,872,756	8,064,042	81.4%	6,561,473	2,185,324
Woodinville Industrial	5,118,211	90.3%	4,622,830	626,490	75.8%	474,618	5,744,701	88.7%	5,097,448	2,106,459
subtotal	18,883,556		16,959,200	11,541,368		8,989,855	30,424,924	85.3%	25,949,055	6,150,893
Balance of King County	98,410,778	94.3%	92,836,777	3,163,047		2,153,185	101,573,825	93.5%	94,989,962	
Total King King Co.	177,612,390	94.2%	167,243,825	21,394,136	82.7%	17,696,401	199,006,526	92.9%	184,940,226	
Bel Red Warehouse	3,307,372	96.8%	3,201,311	788,057	90.4%	712,469	4,095,429	95.6%	3,913,780	

Source: COSTAR inventory data and Colliers absorption data.

Table 7
Projected Retail Demand

	2000	2005(e).	2010	2020	Total
Projected Population, PSRC Forecast Areas[1]					
West Bellevue (4810)	8,895	8,938	8,981	9,390	
Northwest Bellevue (4820)	6,915	7,071	7,227	7,909	
Bellevue CBD (4900)	2,588	3,843	5,098	9,746	
Central Bellevue (5101)	18,196	18,458	18,719	19,622	
East Bellevue / Lake Hi (5020)	24,557	24,833	25,109	25,405	
Point Cities (5100)	7,342	7,340	7,337	7,132	
North Bellevue (5205)	11,737	11,804	11,871	12,587	
Redmond / Overlake (5415)	13,215	14,528	15,840	18,552	
total, 3-mile radius	93,445	96,814	100,182	110,343	
Supply and Incremental Need					
Startting Inventory/ Total Need	4,687,366	4,869,014	4,939,889	5,157,466	
Incremental need in period[2]		181,648	70,875	217,578	470,100
Inventory per capita (sf)	50.2	50.3	49.3	46.7	

1. from Bel-Red Rd and 124th
2. Based on King Co. average need of 20.7 sf per capita

Table 8
Projected Hotel Demand

	2000	2010	2020	2030	Total
Population					
Bellevue	104,033	109,827	119,125	129,315	
Redmond	71,728	72,830	83,934	92,986	
Total	175,761	182,657	203,059	222,301	
Total Employment					
Bellevue	125,128	144,111	167,847	187,232	
Redmond	22,840	30,512	38,580	43,025	
Total	147,968	174,623	206,427	230,257	
Percentage Increase					
Population	4%	11%	9%		24%
Employment	18%	18%	12%		56%
Weighting- Demand Category					
Local Demand	20%	20%	20%		
Business Demand	80%	80%	80%		
Average Increase in Demand	15%	17%	11%		
Starting Inventory	3,920	4,516	5,275		
Incremental Demand	596	759	587		1,942
Ending Inventory	4,516	5,275	5,862		