

CITY OF BELLEVUE
BELLEVUE PLANNING COMMISSION
STUDY SESSION MINUTES

January 25, 2017
6:30 p.m.

Bellevue City Hall
City Council Conference Room 1E-113

COMMISSIONERS PRESENT: Chair deVadoss, Commissioners Barksdale, Hilhorst, Laing

COMMISSIONERS ABSENT: Commissioners Carlson, Morisseau, Walter

STAFF PRESENT: Terry Cullen, Emil King, Mike Kattermann, Dan Stroh,
Department of Planning and Community Development;
Carol Helland, Patricia Byers, Department of Development
Services

COUNCIL LIAISON: Not Present

GUEST SPEAKERS: None

RECORDING SECRETARY: Gerry Lindsay

CALL TO ORDER
(6:31 p.m.)

The meeting was called to order at 6:31 p.m. by Chair deVadoss who presided.

ROLL CALL
(6:31 p.m.)

Upon the call of the roll, all Commissioners were present with the exception of Commissioners Carlson, Morisseau, Walter, all of whom were excused.

APPROVAL OF AGENDA
(6:31 p.m.)

A motion to approve the agenda was made by Commissioner Hilhorst. The motion was seconded by Commissioner Laing and the motion carried unanimously.

COMMUNICATIONS FROM CITY COUNCIL, COMMUNITY COUNCILS, BOARDS AND
COMMISSIONS – None
(6:32 p.m.)

STAFF REPORTS – None
(6:32 p.m.)

PUBLIC COMMENT
(6:32 p.m.)

Mr. Phil McBride spoke representing the property at 11040 Main Street, the John L Scott

building. He noted that there have been no major changes to the downtown zoning for 35 years. The wedding cake concept was part of the original zoning and is still in place. The original zoning never anticipated light rail coming through the city. Sound Transit is bringing light rail into the city at a cost of \$3.7 billion in taxpayer dollars, and Sound Transit and the taxpayers need transit-oriented development. They need to bring ridership to the train stations and they need to create transitions from the rail stations to the surrounding job centers and residences. Transit-oriented development is needed in proximity to the rail stations and the walkshed. The park lid that is going to be over the rail in the East Main area will create a buffer zone for the neighborhoods that was not there before. There is no transit-oriented development overlay in the zoning. The downtown CAC did not really take into account the East Main light rail station. The cost of a throughblock connector is quite high, but the property owner is willing to provide the walkability amenity to improve downtown connections. The desire is to build a project that will be forward looking and aspirational, while being in alignment with the city's intentions for the downtown. The project will embrace the role of transit-oriented development and will serve as the front door to East Main. The current code, however, has obstacles that will prevent what is planned from becoming a reality. The Commission should ask the staff to create new development standards that would allow FAR averaging between A-3 and B-3. Transit-oriented development is best when it has mixed uses and is vibrant. To that end the FAR should be kept independent of uses. The ULI technical assistance panel suggested zoning for station areas should respond to the station area rather than historical zoning boundaries.

Mr. Matt Roewe with VIA Architects spoke on behalf of the project at 11040 Main Street and the corner of 112th Avenue NE and Main Street. He said the project is a good example of two property owners working together to effect a great transit-oriented development in close proximity to the East Main light rail station. He noted that a part of the Surrey Downs neighborhood is within the quarter mile radius of the station, though it has difficulty accessing it. Additionally, a portion of I-405 is within the quarter mile walkshed. The properties at Main and 112th Avenue NE are well positioned to leverage the transit investment, as are the Red Lion and Sheraton properties. The properties are only 600 feet from the East Main station. A new tunnel is under construction where the rail will run underground, creating a nice buffer to Surrey Downs from the subject properties. The idea is to develop the properties to be inviting, bringing people into the downtown. The First Congregational Church behind the John L Scott property has a reciprocal agreement between each property to allow access, so a natural point of access between the properties already exists. Redevelopment of the Red Lion and Sheraton sites makes sense as they will be fully symbiotic and serve as a front door to downtown from that location. The proposed throughblock crossing will transcend the properties, but must negotiate a 55-foot grade change, necessitating the need for public elevators. The entry plaza at Main Street and 112th Avenue NE will include outdoor cafés and an outdoor court with retail above. All of those details are in line with the findings of the downtown CAC. The alternative would be to construct a five-over-two apartment building, which is what the current zoning when interpreted literally encourages. The zoning requires residential uses facing Main Street, but the desire is to have office uses there instead on a small boutique scale. Architecturally, it makes the most sense to put all the building height on the B-3 side and to keep everything low on the A-3 side, but that would mean putting office on the Main Street face. The Commission was asked to work closely with staff to create new development standards that allow the FAR to be averaged across the whole site between the A-3 and B-3 areas, rather than segregating it, and allow for applying FAR independent of use, which would be a more form-based code outcome.

Commissioner Laing asked if the real issue is where the zoning boundary is drawn, and if that is what is creating the problem. Mr. Roewe allowed that that is the issue. Commissioner Laing noted that the Commission has dealt with other parcels with split zoning. He asked how the

current code precludes splitting the FAR across the site. Mr. Roewe said the issue is in the proposed code, which for the A-3 overlay limits the FAR for commercial to 1.0, and allows more FAR in the B-3 overlay. The FAR is segregated by use on both sides in a way that prevents them being traded and swapped. Commissioner Laing said it was his recollection as a member of the downtown CAC was that group uniformly recommended getting rid of the differential between commercial and residential FAR. For many years the Bellevue Downtown Association has also called for the distinction to be removed.

Mr. Carl Van der Hoek, 9 103rd Avenue NE, called attention to a letter in the packet that he had penned to the ULI panel members. He said the letter in part points out how the incentive zoning system is missing looking at affordable housing, which is clearly a livability issue. The ULI panel suggested that a concurrent rollout of affordable housing and incentive zoning would reduce developer uncertainty and enhance the effectiveness of both programs. It would be an injustice to calibrate the system without including affordable housing. It all needs to be calibrated together to avoid running the risk of trying to add in affordable housing some time later as an amenity and taking away from the other amenities or not seeing the affordable housing amenity used at all.

STUDY SESSION (6:50 p.m.)

Downtown Livability – Review of Draft Downtown Land Use Code Amendment

A. East Main Station Area Plan Interface with Downtown Livability

Senior Planner Mike Kattermann informed the Commissioners that a full briefing on the East Main station area planning effort would be provided in the fall ahead of beginning the code work associated with the CAC recommendations. He outlined on a map the station area study boundaries and the specific primary and secondary transit-oriented development areas to the east of 112th Avenue SE and south of Main Street. The study considered both the quarter mile and the half mile walkshed. The quarter mile metric was used for purposes of making sure of connectivity between the East Main station and the downtown. The directive from the Council was that any redevelopment would occur only in the area to the east of 112th Avenue SE, south of Main Street.

Mr. Kattermann said the downtown livability CAC wrapped up their work in June 2014, while the East Main CAC started its work in September 2014. The East Main CAC had the benefit of having the preliminary proposals from the downtown livability CAC to use as a starting point in considering compatibility between the areas. No land uses were considered that were not part of the downtown livability work; to have done so would have been redundant and unnecessary.

The main issues identified through the East Main station area outreach process included land uses, traffic, ped/bike connectivity to the station, safety, parking, noise, and community character and aesthetics. The latter in particular comes into play when talking about the street frontages along 112th Avenue SE and Main Street, which is where the interface between the areas primarily occurs. The redevelopment area of the East Main study area is uniquely situated. It lies at the confluence of the downtown, the single family residential area, the existing office/hotel uses, and I-405 and the uses to the east. The CAC sought to come to agreement on what specific unique niche the redevelopment area can serve. The area is not an extension of the downtown, it is certainly more than the existing single family area, and it will certainly be more than what it is currently.

Mr. Kattermann said the CAC began with the parameters to be considered. While it was agreed the area would not be an extension of the downtown, the work done by the downtown livability CAC in terms of land use was used as the upper limit of what should be considered for the potential redevelopment area. A consultant was used to develop various scenarios. The low end of the range was determined to be the existing zoning, which is OLB with an FAR of 0.5. At the high end a maximum FAR of 5.0 was considered. For the secondary transit-oriented development area, the CAC did not consider much redevelopment potential, primarily because of the severe environmental constraints; the recommendation of the CAC included only a slight upzone for the area.

The CAC ultimately recommended an FAR of 5.0 for the Red Lion site, which is the area immediately south of Main Street, essentially mirroring what has been recommended for the area to the north of Main Street. With regard to building height, the CAC recommended up to 300 feet. In order to obtain the maximum FAR and building height, certain public benefit requirements must be met. The recommendation could result in a fairly intensive development on the site, which is a little over six acres. The CAC wanted to see the site developed in a way that will be complementary to the community, serving both the residential neighborhood as well as the residential areas in the southeast part of the downtown. The CAC did not want to see big box uses, rather uses that fit in with the notion of transit-oriented development, including mixed uses and that relate to what will continue to be a single family area into the future. The CAC discussed building placement and highlighted a desire to see the tallest buildings located closer to I-405 and Main Street; buildings step back from 112th Avenue SE; the wall effect minimized along 114th Avenue SE; parking that is out of site; safe designs that include visibility for the immediate area and the station across the street; and lighting in public spaces. No part of the CAC's recommendations are incompatible with any of the existing or proposed uses in the adjacent downtown area.

In terms of character, the CAC highlighted the need to draw people into the development through a mix of uses and activities that will serve people to the south and the north of Main Street. The CAC called for Main Street to be safe for all modes of travel, and for continuing to the extent possible the themes for Old Bellevue while respecting the different types and intensities of land uses on the north south of Main Street versus the south side of Main Street. For 112th Avenue SE, the focus of the CAC was primarily to the south of Main Street along the redevelopment area, but the group recognized that there could be some continuation to the north of Main Street and into the downtown.

Commissioner Hilhorst asked why the East Main station area recommendations would not be coming to the Commission until the fall given that the work of the CAC has been done for some time. Mr. Kattermann explained that the policy work must be done before the code work can be done. The Comprehensive Plan policy work will start during the current cycle. There are things already in place in other zones that can be drawn in, avoiding the need to start from scratch, though there are things about the area that are unique and which will require tailoring the code accordingly.

Commissioner Barksdale asked what FAR averaging is and how it might affect the area. Mr. Kattermann said FAR averaging has not been looked at in relation to the East Main area. As envisioned, the 5.0 FAR would apply immediately south of Main Street, and the 4.0 FAR would apply to the rest of the primary transit-oriented development area south to SE 6th Street. To the south of SE 6th Street and north of SE 8th Street, the recommendation is for 1.25 FAR. FAR averaging could affect where things are placed on the East Main site, which could be problematic

given how clear the CAC was about not wanting to see the higher FAR spread across the entire area. Mr. King said FAR averaging involves taking the development potential for one part of a site and transferring it to another building. The result is often a building that has lower density and a building that has more.

Mr. King explained that the downtown CAC took on the elements of station area planning within the downtown livability work. There is no separate station area plan that has been or will be developed for the downtown, rather the principles are integrated into the overall recommendations. The final report acknowledged that and included a number of recommendations that permeated through the density and height discussion, the design guidelines discussion, and was talked about in regard to coordination with Sound Transit and parking management. The quarter-mile walkshed for the prime downtown station, which will be located just outside City Hall, is primarily within the downtown area. The CAC focused its efforts within the downtown boundary.

When the CAC began its work, the group recognized that the urban framework that was put in place 35 years ago was in many ways supportive of transit. It is evident of the office core that developed along 108th Avenue NE and in the iterations of the Bellevue transit center. The CAC did not need to start from scratch, rather it focused on those things that needed to be updated as they relate to station area planning. A lot of time was spent studying the OLB zone, an area that was not transit supportive when it was first put in place. The CAC also looked closely at the Civic Center area where City Hall, Meydenbauer Center and the Bravern are located and there were some modifications made to that area both in terms of FAR, height and urban design. One of the noteworthy modifications to that area were extending the pedestrian corridor all the way down to 112th Avenue NE and beyond to the freeway, which has largely morphed into the Grand Connection that has become a Council priority. The CAC and the Commission have recommended more density and height in the area closer to the freeway, with an FAR of 5.0 and height of up to 230 feet. A number of meetings have also been spent focused on refinements to the historic A and B perimeter design districts in terms of the allowed FAR and height.

Mr. King noted that in the early part of 2016 the Commission spent time talking about the building/sidewalk design guidelines. The guidelines determine how pedestrian activity and uses should be focused along different streets. The East Main area was examined and revised in the recommendation from what historically has been an E classification, which is the lowest of the pedestrian-activated ratings, to the second highest classification, which is a commercial street. Work has also been undertaken to reexamine 112th Avenue NE, Main Street and 110th Avenue NE with regard to pedestrian activities; the current code package recommends 16-foot sidewalks rather than the current 12-foot widths.

Commissioner Barksdale asked if the zoning split along Main Street is to create a buffer. Mr. King said the A overlay goes all the way around the north, west and south sides of the downtown. It serves as an overlay on top of the underlying zoning and suppresses height and FAR because of its proximity to the perimeter areas. The CAC recommended changes to the residential buildings heights from 55 feet to 70 feet, and the Commission took the recommendation and split it up into different pieces. Where the Commission landed was that where the overlay abuts a single family residential neighborhood, such as Northtowne, building height should be kept at 55 feet. In other areas, the Commission's recommendation is for 70 feet of height. The presence of the portal park as well as proximity to the East Main station were the reasons behind recommending a 70-foot height limit in that area. The B design district is the next area in from the A, and it carries additional height and density provisions.

B. Incentive Zoning Update/ULI Panel Findings and Recommendations
(7:17 p.m.)

Mr. King acknowledged that the incentive zoning system in place dates back 35 years to the original downtown code. The CAC report highlighted the need to update the system to current market economics. The report also contemplates better using amenities to reinforce neighborhood identity, focusing on things that are most important to the city, and acknowledges that some lift could be gained through the incentive system for additional height and FAR.

Mr. King briefly reviewed the steps taken to date relative to the incentive system. A Land Use Code audit was conducted for all of the different elements of the downtown code, including the incentive system, as part of the CAC process. A full chapter in the CAC report focuses on the amenity system. The Council in the spring of 2015 gave the Commission direction to take on the full CAC analysis, including the amenity incentive system. The joint Council/Commission workshop in late 2015 included a discussion of the incentive system; shortly thereafter the Council principles intended to guide the update effort were handed down. A structure and approach for updating the system was before the Council and the Commission in mid-2016. The BERK analysis report was released in early 2017. The incentive zoning system is a companion piece and it interfaces with other parts of the Land Use Code, including the development standards and the design guidelines.

Planning Director Dan Stroh said the incentive zoning system is one of the more complex parts of the code. It is 35 years old and was put in place at a time of much different economics and different goals for what the city wanted to see achieved. A list of amenities has been compiled, and what it comes down to are the economics of updating the system. There is a clear need to be sensitive to the legacy system that is embedded in the existing zoning. In many ways it would be far easier to develop an entirely new system than to update the existing system.

The legacy system is embedded to some extent in current land values in the downtown. In looking to update the system, there is a clear desire to add new amenities and to be aspirational by a 21st Century urban center. All legalities will need to be taken into account as the work to update the system progresses. There could be new requirements added, such as weather protection, while other items may no longer be incentivized, such as structured parking and residential use, both of which the market is providing on its own. It will need to be kept in mind that properties are affected differently by the existing system and the proposed new system. There are market sensitivities to consider, and there is a need to build in periodic updates.

The Council principles for the effort provide some clarity and overall guidance. Among other things, they address the need to avoid modifications that will effectively result in a downzone. They also move the effort toward an understanding of the real value of the incentives for those developers who choose to use them because they are real incentives.

Mr. Stroh said the approach for updating the incentive zoning system will include updating and clarifying what is a code requirement versus what is an incentive, and adjusting the basic FAR accordingly. The incentive zoning system is part of a larger structure; the incentives must work as a whole with the design guidelines and the design standards. The approach will also focus on removing features that are no longer real incentives and adjusting the FAR accordingly; creating some additional lift in the system to create value for new public amenities; adjusting the FAR exemption relative to affordable housing; and keeping the spotlight on key livability features such as placemaking, public open spaces, walkability and cultural elements. The system should promote neighborhood identity, primarily by tailoring the nature and type of bonus open space

by neighborhood. Fee payments in lieu of on-site performance should be looked at, as should building in flexibility under a development agreement to allow for amenities that have not been identified but which provide equal or greater value. The notion of building in periodic updates to the system is intended to keep the approach from getting too far off base. Some element of green building and sustainability needs to be incorporated into the system.

Mr. Stroh shared with the Commissioners a diagram that compared the existing system with the proposed conceptual model. He noted that currently the system allows for some level of FAR exemption for ground-level retail. Each zoning district has a base and maximum FAR and height, and to reach the maximum requires providing certain amenities. Some portion of the amenities that are bonused must be provided whether or not incentive zoning is used. The proposal also envisions exempting FAR for ground-level retail but also for affordable housing. The proposal adjusts upwards the basic FAR to account for the current incentives that are to be removed from the incentive system, and the new requirements. The model has some headroom between the new base FAR and the old maximum FAR. In some cases, though not in every zone, there is bonus FAR and/or height allowed above and beyond what is available under the existing zoning.

The consultant firm BERK was tapped to conduct an economic analysis. Their work involved building some 588 development prototypes in an attempt to avoid cherry picking for just the best results and testing a range of different assumptions. What can be done on any given site is quite variable based on site size, the intent of the developer relative to uses, potential density yields, and other factors. The recommended system resulting from the proposed approach and the additional economic analysis done by BERK maintains base and maximum FARs and heights, with limits set by residential and non-residential building types; raises the new base FAR to 85 percent of the existing maximum FAR for each district to account for new requirements and the deletion of amenities that are no longer real incentives; raises the new base height to the existing height maximum to ensure being able to use the additional FAR that in the base; allow for exceptions to occur in a few instances, such as where the new base FAR must be raised slightly higher due to legacy issues in the existing zoning; sets new maximum FARs and heights based on Planning Commission recommendations; sets a new exchange rate of \$25 per square foot on bonus FAR, which can be converted into the desired amenities; and will set an exchange rate for height building on the current district maximums. With regard to the latter, height is contemplated to increase without an associated increase in the FAR. The process has always talked about determining what that would really be worth as an incentive.

Mr. Stroh said the ULI peer review process wrapped up earlier in the day with a presentation in the Council Chambers. Their work is still being digested.

Chair deVadoss asked for comments with respect to affordable housing as well as zoning for the station area, particularly the parking minimums. Mr. Stroh said the proposed system includes an FAR exemption for affordable housing that is not taken out from the lift between the new base and the maximum. The new base is raised so high that there is far less legroom compared to what there used to be under the old system. The proposed approach offers additional value for affordable housing. ULI said the city should focus on looking at that in an integrated way, and that it would be best to have the two processes reach the finish line at the same time. The affordable housing piece is also moving forward in a channel that is focused on a citywide strategy; the Council wants to understand how what is done relative to affordable housing in the downtown will affect other parts of the city. Staff are struggling with how to bring the two over the line at the same time. With regard to the parking ratios, he noted that the downtown livability update did not really focus on parking, with one big exception. The downtown livability proposal includes the ability for a developer to do a special parking study that could serve as a fact-based

analysis for departing from the requirements of the code. ULI supported the approach but highlighted the need to do it at the right time in the process. The city plans to conduct a comprehensive downtown parking study in the future.

Commissioner Hilhorst suggested that the downtown livability work will not be complete if there is no parking component. She allowed that the issue is complex but pointed out that many have come to the Commission to talk about parking.

Commissioner Hilhorst asked if the development community and the BDA are in accord with removing some existing incentive amenities. Mr. Stroh said there has been a fear from day one that the city would make major adjustments to the incentive system without realizing how significant that might be in terms of the economics of development. It certainly is a sensitive topic. The challenge will be to move forward in a way that is sensitive to the economics of the downtown, always with an eye on seeking to avoid unintended consequences.

Mr. Stroh said the objective of the economic analysis was to evaluate the economic implications of the proposed changes to the downtown incentive zoning system. The key questions were how the base zoning should be adjusted to reflect the proposed changes to the system, and what the potential value is of the incentive capacity that remains, and what the implications are for the utilization of the incentive system. The challenges were predicated on recognizing that the system has not been updated in 35 years and is out of step with current market conditions, and the fact that there is quite a bit of variation within different zoning districts in the downtown. It was determined that success would be measured in the degree to which the system is aligned with what is important to livability in the 21st Century in the downtown while avoiding unintended consequences.

Residual land value was a key tool used in the analysis. Essentially, residual land value is the result of taking into account all the factors contributing to development costs, and the factors contributing to project value. The equation looks to solve for the maximum value a developer would be willing to pay for the land. The resulting residual land values can be compared to existing land values, which was done in the model. In each of the 588 prototypes that came out of looking at different parcel sizes, different density yields and different ways of dealing with parking by district and by use, the output was the residual land value that allowed for freely comparing the different development types.

Mr. Stroh shared with the Commissioners charts showing the results of the FAR analysis, both for the new base low and the new base high, and for both non-residential and residential. He explained that the non-shaded dots indicated where the residual land value meets the test of being within the market ranges of land values for the particular district. The dots that were shaded in represented where the residual land value failed the test. Having a few prototypes fail is not problematic, but having a lot of prototypes fail is evidence of the approach not working. Zeroing in on the A and B districts in Old Bellevue, it was pointed out that the maximum FARs for non-residential versus residential are very small, and that the much higher residential densities the properties will yield result in higher property values. Based on the current FARs, non-residential development is not feasible in those districts. If a developer chooses to develop office in the Old Bellevue district, participating in the amenity incentive system would not make sense.

Commissioner Laing suggested the analysis illustrates the impact of the commercial penalty associated with the FAR differential between residential and commercial. Mr. Stroh agreed that it does at the extreme. The extreme exists in the perimeter for very deliberate reasons. When the

perimeter districts were adopted in the mid-80s, it was determined that the best transition between the more intense downtown and the adjacent residential areas was residential uses.

Commissioner Laing pointed out that the DT-MU district also stands out on the chart for its similar results relative to non-residential development. Stakeholders have for some time been highlighting the fact that the commercial penalty is stalling development and redevelopment in the district. He said it was encouraging to see how the proposed new base high would improve the situation, though not in Old Bellevue.

Mr. Stroh said every attempt was made to be thoughtful about what is obviously such a sensitive topic. Where things did not seem to make sense at the 85 percent rule, adjustments were made higher to make more of the prototypes work. For DT-MU residential, the conclusion reached was that it would be appropriate to adjust the new base higher.

Commissioner Laing asked why removal of the FAR differential between residential and non-residential was not tested in light of the fact that the CAC unanimously recommended doing so. Mr. Stroh said the recommendation of the CAC was to increase building height in the DT-MU for non-residential to 200 feet, which is the same for residential currently, and the FAR to 5.0, which is what it is for non-residential currently. It was still necessary, however, to find the right base. Increasing the non-residential base to match that of residential turns the table so much that office will consistently outcompete for the land in the district. Finding the sweet spot between the legacy and the proposed approach is a challenge, and the Council is concerned that fully equalizing residential and non-residential will turn things upside down and kill the residential market. The ULI was asked to comment on that, and they agreed that the changes will actually affect the market moving away from the development of residential. With regard to the DT-MU non-residential, an additional adjustment in the base is needed to get more of the prototypes to work. The same thing is true for the Old Bellevue A residential.

Mr. Stroh said the incentive analysis showed a range of remaining incentive capacity between the new base and the maximum FARs and heights. The issue is how much value that converts into. The consultant took all of the different prototypes and generated models based on building to the base, building to the max, and figured the increment between the base and the max for both residential and non-residential by district. That amount of square footage was valued by the increase in the residual land value.

The Commissioners were shown a matrix that indicated the added values by district and by residential and non-residential. The incremental value of the added bonus FAR between the new base and the new maximum were noted to be fairly high in many cases. Mr. Stroh said it would not be appropriate for all of it to be converted into the incentive zoning purchasing power, because it would no longer be an incentive. There is risk to the developer, there are profit margins to consider, and in order to be real incentives there must be calibration to regional comparables and many other factors. The matrix indicated overall averages. Utilization will depend on where the city sets the exchange rate. In Bel-Red the rates range from \$15 to \$18 per square foot. In South Lake Union, the affordable housing fee is \$25 per square foot. The exercise appears to point to \$25 per square foot as being a reasonable number.

With regard to the value of additional height, Mr. Stroh reminded the Commissioners that as proposed there is no additional FAR in many cases. BERK ran models that both used and did not use the additional height to determine if there is value to the height alone. They also had to take into account the additional cost that comes with additional height. In the end, they came up with three options. In the first option, the additional height would only be available where the base