



# 3.6 ECONOMIC ACTIVITY

## 3.6.1 INTRODUCTION

This section broadly evaluates each alternative's effects on employment capacity, business sector mix, and potential relocation. It also considers fiscal conditions including a range of revenue sources. Data on current and estimated employment, taxable retail sales, and estimated revenue from sales, property, business, utility and other city taxes is from the Employment Security Department, Department of Revenue, City of Bellevue, and earlier studies by Leland Consulting Group. Geographic areas studied include the Study Area, and the larger subarea region.

After describing current conditions, the impacts analysis considers how each alternative could affect employment growth and the fiscal environment both within the Study Area and citywide. This analysis identifies significant impacts using the following thresholds:

- Changes to employment mix caused by the alternatives resulting in economic displacement (involuntary) by businesses.
- Potential for voluntary displacement and lack of capacity for new employment space.



In addition, each alternative is evaluated using performance measures responding to the City Council Guiding Principles, listed in Section 2.3:

- Diversity and number of jobs that support the Economic Development Strategic Plan
- Opportunities to leverage jobs in medical and technology sectors, as well as commercial uses, as part of mixed-use development
- A strengthened and diversified economic base: capacity for job growth by sector, business starts
- Auto sales tax revenue offset by new economic development activity
- Towards a sustainable city: mobility and congestion, workforce housing, natural environment
- Create an opportunity for a district that promotes health and wellness (based on land use case studies)
- Urban amenities measure such as potential future density of stores, parks, etc.

Included in the Mitigation section below are features of the alternatives that can mitigate impacts, other City programs and regulations, and any other ways to address significant employment and fiscal impacts.

## 3.6.2 AFFECTED ENVIRONMENT

### EMPLOYMENT

Currently there are 10,366 jobs in the Study Area, spread across several sectors. Reflecting the presence of the Medical Institution District and retailers, most jobs are in the Health Care and Social Assistance Services and Retail Trade sectors. About 64% or approximately 6,647 jobs today are in the Services sector (this includes Healthcare services and Professional, Scientific, and Technical services) while Retail Trade accounts for 20% or roughly 2,026 jobs. The largest proportion of Services jobs are in Health Care and Social Assistance with relatively fewer in other sub-sectors within the Services sector. This reflects current land use patterns in the Study Area where, apart from several large office buildings in the Medical Institution District in the northwest quadrant, much of



area does not include office development. Where present, office buildings in the southern and eastern parts of the Study Area are relatively small. There are smaller proportions of jobs spread across other sectors such as Construction and FIRE (Finance, Insurance, Real Estate, and Leasing). See Exhibit 3.6-1.

**Exhibit 3.6-1** Study Area Estimated Employment, 2015

2-DIGIT NAICS	SECTOR	JOBS	% OF TOTAL JOBS	# OF WORK- PLACES
23	Construction	304	2.9%	15
31-33	Manufacturing	48	0.5%	3
42 & 48	Wholesale Trade and Transportation and Warehousing	304	2.9%	37
44	Retail Trade: Motor Vehicles and Gas, Furniture, Electronics, Building Materials, Food, Health	1,981	19.1%	33
45	Retail Trade: Sporting Goods, General Merchandise, Miscellaneous	45	0.4%	9
51	Information	141	1.4%	7
52	Finance and Insurance	355	3.4%	30
53	Real Estate and Rental and Leasing	477	4.6%	33
54	Professional, Scientific, and Technical Services	729	7.0%	76
55	Management of Companies and Enterprises	305	2.9%	6
56	Admin & Support & Waste Mgmt & Remediation Services	535	5.2%	12
61	Educational Services	111	1.1%	9
62	Health Care and Social Assistance	4,404	42.5%	98
71 & 72	Arts, Entertainment, and Recreation; Accommodation and Food Services	358	3.5%	20
81	Other Services (Except Public Administration)	205	2.0%	29
Gov		64	0.6%	3
<b>Total</b>		<b>10,366</b>	<b>100%</b>	<b>420</b>

Source: Employment Security Department compiled by PSRC, 2015; Bellevue, 2017

## ECONOMIC DEVELOPMENT PLAN

Bellevue's Economic Development Plan (2014) identifies goals and strategies that link a strong economy with business opportunities, sustainability, and a high quality of life. The Plan identifies Bellevue's four primary economic clusters:

- Information Technology (IT). This sector has seen considerable growth and shows great potential going forward.
- Business Services. This sector is strong relative to the region.



- Retail. This sector is thriving and critical to the city's economy.
- Tourism and Visitors. This sector has both strengths and opportunities for growth.

Recognizing strengths and opportunities, the Economic Development Plan states a vision and strategies:

## Vision

Bellevue is a prosperous and vibrant international city with innovative and entrepreneurial businesses and a high quality of life for residents.

## Strategies

The overall strategy includes a set of direct strategies that describe specific shorter-term actions to support target portions of the economy as well as a set of longer-term foundational strategies that support the direct strategies and address the broader Bellevue economy. Both sets of strategies are listed below.

### Direct Economic Development Strategies

1. Cultivate Bellevue's next generation of technology entrepreneurs
2. Position Bellevue as a Pacific Rim gateway
3. Strengthen Bellevue's tourism and visitors cluster
4. Develop a multi-pronged economic development marketing campaign

### Foundational Strategies

- A. Take both a local and a regional approach to solving transportation challenges
- B. Provide a business climate and infrastructure that facilitates desirable business investment
- C. Cultivate attractive and diverse business districts
- D. Support the development and attraction of world-class talent
- E. Encourage a variety of housing choices within the city
- F. Continue to make Bellevue a great place to live and visit



## FISCAL ENVIRONMENT

### Revenue Sources

**Sales Tax.** Sales tax revenues comprise the largest single revenue source for the City's General Fund. Sales tax is generated from taxable sales of goods occurring within the City's boundaries and purchases of goods delivered to addresses within the City, such as from online retailers. Differences in sales tax revenue among the three alternatives will stem from three components:

- One-time and Ongoing Sales Tax on Construction. The initial construction of buildings will generate sales tax for the full cost of supplies, material, and labor.
- Ongoing Sales Tax from Purchases. This depends on the extent of retail space included in the alternatives as well as purchasing behavior by office employers and households located in the Study Area.

**Property Tax.** When new construction is built, the City can add that assessed value (AV) to its tax rolls and collect revenues on it. AV from new construction is the only way for a jurisdiction to increase its property tax revenues by more than one percent per year without increasing its property tax levy. The impact of Alternatives 1 and 2 on property tax collected will therefore be the difference between the AV of the development under the No Action Alternative and the AV of development under Alternatives 1 and 2.

**Business, Utility, and Other City Taxes.** In addition to sales and property taxes, the City collects taxes such as business and occupation taxes, utility taxes, an admission tax, and gambling taxes. Exhibit 3.6-2 summarizes 2015 City tax revenue from businesses located within the Study Area, distributed by two-digit NAICS codes.



Exhibit 3.6-2 City of Bellevue Tax Revenue for Study Area Businesses by Two-Digit NAICS Code, 2015

2-DIGIT NAICS	SECTOR	COUNT	% OF TOTAL BUSINESSES	TAX REVENUE	% OF TOTAL TAX REVENUE
Unk.		6	2%	\$27,417	1%
23	Construction	13	3%	\$20,454	1%
31-33	Manufacturing	5	1%	\$21,116	1%
42 & 48	Wholesale Trade and Transportation and Warehousing	29	7%	\$56,723	3%
44-45	Retail Trade: Motor Vehicles and Gas, Furniture, Electronics, Building Materials, Food, Health, Sporting Goods, General Merchandise, Miscellaneous	47	12%	\$1,181,691	56%
51, 55, & 56	Information; Management of Companies and Enterprises; Admin & Support & Waste Mgmt & Remediation Services	24	6%	\$86,707	4%
52	Finance and Insurance	28	7%	\$45,075	2%
53	Real Estate and Rental and Leasing	22	6%	\$50,729	2%
54	Professional, Scientific, and Technical Services	62	16%	\$110,915	5%
61	Educational Services	8	2%	\$6,433	0%
62	Health Care and Social Assistance	109	28%	\$385,137	18%
71 & 72	Arts, Entertainment, and Recreation; Accommodation and Food Services	21	5%	\$75,539	4%
81	Other Services (Except Public Administration)	17	4%	\$24,371	1%
<b>Total</b>		<b>391</b>		<b>\$2,092,306</b>	

Source: City of Bellevue Finance Department 2015 These data summarize employment from PSRC's point-level workplace employment dataset, the best available public source for employment data. PSRC's employment summaries are derived from the Quarterly Census of Employment and Wages (QCEW), administrative records employers report, by law, to the Washington State Employment Security Department (ESD). To provide more accurate workplace reporting, PSRC gathers supplemental data from the Boeing Company, the Office of Washington Superintendent of Public Instruction (OSPI), and governmental units throughout the central Puget Sound region.



## Costs

Impacts to the City's operating costs will be driven by how alternatives would change demand for City-provided public services. Please see the Public Services and Utilities section of this EIS for a more detailed discussion. Public services that are more variable due to direct service needs include law enforcement, fire protection and emergency medical services, and parks. Some public services with heavily fixed components, such as utility infrastructure, may be less affected by the differences in service demand among the three alternatives, but would require completion of planned infrastructure investments, and some aspects of demand would need to be addressed during individual permit reviews to achieve the greater intensity proposed with Alternatives 1 and 2, such as fire flow.

## 3.6.3 IMPACTS

### IMPACTS COMMON TO ALL ALTERNATIVES

#### Short-Term Impacts

Short-term economic impacts would be driven by one-time or temporary revenues related to construction as well as incremental job growth as the area develops. Short-term, one-time sales tax revenue related to construction will be present across all alternatives; however Alternative 2 could generate the highest construction spending (and sales tax revenue from construction) due to having more building space to construct compared to Alternative 1 and the No Action Alternative. These one-time or temporary revenues are further analyzed below and compared in Exhibit 3.6-4 illustrating how construction under each alternative may translate into construction-related sales tax revenues to the City.

#### Long-Term Impacts

##### Economic Impacts

The economic impacts of implementing the alternatives would be driven by the major changes in land use patterns from the existing conditions. Under the No Action Alternative there could be up



to 335 housing units and over four million square feet of total development. Under Alternative 1 there could be up to 3,946 total housing units and over 13 million square feet of total development, while under Alternative 2 there could be a total of 5,246 housing units and over 16 million square feet of development. Maximum building heights are proposed to increase from a range of about 20 to 75 feet (with heights up to 150 feet in the Medical Institution District) under existing conditions and the No Action Alternative to a range of about 35 to 250 feet under Alternative 1, and 120 to 250 feet under Alternative 2.

This analysis broadly reviews impacts of the alternatives on the employment mix and potential for economic development, as well broad fiscal impacts, based on publicly available data sources.

### **Impacts On Employment Growth**

While the Study Area's employment is anticipated to grow under all alternatives, the job mix would vary under each alternative due to the different zoning and land use policies contemplated. Under the No Action Alternative, potential job growth in the Study Area would likely mirror existing employment clusters, with growth primarily in office and retail sector jobs. Alternatives 1 and 2 could change the job mix: the addition of commercial office development to medical office space could create the potential for a more diverse set of service sector employers to locate in the Study Area.

Based on building square feet per employee ratios provided by the City of Bellevue and industry averages, jobs in the Study Area are expected to increase under all alternatives. The No Action Alternative could result in up to 1,780 new jobs, Alternative 1 could result in up to 17,541 new jobs and Alternative 2 could result in up to 23,726 new jobs. The largest additions in jobs are in office employment. The No Action Alternative could add up to 1,371 office jobs, Alternative 1 could add as many as 14,101 office jobs, and Alternative 2 could add as many as 19,074 office jobs in the Study Area. The No Action Alternative could add up to 378 retail jobs to the Study Area, while Alternative 1 could add 1,603 and Alternative 2 could add 2,168 retail jobs. Potential employment growth in hotel jobs is relatively lower across all alternatives. Industrial jobs could increase modestly under the No Action Alternative, while no industrial employment is expected under Alternatives 1 and 2. See Exhibit 3.6-3.

**Exhibit 3.6-3** Estimated Potential Employment in the Study Area, 2035

LAND USE TYPE	EXISTING DEVELOPMENT	SF/ JOB	NO ACTION ALT.		ALTERNATIVE 1		ALTERNATIVE	
			Sq. Feet	Jobs	Sq. Feet	Jobs	Sq. Feet	Jobs
Housing	250,000	NA	85,440	NA	3,548,600	NA	4,800,000	NA
Office	980,000	270	370,299	1,371	3,807,400	14,101	5,150,000	19,074
Retail/Commercial	955,000	333	126,010	378	533,800	1,603	722,000	2,168
Hotel	250,000	1,500	42,904	29	720,900	481	975,000	650
Medical (Institutional/Office)	1,140,000	600	see office		813,300	1,356	1,100,000	1,833
Industrial	30,000	600	983	2	0	0	0	0
<b>Subtotal 2035 Net Jobs</b>				<b>1,780</b>		<b>17,541</b>		<b>23,726</b>
Existing Jobs (ESD, PSRC)	3,605,000			10,366		10,366		10,366
<b>Total 2035 Jobs</b>				<b>12,146</b>		<b>27,907</b>		<b>34,092</b>

Source: Leland Consulting Group, 2017; King County, 2014; BERK, 2017

As future development occurs, some businesses may be displaced through redevelopment or priced out as land prices and rents increase. These could include single-purpose low-intensity uses, small-scale retailers, and auto dealerships. Future development is expected to focus on parcels likely to redevelop (see Exhibit 3.5-9, Exhibit 3.5-10, and Exhibit 3.5-12), which includes several auto dealerships. Given their large parcel sizes, freeway exposure, location between Downtown and BelRed, and proximity to planned light rail, auto-dealership sites have high long-term redevelopment potential, and market factors may cause these sites to redevelop regardless of any changes to land use.

Overall, potential displacement of some businesses (including but not limited to auto dealerships), could occur under all alternatives, but may be lower in the No Action Alternative. Increases in development space under Alternatives 1 and 2 may be sufficient to accommodate any businesses that may be displaced, since most current businesses are generally of the type that can be accommodated in mixed-use environments. Increasingly, this is the case for auto dealerships as well. Although most auto dealerships across the county occupy low-slung buildings surrounded by large surface lots of parking, some dealerships have changed their form to a higher-intensity, urban format as suburban commercial areas redevelop into urban, mixed-use environments. Urban-format dealerships have become part of mixed-use development by storing their cars in a parking garage and occupying storefronts along with other non-auto retailers.



### Impacts on Economic Development Strategy

On a citywide basis, it is helpful to understand how this job growth aligns with Bellevue's Economic Development Strategy. Increasing the office and retail space in the Study Area provides the built infrastructure necessary for job growth and new business starts. This infrastructure can support jobs in established clusters (Information Technology, Healthcare) as well emerging clusters and sub-sectors. This aligns with the City's goal of a strengthened and diversified economic base.

In addition, increased residential capacity could improve the vitality of commercial areas and attract diverse retail sectors. Implementing development under Alternatives 1 and 2 would add capacity for up to 3,611 and 4,911 multifamily housing units respectively, compared to the No Action Alternative. For many commercial and retail neighborhoods, dense residential development is a key component of success, providing a customer base for restaurants and retailers.

### Impacts On Spending

Sales tax revenue is projected to be 26% of the General Fund for the City of Bellevue's 2017-18 budget. (City of Bellevue, 2017) Employees and residents both generate taxable retail sales, but they have different spending profiles. This section outlines the drivers and differences in spending patterns between the two groups. The Fiscal Impact section below focuses further on quantifying these differences.

*How does commercial development generate spending?*

**Employee Spending.** Office workers generate taxable retail sales near their office site through the purchase of goods and services. One of the primary purchases is food and coffee during the workday, but employees also generate retail spending nearby before and after work, and by conducting personal online shopping that is shipped to their office, most of which is taxable.

A 2012 study by the International Council of Shopping Centers (ICSC) found that the average weekly amount spent on all goods and services by an office worker near the person's office building was approximately \$102 per worker per week. This includes spending on food, retail, and services, and was found to be higher in dense urban areas where more offerings were available near the office.



**Purchase of Consumables.** Companies also act as consumers themselves by purchasing office supplies and equipment, such as paper, pens, and computers, that are subject to retail sales tax. Many offices purchase these supplies online and have them delivered to the office site, which would source the sale within the City of Bellevue's tax area.

**Purchase of Taxable Services.** Companies also purchase many taxable services to support business operations. Services such as networked telephones, catering, and equipment are all taxable to the site of the business purchasing the service.

**Leasing Tangible Property.** While not all leases are subject to sales tax, such as leasing the office space itself, leased items such as copy machines/printers and vehicles used by the company generate sales tax revenue for the City.

**Tenant Improvements.** While both residential and commercial development generate sales tax on the initial building construction, commercial development tends to generate more construction sales tax over time due to ongoing and/or periodic tenant improvements. The level of tenant improvement spending will depend on the types of companies that lease space and the rate of tenant turnover.

*How does residential development generate spending?*

**Household Purchases.** Residents generate taxable sales through purchase of items for the household, such as consumables, appliances, and décor, and through purchases for people in the household, such as clothing or electronics. Given Bellevue's ample retail offerings and the rise of online shopping that charges sales tax based on delivery addresses, it is likely that a substantial share of the retail sales generated by residents of the Study Area would be captured within the City of Bellevue.

**Recreational Spending.** Residents also spend on recreational activities and personal services, such as a night of bowling, a gym membership, or eating out at restaurants and bars. Creating a walkable community with both residences and retail makes consumers more likely to recreate and spend near home.

**Leased Vehicles.** Many people lease instead of purchase a vehicle for personal use. Sales tax is charged on a leased vehicle based on the primary residence of the lessee, and therefore each Study Area resident who leases a vehicle would generate tax revenue to the City of Bellevue.



## Fiscal Impacts

This section broadly discusses how changes to land use in the Study Area would impact the City's operating revenues, mainly sales and property taxes. Changes to operating revenues will depend on how different development types drive General Fund tax revenues. This analysis is broken down between impacts from on-site activity, such as sales at retail locations, and off-site impacts, such as spending by Study Area residents throughout the city.

Detailed estimates of changes to operating costs, driven by how development will impact the City's public services such as law enforcement, fire protection and emergency medical services, and parks, are not part of the scope of this discussion.

### Fiscal Impacts of On-site Activity

To understand the directionality and magnitude of the fiscal impacts of Alternatives 1 and 2 on operating revenues, this section describes the impacts from on-site activity on the City's primary General Fund tax revenues under all alternatives. Revenues that constitute a minor portion of the City's budget or that would not be impacted by zoning changes are not discussed. Tax revenues discussed are sales tax, property tax, and other taxes.

#### *Sales Tax*

As described above, sales tax revenue is the single biggest revenue source for the City's General Fund, comprising an expected 26% of revenue in the 2017-18 biennium. (City of Bellevue, 2017) Sales tax is a volatile revenue stream that can vary based on the economic climate. During the 2007 boom, sales tax in Bellevue grew by 16.6 percent, driven mostly by construction. During the 2009 recession, it fell by 15.2 percent. Sales tax revenue is generated from taxable sales of goods occurring within the city's boundaries, expenditures by households and businesses (including purchases of goods delivered to addresses within the city, such as from online retailers), and development activity. Differences in sales tax revenue between the No Action Alternative and the Alternatives 1 and 2 will stem from three components: one-time and ongoing sales tax on construction (discussed together below), and ongoing sales tax from purchases.



**One-time and Ongoing Construction Expenditures.** Development comprises a historically large proportion of Bellevue's sales tax collections. The initial construction of the development will generate sales tax for the full cost of supplies, material, and labor used in construction. Rider Levett Bucknall's (RLB) Second Quarter 2017 Quarterly Construction Cost Report provides the average cost of construction in the Seattle metro area for office, retail, and residential construction and allows us to estimate the range of impacts for the different alternatives.

RLB states the average cost of building prime office space is \$200 to \$250 per square foot; the cost of building multifamily is \$150 to \$250 per square foot; the cost of building hotel is \$220 to \$235 per square foot; and the cost of building retail is \$135 to \$305 per square foot. Using the midpoint point of these ranges, Exhibit 3.6-4 shows how construction under each alternative may translate into construction-related sales tax revenues to the City.

**Exhibit 3.6-4** Estimated Sales Tax Revenues from Construction

	PRIME OFFICE	MULTIFAMILY	RETAIL CENTER	HOTEL	TOTAL
Cost per SF	\$225	\$200	\$220	\$228	
<b>No Action Alternative</b>					
SF	\$370,299	\$85,440	\$126,010	\$42,904	<b>\$624,653</b>
Cost	\$83,317,237	\$17,088,000	\$27,722,187	\$9,782,075	<b>\$137,909,499</b>
Sales Tax	\$6,373,769	\$1,307,232	\$2,120,747	\$748,329	<b>\$10,550,077</b>
<b>Alternative 1</b>					
SF	\$4,620,700	\$3,548,600	\$533,800	\$720,900	<b>\$9,424,000</b>
Cost	\$1,039,657,500	\$709,720,000	\$117,436,000	\$164,365,200	<b>\$2,031,178,700</b>
Sales Tax	\$79,533,799	\$54,293,580	\$8,983,854	\$12,573,938	<b>\$155,385,171</b>
<b>Alternative 2</b>					
SF	\$6,250,000	\$4,800,000	\$722,000	\$975,000	<b>\$12,747,000</b>
Cost	\$1,406,250,000	\$960,000,000	\$158,840,000	\$222,300,000	<b>\$2,747,390,000</b>
Sales Tax	\$107,578,125	\$73,440,000	\$12,151,260	\$17,005,950	<b>\$210,175,335</b>

Note: Estimated Sales Tax assumes 90% of construction cost is taxable.

Source: City of Bellevue, 2017; Rider Levett Bucknall, 2017; BERK, 2017



The range of construction costs for each development type are wide and therefore final construction estimates could vary significantly from the above; nevertheless, using the midpoint results shows the difference in relative construction costs under the three alternatives.

- Alternative 2 would likely generate the highest construction spending and the highest resulting sales tax revenue due to having more building space to construct compared to Alternative 1. In addition, construction costs could increase as the greater density allowed under Alternative 2 could shift the type of material from wood frame to the relatively more expensive steel/concrete construction.
- Alternative 1 would likely generate less potential sales tax revenue than Alternative 2 due to construction of less building space, but far more than the No Action Alternative, which has the least projected new building space.

The above table shows the potential sales tax impacts from new construction, but ongoing sales tax from construction will be generated by improvements and renovations as well. Office space can have ongoing and periodic tenant improvements when leases change hands. Residential uses would likely generate less in terms of ongoing construction activity, as it is limited to unit by unit improvements such as investments in new carpeting, bathroom or kitchen remodels, and other smaller-scale contracting activities.



**Ongoing Sales Tax from Retail Purchases.** This section analyzes current and projected future sales tax revenue from retail purchases in the Study Area.

- Current Retail Sales: Per Department of Revenue (DOR) data, Taxable Retail Sales (TRS) in the Study Area are concentrated in the Retail Trade category (~63%). Based on DOR data, current TRS per square foot of retail space in the Study Area is \$513, a relatively high number, likely because of the presence of several auto dealerships. See Exhibit 3.6-5.

**Exhibit 3.6-5** Taxable Retail Sales by Sector in the Study Area, 2015

NAICS	SECTOR	% OF TOTAL	ESTIMATED TAXABLE RETAIL SALES
23	Construction	26.3%	\$205,740,000
31-33	Manufacturing	0.4%	\$2,750,000
42	Wholesale Trade	0.7%	\$5,130,000
44-45	Retail Trade	62.5%	\$489,490,000
48-49	Transportation and Warehousing	0.0%	\$10,000
51	Information	0.5%	\$3,750,000
52	Finance and Insurance	0.1%	\$560,000
53	Real Estate and Rental and Leasing	0.4%	\$3,300,000
54	Professional, Scientific, and Technical Services	0.4%	\$2,760,000
55	Management of Companies and Enterprises	0.0%	\$0
56	Admin & Support & Waste Mgmt & Remediation Services	0.2%	\$1,260,000
61	Educational Services	0.0%	\$320,000
62	Health Care and Social Assistance	1.4%	\$10,650,000
71	Arts, Entertainment, and Recreation	0.0%	\$140,000
72	Accommodation and Food Services	5.2%	\$40,760,000
81	Other Services (except Public Administration)	1.4%	\$10,980,000
92	Public Administration	0.7%	\$5,690,000
<b>Total</b>		<b>100%</b>	<b>\$783,290,000</b>

Source: Washington Department of Revenue, 2015; BERK, 2017

- Potential Future Retail Sales Tax Revenue: Typically, sales tax revenues scale with retail square footage. Compared to existing conditions, the No Action Alternative is estimated to result



in approximately 126,010 more square feet of retail space, Alternative 1 approximately 533,800 more square feet of retail, and Alternative 2 approximately 722,000 more square feet of retail space. Since Alternative 1 could result in about 324% more retail space in the Study Area and Alternative 2 could result in 473% more retail space compared to the No Action Alternative, it is likely that sales tax revenue in the Study Area may be approximately 324% more under Alternative 1 and 473% more under Alternative 2, compared to the No Action Alternative.

These may only be a revenue gain to the City in the extent to which the additional retail space is not accompanied by loss of retail elsewhere in the city. Leland Consulting Group's Wilburton Area Market Analysis (March 2017) looked at the anticipated demand for retail in a larger area including the City of Bellevue and those portions of Redmond and Kirkland south of Redmond Way/Central Way. The market area is an analytic concept used for market analyses; it is the larger context area from which a majority (70 to 80 percent) of demand for real estate is expected to originate—for example, residents' demand for retail goods and services supplied in the Study Area. It is also the primary area in which other districts or projects may compete with Wilburton.

Per the Leland report, a growing population base, as well as a growing base of employees throughout the market area in the next decade will likely create new demand for 4,400,000 square feet of retail throughout the market area. The analysis also projects that the Study Area may capture between 416,000 to 722,000 square feet of retail space over the next 20 years.

Per the report, by year ten, new retail space in the Study Area could generate between \$240 to \$500 of retail sales per square foot based on the type of retail.

- » Using the lower point of this projection, Alternative 1 with 533,800 square feet of retail space could generate about \$128,112,000 in taxable retail sales for the City per year. This translates to about \$10,889,520 in annual sales tax revenue, an increase of \$5,394,857 over the No Action Alternative.<sup>1</sup>

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<sup>1</sup> Assuming current TRS per square feet of retail space of \$513 for the No Action.



- » Alternative 2, with 722,000 of retail square feet, may generate \$173,280,000 in taxable retail sales, which could generate about \$14,728,800 in annual tax revenue, an increase of \$9,234,137 over the No Action Alternative.

Based on the Leland report's low range estimate (which does not include automotive sales) the significant increase in retail space in Alternatives 1 and 2 has the potential to partially offset loss in auto sales tax revenue. Additionally, retail auto sales could be incentivized to reconfigure into a more urban and compact form, compared to their current surface lot configuration.

**Differences in Taxable Retail Sales Generated by Office and Residential Properties.** Beyond retail space, the No Action Alternative could add approximately 370,299 square feet of office space and approximately 89 multifamily housing units over existing conditions. Alternative 1 could add 3,807,400 square feet of office and 3,700 housing units and Alternative 2 could add 5,150,000 square feet of office and 5,000 multifamily housing units.

The Economic Impacts section above laid out the different ways that office and residential development affect spending. Alternatives 1 and 2 could both result in more spending in the Study Area compared to the No Action Alternative, which may create far fewer new jobs (1,689 versus 17,736 for Alternative 1 and 23,990 for Alternative 2). The extent of sales tax generated depends on the types of companies that lease the new office space. Companies that purchase a high level of supplies, such as paper or computers, or lease multiple vehicles for their fleet will generate more sales tax than a company with negligible need for physical operations support, such as a call center.

#### *Property Tax*

Property tax is another important revenue source for the City. For the 2017-18 biennium, property tax revenues were 18 percent of General Fund revenues. (City of Bellevue, 2017)

When a new building is constructed, the City can add that assessed value (AV) to its tax rolls and collect revenues on it. In this way, AV from new construction is the only way for a jurisdiction to increase its property tax revenues by more than one percent per year without increasing its property tax levy. The impact of the Alternatives 1 and 2 on property tax collected will therefore be the



difference between the AV of the development under the No Action Alternative and under Alternatives 1 and 2.

Assessed value depends on both the assessed value of land, and on improvements (buildings). Broadly speaking, assessed land values in King County are generated based on a complex valuation model that takes into account land sales of properties with the same zoning or with similar development potential. The model also uses location influence and lot size as an indicator for setting land values, and makes some adjustments based on individual site variations. Based on the King County Assessor's Commercial Revalue 2017 Assessment report of the area, typical land values (as price per square feet of land area) are higher for mixed-use zoning categories relative to single-purpose zoning categories. For example, for Downtown Bellevue, typical land values for single-purpose office uses range from \$70-\$115 and single-purpose multifamily residential uses are in the \$50 range. Typical land values for mixed-use zoned land is in the \$150-\$335 range.

Zoning and development potential under the No Action Alternative will remain similar to the existing condition, with similar assessed land values. These range from:

- \$35-\$80 for BR-CR
- \$40-\$90 for BR-GC and GC
- \$70-\$90 for BR-MO-1
- \$45-\$85 for CB
- \$70-\$80 for MI
- \$45-\$85 for O, OLB and PO
- \$30-\$35 for R-20 and \$35-\$40 for R-30

Under the No Action Alternative there is likely to be some redevelopment near the light rail station, but concentrated, transit-oriented, mixed-use development is not anticipated. Based on this, typical land values for parcels likely to redevelop may remain in the \$40-\$90 range (BR-GC and GC zones).

Alternative 1 assumes a significant change in land use patterns. Based on the potential for redevelopable land, Alternative 1 assumes new growth of about 9.4 million square feet of new development and a buildout total of 13.1 million square feet of development within the 2035 planning horizon. Office space may comprise about half of the projected total development, with about 30% of the office development associated with the Medical



Institution District. Approximately 4.8 million square feet of (non-medical) office uses will make up the bulk of the non-residential development under Alternative 1. Under Alternative 1, mixed-use development is much more likely than under the No Action Alternative. Office, housing, and hotel uses are much more likely to include ground floor retail uses, particularly around NE 8th Street in proximity to the light rail station.

Alternative 2 could have a similar land use mix as Alternative 1 but higher levels of development are expected throughout the Study Area. Mixed use buildings with ground floor retail uses are more likely to occur throughout the Study Area, but with the most intensity around NE 8th and along 116th Ave NE. Activity levels in the Study Area are projected to be significantly higher than under the No Action Alternative, and higher than Alternative 1 by at least 35%.

Given the complexity of the land valuation model, it is difficult to predict the exact magnitude of change for assessed land values in Alternatives 1 and 2. Based on the differential in value among zoning categories in the current valuation, however, it is likely that a development pattern that emphasizes mixed-use and building forms that include office buildings with ground-floor retail will have higher assessed land values. While zoning categories for the area have not been determined yet, it is anticipated that the zoning associated with these alternatives is likely to be like rules established for the BelRed area in section 20.25D of the land use code. Typical land values could be between current values for BR-CR (\$75-\$85) and values for DNTNO-1 (\$375-\$400). These values represent 2016 estimates from the King County Assessor.

Assessed building values of potential future development will depend heavily on the construction quality and finishes of the final projects; in general, higher quality and/or sustainable building materials will result in higher building values. Therefore, Alternatives 1 and 2 are likely to generate a greater bump in new construction assessed value than the No Action Alternative.

### **Other Taxes**

In addition to sales and property taxes, the City of Bellevue collects Business and Occupation taxes, utility taxes, admission tax and gambling taxes. Based on the City's estimates, the largest single source (56%) of current tax revenue from these sources in the Study Area is retail space, which generates \$1.24 per square foot.



Utility taxes are charged based on total utility revenues, and revenue to the General Fund scales directly with the quantity of utilities purchased by tenants. The new development in the Study Area is proposed to be served by both public and private utilities, and therefore could generate utility tax revenue for the City based on the total utility billing generated by the building's occupants. Both commercial and residential complexes can be heavy users of utilities. Office development tends to use significant amounts of electricity and includes purchases of expensive telecom services. Residential buildings are also heavy electricity users, as well as water, sewer, and garbage. Actual utility usage will depend on the final construction design, as buildings vary significantly in energy efficiency depending on design decisions such as materials and energy sources for HVAC systems and cooking appliances.

Since Alternatives 1 and 2 may have more retail, office, and residential development than the No Action Alternative, they could generate more revenue from these taxes on an annual basis.

### **Off-site Fiscal and Economic Impacts**

Off-site fiscal impacts stem from how the employees and residents in the Study Area interact with the surrounding community, and mostly relate to taxable retail purchases. Off-site spending could benefit local businesses as well the City's tax base. Office employees generate off-site spending when they go out for lunch or run errands. Residents generate off-site spending when they purchase personal or household items, go out to eat, or lease or purchase vehicles.

For both office and residential uses, the potential to capture taxable spending as sales tax revenue depends on the amenities available within the city. This analysis compares the potential spending by office workers and residents under the alternatives. Under all alternatives, the actual spending captured within the City of Bellevue will depend on consumer behavior and available spending opportunities.



**Office.** Per the ICSC study noted above, a single office worker may generate approximately \$102 per week in taxable spending near the office site. This spending could translate to about \$81.6 million in annual taxable retail sales under Alternative 1 and \$110 million under Alternative 2. If the City of Bellevue could capture all or most of this spending, it could generate approximately \$6,943,988 and \$9,392,500 in annual sales tax revenues, respectively.

**Residential.** The *2012 Kirkland Tax Burden Study* identified that a typical condominium household spends approximately 36% of its annual household income on taxable purchases that occur near the home; such as meals at restaurants, apparel, entertainment, household supplies, and personal care products. Using this assumption and Bellevue's median household income of \$98,804, a typical condominium household in Bellevue spends approximately \$35,600 on taxable purchases near their home. The 89 new households in the No Action Alternative could generate approximately \$3.1 million in annual taxable sales, while the 3,700 households in Alternative 1 could generate approximately \$131 million, and the 5,000 households in Alternative 2 could generate approximately \$178 million. If the City of Bellevue could capture this spending within City boundaries, it could generate up to \$270,000 in annual sales tax revenue under the No Action Alternative, approximately \$11 million under Alternative 1, and \$15 million under Alternative 2.



## PERFORMANCE MEASURES EVALUATION

As described in the Introduction, there are seven performance standards for Economic Activity, shown in Exhibit 3.6-6 along with a summary of how each alternative performs. Following the Exhibit is an explanation of each standard.

Exhibit 3.6-6 Evaluation Framework: Comparison of Alternatives—Economic Activity

PERFORMANCE MEASURE	NO ACTION ALTERNATIVE	ALTERNATIVE 1	ALTERNATIVE 2
Diversity and number of jobs that support the Economic Development Strategic Plan	▼	▲	▲
Opportunities to leverage jobs in medical and technology sectors, as well as commercial uses, as part of mixed-use development	▼	▲	▲
A strengthened and diversified economic base: capacity for job growth by sector, business starts	▼	▲	▲
Auto sales tax revenue offset by new economic development activity	▼	●	▲
Towards a sustainable city: mobility and congestion, workforce housing, natural environment	▼	▲	▲
Create an opportunity for a district that promotes health and wellness (based on land use case studies)	●	▲	▲
Urban amenities measure such as potential future density of stores, parks, etc.	●	▲	▲

▲ Strong Emphasis   ● Moderate Emphasis   ▼ Weak Emphasis

### Performance Measures

### Diversity and Number of Jobs That Support the Economic Development Strategic Plan and Opportunities to Leverage Jobs in Medical and Technology Sectors, as Well as Commercial Uses, as Part of Mixed-use Development

Walkable, mixed-use, urban areas with recreational amenities are more attractive locations for businesses that employ knowledge-workers such as technology companies. Studies reveal that knowledge workers often choose to be physically close to other knowledge workers, where the proximity to ideas and networks can accelerate their work, and neighborhood quality and amenities support their lifestyle preferences. A 1998 KPMG survey of more than 1,200 high-technology workers looked at the factors associated with the attractiveness of a new job. Community quality of life was second only to salary (outperforming benefits, stock



options, or company stability). In this way, aspects of neighborhood character can attract businesses and support economic growth.

Under the No Action Alternative, existing regulations only require new development in the current low-intensity pattern. Development in a mixed-use, higher intensity development pattern under Alternatives 1 and 2 will bring in more jobs as well as a diverse set of employers and potential new businesses. Emphasis on job number, density, and diversity as well as opportunities to leverage jobs as part of mixed-use development are strong under Alternatives 1 and 2 and weak under the No Action Alternative.

### **A Strengthened and Diversified Economic Base: Capacity for Job Growth by Sector, Business Starts**

Performance Measure

Under all alternatives, there is potential for job growth. Given the lower amount of development under the No Action Alternative, there may be limited capacity for job growth or business starts. In addition to the limited capacity, the development pattern under the No Action Alternative is likely to be less attractive to certain sectors of the economy. Under the No Action Alternative, the area will maintain its current low-density, auto-oriented development pattern, which is not the type of physical environment that companies that employ knowledge workers, such as technology entrepreneurs or established technology companies, typically choose to locate in. Emphasis is therefore weak under the No Action Alternative, and strong for Alternative 1 and 2.

### **Auto Sales Tax Revenue Offset by New Economic Development Activity**

Performance Measure

Under all alternatives, there is potential for loss in auto sales tax revenue. Given the lower intensity of development under the No Action Alternative, there may be limited ways to offset the losses in auto sales tax revenue and emphasis is weak, assuming that some auto retailers may move out over time. New economic activity based on development under Alternative 1 may partially offset a loss in auto sale tax revenue, while the higher intensity of development under Alternative 2 has a stronger potential to offset a loss in auto sales tax revenue. Emphasis is therefore moderate in Alternative 1 and strong in Alternative 2.

**Performance Measure****Towards a Sustainable City: Mobility and Congestion, Workforce Housing, Natural Environment**

Under all alternatives, the most likely areas for redevelopment are centrally located near the Eastside Rail Corridor, near NE 8th St or 116th Ave NE around the Wilburton light rail station. Zoning under Alternatives 1 and 2 could allow greater development intensity in this area in a more transit-oriented development pattern and may result in a strong emphasis on sustainability and mobility. The No Action Alternative has the least development intensity and the lowest allowed building heights, and maintains the existing car-oriented land use pattern, and so it has a weak emphasis on sustainability and mobility.

**Performance Measure****Create an Opportunity for a District That Promotes Health and Wellness (Based on Land Use Case Studies)**

Studies reveal that mixed-use development patterns increase opportunities for physical activity, especially when combined with improvements to transportation such as developing public transit, non-motorized trails or sidewalks. This combination creates greater opportunities for active transportation such as biking and walking. In addition, increases in green spaces could also provide more opportunities for physical activity, especially for children. Increases in physical activity is tied to greater health and wellness. Increases in walking and biking in the area could reduce Vehicle Miles Traveled (VMT) and greenhouse emissions that affect climate change, also contributing to better health. Alternatives 1 and 2 will change the development pattern in the area to a walkable, mixed-use pattern. As a result, emphasis is strong for both alternatives. Transportation and green space improvements such as the addition of light rail, and the Eastside Rail Corridor, which would happen under the No Action Alternative could increase opportunities for physical activity. The effect is likely to be less pronounced, however, since the development pattern will continue to be low-density and car-oriented. As a result, emphasis is moderate for the No Action Alternative.



## Urban Amenities Measure Such as Potential Future Density of Stores, Parks, Etc.

### Performance Measure

Under Alternatives 1 and 2, new development regulations would require and incentivize the creation of parks, open spaces, and public gathering spaces throughout the Study Area in accordance with one or more of the options in Exhibit 2-26. This will increase the walkability and access to green space in the area, leading to a higher emphasis on health and wellness in Alternatives 1 and 2 and a moderate emphasis in the No Action Alternative. Given the potential new development pattern and greater intensity of development under Alternatives 1 and 2, emphasis on urban amenities is higher than under the No Action Alternative.

## Grand Connection

There are three options for the Wilburton portion of the Grand Connection that would occur under Alternatives 1 or 2; they would not be implemented under the No Action Alternative. The options range from a sculptural bridge (Option A), a linear bridge (Option B), and the creation of a park with a partial lidding of I-405 between NE 6th Street and NE 4th Street (Option C).

Of the three options, options A and B require the conversion of the 4.22-acre City-owned Lincoln Center parcel and other adjacent properties such as the vacant 1.31-acre parcel east of the Lincoln Center parcel currently used as a parking lot. Of the two, Option A with the sculptural bridge would require the conversion of both parcels into public space, limiting their development for other land uses. Option B with a signature standalone bridge design could include or be integrated with a park or plaza on the City-owned Lincoln Center site and other properties. This option involves some conversion of the City-owned parcel into public space that would only partially limit its development for other land uses. Option C with the partial lidding design would cover I-405 with a lid over the existing interstate ramps between NE 4th Street and NE 6th Street to create a rolling terrain of about 200,000 square feet. This area could be used as a park or other public space and would connect with development on both sides of the interstate via the podiums of future development. Option C would require only a partial conversion of the northern most portion of the City-owned parcel at Lincoln Center for access to the street level of the Study Area and a modest stormwater facility.



The table below reflects costs for the three options for the Grand Connection. The costs are preliminary estimates based on the visioning exercise and would need substantial refinement during design. For Options A and B, the costs reflect property acquisition costs as well as costs for structure, landscape, and other related design elements.

**Exhibit 3.6-7** Estimated Costs for Grand Connection Options

OPTION	DESCRIPTION	LOW*	HIGH*
Option A	Sculptural Bridge	\$52.80	\$73.10
Option B	Linear Bridge	\$48.70	\$66.10
Option C	Lid Park	\$116.10	\$130.10

\* In Millions

Note: Estimates include structure cost, landscape and hardscape, urban amenities (benches, handrails, etc.), lighting, utilities, and property acquisition (applicable to options A and B).

Source: City of Bellevue, 2017; Balmori, 2017

The acquisition of two parcels of land for Options A and B would have revenue implications as well, since this would remove these OLB-zoned parcels for development opportunities, including the loss of potential tax revenue in the long term. According to the King County assessor, the typical land value range for OLB zoning in this area is \$45-\$85 per sf. The smaller of the two parcels, the vacant, privately-owned parking lot, has a 2017 appraised value of \$4,560,000 which reflects the higher end of the typical land value range (~\$80 per sf).

**Consequences to the City-Owned Parcel (Lincoln Center)**

As referenced above, the Grand Connection Options A and B both assume the creation of some amount of public space or park in the Study Area and may require the conversion of all or part of the City-owned property, and the acquisition of additional privately owned property to realize the vision. Creating a new park will include the cost of acquiring the land and costs for developing the facility itself. Conversion of all or part of City-owned land into open space in Options A and B could have revenue implications, given the loss of development potential on these parcels and loss of tax revenue in the long term. The conversion of vacant land to park and public space can affect property values beyond the parcels themselves.



It is hard to quantify the extent to which parks or open space can affect property values. The addition of open space will improve the livability of the area and make the area more desirable to potential residents as well as knowledge workers and talent. Tourists and visitors are also likely to come to the Study Area when more placemaking elements like parks are present. This could have positive impacts on economic benefits since it could enhance property values.

Among the public space options under consideration, the Grand Connection Lid and Civic Center could create a significant open space amenity within the Study Area. With good connections to Downtown, and the capacity for large-scale events and gatherings, these open spaces could have citywide and regional appeal and draw residents and employee users as well as tourists. Neighborhood Green, which includes smaller, distributed spaces, may be less likely to draw residents and employee users from areas outside the Study Area, or tourists, given the limited ability to host large events or gatherings.

Several studies conducted over the last twenty years confirm a positive connection between parks and property values and increased tourist spending. In addition, a 2011 study found that Seattle's parks system was worth over \$650 million in economic terms. Direct income to the City came from increased property tax from the increase in value of residences that are close to parks, which came to nearly \$15 million. In addition to increased tax money, increased property tax and sales tax spending from tourists (who were drawn because of the parks) increased the collective wealth of Seattleites— by more than \$80 million in total property value and by more than \$30 million in net income from tourist spending. In addition, a 2010 study by Shoup, Lily and Reid Ewing, found that the value increases to homes located within 1,500 feet of parks ranged from \$10,648 for Natural Areas, \$5,657 for Specialty Parks and \$1,214 for Urban Parks. Among the open space options under consideration, Neighborhood Green, which includes multiple, smaller public spaces (public plazas, neighborhood parks or other types of open spaces) spread throughout the Study Area could provide easier access to open space across the Study Area than the Lid or the Civic Center.



## IMPACTS OF THE NO ACTION ALTERNATIVE

All three alternatives could create the opportunity for employment in the Study Area, but each would distribute the growth differently among industry sectors and geographically. The No Action Alternative may have the lowest impact on job growth and diversity. Given the low intensity of commercial development anticipated, new jobs could mirror existing patterns and are likely to be clustered in the retail sector and scattered across the Study Area. Increased diversity in the Services sector is unlikely, given that relatively little office space is being added to the Study Area under the No Action Alternative.

In terms of fiscal impacts, the No Action Alternative could have a comparatively smaller benefit given lower levels of the one-time sales tax on construction, periodic sales tax on construction related to ongoing renovations or tenant changes, sales tax from retail spaces, sales taxes from office and housing, as well as property and other City taxes. Market factors may cause auto-dealership sites to redevelop under the No Action Alternative as well, leading to some loss of sales tax revenue compared to existing conditions. The relatively smaller amount of retail space (and office space) that will be added to the Study Area under No Action Alternative is unlikely to offset this potential loss. Costs related to the provision of City services like fire, emergency medical services, and parks may be like existing conditions.

## IMPACTS OF ALTERNATIVE 1

Alternative 1 may have more of an impact than the No Action Alternative on job growth and diversity. The addition of significant new office space could diversify the set of Services-sector employers in the Study area. The change of development pattern to a mixed-use environment under Alternative 1 may also attract a different set of employers than those that are likely under the No Action Alternative. New jobs are likely to be concentrated in the node of development around the Wilburton light rail station and NE 8th St., creating more transit-accessible jobs in the Study Area than under the No Action Alternative.

Alternative 1 may have comparatively higher benefits on fiscal impacts than the No Action Alternative, given potentially higher revenues from the one-time sales tax on construction, periodic



sales tax on construction related to ongoing renovations or tenant changes, sales tax from retail spaces, sales taxes from office and housing, as well as property and other City taxes.

Alternative 1 includes the potential redevelopment of several auto-dealership sites. It is possible that auto dealerships continue to operate in the Study Area in a different format. Several dealerships across the country have adapted their designs to fit into higher-intensity, mixed-use environments such as the one anticipated under Alternative 1. The relatively large amount of retail space (and office space) that could be added to the Study Area under Alternative 1 is likely to offset losses in tax revenue from auto sales, should dealerships leave the area. Given the higher activity and households anticipated under Alternative 1, costs related to the provision of City services like fire, emergency medical services, and parks could be higher than under the No Action Alternative. The City budget as well as mechanisms like system development charges or impact fees could mitigate potential increases to costs anticipated under Alternative 1.

## IMPACTS OF ALTERNATIVE 2

Alternative 2 may have the most impact on job growth and diversity. The addition of significant new office space under Alternative 2 could add a more diverse set of Services-sector employers. Like Alternative 1, the change of development pattern to a mixed-use environment under Alternative 2 may attract a different set of employers than those that are likely under the No Action Alternative. New jobs are likely to be concentrated in a node around the Wilburton light rail station, near NE 8th St., and along 116th Ave NE, creating more transit-accessible jobs than under the No Action Alternative or Alternative 1.

In terms of fiscal impacts, Alternative 2 may have comparatively higher benefits than the No Action Alternative and Alternative 1, given potentially higher levels of revenue from the one-time sales tax on construction, periodic sales tax on construction related to ongoing renovations or tenant changes, sales tax from retail spaces, sales taxes from office and housing, as well as property and other City taxes.

Alternative 2 also includes the potential redevelopment of several auto-dealership sites. It is possible that auto dealerships continue to



operate in the Study Area in a different format. Several dealerships across the country have adapted their designs to fit into higher-intensity, mixed-use environments such as the one anticipated under Alternative 2. The relatively large amount of retail space (and office space) that could be added to the Study Area under Alternative 2 is likely to offset losses in tax revenue from auto sales, should dealerships leave the area. Given the higher activity and households anticipated under Alternative 2, costs related to the provision of City services like fire, emergency medical services, and parks could be higher than under the No Action Alternative or Alternative 1. The City budget as well as mechanisms like system development charges or impact fees are likely to mitigate any potential increases to costs anticipated under Alternative 2.

## 3.6.4 MITIGATION MEASURES

### INCORPORATED PLAN FEATURES

As described above, the City of Bellevue has an Economic Development Plan with direct and foundational strategies. This Plan and the Economic Development Element of the Comprehensive Plan focus on outcomes such as a strong and diverse economic base, a strong regional economy, employment opportunities and paths to prosperity for a wide range of residents, an attractive place to do business, and a sustainable city. Other elements of the Comprehensive Plan include policies that further these goals. These include policies regarding development of infrastructure, including roadways, transit facilities, and telecommunications (Transportation and Utilities Elements); policies on creating a vibrant and attractive environment and on-going support for arts and culture in Bellevue (Urban Design and the Arts Element); and policies that address the creation of affordable housing (Housing Element).

All alternatives increase development capacity for jobs in the area and support the foundational strategies in the Economic Development Plan and the intent of the Comprehensive Plan Economic Development Element. Alternative 1 and Alternative 2 offer greater opportunities for mixed-use development at high densities that support these policies. In addition, investments in infrastructure such as roadway improvements, the Wilburton light rail station, Eastside Rail Corridor and the Grand Connection



support long-term economic development and could serve to mitigate impacts associated with the alternatives.

## REGULATIONS AND COMMITMENTS

The Bellevue City Code contains regulations that support economic development goals and address fiscal considerations.

- **Development Regulations:** Title 20 is the Bellevue Land Use Code, which establishes zoning and development regulations. These development regulations govern permitted uses, site planning, and seek to minimize land use incompatibilities.
- **Budget and Capital Facilities Plan:** The City's Budget and Capital Facilities Plan addresses ways to balance service delivery and the use of revenues and may mitigate any impacts associated with the alternatives.
- **Other:** City regulations requiring system development charges or transportation impact fees could address cumulative and direct impacts to infrastructure and services. SEPA review of non-exempt development may also provide a means to mitigate impacts not addressed by City plans and codes.

## OTHER PROPOSED MITIGATION MEASURES

- **New Development Code:** Alternatives 1 and 2 could require the development of new or revised zoning and development regulations for the Study Area to provide for compatibility and economic development.
- **Incentives to Retain Businesses:** The City could consider offering incentives to developers that retain current businesses for a period of time or that offer business relocation assistance. This could be particularly beneficial in retaining auto retail sales in a more compact, urban form.
- **Business Relocation Assistance:** There are no general business relocation assistance programs sponsored by the City of Bellevue. The City could investigate whether relocation assistance can be provided by modifying or expanding existing business retention programs. Businesses that may need relocation assistance may benefit from business planning and financing support as well as guidance or outreach to connect property owners and tenants.



- **Affordable Office/Retail Program:** The City could explore a program to ensure affordable office and retail spaces are available. The programs could consider financial incentives (e.g., tax abatements similar to an office/retail equivalent of the MFTE), technical assistance and outreach, or the integration of office/retail affordability with livability initiatives.

### 3.6.5 SIGNIFICANT UNAVOIDABLE ADVERSE IMPACTS

Under all alternatives, additional growth may occur in the Study Area, leading to a generalized increase in building height and bulk and development intensity over time, as well as the gradual conversion of single purpose, low-intensity uses to higher-intensity mixed-use development patterns. This transition may be unavoidable but is not significant and adverse since this is an expected characteristic of a mixed-use center.

As the area develops, there may be displacement of existing jobs; however, there is sufficient employment space under any alternative to relocate the businesses and thus no significant unavoidable adverse impacts. Though rents may increase for relocated businesses within the Study Area, the customer base may increase. The potential growth in housing may create more potential customers for retail businesses, and opportunities for residents to live near their work.